REPORT AND ACCOUNTS

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Banco Montepio

This report is the English version of the document “Relatório e Contas 2023” delivered by Banco Montepio to the Portuguese Securities Market Commission (CMVM) in accordance with Portuguese Law. Should there be any doubt or contradiction between documents, the aforementioned Portuguese version prevails.

Banco Montepio

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MANAGEMENT REPORT

PART I

Banco Montepio

2023

REPORT AND ACCOUNTS

JOINT MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

BM

Banco Montepio

2023

2023 was an extraordinary year for Banco Montepio. On the one hand, the increased uncertainty brought about by the external context challenged our management model, which proved to respond in an effective, agile and resilient manner. On the other hand, the internal mobilisation of our people, their capacity for accomplishment and commitment, have made it possible to successfully deliver the Adjustment Plan begun four years ago. Finally, the market's independent recognition of Banco Monterio’s very positive evolution in a wide range of areas gives us renewed encouragement and confidence to continue our mission with courage and determination.

Uncertainty was exacerbated by the inflationary spiral resulting from the war in Ukraine caused by the Russian invasion, the escalation of the conflict in the Middle East and the deepening of geopolitical tensions, as well as the rather discouraging data on climate change. We witnessed a variety of political and regulatory interventions seeking to manage and mitigate the impacts on economic agents in general, with the banking sector once again playing an important role.

In the year in which we successfully closed our Adjustment Plan, our people took centre stage. We have simplified our structure, optimised costs, improved revenues and strengthened our capital organically. Thanks to a lot of hard work, rigour and commitment, we were able to achieve the highest recurring net operating income and capital ratios in our history. We valued Banco Montepio and in this way contributed to the sustainability of our reference shareholder.

The results achieved have had a tangible impact on our customers' lives. We have improved our offer and service to companies and social economy entities, our mortgage loans and investment in sustainability have been awarded by independent entities and the success of our recent progress has been recognised through successive rating increases: 6 levels by Fitch (since January 2022), 4 levels by Moody's (since October 2022) and 3 levels by DBRS (since February 2023).

The work we have done has led to the normalisation of our structural balance, and we owe this to our stakeholders, especially our customers and our people. This point of arrival is also a new point of departure, where we present ourselves more efficient, more solid and more agile to face the challenges ahead, particularly those of sustainable growth and profitability.

Faced with a future where opportunity and uncertainty often go hand in hand, the role we are called to play is to nurture and fulfil the hope of a better tomorrow. In the year in which we celebrate 180 years, with renewed energy, we will continue to fulfil our mission at the service of the country, families, companies and social economy entities.

Pedro Leitão Chairman of the Executive Committee	Manuel Ferreira Teixeira Chairman of the Board of Directors

REPORT AND ACCOUNTS

01

CORPORATE GOVERNANCE

Banco Montepio

2023

BOARD OF DIRECTORS

From left to right:

Jorge Almeida Baião (Executive Director); **Clementina Barroso** (Chairman of the Audit Committee)**;**
Manuel Ferreira Teixeira (Chairman of the Board of Directors); **Cândida Peixoto** (Non-executive Director)**;**
Maria Lúcia Bica (Non-executive Director); **José Carlos Mateus** (Executive Director)**.**
Eugénio Baptista (Non-executive Director); **Florbela Lima** (Non-executive Director)**;**
Pedro Leitão (Chairman of the Executive Committee); **Ângela Barros** (Executive Director)**;**
Isabel Silva (Executive Director); **Helena Soares de Moura** (Executive Director)**.**

CORPORATE GOVERNANCE

GOVERNANCE MODEL

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as "CEMG" or "Banco Montepio") adopts a one-tier governance (Anglo-Saxon) model, as established in Article 278(1)(b), Article 423-B and following of Section III and Article 446-A and following of Section VII of the Commercial Companies Code, with a Board of Directors that includes the Audit Committee (elected at the General Meeting from among the non-executive members) and a Statutory Auditor.

CORPORATE BODIES AND COMMITTEES FROM THE BOARD OF DIRECTORS

Banco Montepio's General Meeting, held on 29 April 2022, elected the members of the institution's management and supervisory bodies for the 2022-2025 term of office. The relevant request for authorisation for the elected members to exercise their functions was subsequently submitted to Banco de Portugal, pursuant to Article 30-B of the General Regime of Credit Institutions and Financial Companies ("RGICSF"), which took office on 25 July 2022, following authorisation from Banco de Portugal.

Accordingly, as of 31 December 2023, the composition of the Governing Bodies of Banco Montepio was as follows:

BOARD OF THE GENERAL MEETING

Chairman	António Tavares

BOARD OF DIRECTORS

Chairman	Manuel Ferreira Teixeira
Directors	Clementina Barroso
	Eugénio Baptista
	Florbela Lima
	Cândida Peixoto
	Maria Lúcia Bica
	Pedro Leitão
	Ângela Barros
	Helena Soares de Moura
	Isabel Silva
	Jorge Almeida Baião
	José Carlos Mateus

AUDIT COMMITTEE

Chairman	Clementina Barroso
Members	Florbela Lima
	Cândida Peixoto
	Maria Lúcia Bica

STATUTORY AUDITOR

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., represented by:

- Aurélio Adriano Rangel Amado, enrolled at the Statutory Auditors Association (OROC) under number 1074 and at the Securities Market Commission (CMVM) under number 20160686.

On the reference date, the Board of Directors had Internal Committees, composed only of non-executive members, mostly with independent status, including the respective Chairs, namely the Risk Committee, the Assessment, Nominations, Ethics, Sustainability and Governance Committee.

As of 31 December 2023, the composition of the Internal Committees of the Board of Directors of Banco Montepio was as follows:

RISK COMMITTEE

Chairman	Florbela Lima
Members	Eugénio Baptista
	Maria Lúcia Bica

ASSESSMENT, NOMINATIONS, ETHICS, SUSTAINABILITY AND GOVERNANCE COMMITTEE

Chairman	Cândida Peixoto
Members	Clementina Barroso
	Eugénio Baptista

As of 31 December 2023, the composition of Banco Montepio's Executive Committee, to which the Board of Directors has delegated the day-to-day management of the Bank, with the exception of powers relating to matters whose delegation is forbidden by law or those reserved to it under the terms of its Regulations, was as follows:

EXECUTIVE COMMITTEE

Chairman	Pedro Leitão
Members	Ângela Barros
	Helena Soares de Moura
	Isabel Silva
	Jorge Almeida Baião
	José Carlos Mateus

The Remuneration Committee elected by the General Meeting held on 29 April 2022 presented the following composition as of 31 December 2023 (all members are independent from the members of the management body):

REMUNERATION COMMITTEE

Chairman	Paulo Câmara Pires dos Santos
Members	António Miguel Lino Pereira Gaio
	Soledade Carvalho Duarte (*)

(*) appointed at the General Meeting of 28 April 2023

EXTRAORDINARY GENERAL MEETING

On 10 February 2023, Banco Montepio held an extraordinary general meeting of shareholders, and the following resolutions were passed:

- Single item – Decision on reformulation of the equity headings with the special purpose of reinforcing funds prone to regulatory qualification as distributable, with a view to covering negative retained earnings, by reducing the share capital by 1,210,000,000.00 euros, without changing the number of existing shares and the total value of the shareholders equity, through the reduction of the nominal unit value of each share from 1.00 euros to 0.50 euros, and the subsequent amendment of Article 4(1) of the Articles of Association of Banco Montepio – Approved unanimously.

ANNUAL GENERAL MEETING

Banco Montepio held the ordinary general meeting of shareholders on 28 April 2023, with the following decisions having been taken:

1. Decision on the Management Report and Accounts of the Financial Year of 2022, of the individual and consolidated activity – Approved unanimously;
2. Decision on the proposed allocation of the net income for the year – Approved unanimously;
3. General appraisal of the company's management and auditing, under the terms of Articles 376 and 455 of the Commercial Companies Code – Approved unanimously;
4. Decision on the Sustainability Report for 2022 – withdrawn from the agenda;
5. Decision on the election of the Statutory Auditor for the three-year period 2023-2025 – Approved unanimously;
6. Decision on the review of the Articles of Association of Banco Montepio – Approved unanimously;
7. Decision on the composition of the Remuneration Committee of the General Meeting provided for in Article 11(c) of Banco Montepio's Articles of Association – Approved unanimously;
8. Decision on the Supplementary Pension Scheme – Approved unanimously;
9. Decision on the Report on the assessment of the impact of the remuneration practices of subsidiaries abroad, provided for in Article 53(3) of Banco de Portugal Notice 3/2020 – Approved unanimously;
10. Decision on the Report of Assessment of the Remuneration Policies and procedures adopted by Banco Montepio and Banco Montepio Group, prepared pursuant to Article 115-C(6) of the RGICSF and Article 44(1)(b) of Banco de Portugal Notice 3/2020 – Approved unanimously;
11. Decision on the review of the Remuneration Policy for Members of the Management and Supervisory Body (MOAF) – Approved unanimously;
12. Decision on the review of the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Bodies (MOAF) and Key Function Holders (TFE) – Approved unanimously;
13. Decision on the Policy for the Selection, Appointment and Assessment of the Statutory Auditor (ROC) or Statutory Audit Firm (SROC) and the Hiring of Services from the to the ROC/SROC – Approved unanimously;
14. Decision on other matters of interest to the Company – no inclusion of other items on the agenda.

EXTRAORDINARY GENERAL MEETING

On 9 October 2023, Banco Montepio held the extraordinary General Meeting of shareholders, with the following resolution having been taken:

- Single item – Approval of the appointment of the Audit Firm Cascais, Pêga Magro & Roque, SROC, Lda. (CPM&R), under number 125, registered at the Portuguese Securities Market Commission (CMVM) under no. 20161443, to draw up the report referred to in Article 28 of the Commercial Companies Code (CSC), aimed at verifying the contributions in kind, in the context of the operation to integrate the business (assets and liabilities) of Montepio Investimento, S.A. | Banco de Empresas Montepio (MI | BEM) into Caixa Económica Montepio Geral, caixa económica bancária, S.A. | Banco Montepio (CEMG | BM) – Approved unanimously.

EXTRAORDINARY GENERAL MEETING

On 15 and 27 November 2023, Banco Montepio held an extraordinary general meeting of shareholders, with the following resolutions having been taken:

1. Decision on the amendment of the Articles of Association in order to provide for the possibility of redemption of shares, by resolution of the General Meeting, with a reduction in the share capital and with the consent of the respective holder of the shares being redeemed, by adding a new Article 5 and renumbering the current Articles 5 to 25 – Approved unanimously;
2. Decision on the share capital increase, in the form of new contributions in kind, to be subscribed by Montepio Investimento, S.A., through the contribution at the respective net book value of the portion of its assets allocated to the business to be transferred to Caixa Económica Montepio Geral, caixa económica bancária, S.A., as verified by the audit firm Cascais, Pêga Magro & Roque, SROC, Lda., in accordance with the report drawn up under the terms and for the purposes of Article 28 of the Commercial Companies Code, as well as the consequent amendment of Article 4(1) of the Articles of Association – Approved unanimously.

EXTRAORDINARY GENERAL MEETING

On 29 December 2023, Banco Montepio held an extraordinary general meeting of shareholders, and the following resolutions were passed:

- Single item – To resolve on the reduction of the share capital from 1,354,187,549.00 euros to 1,210,000,000.00 euros, amounting to 144,187,549.00 euros, through the extinction by way of redemption of 288,375,098 ordinary, registered and book-entry shares, representing the share capital of Caixa Económica Montepio Geral, caixa económica bancária, S.A., each with a nominal value of 0.50 euros, held by Montepio Investimento, S.A., with the consent of the respective holder and under the terms of Article 6 of Banco Montepio's Articles of Association, as well as the consequent amendment to Article 4(1) of the Articles of Association – Approved unanimously.

02

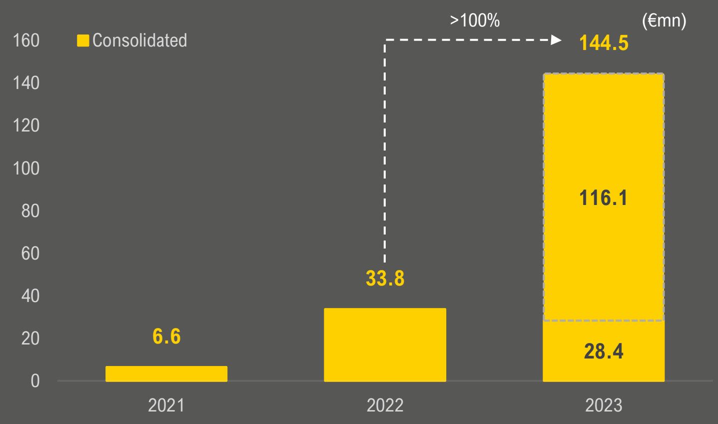
2023 IN SUMMARY

2023

Banco Montepio

HIGHLIGHTS

NET INCOME

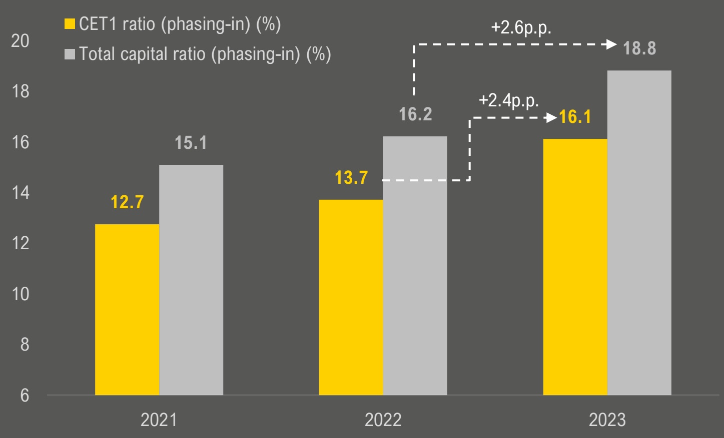


€144.5mn

EXCLUDING THE EFFECT OF THE RECLASSIFICATION OF THE FOREIGN EXCHANGE RESERVE (1)

- Execution of the Adjustment Plan reflected in the profitability achieved and the organic generation of capital, with performance above the financial targets set.
- Core operating income reached 535.1 million euros (+43.8%), with growth in net interest income (+62.3%) and fees and commissions (+5.4%).
- Cost-to-income ratio (excluding specific impacts)(2) of 46.2%.

CAPITAL(3)



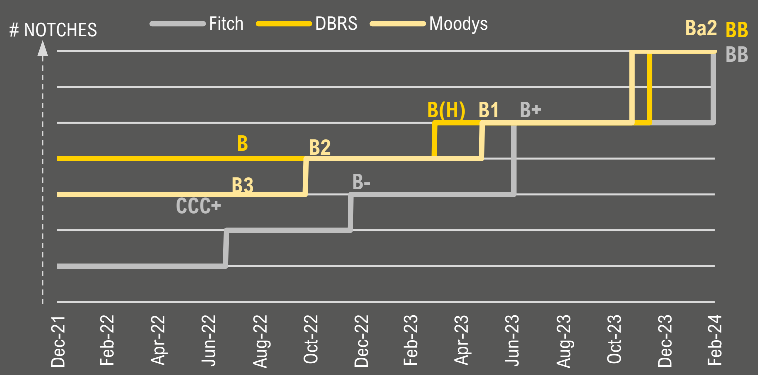
18.8%

TOTAL CAPITAL RATIO (PHASING-IN)

- Fully CET1 and Total capital ratios of 16.0% (+2.8pp) and 18.6% (+2.9pp) respectively, at historical levels, show adequate capitalisation.
- LCR and NSFR ratios of 233.1% and 130.4% respectively and a significant reduction in European Central Bank (ECB) funding, which is now lower than applications (zero net funding), indicate a strong liquidity position.

RATINGS

Senior unsecured debt



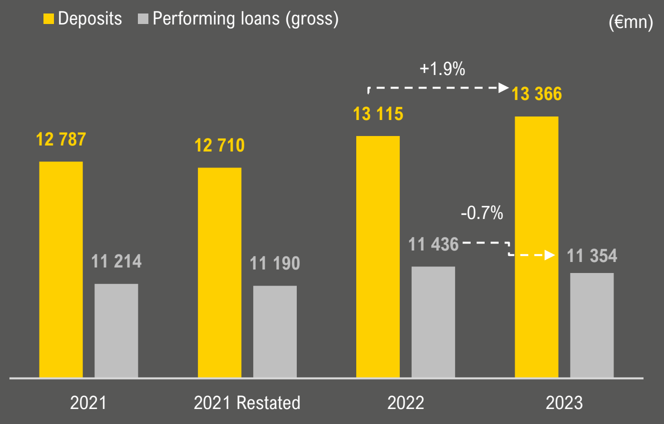
INVESTMENT GRADE

IN DEPOSITS AND COVERED BONDS

- Investment grade by Moody's in Deposits (Baa3) and Covered bonds (Aaa).
- Senior unsecured debt with successive rating upgrades: since June 2022, by 3 levels by DBRS, 4 levels by Moody's and 6 levels by Fitch (last of which in February 2024).
- The successive upward revisions of the ratings are external recognition of the results achieved.

(1) Amounting to €116.1mn following the deconsolidation of Finibanco Angola in the 1st half of 2023.
(2) Excludes non-recurring costs related to measures to adjust the workforce and to early retirements and employment contract terminations by mutual agreement, as well as the more volatile components of income, such as Results from financial operations and Other income (Net gains/(losses) from the sale of other assets and other Operating income).
(3) The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.

ACTIVITY

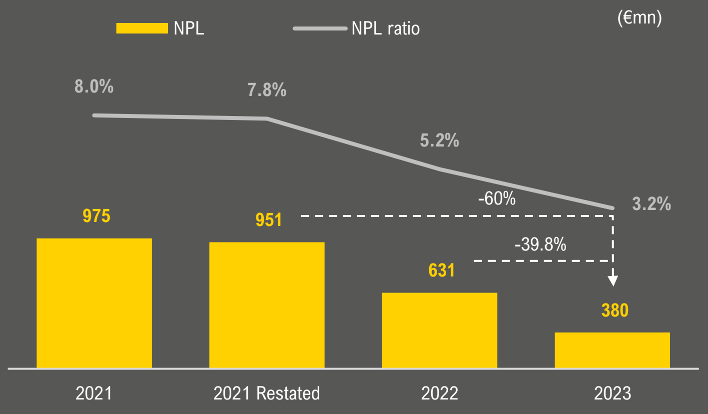


€13,366mn

CUSTOMER DEPOSITS

- Customer deposits grew by 1.9% compared to the end of 2022, while the sector recorded a decrease, showing a gain in market share and a strengthening of the liquidity position.
- Gross performing loans of €11,354mn, a slight drop of 0.7%, reflecting the lower demand for credit in the context of high interest rates.
- Individuals account for 72% of deposits and 53% of loans.

NON-PERFORMING LOANS[2]

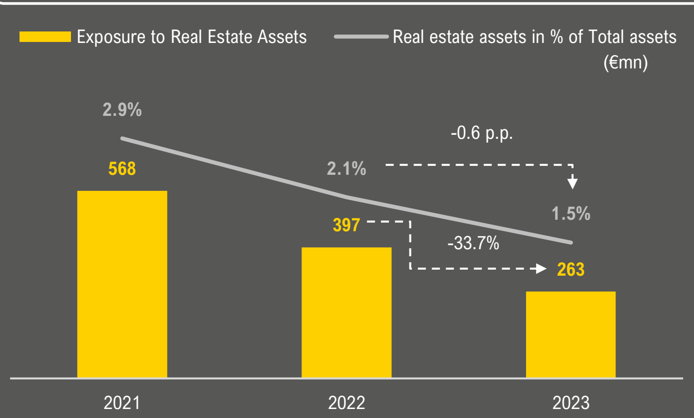


3.2%

OF GROSS LOANS TO CUSTOMERS

- Significant reduction of non-performing loans by €251mn (-39.8% compared to the end of 2022) to €380mn, ahead of the planned targets.
- NPL ratio of 3.2% compared to 5.2% at the end of 2022, in line with the sector average.
- Increased coverage of NPLs by total impairment to 73.9% (56.1% in the same period last year).

REAL ESTATE ASSETS



1.5%

OF NET ASSETS

- Reduction of consolidated real estate on the balance sheet by €134mn (-33.7% compared to the end of 2022) to €263mn, successfully fulfilling the deleveraging plan.
- Total exposure represents 1.5% of net assets (2.1% at the end of 2022) and 18.3% of own funds (29.6% at the end of 2022).

[1] 2021 restated refers to the restatement of items in the consolidated financial statements for comparative purposes because, as at 31 December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit.
[2] NPL according to EBA criteria (numerator and denominator as applicable).

SUMMARY OF INDICATORS

	2021	2021 Restated [(a)]	2022	2023	Change 2023/2022
ACTIVITY AND RESULTS (million euros)					
Total assets	19 713	19 713	19 106	17 989	(5.8%)
Performing loans to customers (gross)		11 190	11 436	11 354	(0.7%)
Customer deposits	12 787	12 710	13 115	13 366	1.9%
Recurring net income (before recycling the foreign exchange reserve) [(b)]	7	7	34	144	>100%
Net income	7	7	34	28	(16.1%)
SOLVENCY [(c)]					
Common equity tier 1 ratio	12.7%	12.7%	13.7%	16.1%	2.4 p.p.
Tier 1 ratio	12.7%	12.7%	13.7%	16.1%	2.4 p.p.
Total capital ratio	15.1%	15.1%	16.2%	18.8%	2.6 p.p.
Leverage ratio	5.6%	5.6%	5.9%	6.7%	0.8 p.p.
Risk weighted assets (million euros)	8 800	8 800	8 276	7 641	(7.7%)
LIQUIDITY RATIOS					
Liquidity coverage ratio (LCR)	264.1%	264.1%	249.6%	233.1%	(16.5 p.p.)
Net stable funding ratio (NSFR)	125.3%	125.3%	125.0%	130.4%	5.4 p.p.
LOAN-TO-DEPOSIT RATIO					
Loans to customers (net) / Customer deposits [(d)]	91.2%	91.5%	89.3%	85.7%	(3.6 p.p.)
Loans to customers (net) / On-balance sheet customer resources [(e)]	81.0%	81.2%	85.4%	81.2%	(4.2 p.p.)
CREDIT QUALITY	0.00%	0.00%	0.00%	0.00%	0.0 p.p.
Cost of credit risk	0.4%	0.4%	0.1%	0.4%	0.3 p.p.
Ratio of loans and interest overdue by more than 90 days	3.0%	2.9%	2.2%	1.5%	(0.7 p.p.)
Coverage of loans and interest overdue by more than 90 days	144.4%	143.0%	131.2%	162.7%	31.5 p.p.
NPL ratio (Non-performing loans / Gross loans to customers) [(f)])	8.0%	7.8%	5.2%	3.2%	(2.0 p.p.)
NPL coverage [(f)] by Total impairment for balance sheet loans	53.5%	53.8%	56.1%	73.9%	17.8 p.p.
NPL coverage [(f)] by Total impairment for balance sheet loans and associated collaterals and financial guarantees	96.0%	95.9%	100.8%	115.1%	14.3 p.p.
Forborne exposures ratio (Forborne exposures [(f)] / Gross loans to customers)	5.0%	5.0%	4.3%	2.8%	(1.5 p.p.)
PROFITABILITY AND EFFICIENCY					
Total operating income / Average total assets [(d)]	2.0%	1.9%	1.9%	2.8%	0.9 p.p.
Return on assets (gross) (Profit/loss before tax / Average total assets) [(d)])	0.2%	0.2%	0.4%	1.0%	0.6 p.p.
Return on equity (gross) (Profit/loss before tax / Average total equity) [(d)]	2.6%	2.3%	5.4%	11.8%	6.4 p.p.
Cost-to-income (Operating costs / Total operating income) [(d)]	69.7%	69.2%	66.6%	50.8%	(15.8 p.p.)
Cost-to-Income, excluding specific impacts [(g)]	69.0%	68.7%	63.2%	46.2%	(17.0 p.p.)
Staff costs / Total operating income [(d)]	43.3%	43.3%	41.2%	30.5%	(10.7 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)					
Employees					
Banco Montepio Group	3 478	3 478	3 406	2 983	(423)
Banco Montepio	3 121	3 121	3 043	2 860	(183)
Branches					
Domestic network – Banco Montepio	261	261	246	232	(14)
International Network	20	20	20	0	(20)
Finibanco Angola [(h)]	20	20	20	0	(20)
Representation Offices – Banco Montepio	5	5	5	5	0
BANCO MONTEPIO RATINGS	**Long-term**		**Outlook**		
Fitch	BB [(i)]		Stable [(i)]		
Moody's	Ba2		Stable		
DBRS	BB		Stable		

(a) 2021 Restated refers to the restatement of consolidated financial statements items for comparative purposes, because, as at 31 December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit.

(b) Net income excluding the foreign exchange reserve, i.e., excluding the accumulated foreign exchange reserves, as a result of the exchange rate devaluation of the kwanza, existing at the date of sale of Finibanco Angola and recorded in reserves of the Banco Montepio Group, transferred to the period's net income.

(c) Pursuant to CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed. The ratios referring to 2021 have not been restated.

(d) Pursuant to Banco de Portugal Instruction no. 16/2004, in its current version.

(e) Total on-balance sheet customer resources = Customer deposits and Debt securities issued. Calculated in accordance with the Financial Statements attached to this report.

(f) NPL according to EBA definition (numerator and denominator as applicable).

(g) Excludes Results from financial operations, Other operating income/(expense) (Net gains from the sale of other financial assets and Other operating income), and the amount related to the increase in Staff costs and in General and administrative expenses generated by the operational adjustment measures of 14.7 million euros in 2021, 10.5 million euros in 2022 and 6.9 million euros in 2023. In 2023 there was also a one-off cost of 13 million euros related to early retirements and employment contract terminations by mutual agreement.

(h) Includes corporate centres.

(i) As disclosed by Fitch Ratings on 28 February 2024.

MAIN EVENTS

JANUARY

For the second time in a row, Banco Montepio is the **"Marca Nº1 (No. 1 Brand) in Escolha do Consumidor"** in the Mortgage Loans category.

Banco Montepio was recognised by Five Stars Consulting with the title **"Cinco Estrelas (Five Stars) 2023"** in the Banking – Sustainability category.

FEBRUARY

Share capital reduction by €1,210mn to cover the negative retained earnings, without changing the number of existing shares or the total net worth.

APRIL

The Banco Montepio Group advised Mota-Engil on the **structuring of a bond issue – Sustainability-Linked Bonds**, amounting to €10mn, by private and direct offer.

JUNE

Sale of 51% of its share capital and voting rights in Finibanco Angola to Access Bank.

According to Brand Finance, the Banco Montepio brand is in the **TOP 10 Portuguese brands** with the highest perceived **sustainability** value.

Banco Montepio was an official partner of the largest social innovation meeting, Aldeia da Inovação Social (Social Innovation Village), and was present on the Innovation stage with the presentation **"Inovação Social e Investimento de Impacto (Social Innovation and Impact Investment)"**.

JULY

Fitch upgraded Banco Montepio's ratings:

- preferential senior debt at 2 levels to **B+**.
- long-term deposits to **BB-**;
- intrinsic rating of the issuer to **b+**;
- long-term rating to **B+**;
- non-preferential senior debt to **B**;
- subordinated debt to **B-**;
- covered bonds to **AA+**.

Banco Montepio was distinguished by **Deco Proteste** with two **"Escolha Acertada (Right Choice)"** seals. Banco Montepio's Mortgage Loan offer is the one with the best quality-price ratio in the categories of "Mortgage Loans – with associated sales" and "Mortgage Loans – without associated sales".

AUGUST

Sale of the remaining stake in the share capital of Finibanco Angola (29.22%), after authorisation from the National Bank of Angola to transfer the remaining shares held by Montepio Holding to the shareholder Access Bank, **thus concluding the disposal of the entire stake and voting rights**.

SEPTEMBER

Montepio Holding, SGPS, S.A. has agreed to **sell its 100% stake in BEM** to the fintech company RAUVA Enterprises, S.A.

OCTOBER

The Banco Montepio Group advised Blue Future II – Energias Renováveis, Lda., a Cavalum Group company, on the **structuring** of its first issue of **Green Bonds**, amounting to €8.2mn, by private and direct offer.

NOVEMBER

Moody's upgraded Banco Montepio's ratings:

- deposits to **investment grade** level **Baa3**;
- senior unsecured debt to **Ba2;**
- counterparty risk and counterparty risk assessment to **Baa2**;
- baseline assessment to **ba2**;
- non-preferred senior debt to be issued under the EMTN Programme to (P)Ba2;
- subordinated debt to **Ba3**;
- covered bonds at 2 levels to **Aaa** (maximum level of the investment category: **investment grade**).

Completion of the **integration of BEM's activity into Banco Montepio**, with the transfer to Banco Montepio of the portion of BEM's assets allocated to the business (assets, liabilities and operations).

Banco Montepio was awarded the **Superbrands** seal for the 14th time, a distinction that annually recognises the most important brands in the Portuguese market.

Banco Montepio has approved the use of the **ColorADD** code, a colour system that aims to provide a complete and accessible experience for colour-blind customers.

DECEMBER

DBRS Morningstar upgraded Banco Montepio's ratings:

- Long-term rating and the senior unsecured debt rating by two notches to **BB**, maintaining the **Trend Stable**.
- subordinated debt to **B** (high);
- long-term deposits to **BB** (high);
- short-term deposits to **'R-3'**.

Voluntary dissolution and start of liquidation **of Montepio Gestão de Activos Imobiliários**, with a General Meeting having been held on 29 December which authorised this process.

Banco Montepio advised José de Mello Capital, the holding company of the José de Mello Group, on the **structuring** of its first issue of **Sustainability Bonds**, amounting to €4mn, by private and direct offer.

Banco Montepio took part in **COP28** with the United Nations Global Compact Network Portugal – the branch of the entire United Nations system that involves the private sector.

Banco Montepio successfully concluded the Adjustment Plan, adopted in 2020 and focused on 4 strategic pillars: Maximisation of Total Operating Income; Digital Transformation and Operational Optimisation; Capital Preservation; and Simplification and Governance.

EXECUTION OF THE ADJUSTMENT PLAN

In 2020, the Board of Directors took on the dual objective of repositioning Banco Montepio as a benchmark institution in support of Families, Companies and Social Economy and Solidarity Entities, through a multidisciplinary approach, while at the same time re-establishing the institution's structural balance.

At the time, Banco Montepio's starting point showed a significant asymmetry in relation to the sector, accumulated over several years, characterised by low core profitability, low capital, the relative weight of non-performing assets well above the sector average and an operating model that was low in productivity and with ample room for improvement in terms of digitalisation.

In addition, the outbreak of the Covid-19 pandemic and the exceptional measures restricting socioeconomic activity applied from the end of the first quarter of 2020 gave way to a recessive scenario of unprecedented severity, instilling uncertainty in the lives of people and organisations.

Taking into account the changed circumstances and the challenges facing Banco Montepio, the banking sector and the Portuguese economy, the Board of Directors redefined the strategic guidelines that would support Banco Montepio's operations.

In 2020, Banco Montepio adopted a multidimensional and multi-annual Adjustment Plan, focusing on four strategic pillars:

- Maximisation of Total Operating Income
- Digital Transformation and Operational Optimisation
- Capital Preservation
- Simplification and Governance

The Adjustment Plan was successfully concluded in December 2023, in all its pillars, reflecting the commitment and collective effort of the organisation over the last 4 years, which enabled Banco Montepio to recover from a structural imbalance, which was exacerbated by the pandemic crisis, and reach a level of normality.

STRATEGIC PILLARS

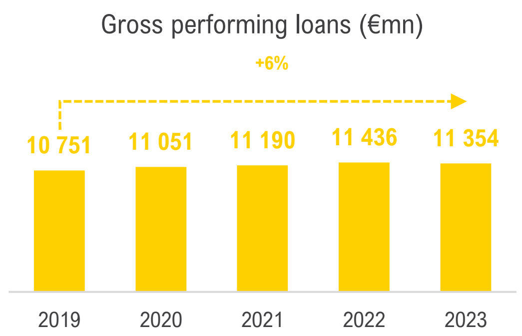
MAXIMISATION OF TOTAL OPERATING INCOME	DIGITAL TRANSFORMATION AND OPERATIONAL OPTIMISATION	CAPITAL PRESERVATION	SIMPLIFICATION AND GOVERNANCE

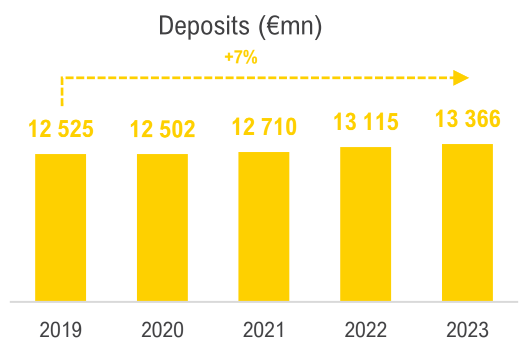
Maximisation of Total Operating Income

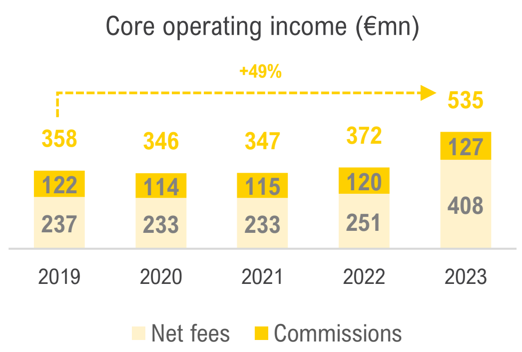
Maximisation of Total Operating Income focused on strengthening Customer-oriented banking services and improving proximity relationships in a broader channel mix, strengthening the economy's funding, supporting the financial needs of families and small and medium-sized enterprises (SMEs), and developing distribution capacity and complementary margin in order to strengthen the profitability of the domestic operation.

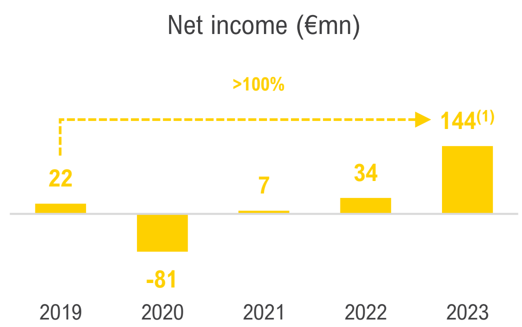
- Under this strategic pillar, Banco Montepio has focused on improving its value proposition, with particular emphasis on strengthening the mortgage loan offer to better meet customer needs, and on boosting term deposits, which, despite the highly competitive market, have enshrined Banco Montepio's savings vocation.
- It also made credit lines available to specifically support the needs of companies, facilitating access to financing and banking services that were essential to the resilience of their activity in the adverse context they went through.
- It also strengthened its distribution channel, diversifying its offer to Customers by selling insurance, investment funds and non-financial products, thus expanding its sources of complementary income.
- Finally, along with the active management of the range of products and services on offer, the management and adjustment of pricing was also fundamental to preserving Banco Montepio's competitiveness and long-term sustainability.

These measures reflected the institution's commitment to adapting to market demands and offering comprehensive and effective financial solutions, which resulted in Banco Montepio resuming its growth in terms of turnover and profitability.









Note: 2021 is restated, referring to the restatement of items in the consolidated financial statements for comparative purposes, because, as at 31 December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit; 2020 excludes international activity for the purposes of comparability of this analysis in the indicators on credit, deposits and core operating income.

(1) Excluding the effect of the €116.1mn reclassification of the foreign exchange reserve following the deconsolidation of Finibanco Angola in the 1st half of 2023.

DIGITAL TRANSFORMATION AND OPERATIONAL OPTIMISATION

Operational Optimisation was intrinsically linked to the acceleration of the Digital Transformation, with the emergence and development of new remote channels, with the adoption of best market practices, aimed at improving the Customer experience, adapting to market demand and trends, with gains in terms of efficiency.

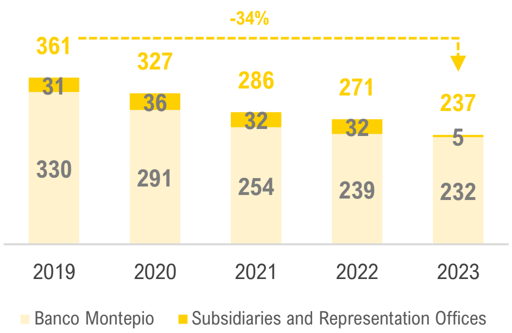
The operating and Customer service model has been optimised, in particular with a view to:

- Increasing the robustness of the business model, strengthening the focus on products with higher value added for the Customer;
- Accelerating the digital transformation, in internal procedures and on Customer relations platforms;
- Enhancing efficiency, namely through the review of internal procedures and rules;
- Adjust the distribution model by merging geographically redundant branches; and
- Implementing new concepts and forms of working, valuing collaboration and flexibility, and promoting greater balance between personal and professional life.

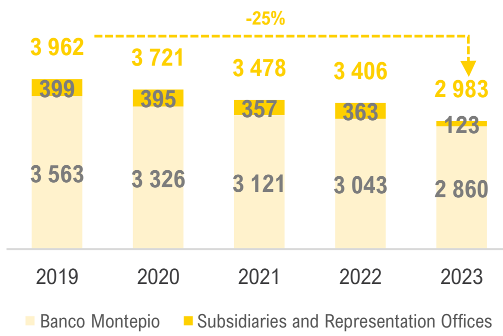
The workforce was downsized through a series of measures including early retirement, termination by mutual agreement and flexible working measures such as part-time and remote working.

In accelerating the digital transformation, Banco Montepio improved the automation and re-engineering of internal processes and, with regard to the Customer experience, initiatives were developed to increase the efficiency and effectiveness of Customer interaction with Banco Montepio.

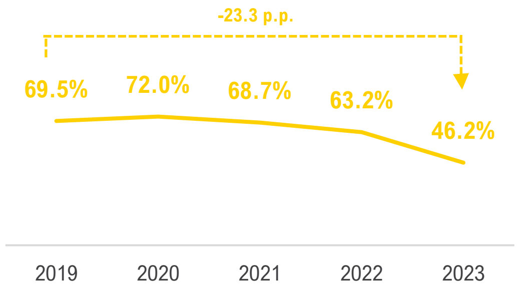
Branches



Employees



Cost-to-income[(1)]



Launch of Banco Montepio's new website

Note: 2021 is restated, referring to the restatement of items in the consolidated financial statements for comparative purposes, because, as at 31 December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit; 2020 excludes international activity for the purposes of comparability of this analysis in the cost-to-income indicator.

[(1)] Excludes non-recurring costs related to measures to adjust the workforce and to early retirements and employment contract terminations by mutual agreement, as well as the more volatile components of net income, such as Results from financial operations and Other income (Net gains/(losses) from the sale of other assets and Other operating income).

Capital Preservation

Banco Montepio significantly improved its capital ratios by adopting various measures aimed at reducing risk-weighted assets (RWA) through efficient management of the loans and securities portfolio and divestment in non-performing or non-strategic assets, focusing on the growth of the core business of granting credit in segments with lower risk and in a logic of maximising the return on the allocated capital.

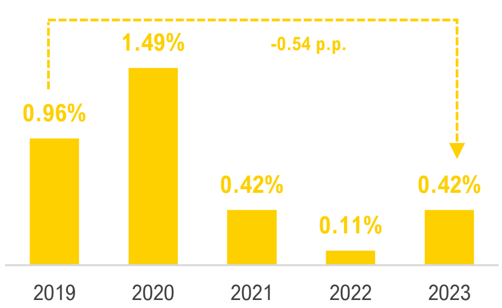
Banco Montepio consolidated a growing capital trajectory, successfully executing the outlined capital plan, which allowed it to reach historic highs and without dependence on the shareholder base.

Organic capital generation capacity was strengthened, reflecting the growth in profitability of the core business, with net income reaching a record high in 2023.

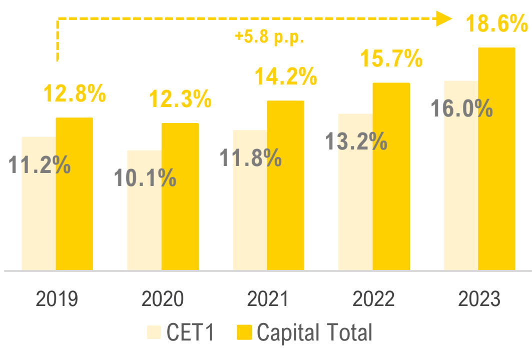
The goal of ceasing to be an NPL Bank was achieved ahead of schedule, with the NPL ratio reaching levels below 5%, due to the remarkable trajectory of reducing the stock of NPLs, with a marginal positive contribution in capital, after the cost of risk borne in previous years – one of the critical success factors for the successive rating increases in the last 12 months.

Banco Montepio also met the objectives outlined in the Real Estate Risk Reduction Plan, with the ratio of real estate to net assets reaching levels below 2%, anticipating the commitment made for the end of 2024, and significantly reducing the weight of non-performing assets when compared to the end of 2019.

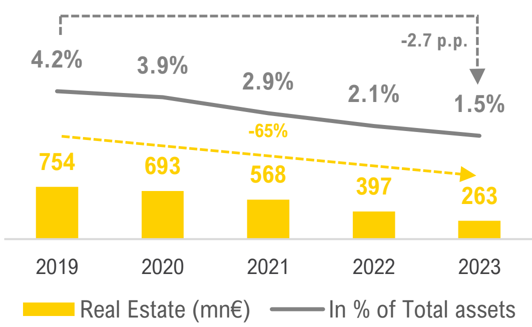
Cost of credit risk



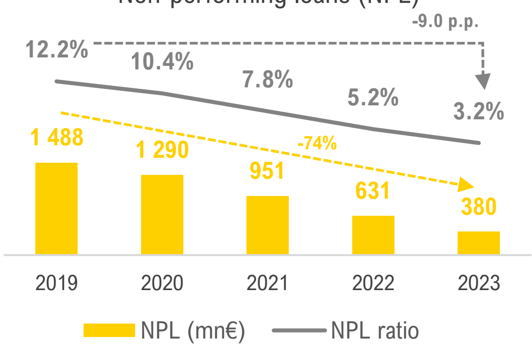
Capital ratios (fully-implemented)(1)



Real Estate Assets



Non-performing loans (NPL)(2)



Note: 2021 is restated, referring to the restatement of items in the consolidated financial statements for comparative purposes, because, as at 31 December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit.

(1) The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed; the ratios for 2021 have not been restated.

(2) NPL according to EBA criteria (numerator and denominator as applicable).

SIMPLIFICATION AND GOVERNANCE

Under the Simplification and Governance pillar, the adjustment measures were aimed at disposing of shareholdings on the domestic and international markets, as well as modernising and streamlining the Group's internal procedures.

In the international market, following the conclusion of the voluntary liquidation of Banco Montepio Geral Cabo Verde in 2022, the Banco Montepio Group concluded, in August 2023, the sale of its entire stake in the share capital of Finibanco Angola, no longer having any equity stake in the Angolan market. The deconsolidation of this subsidiary had a positive impact on capital ratios and represented an important step in the implementation of the Adjustment Plan, particularly with regard to the primary focus on the domestic market.

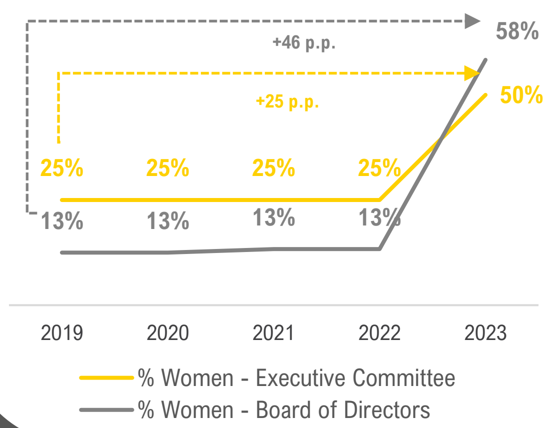
In the domestic market, Banco Montepio divested of non-strategic assets, having sold all its shareholdings in Monteiro Aranha, S.A. and Almina Holding, S.A. in 2021. With a view to simplifying the Group, in 2022 it sold its entire shareholding in Montepio Valor, S.A., and, in 2023, integrated BEM's activity into Banco Montepio, in order to capture synergies and, at the same time, preserve and enhance the integrated value proposition of commercial and investment banking, having agreed to sell 100% of BEM's share capital to the fintech RAUVA Enterprises, S.A., with completion of the operation estimated after approval by the supervisory and regulatory authorities.

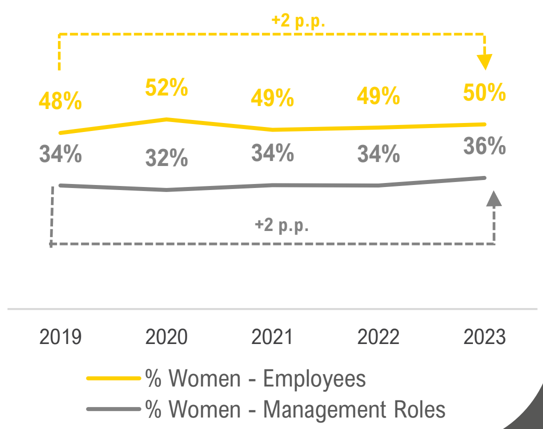
The governance of the Banco Montepio Group has also been strengthened, with the revision of the organisational structure, highlighting the creation of teams dedicated to Sustainability and the change of the segmentation criteria for Corporate and Investment Banking, and with the renewal of the composition of the governing bodies for the 2022-25 term, underlining a firm commitment to gender diversity.

Also in 2023, the decision was taken to dissolve and begin liquidating Montepio Gestão de Activos Imobiliários, A.C.E., with a General Meeting having been held on 29 December which authorised this process.

SIMPLIFICATION OF THE GROUP'S STRUCTURE

GENDER DIVERSITY





Note: Timeline of the simplification of the Group's corporate structure represents the dates of the reduction of non-strategic entities, referring to subsidiaries, associated companies and shareholdings, namely sales (Monteiro Aranha, Almina, Finibanco Angola, Montepio Valor), voluntary dissolutions (BMG Cabo Verde and Montepio Gestão de Activos Imobiliários) and sale agreements (BEM).

The measures included in the Adjustment Plan have enabled the Banco Montepio Group to achieve, in particular, since 2019:

- Growth in core operating income of 49% and record levels of net income (€144.5mn)[(1)].
- The reduction of the banking network by 124 branches (-34%), including 24 of Finibanco Angola.
- A net reduction of 979 employees (-25%), of which 703 at Banco Montepio and 276 at subsidiaries.
- The resumption of business growth (+6% in performing loans and +7% in deposits).
- Cost-to-income[(2)] below 50%, converging with the banking sector benchmark.
- Advances in data collection and processing models, adjustment of the service model, optimisation of Customer journeys and reinforcement of cybersecurity mechanisms.
- The launch of the new institutional website, new digital journeys (simulating mortgage loans, subscribing to retirement savings plans, joining the APProva app), new online International Business functionalities, and the evolution of the M.A.R.I.A. voice bot.
- Capital ratios at historic highs (fully implemented ratios of 16.0% CET1 and 18.6% total capital) and above the overall capital requirement (OCR) and Pillar 2 Guidance (P2G).
- NPL ratio[(3)] of 3.2%, real estate at 1.5% of assets and cost of credit risk of less than 50 b.p.

The success achieved in implementing the Adjustment Plan made it possible to ensure the normalisation of Banco Montepio and the sustainability of the business, despite the challenging macroeconomic and financial context, with recognition by the various stakeholders, being elected "Marca N.º1 (No. 1 Brand) in Escolha do Consumidor" and receiving successive upgrades by the rating agencies, reaching investment grade level in Deposits and Covered bonds.

		2019	2023	Δ
Maximisation of Total Operating Income	Core operating income (€mn)	358	535	49%
	Net income (€mn)[(1)]	22	144	>100%
	Performing loans (gross) (€mn)	10 751	11 354	6%
	Deposits (€mn)	12 525	13 366	7%
Digital Transformation and Operational Optimisation	Branches	361	237	(34%)
	Employees	3 962	2 983	(25%)
	Cost-to-income[(2)]	69.5%	46.2%	(23.3pp)
Capital Preservation	CET1 ratio (fully)[(3)]	11.2%	16.0%	4.8pp
	Total capital ratio (fully)[(3)]	12.8%	18.6%	5.8pp
	NPL ratio[(4)]	12.2%	3.2%	(9.0pp)
	Real estate assets in % of Total assets	4.2%	1.5%	(2.7pp)
	Cost of credit risk (b.p.)	96	42	(54)
Simplification and Governance	Reduction of entities within the Banco Montepio Group[(5)]	-	7	(50%)
	% Women – Management Roles	34%	36%	2pp
	– Board of Directors	13%	58%	46pp

(1) Excluding the effect of the €116.1mn reclassification of the foreign exchange reserve following the deconsolidation of Finibanco Angola in the 1st half of 2023.
(2) Excludes non-recurring costs related to measures to adjust the workforce and to early retirements and employment contract terminations by mutual agreement, as well as the more volatile components of net income, such as Results from financial operations and Other income (Net gains/(losses) from the sale of other assets and Other operating income).
(3) The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.
(4) NPL according to EBA criteria (numerator and denominator as applicable).
(5) Referring to subsidiaries, associated companies and shareholdings, namely sales (Monteiro Aranha, Almina, Finibanco Angola, Montepio Valor), voluntary dissolutions (BMG Cabo Verde and Montepio Gestão de Activos Imobiliários) and sale agreements (BEM) corresponding to 50% of the total entities existing at the end of 2019 in the Banco Montepio Group universe (without considering special purpose entities and investment funds).

03

THE BANCO MONTEPIO GROUP

SINCE 1844

Banco Montepio

THE BANCO MONTEPIO GROUP

WHO WE ARE

Banco Montepio, founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral – Associação Mutualista, is the oldest financial institution of Portugal.

It is also a unique institution in the national financial panorama due to its origin and mutual base and, consequently, for its vocation of saving and providing universal financial services to Individual Customers at all stages of their lives, Customers of the Business Sector, Social Economy Institutions and social entrepreneurs.

Throughout the 180 years of its existence, Banco Montepio has consistently supported Families, Small and Medium-sized Entrepreneurs, Companies and the Community. It actively supported successive generations of Portuguese people at many critical moments, going through wars, crises, and revolutions.

Loyal to the reason for its existence, it was always capable of innovating, growing and expanding, consistently guided by the ideals of commitment to the past, present and future of Portugal.

With a legacy of almost two centuries of service to the community, Banco Montepio takes its place in the building of a fairer and more sustained society, committed to governing its action according to the highest standards and conduct of respect for the principles of sustainable development, as reflected in its Social Commitment Charter.

GROUP STRUCTURE

Pursuant to Decree-Law 190/2015 of 10 September, which approved the legal system of Savings Banks, Caixa Económica Montepio Geral is henceforth considered a savings bank, with its transformation into a public limited company arising from the same legal provision.

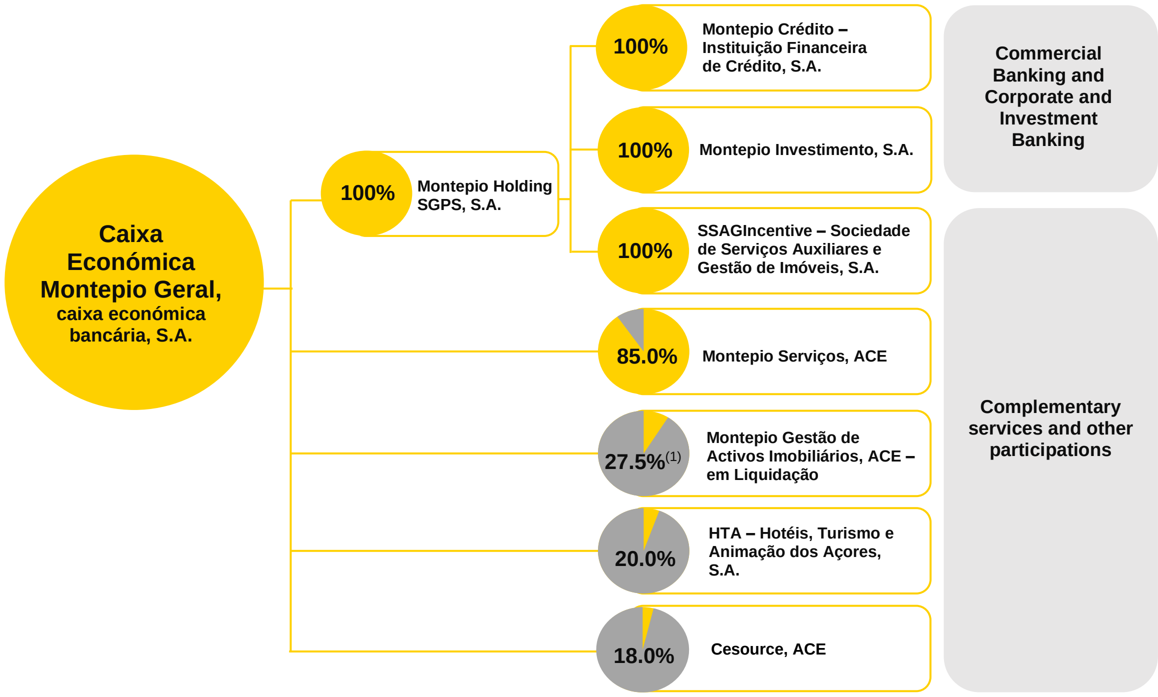
Following this process, its current corporate name is Caixa Económica Montepio Geral, caixa económica bancária, S.A., with the trade name of Banco Montepio having been adopted in 2019.

The Banco Montepio Group is a diversified banking and financial group, without forgetting its mutualist nature and basis, which lends it unique features and an unrivalled position in its activity sector and in Portuguese society.

Over the past year, new steps have been taken in the implementation of the Group's simplification strategy and reorientation towards the domestic market, with various changes in the holdings, so that as of 31 December 2023, the Banco Montepio Group was composed of the following entities:

- **Full consolidation:** Caixa Económica Montepio Geral, caixa económica bancária, S.A.; Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.; Montepio Crédito – Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A. (Banco de Empresas Montepio, or BEM), SSAGIncentive – Sociedade de Serviços Auxiliares, Gestão de Imóveis, S.A. and Montepio Serviços, ACE.
- **Consolidation by the equity method:** Montepio Gestão de Activos Imobiliários, ACE – Em Liquidação; HTA – Hotéis, Turismo e Animação dos Açores, S.A.; Cesource, ACE.

On the same reference date, the Banco Montepio Group's consolidation perimeter included other entities consolidated using the full consolidation method (special purpose entities and investment funds), namely: Valor Arrendamento – Fundo de Investimento Imobiliário Fechado; Polaris – Fundo de Investimento Imobiliário Fechado; PEF – Portugal Estates Fund; Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (FEIIA); Pelican Mortgages No 3; Pelican Mortgages No 4; Aqua Mortgages No 1 and Pelican Finance No 2. The last four companies are securitisation vehicles, aimed at managing funding and liquidity or strengthening capital ratios.



(1) *CEMG 27.0% and SSAGIncentive 0.5%* (% of equity stake).

On 30 June 2023, the Banco Montepio Group completed the sale of 51% of the share capital and voting rights it held in Finibanco Angola to Access Bank, thus ceasing to consolidate this subsidiary. As a result, at the end of the first half of the year there was still a stake equivalent to 29.22% of the capital, which the Group intended to sell in the short term, and as this was completed in August 2023, the Group thus ceased having any banking activity in the Angolan market.

The deconsolidation of this subsidiary and the subsequent sale of the entire stake held represents an important step in delivering on the commitments made in the Adjustment Plan, which was successfully concluded, particularly with regard to the Simplification and Governance pillar.

Montepio – Gestão Activos Imobiliários aims to carry out the integrated management of the Group's entire portfolio of real estate assets. Under the Banco Montepio Group's simplification strategy, the Board of Directors decided on 21 November 2023 to dissolve and begin liquidating the complementary group of companies (ACE), with a General Meeting having been held on December 29 to authorise this process.

Montepio Serviços, A.C.E. is a complementary group of companies whose purpose is to optimise the conditions of exercise and the results of the economic activities of the grouped members, essentially with the aim of making the most of resources, ensuring greater operational efficiency and achieving economies of scale by eliminating replicated cost structures.

As part of the Group's simplification strategy, in August 2022 Banco Montepio decided to integrate Montepio Investimento, S.A. (BEM), which triggered the operational integration plan, the model for which was approved in December 2022, as well as the carve-out of the entire activity to the parent company. In addition, Banco Montepio's Board of Directors decided to sell 100% of BEM's share capital, as BEM's business had been integrated into BM.

In this context, on 8 September 2023, Montepio Holding agreed with RAUVA Enterprises, S.A., to sell 100% of BEM's share capital, with this operation being subject to the observance of certain preceding conditions, including approval by the Supervisory and Regulatory authorities. The integration of BEM's activity into Banco Montepio took place on 28 November 2023, and the assets and liabilities related to the business recorded in BEM's financial statements were transferred to Banco Montepio.

THE BANCO MONTEPIO BRAND

BRAND REPUTATION

Banco Montepio in the TOP 10 brands with the highest perceived value of Sustainability

The Banco Montepio brand is in the TOP 10 Portuguese brands with the highest sustainability perception value, reveals Brand Finance, the world's leading consultancy in evaluating these matters.

According to Brand Finance, Banco Montepio's communication and brand strategy positions sustainability as a priority theme, reflecting the path that the brand has been developing in this area. Some examples of the steps taken are joining the United Nations Global Compact, purchasing 100% electric vehicles and financing companies that support the transition to a circular economy, and according to a study carried out by this entity, Banco Montepio grew in the second quarter of 2023, in association and visibility with actions to support society and sustainability.

Value of the Brand

The Banco Montepio brand occupies 23rd place in the ranking of the most valuable brands in Portugal *(*Brand Finance – The most valuable Portuguese brands in 2023). Valued at 131 million euros, the Banco Montepio brand was also one of those that experienced its value grow the most, with an increase of 37% in 2023.

Banco Montepio in the TOP 100 companies with the best corporate reputation

In the 4th edition of the Merco Empresas e Líderes de Portugal (Merco Companies and Leaders of Portugal) event, Banco Montepio made the list of the 100 companies with the best reputation in Portugal.

This ranking is the result of an exhaustive analysis of 1,299 surveys of executives from large companies, business journalists, the government, university professors, financial analysts, non-governmental organisations (NGOs), communications directors and opinion leaders, unions and consumer associations, as well as citizens (Merco Sociedade).

Banco Montepio in the ranking of the 100 most responsible companies on ESG issues

Banco Montepio was included in the list of 100 Merco Responsabilidade ESG (ESG Responsibility) 2023 companies and rose 10 places compared to last year's results.

This ranking assesses the companies that, in 2023, best met environmental, social and corporate governance parameters.

AWARDS AND BRAND RECOGNITION

Banco Montepio wins the Five Star Award in the Banking – Sustainability category

Banco Montepio won the "Cinco Estrelas (Five Stars) 2023" Award in the Banking – Sustainability category, with an overall satisfaction of 80.1%. This index is the result of an evaluation system carried out with consumers with an affinity for the topic of 'Sustainability', concept tests for Customers and Employees, and market research for the brand.

The Banco Montepio brand was evaluated on the main variables that influence consumers' purchasing decisions in this category, defined by an independent Assessment Committee:

- Service (proximity, ease of contact, promotion of healthy and sustainable behaviours).

- Responsible offer that promotes responsible and sustainable behaviour (products that promote responsibility towards new generations, incentives for companies with sustainability policies, sustainable financing lines).
- Ethics and Integrity in the way in which it relates to Customers, Employees and other partners (taking into account principles of social, environmental and economic sustainability, and responsible consumption).
- Implementation of social responsibility, environmental and economic actions.
- A bank that promotes economic, social and environmental sustainability, and aligned with the best international practices.

In a Market Survey of the Banco Montepio Brand that assessed the level of trust and innovation recognised by consumers, it was found that the brand inspires trust in more than 7 in 10 of the consumers and employees surveyed, and 7 in 10 consider the actions carried out in Sustainability to be innovative.

Banco Montepio's Mortgage Loan is "the right choice" for DECO PROTESTE

Banco Montepio was distinguished by DECO PROTESTE with two Escolha Acertada (Right Choice) seals:

- Mortgage loans – with associated sales;
- Mortgage loans – without associated sales.

According to DECO PROTESTE, Banco Montepio's mortgage offer is the one with the best quality/price ratio, with and without associated sales. To this end, DECO PROTESTE analysed the offer of 13 banks for a loan of 200,000 euros, over 30 years, at a variable rate, with a loan-guarantee ratio of 80 percent, and concluded that Banco Montepio's offer enables families to save money[1].

Banco Montepio wins Consumer Choice in the Mortgage category

For the second time in a row, Banco Montepio is the "Marca Nº1 (No. 1 Brand) in Escolha do Consumidor" in the MORTGAGE LOANS category, with an overall score of 77.54% and a satisfaction score of 77.40%.

Among the 12 banks evaluated, Banco Montepio's Mortgage Loans obtained the best final score, in the overall evaluation of the ten attributes most valued by consumers in the category: flexible credit term; trust in the bank; detailed explanation of products; ease of delivery of documents; spread; prepayment benefits; offer of 1% of the loan value; length of the process; interest rate; and non-obligation to certain products.

Brand of Excellence – Superbrands 2023

Banco Montepio was distinguished for the 14th time by Superbrands as a brand of excellence. The annual award distinguishes the most important brands[2] in the Portuguese market, described as "the ones that stick in the minds and hearts of the Portuguese".

Portuguese Business Ethics Association awards Banco Montepio in the areas of Social Responsibility and Sustainability

The Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics) awarded Banco Montepio the "Estratégia Responsabilidade Social e Sustentabilidade" (Social Responsibility and Sustainability Strategy) prised, which aims to distinguish the implementation of good governance policies and models in public and private sector organisations, both profit and non-profit, that create value for their stakeholders and actively contribute to sustainable development.

[1] These savings have been calculated in relation to the market average.
[2] The Superbrands are chosen through an independent study carried out on a sample of the male and female population, who answer questions about the brands they know, trust and recommend.

Banco Montepio continues to finance infrastructure projects that prioritise the use of renewable energies and sustainable buildings, and projects that promote sustainability, making a positive contribution to society, and its investment portfolio incorporates environmental and social indicators.

United Nations Global Compact Network Portugal distinguishes Banco Montepio as flagship company of the National Target for Gender Equality

At the 20th anniversary ceremony of the United Nation Global Compact Network Portugal, Banco Montepio was recognised as a flagship company of the National Target for Gender Equality and reaffirmed its commitment to this cause. Since the beginning of 2023, the institution has had the most equal board of directors in national banking and 50% of its workforce is composed of women, with 41% in the top decision-making positions, comparing favourably with average European levels.

CAMPAIGNS AND PARTNERSHIPS

Mortgage Loan Campaign – “We've lowered the spread”

Banco Montepio has launched a new Mortgage Loan campaign, reducing the minimum spread to 0.8% and maintaining the benefit of giving Customers 1% of the value of their loan back, or 1.1% if the house has an A or A+ energy certificate, positively distinguishing financing linked to better environmental criteria, as an agent inducing good practices in terms of sustainability.

In order to mitigate the impact of the rise in reference indexes on mortgage loan contracts, Banco Montepio has also come up with a new 2-year Fixed Rate solution for Mortgage Loan contracts, in which it returns 100% of the value of the spread to the Customer during this period.

Banco Montepio supports the “Pirilampo Mágico 2023” (Magic Firefly 2023) campaign

One of the greatest national symbols of solidarity – the Magic Firefly – returned under the motto “Dreams that light up every day”. The Magic Firefly Campaign was promoted by FENACERCI (National Federation of Social Solidarity Cooperatives), Antena 1 and RTP+ and has been supported by Banco Montepio since 2017. The initiative is intended to support children, young people and adults with intellectual disabilities and/or multi-disabilities and aims to raise funds for the Social Solidarity Cooperatives (CERCIs), FENACERCI members, and other similar organisations.

Expresso's weekly podcast, “Ser ou Não Ser” (To be or not to be)

Expresso's weekly podcast, “Ser ou Não Ser”, has the support of Banco Montepio. Through the motto “it's not enough to appear, you have to be”, it aims to challenge listeners to think and act on sustainability issues. Banco Montepio has joined this project to reinforce its commitment to social, economic and environmental sustainability.

EVENTS AND SUPPORT

Banco Montepio at COP28

Banco Montepio joined the United Nations Conference on Climate Change, reaffirming its commitment to Environmental Sustainability and the goals of the United Nations 2023 agenda. In December 2023, it took part in COP28 with the United Nations Global Compact Network Portugal – the branch of the entire United Nations system that involves the private sector.

The Conference of the Parties (COP) is the main decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC) and brings together all the signatory states to discuss climate change, review the implementation of the Convention and take the necessary decisions, materialising the countries' commitment to objectives for reducing greenhouse gas emissions.

Banco Montepio is a founding member of the "Nova SBE VOICE Leadership Initiative" and highlights the role of the social and solidarity economy in the panorama of national SMEs

Banco Montepio is one of the 20 founding members of the "Nova SBE VOICE Leadership Initiative" programme, which aims to increase the competitiveness of Portuguese SMEs, with direct impact on the creation of value, empowerment of corporate governance and quality of life of Portuguese citizens.

Banco Montepio joins the Forward Faster initiative

Banco Montepio was the first Portuguese company and one of the first in the world to join the Forward Faster initiative, promoted by the United Nations Global Compact. It is a global platform to promote action and accelerate private sector progress in key areas: Gender Equality, Living Wage, Climate Action, Water Resilience and Financing and Investment, aligned with the Sustainable Development Goals.

JAP Social Innovation Camp by Banco Montepio

Banco Montepio and Junior Achievement Portugal (JAP), partners since 2006, held the JAP Social Innovation Camp by Banco Montepio for the third year running. The aim of the initiative was to challenge young people aged between 15 and 18 to develop social entrepreneurship projects in the context of the Themes and SDGs: Gender Equality (SDG 8: Decent Work and Economic Growth; SDG 10: Reduced Inequalities) and Sustainable Consumption and Production (SDG 9: Industry, Innovation and Infrastructure; SDG 13: Climate Action).

Endorsement of the National Target for Gender Equality

In 2023, Banco Montepio reached the established target of 40% of women in decision-making positions by 2023, and reaffirms its commitment by endorsing the National Target for Gender Equality, promoted by United Nations Global Compact Portugal.

By endorsing the National Target for Gender Equality, Banco Montepio is committing to, by 2030, achieve the established target of 40% of women in Senior Management and Leadership positions, anchored on targets 5 (ensure the full and effective participation of women and equal opportunities for leadership at all levels of decision-making in political, economic and public life) and 9 (adopt and strengthen sound policies and applicable legislation to promote gender equality and empower all women and girls at all levels) of SDG 5 – Gender Equality.

Banco Montepio signs Pact against Violence

Banco Montepio was one of the seven companies that joined the Pact against Violence, a project that brings together a network of partner companies of the Commission for Citizenship and Gender Equality, and which supports the work of the structures of the National Support Network for Victims of Domestic Violence. This membership reinforces Banco Montepio's commitment to respecting human rights and abolishing any form of violence.

Created in 2020, the aim of this Pact is to boost and give visibility to a collaborative process within the framework of corporate social responsibility dynamics, promoting close work in promoting internal practices to prevent and combat violence, and trying to provide answers to victims. In this context, the partner entities have carried out various actions, such as setting up the SMS 3060 helpline, supplying food and basic necessities, donating computers and mobile phones, and providing technological training for the employment of many women.

Social Innovation Village

Banco Montepio was an official partner of the largest social innovation meeting. This year's event, organised by Portugal Inovação Social, took place at Aldeia da Luz in Mourão and is now in its second edition. This initiative was joined by various entities involved in social innovation in Portugal, from social organisations, incubators, consultancies, foundations, municipalities and public and private social investors. On the 6 stages there were conference-debates, sessions presenting innovation and social entrepreneurship initiatives and themed workshops.

XIV National Congress of Misericórdias

Banco Montepio was an official partner of the XIV National Congress of the Misericórdias (ancient nationwide network of charitable institutions), reiterating its desire to be at the side of institutions that fight every day to transform the society we live in for the better, at all times. The Congress took place on 1, 2 and 3 June 2023, at the Ordem dos Contabilistas Certificados (Order of Certified Accountants). Organised by the Union of Portuguese Misericórdias, this edition was held under the theme "Valuing the Past, Living the Present, Projecting the Future". The event brought together around 800 people who, over 3 days, had the opportunity to attend various panels where they debated and reflected on the current challenges facing the social and solidarity sector, as well as the contribution of the social economy to the country's development and to supporting the population. As part of the programme, the panel entitled "From financing to sustainability" was chaired by Pedro Leitão, chairman of Banco Montepio's Executive Committee.

ESG Week 2023

For the second year running, Banco Montepio was the host and main sponsor of ESG Week 2023, an event aimed at debating the major sustainability issues. National and international experts, business leaders, representatives of academia and public administration will come together to discuss the current challenges of the package of measures adopted by the European Commission, taking advantage of the relevance of the current moment in which there is a reorientation of investments towards more sustainable technologies and companies, seeking to ensure Europe's climate neutrality by 2050.

Banco Montepio supports Festa dos Tabuleiros

Banco Montepio was the official bank supporting the Festa dos Tabuleiros (ancient traditional festivity). A unique and secular Bank supported a unique and secular Festival. The Festa dos Tabuleiros is one of the most important traditions in the city of Tomar and takes place every four years. The event attracts thousands of visitors from all over the world to watch the procession through the streets decorated with thousands of handmade flowers, bringing the whole community together to decorate the city. For ten days, Banco Montepio was present in Parque Mouchão, in the city centre, where it was possible to attend different popular activities and concerts on the Banco Montepio Stage.

Meeting of EPIS 2023 Volunteers

Banco Montepio Employees gathered at Monsanto Forest Park Interpretation Centre for the “Meeting of EPIS 2023 Volunteers”**,** an initiative of the “Empresários pela Inclusão Social” (EPIS) (Entrepreneurs for Social Inclusion). Volunteers from Banco Montepio were responsible for collecting rubbish and debris, with around 3,700 kg of waste having been collected. The EPIS initiative achieved its objectives, both in terms of the number of volunteers and the impact generated. Banco Montepio is proud of the participation of its employees in this initiative, which brought together several generations and instilled in the younger generation a sense of sustainable responsibility, making a positive contribution to reducing the ecological footprint and preserving the Monsanto Forest Park.

Banco Montepio grants Social Loan to Santa Casa da Misericórdia de Vila Franca de Xira

Banco Montepio granted Santa Casa da Misericórdia de Vila Franca de Xira a loan, classified as a Social Loan, amounting to 12 million euros, which will enable the construction of the infrastructures of the “Campus de Saúde” (Health Campus) Project, renovating the old Vila Franca de Xira Hospital.

This new financing instrument is aligned with Banco Montepio's strategic priority of accompanying its Customers and Partners in the transition to a more sustainable future, complies with the requirements defined in the Social Loan Principles of the International Capital Market Association and the Loan Market Association, and has a Second Party Opinion from ISQ, respecting the principles of sustainable development and ESG factors.

Banco Montepio Group advises Mota-Engil on bond issue

The Banco Montepio Group advised Mota-Engil on the structuring of a bond issue – Sustainability-Linked Bonds, amounting to 10 million euros, by private and direct offer. The issue, certified as Sustainability-Linked Bonds, complies with the conditions established in the Sustainability-Linked Bond Principles, published by the International Capital Market Association, in accordance with the Second Party Opinion issued by S&P Global Ratings. Mota-Engil's Sustainability-Linked Bonds 2023-2027 reflect the issuer's commitment to promoting the improvement of a key performance indicator in engineering and construction projects (Non-Fatal Work Accidents with Casualties Index), whose target must be achieved by 31 December 2025. The Banco Montepio Group acted as Overall Coordinator of the operation, and as investor, being responsible for organising and setting up the operation and subscribing to the issue.

PEOPLE

In 2023, important steps were taken in Banco Montepio's People management strategy, which put the institution in a better position to carry out a new cycle of growth.

The Operational Optimisation Programme, one of the four pillars of the Adjustment Plan, which ran from 2020/2023, was successfully completed, accounting for 650 employee departures, who voluntarily decided to terminate their employment contract through an early retirement agreement or termination by mutual agreement.

With the adoption of new ways of working, the Branch network continued to provide customers with a service by appointment system, adjusted to the location of each Branch, and for all functions that do not involve direct Customer service, the hybrid work system was maintained, promoting flexibility and a better balance between the professional and family lives of the Employees.

Banco Montepio has also remained attentive to the country's socio-economic context and, considering the sharp rise in inflation and the consequent impact on families' lives, approved an exclusive measure for Montepio Group Employees to mitigate the effects of the rise in interest rates on mortgage loans, with automatic and generalised application: return of the difference between the nominal annual rate (TAN) of each mortgage contract and the promotional rate adjustable according to the rates applied at any given time by the Bank for Customers.

At the end of 2023, the Banco Montepio Group had a workforce of 2,983 Employees, a reduction of 12% compared to the same period in 2022. The Operational Optimisation Programme was continued in Banco Montepio's workforce, reflected in a 6% reduction, and also in a significant reduction of Employees due to Finibanco Angola's departure from the Banco Montepio Group.

Following the sale of Finibanco Angola, domestic activity as of 31 December 2023 represented 100% of the Banco Montepio Group Employees, of whom 96% were assigned to Banco Montepio.

EMPLOYEES EVOLUTION

	2021		2022		2023		Change 2023/2022	
	No.	%	No.	%	No.	%	No.	%
Domestic Activity [1]	**3 273**	**94.1**	**3 193**	**93.7**	**2 983**	**100.0**	**(210)**	**(6.6)**
Of which: Banco Montepio [2]	3 121	89.7	3 043	89.3	2 860	95.9	(183)	(6.0)
Internacional Activity	**205**	**5.9**	**213**	**6.3**	**0**	**0.0**	**(213)**	**-**
Finibanco Angola (3)	205	5.9	213	6.3	0	0.0	(213)	-
Total	**3 478**	**100.0**	**3 406**	**100.0**	**2 983**	**100.0**	**-423.0**	**(12.4)**

(1) Domestic Activity includes Banco Montepio and Montepio Crédito.

(2) Includes Employees from Representation Offices.

(3) Sold: 51% on 30/06/2023 and 29.22% on 28/08/2023.

	2021	2022	2023	Change 2023/2022	
				Amount	%
Other entities of Banco Montepio Group [1]	**166**	**165**	**128**	**(37)**	**(22.4)**
Montepio Crédito	133	131	128	(3)	**(2.3)**
Montepio Investimento	33	34	0	(34)	**-**

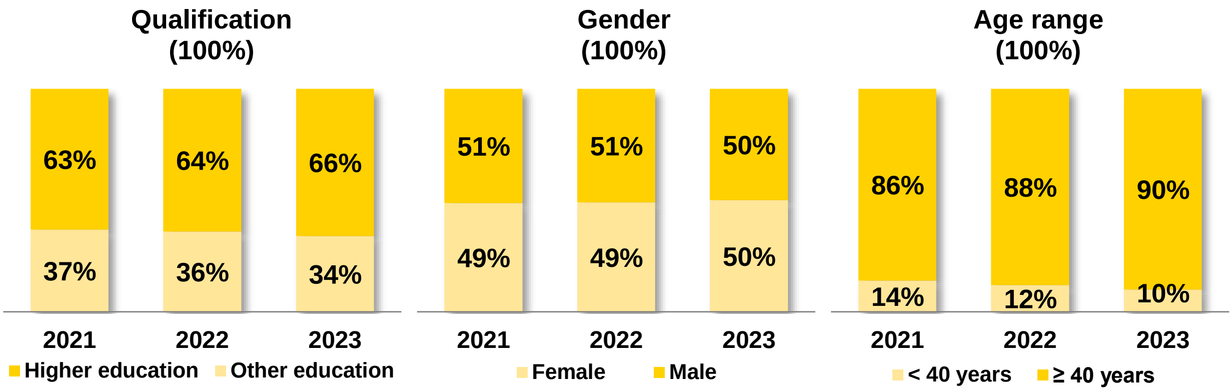
(1) Includes assignments from Banco Montepio Employees.

Employee qualifications are one of the fundamental pillars for modern and sustained growth. At Banco Montepio, there was a successive increase in the number of Employees with higher education, reflecting the trend from last year, thus increasing the representation of Employees with higher education from 64% to 66%. This evolution follows as a consequence of the departure of Employees with less qualified education and in return for admissions with higher academic levels.

The distribution by gender of Banco Montepio's Employees at the end of 2023 once again shows the trend towards gender parity, with more equitable levels in which 50% are male and 50% are female.

Regarding the age range, there is a continuous increase in the percentage of Employees aged 40 years and over, from 88% in 2022 to the current 90% in 2023.

Distribution of Banco Montepio Employees



TRAINING, DEVELOPMENT AND TALENT MANAGEMENT

In 2023, Banco Montepio ensured the implementation of training and development programmes that included 64,123 participants for a total of 170,651 training hours, covering 2,882 participants.

BANCO MONTEPIO TRAINING INDICATORS

	2021	2022 (1)	2023 (1)	Change 2023/2022
Training hours	84,244	144,888	170,651	17.8%
Number of participants	3,008	3,083	2,882	(6.5%)
Number of participations	81,472	45,331	64,123	41.5%
Investment in training (thousand euros)	479.3	582.0	840.0	44.3%

(1) Includes Employees who were no longer on the headcount on 31/12/2023.

In the **Regulatory** field, 51,141 hours were carried out, of which the following stand out: cybersecurity training with 5,041 hours; Business Continuity Plan with 5,366 hours; Operational Risk with 5,416 hours. In addition to the continuation of courses such as Insurance, Mortgage Loans and others.

In **Banking and Business**, we highlight the following programmes tailored to the identified needs:

- **Montepio Avança** (Montepio Advances) 4th Edition Programme, aimed exclusively at Employees of the branch network. This covered 120 employees and a total of 9,197 hours of training.
- **Crescemos Juntos** (Growing Together) Programme – An offer open to all Employees, by self-registration, which includes 3 training areas: Behavioural, Technical and Technological. In 2023, it included 23 courses and 1,346 participations.
- **Sustainability for Technicians / 1st Edition** – Programme aimed at training participants in the most relevant aspects of ESG/Sustainable Finance. It was attended by 54 Technicians from the Bank's various areas, covering a total of 213 hours.
- **Montepio Shakers** Programme – two editions of this programme designed to improve internal customer service levels. This involved the participation of 74 Employees.

Concerning **Leadership** and aimed at strengthening the knowledge and skills of Banco Montepio's Leaders, the following stand out:

- **Women in Action** training offer for all female Employees.
- **Leadership Programme for Regional Managers** designed specifically for this functional group, aimed at leveraging skills in the context of leadership and team management. This had 40 participants from the commercial areas and was held in partnership with Católica Lisbon Business & Economics.

- **Transforming for a New Tomorrow**, a programme that aims to strengthen the capacity for leadership, innovation and adaptation to change. Aimed at 2nd line Directors, it was held in partnership with ISEG Executive Education.
- **Align and Strengthen the IT Leadership Team** Programme designed for the 2nd line of the IT area, aimed at working on leadership skills. This programme was designed in peer coaching/share learning sessions and had 9 participants.

The transformational and more complex context associated with the challenges faced by the organisations, as well as the change in banking customer profiles, resulted in the need to invest in reskilling and upskilling, in order to respond to technological and digital restructuring. Thus, in 2023, Banco Montepio will continue to invest in internal and external training to consolidate knowledge in Agile work tools and data processing, as well as sponsoring training courses in external entities on more specific subjects for a more up-to-date and specialised performance.

RECOGNITION OF MERIT AND BENEFITS

In the context of return to positive results, it was possible to distribute variable annual remuneration to Employees in 2023, in the form of bonuses or incentives depending on the type of functions, rewarding the of Employees in the indicators achieved.

The Flex Plan was, for the second year running, the chosen solution enabling the variable remuneration to be applied flexibly, through different modalities with tax benefits, reflected in higher net value for Employees.

In terms of offering benefits, the Montepio Group is distinguished by the incorporation of a wider range of support to Employees in the areas of health, education, social and leisure:

ACT Mortgage Loan

- Increase of the individual ceiling to 200,000 euros in new transactions of the 2023 ACT process;
- Reinforcement of the overall ceiling of this credit line, allowing it to cover a greater number of requests from Employees;
- Possibility of extending the period up to 70 years of age (with a limit of 40 years of maturity), in verified situations of accentuated reduction in family income.

School Support for the children of Employees, reinforcing measures already in force:

- Renewal of supplementary support for all levels of education, material allowance and accommodation for 2023;
- Payment in December of the subsidy for materials and one trimester of school supplement;
- Introduction of a new “Prémio de Excelência Escolar” (School Excellence Award) support that covers the children of all Employees.

In view of the socio-economic context in 2023, in addition to the distribution of bonuses and incentives, the following benefits were approved to support Employees:

- Anticipation of the salary increase before the negotiation with the Unions;
- Approval of a minimum monthly salary;
- Updating the Employee Price List, extending exemptions and improving pricing conditions for active operations.

PROMOTION OF HEALTH AND WELLBEING

Banco Montepio believes that the well-being of its Employees is essential for their development, job satisfaction and the reconciliation of different spheres of life.

A healthy workplace promotes productivity, collaboration and contributes to a positive Customer experience. By prioritising health and well-being, it is possible to build an environmentally sustainable, positive work environment that supports the happiness of the teams and the overall success of Banco Montepio.

In 2023 Banco Montepio won the Corporate Wellbeing Quality Certification Seal at the **Wellbeing Awards 2023**, which distinguishes the development of organisational Health and Wellbeing policies and programmes, benefiting from a digital seal, valid for two years.

As in previous years, Banco Montepio made the seasonal flu vaccine available free of charge to all interested Employees.

In response to the social and mental health issues faced by Employees, the Psychosocial Assistance Programme remained active, with integrated psychological and social monitoring.

Banco Montepio has four rooms in its central buildings for practising wellness activities. It also secures protocols, mostly in partnership with the Social Services, for alternative therapies, gyms, among others, in order to guarantee the offer in all geographies.

To celebrate the work and dedication of its Employees and with the aim of contributing to their organisational happiness and quality of life, Banco Montepio organised the 2nd edition of Open Day, offering body and mind relaxation programmes, and the 3rd edition of Wellness Weekend, with three days of online and face-to-face activities.

Banco Montepio's Wellness Week is an annual week with daily activities dedicated to the health and well-being of all Employees.

Taking into account the success of the last editions, Banco Montepio organised the 5th Wellness Week in 2023, with daily activities dedicated to the health and well-being of Employees. 1,237 employees took part in 39 online and face-to-face activities. This edition introduced team-building activities specially designed for the Commercial Area.

CHANNELS, NETWORKS AND CUSTOMER RELATIONS

CHANNELS AND NETWORKS

As at 31 December 2023, Banco Montepio had a network of 232 branches in Portugal, a resizing carried out under the Adjustment Plan, namely under the Digital Transformation and Operational Optimisation pillar, following market trends and consumer demand.

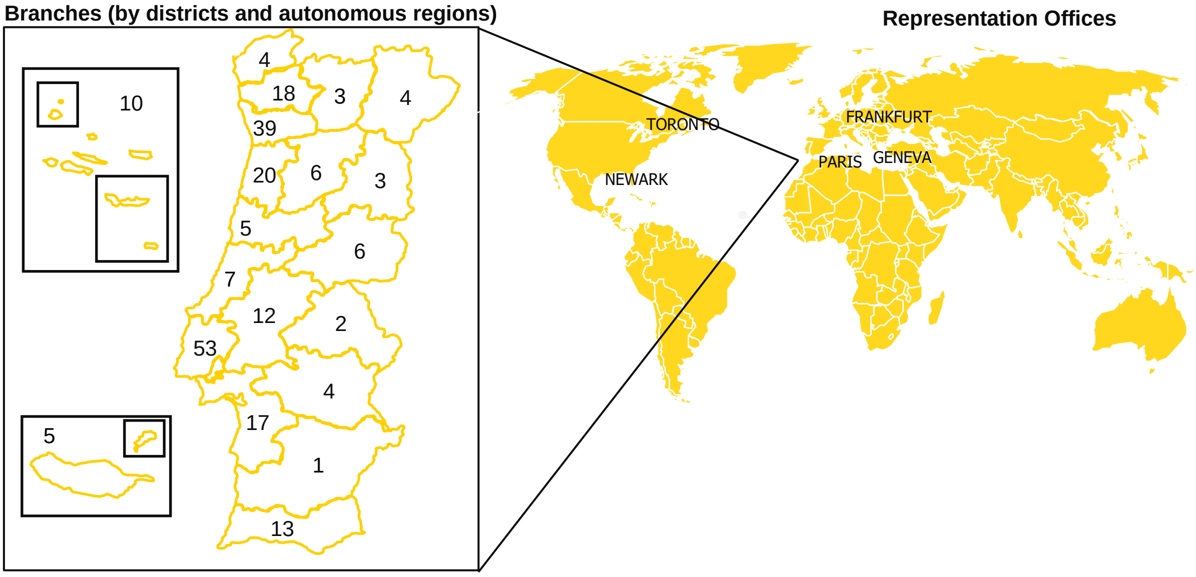
Banco Montepio also has 5 representation offices (Frankfurt, Geneva, Paris, Newark and Toronto) which ensured the Bank's presence among communities that are resident abroad, supporting the Portuguese diaspora.

Number of Branches and Representation Offices

	2021	2022	2023
Domestic network	261	246	232
International network	20	20	0
Finibanco Angola [a]	20	20	0
Representation Offices	5	5	5

(a) Includes Corporate Centres. As of 30 June 2023 Finibanco Angola is no longer part of the Banco Montepio Group's consolidation perimeter.

Banco Montepio also offers its Individual Customers and Companies a series of channels of distribution of products and services being marketed and for Customer relations, namely "Serviço Montepio24" (Montepio24 Service) by telephone, web, sms, app and the dedicated channel "Connect24", the internal network of "Chave24" automated tellers and regular automated teller machines (ATM).



CUSTOMER MANAGERS

As part of the Adjustment Plan, and alongside the results achieved in terms of optimising the commercial network and improving efficiency, Banco Montepio's workforce was reduced by 6.0% compared to the end of December 2022.

Banco Montepio's network of Customer Managers amounted to 386 employees at the end of December 2023, distributed between Retail Banking, Corporate Banking and Social Economy.

In 2023, Banco Montepio reorganised its commercial network, changing the segmentation criteria and the respective distribution of Customers among portfolios and commercial managers, with a view to better monitoring the business, as well as taking into account the strategy of integrating BEM's activity into the parent company, with a view to boosting and extending Customer service in an integrated manner.

Thus, reflecting the new organisational structure, as at 31 December 2023, the distribution by segment included 155 managers assigned to Small Businesses, 56 to Small and Medium-sized Companies with a turnover of more than 4 million euros, 37 to Institutional and Social Economy and 6 to Large Companies (with a turnover of 150 million euros or more) and 132 managers assigned to the Individuals segment, thus continuing to offer a personalised service and proximity to the Customer, factors that characterised Banco Montepio.

No. of Managers per Customer Segment

	2021	2022	2023	Change 2023/2022	
				Amount	%
Retail Banking	**404**	**390**	**287**	**(103)**	(26.4)
Individuals	179	175	132	(43)	(24.6)
Small Business	176	167	155	(12)	(7.2)
Companies a)	49	48	0	(48)	-
Social Economy	**40**	**39**	**37**	**(2)**	(5.1)
Institutions and Social Economy b)	40	39	37	(2)	(5.1)
Corporate Banking	**30**	**29**	**62**	**33**	>100
Companies c)	30	29	6	(23)	(79.3)
Companies d)	0	0	56	56	-
Total managers	**474**	**458**	**386**	**(72)**	**(15.7)**

a) Turnover up to 20 million euros.
b) Includes microcredit managers.
c) Turnover equal or greater than 20 million euros in 2021and 2022; Turnover greater than 150 million euros in 2023.
d) Turnover greater than 4 million euros.
Note: Does not include preventive credit monitoring managers.

MONTEPIO24

The Montepio24 service brings together Banco Montepio's various digital channels, allowing Customers to manage their daily financial lives remotely, and a continuous evolution has been promoted, either through the expansion of the available operations or through the improvement of the experience in their use. As at 31 December 2023, Montepio24 recorded a 4.7% increase in the number of active Customers compared to the same period last year, supported by growth of 5.0% in the Individual Customers segment and 2.7% in the Companies segment.

Connect24, a channel dedicated to open banking, where Bank Customers can authenticate themselves and permit access to information and banking transactions, when requested by other authorised entities, recorded, as at 31 December 2023, an increase of 90.4% compared to the same period of 2022 in transactions initiated through third-party platforms – Third Party Providers (TPP) or other Banks.

The mobile channel maintained its growth trend as the preferred channel for online access, with an increase in accesses (+9.2%) and in the number of transactions (+18.8%) made through this channel in 2023 compared to 2022.

AUTOMATED TELLER MACHINES (ATM)

Banco Montepio had a total number of 978 ATM machines at the end of 2023, with 56 more ATMs installed than in 2022, resulting in a market share of 7.8%, with 12,503 ATM machines available on the domestic market of the SIBS Global Network. In turn, the Chave24 internal network stood at 225 installed machines by the end of 2023. Banco Montepio is continuing to implement the renovation plan for the Chave24 Park, which involves replacing the current equipment with state-of-the-art ATM machines (known as VTMs). This investment strengthens Customer self-service capacity at the branch, taking advantage of the growing technological capacity of a new generation of ATM machines.

COMPLAINTS MANAGEMENT

Complaints management is the responsibility of the Transformation and Quality Division – Complaints Management Department, whose mission is to propose and comply with the guidelines defined within the scope of Complaints Management. The Complaints Management Department ensures that complaints are received and dealt with, as well as the respective response to the Complainant and/or Supervisory Entities, acting within the scope of the Banco Montepio Group.

In 2023, there was an increase of 8.7% in the number of complaints filed, with an increase in complaints filed with the Regulator (Banco de Portugal), in a context characterised by a higher volume of loans and various measures taken to support families, most of which were legislative initiatives. Complaints related to use of means of payment – Debit Cards and Credit Cards – were the ones that experienced the biggest reduction compared to 2022.

Indicators on Complaints

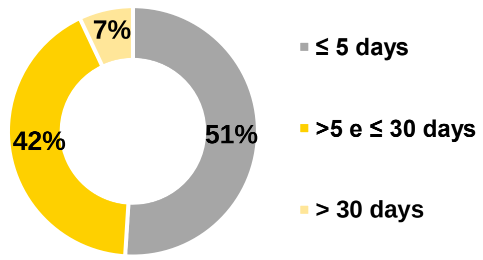
				Change 2023/2022	
	2021	**2022**	**2023**	**Amount**	**%**
Total Complaints	**5 641**	**4 457**	**4 844**	**387**	**8.7**
Of which:					
Banco de Portugal	300	295	409	114	38.6
Complaints Book and Electronic Complaints Book	853	740	1180	440	59.5

Note: Refers to complaints concerning Banco Montepio.

In relation to the response period recorded in 2023, 51% of new complaints were answered within 5 business days or less and 93% were answered within 30 business days.

New Complaints in 2023

Average response time (business days)



The average total response time was 10 business days, corresponding to an increase of 3 business days compared to 2022.

Concerning the complaints made to Banco de Portugal and through the physical Complaints Book and the Electronic Complaints Book, the average response time was 12 and 9 business days, respectively. It should be noted that the legal deadline for responding to these complaints is 20 business days (if filed with Banco de Portugal) and 15 business days (if presented in the Complaints Book and in the Electronic Complaints Book).

It is also the mission of the Complaints Management Department to implement the Quality Management principles, pursuing a policy of Customer orientation and continuous improvement, with the aim of raising service excellence and total customer satisfaction. In this context, complaints are viewed as an opportunity to improve the quality of service provided and to deepen relations with Customers, and an action plan is implemented that promotes the continuous improvement of processes with an impact on the business and on the Customer.

In this spirit of focusing on customer satisfaction, Banco Montepio achieved the best average Satisfaction Index throughout 2023, in its category, and was distinguished as a Marca Recomendada 2024 (Recommended Brand) by Portal da Queixa (Complaint Portal). This distinction, which is the sole responsibility of consumers, reinforces Banco Montepio's commitment to Customer satisfaction, especially in the area of complaints management.

TECHNOLOGY AND INNOVATION

In 2023, Banco Montepio remained focused on continuously improving its value proposition for Customers and increasing the efficiency of its internal operations, integrating innovation and quality processes and incorporating best practices in areas such as Customer experience, data security and processing and ESG principles.

The Bank continued to automate and re-engineer processes, made significant advances in data collection, processing and governance models, adjusted the service model, optimised Customer journeys, and reinforced its cybersecurity mechanisms.

Among the various initiatives developed, the following should be highlighted:

- **Launch of the new institutional website**, with the aim of making it simpler, clearer and more accessible and of providing a better experience for Customers and non-Customers looking for information about the Bank, promoting more intuitive navigation, a more functional design and a neutral and inclusive language.
- **Launch of new digital journeys, such as simulating Mortgage Loans and subscribing to Retirement Savings Plans.**
- **Evolution of the International Business management functionalities,** allowing Company Customers to request financing abroad online and check the status of their financing, enabling their company's cash management to be integrated in one place.
- **Launch of the new APProva membership journey,** where the simplification of the process has boosted the levels of membership and use of this app in the authentication of online transactions (online transactions on Montepio24 service channels and online purchases with cards) and strengthened security.

- **Evolution of the voice bot M.A.R.I.A.,** which continued to increase its capacity to interpret contacts and accept operating instructions.
- **Making the M24 app available in Huawei's AppGallery,** extending customer service, the app was made available to users of Huawei devices without Google services, allowing these users to quickly access their accounts via mobile phone.

Also noteworthy was the installation of the first 50 new state-of-the-art ATM machines in the Chave24 internal network at the branches and the launch of a new, simpler and more intuitive mortgage simulation service.

In addition to these deliveries, the Bank has developed other initiatives, some of a legal nature, such as the 3rd extension of the SIBS Application Programming Interface (API) Market in relation to the revised Payment Services Directive (PSD2) – provision of the "Account Holder Name", inclusion of Card-Accounts in the APIs of the account information service and inclusion of Card-Accounts in the API of the payment initiation service.

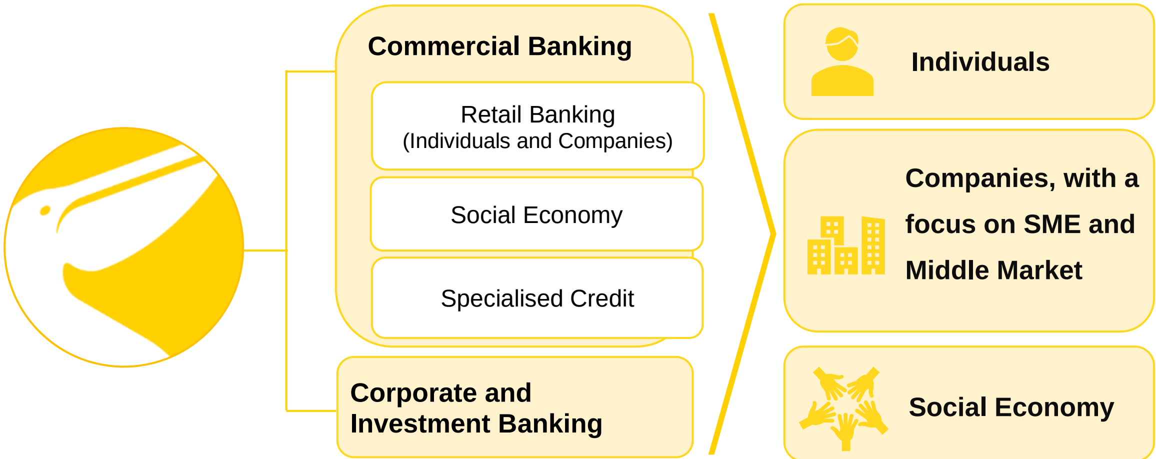
BUSINESS SEGMENTS

The Banco Montepio Group develops a series of banking and financial service activities, with focus on retail banking in Portugal. The business segments reflect the organisational and management model of the Banco Montepio Group, which encompassed Commercial Banking, including Retail Banking, Social Economy and Specialised Credit – which includes the consumer credit business developed essentially through Montepio Crédito – and Corporate and Investment Banking, as well as complementary services, provided through SSAGIncentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (namely the trading and management of real estate properties required for the installation and operation of the credit institutions or financial companies that are its shareholders).

The segmentation is made in the first instance between Individuals and Companies, with an emphasis on Small and Medium Companies and middle market, and Social Economy. Banco Montepio's business model is Customer-focused, committed to improving the well-being of Families, supporting the Social Economy and meeting the needs of Small and Medium-sized Companies, and based on values of proximity, trust, solidity, transparency, tradition, innovation and inclusion.

Banco Montepio offers a range of banking products and financial services that include all the services inherent to universal banking, namely deposit taking, credit granting and financial services to companies and individuals, custody and the distribution of medium and long-term savings solutions (Modalidades Mutualistas de Poupança), investment funds and life and non-life insurance, among others.

BUSINESS SEGMENTS OF THE BANCO MONTEPIO GROUP



With the sale of the entire share capital and voting rights it held in Finibanco Angola (completed in August 2023), Banco Montepio deconsolidated this subsidiary, which represented another important step in implementing the commitments made in the Adjustment Plan, particularly with regard to the Simplification and Governance and Capital Preservation pillars, freeing up capital and resources for the development of activity in Portugal, particularly in support of families, the social economy and national companies, a purpose that was at the origin of this century-old saving bank.

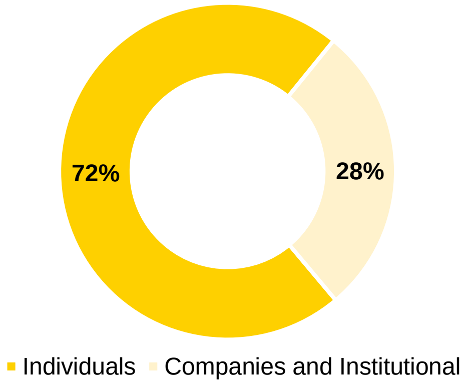
In the domestic market, and continuing the strategic pillar of Simplification and Governance, Banco Montepio decided to integrate BEM's activity into the parent company. At the same time, it redefined the model for monitoring Companies, applying a different segmentation that is more adapted to the size of the corporate structure in our country, in which small and medium-sized enterprises (SMEs) with a turnover of more than 4 million euros now have specialised managers who are part of the Corporate Banking Division (DBE) as a whole, consolidating the simplification of the group with the adjustment underway at Banco Montepio and converging with the sector's benchmark of greater verticalization and integration.

On 8 September 2023, Montepio Holding, SGPS, S.A. (100% owned by the Banco Montepio Group), agreed to sell its 100% stake in the share capital of Montepio Investimento, S.A. (BEM), to the fintech RAUVA Enterprises, S.A., and the operation is expected to be concluded after approval by the supervisory and regulatory authorities. The integration of BEM's activity into Banco Montepio, which took place on 28 November 2023, will enable capturing synergies and, at the same time, preserving and enhancing the integrated value proposition of commercial banking and investment banking.

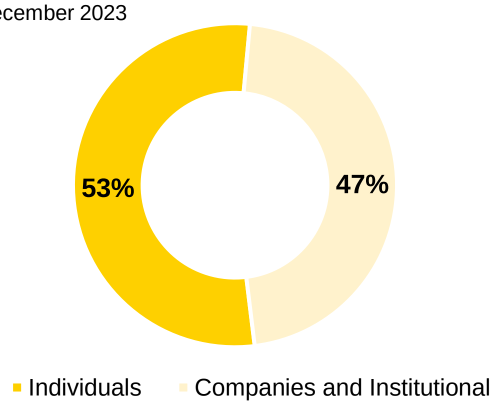
As at 31 December 2023, Banco Montepio had a network of 232 branches in Portugal, serving 1,303 thousand Customers, of which 165 thousand Companies and 1,138 thousand Individuals, with market shares of 5% in Deposits and in Loans granted to Customers.

Banco Montepio's customer Deposits stood at 13.4 billion euros, with Individual Customers accounting for 72% of this amount, (and Gross customer lending reached 11.7 billion euros, split between 53% Individual Customers and 47% Companies and Institutional Customers.

Structure of Customers Deposits
31 December 2023



Structure of Loans to Customers (Gross)
31 December 2023



2023 was a year marked by great dynamism in term deposits, both because of the diversity of supply, which cuts across the entire banking sector, and because of the rapid evolution of the markets and interest rates, which required active management of pricing and supply in general. The context was one of rising interest rates, particularly the reference rates for credit operations, with interest rates on Term Deposits reflecting and following this trend. Banco Montepio launched a number of Term Deposits and frequently updated interest rates in order to keep the offer competitive, thus retaining and attracting new customers in the individual, corporate and social sector segments. The objective was achieved, as evidenced by the increase in market share of total deposits, which was 5.0% in December 2022 and reached 5.1% in December 2023.

The following are the main highlights of 2023 with regard to Banco Montepio Group's offer of financial products and services.

MEANS OF PAYMENT

POINT OF SALE (POS) TERMINALS

At the end of the last half of the year, Banco Montepio's set of automated payment terminals (POS) amounted to 26,778 installed terminals, an increase of 4.4% compared to the previous year. Banco Montepio's market share in terms of the number of POS terminals stood at 5.5% in 2023, with the number of POS terminals available on the national market of the SIBS Global Network reaching 485,434 units, a variation of 5.2% compared to the first half of 2023.

BANK CARD FOR SERVICE PAYMENTS

As part of the changes imposed on SIBS by the Banco de Portugal Directive, it is now compulsory to pay for online services using a bank card, rather than a current account, as had been the practice since the launch of this operation. Banco Montepio has accommodated this change without any impact or discontinuity in the service provided to its Customers, promoting, for this purpose, the issue of a technical debit card, at no cost to the Customer, to be used exclusively to carry out these operations.

IMMEDIATE TRANSFERS

Banco Montepio has been offering the instant transfer service since 2018. It was one of the first banks in Portugal to allow its Customers to make instant transfers, in all channels, with credit at the destination within 10 seconds. This service, offered optionally by banks, is growing and could be the main way of transferring money in the coming years, considering that in 2024 it should become mandatory for those who offer SEPA transfer services. In 2023, 2,242,472 immediate transfers were made, enabling Banco Montepio to achieve a national market share of around 15%.

INDIVIDUALS

Banco Montepio 's offer for the Individuals segment focuses on Savings and Credit products aimed at Families and Individual Customers. In keeping with its centuries-old vocation as a savings institution, the Bank offers a wide range of solutions with different characteristics and maturities, tailored to the objectives and needs of its Customers.

STRUCTURED DEPOSITS

In 2023, Banco Montepio continued to strengthen its offer of structured deposits, having launched 6 issues of this type of deposit, with the aim of diversifying the offer to Customers in products with guaranteed capital:

- **Banco Montepio Cabaz Ações Europeias_março 2023**, a structured deposit for the period of 2 years, cannot be withdrawn early, in euros, with guaranteed capital on maturity, and remuneration dependent on the performance of a set of 4 shares in European companies.
- **Banco Montepio Cabaz Ações Saúde_abril 2023**, a structured deposit for the period of 2 years, cannot be withdrawn early, in euros, with guaranteed capital on maturity, and remuneration dependent on the performance of a set of 4 shares of European companies in the health industry.
- **Banco Montepio Cabaz Ações Prestígio_junho 2023**, a structured deposit for the period of 2 years, cannot be withdrawn early, in euros, with a capital guarantee on maturity, and remuneration dependent on the performance of a set of 4 shares in European companies with prestigious brands.
- **Banco Montepio Cabaz Multissetorial_julho 2023**, a structured deposit for the period of 2 years, cannot be withdrawn early, in euros, with guaranteed capital on maturity, and remuneration dependent on the performance of a set of 4 shares in European companies of various sectors.
- **Banco Montepio Cabaz Água_outubro 2023**, structured deposit for a period of 2 years, cannot be withdrawn early, in euros, with a capital guarantee on maturity, and remuneration dependent on the performance of a set of 4 shares in companies which, in the course of their activity, contribute to greater sustainability in the use of an essential resource such as water.

- **Banco Montepio Energias Renováveis_novembro 2023**, structured deposit for a period of 2 years, cannot be withdrawn early, in euros, with a capital guarantee on maturity, and remuneration dependent on the performance of a set of 4 shares in European companies that produce energy from renewable sources in the course of their business.

INVESTMENT FUNDS

In the context of the offer of Investment Funds, Banco Montepio ensures the distribution of 13 Securities Investment Funds managed by Montepio Gestão de Activos, SGOIC, S.A. and two Real Estate Investment Funds, the Valor Prime Fund and VIP Fund, managed respectively by the Holding Companies Montepio Gestão de Activos, SGOIC, S.A. and SILVIP – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

The Valor Prime Real Estate Investment Fund, managed by Montepio Gestão de Activos, was awarded the Best Open Real Estate Investment Fund prised for the second year running by the Association of Investment Funds, Pensions and Assets (APFIPP), which, in partnership with Jornal de Negócios, awarded the Jornal de Negócios/APFIPP Best Funds Awards – 2023.

RETIREMENT SAVINGS PLAN

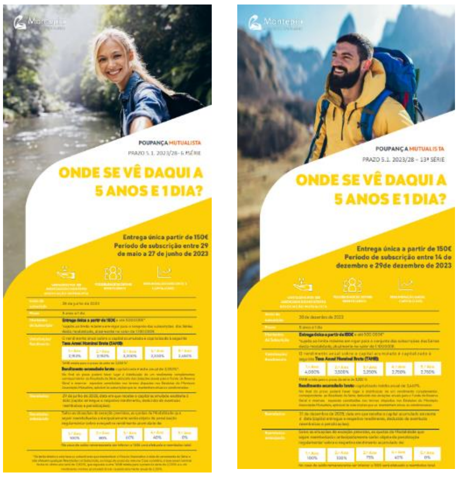
In relation to the offer of retirement savings plans/stock savings plans (PPR/PPA) and Pension Funds offered by Futuro -Sociedade Gestora de Fundos de Pensões, S.A. and distributed by Banco Montepio, 4 quarterly campaigns were carried out in order to with the aim of encouraging subscriptions by existing Customers, as well as attracting new Customers, especially younger ones (up to 35 years old) who are more adept at subscribing online.

It should be noted that Futuro, Sociedade Gestora de Fundos de Pensões, S.A., a company certified by APCER (ISO9001), celebrated 35 years in business in 2023.

MUTUAL SAVINGS MODALITIES

Banco Montepio also ensures the distribution of savings solutions from Montepio Geral – Associação Mutualista (MGAM) in the medium and long-term (Mutualist Savings Modalities), exclusive to its members. Due to its unique mutual nature, it is a distinctive and unique offer on the market.

MGAM has taken steps to boost the attraction and/or retention of Associate Customers, as well as the savings and protection options available, including the monthly distribution of the Poupança Mutualista Prazo 5.1. series 2023-2028, a medium/long-term capitalisation modality.



PUBLIC SUBSCRIPTION OFFERS

In 2023, Banco Montepio, as the Placement Entity, took part in several Public Bond Subscription Offers (OPS) / Public Bond Exchange Offers (OPT), such as OPS "Obrigações Benfica SAD 2023-2026", OPT "Obrigações Benfica SAD 2020-2023", OPS "FC Porto SAD 2023-2026" and OPT "FC Porto SAD 2021-2023", offering its Customers the possibility of subscribing to bonds from recognised entities and diversifying their investments.

INSURANCE

The simplification of services and processes continues in the sphere of Bancassurance, in partnership with the Montepio Group's insurance companies, Lusitania, Companhia de Seguros S.A. and Lusitania Vida, Companhia de Seguros, S.A., with a view to increasing efficiency and improving Customer experience.

MORTGAGE LOANS AND MULTIFUNCTIONAL CREDIT

Mortgage Loans and Multifunctional Loans are strategic products to support the growth and sustainability of Banco Montepio's loan portfolio, considering the respective capital consumption and risk-adjusted profitability, and the impact, in terms of profitability, resulting from the level of involvement of the Customer with the Bank.

Pursuing its goal of increasing its loan portfolio and positioning itself as a specialist bank in the Mortgage Loan product, and considering that the relevant factors in choosing this product are: price, service and the relationship established between the Bank and the Customer, Banco Montepio continued to strengthen the quality of its offer in this area, promoting solutions with differentiating conditions in the market and offering variable, fixed or mixed rate modalities.

During the first half of 2023, inspired by the success of previous years' campaigns, Banco Montepio launched a new Mortgage Loan offer with the lowest minimum spread on the market and recovered the allocation of 1% of the contracted amount (or 1.1% if the property has an A+ or A energy certificate) in a discount card to be used at Worten. It should be noted that Banco Montepio's positioning in the mortgage loan market has favoured direct relations with the Customer, rather than partnerships with credit intermediaries, thus enabling it to deliver greater value to the Customer.

PERSONAL LOANS

Banco Montepio has supported Customers in carrying out their projects, in a responsible manner and with rigorous criteria of risk analysis and management. With an offer based on a multichannel functionality that is flexible, simple, fast, online and available at any time, any Customer can apply for a Personal Loan without needing to go to a branch.

Special reference is made to the Renewable Energy Credit, a credit line to support the purchase and installation of equipment that uses renewable energy.

Banco Montepio also maintained its concern with Support for Training/Education, reinforcing its partnership with Academia de Código (Code Academy).

COMPANIES

Banco Montepio's offer for Companies focuses on simplification, consistency and easy use as critical success factors for differentiation in the segment, through a model of commercial follow-up based on the specialisation and size of the Customers.

CREDIT

In 2023, Banco Montepio continued to focus on Companies, providing credit lines guaranteed by the State, in partnership with Banco Português de Fomento (BPF), in order to support Portuguese companies to overcome challenges and constraints, in particular following the rise in inflation and combined with the geopolitical crisis resulting from the invasion of Ukraine and the instability in the Middle East, with emphasis on:

- **Support Line for Increased Production Costs**

  It aims to support the treasury of SMEs, Small Midcaps, Midcaps and Large Companies, particularly affected by the sharp rise in energy and raw material costs and disruptions in supply chains.

- **Social Sector Financing Line**

  It aims to support Social Economy Entities (SEEs), particularly affected by the sharp rise in energy and raw material costs and disruptions in supply chains, in financing cash and investment needs.

- **Fincresce | SME Leader 2022 Programme**

  In May 2023 the “Estatutos PME Líder 2022” (SME Leader 2022 Status) was awarded. This corporate reputation seal, created by IAPMEI – Agência para a Competitividade e Inovação, I. P., seeks to distinguish the merit of national small and medium-sized enterprises (SME) with superior performance and is awarded in partnership with Turismo de Portugal, a group of partner banks and the Mutual Guarantee Societies, based on the best risk ratings and economic-financial indicators.

  The Management Entities of the SME Leader Status also award the “Estatuto PME Excelência” (SME Excellence Status) to a subset of companies with SME Leader Status with the most outstanding merit of their performance.

- **Azores Participatory Capital Programme I**

  In September 2023 Banco Montepio signed the cooperation protocol for the Azores Participatory Capital Programme I, becoming a Financial Intermediary with the Azores Companies Capitalisation Fund (FCEA), managed by Banco Português de Fomento, diversifying and also making its presence felt in this type of company capitalisation instrument.

Banco Montepio has maintained its commitment to facilitating access to European Funds, with better financing conditions, by making available lines from the European Investment Bank (EIB), in particular:

- **EIB 2020 line**

  Line with a total amount of 300 million euros, with financial advantages and aimed at financing loans granted to companies, preferably SMEs and Midcaps, whose investment projects take place in Portugal or in other European Union countries, in various sectors of economic activity.

SERVICES

Banco Montepio Group advises Mota-Engil on bond issue

The Banco Montepio Group advised Mota-Engil on the structuring of a bond issue – Sustainability-Linked Bonds, amounting to 10 million euros, by private and direct offer. The issue, certified as Sustainability-Linked Bonds, complies with the conditions established in the Sustainability-Linked Bond Principles, published by the International Capital Market Association, in accordance with the Second Party Opinion issued by S&P Global Ratings.

The Banco Montepio Group acted as Overall Coordinator of the operation, and as investor, being responsible for organising and setting up the operation and subscribing to the issue.

Green Project Bond Blue Future II 2023-2038

In October 2023, the Banco Montepio Group advised Blue Future II – Energias Renováveis, Lda., a Cavalum Group company, on the structuring of its first issue of Green Bonds, amounting to 8.2 million euros, by private and direct offer. The bond issue was aimed at financing another of Cavalum's renewable energy projects, namely the investment in the construction and start-up of a wind farm located in Porto de Mós, Leiria, with a licensed capacity of 6.0 Megawatts. The issue, certified as Green Bonds, complies with the conditions established in the Green Bond Principles, published by the International Capital Market Association (ICMA), in accordance with the Second Party Opinion issued by ISQ, which considered that this project contributes to SDG 7 – Affordable and Clean Energy and SDG 13 – Climate Action.

The Banco Montepio Group acted as Overall Coordinator of the operation, and as investor, taking responsibility for organising and setting up the operation and subscribing to the issue.

Sustainability Bonds José de Mello Capital 2023-2028

In December 2023, Banco Montepio advised José de Mello Capital, the holding company of the José de Mello Group, on the structuring of its first Sustainability Bonds issue, amounting to 4 million euros, through a private and direct offer.

The purpose of the issue is to finance the refurbishment project in the office building on Avenida 24 de Julho, whose alterations will make a positive contribution to the enhancement of José de Mello's human capital and to environmental aspects related to climate change mitigation and pollution prevention and control.

The issue, certified as a Sustainability Bond, complies with the conditions established in the Sustainability Bond Guidelines, published by the International Capital Market Association (ICMA), as stated in the Second Party Opinion issued by ISQ, which considered that this project contributes to the following SDGs:

- SDG 3 – Good Health and Well-being;
- SDG 7 – Affordable and Clean Energy;
- SDG 8 – Decent Work and Economic Growth;
- SDG 9 – Industry, Innovation and Infrastructure;
- SDG 12 – Responsible Consumption and Production.

SOCIAL ECONOMY

The Social Economy, developed by the various entities of the sector and with different areas of activity, acts on an increasingly wide universe of Portuguese society, positioning themselves as important agents in job creation and in the production of wealth.

Assuming its nature as a third sector, the Social Economy finds its raison d'être in achieving social goals, thus complementing the work of the public and private sectors, and with a greater capacity to respond to new social and societal challenges, through innovation and the pooling of resources and wills, particularly in areas where the fight against inequalities, poverty and social exclusion requires solidarity responses from the community.

In fulfilling their mission, Social and Solidarity Economy Entities (EESS) rely on Banco Montepio as a strategic financial partner, with an integrated and personalised offer to meet their financial needs. At Banco Montepio, the Social and Solidarity Economy Entities are monitored by the Social Economy and Public Sector Commercial Division (DCESSP), a complementary area to the branch network, composed by a team from the north to the south of the country with specialised knowledge of the sector, its needs and different areas of activity.

As a result of the work carried out by the commercial teams, Banco Montepio maintained a penetration rate of 27% among Social Economy and Solidarity Customers segments (with a social purpose) in 2023, thus continuing to implement the strategy of continuous specialised monitoring of the Social Sector Customer base as a differentiating pillar.

In this sense, the Social and Solidarity Economy Entities have available unique solutions, examples of which are the Solução ESocial (ESocial Solution), an integrated solution of products, services and advantages exclusive to Social and Solidarity Economy Entities, Conta Acordo (Acordo Account), an overdraft facility (exclusive ceiling) for private social solidarity institutions (IPSS) that facilitates cash management, and, the Seguro Voluntariado (Volunteer Insurance), personal accident, health and civil liability insurance – mandatory for all institutions that rely on the collaboration of volunteers.

As a reference financial partner, the commercial relations between Banco Montepio and the Social and Solidarity Economy Entities enable the continuation of commercial protocols that make a difference in society and in the activity of these institutions, particularly those with the representative structures of the Social and Solidarity Economy, which give access to a set of benefits and advantages in Banco Montepio products and services, examples of which are the protocols with the "União das Misericórdias Portuguesas" (UMP) (Union of the Portuguese Misericórdias), the "Confederação Nacional das Instituições de Solidariedade" (CNIS) (National Confederation of Solidarity Institutions), the "Nacional de Cooperativas de Solidariedade Social"

(Fenacerci) (National Federation of Social Solidarity Cooperatives) and the “Liga dos Bombeiros Portugueses” (LBP) (League of Portuguese Firefighters), among others.

Support to the Public Sector

The Public Sector is composed of various public institutional units, especially the public administrations and the entire business sector with total or majority public capital, an area that is monitored by the Social Economy and Public Sector Commercial Division, which has an experienced team with specific knowledge of the sector, committed to be alongside those whose mission is to ensure the interests of the community.

Banco Montepio monitors this segment, particularly in the analysis of credit proposals for public tenders. In this field, awards were made to Banco Montepio, as well as proposals for global involvement, resulting from the Customer loyalty strategy based on everyday products and services.

Support to Entrepreneurship and Social Innovation

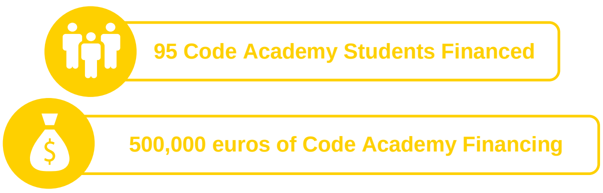
Banco Montepio is committed to entrepreneurship and social innovation, such as to drive the continuous progress of a more sustainable, close and inclusive society.

In the area of entrepreneurship, the role of Banco Montepio is evidenced by the availability of financing lines for sustainable projects, as well as the continuity of partnerships that allow the promotion of equal opportunities.

As a **Social Entrepreneurship Partner**, Banco Montepio actively participates in various dynamics of development of technology-based and innovative ideas, projects and business ventures, in particular:

- **Partnership with the “<Academia de Código_>” (Code Academy)**, a project aimed at providing a social experience through boot camps on computer language. In order to help all those who want to <re>programme their life by enrolling in these boot camps, Banco Montepio created the “Linha de Crédito Code Academy” (Code Academy Credit Line), specifically to support the students (<Code Cadets>) who attend the boot camps in Lisbon and Porto.

  As part of the partnership established with <Academia de Código_>, Banco Montepio supported the following in 2023:



  Achieving the goals of this partnership, through student funding, more than 200 grants have been awarded for a total amount of more than 1.4 million euros since its beginning in 2020.

Microcredit

Since 2006, Banco Montepio has been developing projects in partnership with a nationwide team of managers specialised in the field of Microcredit, who accompany, support and help generate sustainable ideas and businesses.

In 2023, Banco Montepio provided the following products to enterprising people, wishing to start their own businesses:

- The **“Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego (LAECPE)”** (Line of Support to Entrepreneurship and Own Job Creation), composed of two distinct credit lines (MicroInvest and Invest+) for different amounts, is directed at unemployed persons enrolled in job centres, with the ability and willingness to work. LAECPE, arising from a collaboration agreement between Banco Montepio, the Instituto de Emprego e Formação Profissional, I.P. (IEFP) and four mutual guarantee companies (Norgarante, Garval, Lisagarante and Agrogarante), seeks to fight economic and social exclusion, and long-term unemployment;

- **“Solução E.mpreendedor”** (E.mpreendedor Solution), a Banco Montepio solution for businesses less than 2 years old, provides a selection of integrated products and services to support the business;
- **“Solução E.mpresário”** (E.mpresário Solution), a solution that supports companies at the growth stage, and includes a selection of integrated products and services to keep the business on the right track;

Banco Montepio also provides access to a set of **24 protocols and partnerships** with organisations of national, district or local scope that are distinguished by their experience in the field of social entrepreneurship and protocolled financing lines:

- ACB – Associação Comercial de Braga (Commercial Association of Braga);
- ACIS – Associação Empresarial dos Concelhos de Vila Franca de Xira e Arruda dos Vinhos (Business Association of the Municipalities of Vila Franca de Xira e Arruda dos Vinhos);
- ACM – Alto Comissariado para as Migrações (High Commissioner for Migrations);
- AEBA – Associação Empresarial do Baixo Ave (Business Association of Baixo Ave);
- AEFAFE – Associação Empresarial de Fafe, Cabeceiras de Basto e Celorico de Basto (Business Association of Fafe, Cabeceiras de Basto and Celorico de Basto);
- AEP – Associação Empresarial Penafiel, (Penafiel Business Association), in Penafiel;
- AERLIS – Associação Empresarial da Região de Lisboa (Business Association of the Lisbon Region);
- AESintra – Associação Empresarial de Sintra (Business Association of Sintra);
- Amadora Inova da Câmara Municipal da Amadora (Amadora Innovates of the Municipality of Amadora);
- ANJE – Associação Nacional de Jovens Empresários (National Association of Young Entrepreneurs);
- B2A – Business Advisors Association;
- Beira Serra – Associação de Desenvolvimento (Beira Serra Development Association);
- Centro Empresarial INOVAGAIA (Business Centre), in VN Gaia;
- DNA Cascais;
- DOLMEN – Desenvolvimento Local e Regional, CRL (Local and Regional Development), in Amarante;
- FISOOT – Formação, Integração Social e Ofertas de Oportunidades de Trabalho (Training, Social Integration and Job Offers);
- Lions Clube de Coimbra (Lions Club of Coimbra);
- NERSANT – Associação Empresarial da Região de Santarém (Business Association of the Region of Santarém);
- Novos Percursos, CRL (New Pathways);
- Penha Empreende da Junta de Freguesia da Penha de França (Penha Ventures of Penha de França Parish Council);
- Querer Ser – Associação para o Desenvolvimento Social, (Wanting to Be – Association for Social Development), in Rio Tinto, Gondomar;
- RedOeiras+;
- Sol do Ave – Associação para o desenvolvimento integrado do Vale do Ave (Ave Sun – Association for the integrated development of the Ave Valley);
- Talentus – Associação Nacional de Formadores e Técnicos de Formação (National Association of Trainers and Training Technicians).

Concerning **Microcredit** funding in 2023, Banco Montepio supported:

37 Projects

2,000,000 euros of financing

43 jobs

From an overall perspective of enhancing dynamics, which includes the entire Banco Montepio network, the Support Line for Entrepreneurship and the Creation of Own Employment (LAECPE), composed of two different lines of credit (Microinvest and Invest+), received support:

95 Projects

More than 2,000,000 euros of financing

126 jobs

Banco Montepio's active participation in the themes of Social Economy, Microcredit and Entrepreneurship and Social Innovation resulted in a number of actions carried out in the first half of the year, in particular:

- **EPIS scholarships** – Partnership with "Empresários pela Inclusão Social" (EPIS) (Entrepreneurs for Social Inclusion), a national reference in the development, incubation and internalisation of new methodologies aimed at improving school performance, ensuring educational and training system quality, and fostering the employability and professional integration of youngsters in Portugal. This social partnership has resulted in six social scholarships being awarded, three to secondary school students and three to higher education students.
- **ESG WEEK 2023**, with Banco Montepio as host and main sponsor, **support for the Pirilampo Mágico** 2023 **campaign** and official partnership of the **14th National Congress of Misericórdias** and the 2nd edition of **Aldeia da Inovação Social,** initiatives already listed in detail in the "The Banco Montepio Brand" section of this report.
- Agreement in principle with Universidade Nova de Lisboa to analyse the feasibility of projects in the area of **Sustainable Finance**, presented by master's students, in response to challenges posed by Banco Montepio.

04 BUSINESS ENVIRONMENT

BUSINESS ENVIRONMENT

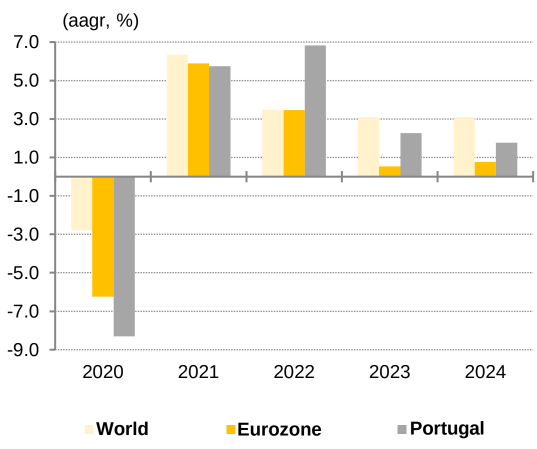
ECONOMY

World Economy

The year 2023 was marked by the strong resilience of economic activity, despite the geopolitical and macroeconomic environment that generated fears for much of the year about a global recession. The slope of the yield curve in the United States of America (USA) reached sharply negative levels, similar to those that preceded previous recessions, plus the fact that, since 1945, United States inflation has never fallen from 5% to 3% without a recession occurring in the following 18 months. The global recession was not only avoided, but there was even an increase in economic activity at a global level, with the USA, Japan and the BRIC group (Brazil, Russia, India and China) accelerating and only Europe slowing down.

Contributing to the resilience of economic activity were the robustness of the labour and real estate markets, the favourable behaviour of private consumption, especially in the USA, benefiting from the high stocks of household savings built up during the pandemic and the public support measures adopted, and financial stability, despite the crisis of regional banks in the first quarter of 2023 and the possibility of delayed effects of monetary policy tightening on economic activity.

Gross Domestic Product (GDP)



Source: Thomson Reuters, Banco Montepio (GEEF) and IMF.

In the update of the World Economic Outlook (WEO), on 30 January 2024, the International Monetary Fund (IMF) revised upwards its forecasts for the global economy for 2024, from 2.9% to 3.1%, also predicting a slight acceleration in 2025, to 3.2%.

The currently disclosed projections are not without risks, but they are balanced at this stage. The IMF admits the possibility of positive surprises in growth: firstly, with the possibility of a greater acceleration in the disinflation process, but also if governments are less quick to withdraw support measures than expected.

With regard to the main economies, the IMF has revised downwards its growth forecasts for the eurozone (in 2024, from +1.2% to +0.9%, and in 2025, from +1.8% to +1.7%), with the organisation estimating growth of 0.5% for Germany in 2024, as it should emerge from the current recession. For the USA, the outlook has been improved for 2024 (from +1.5% to +2.1%) but, for 2025, the growth forecasts are already in line with those for the eurozone, at 1.7% (+1.8% in the previous forecasts). In the case of the BRIC countries, the IMF has revised upwards its forecasts for China (in 2024, from +4.2% to +4.6%), and for 2025 has maintained its forecast of a slowdown (+4.1%), which will be the lowest growth rates in the last 30 years, with the exception of the pandemic period, also updating upwards the forecasts for Brazil (in 2024, from +1.5% to +1.7%, keeping the forecast for 2025 at +1.9%), India (in 2024, from +6.3% to +6.5%, and in 2025, also from +6.3% to +6.5%) and Russia (in 2024, from +1.1% to +2.6%, and in 2025, from +1.0% to +1.1%).

The IMF considered the abrupt landing of economies after the strong tightening of monetary policy as a measure to combat inflation to be unlikely, with the institution arguing that its projections are increasingly consistent with a "soft landing" scenario, bringing inflation down without a major decline in activity, especially in the USA, where the expected rise in the unemployment rate is relatively modest, from 3.6% in 2023 to 3.9% in 2024 (October forecasts). In the eurozone, the unemployment rate is expected to fall to 6.5% by 2024.

It also anticipates that inflation will slow down from 6.8% in 2023 to 5.8% in 2024 (versus 8.7% in 2022), maintaining the figure it had put forward in October, projecting a further drop in 2025, to 4.4% (+4.6% in previous forecasts), with the expectation that inflation rates will once again come close to the central banks' targets in 2024.

Economy of the Eurozone

Economic activity in the region kicked off 2023 with a chain stagnation in the first quarter, showing a weak performance overall, but eventually preventing the eurozone economy from entering a situation of technical recession in the second half of the year, as was being anticipated by the market.

The region's economy slowed down again in 2023 as a whole, to growth of around 0.5%, after expansions of 3.5% and 5.9% in 2022 and 2021, respectively, being conditioned, in particular, by the context of high inflation and the economic impact of interest rates at historically high levels. The economy is expected to accelerate in 2024, but with growth still low, at just 0.8%, a scenario shared by the European Commission's most recent projections (+0.8% in mid-February), which is below that forecast by the IMF (+0.9%) and above that projected by the OECD (+0.6%) and the ECB (+0.6%).

Throughout 2023, we saw a continuation of the downward trend in inflation that began at the end of 2022, with the year-on-year indicator closing at 2.9%, still above the ECB's medium-term inflation target of 2.0%, but already well below that seen at the end of 2022 (+9.2%), as well as the peak of 10.6% recorded in October 2022. In average annual terms, inflation fell to 5.4% in 2023 from 8.4% the previous year, and should continue its downward trend this year, despite the upward risks caused by the current geopolitical context in the Middle East, Eastern Europe and European Union, with protests in the agricultural sector.

Against the backdrop of persistently high underlying inflation throughout most of 2023, as well as the prospect of inflation remaining high for longer, the ECB continued the cycle of increases in its key interest rates that began in mid-2022, more specifically until the September meeting, resulting in an increase of 200 b.p. (50 b.p. in February and March and 25 b.p. in May, June, July and September), then keeping rates unchanged at the remaining meetings in 2023.

It was the ECB's sharpest interest rate hike in its history, with reference rates rising by 450 b.p. in around 15 months. As a result, the interest rate applicable to the main refinancing operations (refi rate) closed the year at 4.50% and the deposit facility rate (deposit facility rate) at 4.00%, levels at which it should remain until mid-2024, when the ECB should begin the process of gradually reducing interest rates.

Portuguese economy

The Portuguese economy slowed growth in 2023 to 2.3%, after GDP rose by 6.8% in 2022, the highest rate since 1987 (after expanding by 5.7% in 2021 and the historic decrease of 8.3% in 2020, following the adverse effects of the Covid-19 pandemic), remaining, however, above the forecasts of the European Commission and OECD (both dated November), as well as above the 2.1% forecast by Banco de Portugal in December and in line with the 2.3% projected in October by the IMF. Domestic demand made a positive contribution, although less than in the previous year, with a slowdown in private consumption and investment. The contribution of net external demand was also positive in 2023, but less intense than in the same period last year, with exports and imports having slowed down significantly.

The Portuguese economy is expected to slow down again in 2024, with GDP growing by around 1.8%, a slowdown that is less than that anticipated by a wide range of national and international entities – e.g. IMF (+1.5%), European Commission (+1.2%) and OECD (+1.2%) – but slightly higher than the most recent forecast by Banco de Portugal (in March 22, it revised GDP growth upwards, from +1.2%, forecast in December, to +2.0%).

In terms of prices, and as was the case in the eurozone, after the sharp increase in the inflation rate throughout 2022, in 2023, Portugal saw a continuation of the downward trend that began at the end of the previous year (benefiting from the cut in the VAT rate to 0% for several essential food items), with year-on-year inflation closing the year at 1.9%. In annual average terms, inflation fell to 5.3% in 2023, after the 8.1% observed the previous year, and should continue its downward trend in 2024 if geopolitical disturbances do not again have a significant impact on the prices of energy products and maritime transportation costs.

In the labour market, according to the monthly estimates of the National Statistics Institute (INE), the unemployment rate fell from 6.7% in December 2022 to 6.6% in December 2023, after a peak of 7.0% at the beginning of the year. However, in annual terms, the unemployment rate has risen from 6.0% in 2022 to 6.5%

in 2023, with a slight rise expected in 2024 to 6.6%, with risks remaining on the rise and especially dependent on the resilience of economic growth.

Throughout 2023, public finances continued to benefit from the dynamism of economic activity and the labour market, the reduction of measures to prevent and combat the Covid-19 pandemic and the effect of rising prices on effective revenue, with the available budget execution data showing significant improvements in the budget balance compared to the same period last year. There was a budget surplus of 1.2% of GDP, a much more favourable outcome than the budget deficit of 0.3% observed in 2022, after which a reduction in the budget surplus is expected in 2024. In 2023, the public debt-to-GDP ratio maintained the downward trajectory that began in 2021, a trajectory that should be reinforced throughout 2024.

The household savings rate remained at 6.3% in 2023 and is expected to increase in 2024, after reaching a peak of 10.6% in 2021, due to the accumulation that took place during the lockdown periods of the pandemic crisis, which made it possible to largely mitigate the negative effects of inflation.

FINANCIAL MARKETS

In 2023, the improvement in market sentiment that had begun in the last quarter of the previous year continued, resulting in a year of gains, particularly for the stock markets, after the fall recorded in the previous year, essentially due to the shock of the Russian invasion of Ukraine, which caused commodity prices to soar and inevitably led to a change in the outlook for growth in activity and prices in most economies, as well as a sharp tightening of monetary policy.

With the exception of the Chinese stock markets, the world's main stock markets managed to recover in 2023, in some cases hitting all-time highs, particularly the USA stock markets. In any case, share prices have been quite volatile, influenced by events such as the crisis in several USA regional banks and the fall of Credit Suisse in the first quarter, as well as the escalation of geopolitical instability, with the reignition of the conflict in the Middle East. Other factors were also decisive in the evolution of the markets, such as artificial intelligence, inflation expectations, high levels of global interest rates, fears about crypto assets, the energy transition or extreme weather events.

Much of 2023 took place against a backdrop of persistently high inflation, mainly in developed economies, which led to central banks in Europe and the USA continuing to tighten policy to the highest levels since 2000 in the USA and in the history of the euro, exceeding the markets' initial expectations, which led to a significant rise in global market interest rates and ended up putting pressure on all risk assets, especially shares. In fact, yields on 10-year USA treasuries actually exceeded 5% at the end of October (the highest since 2007).

However, the last few months of 2023 saw a cooling of inflation, caused initially by the reduction in energy prices (especially the sharp reduction in natural gas prices in Europe), but also later by the cooling of economic activity due to the tightening of monetary policy. This new context led risk assets to regain their attractiveness, providing the so-called rally in global equities, which was led by the technology sector.

The main USA **stock indexes** recorded strong rises in 2023, with the S&P 500 advancing 24.2%, fully recovering from the 19.4% drop seen in 2022, ending the year just 0.6% below the all-time highs recorded on 3 January 2022. The Nasdaq rose even more (+43.4%), benefiting from the aforementioned favourable performance of the technology sector and supported in particular by the rally in artificial intelligence stocks, ending the year 6.5% below the all-time highs recorded on 4 January 2022. In Europe, the Eurostoxx 50 rose by 19.2% – with sectoral gains in retail (+34.4%), technology (+31.7%), construction (+30.6%) and financial services (+26.8%) standing out – while the Portuguese PSI index rose by 11.7%. The upward trend was transversal to most European markets – the biggest rise was in the Italian FTSE MIB (+28.0%) and the smallest in the British FTSE 100 (+3.8%), the latter particularly affected by high British inflation and the need for further rate hikes by the Bank of England.

Yields on **reference public debt** fell in the main economies, reflecting expectations of a reversal of the restrictive monetary policies that intensified in the final months of 2023. In **Germany**, 2-year yields fell 36 b.p. to 2.404% and 55 b.p. in the 10-year to 2.024%, in the latter case moving away from the 2.968% of the October 3 session, when it closed at its highest since July 2011, but remaining well above the historic lows

(-0.856%) recorded on 9 March 2020. In the **USA**, 2-year yields fell by 18 b.p. to 4.250%, and stabilised at 3.879% for the 10 years, but in the latter case, after having exceeded 5% at the end of October, which was the highest since 2007, are still well above the lows of the series that began in 1979, recorded on 4 August 2021 (0.507%).

Credit spreads showed favourable movements in investment grade Credit Default Swap (CDS) indexes, closing the year at their lowest levels since the beginning of 2022 (Itraxx Cross-Over down 172 b.p., Itraxx Financials down 32 b.p. and Itraxx down 31 b.p.). There was also a reduction in the **spreads *of* the public debt yields of the peripheral eurozone countries**, with Greece standing out on the positive side (-102 b.p., to a spread of 104 b.p.), followed by Italy (-47 b.p., to 168 b.p.) and Portugal (-38 b.p., to 63 b.p.), which continued to have a lower spread than Spain, countries that benefited from the improvement in the ratings assigned by the main international agencies. In September, Fitch upgraded Portugal's rating from BBB+ to A- and, in November, Moody's followed with a 2-level rise to A3, the best rating since 2011. In turn, Greece saw its rating revised upwards in September by Moody's from Ba3 to Ba1, in October by S&P from BB+ to BBB- and in December by Fitch from BB+ to BBB-, thus achieving investment grade status from these two agencies.

With the anticipation and implementation of tighter monetary policy decisions by the ECB, in the fastest and most intense cycle of hikes in the ECB's history, **Euribor rates** showed marked increases in 2023: +178 b.p. in the 3 months, +117 b.p. in the 6 months and +22 b.p. in the 12 months, the latter starting to correct in the final months of the year, reflecting expectations of a reversal of the monetary policy cycle in mid-2024. It should be remembered that the strongest annual increases were experienced in 2022 since the beginning of the historical series in 1999 (+270 b.p. in the 3 months, +324 b.p. in the 6 months and +379 b.p. in the 12 months) and after closing 2021 close to historic lows. Euribor rates closed 2023 at 3.909% for the 3 months, 3.861% for the 6 months and 3.513% for the 12 months, but after touching their highest levels since November 2008: for the 3 months in mid-November (4.002%), for the 6 months at the beginning of October (4.138%) and for the 12 months at the end of September (4.228%).

FINANCIAL SYSTEM

The Portuguese banking system was impacted by the macroeconomic and geostrategic events mentioned above, as well as by the ECB's monetary policy decisions aimed at reducing inflation.

The entry into a restrictive cycle of monetary policy in the eurozone was accompanied by a rise in Euribor rates, the main index for setting interest rates on loans. As a result, there was an increase in interest received which, despite the transmission of monetary policy to deposit interest rates, led to a sharp rise in net interest income.

There has thus been an improvement in profitability, with the return on equity *(*ROE) rising to 14.8% in 2023, according to Banco de Portugal, a figure that exceeds the average levels experienced between 2000 and 2007 (13.8%), the period just before the subprime crisis.

The growth of the financial intermediation margin, which reached 2.8% in 2023, almost double the average between 2014 and 2022 (1.5%), was essential for increasing the banking sector's profitability. The improvement in the financial intermediation margin also contributed to the continuation of the downward trend in cost-to-income, which stood at 37.2% in September 2023 (compared to 57.6% for the quarterly average between September 2014 and December 2022).

Regarding capital levels, in line with eurozone banks, the Portuguese banking system's CET1 ratio increased significantly in 2023, more than recovering the year-on-year decrease seen in Portugal in 2022, reaching 17.1% (compared to 15.4% in December 2022). The leverage ratio has remained stable at around 7% (7.3% in December 2023 and 6.7% in December 2022).

With regard to liquidity, despite the repayment of 13 billion euros of longer-term refinancing operations (TLTRO) during 2023, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) maintained comfortable levels, above 200% and 100% respectively, in line with the values recorded at the end of 2022.

With regard to deposits, during the first half of 2023 there was an increase in investment in other savings instruments, with the balance of the individual segment falling by 4.1% in that period (-7.5 billion euros). With banks offering more competitive interest rates (the average rate on new one-year term deposits for individuals rose from 0.9% in the first half of 2023 to 2.5% in the second), individual deposits recovered in the second half, reducing the annual decrease to just 1.5% (-2.7 billion euros).

In the corporate segment, the change in the balance of deposits in 2023 was -4.6% (-3 billion euros), which may have resulted from the increase in the cost of credit and the greater use of own resources to finance activity, with the average ratio of financial autonomy of companies increasing to 44.3% in 2023 (compared to 40.1% at the end of 2022).

As interest rates rose, repayments increased and demand for credit contracted. Thus, in 2023, the change in the balance of credit granted to individuals was -1.4 billion euros (-1.1%), determined by the contraction in mortgage loans (-1.4%). Conversely, in the same period, consumer credit rose by 0.5 billion euros (2.2%). Early repayments (partial and total) made a strong contribution to the negative variation in the mortgage loan balance (in 2023, 10.7 billion euros of mortgage loans were repaid early, compared to 6.4 billion euros the previous year).

The rise in interest rates contributed to the decrease in the weight of variable interest rates in new mortgage loans (in December 2023 the weight was 24.3%, compared to an average of 83.9% in 2022) and the consequent increase in fixed or mixed rate loans (the combined weight of these two types in December was 75.7%, compared to an average of 16.1% in 2022).

In the segment of non-financial companies, the credit balance contracted by 1.9 billion euros in 2023 (-2.6%), while the amount of new loans granted fell less sharply compared to 2022 (-0.4%).

By size, only loans to micro-enterprises continued to grow (+3.7% year-on-year), with negative rates of change for small, medium and large companies (-3.3%, -5.8% and -1.9%, respectively).

The loan-to-deposit ratio (net loans to customers over customer deposits) remained at 78% (78.2% in 2022), the lowest in 25 years.

After a slight increase until June (+0.1 p.p. compared to the previous December), the ratio of non-performing loans maintained the downward trend that began in June 2016 (when it peaked at 17.9%), reaching 2.7% (-0.3 p.p. than in December 2022), a minimum since 2014, with the stock of impairments to cover NPLs maintaining the value recorded in 2022 (55.5%). In turn, the weight of loans classified as stage 2 went from 10.3% in December 2022 to 10.7% in 2023.

The cost of risk in the Portuguese banking system rose from 0.3% in December 2022 to 0.4% in 2023, in line with the average for the European economic area, after remaining at a lower level between June 2021 and March 2023.

Also noteworthy are the measures to support families launched by the Portuguese government in 2023, with a special focus on the reinforcement of extraordinary measures and support for mortgage loans (Decree-Law 91/2023), namely a measure to temporarily fix the instalment of loan contracts for the purchase or construction of permanent residence and the temporary interest subsidy measure (created by Decree-Law 20-B/2023).

MAIN RISKS AND UNCERTAINTIES FOR 2024

The global economy is expected to slow down in 2024, which will tend to support a fall in inflation, allowing the world's main monetary authorities to start a new interest rate cycle, expected to be during the second half of the year. In a context of relatively low economic growth, particularly in the eurozone, this scenario is consistent with the prospect of a “soft landing” for economies, with inflation being controlled without a major adverse impact on activity and the labour market.

However, this relatively benign scenario for the global economy is subject to a number of risks and uncertainties, with geopolitical instability likely to continue, and the ongoing military conflicts not expected to be resolved quickly, resulting in disruption to supply chains and pressure on production costs.

At a national level, the economy should also be conditioned by the risks identified above regarding the global economy. According to Banco de Portugal's analysis in its December Economic Bulletin, the risks surrounding the projections for economic activity are mostly on the downside, with the balance more balanced for inflation. As a result, growth in activity could be lower than anticipated if external risks materialise: (i) a worsening of geopolitical tensions, with an impact on raw material prices and confidence; (ii) a slower recovery in world trade, against a backdrop of risks of geo-economic fragmentation or a slowdown in the Chinese economy; (iii) a greater impact than expected from the tightening of financial conditions;(iv) more persistent inflation, resulting in higher interest rates for a longer period. The risks of internal origin are associated with a scenario of uncertainty in the conduct of economic policy, particularly in the context of the parliamentary elections that took place on 10 March 2024, and possible delays in the implementation of European funds. In the case of inflation, the upside risks associated with disturbances in the energy markets are offset by the downside risks to economic growth, with a negative impact on prices.

It should be noted that the still highly restrictive monetary policy, the inflationary pressures that remain, the phasing out of public support for families and companies and also the end of moratorium programmes, will continue to be particularly relevant challenges in 2024, since they contribute to the deterioration of the financial situation of families and companies, increasing the number of insolvencies in some sectors of activity.

The impact of the ECB's restrictive monetary policy on the real economy has yet to be fully felt, particularly in terms of visible changes in the quality of banks' assets (loans portfolio and financial assets), while the banking system remains exposed to adverse macroeconomic and geopolitical developments, particularly in terms of the impact of growing tensions.

It is expected that the stimulus in net interest income induced by interest rate levels will begin to fade over the course of 2024, associated with two factors, agreed upon by central banks, rating agencies and market analysts, which will tend to be decisive for banking activity in 2024: (i) the continuation of the gradual transmission of changes in key interest rates to the rates of return on deposits offered by banks, as the return on deposits adjusts to market conditions and there is less liquidity in the market, and (ii) the pressure to reinforce credit impairments, resulting from a possible deterioration in the loans portfolio as a result of the permanence of high interest rates – a higher-for-longer position that has been sustained by the ECB – and taking into account the time lags between monetary policy decisions and their impact on the real economy.

The findings of the ECB's latest surveys of businesses and consumers continue to show signs of concern and challenges. On the one hand, companies continue to report more restrictive conditions in terms of access to and conditions of financing, associated with future uncertainties about the macroeconomic scenario in 2024, as well as the evolution of their own activity, so they remain somewhat pessimistic. On the other hand, the perception that house prices are likely to remain at high levels and that interest rates, even if they are reduced, will not return to levels close to those observed, could continue to constrain demand for credit, although the increase in real incomes could improve the outlook for credit and risk.

Although Banco de Portugal shows that the risks and vulnerabilities in the commercial real estate market remain low in Portugal, the ECB has been highlighting the potential risk of devaluation of these assets in some eurozone countries, especially when associated with high levels of debt, with a potential impact on credit quality and the valuation of the banking system's asset portfolios.

Continued high interest rates over a longer period of time will tend to aggravate credit defaults, affecting financial institutions as a whole.

The persistence of inflationary pressures, combined with the possible narrowing of the financial intermediation margin, should put pressure on banks' operating income, leading to a greater focus on managing their costs.

The Portuguese Republic, like the majority of Portuguese banking groups, saw its rating and Outlook improved in 2023, so maintaining and improving them, in a highly uncertain environment, represent challenges for the banking sector in 2024. In March 2024, S&P also upgraded the Portuguese Republic's rating from “BBB+” to “A-”, maintaining the positive Outlook.

The results of the Supervisory Review and Evaluation Process (SREP), published at the end of 2023, showed that the banks have solid capital and liquidity positions, as well as improved profitability, but highlighted the challenges facing them in the coming years. To this end, the ECB has reinforced its supervisory priorities for the 2024-2026 period, based on (i) the volatility of funding sources and the cost of funding in the short and medium term; (ii) alignment with best practices in climate and environmental risk management; (iii) internal governance, namely the management capacity of management bodies and risk data reporting; and (iv) the need for better alignment between the resources needed to minimise operational risks and digital transformation objectives, closely associated with the risks of outsourcing information technology services and cybersecurity risks, as well as meeting the regulatory requirements in the field of digital operational resilience issued in the Digital Operational Resilience of Financial Services Act (DORA) approved by the European Commission at the end of 2022.

In this context, the ECB has already announced that it is preparing a cyber stress test, to be carried out in 2024, while also looking forward to the completion of the Basel III reforms and progress in the Banking Union. At the end of 2023, the preparation phase for the digital euro was launched, likely to last until the fourth quarter of 2025, and the impacts on the banking sector's liquidity and profitability are uncertain.

Also within the regulatory framework, and with an impact from October 2024, Banco de Portugal introduced a prudential measure for Portuguese banks that use the Internal Ratings Based (IRB) methodology, materialised in the constitution of a 4% reserve for industry systemic risk (calculated on the amount of risk-weighted positions in the portfolio of individuals guaranteed by residential real estate located in Portugal), in order to increase the resilience of financial institutions to the systemic risk and volatility of the residential real estate segment. In the case of Banco Montepio there will be no impact since it adopts the Standard methodology for calculating capital requirements for credit risk.

In a forward-looking analysis, the European Commission said, in its recent “Post-Programme Surveillance Report. Portugal, Autumn (2023)”, that although Portuguese banks continue to improve their performance and are less sensitive to shocks than in the past, there remain risks to financial stability generated by the uncertain external environment and high interest rates, especially given the high exposure of households to loans with variable interest rates, despite public measures to mitigate the increase in households' financial burdens resulting from the sharp rise in interest rates. Accordingly, Portuguese credit institutions are expected to continue to benefit from interest rates remaining at a high level, although subject to risk factors such as the lower generation of new loans, the increase in credit risk and the devaluation of some long-term securities.

REPORT AND ACCOUNTS

05 FINANCIAL INFORMATION

Banco Montepio

2023

FINANCIAL INFORMATION

ACTIVITY BY SEGMENTS

In 2023, Banco Montepio undertook a change in the structure of its commercial network, as part of the global context of optimisation and efficiency and following the strategy of integrating the business developed by Banco de Empresas Montepio (BEM) into the parent company. This led to a re-analysis of the Corporate business, which resulted, among other things, in a reallocation of Customers between the so-called Retail Banking and Corporate and Investment Banking.

For the purpose of comparative analysis, it should be noted that in 2022, according to the internal criteria in force, the Corporate and Investment Banking segment included Companies and Economic Groups with a turnover of 20 million euros or more, and, from a management point of view, aggregates the Group's activity with Small, Medium and Large Companies, accounted for by both Banco Montepio and BEM), through the commercial structure, unique and shared between the two entities, dedicated to this segment, as well as the business with Institutional Customers. This activity was also complemented by the work of BEM's Investment Banking area.

The reorganisation carried out in 2023 aimed, on the one hand, to integrate, within the parent company, all the activity and Employees previously accounted for in BEM and, in line with the Simplification and Governance strategic pillar, the sale of the entire capital of that subsidiary. On the other hand, the aim was to develop the service provided to smaller Corporate Customers, which is why the threshold was changed to 4 million euros, which defines the monitoring between the commercial divisions of Retail Banking and Corporate Banking.

Thus, Banco Montepio's commercial segmentation is currently distributed and organised internally as follows:

- Retail Network: incorporates sole proprietorships, Micro-enterprises and Companies with a turnover of up to 4 million euros and Economic Groups where at least one of the participants has a turnover of up to 4 million euros;
- Corporate Banking Division (DBE): Small, Medium and Large Companies with a turnover of more than 4 million euros; Large Companies with a turnover of more than 150 million euros; Economic Groups where at least one of the participants has a turnover of more than 150 million euros; Institutional, Central Public Administration and subsidiaries of the Montepio Group;
- Social Economy and Public Sector Commercial Division (DCESSP): third sector entities and the local public sector.

It should be noted that in the following tables, the figures for the 2021 and 2022 periods correspond to those reported at the time, reflecting the segmentation in force in each reference period, and, in turn, the figures for 2023 reflect the new segmentation implemented, so the analysis in terms of evolution is not directly comparable, due to the migration of Customers and business between the commercial divisions. Overall, as a result of the new segmentation, there was a comparative reduction in the balance sheet allocated to Retail Banking, as opposed to Corporate and Investment Banking.

RETAIL BANKING

The Retail Banking segment corresponds to all the activity carried out by the Group with Individual Customers, Individual Entrepreneurs, Small and Medium-sized Companies assigned to this segment (as described above) and Micro-Companies, commercially referred to as the Private and Small Business segment, fundamentally originated through the branch network, electronic channels and the network of promoters.

The financial information of this segment covers, among other aspects, products and services, mortgage loans, consumer credit and loans for other purposes and, loans to retail Companies, sight and term deposits, and other investment of savings, retirement solution products, like retirement savings plans (PPR), debit and credit cards, services for management of accounts and means of payment, services for placement of investment funds and for purchase and sale of securities and custody, loans for treasury and investment purposes, commercial discount, leasing, factoring and renting, as well as the placement of insurance and non-financial services.

A list of key indicators of the Retail Banking segment is given below, in accordance with the segmental reporting of IFRS 8 and presented in the notes to the consolidated financial statements of this report. The variations compared to 2022 show the change in the organisational structure in 2023 and the consequent migration of Customers and portfolios between the sales divisions, as detailed above.

Summary of indicators - Retail Banking [1)] (million euros)

	2021	2022	2023	Change 2023/2022	
				Amount	%
Income Statement					
Net interest income [2)]	139.2	160.1	235.2	75.1	46.9
Net fees and commissions	98.4	106.4	104.6	(1.8)	(1.7)
Total operating income	241.0	266.9	340.5	73.6	27.6
Operating costs [3)]	85.0	80.3	76.5	(3.8)	(4.8)
Operating income before impairment	156.0	186.6	264.0	77.4	41.5
Balance Sheet					
Loans to customers (gross)	8 630	8 775	7 622	(1 152.9)	(13.1)
Customer deposits	11 187	11 517	11 106	(411.5)	(3.6)

1) In 2023, the Retail Banking segment incorporates Sole Proprietorships, Microenterprises and Companies with a turnover of up to €4M (up to €20M in 2021 and 2022) and Economic Groups where at least one of the participants has a turnover of up to €4M (up to €20M in 2021 and 2022).
2) Excluding the liquidity premium and campaign neutralization.
3) Direct operating costs only.

CORPORATE AND INVESTMENT BANKING

The Corporate and Investment Banking segment – which follows the internal classification criteria, including Companies and Economic Groups with a turnover of more than 4 million euros, according to the latest reorganisation of the commercial areas (which compares with the cut-off point of 20 million euros by 2022) – brings together the Group's activity with Small, Medium and Large Companies, accounted for by Banco Montepio and Banco de Empresas Montepio (BEM). Under the responsibility of the Corporate Banking Division (DBE), it reflects the integrated activity that was previously carried out with the companies monitored by BEM, through the commercial structure dedicated to this segment, as well as the business with institutional customers, Central Administration and Public Entities, and the activity carried out in the Investment Banking area.

The Corporate Banking area supports its customers throughout all the stages of their business cycle, with specific solutions for every need. Among the products and services offered are those related to treasury and investment loans, commercial discounting, guarantees provided, factoring and confirming foreign operations, such as documentary credits, checks and remittances, payment and receipt services and custody.

The Investment Banking area – which incorporates the Corporate Finance, Capital Markets, Financial Advisory and Structuring and Debt and Equity Distribution areas – operates in a complementary approach, supporting the capitalisation and strengthening of companies with restructuring solutions, thus contributing to investment and the sustainable growth of the Portuguese private sector.

A list of key indicators of the Corporate and Investment Banking segment is given below, in accordance with the segmental reporting indicated in IFRS 8 and presented in the notes to the consolidated financial statements of this report. The variations compared to last year show the change in the organisational structure in 2023 and the consequent migration of customers and portfolios between the sales departments, as explained.

Summary of indicators - Corporate and Investment Banking [1] (million euros)

	2021	2022	2023	Change 2023/2022	
				Amount	%
Income Statement					
Net interest income [2]	43.2	45.3	88.4	43.1	95.3
Net fees and commissions	12.0	12.7	19.9	7.2	56.3
Total operating income	54.9	57.5	106.3	48.8	84.9
Operating costs [3]	8.2	9.2	12.0	2.8	29.9
Operating income before impairment	46.7	48.3	94.3	46.1	95.5
Balance Sheet					
Loans to customers (gross)	1 794	1 829	2 891	1 061.7	58.0
Customer deposits	299	406	925	519.0	>100

1) In 2023, the Corporate and Investment Banking segment began to include Subsidiaries and the Resolution Fund, which in 2022 integrated the Social Economy segment.
2) Excluding the liquidity premium and campaign neutralization.
3) Direct operating costs only.

All other segments, namely comprising specialised credit, are analysed individually herein, by the respective Subsidiary in the "Subsidiary companies" Section this report.

SOCIAL ECONOMY

The Social Economy segment embodies Banco Montepio's unique positioning as a reference agent in the market and with the different stakeholders, innately incorporating Environmental, Social and Governance (ESG) principles in the social component. In terms of organisation of the commercial activity developed, this area also promotes the business related to Public Sector entities.

The key indicators of this segment are presented in the table below. The variations compared to 2022 show the change in the organisational structure that took place in 2023 and the consequent migration of Customers and portfolios between the sales departments, as detailed above.

Summary of indicators - Social Economy [1] (million euros)

	2021	2022	2023	Change 2023/2022	
				Amount	%
Income Statement					
Net interest income [2]	3.6	3.9	7.8	3.9	>100
Net fees and commissions	1.5	2.3	2.1	(0.2)	(10.0)
Total operating income	5.1	6.0	9.7	3.7	61.3
Operating costs [3]	3.3	3.3	3.1	(0.2)	(6.8)
Operating income before impairment	1.8	2.7	6.6	3.9	>100
Balance Sheet					
Loans to customers (gross)	227	333	272	(60.4)	(18.1)
Customer deposits	752	690	833	142.4	20.6

1) In 2023, the Social Economy segment ceased to include Subsidiary Companies and the Resolution Fund, which integrated the Corporate and Investment Banking segment.
2) Excluding the liquidity premium and campaign neutralization.
3) Direct operating costs only.

SUBSIDIARY COMPANIES

Montepio Investimento, S.A.

Montepio Investimento, S.A., a bank 100% controlled by Banco Montepio Group, through Montepio Holding, SGPS, S.A., adopted the commercial name of Banco de Empresas Montepio (BEM) on 4 June 2019, and began to develop Commercial Banking and Investment Banking activities on an aggregated basis, with the objective of making available to the market a complete, integrated and global service offering.

In 2023, BEM's business areas continued to work towards the goal of complementing the Banco Montepio Group's offer of products and services aimed at the corporate segment, especially in the SME and middle market segments, through a team of specialised professionals, in permanent coordination, to guarantee customers a comprehensive and personalised service.

The Corporate Banking area has focused its activity on supporting customers throughout all stages of their business cycle, with specific responses for each need, particularly in areas related to international trade, factoring and treasury management. The Investment Banking area – including Corporate Finance, Capital Markets, Financial Advisory and Structuring and Debt and Equity Distribution – complemented the service provided to customers in terms of restructuring, capitalising and strengthening companies, thus contributing to investment and the sustainable growth of the Portuguese private sector.

In accordance with the defined strategy, this activity and integrated value proposition of commercial banking and investment banking aimed at companies was continued, but in a different organisational logic, centred on Banco Montepio, in line with the strategic pillar of Simplification and Governance.

Under the process of integrating BEM's activity into Banco Montepio, which took place on 28 November 2023, BEM transferred to Banco Montepio the portion of its assets allocated to the business to be transferred to Banco Montepio (assets, liabilities and operations) through BEM's subscription to Banco Montepio's capital increase, through new contributions in kind amounting to 178.775 thousand euros, corresponding to the Net Asset Value of BEM, as verified by an independent audit firm, under the terms and for the purposes of Article 28 of the Commercial Companies Code, through the issue of 288,375,098 new ordinary, registered and book-entry shares, representing Banco Montepio's share capital, each with a nominal value of 0.50 euros.

On 29 December 2023, Banco Montepio's General Meeting decided to reduce its capital by 144,187,549.00 euros, through the extinction by way of redemption of the 288,375,098 shares, each with a nominal value of 0.50 euros, subscribed by BEM in the aforementioned capital increase, with the consent of the respective holder and under the terms of Article 6 of Banco Montepio's Articles of Association. The consideration received by BEM amounted to 178,755 thousand euros, which includes the issue premium of 34,587 thousand euros.

As at 31 December 2023, BEM's Net assets fell by 332.1 million euros, which was consequently reflected in its liabilities, which fell by 335.6 million euros compared to the end of 2022. This reflects the transfer of assets and liabilities to Banco Montepio, which was reflected, on the one hand, in the reduction of assets and liabilities identified within the scope of the operation and, on the other hand, in the increase in the heading of Loans and advances to other credit institutions.

As at 31 December 2023, Equity amounted to 186.7 million euros (+3.6 million euros compared to 2022) and reflects the favourable evolution of Net income in 2023.

In 2023, Operating income amounted to 9.4 million euros (-1.2 million euros compared to 2022), and reflects the decrease in Results from financial operations (-0.9 million euros), penalised by the greater devaluation of the investment units of Venture Capital Funds, partially offset by the higher income recorded under Other debt issuers, which reflects the recycling of the fair value reserve of debt instruments under the asset transfer operation to Banco Montepio that took place in November 2023.

Also contributing to the decrease in Operating income was the fall in Net fees and commissions (-0.2 million euros), the reduction in Other income (-0.2 million euros), due to the increase in other operating costs and the lower net gains from the sale of loans under the Banco Montepio Group's NPL Reduction Plan (Montepio Investimento's previous legacy).

Operating costs fell to 4.5 million euros (compared to 5.5 million euros in 2022) as a result of a reduction in Staff costs (-19.7%), General and administrative expenses (-3.9%) and Depreciation and amortisation (-33.2%). This reduction in operating costs reflects the effect of the progressive transfer of BEM's activity to Banco Montepio, which was completed on 28 November 2023.

Operating income before impairments and provisions stood at 4.9 million euros in 2023, compared to 5.1 million euros in 2022, showing the decrease in operating income, partially mitigated by the reduction in operating costs as a result of the gradual transfer of BEM's business to Banco Montepio.

The key indicators of BEM are presented in the following table.

Activity and Results (million euros)

	2021	2022	2023	Change 2023/2022 Amount	Change 2023/2022 %
Total assets	437.7	520.1	188.0	(332.1)	(63.9)
Loans to customers (net)	340.8	427.8	0.0	(427.8)	-
Securities portfolio 1)	73.8	54.1	0.0	(54.1)	-
Equity	180.8	183.2	186.7	3.6	1.9
Total operating income	8.7	10.6	9.4	(1.2)	(11.7)
Operating costs 2)	4.8	5.5	4.5	(1.0)	(17.7)
Net operating income before impairment and provisions	3.9	5.1	4.9	(0.3)	(5.3)

1) Includes financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets at fair value through other comprehensive income.
2) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito), 100% controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., offers specialised credit in the automobile, mortgage and services sectors, and equipment, complemented by a set of solutions for Customers that are Individuals, Companies and Institutions of the Social Economy sector. The specialised credit segment shows one of the vertices of the strategy of the Banco Montepio Group.

As a result of the solid relationship established with its partners, based on the experience gained over the years, Montepio Crédito continued to provide a comprehensive offer of specialised credit solutions in the following areas: Automobile, Health, Automobile Repair, Telecommunications and Equipment for the segment of Individuals; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry for the Corporate segment.

Montepio Crédito has a team of professionals specialised in the business model, in order to provide the best service and support to its customers, through its diversity of specialised offers in the areas of personal loans, linked loans, equipment leasing and operational renting.

The indicators presented reflect Montepio Crédito's accounts on an individual basis, in which the securitisation operations are treated differently from the financial statements, and the notes held and the related accounting movements are shown. As at 31 December 2023, Net assets amounted to 573.5 million euros, compared to 569.2 million euros at the end of 2022 (+4.3 million euros), essentially as a result of the increases in Loans to customers (+5.3 million euros), in Financial assets at fair value through profit or loss (+0.7 million euros), reflecting the securitisation notes held, and in Deferred tax assets (+0.5 million euros), which offset the reductions in Loans and advances to other credit institutions (-1.4 million euros) and Other assets (-0.9 million euros).

Liabilities increased by 7.7 million euros compared to the figure at the end of 2022, mainly due to the increase in Resources from other credit institutions (+49.7 million euros), as opposed to the reductions seen in Financial liabilities associated with transferred assets (-39.6 million euros), reflecting the redemptions associated with securitisation operations. Equity fell by 3.4 million euros, reflecting a net loss of 2.8 million euros for the period and actuarial deviations of -0.6 million euros.

Operating income reached 8.9 million euros in 2023, a reduction of 10.1 million euros (-53.3%) compared to the figure of 20.3 million euros recorded in 2022, penalised by the evolution of net interest income (-8.7 million euros), as a result of the rise in market interest rates, which led to an increase in the cost of *f*unding that was not offset by the increase in interest on loans. It should be noted that Montepio Crédito's loan portfolio has a significant proportion of fixed-rate operations and the financing obtained is essentially variable-rate, the main component of which comes from Group funding. The lower Net fees and commissions (-0.8 million euros) and lower Net gains/(losses) from financial assets and liabilities at fair value through profit or loss (-1.7 million euros) also contributed to the reduction in operating income. On the other hand, Other operating income evolved favourably, but remained negative by 0.8 million euros (+1.0 million euros).

Operating costs in 2023 fell to 11.2 million euros, representing a reduction of 0.4 million euros compared to the figure recorded in 2022, due to the decrease in General and administrative expenses (-5.2%), which more than offset the increase in Staff costs (+2.0%). In 2023, this resulted in negative operating income before impairments and provisions of 2.3 million euros, indicating a reduction of 9.8 million euros compared to the same period in 2022.

The key indicators of Montepio Crédito are presented in the following table.

Activity and Results (million euros)

	2021	2022	2023	Change 2023/2022 Amount	Change 2023/2022 %
Total assets	616.9	569.2	573.5	4.3	0.8
Loans to customers (net)	550.2	547.7	553.0	5.3	1.0
Equity	62.4	67.9	64.5	(3.4)	(5.0)
Total operating income	20.7	19.0	8.9	(10.1)	(53.3)
Operating costs 1)	12.7	11.6	11.2	(0.4)	(3.0)
Net operating income before impairment and provisions	8.0	7.4	(2.3)	(9.8)	<(100)

1) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

SSAGINCENTIVE – Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.

SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (SSAGINCENTIVE) is 100% controlled by Banco Montepio through Montepio Holding SGPS, S.A., and its corporate purpose is the transaction and management of real estate properties. This company is reducing its activity, in line with the Banco Montepio Group's strategic objective of reducing its exposure to real estate.

As at 31 December 2023, the Assets of SSAGINCENTIVE amounted to 53.2 million euros, showing a 1.4% reduction in relation to the value of 53.9 million euros recorded at the end of 2022, as a result of the decrease recorded in Inventories of real estate assets, partially offset by the increase in the heading of Cash and deposits at banks, reflecting the liquidity generated.

The Assets under management amounted to 40.2 million euros as at 31 December 2023, representing an increase of 3.9 million euros in relation to the value of 36.3 million euros recorded at the end of 2022, reflecting the deposits made at the parent company.

The heading of Inventories refers to the acquisitions made in the past from Banco Montepio, namely related to real estate properties that were intended for sale, in particular subdivisions of properties stated at market value. As at 31 December 2023, inventories amount to 12.9 million euros, of which 4.7 million euros referred to buildings and 8.2 million euros to land, a reduction of 4.8 million euros compared to the 17.6 million euros recorded as at 31 December 2022, due to the sales that took place during the first half of 2023, as a result of the successful implementation of the Banco Montepio Group's real estate deleveraging plan, consolidated terms. 32 properties were sold in 2023, generating capital gains of 0.2 million euros, compared to 48 properties sold and capital gains of 0.4 million euros in 2022.

As at 31 December 2023, Equity stood at 52.7 million euros, and was the main source of asset financing, representing 99.1% of Total assets (99.2% in 2022).

Sales and services rendered amounted to 4.0 million euros in 2023, compared to 5.9 million euros in 2022, given the increasingly reduced stock and corresponding to amounts from sales of inventories as part of SSAGINCENTIVE's day-to-day business. In turn, the Cost of goods sold and materials consumed amounted to 3.8 million euros in 2023, showing a reduction of 1.8 million euros compared to the same period in 2022, representing the acquisition cost of the properties sold, after deducting the respective impairment.

Inventory impairment amounted to 1.0 million euros in 2023, a positive evolution compared to the 1.1 million euros recorded in 2022, reflecting the impact of the higher level of reversal of trading property impairments recorded in the period.

Overall, operating income for 2023 rose to -1.2 million euros compared to -1.1 million euros recorded in 2022, reflecting the decrease in gross margin on property sales, despite the lower level of inventory impairment in 2023.

The key indicators of SSAGINCENTIVE are presented in the following.

Activity and Results (million euros)

	2021	2022	2023	Change 2023/2022	
				Amount	%
Total assets	54.9	53.9	53.2	(0.8)	(1.4)
Inventories	24.3	17.6	12.9	(4.8)	(27.0)
Equity	54.6	53.5	52.7	(0.8)	(1.5)
Total operating income	(1.9)	(1.1)	(1.2)	(0.1)	(6.6)

CAPITAL AND LIQUIDITY

CAPITAL

According to the provisions in force, as at 31 December 2023, the regulatory ratios, measured by the Overall Capital Requirements (OCR) were 9.09%, 11.20% and 14.02%, for Common equity tier 1, Tier 1 and Total Capital respectively, which include the Conservation Reserve, the Countercyclical Reserve, the Reserve for Other Systemic Institutions, and a capital add-on defined within the scope of the annual Supervisory Review and Evaluation Process (SREP) exercise by Banco de Portugal.

In 2023, Banco Montepio's capital ratios were at historical highs and above the prudential levels required by Banco de Portugal, namely with significant gaps in relation to the overall capital requirement, not only according to the phasing-in criteria but also on a fully implemented basis.

Special reference is made to the successful conclusion of the Adjustment Plan, where one of the four pillars was Capital Preservation, visible in the improved performance with significant favourable deviations, as well as the anticipation of the scheduled targets, and which placed the Banco Montepio Group's total Capital ratio at 18.8% (phasing-in) and the CET1 ratio at 16.1%*(*phasing-in) as at 31 December 2023, historical highs and at levels that compare adequately with the benchmarks for the sector.

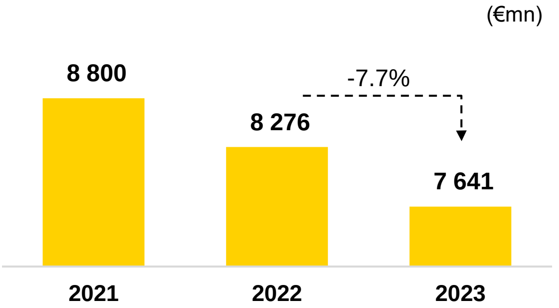
Throughout 2023, Banco Montepio continued to implement a series of measures aimed at boosting organic capital generation, as well as optimising balance sheet risks. Of particular note in this regard is the reduction in risk-weighted assets (RWA) to 7,641 million euros, a decrease of 635 million euros compared to 31 December 2022, the main contributions of which resulted from the completion of a synthetic securitisation in May 2023 and the sale of the stake held in Finibanco Angola, as well as the deleveraging of non-performing assets, namely the real estate component with the highest risk weighting.

Total own funds increased to 1,436 million euros as at 31 December 2023, compared to 1,343 million euros at the end of 2022 (+93 million euros), a progression conditioned by the sharp devaluation of the kwanza in the period, which was reflected in a significant worsening of negative foreign exchange reserves, effects offset by the favourable performance of activity in Portugal. It should be noted that the initial adverse impact resulting from the adjustment of the value of the stake in Finibanco Angola was already incorporated in the 2022 accounts, so that in 2023, in addition to the exchange rate evolution, the marginal positive impact on the reduction of RWA related to the deconsolidation of this subsidiary remained.

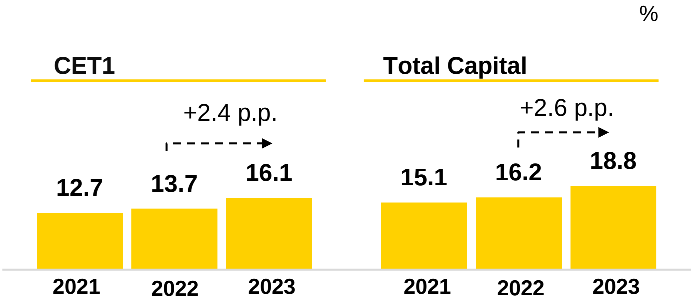
Thus, as a result of the successful implementation of the outlined capital plan, Banco Montepio's Common equity tier 1 (CET1) and Total Capital ratios, according to the phasing-in rules, increased to 16.1% and 18.8% (13.7% and 16.2% at the end of 2022), showing an increase of 237 b.p. and 256 b.p. respectively, compared to the end of 2022, and showing considerable slack compared to regulatory requirements, namely the OCR. On a fully implemented basis, there is an even more favourable evolution compared to the end of 2022, to 16.0% in the CET1 ratio and 18.6% in the Total Capital ratio, an increase of 276 b.p. and 293 b.p., with a marginal difference between the two approaches.

As at 31 December 2023, the leverage ratio increased to 6.7%, both according to the phasing-in rules and on a fully implemented basis, and compares with 5.9% and 5.6%, respectively, at the end of 2022, keeping comfortably above the minimum reference defined by the Basel Committee on Banking Supervision (3%).

Risk-weighted assets (phasing-in)



Capital ratios (phasing-in)



Note: The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.

A summary of the ratios of own funds of the Banco Montepio Group for 2021, 2022 and 2023:

CAPITAL RATIOS AND CAPITAL REQUIREMENTS

(million euros)

	2021	2022	2023	Change 2023/2022 Amount	Change 2023/2022 %
Total own funds					
Common Equity Tier 1	1 122	1 135	1 229	94	8.3
Tier 1	1 122	1 136	1 229	93	8.2
Total Capital	1 328	1 343	1 436	93	6.9
Risk-weighted assets	**8 800**	**8 276**	**7 641**	**(635)**	**(7.7)**
Phasing-in ratios					
Common Equity Tier 1	12.7%	13.7%	16.1%	237 bp	
Tier 1	12.7%	13.7%	16.1%	236 bp	
Total Capital	15.1%	16.2%	18.8%	256 bp	
Fully implemented ratios					
Common Equity Tier 1	11.8%	13.2%	16.0%	276 bp	
Tier 1	11.8%	13.2%	16.0%	275 bp	
Total Capital	14.2%	15.7%	18.6%	293 bp	
Leverage ratios					
Phasing-In	5.6%	5.9%	6.7%	86 bp	
Fully implemented	5.1%	5.6%	6.7%	104 bp	

Note: The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.

OWN FUNDS REQUIREMENT AND ELIGIBLE LIABILITIES (MREL)

As at 31 December 2023, the Minimum Requirement for own funds and eligible liabilities (MREL) ratio, determined as a percentage of the total risk exposure amount (TREA), stood at 21.4%, above the requirements set by Banco de Portugal at the time, including the Combined Buffer Requirement (CBR), corresponding to a total requirement of 16.44%.

Banco Montepio must comply with the minimum requirement determined as a percentage of total TREA of 13.67% on 1 January 2022, and 20.77% (MREL TREA) and 23.54% (MREL TREA+CBR), the target to be achieved from 1 January 2025.

The MREL ratio, determined as a percentage of the total Leverage Ratio Exposure (LRE) Measure stood at 9.0% as at 31 December 2023, also comfortably above the defined minimum requirement of 5.33%.

In October 2023, Banco Montepio issued 200 million euros of MREL-eligible senior preferred debt under its EMTN debt issuance programme.

LIQUIDITY

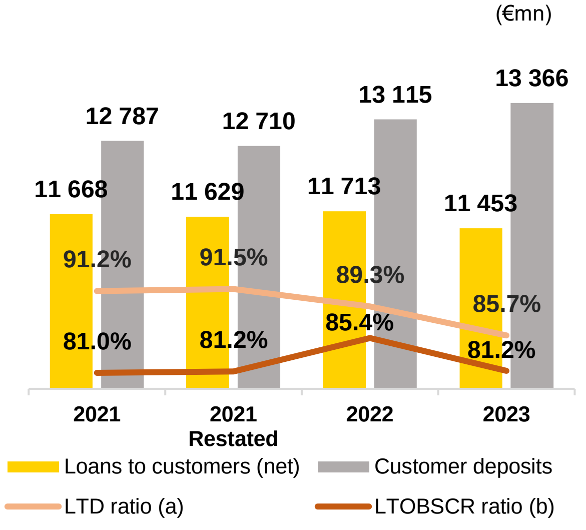
Reflecting Banco Montepio's liquidity strategy, as at 31 December 2023, the value of the collateral pool for Eurosystem operations was 4,690 million euros, a decrease of 865 million euros compared to the previous year, mainly due to the use of other sources of financing, particularly via Repurchase agreements (Repo). The collateral pool consisted mainly of high-quality liquid assets (HQLA) (essentially public debt securities from European countries) and also of retained issuance securities and credit rights.

The financing obtained from the ECB amounted to 899 million euros, including accrued interest, corresponding to a nominal value of 855 million euros, considerably lower than the value of 2,930 million euros observed as at 31 December 2022, resulting from the repayment of Targeted Longer-term Refinancing Operations (TLTRO-III). With a view to preserving stable financing, funding management includes Eurosystem financing operations currently consist exclusively of TLTRO-III series. In 2023, between early and scheduled repayments, a total of 2,075 million euros was repaid (285 million euros from TLTRO-III series 3, 900 million euros from TLTRO-III series 4, 190 million euros from TLTRO-III series 5 and 700 million euros from TLTRO-III series 7).

In terms of collateral available for liquidity, the increase from 1,220 million euros to 3,791 million euros was influenced by the repayment of 2,075 million euros and the release of TLTRO-III collateral. As part of the diversification of funding sources, the Bank increased its activity in the collateralised money market (Repo), amounting to 565 million euros in funding obtained at the end of the year.

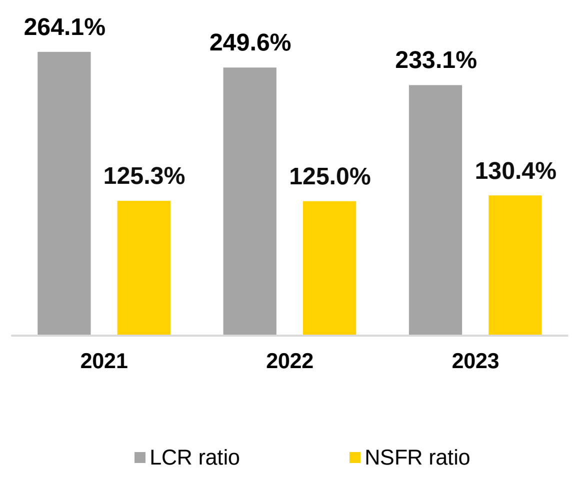
The performance of customer deposits, on the one hand, and the progression of loans and advances to customers (net), on the other, determined a loan-to-deposit ratio, calculated in accordance with Banco de Portugal Instruction 16/2004, of 85.7% as at 31 December 2023, compared to 89.3% at the end of 2022.

Loan-to-deposit ratios



(a) Loans to customers (net) / Customer deposits. Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.
(b) Loans to customers (net) / Total on-balance sheet customer resources (Customer resources + Debt securities issued).

Liquidity ratios



Banco Montepio stood out in terms of the evolution of deposits, with an increase of almost 2% to over 250 million euros, when the sector recorded a negative variation, thus managing to achieve important gains in market share throughout the year, along with appropriate cost control.

In addition, access to market sources of funding, both through the contracting of *Repos* and the issuance of MREL, had a favourable influence on the liquidity buffer, which reflects immediately available liquidity, resulting from the aggregation of the value of assets available to obtain funding from the ECB and cash and deposits made with central banks. The liquidity buffer was 4,790 million euros as at 31 December 2023, an increase of 998 million euros compared to the end of 2022, reflecting a solid liquidity position.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(million euros)

	2021	2022	2023	Change 2023/2022	
				Amount	%
Pool of eligible assets [(a)]	3 808	5 555	4 690	(865)	(15.6)
Use of the pool	2 958	2 984	899	(2 085)	(69.9)
Pool of available assets	**850**	**2 571**	**3 791**	**1 220**	**47.5**

(a) Includes eligible assets, free of charge, for operations in the MIC (Collateralized Interbank Market).

Banco Montepio demonstrated the ability to substantially reduce the funding obtained from the ECB, maintaining very comfortable levels in the LCR and NSFR ratios, having resorted to the usual market instruments for this purpose, such as the senior preferential debt issue mentioned above, funding via Repos and increased Customer Resources.

BALANCE SHEET AND RESULTS

As part of the strategic redefinition of its international holdings, the Banco Montepio Group concluded the sale of its stake in Finibanco Angola to Access Bank on 28 August 2023, with a positive impact on the 2023 capital ratios and, on 8 September 2023, agreed with RAUVA Enterprises, S.A., to sell 100% of the share capital of Montepio Investimento (BEM). With the completion of these two operations, Banco Montepio has taken another important step towards fulfilling the commitments made in the Adjustment Plan, particularly with regard to the Simplification and Governance strategic pillar.

As at 31 December 2023, Banco Montepio's consolidated financial statements take into account the deconsolidation of the stake held in Finibanco Angola as of 30 June 2023 (inclusive) following its sale, with the assets and liabilities of this subsidiary and the respective non-controlling interests having been derecognised.

As at 31 December 2022, the consolidated financial statements consider the financial statements of Finibanco Angola S.A., by the application of IFRS 5, as a discontinued unit, with its assets and liabilities presented under the headings of Non-current assets and liabilities held for sale - Discontinued operations, respectively, and the results under Income from discontinued operations, as described in Note 58 to the consolidated financial statements of this report.

BALANCE SHEET

In 2023 Banco Montepio successfully concluded the Adjustment Plan started in 2020, which was based on 4 strategic pillars – Maximising Operating Income, Digital Transition and Operational Optimisation, Capital Preservation, and Simplification and Governance –, which was reflected in the significant progress made in reducing non-performing assets, converging to industry benchmark levels, strengthening capital levels, a solid liquidity position, recovering profitability, and simplifying the Group's corporate structure, with a focus on the domestic market.

The success achieved in all the main indicators of profitability, capital and risk was recognised by the rating agencies by awarding Banco Montepio successive rating increases in 2023, with the senior unsecured debt rating benefiting from a two-level increase by Fitch, keeping the Outlook positive, and three levels by Moody's and DBRS. In February 2024, Fitch raised the rating of Banco Montepio's senior unsecured debt to BB, the second consecutive increase by Fitch in eight months, for a total of four levels, and also raised the rating of Banco Montepio's Covered Bonds by one level to AAA, the highest level of investment grade.

SYNTHETIC BALANCE SHEET

(million euros)

	2021	2021 Restated[(a)]	2022	2023	Change 2023/2022	
					Amount	%
Cash and deposits at central banks and loans and advances to credit institutions	3 264	3 188	1 542	1 411	(131)	(8.5)
Cash and deposits at central banks	2 968	2 944	1 384	1 171	(212)	(15.3)
Loans and deposits to credit institutions payable on demand and Other loans and advances to credit institutions	296	244	159	240	81	51.2
Loans to customers	11 668	11 629	11 713	11 453	(260)	(2.2)
Securities portfolio and other financial assets [(b)]	3 339	3 302	4 387	4 074	(313)	(7.1)
Non current assets held for sale and investment properties	142	142	73	58	(15)	(20.6)
Non current assets held for sale - Discontinued operations	0	206	200	0	(200)	-
Current and deferred tax assets	467	467	420	383	(37)	(8.8)
Other	834	779	771	610	(161)	(20.9)
Total assets	**19 713**	**19 713**	**19 106**	**17 989**	**(1 117)**	**(5.8)**
Deposits from central banks and other credit institutions	3 457	3 457	3 232	1 783	(1 448)	(44.8)
Deposits from central banks	2 902	2 902	2 890	874	(2 016)	(69.8)
Deposits from other credit institutions	555	555	342	909	568	>100
Customer resources	12 787	12 710	13 115	13 366	251	1.9
Debt issued	1 834	1 834	824	947	123	15.0
Non current liabilities held for sale - Discontinued operations	0	90	102	0	(102)	-
Other	271	259	314	326	12	3.7
Total liabilities	**18 350**	**18 350**	**17 587**	**16 423**	**(1 164)**	**(6.6)**
Share capital	2 420	2 420	2 420	1 210	(1 210)	(50.0)
Reserves, results and other	(1 057)	(1 057)	(901)	356	1 257	>100
Total equity	**1 363**	**1 363**	**1 519**	**1 566**	**47**	**3.1**
Total liabilities and equity	**19 713**	**19 713**	**19 106**	**17 989**	**(1 117)**	**(5.8)**

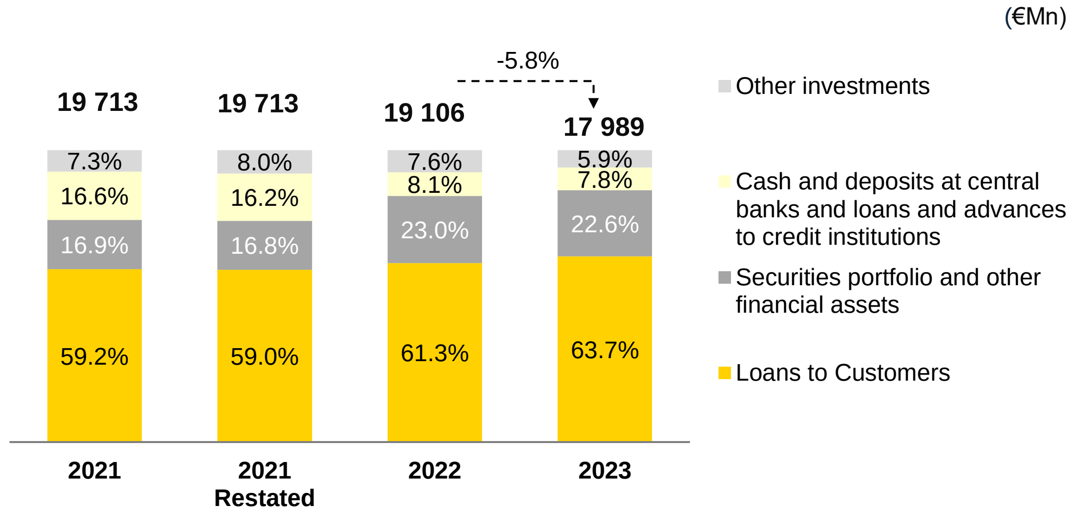
(a) 2021 Restated refers to the restatement consolidated financial statements items for comparative purposes, since, on 31 December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit.

(b) Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

ASSETS

Net assets fell by 1.117 million euros (-5.8%) compared to the end of 2022, mainly due to the evolution of Cash and deposits at central banks (-212 million euros), which reflects the liquidation of TLTRO-III, and the Securities and other instruments portfolio (-313 million euros), due to the failure to reinvest maturing public debt, Loans and advances to customers (-260 million euros), Non-current assets held for sale - Discontinued operations (-200 million euros), due to the deconsolidation of Finibanco Angola, and Other investments (-161 million euros), due to trading properties.

Total Asset Structure



CASH AND DEPOSITS AT CENTRAL BANKS AND LOANS AND ADVANCES TO OTHER CREDIT INSTITUTIONS

As at 31 December 2023, liquidity deposited with central banks and other credit institutions stood at 1,411 million euros, compared to 1,542 million euros at the end of 2022, a decrease of 131 million euros (-8.5%), despite the liquidation of TLTRO and the consequent reduction of ECB funding by more than 2 billion euros.

LOANS TO CUSTOMERS

As at 31 December 2023, Loans to customers (gross) stood at 11,734 million euros, reflecting a reduction of 333 million euros (-2.8%) compared to the amount of 12,068 million euros recorded as at 31 December 2022, influenced by the implementation of the deleveraging strategy on non-performing assets, consisting of a reduction in non-performing loans by 251 million euros (-39.8%). Performing loans fell by 82 million euros (-0.7%), reflecting the market trend as a result of the macroeconomic context of high interest rates, with lower demand for credit from both companies and individuals, particularly in the case of mortgage loans, whose performance was further penalised by the increase in early repayments (partial and total). The higher level of repayments was boosted by the context of rising interest rates), as well as the regulatory changes in terms of the exemption from the early repayment commission or the possibility of mobilising retirement saving plans in the case of own permanent residence.

It should be noted that credit quality indicators benefited from strict risk-taking discipline, as well as from the measures that were approved and adopted in the areas of credit monitoring and recovery. Thus, as a result of the actions that have been implemented, at the end of 2023 there was a reduction in both the number of new contracts[3] that defaulted (-12%) and the amount in default (-13%), compared to the same period of 2022. And despite the challenging context of a continued rise in interest rates, the figures remained below those recorded in the pre-moratorium period, -16% and -55%, respectively, compared to the end of 2019.

[3] Contracts of more than 90 days, excluding sight deposits and cards.

The structure of the loan portfolio remained in line with previous periods (2022 and 2021), with loans granted to Individuals accounting for 53%, and in this segment, mortgage loans continued to account for 88%.

Throughout 2023, Banco Montepio stood by companies seeking to support them in managing the impact of the crisis caused by the war in Europe, which led to accelerated inflation and the corresponding change in monetary policy by the main central banks, with an impact on the costs of production factors and on the management of the production chain and logistics system.

In view of the challenges that Portuguese companies still face, Banco Montepio has continued to provide support mechanisms for developing their businesses and improving their competitiveness, through the protocol established with the European Investment Bank (EIB), which has made it possible to support SMEs and Midcaps in Portugal. Alongside this, it continued to make a series of lines available, already in force, with the European Investment Fund (EIF) and Banco Português de Fomento (BPF), allowing companies to obtain financing with more advantageous market conditions.

The following table shows the evolution of gross loans by segment and sector of activity, which is impacted by the reduction in non-performing loans (-251 million euros compared to 2022), as part of the NPL Reduction Plan. Excluding this effect, and analysing the evolution of performing loans (-82 million euros compared to 2022), we highlight the stabilisation trend in the corporate segment compared to the end of 2022 and a decrease of 58 million euros in the individual segment, essentially due to the mortgage loan product, in the context of an increase in early repayments due to the high interest rate levels and the legislative support measures in terms of early repayment commissions and the mobilisation of retirement savings plans (PPR). It should be noted, however, that performing loans increased by 63 million euros and non-performing loans decreased by 110 million euros at the end of the fourth quarter of 2023 compared to the figure recorded on 30 September 2023, as a result of the Bank's strengthened approach to the corporate segment.

LOANS TO CUSTOMERS

(By sector of activity)

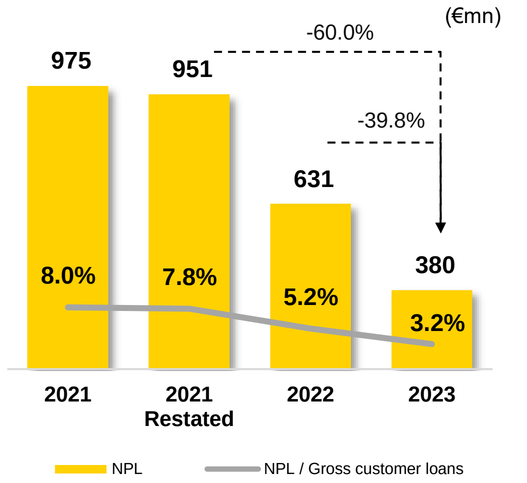
(million euros)

	2021	2022	2023	Change 2023/2022	
				Amount	%
Individuals	**6 453**	**6 327**	**6 268**	**(58)**	**(0.9)**
Housing loans	5 680	5 581	5 541	(40)	(0.7)
Others	773	746	727	(18)	(2.5)
Corporate	**5 736**	**5 741**	**5 466**	**(275)**	**(4.8)**
Manufacturing industries	1 031	1 185	1 089	(96)	(8.1)
Wholesale and retail trade	860	886	823	(62)	(7.1)
Construction and Public works, and Real estate	1 065	990	921	(69)	(6.9)
Accommodation and catering activities	596	569	518	(51)	(9.0)
Financial and insurance activities	493	372	387	16	4.2
Transportation and storage	393	385	350	(35)	(9.1)
Business Services	367	406	439	34	8.3
Other collective service activities	340	379	375	(4)	(1.2)
Other	592	569	563	(6)	(1.1)
Gross loans	**12 189**	**12 068**	**11 734**	**(333)**	**(2.8)**
Impairment for credit risk	**522**	**355**	**281**	**(74)**	**(20.7)**
Net loans	**11 668**	**11 713**	**11 453**	**(260)**	**(2.2)**

The improvement of credit quality is also based on a more effective and integrated management of the non-performing exposures, by maximising recoveries and corporate finance solutions, benefiting from the strategic focused on the segments of Individuals and Companies, particularly on Small and Medium-sized Enterprises (SME) and Social Economy Entities.

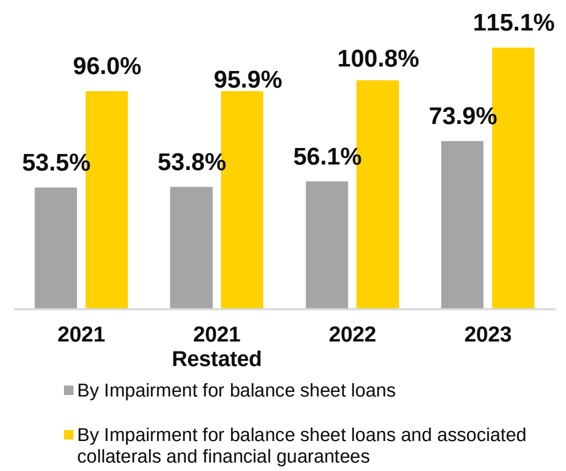
Despite the challenging context, and materialising the effect of the aforementioned measures, Banco Montepio significantly reduced its stock of non-performing loans (NPL), which was reflected in the reduction of the ratio of NPLs to total gross loans to customers, which stood at 3.2% as at 31 December 2023 (compared to 5.2% in 2022 and 7.8% in 2021 Restated) – lower than the reference threshold of 5% designated by the EBA, Banco Montepio is no longer categorised as an "NPL Bank", and has already reached a value in line with the average of the Portuguese banking sector. This evolution reflects the continued reduction in the NPL balance, which amounted to 380 million euros at the end of 2023 (-39.8% compared to 2022 and -60.0% compared to 2021 Restated).

Non-performing loans (NPL)[1]



[(1)] NPL according to EBA definition. Gross loans and advances to customers (numerator and denominator as applicable).

NPL coverage[1]



[(1)]NPL according to EBA definition. Gross loans and advances to customers (numerator and denominator as applicable).

As at 31 December 2023, and despite the significant deleveraging of non-performing loans, Banco Montepio increased the level of coverage by total balance sheet impairment to 73.9% (56.1% in 2022 and 53.8% in 2021 Restated) and the coverage of NPL by total impairment for balance sheet loans and associated collateral and financial guarantees to 115.1% (100.8% in 2022 and 95.9% in 2021 Restated). This favourable evolution reflects the recovery in significant NPL dossiers, which resulted in the significant reversal of impairment, with favourable impacts on the cost of risk.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

As part of the strategy to rebalance the asset structure, Banco Montepio continued, throughout 2023, with the identification and implementation of measures with the objective of improving the levels of liquidity and active management of the Securities portfolio and other financial assets.

As at 31 December 2023, the securities and other instruments portfolio accounted for 4.074 billion euros, compared to 4.387 million euros as at 31 December 2022, a decrease of 313 million euros, which essentially reflects the change in public debt securities in the Financial assets at amortised cost portfolio, which fell by 241 million euros, and in the Financial assets at fair value through other comprehensive income portfolio, which fell by 49 million euros, with market yields not justifying the reinvestment of maturing securities.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022 Amount	Change 2023/2022 %
Financial assets held for trading	8	8	23	19	(4)	(17.8)
Financial assets at fair value through other comprehensive income	123	123	97	48	(49)	(50.5)
Other financial assets at amortised cost	3 004	2 968	4 119	3 879	(241)	(5.8)
Financial assets not held for trading mandatorily at fair value through profit or loss*	203	203	148	128	(20)	(13.2)
Total Securities portfolio and other financial assets	**3 339**	**3 302**	**4 387**	**4 074**	**(313)**	**(7.1)**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

In analysing the securities portfolio by type of instrument, a decrease is observed in relation to December 2022 of 290 million euros in Bonds and other debt instruments, which include public debt, that led to the reduction recorded in the portfolio of securities and other financial assets of 7.1% in relation to the end of 2022.

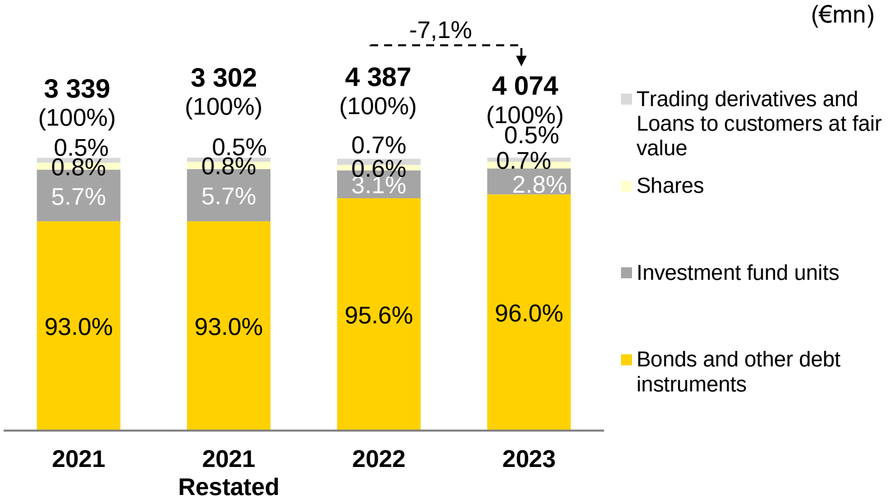
SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS BY TYPE OF INSTRUMENT

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022 Amount	Change 2023/2022 %
Bonds and other debt instruments	3 105	3 069	4 198	3 907	(290)	(6.9)
Shares	26	26	27	30	3	12.9
Investment fund units	189	189	134	115	(19)	(14.2)
Trading derivatives	8	8	20	13	(7)	(35.6)
Loans to customers at fair value	10	10	9	9	(0)	(3.5)
Total securities portfolio and other financial assets	**3 339**	**3 302**	**4 387**	**4 074**	**(313)**	**(7.1)**

The structure of the Securities Portfolio and other financial assets remained, as at 31 December 2023, primarily composed of Bonds and other debt instruments, whose total weight in the portfolio increased to 96.0%. Investment units fell to 2.8% and the proportion of equities remained negligible, accounting for less than 1% of the portfolio (0.7%).

Structure of the Securities portfolio and other financial assets



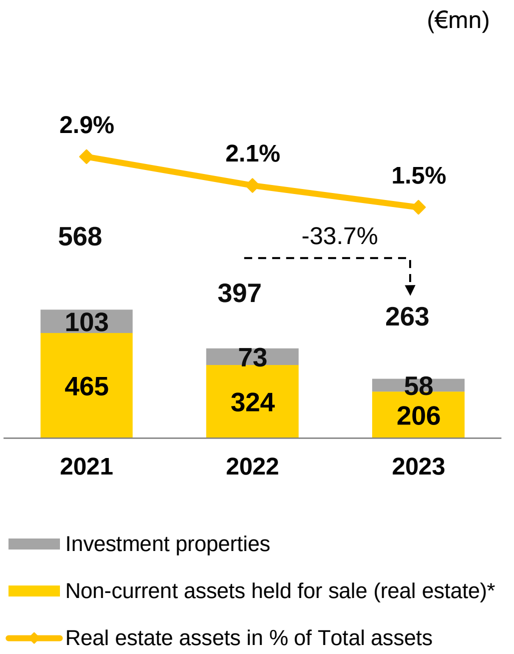
NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

The evolution of these headings was impacted prior to the period under review by the reclassification of Non-current assets held for sale relating to real estate owned, to the Other assets heading, but with no change in terms of the strategy to reduce exposure to real estate risk.

Therefore, the analysis of the evolution of exposure to real estate assets is presented from a management perspective, considering that these are actually assets held on the balance sheet, but whose purpose is to be sold. Thus, considering all the properties recorded on Banco Montepio's consolidated balance sheet (resulting from the entry of properties through loan recovery or real estate funds that are fully consolidated), there was a 33.7% deleveraging of these non-performing assets as at 31 December 2023, compared to the end of 2022, standing at 263 million euros, in line with the integrated real estate management guideline and the consequent reduction in exposure to the real estate sector.

Non-current assets held for sale, together with the amount reclassified to Other assets, decreased by 119 million euros compared to 31 December 2022 (-36.6%), standing at 206 million euros at the end of 2023, reflecting, on the one hand, the real estate sales made and, on the other, the coordinated management of plans to reduce non-performing assets (NPA), favouring other forms of credit recovery that do not involve bringing real estate onto the balance sheet.

Exposure to Real Estate Assets



* Including the amount reclassified to other assets.

Concerning Investment properties, which includes the properties held by the Real Estate Investment Funds consolidated in Banco Montepio, there was a decrease of 15 million euros compared to the end of 2022 (-20.6%), with its total value standing at 58 million euros as at 31 December 2023.

The plan to reduce exposure to real estate risk has been successfully implemented, as can be seen in the weight of total net assets, which shows a downward trend, standing at 1.5% at the end of 2023, compared to 2.1% in 2022 and 2.9% in 2021, thus meeting the target set in the Adjustment Plan.

NON-CURRENT ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS

As at 31 December 2023, the heading of Non-current assets held for sale - Discontinued operations did not record a value, showing the effect of the deconsolidation of the subsidiary Finibanco Angola S.A. during the conclusion of the sale process to Access Bank, and compares with 200 million euros as at 31 December 2022, the amount corresponding to the assets accounted for by the Group's operations related to this subsidiary, after adjusting for the movements necessary for the consolidation process, having been recorded following the application of IFRS 5, in accordance with Note 58 to the consolidated financial statements of this report.

CURRENT AND DEFERRED TAX ASSETS

As at 31 December 2023, the aggregate of current and deferred tax assets amounted to 383 million euros, compared to 420 million euros at the end of 2022.

According to the respective accounting policy, Deferred tax is calculated based on the tax rates that are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date. Particular note is made of the regulatory change that took place in 2023 regarding the elimination of the expiry date for the use of tax losses carried forward for all years except, in the case of Banco Montepio, the years of 2020 and 2021.

OTHERS

The aggregate of Others presented in the Assets of the synthetic balance sheet includes the headings of Assets with repurchase agreements, Hedge derivatives, Other tangible assets, Intangible assets, Investments in associates and Other assets.

As at 31 December 2023, the aggregate of Other decreased to 610 million euros, essentially due to the reduction in the Other assets heading, namely Assets received through loan recoveries and Post-employment benefits, and compares with 771 million euros as at 31 December 2022, of which 206 million euros (324 million euros in 2022) correspond to properties held for sale reclassified from the heading of Non-current assets held for sale to Other assets.

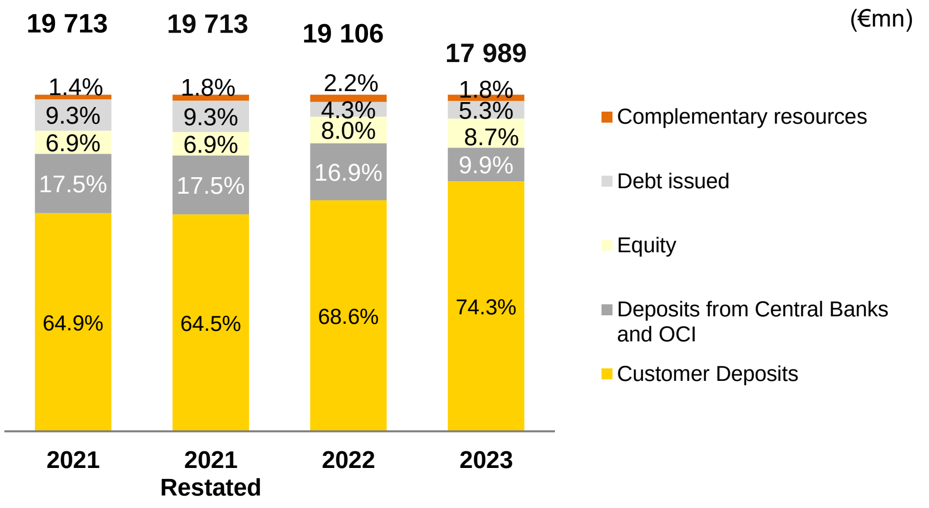
LIABILITIES

As at 31 December 2023, total liabilities stood at 16,423 million euros, reflecting a decrease of 1,164 million euros (-6.6%) compared to the end of 2022, mainly due to the reduction in central bank resources (-2,016 million euros), which shows the repayment of TLTRO-III and the non-replacement of new ECB funding. There was also a reduction in Non-current liabilities held for sale - Discontinued operations (-102 million euros), which reflects the conclusion of the sale process of the stake held in Finibanco Angola S.A.

These decreases were mitigated by the increases in Resources from other credit institutions (+568 million euros), showing the contracting of funding operations with market counterparties(Repurchase agreements, Repo*),* in Resources from customers (+251 million euros), in Debt issued (+123 million euros), which shows, on the one hand, the issue of senior preferential debt securities under the Euro Medium Term Note (EMTN) programme eligible for MREL (+200 million euros), and on the other, the repayments of Pelican Mortgage bonds (-83 million euros).

As at 31 December 2023, Equity financed 8.7% of Assets and Customer deposits remained the main source of balance sheet funding, having increased their relative weight to 74.3% of total liabilities and equity, while Resources from central banks and other credit institutions fell to 9.9%.

Liabilities and Equity Structure



RESOURCES FROM CENTRAL BANKS AND RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2023, the funding received from central banks and other credit institutions amounted to 1,783 million euros, compared to 3,232 million euros at the end of 2022, a decrease of 44.8% due to the reduction of 2,016 million euros in central bank resources, which shows that TLTRO-III was repaid at maturity and early, and was not replaced by new funding from the ECB.

On the other hand, Resources from other credit institutions increased to 909 million euros as at 31 December 2023 compared to 342 million euros at the end of 2022 (+568 million euros). This evolution shows the active management of liquidity by Banco Montepio and the contracting of funding operations with financial counterparties (Repo), as part of the Bank's strategy of diversifying funding sources.

RESOURCES FROM CUSTOMERS

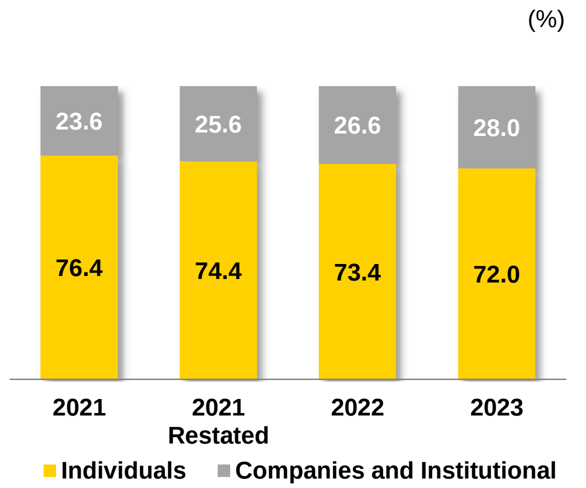
Total customer funds, which include customer deposits and off-balance sheet funds, increased to 14,737 million euros as at 31 December 2023 (+3.2%), of which 90.7% correspond to customer deposits.

As at 31 December 2023, customer deposits amounted to 13.366 billion euros, concentrated mainly in Individual Customers, who account for 72.0% of the total, although the weight of Corporate and Institutional Customer Deposits increased by 1.4 p.p. compared to the end of 2022.

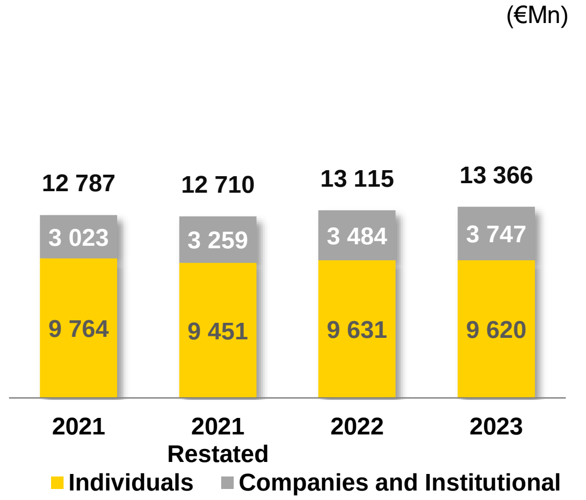
As at 31 December 2023, customer deposits increased by 251 million euros compared to the end of 2022 (+1.9%), reflecting the increase in Corporate and Institutional Customer Deposits (+262 million euros), notwithstanding the decrease in Individual Customer Deposits (-11 million euros), still influenced by the demand for savings certificates and early repayments of mortgage loans, a widespread trend in the Portuguese banking sector, which resulted in a decrease in Demand deposits of 1. 046 million euros and an increase in Term deposits of 1. 299 million euros.046 million and an increase in Term deposits of 1,297 million euros. As a result, the demand deposit/term deposit portfolio mix stood at 42%/58% compared to 51%/49% at the end of 2022.

The stability of the deposit base prevailed throughout the year, and in the fourth quarter of 2023 there was even a reversal of the downward trend in deposits, with Customer Deposits increasing by 500 million euros compared to the previous quarter, due to the favourable evolution of both Individual Customer Deposits (+286 million euros) and Corporate Customer Deposits (+214 million euros).

Customer deposit structure



Customer deposits



In turn, off-balance sheet resources reached 1,370 million euros as at 31 December 2023, compared to 1,158 million euros at the end of December 2022, representing an increase of 18.4%, supported by the increase in Securities investment funds (+120 million euros) and Real estate investment funds (+82 million euros) and Pension funds (+17 million euros).

CUSTOMER RESOURCES

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022 Amount	Change 2023/2022 %
Customer deposits	**12 787**	**12 710**	**13 115**	**13 366**	**251**	**1.9**
Sight deposits	6 428	6 366	6 637	5 591	(1 046)	(15.8)
Term deposits	6 359	6 343	6 478	7 775	1 297	20.0
Off-balance sheet resources	**1 044**	**1 044**	**1 158**	**1 370**	**213**	**18.4**
Total customer resources	**13 831**	**13 754**	**14 273**	**14 737**	**464**	**3.2**

DEBT ISSUED

The heading of Debt issued incorporates the amounts recorded in the balance sheet related to Liabilities represented by securities and Subordinated liabilities.

As at 31 December 2023, the amount of Debt issued stood at 947 million euros, representing an increase of 123 million euros (+15.0%) compared to the figure of 824 million euros recorded as at 31 December 2022, essentially reflecting the increase in Liabilities represented by securities (+123 million euros), determined by the issuance of senior preferred debt securities under the Euro Medium Term Note (EMTN) Programme eligible for MREL, carried out in October 2023 (+200 million euros) and the repayments of Pelican Mortgage bonds (-83 million euros).

NON-CURRENT LIABILITIES HELD FOR SALE – DISCONTINUED OPERATIONS

As at 31 December 2023, the heading of Non-current liabilities held for sale - Discontinued operations did not record a value, showing the effect of the deconsolidation of the subsidiary Finibanco Angola S.A. during the conclusion of the sale process to Access Bank, and compares with 102 million euros as at 31 December 2022, in this case, the amount corresponding to the liability accounted for by the Group's operations related to this subsidiary, after adjusting for the movements necessary for the consolidation process, having been recorded following the application of IFRS 5, as per Note 58 to the consolidated financial statements of this report.

OTHERS

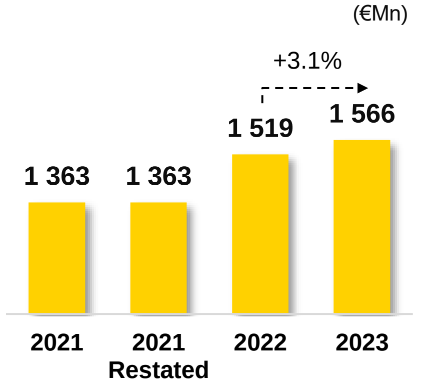
The aggregate Other, presented in the Liabilities of the synthetic balance sheet, incorporates the headings of Financial liabilities held for trading, Hedge derivatives, Provisions, Current tax liabilities and Other liabilities.

As at 31 December 2023, the Other aggregate increased to 326 million euros compared to the 314 million euros recorded as at 31 December 2022, due to the increase in Other liabilities (+26 million euros) and Hedging derivatives (+4 million euros), which was offset by the reduction in Provisions (-10 million euros) and Current tax liabilities (-3 million euros).

EQUITY

Equity increased to 1,566 million euros as at 31 December 2023(+3.1%), compared to 1.519 million recorded at the end of 2022, reflecting the impact of net income of 144.5 million euros (excluding the impact of the foreign exchange reserve), the reduction in non-controlling interests of 11.0 million euros, the change in the foreign exchange reserve of -22.1 million euros and the adverse impact related to post-employment benefits, net of the tax effect, of -65.0 million euros.

Total Equity



It is worth noting that an extraordinary general meeting of shareholders was held on 10 February 2023, at which a unanimous decision was taken on the reformulation of the equity headings with the special purpose of reinforcing the funds that can be classified by the regulatory authorities as distributable, in order to cover the negative retained earnings, by reducing the share capital by 1.2 billion euros, without changing the number of existing shares or the total value of the net worth, having no impact on the amount of the institution's own funds.

RESULTS

Banco Montepio's net income for 2023, excluding the exceptional effect of recycling the foreign exchange reserve, amounted to 144.5 million euros, an increase of 110.7 million euros (+327%) compared to the 33.8 million euros recorded in 2022. This favourable evolution shows the good performance of the core business, via Net interest income (+156.6 million euros) and Net fees and commissions (+6.5 million euros), driven by the active management of the product and service offer, and the increase in Other income (+9.3 million euros) and Income from discontinued operations (+26.6 million euros, excluding the recycling of the foreign exchange reserve), effects that were mitigated by the evolution of Results from financial operations (-38.5 million euros), Operating costs (+9.4 million euros) and higher Impairments and provisions (+21.3 million euros).

It should be noted that the sale of the stake in the share capital of Finibanco Angola S.A. and the subsequent deconsolidation of this subsidiary, in accordance with the provisions of International Accounting Standard (IAS) 21, led to the recording in the accounts of an adverse extraordinary effect resulting from the recycling of the negative foreign exchange reserve of 116.1 million euros, but without any impact or change in the equity of the Banco Montepio Group. This figure reflects the effect of the variation in the kwanza on the historical acquisition cost of this subsidiary, which has been recorded over the years in the Banco Montepio Group's balance sheet (and therefore in consolidated equity), and is merely an accounting movement within equity headings, reclassifying the amount from reserves to net income. Considering this accounting movement – which has no impact on the net position – the consolidated net income for 2023 was 28.4 million euros.

SYNTHETIC INCOME STATEMENT

(million euros)

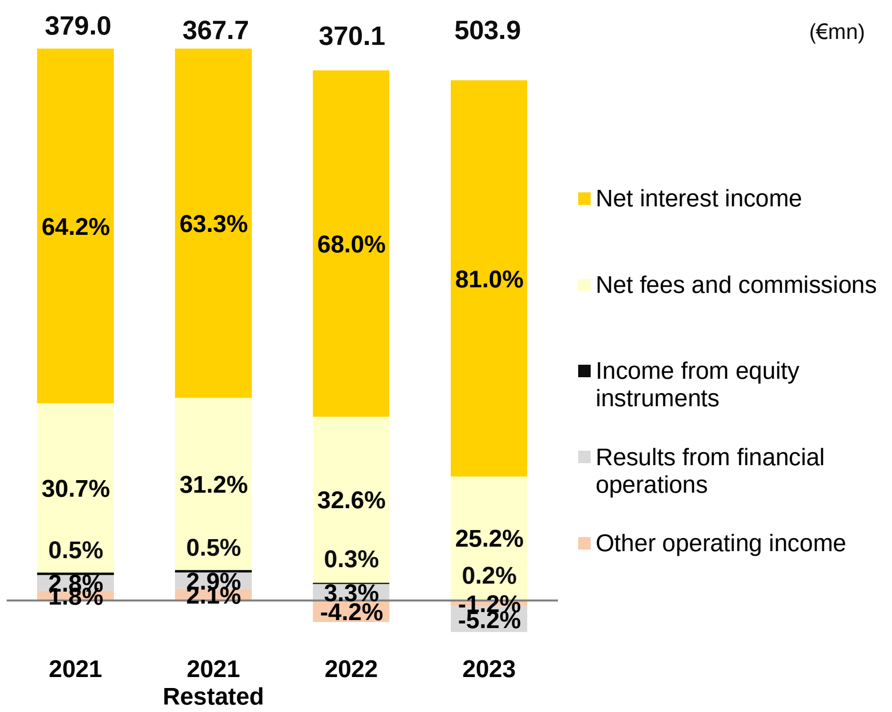
	2021	2021 Restated [(a)]	2022	2023	Change 2023/2022	
					Amount	%
Net interest income	243.5	232.6	251.5	408.1	156.6	62.3
Commercial net interest income [(b)]	244.4	240.5	251.5	462.1	210.6	83.7
Net fees and commissions	116.3	114.7	120.5	127.0	6.5	5.4
Core total operating income	**359.8**	**347.3**	**372.0**	**535.1**	**163.1**	**43.8**
Income from equity instruments	1.8	1.8	1.0	0.9	(0.1)	(10.6)
Results from financial operations	10.8	10.8	12.0	(26.5)	(38.5)	<(100)
Other operating income	6.6	7.8	(14.9)	(5.6)	9.3	62.5
Total operating income	**379.0**	**367.7**	**370.1**	**503.9**	**133.8**	**36.2**
Staff Costs	164.2	159.1	152.6	153.7	1.1	0.7
General and administrative expenses	64.7	61.3	59.7	64.2	4.4	7.4
Depreciation and amortization	35.3	34.1	34.0	37.9	3.9	11.5
Operating costs	**264.1**	**254.4**	**246.4**	**255.8**	**9.4**	**3.8**
Operating costs, excluding specific impacts [(c)]	**249.4**	**239.7**	**235.8**	**247.5**	**11.7**	**5.0**
Net operating income before provisions and impairments	**114.9**	**113.3**	**123.7**	**248.1**	**124.4**	**>100**
Net provisions and impairments	80.5	82.9	44.5	65.7	21.3	47.8
Share of profit (losses) booked under the equity method	0.0	0.0	0.5	0.6	0.1	11.1
Net income before income tax	**34.4**	**30.4**	**79.7**	**182.9**	**103.2**	**>100**
Income tax	25.3	24.9	35.6	50.3	14.7	41.4
Net income after income tax from continuing operations	**9.2**	**5.4**	**44.1**	**132.6**	**88.5**	**>100**
Income from discontinued operations [(d)]	**(1.5)**	**2.3**	**(13.0)**	**13.6**	**26.6**	**>100**
Non-controlling Interests	1.1	1.1	(2.7)	1.7	4.4	>100
Net Income	6.6	6.6	33.8	28.4	(5.4)	(16.1)
Foreign exchange reserve	-	-	-	(116.1)	-	-
Net income (excl. recycling of foreign exchange reserve) [(d)]	**6.6**	**6.6**	**33.8**	**144.5**	**110.7**	**>100**

(a) 2021Restated refers to the restatement of consolidated financial statements items for comparative purposes, since, on 31December 2022, Finibanco Angola, S.A. was considered, by the application of IFRS 5, a discontinued unit.
(b) Commercial net interest income is the margin from interest received from customers concerning the granting of credit, and from interest paid to customers as part of the remuneration of funds raised.
(c) Excluding personnel costs / general administrative expenses generated by the operational adjustment measures of €14.7m in 2021, €10.5m in 2022 and €6.9m in 2023. In 2023 there was also a one-off cost of €1.3m related to early retirements and terminations by mutual agreement.
(d) Excluding the recycling of the foreign exchange reserve, i.e. excluding the accumulated foreign exchange reserves, as a result of the devaluation of the Kwanza, existing on the date of the sale of Finibanco Angola and recorded in the Banco Montepio Group's reserves, transferred to the result for the period.

TOTAL OPERATING INCOME

Total operating income in 2023 rose very positively to 503.9 million euros (+133.8 million euros compared to 2022), benefiting from the increases in Net interest income (+156.6 million euros) and Net fees and commissions (+6.5 million euros), driven by the active management of the range of products and services made available to customers and the repricing, and by Other income (+9.3 million euros), which nevertheless remained negative. These effects made it possible to offset the adverse evolution of the Results from financial operations (-38.5 million euros), which showed losses from foreign exchange differences due to the evolution of the kwanza, which devalued in 2023.

Total Operating Income Structure

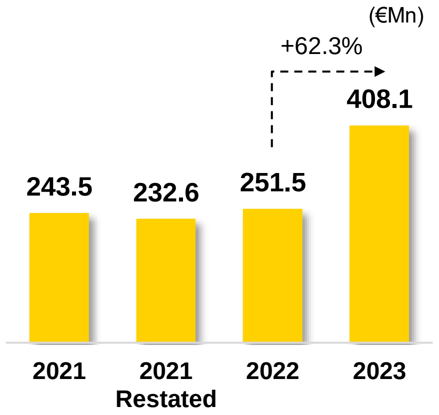


NET INTEREST INCOME

Net interest income reached 408.1 million euros in 2023 compared to 251.5 million euros in 2022 (+62.3%), essentially reflecting the growth in commercial net interest income[4] of 210.6 million euros, which shows the repricing of the loan portfolio in the market context, despite the worsening cost of funding the deposit portfolio, which in turn reflects the pricing of new term deposits at higher levels than in the same period last year.

The securities portfolio's net interest income also made a positive contribution, increasing by 9.4 million euros, due to the higher contribution from interest on securities investments (+7.6 million euros), reflecting the portfolio's active management strategy, and the lower cost of senior debt (-2.1 million euros), due to the combined effect of the repayment at

Net interest income



[4] Commercial net interest income: results arising from interest received on loans granted to customers and interest paid on customer resources.

maturity of the 750 million euro mortgage debt issue (in November 2022) and the 200 million euro MREL-eligible debt issue (in October 2023).

Net interest income related to commercial activity and the securities portfolio more than offset the effect of the 63.3 million euros increase in the cost of borrowing and other costs, resulting essentially from the impact of the funding strategy related to TLTRO-III and the excess liquidity associated with the rise in prime market rates.

In 2023, the evolution of Net interest income reflected the prevalence of the price effect over the volume effect, with a higher increase in the implicit lending interest rate to 3.5% (+183 p.p. compared to 2022) compared to the increase in the implicit borrowing interest rate to 1.1% (+87 p.p. compared to 2022).

As a result, in 2023, there was an increase in interest on the Loans and advances to customers portfolio of 287.2 million euros, due to the price effect, along with an increase in interest on the Customer deposits portfolio (+76.6 million euros), as a result of pricing management in attracting new deposits, as well as the renewal of existing deposits, with the average interest rates on Loans and advances to customers and Customer deposits standing at 4.5% and 0.6%, respectively.

Thus, in 2023, the net interest income rate increased to 2.36% compared to 1.37% in the same period of 2022, benefiting from the context of rising market interest rates.

BREAKDOWN OF NET INTEREST INCOME BY INTEREST-GENERATING ASSETS AND LIABILITIES

(million euros)

	2022			2023		
	Avg. amount	Avg. rate (%) (a)	Interest	Avg. amount	Avg. rate (%) (a)	Interest
Assets						
Cash and deposits	1 631	1.1	18.5	826	2.9	24.3
Loans and advances to OCI	387	1.0	4.1	158	1.7	2.7
Loans to customers	12 215	2.1	258.6	11 891	4.5	545.8
Securities portfolio	3 877	0.4	14.3	4 144	0.5	21.9
Other assets at fair value	9	1.4	0.1	9	4.5	0.4
Other (includes derivatives)	0	0.0	5.2	0	0.0	3.4
subtotal	18 120	1.6	300.9	17 027	3.5	598.5
Liabilities						
Resources from central banks	2 899	0.3	8.0	1 952	2.9	58.2
Resources from OCI	373	0.1	0.6	671	1.9	13.0
Customer deposits	12 879	0.1	7.0	12 898	0.6	83.7
Senior debt	1 305	0.5	6.8	612	0.8	4.8
Subordinated debt	216	8.8	19.3	216	8.9	19.6
Other (includes derivatives)	0	0.0	7.6	0	0.0	11.2
subtotal	17 673	0.3	49.4	16 350	1.1	190.4
Net interest margin		**1.37**	**251.5**		**2.36**	**408.1**

(a) Average rate: implicit interest rate, i.e. it corresponds to the quotient between the accounting interest and the average balances at the end of the month.

EXPLANATION OF THE EVOLUTION OF THE NET INTEREST INCOME BETWEEN 2022 AND 2023

(million euros)

	Volume effect	Price effect	Residual effect	Total
Assets				
Cash and deposits	(9.1)	29.5	(14.5)	5.8
Loans and advances to OCI	(2.4)	2.4	(1.4)	(1.4)
Loans to customers	(6.9)	302.1	(8.0)	287.2
Securities portfolio	1.0	6.2	0.4	7.6
Other assets at fair value	(0.0)	0.3	(0.0)	0.3
Other (includes derivatives)	0.0	0.0	(1.8)	(1.8)
subtotal	(18.2)	335.6	(19.8)	297.6
Liabilities				
Resources from central banks	(2.6)	78.4	(25.6)	50.1
Resources from OCI	0.4	6.7	5.3	12.4
Customer deposits	0.0	76.5	0.1	76.6
Senior debt	(3.6)	3.4	(1.8)	(2.1)
Subordinated debt	(0.0)	0.3	(0.0)	0.3
Other (includes derivatives)	0.0	0.0	3.6	3.6
subtotal	(3.8)	155.6	(10.8)	141.0
Change in net interest income	**(14.4)**	**180.0**	**(9.0)**	**156.6**

INCOME FROM EQUITY INSTRUMENTS

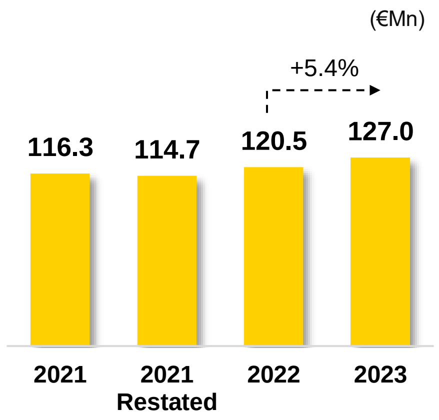
The heading of Income from equity instruments includes the income associated with variable yield securities, namely shares related to investments stated in the portfolio of assets available for sale, which currently have a negligible value, after the sale of non-strategic assets.

The book value as at 31 December 2023 amounted to 0.9 million euros, essentially including dividends received from Unicre amounting to 0.6 million euros and from SIBS amounting to 0.2 million euros, and compares with 1.0 million euros as at 31 December 2022, of which 0.5 million euros were dividends received from Unicre and 0.4 million euros from SIBS.

NET FEES AND COMMISSIONS

Net fees and commissions amounted to 127.0 million euros in 2023, 6.5 million euros more than in 2022 (+5.4%), as a result of the growth in activity and the active management of the offer.

Net fees and Commissions



RESULTS FROM FINANCIAL OPERATIONS

The Results from financial operations were negative by 26.5 million euros in 2023, reflecting a decrease of 38.5 million euros compared to the figure of 12.0 million euros recorded in 2022, explained essentially by the evolution of the Net gains/(losses) from foreign exchange differences, which were lower by 31.1 million euros, mainly due to the evolution of the kwanza, and by the Net gains/(losses) from financial assets and liabilities at fair value through profit or loss (-6.1 million euros), influenced by the adverse impact of derivatives associated with securitisation operations.

RESULTS FROM FINANCIAL OPERATIONS

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022	
					Amount	%
Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	(0.3)	(0.3)	(0.2)	(6.3)	(6.1)	<(100)
Net gains / (losses) from financial assets at fair value through other comprehensive income	2.0	2.0	1.4	0.1	(1.3)	(90.5)
Net gains / (losses) from foreign exchange differences	9.0	9.1	10.8	(20.3)	(31.1)	<(100)
Results from financial operations	**10.8**	**10.8**	**12.0**	**(26.5)**	**(38.5)**	**<(100)**

OTHER INCOME

This aggregate incorporates the Net gains/(losses) from the sale of other assets and Other operating income, which include, among others, the income obtained from the revaluation of investment properties, from services rendered, from investment property rents and from the reimbursement of expenses, as well as the costs related to banking sector contributions to the Resolution Fund and Deposit Guarantee Fund, and to loan recovery services.

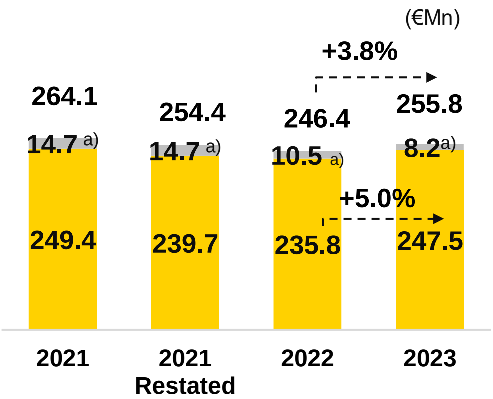
In 2023, Other income remained negative by 5.6 million euros, but showed a favourable evolution of 9.3 million euros compared to the amount recorded in 2022 (-14.9 million euros), reflecting the reduction in the cost of remeasuring the liability associated with TLTRO-III by 11.9 million euros, the lower mandatory contributions from the sector (IFRIC 21) by 6.6 million euros, and the increase in income of 11.0 million euros in income from the allocation of actuarial deviations for employees transferred to Group companies, despite lower gains of 21.6 million euros from the sale of assets (-9.0 million euros from other assets and -14.3 million euros from loans and advances to customers), and an increase of 2.3 million euros in tax costs.

OPERATING COSTS

Operating costs amounted to 255.8 million euros in 2023, compared to 246.4 million euros in 2022, representing an increase of 9.4 million euros (+3.8%). Excluding the impact resulting from the implementation of the measures of the Operational Optimisation Programme for the workforce and non-recurring costs related to early retirements and employment contract terminations by mutual agreement, operating costs increased by 11.7 million euros (+5.0%) compared to 2022.

Staff costs in 2023 reached 153.7 million euros, reflecting an increase of 1.1 million euros (+0.7%) compared to the value of 152.6 million euros accounted for in 2022. Excluding the impact of accounting for non-recurring costs related to the Operational Optimisation Programme, early retirements and employment contract terminations by mutual agreement, staff costs increased by 3.4 million euros (+2.4%), reflecting the effect of salary updates.

Operating Costs



a) Impact arising from operating costs associated with the measures of the Operational Optimization Program and non-recurring costs related to early retirements and terminations by mutual agreement.

The Operational Optimisation Programme reflects the departure of 650 employees at Banco Montepio between the end of 2020 and 31 December 2023, including early retirements and employment contract terminations by mutual agreement.

General and administrative expenses stood at 64.2 million euros in 2023, an increase of 4.4 million euros compared to the figure of 59.7 million euros recorded in 2022 (+7.4%), essentially reflecting the effect of the higher level of inflation on contracted services and the increase in costs incurred with contracting IT services

(+3.2 million euros), 2 million), in the context of the Banco Montepio Group's digital transformation process, mitigated by the reduction in costs with the Advertising and publications, Water, energy and fuel, and Current consumption material components, amounting to 0.6 million euros.

Depreciation and amortisation amounted to 37.9 million euros in 2023, compared to 34.0 million euros in 2022 (+11.5%), demonstrating the efforts made to implement the overall strategy of investment in information technology and digitalisation, aimed at continuous improvement in automation and process re-engineering.

A significant improvement in efficiency should be noted, with the cost-to-income ratio falling to 46.2% (-17.0 p.p.), supported essentially by the increase in Core operating income, compared to 63.2% at the end of 2022, excluding non-recurring costs related to measures to adjust the workforce and to early retirements and employment contract terminations by mutual agreement, as well as the more volatile components of results, such as Results from financial operations and Other income (Net gains/(losses) from the sale of other assets and Other operating income).

OPERATING COSTS

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022	
					Amount	%
Staff Costs	164.2	159.1	152.6	153.7	1.1	0.7
General and administrative expenses	64.7	61.3	59.7	64.2	4.4	7.4
Depreciation and amortisation	35.3	34.1	34.0	37.9	3.9	11.5
Operating costs	**264.1**	**254.3**	**246.4**	**255.8**	**9.4**	**3.8**
Operating costs, excluding specific impacts	**249.4**	**239.6**	**235.8**	**247.5**	**11.7**	**5.0**
Efficiency ratios						
Cost-to-income (Operating costs / Total operating income) (b)	69.7%	69.2%	66.6%	50.8%	(15.8 p.p.)	
Cost-to-income, excluding specific impacts (a) (c)	69.0%	68.7%	63.2%	46.2%	(17.0 p.p.)	

(a) Excluding the amount related to Personnel costs / General administrative expenses generated by the operational adjustment measures of €14.7m in 2021, €10.5m in 2022 and €6.9m in 2023. In 2023 there was also a one-off cost of €1.3m related to early retirements and terminations by mutual agreement.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(c) Excluding results from financial operations and Other income (proceeds from the sale of other assets and other operating income).

IMPAIRMENT AND PROVISIONS

Allocations for impairment and provisions amounted to 65.7 million euros in 2023, an increase of 21.3 million euros compared to the figure recorded in 2022, influenced by the reinforcement of impairment of individually significant dossiers.

Impairment of loans and advances to customers and to credit institutions (net of reversals) stood at 49.6 million euros in 2023, compared to 13.4 million euros in 2022 (+36.3 million euros), and reflects the impact of the collective approach and individual analysis. This development led to the cost of credit risk standing at 0.4% in 2023, compared to 0.1% in 2022, in line with the trend observed in the banking sector (average cost of risk of 0.47% in September 2023). It should be noted, however, that the cost of risk was favourably impacted by the reversal of impairment associated with the recovery of significant stage 3 dossiers.

Other impairments and provisions decreased to 16.1 million euros in 2023, a reduction of 15.0 million euros compared to the amount recorded in 2022 (31.1 million euros), essentially as a result of the decrease in Impairment of other financial assets (-1.2 million euros), which benefited from the update of the rating of the Portuguese Republic applicable to the portfolio of national public debt securities, the lower Impairment on other assets (-0.9 million euros), essentially due to the evolution of impairment on trading properties, which includes the impact of applying the new calculation criteria, and the lower allocation to Other provisions (-13.0 million euros) resulting from the reversal of guarantees and commitments.

IMPAIRMENT AND PROVISIONS

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022	
					Amount	%
Impairment of loans and advances to customers and to credit institutions	54.3	51.4	13.4	49.6	36.3	>100
Impairment of other financial assets	(0.2)	4.4	2.3	1.2	(1.2)	(49.8)
Impairment of other assets	31.0	31.0	24.9	24.0	(0.9)	(3.5)
Other provisions	(4.6)	(3.9)	3.9	(9.1)	(13.0)	<(100)
Total net impairments and provisions	**80.5**	**82.9**	**44.5**	**65.7**	**21.3**	**47.8**

TAXES

Deferred tax assets result, on the one hand, from the fact that the accounting treatment differs from the tax framework, thus determining the recording of deferred tax assets associated with temporary differences, as well as other costs not accepted for tax purposes.

Current and deferred taxes amounted to 50.3 million euros in 2023, compared with 35.6 million euros disclosed in 2022, and were calculated in accordance with the International Accounting Standards (IAS) and observing the tax framework applicable to each subsidiary of the Banco Montepio Group.

INCOME FROM DISCONTINUED OPERATIONS

The heading of Income from discontinued operations stood at 13.6 million euros in 2023 (excluding the recycling of the foreign exchange reserve) and incorporates the contribution of the subsidiary Finibanco Angola, S.A., attributable to the Banco Montepio Group under the application of the accounting policy defined in IFRS 5. In 2022, the heading of Income from discontinued operations included the contribution of Finibanco Angola, S.A., Banco Montepio Geral Cabo Verde, S.A. – Em Liquidação (liquidated that year), and Montepio Valor, S.G.O.I.C., S.A. (sold in 2022).

NON-CONTROLLING INTERESTS

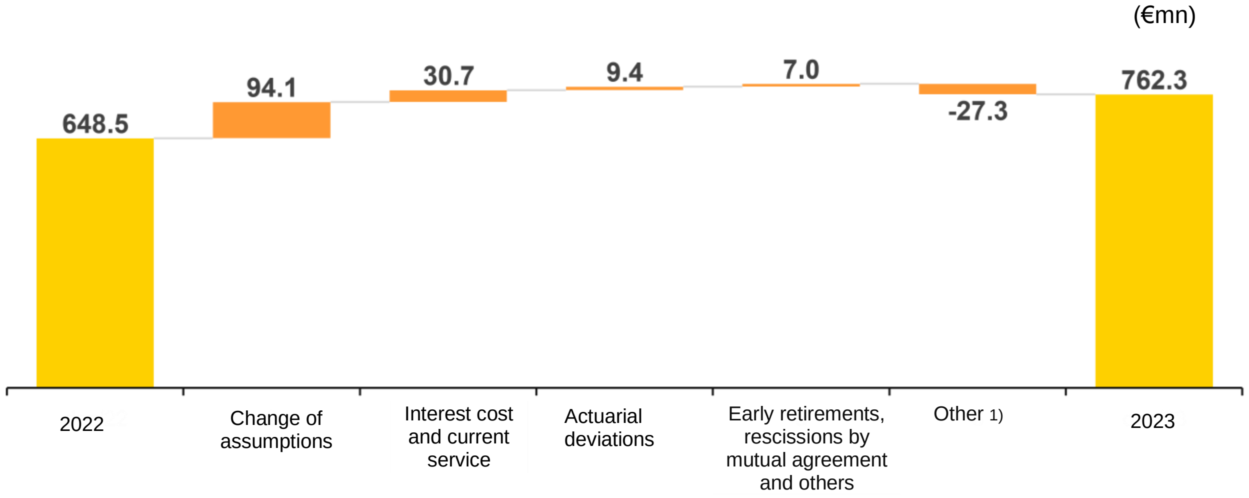
The non-controlling interests recorded in 2023 (1.7 million euros) correspond to the net income allocated to the portion of capital held by third parties in the subsidiary Finibanco Angola, S.A., which was subsequently derecognised with the sale of the stake held in this subsidiary's share capital.

PENSION FUND

Liabilities for post-employment and long-term employee benefits amounted to 762.3 million euros as at 31 December 2023, compared to 648.5 million euros as at 31 December 2022, an increase of 113.8 million euros, which mainly reflects the impact of actuarial losses resulting from changes in assumptions, namely the discount rate and the rate of growth of salaries and pensions, in a context of rising interest rates.

The evolution of liabilities was determined, on the one hand, by the effect associated with the change in actuarial assumptions, which resulted in an increase of 94.1 million euros, mainly due to the impact of the increase in the discount rate (+57 million euros) and the growth rate of salaries and pensions (+35 million euros), the 30.7 million euro increase in interest and current service costs, the 9.4 million euro impact of actuarial deviations and the 7.0 million euro increase in early retirements, terminations by mutual agreement and others. On the other hand, the Other component, which includes Pensions paid by the Fund, Pensions paid by Banco Montepio and the Participants' Contribution, contributed to the reduction in liabilities by -27.3 million euros.

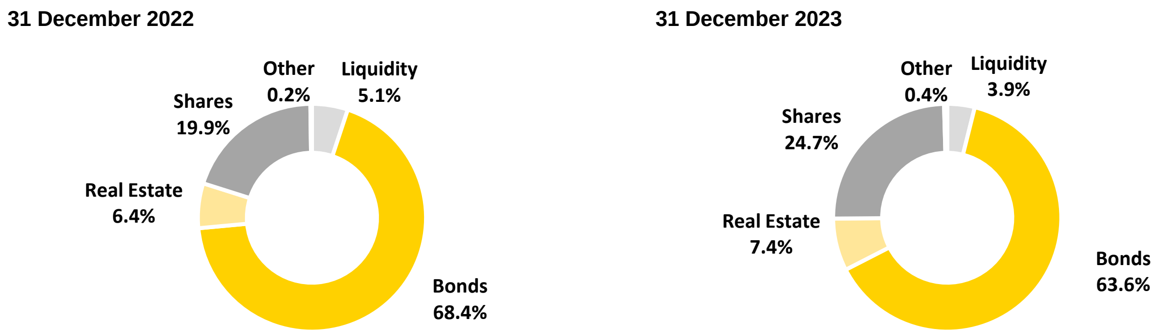
Evolution of pension liabilities



(1) Includes Pensions paid by the Fund, Pensions paid by Banco Montepio, Contribution from participants and Others.

The value of the Pension Fund's assets amounted to 812.7 million euros as at 31 December 2023, compared to 787.0 million euros at the end of 2022 (+3.3%), and incorporates the favourable impact associated with the Pension Fund's return in 2023, which stood at 7.3%. The Pension Fund's assets continued to show a conservative distribution, with 63.6% of those assets invested in Bonds (68.4% as at 31 December 2022).

Distribution of the Pension Fund Asset Portfolio



The evolution of the main Pension Fund indicators with reference to 31 December 2022 and 2023 is presented below, namely the liabilities, the value of the Pension Fund's assets and the respective funding levels.

PENSION FUND

(million euros)

	2022	2023	Change 2023/2022 Amount	%
Total liabilities	648.5	762.3	113.8	17.6
Minimum liabilities to be financed	634.3	746.4	112.1	17.7
Value of the Pension Fund's assets	787.0	812.7	25.7	3.3
Coverage:				
Minimum liabilities (1)	125.2%	109.6%	(15.6 p.p.)	
Total liabilities (1)	122.5%	107.3%	(15.2 p.p.)	

(1) Also considering the component directly financed by Banco Montepio referring to employees who are temporarily suspended from employment contracts and the contribution to Social Welfare Services (defined contribution).

Banco Montepio's total liabilities were entirely funded, with a coverage level of 107.3% 31 December 2023 (122.5% as at 31 December 2022).

According to Banco Montepio's accounting policy, and following the assessment made on the adequacy of the actuarial assumptions, the discount rate was changed to 3.60% at 31 December 2023, from 4.20% at 31 December 2022, taking into consideration the evolution of the main market indexes for high quality bonds and the duration of the Pension Fund's liabilities. As at 31 December 2023, the average duration of the liabilities related to Bank Montepio Group Employee pensions was 14.1 years (15.9 years as at 31 December 2022), including actively employed and pensioners.

The main actuarial assumptions used to determine liabilities in 2022 and 2023 were those contained in the table below. This information is supplemented by the details in Note 48 to the consolidated financial statements of this report.

ACTUARIAL ASSUMPTIONS

	2022	2023
Financial Assumptions		
Salary growth rate	2.5% in the first three years and 0.75% in subsequent years	3.0% in the first year, 2.0% in the second and 1.0% in subsequent years
Pension growth rate	2.5% in the first three years and 0.75% in subsequent years	2.5% in the first year, 1.5% in the second and 0.75% in subsequent years
Rate of return of the Fund	4.20%	3.60%
Discount rate	4.20%	3.60%
Revaluation rate	0.00%	0.00%
Salary growth rate - Social Security	1.50%	1.50%
Pension growth rate	1.25%	1.25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial Valuation Methods (1)	UCP	UCP

(1) Projected Unit Credit method.

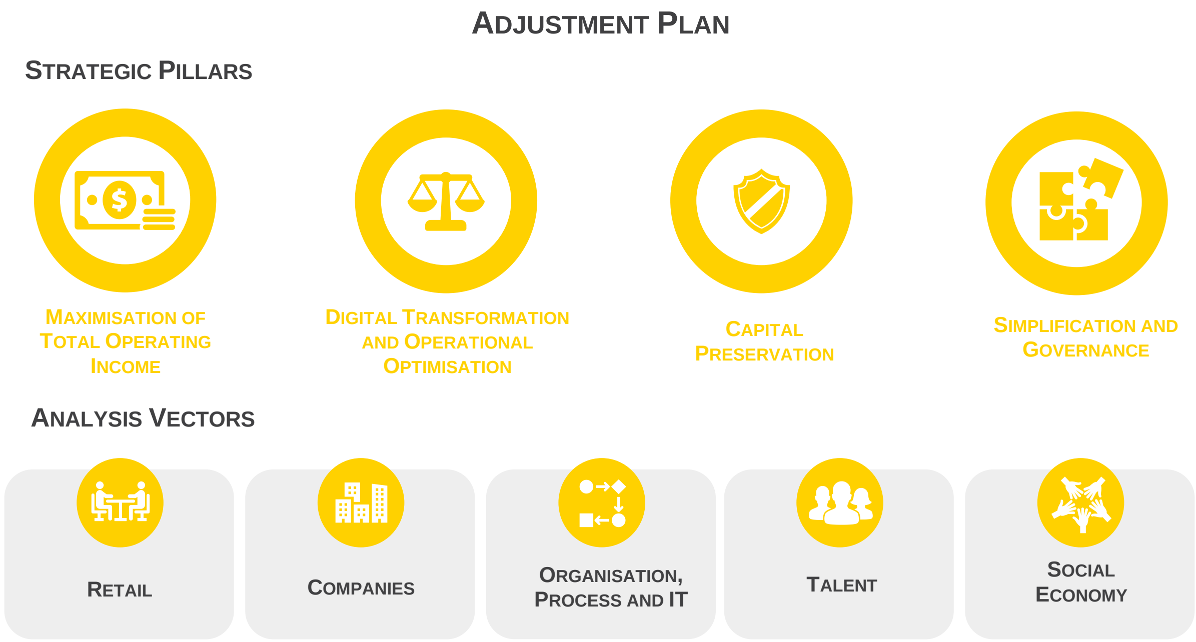
06 STRATEGY

Banco Montepio

STRATEGY

In 2020, Banco Montepio adopted a multidimensional and multi-annual **Adjustment Plan**, focusing on four strategic pillars: **(I) Maximisation of Total Operating Income, (II) Digital Transformation and Operational Optimisation, (III) Capital Preservation, and (IV) Simplification and Governance.**

The measures included in the **Adjustment Plan,** which advocated **the 4 pillars mentioned above**, supported Banco Montepio's actions, in line with the Mission Charter approved at the General Meeting of shareholders and incorporated, in a more granular way, **5 vectors of analysis** identified in the light of the challenges of the current context, as part of the preparation of the multi-annual Budget – Retail, Companies, Organisation, Processes and IT, Talent and Social Economy.



I The **Maximisation of Total Operating Income** focuses on strengthening Customer-oriented banking services and improving proximity relationships in a broader mix of channels, reinforcing financing to the economy, supporting the financial needs of families and SMEs, and developing distribution capacity and complementary margin in order to strengthen the profitability of Banco Montepio's domestic operation.

Banco Montepio improved its offer, marketing deposits that followed different interest rate cycles and diversified products, making structured deposits available on a regular basis, and reinforced its mortgage loan offer to better meet Customer needs. It has made dedicated credit lines available to support companies, facilitating the access to financing and essential banking services. It also sought to optimise its off-balance sheet distribution, diversifying its offer by selling insurance, investment funds and public subscription offers, thus broadening its sources of revenue. Finally, the management and adjustment of pricing were fundamental to guaranteeing Banco Montepio's competitiveness and long-term sustainability in the financial market. These measures reflected the institution's commitment to adapting to market demands and offering comprehensive and effective financial solutions.

II **Digital Transformation and Operational Optimisation** are intrinsically linked: the development of new remote channels, with the adoption of best market practices aimed at improving the customer experience, is crucial to achieving significant gains in terms of efficiency and productivity. The simplification of the activity and operations of the Banco Montepio Group was one of the focuses of action, with impacts on the entire organisation:

- Increasing the robustness of the business model, strengthening the focus on products with higher value added for the Customer;

- Adjusting the distribution model with the merger of geographically redundant branches;
- Redesigning Customer relations platforms and internal processes,
- Enhancing efficiency, namely through the review of procedures and rules; and
- Implementing new concepts and forms of working, valuing collaboration and flexibility, and promoting greater balance between personal and professional life.

In terms of accelerating Digital Transformation, the automation and re-engineering of internal processes stands out, through advances in data collection and processing models, adjustment of the service model, optimisation of Customer journeys and strengthening of cybersecurity mechanisms.

With regard to the Customer experience, the initiatives are aimed at increasing the efficiency and effectiveness of Customer interaction. Of particular note are the launch of the new institutional website, new digital journeys such as simulating mortgage loans, subscribing to retirement savings plans, signing up to the APProva app, the evolution of the M.A.R.I.A. voice bot, and the release of the M24 app in Huawei's AppGallery and, in the corporate segment, the delivery of new online International Business features.

As part of the Operational Optimisation Programme, which falls under the second strategic pillar, Banco Montepio resized its physical network and Employees. The network was reorganised according to geographical coverage, profitability and market size, but without affecting the adequate coverage of the service provided to its Customer base and without compromising business development: since the end of 2019, Banco Montepio has reduced its domestic network by 100 branches (-30%), which has resulted in significant savings in operating costs on a recurring basis, with a view to improving cost-to-income.

In this context, Banco Montepio resized its staff through a set of measures, including early retirements, employment contract terminations by mutual agreement, and labour flexibility measures to accommodate new forms of work, such as part-time and remote work. For purposes of expansion of the limit of eligibility for social protection in unemployment, Banco Montepio was declared a “company under restructuring” by order of the Minister of Labour, Solidarity and Social Security, as at 31 December 2020. The measures implemented contributed to a net reduction in the Banco Montepio Group's workforce, excluding the effect of the deconsolidation of Banco Montepio Geral Cabo Verde and Finibanco Angola, by 741 employees compared to the end of 2019 (-20%), of which 210 in the course of 2023, having achieved the programme's objectives.

III With regard to **Capital Preservation**, Banco Montepio significantly improved its capital ratios by adopting various measures aimed at reducing Risk Weighted Assets (RWA), achieved through the efficient management of the loans and securities portfolio and the structuring of securitisation operations or with guarantees comparable to sovereign risk, in order to rebalance the balance sheet towards lower capital consumption. This was also achieved by divesting non-performing or non-strategic assets, focusing on core business growth and lending in lower risk segments, in order to maximise the return on capital employed.

Among the measures included in the approved capital plan, the sale of the entire shareholdings in Monteiro Aranha S.A. and Almina Holding S.A. in 2021 and the sale of the stake in Finibanco Angola S.A. in 2023 were important contributions to strengthening capital ratios during this period.

Thus, in 2023, Banco Montepio consolidated its growing capital trajectory, with the Total Capital Ratio reaching 18.6% on a fully implemented basis, clearly above the Overall Capital Requirement (OCR) and Pillar 2 Guidance (P2G), successfully executing the outlined capital plan, a diversified set of scheduled measures, which made it possible to reach historical highs and without recourse to shareholders.

It is worth highlighting the increased **profitability** of the core business, with an impact on organic capital generation capacity, with net income (excluding the effect of the reclassification of the foreign exchange reserve resulting from the deconsolidation of the Angolan subsidiary) reaching a record 144.5 million euros in 2023, compared to 33.8 million euros in 2022.

The goal of ceasing to be an NPL Bank was achieved before the deadline set out in the NPL Reduction Plan, with the **NPL ratio** reaching 3.2% in 2023, due to the marked downward trend in the stock. In this regard, particular reference is made to the outcome of significant dossiers of recovery cases that were rather old by this time, and without conditioning the favourable evolution of capital ratios – on the contrary, the deleveraging *per se* of non-performing loans has been reflected in a marginal positive contribution, after the cost of risk borne in previous years – one of the critical success factors for the successive rating upgrades.

Banco Montepio also met the objectives set out in the **Real Estate Reduction Plan**, with the ratio of real estate to net assets reaching 1.5%, bringing forward the commitment made for the end of 2024.

IV In terms of **Simplification and Governance**, the adjustment measures focused on the sale of shareholdings on the national and international markets, as well as the modernisation and rationalisation of the Group's internal procedures.

In the **international market**, following the voluntary liquidation of Banco Montepio Geral Cabo Verde in 2022, the Banco Montepio Group completed the sale of its entire financial stake in Finibanco Angola the following year, and no longer has any shareholding in the Angolan market. The deconsolidation of this subsidiary had a positive impact on capital ratios and represents another important step in the implementation of the commitments made in the Adjustment Plan, particularly with regard to simplifying the Group's corporate structure and focusing on the domestic market.

In the **domestic market**, in 2022 the entire shareholding in Montepio Valor – Sociedade Gestora de Organismos de Investimento Coletivo, S.A. was sold, and in 2023 the integration of BEM's activity into Banco Montepio took place, which will make it possible to capture synergies and, at the same time, preserve and enhance the integrated value proposition of commercial banking and investment banking. In September 2023, Montepio Holding, SGPS, S.A., agreed to sell 100% of BEM's share capital to the fintech RAUVA Enterprises, S.A., taking another step towards simplifying the group, and the operation is expected to be concluded after approval by the supervisory and regulatory authorities.

The successful implementation of the Adjustment Plan has made it possible to achieve business sustainability, despite the challenging context over the last four years, which have been marked, firstly, by the extremely adverse financial effects of the pandemic crisis, followed by the war in Ukraine and, more recently, the reignition of the conflict in the Middle East.

The corollary of the Adjustment Plan had a structural and cultural impact on the organisation, earning the recognition of the stakeholders for its success in meeting the outlined objectives, particularly with regard to reducing non-performing assets and strengthening capital ratios. The successive upward revisions of external ratings reflect the results achieved, with Moody's awarding Banco Montepio's deposits an investment grade rating in December 2023.

07 RISK

Banco Montepio

2023

RISK

RISK MANAGEMENT

The Banco Montepio Group's risk management framework encompasses a set of policies and procedures, which include the definition of limits within the scope of the Risk Appetite Statement (RAS), as well as the establishment of controls that enable, in an appropriate and integrated manner, the identification, assessment, monitoring, reporting and mitigation of the risks arising from the activities carried out in the various business lines and entities. Risk management falls under the overall strategy, embodied in the definition of risk appetite in its various dimensions, in consolidated terms as well as individual terms for the entities comprising the Group.

INTERNAL CONTROL SYSTEM

In line with Banco de Portugal Notice 3/2020 and other provisions, the Banco Montepio Group's internal control system includes a set of strategies, policies, procedures, systems and controls aimed at ensuring that the following objectives are achieved:

- Profitable and sustainable performance: ensure compliance with the objectives established in strategic planning, the efficiency of operations, the efficient use of resources, the safeguarding of assets and, consequently, the sustainability of the business in the medium and long term;
- Prudent risk management: an adequate identification, assessment, monitoring and control of the risks to which the Group is or may be exposed;
- Quality information and sound accounting procedures: the existence of timely, objective, complete and reliable accounting, financial and management information, and of mechanisms for the independent reporting of that information to management and oversight bodies and to internal control functions;
- Normative compliance: respect for the legal and regulatory provisions of prudential or performance-related nature, as well as compliance with Banco Montepio’s own internal rules and with the professional and ethical rules, practices and codes of conduct endorsed by Banco Montepio.

The governance of the internal control and risk management system of the Banco Montepio Group follows the model with three lines of defence:

- First line: composed of the business generating units and related areas, which generate risk for the institution and are primarily responsible for the identification, assessment, monitoring and control of the risks they incur.
- Second line: composed of the support and control functions that include, namely, the risk management and compliance functions, that interact with the first line functions with a view to the appropriate identification, assessment, monitoring and control of the risks inherent to the activity pursued by the first line functions
- Third line: composed of the internal audit function, which is responsible for independently examining and assessing the efficacy of the policies, processes and procedures supporting the governance, risk management and internal control system by conducting tests on the effectiveness of the implemented controls.

Accordingly, the internal control system is based on:

- An adequate control environment supported by a well-defined organisational structure and safeguarding the segregation of functions, and by a code of conduct applicable to all Employees, which defines the standards of ethics, integrity and professionalism;
- A robust risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the strategy and goals defined by the Group;

- An efficient information and communication system, implemented to ensure the capture, processing and exchange of relevant, comprehensive and consistent data, on time and in a way that allows the effective and timely performance of the management and control of the Group's activities and risks;
- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, which guarantees, in particular, the timely identification of any flaws so as to strengthen the internal control system.

The internal Control System monitoring process considers the set of actions and control evaluations developed by the institution with a view to ensuring the appropriateness and effectiveness of the institution's organisational culture and of the governance and internal control systems:

- The monitoring of the internal control system is carried out through actions and control evaluations, implemented by the risk management and compliance functions within the scope of its activities;
- The internal audit function carries out autonomous and periodic assessments, with its own resources or through subcontracting coordinated and supervised by the latter, with a view to ensuring the alignment, throughout the Group, of internal auditing practices, compliance with professional and regulatory requirements;
- All Banco Montepio Employees, at the most varied hierarchical levels, participate in control actions, namely through the execution of procedures to review the tasks performed and in the fulfilment of their daily responsibilities;
- The Board of Directors acts at the highest level, on the internal governance structure, the organisational culture, the main business areas and the evolution of the institution's overall objectives, as well as on internal and external changes that could compromise the execution of the defined strategy and objectives;
- The Audit Committee monitors the internal control system and monitors, in particular, the process of remedying internal control deficiencies;
- The main mission of the Internal Control Commission (COMCI) is to support Banco Montepio's Executive Committee in the process of implementing an effective internal control system, through a continuous and effective process of follow-up and monitoring of detected deficiencies, the respective mitigation measures and their follow-up, contributing to a robust control environment and solid risk management.

The Internal Control Office (ICO), which acts as secretary to the Internal Control Commission, and in close coordination with the internal control functions, has the following responsibilities:

- Define and keep updated the framework, methodologies and other internal regulations supporting the internal control system;
- To monitor, in an integrated manner, the internal control deficiencies detected by the control functions, external auditors and supervisors, the respective mitigating measures and action plans for their implementation, encouraging their implementation with the owners of the measures considering all the entities of the Banco Montepio Group;
- Support the Organic Units of the Group's various entities in characterising and reassessing internal control deficiencies and the respective mitigating measures, ensuring that all potential deficiencies identified are recorded and duly classified;
- Follow-up on existing deficiencies and monitor the implementation of action plans with the respective owners, carrying out regular follow-ups and identifying constraints to their implementation in all the Group's entities;
- Manage the deficiency database, ensuring that there is reliable and timely information on internal control, considering all the Group's entities;

- Ensure compliance with the Internal Control Manual, which defines the procedures and responsibilities of each of those involved in the process of remedying deficiencies;
- Drawing up the appropriate reports for the Management and Supervisory Bodies, which allow for correct monitoring of the internal control system in its various aspects and ensure an overall view of all the Group's internal control deficiencies, with a view to improving the efficiency and effectiveness of resolving them.

INTERNAL CONTROL FUNCTIONS

The Banco Montepio Group has a risk management system which is one of the pillars of the internal control system, and which consists of a set of processes to identify, assess, monitor and control the material risks to which the institution is or may be exposed, both internally and externally, ensuring that they are correctly understood and kept within the levels previously defined by the management body. The key functions on which Banco Montepio's internal control system is based: risk, compliance and internal audit, form the core of the three lines of defence model established by the EBA guidelines on best internal governance practices.

The risk management strategy is established in conformity with the Banco Montepio Group's risk appetite statement, considering aspects of solvency, liquidity, profitability and asset quality, as well as other financial and non-financial risks.

The risk management function, which is performed by the Risk Division (DRI) at Banco Montepio, is responsible for the effective application of the risk management system.

Operates as a second line of defence, ensuring the existence of an appropriate risk management system and aimed at obtaining a vision of the Institution's overall risk profile, while challenging and supporting the business lines in the implementation of the first line processes of control.

Among its main responsibilities, the Risk Division is responsible for implementing and ensuring the effective operation of a risk management system on an ongoing basis, promoting the implementation of risk strategies and policies and ensuring the adequate identification of the risks underlying the activity of the entities that make up the Banco Montepio Group, with a view to their assessment and measurement and guaranteeing effective monitoring and control. In this regard, the following developments in the year stand out:

- Implementation of the new Credit Risk Regulation;
- Review and implementation of new application scoring models for mortgage and small business;
- Development of new rating models (in the process of being validated and approved);
- Continued strengthening of the model for estimating impairment of the loan portfolio, particularly with regard to incorporating macroeconomic effects;
- Computer implementation of the new definition of default;
- Continued to strengthen and improve the risk management information system and the reports produced, including the strengthening of the processes for reporting capital and liquidity risk and for calculating and reporting interest rate risk, in accordance with Banco de Portugal Instruction no. 34/2018 and most recent EBA guidelines;
- Production of the information and communication technology risk management report, which covers the analysis of risks related to availability/continuity, information security, information and communications technology (ICT) changes, data integrity and ICT outsourcing;
- Self-assessment of the gaps in internal processes and methodologies in the light of the regulatory requirements in the field of digital operational resilience issued in the Digital Operational Resilience of Financial Services Act (DORA) approved by the European Commission at the end of 2022;
- Updating and review of internal regulations on the various processes related to risk management;
- Regular monitoring of the bank's risk taxonomy, as well as the process of identifying material risks;

- Participation in the European Central Bank's exercises called "Quantitative Impact Study – QIS", which aim to estimate the impacts of CRR III on the solvency of Financial Institutions;
- Consolidation of the use of the MGIRO (Montepio Integrated Operational Risk Management) application, by all areas of the Bank, to support operational risk management in all its phases;
- Implementation of framework for the management of climate risks and other ESG risk factors (ongoing); and
- Strengthening the regulations, internal processes and methodologies that support the Bank's resolvability within the scope of the regulatory requirements inherent in compliance with the European Directive on the resolution of credit institutions.

The compliance function, carried out by the Compliance Division (DCOMP) in the Banco Montepio Group, also acts as a second line of defence, being responsible for managing compliance risk, namely the risk of legal or regulatory sanctions and financial or reputational loss, as a result of non-compliance with laws, regulations, specific determinations, contracts, rules of conduct and customer relations, ethical principles or internal rules of Banco Montepio. The Compliance Division has the necessary autonomy to carry out its duties in an independent manner, reporting functionally to the Board of Directors and Audit Committee, namely on relevant matters such as activity and training plans, activity reports, compliance policies, as well as reporting on any indications of breach of legal obligations or rules of conduct that may cause Banco Montepio to incur an administrative offence.

Compliance risk is mitigated by promoting a culture of ethics and compliance, and by independent, permanent and effective intervention of this function in the Bank's main procedures that imply this type of risk. For the purposes of managing compliance and reputational risks, Banco Montepio has a Compliance Risk Management Policy and Methodological Approach and a Reputational Risk Management Policy and Methodological Approach, which are communicated to all the institution's Employees and support the adoption of a compliance culture based on identifying, assessing, monitoring and mitigating these risks.

The Code of Conduct is also a fundamental instrument in the mitigation of compliance risk, as it sets out the values, principles of action and rules of professional conduct that all the Employees and members of the governing bodies should observe in performing their duties.

Adopting ethical business conduct is essential for Banco Montepio in order to serve its customers properly, meet the expectations of its shareholders and other stakeholders, satisfy and motivate its employees and, in general, contribute to consolidating its position as a financial institution that is unique on the national scene due to its origin and mutualist basis.

Within the scope of the compliance function, the following developments in the year stand out:

- Conclusion and approval of the Business Risk Assessment on the prevention of money laundering and terrorist financing;
- Completion of the upgrade of the Firco Continuity application, in particular the creation of rules to reduce false positives, taking into account the new fields and format of the messages;
- Implementation of a new anti-money laundering risk model for customers and new scenarios for generating alerts in the transaction monitoring application, resulting in greater effectiveness in managing the risk of financial crime;
- Review of the Money Laundering and Terrorist Financing Risk Management Policy, the Sanctions Policy and the Customer Acceptance and Maintenance Policy;
- Start of a programme to remedy the backlog of alerts generated by the transaction monitoring application;
- Support for the development of the new model for assessing the suitability of operations and the framework of the target market for investment funds, as well as strengthening controls over the marketing of investment funds.

- Review of the Organic Statute and Regulation of the Compliance Function, in particular the creation of the Compliance Analytics Division;
- Continuous compliance monitoring actions in line with the approved Monitoring Plan, specifically on the compliance risk associated with complaints handling, control of transactions with related parties, the product governance process, non-compliance with the Code of Conduct or regulatory reporting.
- An independent assessment of the Compliance Function was carried out by an external entity, which concluded that the function's level of maturity had improved significantly compared to the last assessment carried out (2021) in the various dimensions analysed.

In turn, the internal audit function in the Banco Montepio Group is carried out by the Audit and Inspection Division (DAI), which guarantees the corporate function, within the scope of the common services regime, by functionally coordinating the audit function of the subsidiaries with the aim of guaranteeing the alignment of practices and procedures at Group level, carrying out its duties in an independent and objective manner. In this context, he reports functionally to the Board of Directors and the Audit Committee, while hierarchically he reports to the Chairman of the Board of Directors.

In terms of its mission, the internal audit function assists the Banco Montepio Group in meeting its objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes, with a view to adding value.

The internal audit function is an integral part of the process of monitoring organisational culture, governance and internal control systems and, as the third line of defence, carries out independent and risk-oriented analyses, activities, and systems and processes, including the risk management function and the compliance function.

The 2023 Audit Plan approved by the Board of Directors of the Banco Montepio Group, with a favourable opinion from the Audit Committee, covering regulatory activities, business processes, risk management and continuous monitoring of the identified deficiencies, was satisfactorily fulfilled.

In 2023, the Audit and Inspection Division's organic statute was reviewed with a view to greater specialisation of the audit by risk typology, in order to achieve efficiency gains.

Risk Appetite Framework (RAF)

The RAF is the main element of the Group's risk management system, consisting of a general approach, according to which the risk appetite and strategy are established, communicated and monitored, including the necessary policies, processes, controls and systems. The risk limits underlying the risk management strategy and the maintenance of appropriate levels of capital and liquidity are documented in a Risk Appetite Statement (RAS) approved by the management bodies. The risk management system is part of the internal control system of the Banco Montepio Group, whose objective is the development of the activity in a sustained manner in line with the established RAS.

The evolution of the Banco Montepio Group’s risk profile is regularly monitored in relation to the established risk appetite, with the respective reporting to the Board of Directors and monitoring by the Supervisory Board.

RISK MANAGEMENT GOVERNANCE MODEL

At Banco Montepio, the risk management function is the responsibility of the Risk Division (DRI), the organic unit that conducts this function in a manner independent from the functional areas subject to assessment.

In Banco Montepio's current internal governance model, the head of the Risk Division reports hierarchically to the member of the Executive Committee responsible for risk, and there is also functional reporting to the Risk Committee (made up exclusively of non-executive directors), the Audit Committee, as Banco Montepio's supervisory body, and the Board of Directors.

The hierarchical and functional reporting lines are described in the internal governance structure defined in the Risk Management Policy of the Banco Montepio Group.

The Board of Directors is responsible for the strategy and policies to be adopted regarding risk management. This includes the approval of policies at the highest level that should be followed in risk management.

The management bodies of the Banco Montepio Group's subsidiaries are responsible for approving their own risk management strategies, in line with the business strategy defined for each subsidiary and in consolidated terms, as well as the Banco Montepio Group's overall risk strategy.

Audit Committee

The Audit Committee is the supervisory body of Banco Montepio, whose competencies include: the supervision of the Bank's management; the supervision of auditing activities, the process of preparing and disseminating financial information, and the effectiveness of the internal control systems and; the preparation of opinions on the policies and procedures to support the risk management system prior to approval by the Board of Directors, compliance control and the activity and independence of the statutory auditor and of the external auditor.

Risk Committee

The Board of Directors appoints the Risk Committee, including the nomination of its Chairman, whose duties, exercised in an independent form, are established in the respective Articles of Association. The Risk Committee's mission is to constantly monitor the definition and execution of the institution's risk strategy and risk appetite and to verify that these are compatible with a sustainable medium and long-term strategy and with the approved action programme and budget, advising the Audit Committee and the Board of Directors in these areas.

Supporting Committees of the Executive Committee

Committees providing support to the Executive Committee have been constituted, as forums of debate and support to decision-making, through formulation of proposals and recommendations in the areas of their scope of intervention.

The Executive Credit Commission (CEC) and Credit Commission (CdC) meet on a weekly basis, where credit operations are assessed and decided in accordance with the delegation rules defined in the Credit Risk Regulations.

The Asset-Liability Commission (ALCO) meets monthly and is responsible for monitoring capital management, the balance sheet and the income statement. Its functions include the issuance of proposals or recommendations with a view to managing liquidity, interest rate or capital positions, considering the scenarios of the evolution of the activity, the macroeconomic context and the indicators related to the real and projected evolution of the different risks.

Risk Division (DRI)

The Risk Division is Banco Montepio's unit responsible for performing the risk management function, being entrusted with monitoring all the financial and operational risks, exercising its function in an independent manner and in conformity with best practices and regulatory requirements.

It ensures the analysis and management of risks, providing advice to the management body, namely through the proposal of regulations and management models for the different risks, the preparation of management reports that serve as the basis for decision-making and the participation in Support Committees for the Board of Directors and the Executive Committee.

The Risk Division also ensures compliance with the set of prudential reports to the supervision authority, namely in the area of capital requirements, control of major risks, liquidity risk, interest rate risk, country risk, counterparty risk, self-assessment of the adequacy of capital and liquidity (ICAAP – Internal Capital Adequacy Assessment Process and ILAAP – Internal Liquidity Adequacy Assessment Process), Market Discipline, Recovery Plan and Resolution Plan. It is also responsible for the process of classifying customer monitoring (Early Warning Systems), in particular defining the rules for classifying, monitoring and reporting information on this monitoring.

The following have also been set up: the Impairment Commission (COMIMP), the Non-Performing Assets Monitoring Commission (COMAANP), the Business Commission (COMNEG), the Pension Fund Monitoring Commission (COMAFP), the Technology Commission (COMTECH), the Internal Control Commission (COMCI), the Cybersecurity Commission (COMCIBER), the Data Committee (COMDATA); the Sustainability Commission (COMSESG), in which the Risk Division participates, as well as the Business Continuity Committee (COMCN) and the Solvability Commission (CRES), in which this department performs secretarial duties.

Subsidiary Companies

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Division is responsible for ensuring that all Banco Montepio Group Companies, adopt risk management systems that are coherent with one another and in conformity with the requirements defined in Banco Montepio's Internal Regulation of the risk management system, in the Banco Montepio Group's Overall Risk Policy and in all the other applicable internal policies and rules, without prejudice to the respective legal and regulatory framework The Risk Division is responsible for monitoring the risk management activity of Banco Montepio Group Companies, on a consolidated and individual basis, with a view to ensuring the consistency of the risk concepts used, the methodologies of identification, assessment and control of risk, the supporting regulations and respective processes for monitoring the risk profile, as well as compliance with the applicable regulatory and prudential requirements, namely in consolidated terms. These activities should be conducted directly by the risk management functions of these entities, except in those for which Banco Montepio's Board of Directors believes that the development of these responsibilities by the Risk Division of Banco Montepio, as parent company, would be more effective and efficient.

Independent Model Validation

The Model Validation Office (GVM) is responsible for the independent validation of the models developed within the Group, ensuring compliance with the applicable internal and external requirements. This structure reports hierarchically to the director responsible for risk and functionally to the Risk Committee, thus safeguarding independence from other organic structures responsible for developing and monitoring models.

The Model Validation Office is therefore responsible for the Group's model risk management, ensuring that the Model Risk Management Policy is updated and that the defined requirements are met, guaranteeing the existence of a centralised and up-to-date inventory of the Group's models and verifying the proper application of the model risk level classification by the model owners, in accordance with the defined risk tiering methodology, with continuous monitoring and reporting of model risk.

During 2023, the Model Validation Office completed a series of validation procedures, including the periodic validation of the models, methodologies and results of the ICAAP and ILAAP processes and the validation of the Expected Credit Loss models (IFRS 9) and the behavioural scoring models for mortgage loans and small business.

It updated the risk classification of the Group's various models according to a new methodology and made stakeholders aware of their responsibilities in model risk management through training sessions. It also controlled the inventory of models, monitored the implementation of recommendations by model owners, analysed rating model overrides with the respective four-monthly reports and monitored model risk limits.

Information Management

Banco Montepio follows the data policy and operating model defined by the Data and Analytics Division (DDA). This policy is in line with the DAMA DMBOK (DAMA International Guide to Data Management Body of Knowledge) and the principles of BCBS 239 (Principles of effective risk data aggregation and risk reporting) and there is due alignment in terms of Banco Montepio's organic reorganisation.

In addition to the ongoing technological innovation and updating, in 2023 various actions and activities were initiated relating to information governance and quality control systems, as well as the encouragement and adoption of appropriate behaviour to preserve data quality and consequent financial stability and protection of the interests of Banco Montepio's Customers.

The Data and Analytics Division has shown the growing importance that Banco Montepio has given to this dimension and, during the year 2023, it materialised a holistic and integrated vision, in line with the regulatory framework mentioned and the bank's position in maximising the value of the corporate information it has, allowing it to eliminate deficiencies and improve its ability to identify and manage risks.

CREDIT RISK

Credit risk is associated with the degree of uncertainty of the expected returns, by inability either of the borrower (or guarantor, if there is one), the issuer of a security or the counterparty in a contract to comply with the respective obligations. Credit risk management benefits from a robust credit analysis and decision process, supported by a set of support tools, in which the quantification of credit risk is embodied in the model for calculating impairment losses.

During 2023, the Bank continued to review its credit risk management models and policies, keeping up with changes in the regulatory framework, guidelines issued by national and European supervisors and regulators and best market practices.

The decision-making process for loan operations is based on a series of policies using scoring models for the retail and business portfolios and rating models for the Corporate segment. These models, developed based on internal historical data, enable obtaining an assessment which is reflected in the attribution of a risk category to the Customer/operation, aggregated in a single risk scale, representing the respective probability of default. These models are subject to validation by a unit independent of the one responsible for their development, which reports functionally to the Risk Committee (composed of non-executive directors) where the respective validation reports and opinions for changes to the models are approved.

The implemented models are monitored on a regular basis by the Risk Division, with a process also existing for regular updating in light of the results obtained, business or regulatory alterations that imply the need to review these models.

In addition to the rating and scoring models, the decision-making process for loan operations is also based on certain filters or rules for rejection or escalation. Rejections or filters in terms of decision levels are determined by the occurrence of credit events in the financial system, breach of credit rules (for example, the indicator of the analysis of individual customer solvency defined by Banco de Portugal, named Debt Service-to-Income (DST)) and whenever the pricing associated with a particular operation represents a risk of adverse selection.

As part of the process of monitoring the evolution of the customer's risk profile, the Bank has a classification framework (Early Warning Systems) the level of monitoring that the commercial, credit analysis and credit recovery areas should have for certain customers, with the aim of identifying early signs of possible difficulties in meeting their financial plans and thus defining the best strategies with customers in order to mitigate the risk of default.

As at 31 December 2023, the weight of non-performing exposures (NPL) measured on the basis of the heading of Loans to customers (gross) decreased in relation to 31 December 2022 by 2.0 p.p., standing at 3.2%, determined by the positive effect of the sharp reduction of non-performing exposures by 251.4 million euros (-39.8%).

The amount of total impairments for credit risk reached 281 million euros as at 31 December 2023, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 162.7%. Moreover, the coverage of non-performing loans stood at 73.9%, while the coverage ratio, also considering total collateral and associated financial guarantees, stood at 115.1%.

LOAN QUALITY INDICATORS

(million euros)

	2021	2021 Restated	2022	2023	Change 2023/2022 Amount	%
Gross loans to customers	12 189	12 141	12 068	11 734	(334)	(2.8)
Loans and interest overdue by more than 90 days	361	358	270	173	(97)	(36.1)
Loans impairment	522	512	355	281	(74)	(20.7)
Ratios (%)						
Cost of credit risk	0.4	0.4	0.1	0.4	0.3 p.p.	
Loans and interest overdue by more than 90 days	3.0	2.9	2.2	1.5	(0.7 p.p.)	
Non-performing loans (NPL) [a] / Gross loans to customers	8.0	7.8	5.2	3.2	(2.0 p.p.)	
Forborne exposures [a] / Gross loans to customers	5.1	5.0	4.3	2.8	(1.5 p.p.)	
Coverage by Impairments for balance sheet loans (%)						
Loans and interest overdue by more than 90 days	144.4	143.0	131.2	162.7	31.5 p.p.	
Non-performing loans (NPL) [a]	53.5	53.8	56.1	73.9	17.8 p.p.	
Non-performing loans (NPL) [a], also including associated collaterals and financial guarantees	96.0	95.9	100.8	115.1	14.3 p.p.	

(a) NPL according to EBA definition. Gross loans and advances to customers (numerator and denominator as applicable).

CREDIT CONCENTRATION RISK

Credit concentration risk arises from the existence of risk factors that are common or correlated between different entities or portfolios, to such an extent that the deterioration of any of these factors could have a negative effect on the loan quality of each counterparty or on the earnings of each category of assets and liabilities. In a concentration scenario, the effect of the losses on a small number of exposures can be disproportionate, confirming the importance of the management of this risk in maintaining suitable solvency levels.

There are various procedures related to the identification, quantification and management of credit concentration risk. Credit concentration risk refers to the degree of concentration of the risk of default in the granted loan, derived from possible over-exposure to individual counterparties or groups of counterparties that are related to counterparties operating in the same activity sector, in the same geographic area or exposures with collateral or assets under common operation, excluding Group companies. In order to limit credit concentration risk due to exposure to a Customer/group of interrelated Customers, maximum exposure limits are defined for the aggregate positions of the credit and investment portfolios, for various entities of the Banco Montepio Group.

Within the framework of the established risk appetite (RAS), limits and objectives are set for key indicators for concentration risk, in the various relevant dimensions.

Credit concentration risk is monitored regularly, considering relevant risk indicators (individual and sector concentration) in comparison to previous periods so as to follow the evolution. The identification and monitoring of the largest exposures and most significant increased exposure of the loan portfolio are conducted daily.

MARKET RISK

The concept of market risk reflects the potential loss that could be recorded by a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the different financial instruments comprising the portfolio, considering both the correlations that exist between them and their volatility.

Value-at-Risk (VaR) is one of the main metrics used to measure and monitor the market risk calculated on a daily basis, both for its trading portfolio and for the portfolio of financial assets at fair value through other comprehensive income, which is calculated for a time horizon of 10 working days and at a significance level of 99%, using the historical simulation method. The types of risk considered in this method are interest rate risk, exchange rate risk, price risk, spread risk and commodities risk.

With respect to market risk information and analysis, there is regular reporting on Banco Montepio's own portfolios and those of other entities of the Group, with various risk limits being defined, including overall VaR limits and Stop Loss and Loss Trigger limits for positions held for trading and in other comprehensive income, as well as exposure limits per issuer and per type/class of asset.

The reports that are produced are used to control the different limits of exposure, analysing the risks of concentration, credit, interest rate and asset price variation, among others. These analyses include the analysis of scenarios, namely the sensitivity of the bond portfolio to variations in interest rates, spreads, as well as analyses of stress scenarios based on extreme events that occurred in the past, including the "Covid scenario for the period from 19 February to 31 March 2020".

Concerning market risk, in addition to reporting on the risk of Banco Montepio's overall portfolio, specific risk reports are also produced for the trading book and the proprietary portfolios of financial assets at fair value through other comprehensive income.

In order to ensure more effective risk management, the positions in portfolio are disaggregated into a portfolio of financial assets at fair value through other comprehensive income, portfolio of other financial assets at amortised cost, portfolio of financial assets not necessarily held for trading at fair value through profit or loss, and portfolio of assets held for trading (which exclude hedge coverages and fair value option), with risk limits being defined according to the type of portfolio. The thresholds applicable to the portfolios are defined in internal regulations, updated on an annual basis or other, whenever justified by alterations to market risk levels.

Stop loss and loss trigger thresholds are also defined, applicable to the portfolios. Whenever any of these thresholds are reached, the re-examination of the strategy intrinsic to this position is compulsory.

A summary is presented below of the VaR indicators in December 2023 and in the same period of the previous year. It should be noted that the percentage drop in the VaR of the banking book and trading portfolio is due to the gradual easing of the high levels of risk associated with the exogenous shocks of the war in Ukraine and the general rise in prices, and consequently the removal from the VaR calculation of extreme observations observed in 2022.

VaR INDICATORS (1)

	Dec-23		Dec-22	
	Banking Book	**Trading Portfolio**	**Banking Book**	**Trading Portfolio**
Market VaR (1) (2)	**1.37%**	**2.15%**	**3.01%**	**8.44%**
Interest Rate Risk	1.19%	0.56%	2.36%	8.28%
Exchange Rate Risk	0.07%	0.72%	0.10%	2.04%
Price Risk	0.01%	1.39%	0.01%	2.57%
Credit risk (spread)	0.40%	0.11%	1.04%	2.18%
Commodity Risk	0.00%	0.50%	0.00%	0.00%

(1) 10-day time horizon and significance level of 99%; As a Percentage of total portfolio assets; Includes the portfolios of BM and BEM.

(2) Includes diversification effect.

Moreover, analyses are also conducted of scenarios and stress (based on past extreme events) for the trading book to complement the analysis of all the other risk indicators.

EXCHANGE RATE RISK

Concerning the exchange rate risk of the banking book, in general, the different resources captured in different currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the investments and resources. The Banco Montepio Group's current foreign exchange exposure in consolidated terms fell compared to the previous year, essentially after the sale of the 51% stake in Finibanco Angola, and results mainly from the positions in kwanza relating to Montepio Holding's deposits in that Angolan financial institution.

With regard to the exchange rate risk of the bank portfolio, exposure limits are defined, which are monitored by the management and oversight bodies and by the Asset-Liability Commission (ALCO), and any possible exceeding of the established limits follows the defined circuit, which may require approval by the management body or the implementation of measures to cover said risk.

The limits defined for exchange rate risk include limits of position by currency, in consolidated and individual terms, as well as in terms of VaR, and are also disaggregated in terms of the trading book and banking book.

INTEREST RATE RISK IN THE BANKING BOOK

The interest rate risk caused by operations of the banking book is assessed through risk sensitivity analysis, on an individual and consolidated basis for the subsidiaries included in the Group's consolidated balance sheet.

Interest rate risk is appraised in accordance with the impacts on net interest income, economic value and own funds caused by variations in market interest rates. The main risk factors result from the mismatch between the repricing dates and/or residual maturities between assets and liabilities (repricing risk), from the non-parallel change in the interest rate curves (yield curve risk), from the lack of a perfect correlation between different interest rates with the same repricing time limit (basis risk) and from the options associated with instruments enabling a diverse action on part of the stakeholders dependent on the level of contracted and practised interest rates in the moment (option risk).

Following the Basel recommendations and the Banco de Portugal Instruction no. 34/2018, the Group calculates, on a monthly basis, its exposure to balance sheet interest rate risk based on the Bank of International Settlements (BIS) methodology, classifying all asset, liability and off-balance sheet items that do not belong to the trading portfolio, by repricing levels.

In this context, limits have been set for exposure to interest rate risk factors, which are monitored by the Asset-Liability Commission, and any overrunning of any of the established limits, even if temporary, follows the procedure defined by the bank in the respective policy, and may require approval by the board of directors or the application of measures to hedge exposure.

At the same time, a stress test is carried out with six interest rate curve shock scenarios, which measures the impact on net interest income at one year and on the economic value of the interest rate curve shocks prescribed in the BIS document of April 2016, Standards – Interest rate risk in the banking book.

Based on the financial features of each contract, the respective expected cash flow projection is made, according to the rate repricing dates and any pertinent performance assumptions that are considered.

LIQUIDITY RISK

Liquidity risk is assessed using regulatory indicators defined by the supervisory authorities and other internal measurements for which exposure limits are also defined. This control is reinforced by the execution of stress tests and reverse stress tests, aimed at characterising Banco Montepio's risk profile and ensuring that the Group meets its liabilities in the event of a liquidity crisis.

The objective of controlling the liquidity levels is to maintain a satisfactory level of disposable assets so as to meet financial needs in the short, medium and long term. The liquidity risk is monitored on a daily basis and is monitored through a weekly report, and various reports are prepared for control purposes and to monitor and support decision-making of the Asset-Liability Commission (ALCO). Under the control of risk levels, limits are defined for various liquidity risk indicators, which are monitored through monthly reports.

The evolution of the liquidity situation is analysed, in particular, based on estimated future cash flow projections for various time horizons, considering Banco Montepio's balance sheet. The liquidity position on the day of the analysis and the amount of assets deemed highly liquid existing in the uncommitted securities portfolio are added to the ascertained values, thus determining the accumulated liquidity gap for many time horizons.

Moreover, there is also monitoring of the level of compliance of the liquidity prudential indicators, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM), and of internal ratios such as, for example, ratios of loans to deposits, concentration of funding sources, short term funding and eligible assets.

In December 2023, the liquidity gaps up to 12 months were as presented in the table below.

LIQUIDITY POSITION GAPS IN DECEMBER 2023

(million euros)

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated mismatches	5 024	5 011	4 984	4 732	3 929

Resources from customers constitute the main source of funding, representing 81.4% of the total funding sources in December 2023.

Liabilities	%
Resources from central banks	5.3%
Resources from other credit institutions	5.5%
Resources from customers	81.4%
Debt securities issued	4.4%
Other liabilities	3.4%
Total	**100.0%**

The Liquidity Coverage Ratio (LCR) reached 233.1% in December of 2023, comfortably above the minimum requirement of 100%. Also noteworthy is the strengthening of the commercial gap with the loan-to-deposit ratio, considering Net loans to customers and Customer deposits, standing at less than 100%.

The Net Stable Funding Ratio (NSFR) stood at 130.4% December 2023, also with a significant gap compared to the minimum requirement of 100%.

REAL ESTATE RISK

Real estate risk arises from possible negative impacts on Banco Montepio's net income or own funds, due to fluctuations in the market price of real estate assets.

Real estate risk arises from the real estate assets on the balance sheet, whether from properties given in lieu of repayment or judicial auction sale in the context of recovery procedures for loans, as well as for investment units of real estate funds held in the securities portfolio. These exposures are monitored based on analyses of scenarios that seek to estimate potential impacts of alterations in the real estate market on the portfolios of these real estate assets, providing necessary information for the definition of the real estate risk management policy.

At the end of 2023, the Banco Montepio Group's accounting exposure, net of impairment, to real estate risk, in the components described above, was reduced by around 152.4 million euros, from 459.6 million euros at the end of 2022 to 307.2 million euros as at 31 December 2023. The net book value of real estate on the consolidated balance sheet (which includes the Banco Montepio Group's real estate funds, that are fully consolidated) amounted to 263 million euros, corresponding to a ratio of less than 1.5% of net assets. It should be noted that in prudential terms, the Group has been allocating additional capital to cover the risk of the properties recorded on the consolidated balance sheet, so the exposure at risk is 232 million euros, representing a weight of 16% on own funds (compared to 28% in the same period last year).

PENSION FUND RISK

The Pension Fund's risk results from the potential devaluation of the asset portfolio or the decrease in the respective expected returns, as well as the increase in liabilities as a result of the evolution of the different actuarial assumptions. Faced with scenarios of this type, Banco Montepio will have to make unforeseen contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of the management of the Banco Montepio Pension Fund is the responsibility of the respective monitoring committee. In addition, the Risk Division produces monthly reports on the evolution of the market value of the Pension Fund's portfolio and associated risk indicators.

As at 31 December 2023, the Pension Fund's accumulated negative actuarial deviations stood at 85.5 million euros, reflecting the negative effect of the reduction in the discount rate from 4.2% in 2022 to 3.6% in 2023, although the coverage of total liabilities by assets, reflected in a funding ratio of 107%, largely mitigated the impact on capital ratios.

OPERATIONAL RISK AND BUSINESS CONTINUITY

Operational risk corresponds to the potential loss arising from failures or inadequacies in internal procedures, persons or systems, as well as potential losses derived from external events. Banco Montepio applies the standard method for quantifying its own funds requirements for operational risk, based on the existence of an operational risk management system that is based on the identification, assessment, monitoring, control and measurement of this type of risk.

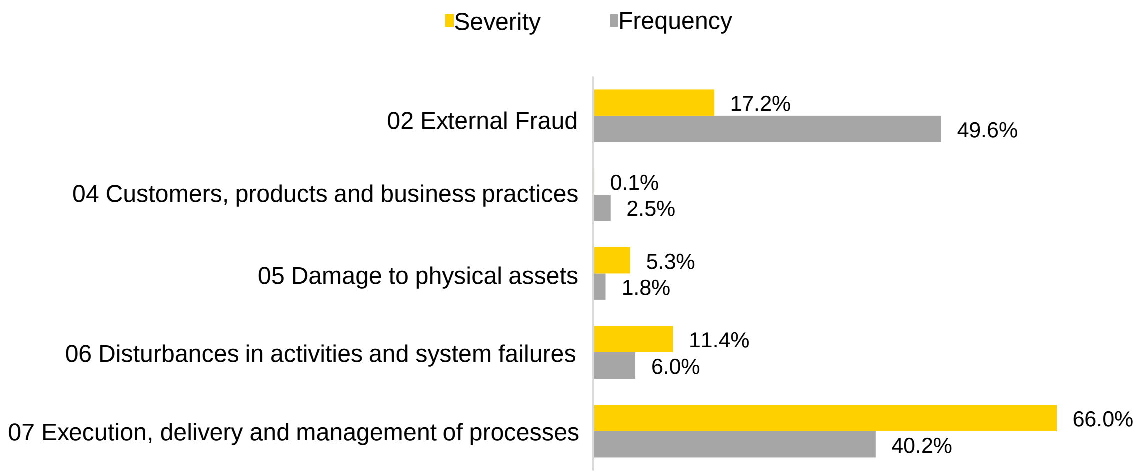
The implemented operational risk management model follows the principle of the 3 lines of defence, in line with the internal control system.

The Risk Division carries out Banco Montepio's corporate operational risk management function, which is supported by the existence of interlocutors in different organic units who ensure the proper implementation of the established framework.

The assessment of the operational risk profile for new products, processes and systems and their monitoring, on a regular basis, has permitted the prior identification and mitigation of situations of operational risk.

With regard to monitoring operational risk in the first half of the year, the profile of loss events maintained the inversely proportional relationship between frequency and severity of losses, typical of Operational Risk.

Operational Risk Typologies by Frequency and Severity 2023



One of the essential aspects in the management of this specific type of risk consists of the prior identification of relevant operational risks whenever a product, process or system is implemented or reviewed, and follow-up is ensured of action plans aimed at preventing or mitigating the effects of the materialisation of the risks with greatest frequency / severity of loss events or with higher residual value in the context of the self-assessment process.

Monitoring

Under the Operational Risk Management System of Banco Montepio, the key risk indicators (KRI) seek to monitor the factors of exposure associated with the main risks, enabling the measurement and follow-up of the risk appetite and anticipate the occurrence of losses through preventive actions.

To this end, the defined limits were regularly monitored and action plans were promoted in the cases where these limits were surpassed. These indicators are part of the Operational Risk Reports submitted to the Risk Committee and Executive Committee.

Self-assessment of Operational Risks

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a map of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritising possible mitigation actions.

The operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and safety at work practices; Customer, products and commercial practices; damages to physical assets; disturbance of activities and system failures; and implementation, delivery and management of processes. The operational risks and respective controls are self-assessed regularly, as a rule in workshop arrangements with the representatives of each body/organic unit and the support of the Risk Division.

Based on the results of the self-assessments, conducted in terms of impacts and frequencies for the risks and percentage efficacy for the controls, a matrix of tolerance to residual risk is established, which will substantiate the risk level considered acceptable for the Institution and will enable identifying any risks for which additional mitigation measures may need to be designed.

Business Continuity Management

The cycle of business continuity management is supported by a series of activities of assessment, design, implementation and monitoring, integrated in a continuous improvement cycle aimed at making business processes more resilient, and ensuring the continuity of operations in the case of events that interrupt the activity.

The Business Continuity Committee (BCC) is the Executive Committee's delegated committee that provides support in matters relating to, in particular, ensuring the completeness and continuous updating of the Business Continuity Plan (BCP), approving disaster and recovery scenarios, and having an overview of incidents and events, with a view to identifying risk trends and patterns in order to propose or change preventive action controls.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RISK

Information and communication technology risk is characterised by the risk of losses in capital and in the Bank's net worth due to breach of confidentiality, lack of integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technology (IT) within a reasonable time and cost when the environment or business requirements change (i.e. agility). This also includes the risk of losses resulting from external security risk events or inadequate or deficient internal processes, including cyber-attacks or inadequate physical security.

Within the scope of this risk management, the Risk Division ensures the identification, measurement, evaluation, management, monitoring and communication of information and communication technology and security risk events. Taking into account the ongoing digital transformation and the increase in Banco Montepio's technological dependence, as well as the increase in cyber-attacks in Portugal and around the world, Banco Montepio has created a Cybersecurity Office, in order to centralise and focus teams on implementing a framework of processes for mitigating security events, as well as defining and implementing an action plan whenever they occur. This office is in direct contact with the Risk Division in terms of managing and monitoring security risk.

In view of the increased exposure of banks to this type of risk, at the end of 2022 the European Commission approved the Digital Operational Resilience of Financial Services Act (DORA) in order to consolidate in a single document the regulatory requirements within the scope of Information and communications technology (ICT) risk management and monitoring, namely by defining uniform requirements with regard to the security of networks and information systems that support the operational processes of financial entities necessary to achieve a high level of digital operational resilience. Within this regulatory framework, the Bank is aligning its internal procedures and processes for managing this risk in order to comply with the guidelines and regulatory requirements defined under DORA.

ESG RISKS

ESG risks are based on the assessment of environmental, social and governmental components. Environmental risks ("Climate and Environmental Risk via Physical Risk" and "Climate Risk via Transition Risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. Initially, this process will be mostly qualitative, integrating a forward-looking perspective, since this type of event has not materialised so far and it is not possible to create a robust historical basis for building a quantitative analysis. Social and Governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

In 2023, the ESG Risk Management Centre began operating, staffed exclusively by dedicated employees, a year marked by significant progress in monitoring this type of risk.

As part of ESG risk management, Banco Montepio has contracted an ESG data platform, together with ESG scores for an SME portfolio. These ESG scores are currently integrated into the enterprise risk assessment system (MARE) and databases (SAS). These scores constitute a key element in decision-making. In order to better control ESG risk, Banco Montepio has developed an internal report characterising the SME portfolio by ESG risk class, taking into account the scores mentioned above.

The year of 2023 will see the release of the qualitative and quantitative Market Discipline models. A methodology for calculating physical risks has been created, taking into account the location of companies. More details can be found in the Market Discipline document.

In terms of quantifying climate risks, we highlight the limit for the Top 7 GHG Emissions sectors in Banco Montepio's Risk Appetite Statement. Other initiatives are underway, such as the design of a climate stress *test* scenario based on an increase in the price of carbon.

In order to support the management and monitoring of ESG risks in the first lines of defence, Banco Montepio also created the Sustainability Office, which, acting in close collaboration with the ESG Risk Management Centre, is responsible for coordinating the end-to-end implementation of the sustainability strategy. The Sustainability Commission (COMSESG) was also created, emanating from the Executive Committee, with the main mission of assessing, debating, implementing and monitoring the strategy and internal policies on sustainability, sustainable finance & ESG and social responsibility.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The internal capital adequacy assessment process (ICAAP) is an essential component in the risk management of the Group, which seeks to ensure an analysis of the evolution occurred in the practices of qualitative and quantitative assessment of the risks to which the Group is exposed, the appraisal of the internal controls and effects which enable mitigating the exposure to risk, the simulation of adverse situations with impacts on the Group's solvency and the assessment of the adequacy of internal capital.

Banco Montepio's ICAAP exercise is conducted at a consolidated level with the following main objectives:

- Promote it as a tool to support strategic decision-making in the Group;
- Fostering a risk culture that encourages the participation of the entire organisation in the management of internal capital (management body, planning and business areas and internal control functions);
- Assure the adequacy of the internal capital in relation to its risk profile and its risk and business strategies;
- Assure an appropriate identification, quantification, control and mitigation of the material risks to which the Group is exposed;
- Assure the suitable documentation of the demonstrated results, by reinforcing the integration of the risk management processes in the risk culture of the Group and in the decision-making processes; and
- Foresee a contingency plan to assure the management of the activity and the adequacy of the internal capital in the event of a recession or crisis.

The results of the ICAAP enable investigating whether the Group's capitalisation is, in a sustainable form, adequate to the risks derived from its activity. This capital adequacy is assessed based on the comparison between the available internal capital and the economic capital requirements, taking into account the risk appetite level established by the Board of Directors.

In the first phase, based on quantitative and qualitative criteria, the material risks to which the Group's activity is subject are identified based on an internal risk taxonomy, in alignment with Banco de Portugal Instruction no. 18/2020. All the risks identified as material and the risks considered in Basel Pillar I, regardless of being considered material or not, are integrated in the ICAAP.

At a second stage, the material risks are modelled with a view to the quantification of the respective economic capital requirements, based on an extremely adverse scenario in line with the defined risk appetite level. The risks are thus incorporated through add-ons to the regulatory capital, whether via increased capital requirements for risks covered in Pillar I or via incorporation of capital requirements for other risks.

Capital adequacy is assessed based on the comparison between the economic capital requirements and the available internal capital to absorb risks, calculated considering the established risk appetite level.

The result of the capital adequacy assessment is supplemented by the values obtained through reverse stress tests and under stress test scenarios. The objective is to assess the Group's capacity to absorb unexpected losses, and potential contingency plans must be identified to address possible domestic capital shortages, duly aligned with other capital planning exercises, namely the Funding and Capital Plan and the Recovery Plan.

In line with the normalisation of Banco Montepio's risk profile as a result of the successful conclusion of the Adjustment Plan, no significant changes in the materiality of the various types of risk are anticipated. Additionally, the Funding and Capital Plan foresees measures that will enable strengthening the Group's solvency levels.

STRESS TESTS

Pursuant to the regulatory terms, the Group conducts stress tests, under the Group's Recovery Plan, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP) submitted to Banco de Portugal.

The Group's Recovery Plan involves analysis and measurement of impacts derived from adverse scenarios, considering systemic events, idiosyncratic events of the Group and a combination of both. This analysis gave rise to a series of strategic options and recovery measures to be placed in practice in order to assure the preservation and solidity of the Group's levels of capital, liquidity, profitability and operating activities, in the event of being faced with situations of contingency or financial crisis.

The ILAAP provides the Board of Directors, Executive Committee and supervisory body with an appropriate overview of the evolution of the liquidity and funding risk profile, as well as overall exposure to risk. Moreover, it also provides information on the available liquidity sources and the adequacy of liquidity of the Banco Montepio Group.

In order to assess capital insufficiency during periods of stress, ICAAP included the definition of a series of stress tests (reverse stress tests and adverse scenarios) on the risk quantification models and capital adequacy. The outcome of these tests enables confirming the adequacy of internal capital levels to the tested adverse scenarios.

In addition to the stress tests reported to Banco de Portugal, the Group regularly carries out other impact studies aimed at providing an analytical vision of its position in terms of liquidity, net income for the year and capital when subject to adverse scenarios arising from alterations in risk factors such as interest rates, credit spreads, repayment of deposits, margins of assessment of eligible assets applied by the ECB, ratings (of the Group and counterparties), portfolio loss ratios, collateral, among others.

The stress tests and analyses of adverse scenarios are disclosed and debated with the Group's management, with the conclusions drawn being subsequently incorporated in the strategic decision-making processes, more precisely in the determination of levels of solvency, liquidity, exposure to specific risks (counterparty and price risks) and overall risks (interest rate, exchange rate and liquidity risks).

The mechanisms and tools used during the stress tests supported the Bank's management under this scenario, namely in the more immediate effects in terms of liquidity and market risks.

Banco Montepio has contingency and business continuity plans for crisis situations, which were activated promptly during the Covid-19 crisis, in order to mitigate the impacts on the operational and business component.

RISK RATINGS

In July 2023, Fitch Ratings (Fitch) raised the rating of Banco Montepio's senior preferred debt by two notches to B+, maintaining a positive outlook. The ratings were also revised upwards for the following: (i) deposits to BB-; (ii) intrinsic rating of the issuer to b+; (iii) long-term to B+; (iv) non-preferred senior debt to B; and (v) subordinated debt to B-. Fitch also upgraded Banco Montepio's Covered Bonds by one notch to AA+.

In November 2023, Moody's upgraded Banco Montepio's deposits to investment grade Baa3 and senior unsecured debt to Ba2. This was the third consecutive upgrade of Banco Montepio's rating by Moody's in thirteen months, for a total of four levels. The long-term ratings were also revised upwards: (i) counterparty risk and counterparty risk assessment for Baa2; (ii) base valuation for ba2; (iii) senior non-preferred debt to be issued under the EMTN Programme for (P)Ba2; and (iv) subordinated debt to Ba3. Moody's then raised the rating of Banco Montepio's Covered Bonds by two notches to Aaa, the highest level in the investment grade category.

In December 2023, DBRS Morningstar raised Banco Montepio's long-term rating and senior unsecured debt rating by two notches to BB, maintaining the Trend Stable. This was the second consecutive increase in Banco Montepio's rating disclosed by DBRS Morningstar in 2023, amounting to a total of 3 levels. The following ratings were also revised upwards: (i) Subordinated debt to B (high); (ii) Long-term deposits to BB (high); and (iii) Short-term deposits to 'R-3'.

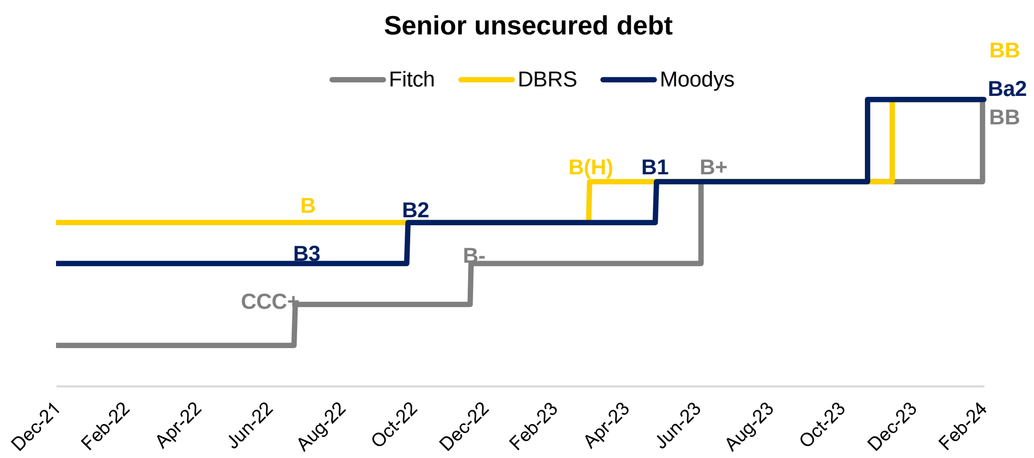
The risk ratings assigned to Banco Montepio with reference to 31 December 2023 and 31 December 2022 are shown in the following table.

Rating Agencies	Covered Bonds (CPT) (1)		Long-term (2)		Deposits		Outlook	
	31-Dec-22	**31-Dec-23**	31-Dec-22	**31-Dec-23**	31-Dec-22	**31-Dec-23**	31-Dec-22	**31-Dec-23**
Fitch	AA	**AA+**	B-	**B+**	B+	**BB-**	Positive	**Positive**
Moody's	Aa2	**Aaa**	B2	**Ba2**	Ba3	**Baa3**	Stable	**Stable**
DBRS	--	**--**	B	**BB**	B (high)	**BB (high)**	Stable	**Stable**

(1) Issued under the Conditional Pass-through Covered Bond Programme.
(2) Long-term Senior Preferred Debt rating issued by Fitch, Senior Unsecured Debt rating issued by Moody's and Long-term Senior Debt rating issued by DBRS.

In February 2024, Fitch once again upgraded Banco Montepio's senior unsecured debt to BB, the second consecutive upgrade by Fitch in eight months, amounting to a total of four levels. The following long-term ratings were also revised upwards: (i) Long-term deposits to BB+; Issuer's intrinsic rating to bb; Long-term rating (LT IDR) to BB, with Stable Outlook; Non-preferred senior debt to BB-; and Subordinated debt to B+. Fitch then upgraded Banco Montepio's Covered Bonds by one notch to AAA, the highest level in the investment grade category.

The successive upward revisions since 2021 reflect the improvement in profitability; the sharp reduction in non-performing and/or non-strategic assets; the strengthening of capital ratios to levels comfortably above regulatory requirements; the successful achievement of the Adjustment Plan's objectives, particularly with regard to the measures included in the Digital Transition and Operational Optimisation pillar – optimisation of the branch network, digitalisation and reduction of the workforce – which have resulted in a reduction in balance sheet risk and an increase in productivity levels.



08 NON-FINANCIAL INFORMATION

Banco Montepio

2023

NON-FINANCIAL INFORMATION

Banco Montepio has always been committed to sustainability as a principle from the very beginning. This commitment extends to society, each person, the economy, and the planet. In 2023, Banco Montepio reaffirmed its commitment to social well-being, environmental protection, and ethical governance, achieving significant milestones in these areas. Some of the main accomplishments include:

- **Social Loan to Santa Casa da Misericórdia de Vila Franca de Xira:** Granting of a loan, classified as a Social Loan, of 12 million euros for the construction of the "Campus de Saúde" (Health Campus) Project.
- **Environmental Statement:** Approval of the Declaration of Commitment to the Environment, reinforcing its commitment to operate in an environmentally aware manner, finding that its activities and operations could give rise to direct and indirect environmental impacts.
- **Declaration on Human Rights:** Approval of a declaration that reinforces its commitment to respect universally acknowledged human rights, which is underlying and inseparable from its relations with its employees, customers, suppliers, partners, communities in which it operates, and all other stakeholders.
- **Declaration of Commitment to Sustainability for Suppliers:** Establishing standards for Suppliers, aimed at ensuring sustainable practices throughout the supply chain.
- **Good Practices Guide for Suppliers:** A guide to raise suppliers' awareness and ensure their accountability for adopting sustainable practices.
- **Stakeholder Engagement Statement:** Approval of a declaration acknowledging the importance of the different relevant groups of stakeholders holding interests concerning Banco Montepio's business and the positive impact it intends to create on society, the economy, and the environment.
- **Distinction in the IRGAwards:** Banco Montepio was one of the four short-listed companies of the 35th edition of the IRGAwards, promoted by Deloitte, in the "Sustainability Initiative Award" category with the "Equality, Inclusion and Citizenship" project.
- **Signing of the Portuguese Diversity Charter**, managed by the Portuguese Association for Diversity and Inclusion (APPDI).
- **Joining the Pact against Violence**, an initiative that brings together partner companies of the Commission for Citizenship and Gender Equality (CIG) and supports the work of the structures of the National Support Network for Victims of Domestic Violence.
- **National Goal for Gender Equality:** Achievement of the national target of 40% of women in Senior Management and Leadership positions by 2030, having been distinguished as one of Portugal's flagship companies in gender equality by the United Nations Global Compact.
- **ColorADD Code:** Banco Montepio adopted the use of the ColorADD code, a unique chromatic alphabet worldwide aimed at providing a comprehensive and accessible experience to customers who are colour-blind. By identifying the colours, customers can access different contents, services, and equipment.
- **United Nations Global Compact "Forward Faster 2030" initiative:** Banco Montepio continues to strengthen its commitment to Sustainability and was the first Portuguese company and financial institution to endorse this initiative, which aims to improve accountability and transparency by calling for companies to publicly declare their commitments and highlight the actions undertaken to fast-track their contribution to the Sustainable Development Goals towards gender equality, climate action, decent wages, and finance and investment.
- **Participation in COP 28:** Banco Montepio was invited to participate in Portugal's Official Delegation at COP28 – 28th Conference of the Parties to the United Nations Framework Convention on Climate

Change, having shared its accomplishments in the field of "green" finance, which deals with environmental sustainability, governance risks, and gender equality.

- **Founding member of the Nova SBE "VOICE Leadership Initiative"**, a training programme aimed at increasing the competitiveness of Portuguese small and medium-sized enterprises, directly impacting on the creation of value and the capacity-building of companies and social economy entities in terms of corporate governance.
- **Portuguese Association of Business Ethics (APEE)**: Award of the "Social Responsibility and Sustainability Strategy" prize by APEE, which recognized the bank's path and consistent contribution over the years to corporate social responsibility and sustainability.
- **Impact Innovation Fund:** Banco Montepio has committed to become an investor and depositary bank in this pioneer Iberian fund that will invest in Portugal (>70%) and Spain (up to 30%), in companies whose scope of social and environmental interventions can become global references. The fund will have an allocation of 25 million euros, and it differentiates itself by integrating ESG factors and Impact assessment, as well as contributing to specific targets of the Sustainable Development Goals (SDGs).

As a whole, the Report and Accounts 2023, the Sustainability Report (to be disclosed online on Banco Montepio's website) and the publicly available information on the website include the information required for the financial statements as defined in Decree-Law 89/2017, containing comprehensive information on the evolution, performance, position and impact of Banco Montepio's activities regarding environmental, social, employee-related, gender equality, non-discrimination, respect for human rights, combat of corruption and attempted bribery topics.

The chapters presenting the information required by the Decree-Law are detailed in the table below.

TABLE OF CORRESPONDENCE WITH DECREE-LAW 89/2017

Requirement	Source	Response
Corporate Model **DL 89/2017 - Article 3 (referring to Article 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a(1)(a)**		
Corporate model of the company	RA RA RA RA	The Banco Montepio Group – Group structure Business Segments Activity by Segments Subsidiaries and International Activity
Diversity in governing bodies **DL 89/2017 - Article 4 (referring to Article 245(1)(r) and (2) of the Securities Code (CVM)) - Directive 2014/95/EU - Article 20(1)(g)**		
Diversity policy applied by the company to its management and supervisory bodies.	SR RA	Values we manage Corporate Governance Report
Environmental issues **DL 89/2017 - Article 3(2) (referring to Article 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)**		
Specific policies related to environmental issues	SR Website Website SR	Commitments driving us Environmental Statement https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/sustentabilidade/compromissos/declaracao-compromisso-com-o-ambiente.pdf Sustainability Policy https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-sustentabilidade.pdf GRI table
Results of the application of the policies	SR SR	Natural capital GRI table
	RA	Risk – Risk management

Main associated risks and how those risks are managed	SR SR	Responsible Business Sustainable Finance
Key performance indicators	SR SR	Natural capital GRI table

Social and employee-related issues

DL 89/2017 - Article 3(2) (referring to Article 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a(1)(a-e)

Specific policies related to social and employee-related issues	RA SR SR Website Website Website Website Website	The Banco Montepio Group – People Commitments driving us Human capital Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf Policy on the reporting of irregularities (whistleblowing) https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/regulamento-comunicacao-irregularidades.pdf Ethics channel https://bancomontepio-canaldeetica.whispli.com/lp/7adb7ca8-6030-11ed-b8d0-6e7b9fe80a47?locale=pt-pt Complaints management https://www.bancomontepio.pt/gestao-reclamacoes Diversity and Inclusion Policyhttps://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-diversidade-inclusao.pdf
Results of the application of the policies	SR SR SR	Stakeholder engagement Human capital GRI table
Main associated risks and how those risks are managed	 SR SR Website Website Website	Risk – Risk management Commitments driving us Human capital Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf Policy on the reporting of irregularities (whistleblowing) https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/regulamento-comunicacao-irregularidades.pdf Ethical channel https://bancomontepio-canaldeetica.whispli.com/lp/7adb7ca8-6030-11ed-b8d0-6e7b9fe80a47?locale=pt-pt
Key performance indicators	RA RA RA SR SR SR	The Banco Montepio Group – People – tables with the evolution of the Employees The Banco Montepio Group – People – charts with the distribution of Banco Montepio Employees The Banco Montepio Group – People – table with indicators on training Stakeholder engagement Human capital GRI table

Equality between men and women and non-discrimination

Article 3(2) of DL 89/2017 (referring to 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)

Specific policies related to issues of equality between men and women and non-discrimination	SR SR SR Website RA	Commitments driving us Human capital Responsible Business Diversity and Inclusion Policy https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-diversidade-inclusao.pdf Corporate Governance Report
Results of the application of the policies	SR SR	Human capital GRI table
Main associated risks and the way in which those risks are managed	RA Website Website	Risk – Risk management Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf Policy on the reporting of irregularities (whistleblowing) https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/regulamento-comunicacao-irregularidades.pdf

	Website	Ethical channel https://bancomontepio-canaldeetica.whispli.com/lp/7adb7ca8-6030-11ed-b8d0-6e7b9fe80a47?locale=pt-pt
Key performance indicators	RA	The Banco Montepio Group – People – charts with the distribution of Banco Montepio Employees
	SR	Human capital
	SR	GRI table
Respect for human rights		
Article 3(2) of DL 89/2017 (referring to 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)		
Specific policies related to respect for human rights	SR	Commitments driving us
	SR	Stakeholder engagement
	SR	Responsible Business
	SR	Human capital
	Website	Declaration on Human Rights https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/sustentabilidade/compromissos/declaracao-sobre-direitos-humanos.pdf
	Website	Sustainability Policy https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-sustentabilidade.pdf
	Website	Declaration of Commitment to Sustainability for Suppliers https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/sustentabilidade/compromissos/declaracao-compromisso-com-a-sustentabilidade-para-fornecedores.pdf
Results of the application of the policies	SR	Sustainable finance
	SR	Responsible Business
Main associated risks and the way in which those risks are managed	RA	Risk – Risk management
	SR	Commitments driving us
	SR	Sustainable finance
Key performance indicators	SR	GRI table
Fight against corruption and attempted bribery.		
Article 3(2) of DL 89/2017 (referring to 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)		
Specific policies related to the fight against corruption and attempted bribery.	SR	Commitments driving us
	Website	Policies and Regulations https://www.bancomontepio.pt/institucional/politicas-regulamentos
	SR	Commitments driving us
	Website	Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf
Results of the application of the policies	SR	GRI table
Main associated risks and the way in which those risks are managed	RA	Risk – Risk management
	SR	Sustainable finance
	SR	Responsible Business
Key performance indicators	SR	GRI table

RA – Report and Accounts 2023

SR – Sustainability Report 2023

Website - Banco Montepio's website

REPORT AND ACCOUNTS

09

REGULATORY INFORMATION

2023

Banco Montepio

2023

CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Consolidated Balance Sheet at 31 december 2023 and 2022

(Euro thousand)

	2023	2022
Assets		
Cash and deposits at central banks	1 171 398	1 383 802
Loans and deposits to credit institutions payable on demand	61 041	52 287
Other loans and advances to credit institutions	178 902	106 376
Loans and advances to customers	11 453 259	11 713 097
Financial assets held for trading	18 970	23 070
Financial assets at fair value through profit or loss	128 228	147 770
Financial assets at fair value through other comprehensive income	48 100	97 222
Hedging derivatives	6 174	-
Other financial assets at amortized cost	3 878 848	4 119 387
Investments in associated companies	4 702	4 390
Non-current assets held for sale	74	11
Non-current assets held for sale - discontinuing operations	-	199 687
Investment properties	57 665	72 726
Other tangible assets	195 400	191 998
Intangible assets	57 744	47 551
Current tax assets	1 568	5 966
Deferred tax assets	381 062	413 604
Other assets	346 320	527 307
Total Assets	17 989 455	19 106 251
Liabilities		
Deposits from central banks	873 933	2 889 991
Deposits from other credit institutions	909 426	341 623
Deposits from customers	13 366 408	13 115 366
Debt securities issued	730 045	606 651
Financial liabilities held for trading	12 636	17 697
Hedging derivatives	3 525	-
Non-current liabilities held for sale - discontinued operations	-	101 738
Provisions	20 830	30 752
Current tax liabilities	1 661	4 438
Other subordinated debt	217 019	217 029
Other liabilities	287 501	261 480
Total Liabilities	16,422,984	17,586,765
Shareholders' Equity		
Share capital	1 210 000	2 420 000
Legal reserve	196 833	193 266
Fair value reserves	6 792	4 065
Other reserves and Retained earnings	124,480	(1,143,081)
Consolidated net income for the year attributable to the Shareholders	28 366	33 794
Total Equity Attributable to Shareholders	1 566 471	1 508 044
Non-controlling Interests	-	11 442
Total Shareholders' Equity	1 566 471	1 519 486
Total Liabilities and Shareholders' Equity	17 989 455	19 106 251

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Banco Montepio

Consolidated Income Statement
for the financial years of 2023 and 2022

(Euro thousand)

	2023	2022
Interest and similar income	598 462	300 852
Interest and similar expense	190 356	49 362
Net interest income	408 106	251 490
Dividends from equity instruments	873	977
Net fee and commission income	126 960	120 496
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(6,324)	(217)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	137	1 449
Net gains/(losses) arising from exchange differences	(20,266)	10 809
Net gains/(losses) arising from sale of other financial assets	11 710	33 280
Other operating income/(expense)	(17,313)	(48,227)
Total operating income	503 883	370 057
Staff costs	153 727	152 617
General and administrative expenses	64 154	59 740
Depreciation and amortization	37 915	34 006
Total operating cost	255 796	246 363
Impairment of loans and advances to customers and to credit institutions	49 623	13 371
Impairment of other financial assets	1 167	2 325
Impairment of other assets	24 021	24 881
Other provisions	(9,062)	3 920
Operating income	182 338	79 197
Share of profits/(losses) booked under the equity method	550	495
Profit/(loss) before income tax	182 888	79 692
Income Tax		
Current	1 465	(6,731)
Deferred	(51,778)	(28,859)
Profit/ (loss) after income tax from continuing operations	132 575	44 102
Profit/ (loss) from discontinued operations	(102,467)	(12,974)
Consolidated net income after income tax	30 108	31 128
Consolidated net income for the year attributable to the shareholders	28 366	33 794
Non-controlling Interests	1 742	(2,666)
Consolidated net profit / (loss) for the year	30 108	31 128
Earnings per share (in Euro)		
From continuing operations		
Basic	0.0548	0.0182
Diluted	0.0548	0.0182
From discontinued operations		
Basic	(0.0431)	(0.0043)
Diluted	(0.0431)	(0.0043)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

APPLICATION OF INDIVIDUAL RESULTS

Considering the recommendations of the supervisory and regulatory authorities, the legal and statutory provisions regarding the allocation of profits to the legal reserve and that in the financial year 2023 Caixa Económica Montepio Geral - caixa económica bancária, S.A. recorded a positive consolidated net income of 28,366,089.98 euros and a positive individual net income of 106,544,699.15 euros, the Board of Directors proposes that, under the terms of paragraph f) of no. 5 of article 66 and for the purposes of paragraph b) of no. 1 of article 376, both of the Companies Code, the net income of 106,544,699.15 euros determined in the individual balance sheet be applied as follows:

- For loss coverage: 76,649,473.12 euros
- For the reinforcement of legal reserve: 10,654,469.92 euros
- For dividends distribution: 6,000,000.00 euros
- To retained earnings: 13,240,756.11 euros

BOARD OF DIRECTORS

Chairman	Manuel Ferreira Teixeira
Members	Clementina Maria Dâmaso de Jesus Silva Barroso
	Eugénio Luís Correia Martins Baptista
	Florbela dos Anjos Frescata Lima
	Maria Cândida de Carvalho Peixoto
	Maria Lúcia Ramos Bica
	Pedro Manuel Moreira Leitão
	Ângela Isabel Sancho Barros
	Helena Catarina Gomes Soares de Moura Costa Pina
	Isabel Cristina dos Santos Pereira da Silva
	Jorge Paulo Almeida e Silva Baião
	José Carlos Sequeira Mateus

Lisbon, 15 April 2024

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority published a set of guidelines – ESMA/2015/1415 – addressing the disclosure of information by entities, other than States, whose securities are admitted to trading on a regulated market and to which is required the disclosure of information as set out by the Transparency Directive 2004/109/EC of the European Parliament and of the Council.

These guidelines are mandatory for issuers as of 3 July 2016 and aim to promote transparency and clarify the usefulness of the indicators used by the issuers to measure their performance - Alternative Performance Measures (APM), contributing to improve the comparability, credibility and understanding of the APM presented.

This chapter serves the purpose of complying with ESMA guidelines on Alternative Performance Measures regarding 2023 financial information, with references to the various chapters of this Report.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

Definition	Sum of the items 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item from an assets' structure perspective.
Reference to FSNO	(notes 22, 23, 24, 25)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Financial assets held for trading	7 582	7 582	23 070	18 970
(b)	Financial assets at fair value through other comprehensive income	123 338	123 267	97 222	48 100
(c)	Other financial assets at amortised cost	3 004 196	2 967 981	4 119 387	3 878 848
(d)	Financial assets at fair value through profit or loss*	203 427	203 427	147 770	128 228
(e)	Securities portfolio and other financial assets* (a + b + c + d)	3 338 543	3 302 257	4 387 449	4 074 146
(f)	Total net assets	19 713 160	19 713 160	19 106 251	17 989 455
	% Securities portfolio and other financial assets (e / f)	**16.9%**	**16.8%**	**23.0%**	**22.6%**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

OTHER INVESTMENTS

Definition	Total assets excluding 'Cash and deposits at central banks and loans and advances to credit institutions', 'Loans to customers, 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets' structure perspective.
Reference to FSNO	(notes 18, 19, 20, 21, 22, 23, 24, 25)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Total net assets	19 713 160	19 713 160	19 106 251	17 989 455
(b)	Cash and deposits at central banks and loans and advances to credit institutions	3 264 421	3 188 136	1 542 465	1 411 341
(c)	Net loans to customers	11 667 688	11 628 980	11 713 097	11 453 259
(d)	Financial assets held for trading	7 582	7 582	23 070	18 970
(e)	Financial assets at fair value through other comprehensive income	123 338	123 267	97 222	48 100
(f)	Other financial assets at amortised cost	3 004 196	2 967 981	4 119 387	3 878 848
(g)	Financial assets at fair value through profit or loss	203 427	203 427	147 770	128 228
(h)	Other investments (a - b - c - d - e - f - g)	1 442 508	1 593 787	1 463 240	1 050 709
	% of Other investments (h / a)	**7.3%**	**8.1%**	**7.7%**	**5.8%**

DEBT ISSUED

Definition	Sum of the balance sheet items 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FSNO	(notes 36, 39)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Debt securities issued	1 617 125	1 617 125	606 651	730 045
(b)	Other subordinated debt	217 265	217 265	217 029	217 019
(c)	Debt issued (a +b)	1 834 390	1 834 390	823 680	947 064
(d)	Total liabilities	18 350 027	18 350 027	17 586 765	16 422 984
	% of Debt issued (c / d)	**10.0%**	**10.0%**	**4.7%**	**5.8%**

COMPLEMENTARY RESOURCES

Definition	Total liabilities excluding 'Central bank resources and OCI, 'Customer resources', 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item compared to Customer resources and Debt issued from a funding structure perspective.
Reference to FSNO	(notes 33, 34, 35, 36, 39)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Total liabilities	18 350 027	18 350 027	17 586 765	16 422 984
(b)	Central bank resources and OCI	3 457 415	3 456 571	3 231 614	1 783 359
(c)	Customer resources	12 786 886	12 709 539	13 115 366	13 366 408
(d)	Debt securities issued	1 617 125	1 617 125	606 651	730 045
(e)	Other subordinated debt	217 265	217 265	217 029	217 019
(f)	Complementary resources (a - b - c - d - e)	271 336	349 527	416 105	326 152
	% of Complementary resources (f / a)	**1.5%**	**1.9%**	**2.4%**	**2.0%**

OFF-BALANCE SHEET RESOURCES

Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers resources. Excluding securities investment funds and real estate investment funds included in the Bank's own portfolio.
Relevance	Contribute to the analysis of the evolution of Total customers resources.
Reference to FSNO	(note 49)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Securities investment funds	175 839	175 839	180 913	300 641
(b)	Real estate investment funds	545 128	545 128	662 868	744 785
(c)	Pension funds	292 638	292 638	284 930	301 454
(d)	Capitalization Insurance	30 729	30 729	28 807	23 235
	Off-balance sheet resources (a + b + c + d)	**323 367**	**323 367**	**313 737**	**324 689**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME

Definition	Results arising from interest received on loans granted to customers and interest paid on customer resources.
Relevance	Assess the evolution of the banking activity of financial intermediation between granting loans and deposit taking.
Reference to FSNO	(note 2)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Interest received from loans to customers	254 724	250 095	258 588	545 820
(b)	Interest paid on customers' deposits	10 286	9 608	7 045	83 677
	Commercial net interest income (a - b)	**244 438**	**240 487**	**251 543**	**462 143**

OPERATING COSTS

Definition	Sum of Commercial net interest income and Net fees and commissions, subtracted by Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	(notes 10, 11, 12)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Staff costs	164 154	159 102	152 617	153 727
(b)	General and administrative expenses	64 679	61 251	59 740	64 154
(c)	Depreciation and amortisation	35 292	34 056	34 006	37 915
	Operating costs (a + b + c)	**264 125**	**254 409**	**246 363**	**255 796**

RESULTS FROM THE COMMERCIAL ACTIVITY

Definition	Sum of Commercial net interest income and Net fees and commissions, subtracted by Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	(notes 2, 4, 10, 11, 12)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Commercial net banking income	244 438	240 487	251 543	462 143
(b)	Net commissions	116 336	114 688	120 496	126 960
(c)	Operating costs	264 125	254 409	246 363	255 796
	Results from the commercial activity (a + b - c)	**96 649**	**100 766**	**125 676**	**333 307**

RATIOS

LOAN-TO-DEPOSIT RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMER RESOURCES

Definition	Percentage of Net loans to customers funded by the total amount of On-balance sheet resources from customers.
Relevance	Assess the leverage degree of the banking activity through the relationship between Funds raised with customers and Loans granted to customers.
Reference to FSNO	(notes 21, 36, 37)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Net loans to customers	11 667 688	11 628 980	11 713 097	11 453 259
(b)	Customer resources	12 786 886	12 709 539	13 115 366	13 366 408
(c)	Debt securities issued	1 617 125	1 617 125	606 651	730 045
	Net loans to customers / On-balance sheet customer resources (a / (b + c))	**81.0%**	**81.2%**	**85.4%**	**81.2%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Reference to FSNO	(notes 5, 6, 7, 8, 9, 10, 11, 12)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Total operating income	379 044	367 685	370 057	503 883
(b)	Results from financial operations (i + ii + iii)	10 770	10 843	12 041	(26 453)
(i)	Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	(263)	(263)	(217)	(6 324)
(ii)	Net gains / (losses) from financial assets at fair value through other comprehensive income	2 037	2 037	1 449	137
(iii)	Net gains / (losses) from foreign exchange differences	8 996	9 069	10 809	(20 266)
(c)	Other income (i + ii)	6 634	7 770	(14 947)	(5 603)
(i)	Net gains / (losses) arising from the sale of other financial assets	29 778	29 778	33 280	11 710
(ii)	Other operating income / (expenses)	(23 144)	(22 008)	(48 227)	(17 313)
(d)	Operating costs, excluding specific impacts 1)	249 439	239 723	235 825	247 548
	Cost-to-Income, excluding specific impacts ((d) / (a - b - c))	**69.0%**	**68.7%**	**63.2%**	**46.2%**

1) Excluding personnel costs / general administrative expenses generated by the operational adjustment measures of €4.7m in 2021, €0.5m in 2022 and €6.9m in 2023. In 2023 there was also a one-off cost of €1.3m related to early retirements and terminations by mutual agreement.

COST OF CREDIT RISK

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairment in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FSNO	(notes 13, 21)
Components and calculus	

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Impairment of loans and advances to customers and to credit institutions (annualized) [1]	54 333	51 404	13 371	49 623
(b)	Average gross loans to customers [2]	12 364 618	12 329 071	12 211 320	11 890 543
	Cost of credit risk (a / b)	**0.4%**	**0.4%**	**0.1%**	**0.4%**

1) Annualized values considering the total number of days elapsed and total days of the year.
2) Average balance for period.

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS

Definition	Ratio that assesses the quality of the loan portfolio.
Relevance	Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.
Reference to FSNO	(note 21)
Components and calculus	

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Loans and interest overdue by more than 90 days	361 418	357 874	270 210	172 732
(b)	Gross loans to customers	12 189 465	12 140 568	12 067 614	11 734 214
	Ratio of loans and interest overdue by more than 90 days (a / b)	**3.0%**	**2.9%**	**2.2%**	**1.5%**

COVERAGE OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS BY IMPAIRMENT FOR BALANCE SHEET

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.
Relevance	Assess the institution's ability to absorb potential losses arising from loans and interest overdue by more than 90 days.
Reference to FSNO	(note 21)
Components and calculus	

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Impairment for credit risk (balance sheet)	521 777	511 588	354 517	280 955
(b)	Loans and interest overdue by more than 90 days	361 418	357 874	270 210	172 732
	Coverage of loans and interest overdue by more than 90 days (a / b)	**144.4%**	**143.0%**	**131.2%**	**162.7%**

NPL RATIO (*NON-PERFORMING LOANS* / GROSS LOANS TO CUSTOMERS)

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing loans (NPL - non-performing loans, according to the EBA definition) in relation to the total customer loans portfolio.
Reference to FSNO	(note 59)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Non-performing loans	975 302	950 902	631434	380 069
(b)	Gross loans to customers	12 189 465	12 140 568	12 067 614	11734 214
	NPL Ratio (a / b)	**8.0%**	**7.8%**	**5.2%**	**3.2%**

NON-PERFORMING LOANS COVERAGE BY TOTAL IMPAIRMENT FOR BALANCE SHEET LOANS

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the balance of non-performing loans (NPL, according to the EBA definition).
Relevance	Assess the institution’s capacity to absorb potential losses arising from the NPL portfolio.
Reference to FSNO	(note 59)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Impairment for credit risk (balance sheet)	521777	511588	354 517	280 955
(b)	Stock of Non-performing loans	975 302	950 902	631434	380 069
	Coverage of Non-performing loans by Impairment for credit risk (a / b)	**53.5%**	**53.8%**	**56.1%**	**73.9%**

NON-PERFORMING LOANS COVERAGE BY TOTAL IMPAIRMENT FOR BALANCE SHEET LOANS AND ASSOCIATED COLLATERALS AND FINANCIAL GUARANTEES

Definition	Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing loans (NPL, according to EBA's definition).
Relevance	Assess the institution’s capacity to absorb the potential losses arising from the NPL portfolio.
Reference to FSNO	(note 59)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Impairment for credit risk (balance sheet)	521777	511588	354 517	280 955
(b)	Associated collaterals and financial guarantees	414 074	400 156	281741	156 405
(c)	Stock of Non-performing loans	975 302	950 902	631434	380 069
	Coverage of Non-performing loans by Impairment for credit risk and associated collaterals and financial guarantees ((a + b) / c)	**96.0%**	**95.9%**	**100.8%**	**115.1%**

FORBORNE EXPOSURES / GROSS CUSTOMER LOANS

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio.
Reference to FSNO	(note 59)

Components and calculus

(thousand euros)

		2021	2021 Restated	2022	2023
(a)	Stock of Forborne exposures	623 791	610 359	520 662	326 323
(b)	Gross customer loans	12 189 465	12 140 568	12 067 614	11 734 214
	Forborne exposures / Gross loans to customers (a / b)	**5.1%**	**5.0%**	**4.3%**	**2.8%**

GLOSSARY

ATM: Automated Teller Machine.

CET1 ratio: ratio between Common equity tier 1 capital and Risk-weighted assets.

CET1: Common Equity Tier 1.

Commercial net interest income: corresponds to the difference between the Income received from Loans and advances granted to customers and the Interest paid on Customer deposits.

Complementary resources: sum of the balance sheet headings of Financial liabilities held for trading, Hedge derivatives, Non-current liabilities held for sale - Discontinued operations, Provisions, Current tax liabilities and Other liabilities.

Core operating income: sum of the income statement headings of Net interest income and Net fees and commissions.

Cost of credit risk: ratio between the income statement heading of Impairment of loans and advances to customers and credit institutions (annualised value) and the average balance of Loans to customers (gross).

Cost-to-income ratio: Ratio between Operating costs and Total operating income, pursuant to Banco de Portugal Instruction 16/2004.

Coverage of loans and interest overdue by more than 90 days by Impairment for balance sheet loans: ratio between Impairment for accumulated loans (book value) and total Loans and interest overdue by more than 90 days.

CRR: Capital Requirements Regulation.

Debt issued: sum of the balance sheet heading of Liabilities represented by securities and Other subordinated liabilities.

EBA: European Banking Authority.

EMTN: Euro Medium Term Note Programme.

Fully implemented: refers to the full implementation of the prudential rules established in the legislation in force in the European Union, that were produced based on the standards defined by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

Gross return on assets: Ratio between Net income before taxes and minority interests and Average net assets, pursuant to Banco de Portugal Instruction 16/2004.

Gross return on equity: Ratio between Net income before taxes and minority interests and Average equity, pursuant to Banco de Portugal Instruction 16/2004.

IAS: International Accounting Standards.

ICAAP: Internal Capital Adequacy Assessment Process.

IFRS: International Financial Reporting Standards.

ILAAP: Internal Liquidity Adequacy Assessment Process.

Impairments and provisions: sum of the income statement headings of Impairment of loans and advances to customers and credit institutions, Impairment of other financial assets, Impairment of other assets and Other provisions.

LCR ratio: Liquidity Coverage Ratio. Ratio between the Buffer of net assets and the Net outflows in a stress period of 30 days.

Leverage ratio: ratio between Tier 1 own funds and Non-weighted exposure.

Loans and interest overdue by more than 90 days: corresponds to Loans with principal instalments or interest in arrears for a period of more than 90 days.

Loans to customers (gross): corresponds to Loans to customers before deducting Impairment for credit risks (book value).

Loans to customers (net): corresponds to Loans to customers (gross) after deducting Impairment for credit risks (book value).

Loan-to-deposit ratio: ratio between Loans to customers (net) and Customer resources, pursuant to Banco de Portugal Instruction 16/2004.

Loan-to-resource ratio: ratio between Loans to customers (net) and the sum of the balance sheet heading of Customer resources and Securities placed with customers.

LTV ratio: Loan-to-value ratio, referring to the ratio between the value of the loan and the value of the real estate property given as collateral.

MREL: Minimum Requirement for own funds and eligible liabilities.

Net fees and commissions: corresponds to the income statement item Net fees and commissions income.

Net interest income: sum of the balance sheet headings of Interest and similar income and Interest and similar expenses.

NPL coverage by Total impairment for balance sheet loans and associated collateral and financial guarantees: ratio between the sum of the total accumulated impairment for loans (book value) and their associated collateral and financial guarantees and the balance of non-productive loans (NPL, as defined by the EBA).

NPL coverage by Total impairment for balance sheet loans: ratio between the sum of the total accumulated impairment for loans (book value) and the balance of non-productive loans (NPL, as defined by the EBA).

NPL ratio: ratio between the non-performing loans (NPL, as defined by the EBA) and total Loans to customers (gross).

NPL: Non-performing loans (as defined by the EBA).

NSFR ratio: Net stable funding ratio. Ratio between available stable funding and required stable funding.

OCR: Overall capital requirements.

Off-balance sheet customer resources: corresponds to the Disintermediation resources managed by the Group’s companies (assets under management), excluding securities investment funds and real estate investment funds in its own portfolio, i.e., the sum of the Securities investment funds and Real estate investment funds, Pension funds and Capitalisation insurance.

On-balance sheet customer resources: sum of the balance sheet heading of Customer resources and Securities placed with customers.

Operating costs: sum of the income statement headings of Staff costs, General and administrative expenses, and Depreciation and amortisation.

Operating income before impairment: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income, Net gains from the sale of other assets, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Other assets: sum of the income statement heading of Hedge derivatives, Non-current assets held for sale, Non-current assets held for sale - Discontinued operations, Investment properties, Other tangible assets, Intangible assets, Investments in associates, Current tax assets, Deferred tax assets and Other assets.

Other impairments and provisions: sum of the income statement headings of Impairment of other financial assets, Impairment of other assets and Other provisions.

Other results: sum of the income statement headings of Net gains from the sale of other assets and Other operating income.

Performing loans: corresponds to Loans to customers (gross) after deducting non-performing exposures (as defined by the EBA).

Phasing-in: transitional period. This refers to the phased implementation of the prudential rules under the terms established in the legislation in force in the European Union.

POS: Point of Sale, referring to an automatic payment terminal.

PSD2: Revised Payment Services Directive.

Ratio of forborne exposures: Ratio between deferred exposures (forborne exposures, as defined by the EBA) and Loans to customers (gross).

Ratio of loans and interest overdue by more than 90 days: Ratio between Loans and interest overdue by more than 90 days and Loans to customers (gross).

Results from commercial activity: sum of the income statement headings of Interest and similar income, Interest and similar expenses, Net fees and commissions, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Results from financial operations: sum of the income statement headings of Net gains/(losses) from financial assets and liabilities at fair value through profit or loss, Net gains/(losses) from financial assets at fair value through other comprehensive income, and Net gains/(losses) from foreign exchange difference.

ROA: Return On Assets.

ROE: Return On Equity.

RWA: Risk-Weighted Assets.

Securities portfolio: sum of the balance sheet headings of Financial assets held for trading, Financial assets at fair value through other comprehensive income, Other financial assets at amortised cost, and Financial assets at fair value through profit or loss.

Tier 1 ratio: ratio between Tier 1 own funds and Risk-weighted assets.

TLTRO: Targeted Longer-Term Refinancing Operations.

Total capital ratio: ratio between Total own funds and Risk-weighted assets.

Total customer resources: sum of On-balance sheet customer resources and Off-balance sheet customer resources.

Total operating income: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income and Net gains from the sale of other assets.

REPORT AND ACCOUNTS

ACCOUNTS, NOTES TO THE ACCOUNTS AND OPINIONS

PART II

Banco Montepio

2023

REPORT AND ACCOUNTS

ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS

2023

Banco Montepio

Banco Montepio

Consolidated Income Statement
for the financial years of 2023 and 2022

(Euro thousand)

	Notes	2023	2022
Interest and similar income	2	598 462	300 852
Interest and similar expense	2	190 356	49 362
Net interest income	2	408 106	251 490
Dividends from equity instruments	3	873	977
Net fee and commission income	4	126 960	120 496
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	5	(6 324)	(217)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	6	137	1 449
Net gains/(losses) arising from exchange differences	7	(20 266)	10 809
Net gains/(losses) arising from sale of other financial assets	8	11 710	33 280
Other operating income/(expense)	9	(17 313)	(48 227)
Total operating income		503 883	370 057
Staff costs	10	153 727	152 617
General and administrative expenses	11	64 154	59 740
Depreciation and amortization	12	37 915	34 006
Total operating cost		255 796	246 363
Impairment of loans and advances to customers and to credit institutions	13	49 623	13 371
Impairment of other financial assets	14	1 167	2 325
Impairment of other assets	15	24 021	24 881
Other provisions	16	(9 062)	3 920
Operating income		182 338	79 197
Share of profits/(losses) booked under the equity method	17	550	495
Profit/(loss) before income tax		182 888	79 692
Income Tax			
Current	32	1 465	(6 731)
Deferred	32	(51 778)	(28 859)
Profit/ (loss) after income tax from continuing operations		132 575	44 102
Profit/ (loss) from discontinued operations	58	(102 467)	(12 974)
Consolidated net income after income tax		30 108	31 128
Consolidated net income for the year attributable to the shareholders		28 366	33 794
Non-controlling Interests	45	1 742	(2 666)
Consolidated net profit / (loss) for the year		30 108	31 128
Earnings per share (in Euro)			
From continuing operations			
Basic		0,0548	0,0182
Diluted		0,0548	0,0182
From discontinued operations			
Basic		(0,0431)	(0,0043)
Diluted		(0,0431)	(0,0043)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income
for the financial years of 2023 and 2022

(Euro thousand)

	2023	2022
Items that may be reclassified to the Income Statement		
Continuing Operations:		
Fair value reserves		
Financial assets at fair value through other comprehensive income and loans and advances to customers		
Debt instruments	1 618	(6 319)
Taxes related to fair value changes	(1 112)	2 266
	506	**(4 053)**
Discontinued operations:		
Exchange rate difference resulting from consolidation	(27 578)	11 546
Attributable to interests they do not control	(5 455)	2 170
	(33 033)	**13 716**
	(27 072)	**7 493**
Items that will not be reclassified to the Income Statement		
Fair value reserves		
Financial assets at fair value through other comprehensive income and loans and advances to customers		
Equity instruments	2 221	(1 149)
Gains on capital instruments	9	1 873
Remeasurements of post-employment and long-term benefits	(84 487)	138 519
Taxes	20 102	(20 102)
	(62 155)	**119 141**
Other comprehensive income/(loss) for the year	**(89 227)**	**126 634**
Attributable to continuing operations	(61 649)	115 088
Attributable to discontinued operations	(33 033)	13 716
Attributable to shareholders	(89 227)	126 634
Attributable to interests they do not control	(5 455)	2 170
Consolidated net income for the year	**30 108**	**31 128**
Attributable to continuing operations	132 575	44 102
Attributable to discontinuing operations	(102 467)	(12 974)
Attributable to shareholders	28 366	33 794
Attributable to interests they do not control	1 742	(2 666)
Total consolidated comprehensive income/(loss) for the year	**(59 119)**	**157 762**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Balance Sheet at 31 december 2023 and 2022

(Euro thousand)

	Notes	2023	2022
Assets			
Cash and deposits at central banks	18	1 171 398	1 383 802
Loans and deposits to credit institutions payable on demand	19	61 041	52 287
Other loans and advances to credit institutions	20	178 902	106 376
Loans and advances to customers	21	11 453 259	11 713 097
Financial assets held for trading	22	18 970	23 070
Financial assets at fair value through profit or loss	23	128 228	147 770
Financial assets at fair value through other comprehensive income	24	48 100	97 222
Hedging derivatives	25	6 174	-
Other financial assets at amortized cost	26	3 878 848	4 119 387
Investments in associated companies	27	4 702	4 390
Non-current assets held for sale	28	74	11
Non-current assets held for sale - discontinuing operations	58	-	199 687
Investment properties	29	57 665	72 726
Other tangible assets	30	195 400	191 998
Intangible assets	31	57 744	47 551
Current tax assets	32	1 568	5 966
Deferred tax assets	32	381 062	413 604
Other assets	33	346 320	527 307
Total Assets		17 989 455	19 106 251
Liabilities			
Deposits from central banks	34	873 933	2 889 991
Deposits from other credit institutions	35	909 426	341 623
Deposits from customers	36	13 366 408	13 115 366
Debt securities issued	37	730 045	606 651
Financial liabilities held for trading	22	12 636	17 697
Hedging derivatives	25	3 525	-
Non-current liabilities held for sale - discontinued operations	58	-	101 738
Provisions	38	20 830	30 752
Current tax liabilities	-	1 661	4 438
Other subordinated debt	39	217 019	217 029
Other liabilities	40	287 501	261 480
Total Liabilities		16 422 984	17 586 765
Shareholders' Equity			
Share capital	41	1 210 000	2 420 000
Legal reserve	42	196 833	193 266
Fair value reserves	43	6 792	4 065
Other reserves and Retained earnings	43	124 480	(1 143 081)
Consolidated net income for the year attributable to the Shareholders		28 366	33 794
Total Equity Attributable to Shareholders		1 566 471	1 508 044
Non-controlling Interests	45	-	11 442
Total Shareholders' Equity		1 566 471	1 519 486
Total Liabilities and Shareholders' Equity		17 989 455	19 106 251

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Cash Flows
for the financial years of 2023 and 2022

(Euro thousand)

	2023	2022
Cash arising from operating activities		
Interest income received	572 661	288 382
Interest expense paid	(77 191)	(52 029)
Commission received	153 416	147 017
Commission expense paid	(26 482)	(26 554)
Costs with staff and suppliers	(211 571)	(203 446)
Recovery of loans and interest	7 706	8 520
Other payments and receivables	(823)	10 528
Income tax payment	3 086	(1 669)
	420 802	170 749
(Increases)/Decreases in operating assets		
Loans and advances to credit institutions and customers	154 671	(50 217)
(Purchase)/Sale of financial assets held for trading	(8 124)	(1 547)
Purchase)/Sale of financial assets at fair value through profit or loss	19 871	51 369
(Purchase)/Sale of financial assets at fair value through other comprehensive income	53 942	20 878
(Purchase)/Sale of other assets at amortized cost	158 135	(1 268 915)
Discontinuing operations	1 874	(55 047)
Other assets	83 111	197 390
	463 480	(1 106 089)
Increases/(decreases) in operating liabilities		
Deposits from customers	203 831	468 561
Deposits from credit institutions	565 327	(213 046)
Deposits from central banks	(2 075 000)	(10 000)
	(1 305 842)	245 515
	(421 560)	(689 825)
Cash from investing activities		
Dividends received (note 3)	873	977
Increases / (decreases) non-current assets and liabilities held for sale	87 262	-
Sales of fixed assets and investment properties (notes 30 and 31)	(46 131)	(32 947)
	42 004	(31 970)
Cash from financing activities		
Issues of cash bonds and subordinated debt (notes 37 and 39)	200 000	-
Repayment of cash bonds and subordinated debt (notes 37 and 39)	-	(884 299)
Lease contracts	(3 828)	(3 982)
	196 172	(888 281)
Effects of exchange rate changes on cash and cash equivalents	(20 266)	10 809
Net change in cash and cash equivalents	(203 650)	(1 599 267)
Cash and cash equivalents at the beginning of the year		
Cash and deposits at central banks (note 18)	1 383 802	2 967 996
Loans and deposits to credit institutions payable on demand (note 19)	52 287	67 360
	1 436 089	3 035 356
Cash and cash equivalents at the end of the year		
Cash and deposits at central banks (note 18)	1 171 398	1 383 802
Loans and deposits to credit institutions payable on demand (note 19)	61 041	52 287
	1 232 439	1 436 089

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Changes in Equity
for the financial years of 2023 and 2022

(Euro thousand)

	Share capital (note 41)	Issue premium	Legal reserves (note 42)	Fair value reserves (note 43)	Other reserves and Retained earnings (note 43)	Consolidated net income/ (loss) for the year	Equity attributable to Shareholders	Non-controlling interests (note 45)	Total Shareholders Equity
Balance on 31 december 2021	**2 420 000**	**-**	**193 266**	**9 267**	**(1 278 873)**	**6 570**	**1 350 230**	**12 903**	**1 363 133**
Other comprehensive income:	-	-	-	(5 202)	129 666	-	124 464	2 170	126 634
Exchange rate difference resulting from consolidation	-	-	-	-	9 376	-	9 376	2 170	11 546
Remeasurements of post-employment and long-term benefits (note 48)	-	-	-	-	138 519	-	138 519	-	138 519
Changes in fair value (note 43)	-	-	-	(7 468)	-	-	(7 468)	-	(7 468)
Gains on capital instruments	-	-	-	-	1 873	-	1 873	-	1 873
Taxes on changes in fair value (notes 32 and 43)	-	-	-	2 266	-	-	2 266	-	2 266
Taxes on changes in liabilities (note 32)					(20 102)	-	(20 102)	-	(20 102)
Consolidated net income for the year	-	-	-	-	-	33 794	33 794	(2 666)	31 128
Total comprehensive income for the year	-	-	-	(5 202)	129 666	33 794	158 258	(496)	157 762
Incorporation into reserves of 2021 net income	-	-	-	-	6 570	(6 570)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(965)	(965)
Other consolidation movements	-	-	-	-	(444)	-	(444)	-	(444)
Balance on 31 december 2022	**2 420 000**	**-**	**193 266**	**4 065**	**(1 143 081)**	**33 794**	**1 508 044**	**11 442**	**1 519 486**
Other comprehensive income:									
Exchange rate difference resulting from consolidation	-	-	-	-	(22 123)	-	(22 123)	(5 455)	(27 578)
Remeasurements of post-employment and long-term benefits (note 48)	-	-	-	-	(84 487)	-	(84 487)	-	(84 487)
Changes in fair value of debt instruments	-	-	-	1 618	-	-	1 618	-	1 618
Changes in the fair value of capital instruments	-	-	-	2 221	-	-	2 221	-	2 221
Taxes on changes in fair value (notes 32 and 43)	-	-	-	(1 112)	-	-	(1 112)	-	(1 112)
Taxes on changes in liabilities (note 32)	-	-	-	-	20 102	-	20 102	-	20 102
Gains on capital instruments	-	-	-	-	9	-	9	-	9
Consolidated net income for the year	-	-	-	-	-	28 366	28 366	1 742	30 108
Total comprehensive income for the year	-	-	-	2 727	(86 499)	28 366	(55 406)	(3 713)	(59 119)
Reduction of share capital (loss coverage)	(1 210 000)	-	-	-	1 210 000	-	-	-	-
Capital Increase (*)	144 188	34 587	-	-	-	-	178 775	-	178 775
Capital Reduction (*)	(144 188)	(34 587)	-	-	-	-	(178 775)	-	(178 775)
Changing the Consolidation Perimeter	-	-	-	-	116 098	-	116 098	(7 066)	109 032
Appropriation to retained earnings of net income of 2022	-	-	3 567	-	30 227	(33 794)		-	-
Dividends paid	-	-	-	-	-	-	-	(663)	(663)
Other consolidation movements	-	-	-	-	(2 265)		(2 265)	-	(2 265)
Balance on 31 december 2023	**2 275 812**	**-**	**196 833**	**6 792**	**124 480**	**28 366**	**1 566 471**	**-**	**1 566 471**

(*) Related to the transfer of assets and liabilities related to the BEM business to Banco Montepio.

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio"), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by the Banco de Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the By-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

As at 31 December 2023, the following entities integrate the Banco Montepio Group:

Montepio Holding, S.G.P.S, S.A.

Montepio Holding integrates Companies offering a range of financial products and services to Companies and institutional investors and Individuals. As at 31 December 2023, Montepio Holding, S.G.P.S holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., of Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito) and of Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A..

The Investees of Montepio Holding thus develop a varied set of activities, including the banking activity, the rendering of complementary financial services in the insurance area, specialized consumer credit and long-term rental.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito, 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, handles the specialized credit offer in the automobile, equipment, home and services sectors, complemented by several solutions intended for Individuals, Companies and institutions of the Social Economy sectors. The specialized credit segment highlights one of the cornerstones of the Banco Montepio Group's Transformation Plan, reflecting the focus on consumer credit.

As a result of the repositioning carried out at the level of the Banco Montepio Group and the strong, solid relationship established with its partners, based on the experience acquired over the years, Montepio Crédito developed its offer of specialized credit solutions in the following areas: Automobile, Health, Automobile Repairs, Telecommunications and Furniture, for the Individuals segment; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry, for the Corporate segment.

Banco de Empresas Montepio

Montepio Investimento, S.A., a bank 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, undertook, in 2019, a strategic approach geared towards Investment Banking, with the objective of complementing the Group's offer of products and services. On 4 June 2019, it adopted the trade name Banco de Empresas Montepio ("BEM"), and started carrying out, in an integrated manner, the activities of Commercial Banking (for Companies with a turnover exceeding Euro 20 million) and Investment Banking, with its activity extending to the areas of Corporate Finance, Capital Markets, Structured Financing, Financial Advisory Services and Corporate and Information Studies. In the area of commercial banking, the development of business areas related to the international trade, factoring and treasury management of Companies is also noteworthy.

With a view to achieving Banco Montepio Group’s strategic objectives, namely the simplification of the Group's governance structure and the improvement of the operating model, Banco Montepio's Board of Directors decided to integrate BEM's activity into Banco Montepio, allowing the simplification of the approach to the corporate segment and the capturing of synergies, leveraging the learning and results of the commercial banking and investment banking model through the unification of the relationship, as well as making Banco Montepio Group’s government structure less complex.

Following this deliberation, several initiatives were initiated that meant that, with reference to 27 November 2023, the assets and liabilities related to the business recorded in the financial statements were transferred from BEM to Banco Montepio, so that, on 31 December 2023, the balance sheet already shows the impact of this transfer. In this context, Montepio Holding agreed with RAUVA Enterprises, S.A., the sale of 100% of BEM's share capital, this operation being subject to the verification of certain precedent conditions, including approval by the Supervisory and Regulatory authorities.

The integration of BEM's activity was carried out with reference to 27 November 2023, with BEM receiving Euro 178,775 thousand in shares issued by Banco Montepio, corresponding to the value of BEM's net assets transferred to Banco Montepio, as verified by the independent Auditor's report issued on 22 November 2023 for this purpose. On 29 December 2023, the General Meeting of Banco Montepio decided to reduce share capital in the amount of Euro 178,775 thousand, having in this context amortized the shares held by BEM through payment of the same amount.

Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

Ssagincentive, 100% controlled by Montepio Holding, SGPS, in turn 100% held by Banco Montepio, has as its object the trading and management of real estate, as well as the management and acquisition for resale of real estate acquired by Group companies as a result of the recovery of credit granted by same. Ssagincentive is also responsible for the acquisition for management or resale of real estate under litigation initiated by Group companies.

Montepio - Gestão de Activos Imobiliários, A.C.E. – Em Liquidação

Montepio Gestão de Activos Imobiliários, 27.0% held by Banco Montepio and 0.5% by Ssagincentive, has as its object the realization of the integrated management of the entire real estate asset portfolio of the Group. Within the scope of the Banco Montepio Group's simplification strategy, on 21 November 2023 it was decided by the respective Board of Directors, the dissolution and the initiation of the liquidation of the company. There was a General Meeting held on 29 December authorizing this process.

H.T.A. – Hotéis, Turismo e Animação dos Açores, S.A

H.T.A., 20.0% held by Banco Montepio, has as its main activity the promotion, realization, exploration and management of any tourism activities and investments, including the construction, remodelling and exploration of hotel, casino and gaming house units, the exploration of games of chance, the acquisition of real estate for resale, the import and export of goods, the explorations of spas, as well as all remaining activities related to those previously referred.

CESource

The purpose of this Grouping, 18.0% held by Banco Montepio, is to provide specialized services in the area of information technologies, contributing, through the optimization of such management, to the improvement of the conditions and means of the exercise or result of the economic activities of the members of this Grouping.

Montepio Serviços, A.C.E.

The Grouping, held in 85.0% by Banco Montepio, aims to improve the conditions for the exercise and the results of the economic activities of the grouped members, essentially aiming to optimize resources, achieve greater operational efficiency and obtain economies of scale through the elimination of replicated cost structures.

Finibanco Angola, S.A.

In relation to Finibanco Angola, S.A. that was part of the Banco Montepio Group as at 31 December 2022, on 10 August 2023, the Angolan National Bank authorized the transfer of shares representing 29.22% of the share capital of Finibanco Angola held by Montepio Holding in favour of the shareholder Access Bank, with Montepio Holding having received, on 28 August 2023, the price attributed to the shares representing 29.22% of the share capital of Finibanco Angola, as a result of which Banco Montepio Group no longer holds any financial shareholding in Finibanco Angola's share capital.

As at 31 December 2022 and until 30 June 2023, the Group held 80.22% of Finibanco Angola, having on 30 June 2023 a 20.22% shareholding following the sale of 51% of the stake to Access Bank Plc, a commercial bank with registered office in Lagos, in Nigeria. In accordance with applicable accounting standards, this sale resulted in the loss of control and, consequently, the deconsolidation of the entire shareholding with reference to 30 June 2023.

The remaining entities of the consolidation perimeter are disclosed in note 57.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of Banco de Portugal, of 7 December, the consolidated financial statements of the Banco Montepio Group (hereinafter "Group") have been prepared in accordance with *the International Financial Reporting Standards* ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the *International Accounting Standards Board* ("IASB") and its predecessor body as well as interpretations issued by the *International Financial Reporting Interpretations Committee* ("IFRIC") and its predecessor body. The Group adopted in the preparation of the consolidated financial statements as at 31 December 2023 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2023.

The consolidated financial statements, including the notes to said financial statements presented herein, were approved by the Board of Directors of Banco Montepio on 15 April 2024. The consolidated financial statements herein presented relate to 31 December 2023 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand and all references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis 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, financial assets at fair value through other comprehensive income and investment properties. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

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

Comparability of information

The Group adopted IFRS and interpretations of mandatory application for annual periods beginning on or after 1 January 2023, as described in note 55. The accounting policies have been applied consistently by all Group entities and are consistent with those used in the preparation of the financial statements of the previous period.

b) Bases of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of Banco Montepio and its subsidiaries ("Group"), and the results attributable to the Group in respect of its financial investments in Associates, as well as the book value of these financial investments measured under the equity method, for financial years ended 31 December 2023 and 2022.

Subsidiaries

Subsidiaries are entities controlled by the Group (including investment funds and securitization vehicles). The Group controls an entity when it is exposed, or has rights, to variable returns derived from its involvement with this entity, can appropriate these through the power it holds over the entity's relevant activities (de facto control) and has the ability to allocate these variable returns through the power it holds over the entity's relevant activities. As established in IFRS 10, the Group analyses the objective and the structuring of the manner the operations of an entity are developed in evaluating the control over same. The financial statements of the subsidiaries are consolidated by the full consolidation method as from the moment the Group acquires control until the moment that control ceases. The interests of third parties in these Companies are presented in the caption Non-controlling interests.

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

In a step acquisition process resulting in the acquisition of control, the revaluation of any shareholding (elsewhere in this document also referred to as "investment" or "interest") previously acquired is booked against the income statement when the goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, the shareholding 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.

Subsidiaries' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies.

Associates

Associates are accounted for under the equity method as from the date the Group acquires significant influence until the date it ceases to have such influence. Associates are entities in respect of 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, 20% or more 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 being held by the Group is usually evidenced by at least one of the following facts:

1. representation on the Board of Directors or equivalent management body of the investee;
2. participation in policy-making processes, including participation in decisions involving dividends or other distributions;
3. material transactions between the Group and the investee;
4. interchange of management personnel; and
5. 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 the associates accounted for under the equity method. In applying the equity method, unrealized gains or losses on transactions between the Group and its associates are eliminated. Dividends attributed by the associates are deducted from the investment amount in the consolidated balance sheet. Associates' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies. When the Group's share of attributable losses exceeds its interest in an Associate, the book value of the investment, including any medium- or long-term interest in that Associate, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associated company.

Special purpose entities

The Group consolidates by the full consolidation method certain special purpose entities, namely vehicles and funds created as part of securitization operations, set up specifically to fulfil a narrow and well-defined objective, when the substance of the relationship with such entities indicates that the Group exercises control over their activities, i.e. when it holds most of the risks and rewards associated with their activities, namely through bonds issued with a greater degree of subordination.

Goodwill

Business combinations are recorded using the purchase method. The acquisition cost corresponds to the fair value, determined at the purchase date, of the assets transferred and the liabilities incurred or assumed. Costs directly related to the acquisition of a subsidiary are recognized directly in the income statement. The positive goodwill that results from acquisitions is recognized as an asset and carried at acquisition cost, not being subject to amortization. Goodwill arising on the acquisition of shareholdings in subsidiaries and associates is defined as the difference between the total value or the cost of the acquisition and the total or corresponding share of the fair value of the assets, liabilities and contingent liabilities of the investee, respectively, depending on the option taken. When at the date of acquisition of control the Group already holds a previously acquired shareholding, the fair value of such shareholding contributes to the determination of the goodwill or badwill. Negative goodwill arising on an acquisition is recognized directly in the income statement in the financial year the business combination occurs. The recoverable value of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses determined are recognized in the income statement for the financial year. The recoverable value is determined based on the highest between the value in use of the assets and their fair value less costs to sell, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is allocated to the cash-generating units to which it belongs for the purpose of carrying out impairment tests, which are performed at least once a year. Goodwill impairment losses are not reversible. When the Group reorganizes its activity, implying a change in the composition of its cash-generating units, to which goodwill has been allocated, the allocation of the goodwill to the new cash-generating units is revised whenever there is a rationale for such. The reallocation is made applying a relative fair value approach, of the new cash-generating units resulting from the reorganization. Goodwill is not adjusted in function of the final determination of the contingent purchase price paid, with such difference being booked in the income statement, or reserves if applicable, when the determination of the final contingent price occurs one year after the acquisition of control of the business, or if the determination of this price occurs less than one year after the referred date, when the adjustments relate to information obtained in respect of facts occurring after the date of the acquisition.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted for as a transaction with shareholders and, as such, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized directly in reserves. Likewise, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognized against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of part of a shareholding in a subsidiary, with loss of control, are recognized in the income statement.

On dilutions of controlling interests not resulting in a loss of control, the difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized against reserves.

Investments in subsidiaries and associates resident abroad

The financial statements of the 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 not considered as having a functional currency of a hyperinflationary economy, are converted into Euro at the official exchange rate in force at the balance sheet date.

Regarding shareholdings in foreign currency that are consolidated in the Group accounts under the full consolidation and equity methods, the exchange differences between the conversion to Euro of the opening net assets at the beginning of the period and their value in Euro at the exchange rate ruling at the balance sheet date to which the consolidated accounts relate, are charged against reserves – exchange differences. Exchange differences resulting from hedging instruments related to shareholdings in foreign currency are booked in reserves resulting from those financial shareholdings. Whenever the hedge is not fully effective, the ineffective portion is accounted for in the income statement for the financial year.

The income and expenses of these investees are converted to Euro at an approximate rate to the rates ruling as at the dates of the transactions. Exchange differences resulting from the conversion to Euro of the results for the financial year, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognized in reserves - exchange differences.

On the disposal of financial shareholdings in foreign subsidiaries resulting in loss of control, the exchange differences related to the financial shareholding in the foreign operation and to the associated hedging operation previously recognized in reserves, are transferred to profit or loss as part of the gain or loss arising from the disposal.

Balances and transactions eliminated on consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Financial instruments – IFRS 9

c.1) Classification of financial assets

The Group classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

c.1.1) *Debt instruments*

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

- the Group’s business model for financial asset management, and
- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Group classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

- they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

  In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Group's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Group also considered whether it expects to recover the book value of the asset through the sale to a third party.

This portfolio also includes all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term.
- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Group manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Group's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Group in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to the management body, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading serve, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Near-maturity sales and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To the effect, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not coincide with the reference interest rate term (for example, the interest rate is adjusted every three months), the Group assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Group assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test). In this assessment, the Group considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

c.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Group exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

c.3) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other loans;

(ii) Financial assets held for trading;

This category includes derivative financial instruments with a negative fair value, as per note 1 d);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

c.4) *<u>Recognition and initial valuation of financial instruments</u>*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Group undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

The Group recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio’s access to the wholesale financial market.

c.5) *<u>Subsequent valuation of financial instruments</u>*

Subsequent to initial recognition, the Group values its financial assets (i) at amortized cost, (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

c.6) *<u>Interest recognition</u>*

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income as is that from financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment (“POCI”), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

c.7) *<u>Reclassifications between financial instrument categories</u>*

Reclassifications of financial assets can only occur when the Group changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

c.8) *<u>Modification of loans</u>*

Occasionally, the Group renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Group assesses whether the new contract terms are substantially different from the original terms. The Group makes this analysis considering, among others, the following factors:

- if the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;

- a significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- a significant extension of the contract maturity when the debtor is not in financial difficulty;
- a significant change in interest rate;
- a change from the currency in which the credit was contracted;
- the inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Group derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Group also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Group recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Group may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Group shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

c.9) *<u>De-recognition that does not result from a modification</u>*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Group substantially transfers all risks and rewards associated with holding the asset, or (ii) the Group neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Group engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to channel those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Group:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Group (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Group substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

c.10) *Write-off policy*

The Group recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by the Group turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

c.11) *Impairment of financial assets*

The Group determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments. The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against a cumulative balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The allocations and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Group, according to the contractual conditions of the financial asset, and all cash flows that the Group expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Group that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Group expects to make less the cash flows it expects to receive from the originator are considered.

   The Group estimates cash flows considering the contractual term defined for the operations or the behavioural maturity. For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

c.12) *Impairment model of loans and advances to customers*

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of the Group that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income;
- Commitments and financial guarantees issued.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that originated losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition; and
- Incorporation of forward-looking information in the ECL calculation.

c.12.1) *Calculation of ECLs*

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without 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 signs of impairment at the reporting date: 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 contractual cash flows that would result if the commitment is used and the cash flows that the Group expects to receive;
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that the Group expects to recover.

c.12.2) *Definition of default*

The Group aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by the Group are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures.

- Non-performing loans, that is, when interest relating to loan obligations is no longer recognized in the financial statements due to the degradation of credit quality;
- Individually significant customers with individual impairment;
- Sale of loan contract with losses in excess of 5%;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in the Group or the CRC (Central Credit Register), in the case of Corporate customers;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

c.12.3) *Significant increase in credit risk (SICR)*

To determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date;
- The exposure's risk rating attributed at the initial moment of the exposure´s recognition; and
- The annualized lifetime PD of the exposure at the reporting date and the lifetime PD identified at the initial moment of the exposure´s recognition.

The Group identifies the occurrence of a significant increase in credit risk whet it is verified, at least, one of the following criteria: (i) through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was, and (ii) when there is a variation in the annualized Lifetime PD from origination to reporting date with an increase of 200% or 5 percentage points.

When evaluating the significant increase in credit risk, the Group also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis the Group and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the Banco de Portugal's Central Credit Register ("Central de Responsabilidades de Crédito").

c.12.4) *Additional Stage criteria and deterioration of credit ratings*

In the context of the recent energy crisis, the high inflation level and the consequent subsequent successive reference interest rate hikes, and with the aim of anticipating the risk degradation associated with exposures most impacted, the following additional criteria were considered for the Stage 2 classification levels:

Stage 2

- Customers of the Individuals segment for whom average balances of demand and time deposits are lower than the amount of the instalment, whose rating, according to the internal scale, is equal to or higher than 11. For these customers, a worsening of the scoring rating to the minimum rating for classification in stage 2 is also considered, taking into account their original rating and the thresholds for classification in stage 2 defined internally.

c.12.5) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated supported on statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);
- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and
- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal masterscale, are a very important input for the determination of the PDs associated with each exposure. The Group collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. The Group estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. The Group obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, the Banco Montepio Group calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

c.12.6) *Measurement of ECL – Individual analysis*

The exposure of individually significant customers of Banco Montepio and Montepio Crédito is subject to individual analysis which focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for said analysis.

Following the analysis promoted internally, considering the accounting framework described in IFRS 9 and also known market practices, Banco Montepio revised, during the second half of 2023, the criteria to select credit exposures to individual analysis, in order to best capture the exposures with implicit risk perception and also fulfil the expected periodicity of individual analysis.

As at 31 December 2023, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ 10.0 m€ and risk rating ≥ RAS limit or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ 5.0 m€ and risk rating ≥ RAS limit or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ 1.0 m€;
- Other customers when duly justified.

As at 31 December 2022, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Economic Groups with a global exposure amount ≥ 0.5 m€ in which at least one of the participants is the holder of operations classified as Stage 3, with customers with an exposure amount ≥ 0.5 m€ being selected;
- Customers holding Stage 2 operations with an exposure amount ≥ 2.5 m€ and customers with an exposure amount ≥ 2.5 m€ that are part of the same Economic Group;
- Customers holding Stage 1 operations with an exposure amount ≥ 5 m€;
- Customers corresponding to Shareholding Management Companies (SGPS) with economic activity code (CAE) starting with 642 (holdings and financial holdings) with an exposure amount ≥ 2.5 M€;
- Customers holding credits under Project Finance with an exposure amount ≥ €2.5 M;
- Customers that in the last 3 months complied with the aforementioned criteria;
- Other customers when duly justified.

Simultaneously, all customers of Montepio Crédito that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ 1.0 m€ and risk rating ≥ RAS limit or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ 0.5 m€ and risk rating ≥ RAS limit or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ 0.25 m€;

- Other customers when duly justified.

The selection of the individually significant customer universe for Banco Montepio and Montepio Crédito is made quarterly, considering, for the purpose of determining the exposure of customers, all active credit operations (on- and off-balance sheet) and excluding the operations classified as written off.

The individual analysis is the responsibility of the Individual Impairment Office and in the evaluation of impairment losses the following factors are, essentially, considered:

- Exposure of each customer, internal rating of the customer, staging associated with each operation and existence of signs of impairment;
- Economic and financial viability of the customer and ability to generate future cash flows to pay the debt;
- Existence of collaterals associated with each credit and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors;
- Expectation regarding the credit recovery period.

For the financial assets of individually significant customers classified in Stages 1 and 2, the expected credit loss (ECL) is assigned in accordance with the collective analysis methodology, given that no level of impairment is determined individually.

For the financial assets of individually significant customers classified in Stage 3, the impairment value is determined using the discounted cash-flows method, corresponding to the difference between the loan value and the sum of the expected cash-flows relating to the various operations of the customer, discounted at the original interest rate of each operation. If the impairment value determined is zero, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the methodology in force. On the other hand, if the impairment rate determined through individual analysis is lower than that determined on a collective basis, the latter prevails.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method:

- In case of the continuity of the activity of the company (going concern), a critical analysis is done of the companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original interest rate of the financial assets;
- In the case of the cessation of the activity of the company (gone concern), the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above-mentioned adjustments, are discounted at the original interest rate of the financial assets;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

c.13) *Securitized loans and advances not derecognized*

The Group does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Loans sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

d) Derivative financial instruments and hedge accounting

The Group designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, the Group may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

e) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognized in equity as a deduction from the amount of the issue. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs. Distributions made on account of equity instruments are deducted from equity as dividends when declared.

f) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date.

Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Group usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Group has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

g) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

The Group carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

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 their subsequent disposal, which are available for immediate sale and which sale is highly probable. Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of 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 their fair value less costs to sell, except for deferred tax assets, employee-benefit related assets, financial assets in the scope of IFRS 9 and non-current assets at fair value according to IAS 40 (Investment properties), with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Group intends to immediately sell all properties and other assets received in recovery of credit, the Group classifies these assets in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

Regarding the classification of financial shareholdings classified as held for sale:

I. in the case of subsidiaries, they continue to be consolidated up to the date of their disposal, with all their assets and liabilities being classified as Non-current assets held for sale and Non-current liabilities held for sale, measured at the lower of book value and fair value less costs to sell, with the recording of depreciation/amortization ceasing;

II. in the case of associates measured under the equity method, these are measured at the lower of book value and fair value less costs to sell, with the application of the equity method ceasing.

When, due to changes in circumstances of the Group, non-current assets held for sale and/or disposal groups no longer meet the conditions to be classified as held for sale, these are reclassified according to the underlying nature of the assets and measured at the lower of: i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization costs, or revaluation amounts that would have been recognized had these assets not been classified as held for sale; and (ii) the recoverable values of the items on the date they are reclassified according to their underlying nature. These adjustments shall be recognized in the income statement.

In the case of financial shareholdings in associates measured under the equity method, the cessation of their classification as held for sale implies the retrospective replacement of the equity method.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

The Group recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
    - fixed payments, less lease incentives receivable;
    - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
    - the amounts to be paid by the lessee as residual value guarantees;
    - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
    - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Group risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is remeasured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

The Group remeasures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is remeasured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the consolidated income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the consolidated balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the consolidated statement of cash flows:

(i) in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;

(ii) the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Group classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

Finance leases are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalment's receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income and of other financial assets at amortized cost. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation) are received in advance and are deferred and recognized over the life of the operation;

   (ii) Commissions agreed for the commitment to provide financing are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

   (iii) Commissions paid on the issuance of financial liabilities at amortized cost are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group's consolidated financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for the Group. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable value is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable value.

The recoverable value is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the 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 tangible fixed assets are recognized in profit or loss for the period. Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Investment properties

Real estate owned by the investment funds consolidated in the Group, are recognized as investment properties given that the main objective subjacent to these is capital appreciation on a long-term basis and not their sale in the short term nor their own use. These investments are initially recognized at their acquisition cost, including the transaction costs, and subsequently revaluated at their fair value. The fair value of the investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognized in results in the financial year in which they occur, in the caption Other operating income/(expense). The fair value level according to the IFRS 13 hierarchy corresponds to level 3.

Fair value is determined by independent appraisers duly certified for the effect, and being registered with the CMVM (Portuguese Securities' Market Commission), using at least two of the following methods:

- Comparative market method - This method considers similar real estate transaction values comparable to the property under study obtained through market surveys carried out in the area where the property is located.
- Income method - This method aims to estimate the value of the property from the capitalization of its net income, discounted to the present moment, using the discounted cash-flow method, and should be used when the property is intended for lease, when the lease market is active for the type of property being valued or when the property is intended for economic exploration.
- Cost method - The cost method is the determination of the replacement value of the property under consideration considering the cost of building another one with the same functionality, net of the amount related to the functional, physical and economic depreciation/obsolescence verified.

For properties held by investment funds within the consolidation perimeter, and in accordance with Law no. 16/2015, of 24 February, their fair value is considered as the simple arithmetic average of two independent expert valuations, determined according to the best price that could be obtained if it were put up for sale, under normal market conditions, at the time of the valuations, which is reviewed at least once a year or, in the case of open-ended collective investment entities, based on the redemption periodicity if lower than that, and whenever there are acquisitions or disposals or significant changes in the value of the property.

o) Intangible assets

Software

The Group accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. The Group does not capitalize internal costs arising from software development.

p) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits at other credit institutions;

- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;

- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;

- Financing activities: activities that produce changes in the Group's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, payment of lease agreements, capital increases and dividend distributions.

q) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

r) Foreign currency transactions

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

s) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio and Montepio Crédito have the responsibility to pay their employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (“ACT”) they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, the Group set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks’ responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by the Group and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários (“CAFEB”) extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement (“Acordo Colectivo de Trabalho”) is supported by the banks.

Following the Government’s approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security’s domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument (“IRCT”). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services (“SAMS”) on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

Employment termination benefits

The occurrence that gives rise to this obligation is (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and the Group paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for the Group to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at the Group's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by the Group in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount the Group's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

t) Income taxes

Banco Montepio was an entity exempt from Corporate Income Tax (“IRC”), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code until 31 December 2011. This exemption had been recognized under an Order, of 3 December 1993, of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March, approving the State Budget for 1996.

With effect from 1 January 2012, Banco Montepio is now subject to the regime established by the Corporate Income Tax Code (“CIRC”). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future. Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods. Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that the Group does not exercise control over the period of the reversal of the differences. Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including tax losses carried forward).

As established in IAS 12, paragraph 74, the Group offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The Companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, the Group, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by the Group corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses same, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

u) Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Group: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Group operating decisions regarding the allocation of resources to the segment and the assessment of its performance; and (iii) for which distinct financial information is available.

The Group controls its business activity through the following operating segments: (i) Commercial Banking, Corporate and Investment Banking, International Activity, Markets, Non-core and Other Segments. The Group also prepares financial information based on geography for Management purposes, as presented in note 52.

v) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process and considering the best information available as to the consequences of the event that led to its constitution. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable. This caption also includes the impairment losses related to exposures that have an associated credit risk such as bank guarantees, and commitments assumed.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or

- Present, which arises from past events, but is not recognized because (i) It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation; and (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

w) Insurance and reinsurance brokerage services

The Group is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, the Group sells insurance contracts. As remuneration for the services rendered, the Group receives brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between the Group and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

1. commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by the Group and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
2. commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - For insurance brokerage services.

x) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

y) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof 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 conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

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

z) Significant judgements and estimates in the application of the accounting policies

The IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the military conflicts underway in Ukraine and in the Middle East. The most significant of these accounting estimates and judgments used in the application of the accounting policies by the Group are discussed in the following paragraphs to improve understanding of how their application affects 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, the Group´s reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material 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 estimates would be more appropriate.

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

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

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as 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 reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Group monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Group uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

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

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Group expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 20, 21, 24, and 26, with a consequent impact in the income statement of the Group.

In accordance with the provisions of IFRS 9, Banco Montepio, for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 52).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 22, 23 and 24.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 47.

Entities included in the consolidation perimeter

For the purpose of determining the 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 can appropriate those variable returns through the power it holds over that entity (de facto control).

The decision as to whether an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to the variable returns and its ability to use its power to appropriate those returns.

Different assumptions and estimates could lead the Group to a different consolidation perimeter with a direct impact in the consolidated net income, as per note 57.

Income taxes

The Group complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 32.

This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Group considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank’s Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, changed the rules applicable to impairment losses recognized from 1 January 2019, as well as to impairment losses recorded in tax periods beginning before 1 January 2019 and not yet tax accepted, contemplating a maximum adaptation period of 5 years, that is, until 31 December 2023.

Banco Montepio opted to apply the new tax regime for impairment from the 2023 period onwards; therefore, regarding the calculation of current and deferred tax for the periods within 2019 and 2022, the tax estimate is based on the regime in force until 31 December 2018, while for the calculation of current and deferred tax for the 2023 period, same is based on the new tax regime for impairment.

The entity Montepio Crédito opted to apply the new tax regime for impairment and therefore prepared its tax estimate based on the new tax regime for impairment.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2023, the tax rules resulting from Law no. 98/2019, of 4 September, were applied.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by the subsidiaries resident in Portugal, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and other factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 49.

Classification and valuation of assets received in recovery of credit, non-current assets held for sale and investment properties

The classification of the real estate received in recovery of credit and non-current assets held for sale is determined in accordance with IFRS 5 and of the investment properties in accordance with IAS 40.

Assets received in recovery of credit and non-current assets held for sale are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. Investment properties are measured at fair value based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in notes 28, 29 and 33.

Provisions and contingent liabilities

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 38.

Recoverable value of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable value be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal. Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable value of the Bank's own properties, which are presented in note 30.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	26 930	22 572
Loans and advances to customers	545 820	258 588
Financial assets held for trading	1 061	127
Financial assets at fair value through profit or loss	402	135
Financial assets at fair value through other comprehensive income	696	1 057
Hedging derivatives	3 388	5 210
Other financial assets at amortized cost	20 148	13 161
Other interest and similar income	17	2
	598 462	300 852
Interest and similar expense		
Deposits from central banks and other credit institutions	71 152	8 579
Deposits from customers	83 677	7 045
Debt securities issued	4 790	6 841
Hedging derivatives	3 525	2 781
Other subordinated debt	19 584	19 334
Lease liabilities	750	592
Other interest and similar expense	6 878	4 190
	190 356	49 362
Net interest income	408 106	251 490

The caption Interest and similar income – Loans and advances to customers, includes, in 2023, respectively, the amount of Euro 19,188 thousand and the amount of Euro 19,058 thousand (2022: Euro 18,206 thousand and Euro 16,575 thousand, respectively), related to commissions and to other expenses, which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 c).

The caption Interest and similar income – Financial assets at fair value through profit or loss, includes, in 2023, the amount of Euro 402 thousand (2022: Euro 135 thousand) related to interest on loan contracts that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

The caption Interest and similar expense - Deposits from other credit institutions and Deposits from central banks, includes the financing lines under the TLTRO III program, for which the Group considers that the operation consists of a loan with a floating rate, indexed to the Deposit Facility Rate (DFR), which is also subject to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. In June 2022, the Bank obtained confirmation from the European Central Bank of the compliance with the change in the volume of the eligible credit targets defined by the ECB, namely for the period 24 June 2020 through 23 June 2022. Hence, for the referred interest counting period, the Group used the rate of -1%. The rate of the subsequent periods coincided, until 23 November 2022, with the DFR average verified since the start of each one of the tranches, with, after that date, the rate being adjusted with the DFR in force at each moment.

The caption Interest and similar expense – Other interest and similar charges includes, in 2023, the amount of Euro 6,731 thousand (2022: Euro 4,168 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Financial assets at fair value through other comprehensive income	873	977

In 2023, this caption includes dividends received related to financial shareholdings held in Unicre in the amount of Euro 573 thousand and in SIBS in the amount of Euro 186 thousand (2022: Euro 505 thousand received from Unicre and Euro 406 thousand from SIBS).

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Fee and commission income		
From banking services	114 563	103 644
From transactions on behalf of third parties	20 554	23 973
From insurance brokerage services	10 942	10 659
Guarantees provided	3 986	3 335
Commitments to third parties	1 323	1 223
Operations with financial instruments	55	152
Other fee and commission income	1 993	4 031
	153 416	147 017
Fee and commission expense		
From banking services rendered by third parties	23 520	23 191
From transactions with securities	334	349
Other fee and commission expense	2 602	2 981
	26 456	26 521
Net fee and commission income	126 960	120 496

In 2023 and 2022, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2023	2022
Life insurance	5 480	5 652
Non-life insurance	5 462	5 007
	10 942	10 659

The remuneration of insurance brokerage services resulted, essentially, from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2023			2022		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	1 703	814	889	2 452	5 432	(2 980)
Issued by other entities	99	31	68	62	52	10
Shares	1 376	1 313	63	864	1 185	(321)
Investment units	23	13	10	108	350	(242)
	3 201	2 171	1 030	3 486	7 019	(3 533)
Derivative financial instruments						
Interest rate contracts	69 409	75 261	(5 852)	119 558	119 222	336
Exchange rate contracts	26 625	26 909	(284)	34 970	35 100	(130)
Futures contracts	8 219	9 696	(1 477)	11 070	8 888	2 182
Option contracts	11 232	10 697	535	6 845	6 789	56
Commodities contracts	2	636	(634)	464	374	90
	115 487	123 199	(7 712)	172 907	170 373	2 534
Financial assets at fair value through profit or loss						
Investment units	4 741	5 196	(455)	3 223	1 395	1 828
Loans and advances to customers	552	152	400	50	759	(709)
	5 293	5 348	(55)	3 273	2 154	1 119
Other financial assets at fair value through profit or loss						
Bonds and other fixed-income securities						
Issued by other entities	4 490	5 182	(692)	306	2 267	(1 961)
Shares	42	-	42	99	(93)	192
Loans and advances to customers	48	44	4	26	131	(105)
	4 580	5 226	(646)	431	2 305	(1 874)
Financial liabilities at fair value through profit or loss						
Deposits from customers	4 153	2 917	1 236	2 468	222	2 246
	4 153	2 917	1 236	2 468	222	2 246
Hedging derivatives						
Interest rate contracts	-	-	-	7 199	11 007	(3 808)
Hedged financial liabilities						
Debt securities issued	4 801	4 978	(177)	3 522	423	3 099
	137 515	143 839	(6 324)	193 286	193 503	(217)

Financial assets at fair value through profit or loss include, in 2023, in terms of Investment units, a negative impact of Euro 455 thousand (2022: positive impact of Euro 1,828 thousand), determined by (i) the negative effect of Fundo de Reestruturação Empresarial Categoria 1 (fund) of Euro 4,872 thousand and (ii) the positive effects of Fundo VIP (fund) of Euro 1,658 thousand, Fundo Aquarius (fund) of Euro 1,177 thousand and Fundo C2 Growth I (fund) of Euro 1,081 thousand.

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2023			2022		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	84	-	84	33	1 058	(1 025)
Issued by other entities	53	-	53	2 474	-	2 474
	137	-	137	2 507	1 058	1 449

In 2023, the caption Bonds – Issued by public entities includes net gains obtained on the reimbursement of Portuguese public debt bonds in the amount of Euro 2 thousand and Italian public debt in the amount of Euro 82 thousand. In 2022, this caption included net losses obtained on the sale of Portuguese sovereign bonds of Euro 1,025 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2023			2022		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	54 661	74 927	(20 266)	76 001	65 192	10 809

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 r).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Disposal of other assets	7 241	16 245
Disposal of loans and advances to customers	2 680	16 997
Disposal of financial assets at amortized cost	1 789	38
	11 710	33 280

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

In financial year 2023, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Côa operation, with the realization of a capital gain of Euro 2,746 thousand, and within the scope of the Minho operation, with the realization of a capital gain of Euro 342 thousand.

In financial year 2022, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Gerês operation with the realization of a capital gain of Euro 4,118 thousand, as well as the result of the sale of loans within the scope of the Alqueva and Alvito operations with the realization of capital gains of Euro 7,530 thousand and Euro 5,802 thousand, respectively.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Other operating income		
Reimbursement of expenses	6 819	6 315
Repurchase of own issues	-	4 260
Revaluation of investment properties	2 322	2 665
Management fees on demand deposits	3 437	3 406
Services provided	5 056	3 900
Tax recovery	2 988	1 346
Rentals of investment properties	915	1 223
Assignment of staff	-	283
Actuarial deviations of assigned collaborators	3 386	-
Income from the valuation of financial liabilities	-	19
Other	12 047	10 160
	36 970	33 577
Other operating expenses		
Contributions:		
Banking sector	11 674	12 258
Ex-ante to the Single Resolution Fund	5 209	8 368
National Resolution Fund	2 291	5 106
Deposits Guarantee Fund	145	154
Revaluation of investment properties	1 850	3 689
Taxes	1 849	2 468
Servicing and expenses with recovery and disposal of loans	4 945	5 235
Expenses with issuances	1 784	1 431
Donations and memberships	364	667
Expense from the valuation of financial liabilities	-	11 921
Actuarial deviations of assigned collaborators	-	7 595
Other	24 172	22 912
	54 283	81 804
Other operating income/(expense)	(17 313)	(48 227)

In 2022, the caption Other operating income – Repurchase of own issues considers Euro 4,260 thousand related to income earned on the acquisition of debt issued in the amount of Euro 171,400 thousand, as referred in note 37.

In 2023, the caption Other operating income – Other, includes income associated with the recovery of credit in the amount of Euro 1,307 thousand (2022: Euro 1,626 thousand) and with the restitution of taxes in the amount of Euro 390 thousand (2022: Euro 1,196 thousand).

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments. Additionally, in 2020 this regime was complemented by additional solidarity on the banking sector, in the form of a budgetary policy instrument as a response to the post-pandemic crisis context. The basis of incidence of this contribution follows the same requirements applicable to the calculation of the banking sector contribution previously described, and is recommended in Ordinance No. 191/2020.

The caption Contribution *ex-ante* to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Banco de Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução ("CUR")), in strict cooperation with the Banco de Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2023 and 2022, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, with reference to 31 December 2023, Banco Montepio had settled Euro 11,325 thousand (31 December 2022: Euro 9,867 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 20. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of Banco de Portugal, which may be adjusted in function of the credit institution's risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating expense - Servicing and expenses with the recovery and disposal of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

In 2022, the caption Other operating expense – Losses on the valuation of financial liabilities considers Euro 11,921 thousand related to a loss arising from the change in the estimate of the book value of the financing lines in the TLTRO III program which occurred in the first half of 2022 (see note 1 c.4). This change resulted from (i) the formal confirmation, in June 2022, by the ECB of compliance with the targets for the change in the volume of credit for the periods already ended and (ii) the revision of the interest rate to be applied to the next periods, which are no longer dependent on compliance with metrics, being only associated with the future evolution of the DFR, which was revised upwards by the ECB, with the Group proceeding to update the estimate of future cash flows accordingly. As a result, the difference between the sum of the new future cash flows discounted at the initially estimated effective interest rate and the balance sheet value at the time was recognized directly under Other operating income (by application of paragraph B5.4.6 of IFRS 9).

The caption Other operating expense - Other includes, in 2023, the amount of Euro 3,430 thousand (2022: Euro 2,439 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.. This caption also includes maintenance costs with equipment and motor vehicles under operating leases, costs with real estate received in recovery of credit, accounted for in the caption Other assets (note 33), and legal costs.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Remuneration	112 787	105 929
Mandatory social charges	32 834	29 910
Charges with the Pension Fund	(3 396)	12 413
Other staff costs	11 502	4 365
	153 727	152 617

In 2023, within the scope of the Employee Adjustment Program, the caption Charges with the Pension Fund includes the amount of Euro 6,989 thousand (31 December 2022: Euro 6,955 thousand) related to the charges arising from early retirements and mutual-agreement terminations.

The remuneration and other benefits attributed to the General Meeting Board, the Supervisory Board of Banco Montepio Group's subsidiaries, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, including the respective charges, are presented as follows:

(Euro thousand)

	2023					
	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management staff	Total
Remuneration and other short-term benefits	4	184	3 348	678	5 241	9 455
Pension costs	-	-	620	3	148	771
Costs with healthcare benefits (SAMS)	-	-	15	5	98	118
Social Security charges	1	40	665	176	1 101	1 983
	5	224	4 648	862	6 588	12 327

In 2023, variable remuneration was attributed to the members of the Management Bodies and Other key management personnel in the amounts, respectively, of Euro 279 thousand and Euro 482 thousand.

(Euro thousand)

	2022					
	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management staff	Total
Remuneration and other short-term benefits	7	200	3 291	970	5 019	9 487
Pension costs	-	-	518	-	270	788
Costs with healthcare benefits (SAMS)	-	-	16	4	109	129
Social Security Charges	1	42	713	157	1 105	2 018
	8	242	4 538	1 131	6 503	12 422

As at 31 December 2023, loans granted to members of the Board of Directors of Banco Montepio (including the members of the Audit Committee) amounted to Euro 105 thousand (31 December 2022: Euro 163 thousand), to members of the Boards of Directors of Banco Montepio's subsidiaries, Euro 1,903 thousand (31 December 2022: Euro 2,084 thousand) and to Other key management personnel, Euro 2,385 thousand (31 December 2022: Euro 2,521 thousand).

The average number of employees at the Group's service during 2023 and 2022, broken down by major professional categories, was as follows:

	2023	2022
Administration and Coordination	271	265
Senior management	467	493
Technical staff	1 344	1 419
Administrative staff	991	1 023
Auxiliary staff	18	19
	3 091	3 219

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Rental costs	832	673
Specialized services		
Other specialized services	19 738	19 647
IT services	16 461	13 219
Independent work	3 082	2 509
Communication costs	3 989	3 835
Maintenance and repairs	5 341	5 355
Advertising costs	3 525	3 623
Water, energy and fuel	1 979	2 454
Transportation	2 687	2 313
Insurance	1 063	1 001
Consumables	526	588
Travel, accommodation and entertainment expenses	1 106	835
Training	888	729
Other general and administrative costs	2 937	2 959
	64 154	59 740

The caption Rents and hires includes, in 2023, the amount of Euro 325 thousand (2022: Euro 229 thousand) related to short-term lease contracts, of which Euro 155 thousand (2022: Euro 94 thousand) correspond to rents paid on real estate and Euro 170 thousand (2022: Euro 135 thousand) to rents paid on vehicles, in both cases used by the Banco Montepio Group as a lessee.

As part of the development of its activity, the Group records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS and also with costs related to the payment of fees and retainer fees.

The caption Other specialized services includes the fees billed by the Statutory Auditor of the Group within the scope of the functions of statutory audit of the accounts, as well as for other services, including those provided by its network, as follows (excluding VAT):

(i) Fees contracted for legal review of accounts and audit services, excluding VAT and expenses:

		(Euro thousand)
	2023	**2022**
Banco Montepio	1 069	1 058
Entities directly or indirectly controlled by the Public Interest Entities (EIP)	105	142
	1 174	1 200

(ii) Fees billed by the Statutory Auditor, or by entities part of it network, in financial years 2023 of 2022, relating to non-audit services, excluding VAT and expenses:

		(Euro thousand)
	2023	**2022**
Banco Montepio		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	271	347
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	465	466
Other services	172	112
Entities directly or indirectly controlled by the Public Interest Entities (EIP)		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	15	14
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	13	23
Other services	25	51
	961	1 013

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Intangible assets (note 31)		
Software	23 696	19 931
Other tangible assets (note 30)		
Real estate		
For own use	2 755	2 804
Leasehold improvements in rented buildings	119	214
Equipment		
IT equipment	2 100	2 206
Fixtures	1 645	1 527
Furniture	128	134
Transportation	183	175
Security equipment	91	94
Machinery and tools	37	41
Right-of-use assets		
Real estate	5 450	5 250
Motor vehicles	1 711	1 630
	14 219	14 075
	37 915	34 006

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Other loans and advances to credit institutions (note 20)		
Charge for the year	2 560	1 505
Reversals for the year	(1 615)	(1 593)
	945	(88)
Loans and advances to customers (note 21)		
Charge for the year	403 343	436 981
Reversals for the year	(346 959)	(415 003)
Recovery of loans and interest	(7 706)	(8 519)
	48 678	13 459
	49 623	13 371

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 c).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

	2023	2022
	(Euro thousand)	
Financial assets at fair value through other comprehensive income (note 24)		
Charge for the year	23	349
Reversals for the year	(108)	(130)
	(85)	219
Other financial assets at amortized cost (note 26)		
Charge for the year	1 252	2 111
Reversals for the year	-	(5)
	1 252	2 106
	1 167	2 325

15 Impairment of other assets

The amount of this caption has the following breakdown:

	2023	2022
	(Euro thousand)	
Non-current assets held for sale (note 28)		
Charge for the year	111	15
Reversals for the year	(15)	(26)
	96	(11)
Other tangible assets (note 30)		
Charge for the year	1 592	1 992
Reversals for the year	-	(265)
	1 592	1 727
Other assets (note 33)		
Charge for the year	26 415	26 176
Reversals for the year	(4 082)	(3 011)
	22 333	23 165
	24 021	24 881

Within the scope of the Plan for the resizing of the distribution network, the Bank closed several branches, having, consequently, obtained the market value of those spaces from independent appraisers. Based on the values evidenced by those assessments, it was necessary to make an allocation, net of reversals, for impairment in respect of Other tangible assets of Euro 1,592 thousand (2022: Euro 1,727 thousand), until 31 December 2023.

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Guarantees and commitments (note 38)		
Charge for the year	21 806	25 284
Reversals for the year	(30 891)	(22 102)
	(9 085)	3 182
Other risks and charges (note 38)		
Charge for the year	1 703	3 526
Reversals for the year	(1 680)	(2 788)
	23	738
	(9 062)	3 920

17 Share of profits/(losses) booked under the equity method

The share of profits/(losses) booked under the equity method is analysed as follows:

(Euro thousand)

	2023	2022
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	550	495

18 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)

	2023	2022
Cash	149 325	149 889
Deposits at central banks		
Banco de Portugal	1 022 073	1 233 913
	1 171 398	1 383 802

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

19 Loans and deposits to credit institutions repayable on demand

This caption is presented as follows:

(Euro thousand)	2023	2022
Credit institutions in Portugal	695	859
Credit institutions abroad	43 087	19 614
Amounts to be collected	17 259	31 814
	61 041	52 287

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In 2023, Deposits at other credit institutions and central banks were remunerated at the average implicit rate of 2.90% (2022: 1.12%).

20 Other loans and advances to credit institutions

This caption is presented as follows:

(Euro thousand)	2023	2022
Loans and advances to credit institutions in Portugal	3 717	3 863
Loans and advances to credit institutions abroad		
Term deposits	63 539	29 690
CSA's	9 099	16 039
Reverse repos	28 504	-
Other loans and advances	75 091	56 791
	176 233	102 520
	179 950	106 383
Impairment for credit risk of loans and advances to credit institutions	(1 048)	(7)
	178 902	106 376

As at 31 December 2023, the caption Term deposits, recorded under Other loans and advances to credit institutions abroad, includes the amount of Euro 11,325 thousand (31 December 2022: Euro 9,867 thousand) related to a deposit made and accepted as collateral within the scope of the ex-ante contribution to the Single Resolution Fund, as per note 9.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in the Bank's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that the Bank negotiated with each one of the counterparties and are materialized through the effective transfers of cash, which are processed via TARGET2 to each one of the counterparties in question, as a guarantee/security of the Bank's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2023, the Bank holds the amount of Euro 9,099 thousand (31 December 2022: Euro 16,039 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

The caption Other loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited by vehicles incorporated in the scope of the Group's securitization operations.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	7	464
Charge for the year	2 560	1 505
Reversals for the year	(1 615)	(1 593)
Exchange rate differences	(119)	73
Other	215	(215)
Discontinuing operations	-	(227)
Closing balance	1 048	7

The analysis of the caption Other loans and advances to credit institutions by residual maturity, is as follows:

(Euro thousand)

	2023	2022
Up to 3 months	116 553	56 938
3 to 6 months	17 325	9 867
More than 5 years	4 000	4 000
Undetermined	42 072	35 578
	179 950	106 383

The amount recorded in the residual undetermined period to maturity includes security deposits in the scope of the banking activity.

In 2023, the Other loans and advances to credit institutions were remunerated at the average implicit rate of 1.66% (2022: 1.04%).

21 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)	2023	2022
Corporate		
Loans not represented by securities		
Loans	2 977 982	3 204 493
Current account loans	390 053	385 349
Finance leases	375 486	398 059
Discounted bills	27 123	26 786
Factoring	244 570	224 020
Overdrafts	776	602
Other loans	312 253	327 166
Loans represented by securities		
Commercial paper	199 184	197 672
Bonds	390 170	332 153
Retail		
Mortgage loans	5 309 216	5 402 609
Finance leases	35 278	41 426
Consumer credit and other loans	1 289 142	1 248 728
	11 551 233	11 789 063
Value correction of assets subject to hedging operations	(70)	(74)
Past due loans and advances and interest		
Less than 90 days	10 319	8 415
More than 90 days	172 732	270 210
	183 051	278 625
	11 734 214	12 067 614
Impairment for credit risks	(280 955)	(354 517)
	11 453 259	11 713 097

As at 31 December 2023, the caption Loans and advances to customers includes the amount of Euro 3,046,532 thousand (31 December 2022: Euro 2,753,360 thousand) related to the issue of covered bonds realized by the Group, as referred to in note 37.

As at 31 December 2023, the loans and advances that the Group granted to its shareholders and to related parties amounted to Euro 46,959 thousand (31 December 2022: Euro 25,375 thousand), as described in note 50. The celebration of business between the Group and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposed made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Directorate. The impairment for credit risks related to these contracts amounts to Euro 97 thousand as at 31 December 2023 (31 December 2022: Euro 62 thousand).

As at 31 December 2023, the caption Loans and advances to customers includes the amount of Euro 632,118 thousand (31 December 2022: Euro 775,886 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 c), were not the object of derecognition, as referred in note 51.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). The Group periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 47.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2023 and 2022, is as follows:

(Euro thousand)

	2023	2022
Variable-rate loans and advances	9 130 714	10 024 229
Fixed-rate loans and advances	2 603 500	2 043 385
	11 734 214	12 067 614

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2023	2022
Asset-backed loans	139 339	189 868
Other guaranteed loans	22 994	30 665
Finance leases	5 003	4 299
Secured loans	314	33 000
Other loans and advances	15 401	20 793
	183 051	278 625

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2023	2022
Corporate		
Construction/Production	16 900	33 270
Investment	99 409	141 395
Treasury	30 736	56 017
Others	7 557	11 009
Retail		
Mortgage loans	10 558	15 809
Consumer credit	15 183	17 767
Others	2 708	3 358
	183 051	278 625

The analysis of the caption Loans and advances to customers, by maturity and by credit type, for financial years ended 31 December 2023 and 2022, is as follows:

(Euro thousand)

	2023				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	203 059	556 939	7 981 490	139 339	8 880 827
Other guaranteed loans	389 029	223 993	232 015	22 994	868 031
Finance leases	31 932	203 547	175 285	5 003	415 767
Secured loans	199 954	234 632	154 768	314	589 668
Other loans and advances	223 567	175 685	565 268	15 401	979 921
	1 047 541	1 394 796	9 108 826	183 051	11 734 214

(Euro thousand)

	2022				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	199 599	672 972	8 340 893	189 868	9 403 332
Other guaranteed loans	320 352	119 690	239 156	30 665	709 863
Finance leases	28 725	209 336	201 424	4 299	443 784
Secured loans	196 458	214 989	118 378	33 000	562 825
Other loans and advances	220 377	212 572	494 068	20 793	947 810
	965 511	1 429 559	9 393 919	278 625	12 067 614

The outstanding amount of Finance leases, by residual maturity, is as follows:

(Euro thousand)

	2023			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	63 792	240 005	120 932	424 729
Outstanding interest	(15 566)	(47 542)	(31 744)	(94 852)
Residual values	21 265	34 500	25 122	80 887
	69 491	226 963	114 310	410 764

(Euro thousand)

	2022			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	62 976	238 565	118 213	419 754
Outstanding interest	(11 798)	(35 577)	(23 754)	(71 129)
Residual values	19 309	42 559	28 992	90 860
	70 487	245 547	123 451	439 485

As regards operating leases, the Group does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

	2023	2022
	(Euro thousand)	
Opening balance	354 517	521 777
Charge for the year	403 343	436 981
Reversals for the year	(346 959)	(415 003)
Utilization	(131 258)	(188 938)
Exchange rate differences	(863)	2 195
Transfers and others	1 398	3 234
Stage 3 interest	777	4 459
Discontinuing operations	-	(10 188)
Closing balance	280 955	354 517

The use of impairment corresponds to loans and advances written off in 2023 and 2022 and includes, namely, the use of impairment in the scope of the loan assignment operations to third-party entities.

The impairment for credit risk, by credit type, is as follows:

	2023	2022
	(Euro thousand)	
Asset-backed loans and Finance leases	205 428	264 829
Other secured loans	39 015	53 093
Unsecured loans	36 512	36 595
	280 955	354 517

The analysis of impairment used, by credit type, is as follows:

	2023	2022
	(Euro thousand)	
Asset-backed loans and Finance leases	87 514	109 805
Other guaranteed loans	8 994	21 335
Unsecured loans	34 750	57 798
	131 258	188 938

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2023, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 326,600 thousand (31 December 2022: Euro 520,558 thousand) and present an impairment of Euro 102,845 thousand (31 December 2022: Euro 164,182 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 31 December 2023 and 2022, by credit type, is as follows:

(Euro thousand)

	2023	2022
Corporate		
Loans not represented by securities		
Loans	17 535	99 644
Current account loans	693	28 989
Finance leases	831	2 853
Others loans	1 875	31 013
Retail		
Mortgage loans	15 868	7 661
Consumer credit and other loans	2 085	4 208
	38 887	174 368

As at 31 December 2023, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 7,894 thousand, which corresponds to an impairment rate of 20.3% (31 December 2022: Euro 40,998 thousand, impairment rate of 23.5%). The decrease in the impairment rate compared with December 2022 is explained by the greater collateralization of the newly restructured contracts.

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity date of the operation is 25 March 2036 and the respective amount is Euro 248,315 thousand as at 31 December 2023 (31 December 2022: Euro 402,444 thousand). As mentioned in accounting policy c.14), Banco Montepio contracted two guarantees from EIB and EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, supporting, respectively, a commission of 0.3% and 4.5%, with quarterly payments.

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 29 December 2052 and the respective amount is Euro 672,117 thousand as at 31 December 2023 (31 December 2022: Euro 878,848 thousand).

As at 31 May 2023, Banco Montepio carried out a synthetic securitization, with an underlying portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 4 February 2066 and the amount is Euro 755,750 thousand as at 31 December 2023.

22 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2023	2022
Financial assets held for trading		
Securities		
Shares	2 439	1 373
Bonds	3 543	1 869
Investment Units	211	-
	6 193	3 242
Derivative instruments		
Derivative instruments with positive fair value	12 777	19 828
	18 970	23 070
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	12 636	17 697
	12 636	17 697

As provided for in IFRS 13, as at 31 December 2023 and 2022, the financial instruments measured in accordance with the valuation levels described in note 47, are as follows:

(Euro thousand)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 439	-	-	2 439
Bonds	3 543	-	-	3 543
Investment Units	211	-	-	211
	6 193	-	-	6 193
Derivative instruments				
Derivative instruments with positive fair value	-	8 924	3 853	12 777
	6 193	8 924	3 853	18 970
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	9 746	2 890	12 636
	-	9 746	2 890	12 636

(Euro thousand)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	1 373	-	-	1 373
Bonds	1 869	-	-	1 869
	3 242	-	-	3 242
Derivative instruments				
Derivative instruments with negative fair value	-	6 817	13 011	19 828
	3 242	6 817	13 011	23 070
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	7 694	10 003	17 697
	-	7 694	10 003	17 697

The analysis of the securities portfolio recorded in Financial assets held for trading, by maturity, as at 31 December 2023, is presented as follows:

(Euro thousand)

	2023					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income secutities						
Bonds						
Foreign	501	-	3 042	-	-	3 543
Variable income securities						
Shares						
Domestic	-	-	-	-	803	803
Foreign	-	-	-	-	1 636	1 636
Investment Units	-	-	-	-	211	211
	501	-	3 042	-	2 650	6 193

The analysis of the securities portfolio recorded in Financial assets held for trading, by maturity, as at 31 December 2022, is presented as follows:

(Euro thousand)

	2022					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds						
Foreign	-	-	-	1 869	-	1 869
Variable income securities						
Shares						
Domestic	-	-	-	-	414	414
Foreign	-	-	-	-	959	959
	-	-	-	1 869	1 373	3 242

As at 31 December 2023, there are no securities given as collateral classified as held for trading.

Within the scope of liquidity provision operations, the nominal value of the assets pledged as collateral to the European Central Bank recorded under this caption amounts to Euro 900 thousand after applying a haircut, as described in the note 31.

These financial assets pledged as collateral may be forfeited in the event of non-compliance with the contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts celebrated.

The book value of the derivative financial instruments as at 31 December 2023 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2023								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the financial year (1)**	**Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	98 758	141	(879)	(738)	787	(3 329)	(1 236)	95 299	98 628
Interest rate swap	Loans and advances to customers	847	11	(5)	6	5	(70)	4	781	847
Interest rate swap	-	483060	6 839	(5 830)	1 009	(2 110)	-	-	-	-
Currency Swap (Short)	-	53 945	81	(116)	(35)	(47)	-	-	-	-
Currency Swap (Long)	-	56 388								
Futures (*Short*)	-	3 864	-	-	-	-	-	-	-	-
Futures (*Long*)	-	15								
Forwards (Short)	-	1 561	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 562								
Options (Short)	-	172 690	5 705	(5 806)	(101)	(625)	-	-	-	-
Options (Long)	-	172 894								
		1 045 584	12 777	(12 636)	141	(1 990)	(3 399)	(1 232)	96 080	99 475

(1) Includes the result of derivatives disclosed in note 5

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2022 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2022								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year(1)**	**Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	63 906	-	(1 525)	(1 525)	(1 443)	(2 093)	(2 246)	61 565	63 658
Interest rate swap	Loans and advances to customers	959	7	(6)	1	23	(74)	(104)	863	931
Interest rate swap	-	577 433	16 386	(13 268)	3 118	3 442	-	-	-	-
Currency Swap (Short)	-	36 834	37	(25)	12	(96)	-	-	-	-
Currency Swap (Long)	-	36 860								
Futures (*Short*)	-	10 392	-	-	-	-	-	-	-	-
Futures (*Long*)	-	1 712								
Forwards (Short)	-	19 887	-	-	-	-	-	-	-	-
Forwards (Long)	-	19 912								
Options (Short)	-	107 286	3 398	(2 873)	525	92	-	-	-	-
Options (Long)	-	107 549								
		982 730	19 828	(17 697)	2 131	2 018	(2 167)	(2 350)	62 428	64 589

(1) Includes the result of derivatives disclosed in note 5

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2023, is as follows:

(Euro thousand)

	2023					
	Notionals by remaning maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Options	9 190	32 345	541 131	582 666	6 990	6 713
Futures	9 223	74 649	162 952	246 824	5 706	5 807
Exchange rate contracts						
Exchange rate swaps	109 245	1 089	-	110 334	81	116
Forwards	1 861	1 262	-	3 123	-	-
Index/Equities contracts						
Futures	3 879	-	-	3 879	-	-
Options	9 188	29 699	59 871	98 758	-	-
	142 586	139 044	763 954	1 045 584	12 777	12 636

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022					
	Notionals by remaning maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Options	7 121	60 982	574 195	642 298	16 394	14 799
Futures	5 892	18 976	126 060	150 928	3 389	2 865
Exchange rate contracts						
Exchange rate swaps	73 694	-	-	73 694	37	25
Forwards	38 228	1 571	-	39 799	-	-
Index/Equities contracts						
Futures	12 104	-	-	12 104	-	-
Options	5 972	19 046	38 889	63 907	8	8
	143 011	100 575	739 144	982 730	19 828	17 697

23 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2023	2022
Variable income securities		
Investment Units	119 575	138 800
Loans and advances to customers at fair value		
Loans not represented by securities	8 653	8 970
	128 228	147 770

The caption Variable-income securities – Investment units includes, as at 31 December 2023, the amount of Euro 56,428 thousand (31 December 2022: Euro 62,441 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 55.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 47, as follows:

(Euro thousand)

	2023	2022
	Level 3	
Variable income securities		
Investment Units	119 575	138 800
Loans and advances to customers at fair value		
Loans not represented by securities	8 653	8 970
	128 228	147 770

As at 31 December 2023, the level 3 assets in the caption Variable-income securities – Investment units include investment units in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 119,575 thousand (31 December 2022: Euro 138,800 thousand), of which Euro 36,469 thousand (31 December 2022: Euro 58,281 thousand) are related to real estate investment funds.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective Funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2023, for Variable-income securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 11,958 thousand (31 December 2022: Euro 13,880 thousand) having been determined.

The movements occurring in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	138 800	193 659
Acquisitions	7 463	761
Remeasurements	(2 933)	(380)
Disposals	(23 755)	(55 240)
Closing balance	119 575	138 800

The movements occurring in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations observed in financial years 2023 and 2022.

24 Financial assets at fair value through other comprehensive income

This caption, in financial year 2023, is presented as follows:

(Euro thousand)

	2023				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 024	-	(1 688)	(40)	18 296
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	6 611	229	(706)	(264)	5 870
Foreign	637	-	(18)	-	619
Variable income securities					
Shares					
Domestic	5 227	11 785	-	-	17 012
Foreign	6 233	363	(293)	-	6 303
	38 732	12 377	(2 705)	(304)	48 100

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, in financial year 2022, is presented as follows:

(Euro thousand)

	2022				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	6	(2 605)	(40)	18 386
Foreign	40 966	-	(765)	(73)	40 128
Bonds issued by other entities					
Domestic	11 007	162	(565)	(418)	10 186
Foreign	1 118	-	(53)	(2)	1 063
Commercial paper	6 489	19	-	(19)	6 489
Variable income securities					
Shares					
Domestic	5 118	10 785	-	-	15 903
Foreign	6 218	29	(1 180)	-	5 067
	91 941	11 001	(5 168)	(552)	97 222

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

In financial years 2023 and 2022, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2023				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	18 296	-	-	-	18 296
Foreign	-	-	-	-	-
Bonds issued by other entities				-	
Domestic	4 307	-	1 563	-	5 870
Foreign	-	619	-	-	619
	22 603	619	1 563	-	24 785
Variable income securities					
Shares					
Domestic	-	-	16 100	912	17 012
Foreign	-	-	5 893	410	6 303
	-	-	21 993	1 322	23 315
	22 603	619	23 556	1 322	48 100

(Euro thousand)

	2022				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	17 382	1 004	-	-	18 386
Foreign	40 128	-	-	-	40 128
Bonds issued by other entities				-	
Domestic	4 150	-	6 036	-	10 186
Foreign	-	1 063	-	-	1 063
Commercial paper	-	-	6 489	-	6 489
	61 660	2 067	12 525	-	76 252
Variable income securities					
Shares					
Domestic	-	-	15 100	803	15 903
Foreign	-	-	4 771	296	5 067
	-	-	19 871	1 099	20 970
	61 660	2 067	32 396	1 099	97 222

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 47.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 2,356 thousand as at 31 December 2023 (31 December 2022: Euro 3,240 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 11,203 thousand (31 December 2022: positive amount of Euro 9,302 thousand) recognized in fair value reserves.

In this caption, the Group has some securities measured at acquisition cost. It is the Group's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

The movements occurring in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	32 396	42 511
Acquisitions	-	6 489
Remeasurements	2 129	(1 483)
Reimbursements	(10 969)	(15 121)
Closing balance	23 556	32 396

The movements occurring in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	552	2 853
Change for the year	23	349
Reversals for the year	(108)	(130)
Utilization	(138)	(2 519)
Transfers	(25)	(1)
Closing balance	304	552

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2023, is as follows:

(Euro thousand)

	2023					
	Less than 3 months	3 month to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds issued by public entities						
Domestic	-	-	18 296	-	-	18 296
Foreign	-	-	-	-	-	-
Bonds issued by other entities						
Domestic	-	-	4 307	-	1 563	5 870
Foreign	-	-	-	619	-	619
	-	-	22 603	619	1 563	24 785
Variable income securities						
Shares						
Domestic	-	-	-	-	17 012	17 012
Foreign	-	-	-	-	6 303	6 303
	-	-	-	-	23 315	23 315
	-	-	22 603	619	24 878	48 100

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022					
	Less than 3 months	3 month to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds issued by public entities						
Domestic	-	1 004	17 382	-	-	18 386
Foreign	-	40 128	-	-	-	40 128
Bonds issued by other entities						
Domestic	-	-	8 620	-	1 566	10 186
Foreign	-	-	-	1 063	-	1 063
Commercial paper	6 489	-	-	-	-	6 489
	6 489	41 132	26 002	1 063	1 566	76 252
Variable income securities						
Shares						
Domestic	-	-	-	-	15 903	15 903
Foreign	-	-	-	-	5 067	5 067
	-	-	-	-	20 970	20 970
	6 489	41 132	26 002	1 063	22 536	97 222

In the scope of the liquidity providing operations, the nominal value of the assets pledged as collateral to the European Central Bank included in this caption, as at 31 December 2023, amounts to Euro 18,394 thousand after haircut (31 December 2022: Euro 57,405 thousand), as described in note 33.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by the Group under the terms and conditions of the contracts celebrated.

25 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2023	2022
Assets		
Interest rate swaps	6 174	-
Liabilities		
Interest rate swaps	3 525	-
Net value	2 649	-

Banco Montepio had contracted an interest rate swap to hedge its interest rate risk arising from a bond issue at fixed rate with maturity in October 2026. The accounting method depends on the nature of the hedged risk, namely whether the Group is exposed to fair value changes, or whether it is hedging future transactions. The Group performs periodic effectiveness tests of the hedging relationships.

The analysis of the hedging derivatives' portfolio, by residual maturity, as at 31 December 2023, is as follows:

(Euro thousand)

	2023			
	Notional by maturity		Fair value	
	October 2026	Total	October 2026	Total
Fair value hedge derivative with interest rate risk				
Interest rate swap	200 000	200 000	2 649	2 649
	200 000	200 000	2 649	2 649

As at 31 December 2023, the fair value hedging operation can be analysed as follows:

(Euro thousand)

	2023						
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in fair value of derivative in the financial year	Fair value of hedge element (2)	Changes in fair value of the hedged item in the financial year (2)
Interest rate swap	Debt securities issued	Interest rate	200 000	2 649	2 649	2 963	2 963
			200 000	2 649	2 649	2 963	2 963

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

26 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2023	2022
Fixed income securities		
Bonds issued by public entities		
Domestic	1 054 287	1 074 564
Foreign	2 787 013	3 019 510
Bonds issued by other entities		
Domestic	8 059	9 051
Foreign	30 667	22 955
Commercial paper		
Domestic	4 979	-
Foreign	-	-
	3 885 005	4 126 080
Impairment for other financial assets at amortized cost	(6 157)	(6 693)
	3 878 848	4 119 387

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 47.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 c). As at 31 December 2023, the loan obtained from the EIB is collateralized by Italian, Greek and Spanish sovereign bonds with a nominal value of Euro 357,282 thousand (31 December 2022: Euro 376,651 thousand by Portuguese, Italian, Greek, Irish and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 35.

As at 31 December 2023, the nominal value of the assets pledged as collateral to the European Central Bank under this caption, for liquidity-providing operations, amounts to Euro 2,859,409 thousand (31 December 2022: Euro 3,585,822 thousand) after the application of a haircut, as described in note 34.

These financial assets pledged as collateral may be forfeited in the event of non-compliance with the contractual obligations assumed by the Group under the terms and conditions of the contracts signed.

Securities given in guarantee to the Portuguese Securities Market Commission (“CMVM”) within the scope of the Investors’ Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand as at 31 December 2023 and 2022.

The nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 29,000 thousand (31 December 2022: Euro 28,000 thousand) as per note 46.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	6 693	5 405
Charge for the year	1 252	2 111
Reversals for the year	-	(5)
Utilization	(1 788)	(43)
Transfers	-	11
Discontinuing operations	-	(786)
Closing balance	6 157	6 693

27 Investments in associates

This caption is presented as follows:

(Euro thousand)

	2023	2022
HTA - Hotés, Turismo e Animação dos Açores, S.A.	4 028	3 716
Montepio - Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	674	674
	4 702	4 390

Associates included in the Group’s consolidation perimeter are listed in note 57. The financial information of Associates is presented in the following tables:

(Euro thousand)

	Assets	Liabilities	Equity	Income	Net profit / (loss)	Acquisition cost
31 December 2023						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	34 748	14 605	20 143	12 623	2 750	4 028
Montepio Gestão de Activos Imobiliários, A.C.E. - em Liquidação	3 750	1 300	2 450	-	-	674
31 December 2022						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	37 272	18 688	18 584	11 156	2 474	3 716
Montepio Gestão de Activos Imobiliários, A.C.E. - em Liquidação	4 175	1 725	2 450	-	-	674

(Euro thousand)

	Percentage held		Book value		Profit / Loss	
	2023	2022	2023	2022	2023	2022
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,0%	20,0%	4 028	3 716	550	495
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	27,5%	27,5%	674	674	-	-

The movement in this caption is analysed as follows:

(Euro thousand)

	2023	2022
Openning balance	4 390	3 952
Share of profit of associated companies	550	495
Other reserves and retained earnings	(238)	(57)
Closing balance	4 702	4 390

The Group analyses, on a regular basis, the impairment related to its investments in associates.

28 Non-current assets held for sale

As at 31 December 2023 and 2022, this caption was analysed as follows:

(Euro thousand)

	2023	2022
Properties and other assets resulting from the resolution of customer loan agreements	217	58
Impairment for non-current assets held for sale	(143)	(47)
	74	11

The assets included in this caption are accounted for in accordance with the accounting policy described in note 1 h).

The movements occurring in non-current assets held for sale in financial years 2023 and 2022 are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	58	38 920
Acquisitions	253	149
Disposals	(94)	(39 011)
Closing balance	217	58

The movements in impairment of non-current assets held for sale are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	47	58
Charge for the year	111	15
Reversal for the year	(15)	(26)
Closing balance	143	47

29 Investment properties

The caption Investment properties includes the real estate owned by “Valor Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, by “Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular”, by “Portugal Estates Fund – Fundos de Investimento Imobiliário Fechado de Subscrição Particular” and by “Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto”, all of which are consolidated by the full consolidation method, according to the accounting policy described in note 1 b) and also the real estate held by SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

In 2023, the amount of rental income received related to investment properties totalled Euro 915 thousand (2022: Euro 1,223 thousand) and maintenance costs of leased and non-leased properties totalled Euro 2,032 thousand (2022: Euro 2,493 thousand), as described in note 9.

The movements in this caption are analysed as follows:

(Euro thousand)

	2023	2022
Opening Balance	72 726	102 933
Acquisitions	21	488
Revaluations	1 474	1 905
Disposals	(16 556)	(28 504)
Transfers	-	(4 096)
Closing balance	57 665	72 726

These investments are initially recognized at acquisition cost, including transaction costs, and are subsequently remeasured at fair value. The fair value reflects market conditions at the balance sheet date, with external appraisers carrying out the appraisals being duly certified for this purpose and registered with the CMVM.

30 Other tangible assets

This caption is presented as follows:

	2023	2022
	(Euro thousand)	
Investments		
Real estate		
For own use	182 963	185 978
Leasehold improvements in rented buildings	28 604	28 604
Equipment		
IT equipment	93 868	88 577
Fixtures	33 870	32 045
Furniture	17 198	17 491
Security equipment	4 400	4 339
Machinery and tools	2 802	2 842
Transportation equipment	1 664	1 620
Other equipment	5	5
Works of art	2 870	2 870
Assets in operating leases	58	58
Righ-of-use assets		
Real estate	31 627	26 383
Motor vehicles	14 633	12 845
Other tangible assets	540	793
Work in progress	1 370	1 342
	416 472	405 792
Accumulated depreciation		
Charge for the year	(14 219)	(14 075)
Accumulated charge in previous years	(206 528)	(199 214)
	(220 747)	(213 289)
Impairment for other tangible assets	(325)	(505)
	195 400	191 998

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

The movements in the caption Other tangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)

	Opening balance	Discontinuing operations	Acquisitions	Disposals	Transfers	Closing balance
Investments						
Real estate						
For own use	185 978		-	-	(3 015)	182 963
Leasehold improvements in rented build	28 604			-	-	28 604
Equipment						
IT equipment	88 577		8 200	2 948	39	93 868
Fixtures	32 045		46	186	1 965	33 870
Furniture	17 491		151	444	-	17 198
Security equipment	4 339		88	27	-	4 400
Machinery and tools	2 842		4	44	-	2 802
Transportation equipment	1 620		277	232	(1)	1 664
Other equipment	5	-	-	-	-	5
Works of art	2 870	-	-	-	-	2 870
Assets in operating leases	58	-	-	-	-	58
Righ-of-use assets						
Real estate	26 383		522	1 160	5 882	31 627
Motor vehicles	12 845	-	1 277	831	1 342	14 633
Other tangible assets	793		-	214	(39)	540
Work in progress	1 342		2 012	-	(1 984)	1 370
	405 792	-	12 577	6 086	4 189	416 472
Accumulated depreciation						
Real estate						
For own use	26 407		2 755	-	(342)	28 820
Leasehold improvements in rented build	27 864	-	119	-	-	27 983
Equipment						
IT equipment	85 066		2 100	2 948	37	84 255
Fixtures	22 346		1 645	186	-	23 805
Furniture	17 146		128	445	2	16 831
Security equipment	4 111		91	27	1	4 176
Machinery and tools	2 767		37	44	1	2 761
Transportation equipment	522		183	53	(2)	650
Other equipment	5		-	-	-	5
Assets in operating leases	58	-	-	-	-	58
Righ-of-use assets						
Real estate	20 728	-	5 450	1 191	(525)	24 462
Motor vehicles	5 507	-	1 711	786	-	6 432
Other tangible assets	762		-	214	(39)	509
	213 289	-	14 219	5 894	(867)	220 747
Impairment of other tangible assets	505					325
	191 998					195 400

The movements in the caption Other tangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	Opening balance	Discontinuing operations	Acquisitions	Disposals	Transfers	Closing balance
Investments						
Real estate						
For own use	193 034	(4 320)	-	-	(2 736)	185 978
Leasehold improvements in rented buil	29 202	(599)	1	-	-	28 604
Equipment						
IT equipment	88 893	(1 273)	1 970	1 013	-	88 577
Fixtures	31 425	(298)	5	5	918	32 045
Furniture	18 467	(441)	12	547	-	17 491
Security equipment	4 411	(104)	166	134	-	4 339
Machinery and tools	2 937	(87)	2	10	-	2 842
Transportation equipment	2 218	(607)	800	791	-	1 620
Other equipment	5	-	-	-	-	5
Works of art	2 870	-	-	-	-	2 870
Assets in operating leases	58	-	-	-	-	58
Righ-of-use assets						
Real estate	23 852	(63)	10	-	2 584	26 383
Motor vehicles	12 589	-	148	150	258	12 845
Other tangible assets	16 555	(15 763)	-	-	1	793
Work in progress	10 583	(9 798)	1 480	-	(923)	1 342
	437 099	(33 353)	4 594	2 650	102	405 792
Accumulated depreciation						
Real estate						
For own use	24 614	(748)	2 804	-	(263)	26 407
Leasehold improvements in rented buil	27 650	-	214	-	-	27 864
Equipment						
IT equipment	84 572	(699)	2 206	1 013	-	85 066
Fixtures	21 038	(215)	1 527	4	-	22 346
Furniture	18 043	(484)	134	547	-	17 146
Security equipment	4 717	(566)	94	134	-	4 111
Machinery and tools	2 815	(79)	41	10	-	2 767
Transportation equipment	1 008	(537)	175	124	-	522
Other equipment	7	(2)	-	-	-	5
Assets in operating leases	58	-	-	-	-	58
Righ-of-use assets						
Real estate	15 266	-	5 250	-	212	20 728
Motor vehicles	4 027	-	1 630	150	-	5 507
Other tangible assets	791	(29)	-	-	-	762
	204 606	(3 359)	14 075	1 982	(51)	213 289
Impairment of other tangible assets	(883)					(505)
	231 610					191 998

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	505	883
Charge for the year	1 592	1 992
Reversal for the year	-	(265)
Transfers	(1 772)	(1 702)
Discontinuing operations	-	(403)
Closing balance	325	505

In 2023, a reinforcement of impairment, net of reversals, was made in Euro 1,592 thousand (2022: Euro 1,727 thousand) related to the closure of branches in the scope of the Distribution network resizing plan, as referred in note 15.

The caption Transfers relates to the impairment associated with branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 33.

31 Intangible assets

This caption is presented as follows:

(Euro thousand)

	2023	2022
Investment		
Software	234 209	202 494
Other Intagible Assets	3 012	3 578
Work in progress	7 732	6 118
	244 953	212 190
Accumulated depreciation		
Charge for the year	(23 696)	(19 931)
Accumulated charge in previous years	(163 513)	(144 708)
	(187 209)	(164 639)
	57 744	47 551

The movements in the caption Intangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)

	2023				
	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	202 494	41	206	31 880	234 209
Other Intagible Assets	3 578	-	919	353	3 012
Work in progress	6 118	33 889	-	(32 275)	7 732
	212 190	33 930	1 125	(42)	244 953
Accumulated depreciation					
Software	163 720	23 696	206	(1)	187 209
Other Intagible Assets	919	-	919	-	-
	164 639	23 696	1 125	(1)	187 209
	47 551				57 744

The movements in the caption Intangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	2022					
	Opening balance	Discontinuing operations	Acquisitions	Disposals	Transfers	Closing balance
Cost						
Software	175 730	(853)	6	596	28 207	202 494
Other Intagible Assets	3 146	(176)	-	-	608	3 578
Work in progress	7 326	(1 117)	28 727	-	(28 818)	6 118
	186 202	(2 146)	28 733	596	(3)	212 190
Accumulated depreciation						
Software	145 235	(748)	19 829	596	-	163 720
Other Intagible Assets	817	-	102	-	-	919
	146 052	(748)	19 931	596	-	164 639
	40 150					47 551

32 Taxes

Deferred tax assets and liabilities, as at 31 December 2023 and 2022, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Deferred taxes not dependent on future profitability						
Impairment on loans granted	35 216	36 203	-	-	35 216	36 203
Post-employment and long-term benefits	16 973	22 499	-	-	16 973	22 499
	52 189	58 702	-	-	52 189	58 702
Deferred taxes dependent on future profitability						
Financial instruments	6 956	12 155	(8 239)	(7 911)	(1 283)	4 244
Other tangible assets	4 198	-	-	(6)	4 198	(6)
Provisions / Impairment						
Impairment on loans granted	35 485	89 802	-	-	35 485	89 802
Other risks and charges	5 561	8 436	-	-	5 561	8 436
Impairment in securities and non-financial assets	5 280	4 271	(37)	(38)	5 243	4 233
Impairment in financial assets	1 971	2 276	-	-	1 971	2 276
Post-employment and long-term benefits	40 606	45 577	-	(20 102)	40 606	25 475
Others	5 529	2	-	-	5 529	2
Taxes losses carried forward	231 563	220 440	-	-	231 563	220 440
Net deferred tax assets/ (liabilities)	389 338	441 661	(8 276)	(28 057)	381 062	413 604

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets ("Regime" or "REAID"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes 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 the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of said Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (see note 43).

In this sense, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio has a special reserve in the amount of Euro 4,809 thousand, which corresponds to a tax credit of Euro 273 thousand (31 December 2022: special reserve of Euro 5,076 thousand, which corresponds to a tax credit of Euro 4,614 thousand) and which, as at 31 December 2023, is an integral part of the total current tax assets. These amounts may be changed in the context of the certification that the Tax and Customs Authority will carry out.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved/known at the balance sheet date.

The referred caption also includes, as at 31 December 2023, the amount of Euro 1,845 thousand (31 December 2022: Euro 2,081 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of the Banco Montepio Group).

In financial year 2023, deferred taxes recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 24,592 thousand (31 December 2022: Euro 30,099 thousand) related to the referred benefits in excess of the existing limits.

In financial years 2023 and 2022, and in function of (i) the tax rates in force, (ii) the expectation of the conversion into tax-accepted costs and profits, and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 30.5% and 21.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 t), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio Group's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on Banco Montepio's medium-/long-term business plan, which constitutes an extension of the strategic planning exercise drawn up by the Group for the triennium. The financial projections reflect management's perspectives as to the evolution of the activity and the business model's sustainability, considering the macroeconomic context and financial variables, evolution of economic activity and of credit risk, among others.

The recovery of the profitability, liquidity and capital levels of the Banco Montepio Group, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in core business areas, with a focus on families, SMEs and the social economy, privileging segments and products with a lower capital consumption with lower risk, the improvement of efficiency and profitability, cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following main items which are highlighted next:

- Control of operating costs, despite the inflationary pressures currently raging, through the elimination of redundancies and taking advantage of synergies, derived, among other aspects, from the simplification of the organizational structure and processes, besides the reinforcement of digitalization.
- Increase in the commercial network business with growth in credit portfolios with less risk and capital consumption, based on an appropriate management of the return on capital employed. Potential for growth in the complementary margin through cross-selling and new business areas, leveraging the potential of the customer base that the Banco Montepio Group enjoys, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- Banco Montepio Group's balance sheet structure benefits growth of the net interest income in the context of rising interest rates. Potential for growth of commissions, evidencing the impacts of a management of the price list to adjust same to the value proposal for each segment, and the progressive increase of the customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions, where customer resources constitute the main source of financing for the activity.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, aimed at achieving an NPL ratio below 5% in the short term, or through the reduction of the properties on the balance sheet.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.
- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to 31 December 2023 and 2022, the Banco Montepio Group recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax evolved at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry Date	2023	2022
2032	15 338	15 629
2033	26 829	18 931
Undetermined	189 396	185 880
	231 563	220 440

The expiry years indicated above reflect that stipulated in the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), under which the tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

The State Budget Law for 2023 (Law no. 24-D/2022, of 30 December), which came into force on 1 January 2023, establishes that tax losses calculated in fiscal years beginning on or after 1 January 2023, as well as those calculated previously that have not expired, are carried forward to future years without any time limitation, no longer being subject to a maximum period of deduction. Additionally, it also establishes that the deduction limit against taxable income is reduced to 65%, maintaining the increase of 10 percentage points for tax losses calculated in the 2020 and 2021 tax periods (i.e., the deduction can be made up to 75% of taxable income).

However, regarding the time limitation referred to in the previous paragraph, this does not apply to tax losses calculated in tax periods prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the REAID is verified, with the deduction period in force on 31 December 2022 being applied to tax losses calculated in those tax periods. Tax recognized in net income/(loss) and in reserves during financial years 2023 and 2022 originated as follows:

(Euro thousand)

	2023		2022	
	Recognized in net income/ (loss)	Recognized to reserves and retained earnings	Recognized in net income/ (loss)	Recognized to reserves and retained earnings
Financial instruments	1 113	(1 112)	2 997	2 266
Impairment / Provisions	(56 866)	-	(33 469)	-
Post-employment and long-term benefits	(11 127)	20 102	(2 958)	(20 102)
Tax losses carried forward	11 123	-	4 837	-
Others	3 979	-	(266)	-
Deferred taxes/ recognized as profit/ (losses)	(51 778)	18 990	(28 859)	(17 836)
Current taxes	1 465	-	(6 731)	-
	(50 313)	18 990	(35 590)	(17 836)

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2023		2022	
	%	Value	%	Value
Profit/ (Loss) before income tax		182 888		79 392
Income tax based on the current nominal tax rate	(21,0)	(38 406)	(21,1)	(16 735)
Capital gains and losses for tax purposes	(0,8)	(1 527)	(4,6)	(3 675)
Banking sector extraordinary contribution	(5,0)	(9 186)	(2,6)	(2 070)
Post-employement benefits and Pension Fund	(8,5)	(15 475)	3,0	2 400
Taxable provisions/impairment	(10,4)	(18 979)	(23,1)	(18 349)
Autonomous taxation	(0,3)	(465)	(0,6)	(443)
Corrections to previous year	-	-	3,0	2 410
Effect of differences in income tax for the year	5,1	9 322	(11,7)	(9 251)
Deductions / (add-backs) for taxable income purposes (*)	5,9	10 763	6,1	4 837
Others	7,5	13 640	6,7	5 286
Income tax for the year	(27,5)	(50 313)	(44,8)	(35 590)

(*) Corresponds to the losses determined by investment funds included in the perimeter and other consolidation

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes. The new regime includes a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio opted for the application of the new tax regime for impairment as from financial year 2023, for which reason, for the current and deferred tax assessment related to previous financial years, it estimated its taxes based on the regime that was in force until 31 December 2018, and in the respect of current and deferred tax of financial year 2023 it based same on the new tax regime for impairment.

The entity Montepio Crédito opted to apply the new tax regime for impairment and thus based its tax estimate on the new tax regime for impairment.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

The Banco Montepio Group was subject to inspections by the Tax Authority under the Special Taxation Regime of Groups of Companies ("RETGS"), up to and including the 2021 tax period, with the inspection of the 2022 tax period being currently underway.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 1,568 thousand (31 December 2022: Euro 5,966 thousand) relates, essentially, to IRC recoverable, additional payments on account, special payments on account and payments on account.

33 Other assets

This caption is presented as follows:

		(Euro thousand)
	2023	**2022**
Assets received in recovery of credit	313 112	447 959
Post-employment benefits	50 428	138 572
Other debtors	73 219	50 058
Sundry debtors	18 299	16 936
Price deposits	6 514	7 335
Bonifications to be received from the Portuguese State	5 368	5 778
Deferred costs	5 565	3 831
Other amounts receivable	8 392	5 260
	480 897	675 729
Impairment for assets received in recovery for credit	(107 582)	(123 826)
Impairment for other assets	(26 995)	(24 596)
	346 320	527 307

The caption Assets received in recovery of credit is presented as follows:

		(Euro thousand)
	2023	**2022**
Assets received in recovery of credit	313 112	447 959
Impairment for Assets received in recovery of credit	(107 582)	(123 826)
	205 530	324 133

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

As at 31 December 2023, the caption Assets received in recovery of credit includes the amount of Euro 1,839 thousand (31 December 2022: Euro 1,781 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in the Group's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to the Group's expectation, it is intended that these assets be sold in under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2023, properties for which promissory contracts to buy and sell, in the amount of Euro 20,265 thousand (31 December 2022: Euro 27,234 thousand), have already been celebrated.

The movements in financial years 2023 and 2022 in Assets received in recovery of credit are analysed as follows:

		(Euro thousand)
	2023	**2022**
Opening balance	447 959	603 714
Acquisitions	16 150	16 358
Disposals	(148 614)	(169 681)
Other movements	(1 928)	(3 760)
Transfers	(455)	2 570
Discontinuing operations	-	(1 242)
Closing Balance	313 112	447 959

The movement in impairment of Assets received in recovery of credit are analysed as follows:

		(Euro thousand)
	2023	**2022**
Opening balance	123 826	140 124
Charge for the year	21 117	23 677
Reversals for the year	(2 814)	(1 129)
Utilization	(36 319)	(40 548)
Transfers	1 772	1 702
Closing balance	107 582	123 826

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 30.

The caption Post-employment and long-term benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund.

As at 31 December 2023 and 2022, the caption Other debtors is analysed as follows:

(Euro thousand)

	2023	2022
Supplementary capital contributions	14 910	14 910
Others	58 309	35 148
	73 219	50 058

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully covered by impairment as at 31 December 2023 and 2022.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, which amounts were determined in accordance with the legal provisions applicable to low-interest loans, and which do not bear interest and are regularly claimed.

In financial years 2023 and 2022, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

(Euro thousand)

	2023	2022
Bonifications overdue and not yet claimed	2 027	2 183
Bonifications claimed from State not yet settled	3 023	3 005
Bonifications processed and not yet claimed	318	590
	5 368	5 778

The movements in the impairment of Other assets are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	24 596	26 719
Charge for the year	5 298	2 484
Reversals for the year	(1 268)	(1 867)
Utilization	(1 423)	(2 955)
Transfers	(208)	215
Closing balance	26 995	24 596

As at 31 December 2023, the impairment of Other assets includes the impairment constituted for the exposures of Supplementary capital contributions of Euro 14,910 thousand (identical amount as at 31 December 2022), for Price deposits of Euro 2,577 thousand (31 December 2022: Euro 3,186 thousand), for Guarantee commissions of Euro 609 thousand ((31 December 2022: Euro 590 thousand), for Factoring operations of Euro 498 thousand (31 December 2022: Euro 498 thousand) and for Other debtors of Euro 8,401 thousand (31 December 2022: Euro 5,412 thousand).

The expectations regarding receipts associated with price deposits are regularly evaluated considering, namely, the status of each process and the information known/made available by the insolvency administrators, with the estimate of impairment associated with these price deposits being adjusted whenever this is found to be necessary.

34 Deposits from central banks

As at 31 December 2023 and 2022, this caption includes deposits obtained from the European System of Central Banks, which are collateralized by loans to customers, securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 24 and 26.

For the financing lines under the TLTRO III program, the effective interest rate used in the first half of 2023 and financial year 2022 considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2023, these funds consist of two operations with maturities and amounts as follows: in March 2024, in the amount of Euro 817,437 thousand and in December 2024, in the amount of Euro 56,496 thousand.

The analysis of the caption Deposits from central banks for the residual period of the operations, as at 31 December 2023 and 2022, is as follows:

(Euro thousand)

	2023	2022
Up to 6 months	817 437	1 162 557
More than 6 months	56 496	1 727 434
	873 933	2 889 991

The operations are remunerated at the Banco de Portugal rates in force as at the contract date.

35 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2023			2022		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	5 607	-	5 607	10 582	-	10 582
Term deposits	-	12 518	12 518	-	1 002	1 002
	5 607	12 518	18 125	10 582	1 002	11 584
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	34 465	-	34 465	25 035	-	25 035
Sales operations with repurchase agreement	-	548 900	548 900	-	-	-
Others deposits	7 929	-	7 929	4 997	-	4 997
	42 394	848 907	891 301	30 032	300 007	330 039
	48 001	861 425	909 426	40 614	301 009	341 623

The analysis of the caption Deposits from other credit institutions for the residual period of the operations is as follows:

(Euro thousand)

	2023	2022
Up to 3 months	596 400	40 523
3 to 6 months	8 283	1 001
6 months to 1 year	4 236	-
more than 5 years	300 007	300 007
Undetermined	500	92
	909 426	341 623

As at 31 December 2023, the Group contracted Repos operations totalling Euro 548,900 thousand.

The EIB loan amount, presented in the previous table, has as its main objective the financing of SMEs and considers the loan obtained in November 2020, in the amount of Euro 300,000 thousand, which has a term of twelve years, a grace period of four years, constant amortizations and a rate of 0.019%.

The amount of the EIB loan is collateralized by Spanish, Italian and Greek sovereign bonds in the nominal amount of Euro 357,282 thousand (31 December 2022: Euro 376,651 thousand, by Portuguese, Italian, Greek, Irish and Spanish sovereign bonds), recorded in the caption Other financial assets at amortized cost, as described in note 26.

36 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2023			2022		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 470 291	105 104	5 575 395	6 615 971	39	6 616 010
Term deposits	-	7 662 053	7 662 053	-	6 342 677	6 342 677
Saving accounts	-	112 859	112 859	-	135 699	135 699
Others deposits	19 430	-	19 430	23 073	-	23 073
Adjustments from operations at fair value options	(3 329)	-	(3 329)	(2 093)	-	(2 093)
	5 486 392	7 880 016	13 366 408	6 636 951	6 478 415	13 115 366

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits, pursuant to that stipulated in said Ordinance. The criteria to calculate the annual contributions to the referred Fund are defined in Banco de Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the residual period of the operations is as follows:

(Euro thousand)

	2023	2022
Deposits repayable on demand	5 575 395	6 616 010
Term deposits and saving accounts		
Up to 3 months	2 221 734	1 655 476
3 to 6 months	1 641 788	1 129 470
6 months to 1 year	2 458 040	1 390 581
1 to 5 years	1 453 350	2 284 665
more than 5 years	-	18 184
	13 350 307	13 094 386
Other deposits		
up to 3 months	19 430	23 073
	13 369 737	13 117 459
Adjustments from operations at fair value options	(3 329)	(2 093)
	13 366 408	13 115 366

In 2023, deposits from customers were remunerated at the average implicit rate of 0.64% (2022: 0.05%).

37 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2023	2022
EMTN bonds	205 300	-
Covered bonds	328 483	327 492
Securitizations	196 262	279 159
	730 045	606 651

The caption EMTN bonds refers to the issue of Euro 200,000 thousand made in October 2023, and which is eligible for the minimum requirements for own funds and eligible liabilities ('MREL' or 'Minimum Requirement for own funds and eligible liabilities').

The fair value of the debt securities issued is presented in note 47.

The residual maturities of Debt securities issued as at 31 December 2023 and 2022 are as follows:

(Euro thousand)

	2023	2022
6 months to 1 year	3 776	53
1 to 5 years	527 044	327 439
more than 5 years	196 262	279 159
	727 082	606 651
Adjustments from operations at fair value option	2 963	-
	730 045	606 651

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, the Group has issues in circulation in a total amount of Euro 2,300,000 thousand, at nominal value, as at 31 December 2023 and 2022.

As at 31 December 2023, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	302 065	-	November 2016	November 2024	quarterly	Euribor 3M + 0,80%	Aaa/AA+
Covered bonds - 8S	1 250 000	1 252 517	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	Aaa/AA+
Covered bonds - 9S	250 000	251 303	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	Aaa/AA+
Covered bonds - 11S	500 000	328 483	328 483	November 2019	November 2024	annually	Fixed at 0.125%	Aaa/AA+
	2 300 000	2 134 368	328 483					

As at 31 December 2022, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	301 102	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	Aa2/AA
Covered bonds - 8S	1 250 000	1 251 553	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	Aa2/AA
Covered bonds - 9S	250 000	250 723	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	Aa2/AA
Covered bonds - 11S	500 000	327 492	327 492	November 2019	November 2024	annually	Fixed at 0.125%	Aa2/AA
	2 300 000	2 130 870	327 492					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in the Group's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Banco de Portugal Notices no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of Banco de Portugal.

As at 31 December 2023, the value of the loans collateralizing these issues amounted to Euro 3,046,532 thousand (31 December 2022: Euro 2,753,360 thousand), according to note 21.

The movements in Debt securities issued during financial year 2023, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements (a)	Balance on 31 December
EMTN bonds	-	200 000	-	5 300	205 300
Covered bonds	327 492	-	-	991	328 483
Securitisations	279 159	-	(82 897)	-	196 262
	606 651	200 000	(82 897)	6 291	730 045

The movements in Debt securities issued during financial year 2022, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Reimbursements	Other movements (a)	Balance on 31 December
Covered bonds	1 215 119	(750 000)	(137 627)	327 492
Securitisations	402 006	(122 847)	-	279 159
	1 617 125	(872 847)	(137 627)	606 651

(a) Included is the movement of accrued interest on the balance sheet date.

In accordance with the accounting policy described in note 1 c), the purchase of debt securities issued by the Group is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2023, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	22 174
PELICAN FINANCE no 2 A	06/12/2021	25/01/2035	Euribor 1M + 0,7%	137 899
PELICAN FINANCE no 2 B	06/12/2021	25/01/2035	Euribor 1M +1,35%	10 002
PELICAN FINANCE no 2 C	06/12/2021	25/01/2035	Euribor 1M + 2,25%	8 455
PELICAN FINANCE no 2 D	06/12/2021	25/01/2035	Euribor 1M + 4,25%	9 325
PELICAN FINANCE no 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	8 407
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
EMTN BONDS	31/10/2023	30/10/2026	Annual fixed rate of 10,0%	200 000
				896 262
			Covered Bonds - 11S repurchases	(171 400)
			Accrual based accounting, deferred income, costs and others	5 183
				730 045

As at 31 December 2022, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	26 165
PELICAN FINANCE no 2 A	06/12/2021	25/01/2035	Euribor 1M + 0,7%	200 401
PELICAN FINANCE no 2 B	06/12/2021	25/01/2035	Euribor 1M +1,35%	14 535
PELICAN FINANCE no 2 C	06/12/2021	25/01/2035	Euribor 1M + 2,25%	12 288
PELICAN FINANCE no 2 D	06/12/2021	25/01/2035	Euribor 1M + 4,25%	13 552
PELICAN FINANCE no 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	12 218
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				779 159
			Covered Bonds - 11S repurchases	(171 400)
			Accrual based accounting, deferred income and costs	(1 108)
				606 651

38 Provisions

This caption is presented as follows:

(Euro thousand)

	2023	2022
Provisions for guarantees and commitments	10 362	19 517
Provisions for other risks and charges	10 468	11 235
	20 830	30 752

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to the Group's activity, being revised at each reporting date to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies, legal cases and fraud.

The movements in provisions for guarantees and commitments assumed, are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	19 517	21 262
Charge for the year	21 806	25 284
Reversal for the year	(30 891)	(22 102)
Utilization	(70)	(24)
Discontinuing operations	-	(4 903)
Closing balance	10 362	19 517

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	11 235	12 871
Charge for the year	1 703	3 526
Reversal for the year	(1 680)	(2 788)
Utilization	(790)	(2 015)
Others	-	13
Discontinuing operations	-	(372)
Closing balance	10 468	11 235

39 Other subordinated debt

As at 31 December 2023 and 2022, the main characteristics of subordinated debt, are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest rate	2023	2022
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 056	50 044
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 803	107 825
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 661	52 705
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 499	6 455
					217 019	217 029

The movements in Other subordinated debt during financial years 2023 and 2022, were as follows:

(Euro thousand)

	2023			2022		
	Balance at 1 January	Other movements (a)	Balance at 31 December	Balance at 1 January	Other movements (a)	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	12	50 056	50 044	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 825	(22)	107 803	107 825	-	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	(44)	52 661	52 705	-	52 705
FINIBANCO VALOR INVEST 2010	6 455	44	6 499	6 691	(236)	6 455
	217 029	(10)	217 019	217 265	(236)	217 029

(a) Includs accrued interest

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable Laws or Regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

40 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2023	2022
Domestic and foreign operations pending settlement	152 443	133 409
Sundry creditors	45 975	43 980
Staff costs payable	30 912	31 323
Other expenses	21 165	24 014
Lease liabilities	7 689	5 519
Administrative public sector	14 843	12 110
Suppliers	13 926	10 689
Deferred income	548	436
	287 501	261 480

As at 31 December 2023, the caption Staff charges payable includes the amount of Euro 17,729 thousand (31 December 2022: Euro 15,490 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2023, this caption also includes the amount of Euro 2,729 thousand (31 December 2022: Euro 2,124 thousand) related to end-of-career awards. As at 31 December 2022, it includes the amount of Euro 8,423 thousand for the employee adjustment program.

As at 31 December 2023 and 2022, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	2023	2022
Up to 1 year	4 060	4 299
1 to 5 years	3 629	1 220
	7 689	5 519

41 Share capital

As at 31 December 2023, Banco Montepio's share capital, which is fully realized, amounts to Euro 1,210,000 thousand (31 December 2022: Euro 2,420,000 thousand).

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

The shareholder structure of Banco Montepio's share capital as at 31 December 2023 and 2022 is as follows:

	2023		2022	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99,9930%	2 419 830 580	99,9930%
Other Shareholders	169 420	0,0070%	169 420	0,0070%
	2 420 000 000	100,0%	2 420 000 000	100,0%

42 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2023, the legal reserve amounts to Euro 196,833 thousand (31 December 2022: 193,266 thousand).

43 Other reserves and Retained earnings

This caption is presented as follows:

		(Euro thousand)
	2023	**2022**
Fair value reserves		
Fair value reserve		
Financial assets at fair value through other comprehensive income		
Debt instruments	(2 183)	(3 801)
Equity instruments	11 855	9 634
	9 672	5 833
Taxes		
Financial assets at fair value through other comprehensive income	(2 880)	(1 768)
	(2 880)	(1 768)
Fair value reserve net of taxes	6 792	4 065
Other reserves and retained earnings		
Special regime for deferred tax assets	4 809	5 076
Post-employment benefits	(84 087)	(135 267)
Consolidation exchange reserves	-	(93 975)
Other reserves and retained earnings	203 758	(918 915)
	124 480	(1 143 081)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2023				
	Balance on 1 January	Revaluation	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities					
Bonds issued by Portuguese public entities	(2 599)	920	(9)	-	(1 688)
Bonds issued by foreign public entities	(765)	-	692	73	-
Bonds issued by other entities					
Domestic	(403)	(131)	(97)	154	(477)
Foreign	(53)	17	16	2	(18)
Commercial Paper	19	-	(38)	19	-
	(3 801)	806	564	248	(2 183)
Variable income securities					
Shares					
Domestic	10 785	1 000	-	-	11 785
Foreign	(1 151)	-	1 221	-	70
	9 634	1 000	1 221	-	11 855
	5 833	1 806	1 785	248	9 672

(Euro thousand)

	2022					
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	426	(2 803)	-	(244)	22	(2 599)
Bonds issued by foreign public entities	314	(1 084)	-	-	5	(765)
Bonds issued by other entities						
Domestic	534	(1 683)	-	(289)	1 035	(403)
Foreign	(13)	(35)	-	(6)	1	(53)
Commercial Paper	1 257	-	38	(2 514)	1 238	19
	2 518	(5 605)	38	(3 053)	2 301	(3 801)
Variable income securities						
Shares						
Domestic	9 985	160	640	-	-	10 785
Foreign	798	-	21	(1 970)	-	(1 151)
	10 783	160	661	(1 970)	-	9 634
	13 301	(5 445)	699	(5 023)	2 301	5 833

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2023	2022
Amortised cost of financial assets at fair value through other comprehensive income	38 732	91 941
Recognised accumulated impairment	(304)	(552)
Amortised cost of financial assets at fair value through other comprehensive income net of impairment	38 428	91 389
Market value of financial assets at fair value through other comprehensive income	48 100	97 222
Potential realised gains/ (Losses) recognised in the fair value reserve	9 672	5 833

The movement in retained earnings, in financial years 2023 and 2022, is presented in the Consolidated statement of changes in equity.

As described in note 32, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and in 2021, and considering the eligible deferred tax assets at the reference date of the aforementioned periods, as a result of the application of the special regime applicable to deferred tax assets, Banco Montepio recorded a Special reserve corresponding to 110% of the amount of the tax credits calculated, which has the following breakdown:

(Euro thousand)

	2023	2022
Special reserve		
2021 (Negative net income of 2020)	4 509	4 750
2022 (Negative net income of 2021)	300	326
	4 809	5 076

As at 31 December 2023, Banco Montepio has a Special reserve in the amount of Euro 4,809 thousand (31 December 2022: Euro 5,076 thousand), and a tax credit of Euro 273 thousand (31 December 2022: Euro 4,614 thousand), as described in note 32.

As at 31 December 2022, the caption Consolidation foreign exchange reserves recorded the exchange differences associated with the conversion of the Finibanco Angola, S.A. financial statements into Euro, which amount, upon the sale of the associated investment, was recognized in the 2023 financial statements, in line with that described in note 1 b) Investments in subsidiaries and associates resident abroad.

As described in policy 1 b), the consolidation of the financial statements of subsidiary companies in foreign currency is preceded by their conversion into Euro based on the exchange rate which, in the case of Finibanco Angola, S.A., is disclosed by the Banco Nacional de Angola, with the conversion to Euro of assets and liabilities expressed in foreign currency being based on the exchange rate at the balance sheet date, while the income and expenses calculated are translated at the average exchange rate for the month in which they are recognized.

The evolution of the foreign exchange reserve in 2023 and 2022 is presented as follows:

(Euro thousand)

	2023	2022
Opening balance	(93 975)	(103 351)
Increases/(decreases) by valuations	-	9 376
Recycling of foreign exchange reserves	93 975	-
Final balance	-	(93 975)

44 Distribution of dividends

In financial years 2023 and 2022, Banco Montepio did not distribute dividends.

45 Non-controlling interests

This caption is presented as follows:

(Euro thousand)

	Balance sheet 2023	Balance sheet 2022	Income Statement 2023	Income Statement 2022
Finibanco Angola, S.A.	-	11 442	1 742	(2 666)

The movements in this caption are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	11 442	12 903
Foreign exchange differences	(5 455)	2 170
Dividends	(663)	(965)
Discontinuing participation	(7 066)	-
	(1 742)	14 108
Net income attributable to non-controlling interests	1 742	(2 666)
	-	11 442

Name	Home office	Segment	Percentage held by non-controlling interests 2023	Percentage held by non-controlling interests 2022
Finibanco Angola, S.A.	Luanda	Banking	-	19,78%

46 Guarantees and other commitments

This caption is presented as follows:

(Euro thousand)

	2023	2022
Guarantees granted	519 196	462 194
Commitments to third parties	1 571 256	1 658 049
Deposit and custody of securities	7 050 460	8 170 780
	9 140 912	10 291 023

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)	2023	2022
Garantees granted		
Guarantees	468 399	426 783
Letters of credit	50 797	35 411
	519 196	462 194
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	638 083	720 589
Securities subscription	590	708
Term liability to the Guarantee Deposits Fund	22 768	22 768
Potential liability with the Investor's Indemnity System	5 094	5 774
Revocable commitments		
Revocable credit facilities	904 721	908 210
	1 571 256	1 658 049

Bank guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by the Group.

Documentary credits correspond to irrevocable commitments, by the Group, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. All credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, with the Group requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2023 and 2022, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by the Group, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2023, in the scope of the Deposits Guarantee Fund, the Group pledged treasury bonds (OT October 2030 and OT February 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 29,000 thousand (31 December 2022: Euro 28,000 thousand), as described in note 26.

As at 31 December 2023 and 2022, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that the Group assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 c). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by the Group in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

47 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of the Group.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13, as follows:

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

a) Financial instruments shall be classified in level 2 if they are:
   i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or
   ii. valued using indicative third-party purchase prices, based on observable market data.

b) For financial instruments that do not have a 30-day history available in the system, the fair value level shall be assigned based on the available history.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:
   i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;
   ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or
   iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g., degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.
- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

   i. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.
   ii. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

For Deposits from central banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is 1.09% for live operations as at 31 December 2023 (31 December 2022: 0.08%).

For the remaining funds from credit institutions, the discount rate used reflects the current conditions applied by the Group to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2023, the average discount rate was 2.77% (31 December 2022: 3.53%).

For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. 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 for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by the Group to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 31 December 2023, the average discount rate was 3.70% for mortgage loans (31 December 2022: 4.24%), 5.82% for private individual loans (31 December 2022: 8.04%) and 4.79% for the remaining loans (31 December 2022:

4.49%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by the Group to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of the Group at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2023 was 2.67% (31 December 2022: 1.18%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which the Group applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of the Group.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

Type of instruments			Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash Flow Method [2]	Interest rate curves
		Exchange rate options	Black-Scholes Model	Implied Volatilities
		Interest rate options	Normal Model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3]
Financial assets at amortized cost	Debt securities Loans and advances		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied Volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

(1) In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with the Group with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio Group's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of the CVA and DVA adjustments is presented as follows:

(Euro thousand)

	2023		2022	
	CVA	DVA	CVA	DVA
Adjustment	257	144	51	573
Of which : Derivatives expiry	(3)	14	(15)	(260)

Fair value of assets received in recovery of credit and of Investment properties

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation;
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as "expert appraisers" with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of Banco de Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

Investment properties

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods:

- Comparative market method;
- Income method;
- Cost method;

as described in note 1 n).

With regard to leased properties, the rent value observes the price per square meter applicable to each type of property covered by the contract, which considers, among others, the purpose and location of these properties. In relation to properties whose valuation results from assessments obtained through independent appraisers, the type of property, location and, if applicable, prices charged in comparable operations are considered to perform the valuation.

As at 31 December 2023, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Yen
1 day	3,800000	5,365000	5,230000	1,855000	0,125000
7 days	3,895000	5,306250	5,220000	1,650000	-0,340000
1 month	3,903500	5,420000	5,285000	1,780000	-0,340000
2 months	3,900500	5,460000	5,215000	1,755000	-0,300000
3 months	3,868500	5,530000	5,320000	1,675000	-0,280000
6 months	3,684500	5,500000	5,370000	1,690000	-0,190000
9 months	3,446500	5,410000	5,290000	1,700000	-0,050000
1 year	3,213500	5,340000	5,250000	1,710000	0,080000
2 years	2,565500	5,195685	5,182845	1,242500	0,079931
3 years	2,321500	5,052550	5,182845	1,164000	0,079931
5 years	2,181500	4,765493	5,182845	1,146000	0,079931
7 years	2,197500	4,478436	5,182845	1,189000	0,079931
10 years	2,288500	4,047457	5,182845	1,252500	0,079931
15 years	2,416500	3,759688	5,182845	1,302500	0,079931
20 years	2,416500	3,758500	5,182845	1,302500	0,079931
30 years	2,280500	3,590950	5,182845	1,302500	0,079931

As at 31 December 2022, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Yen
1 day	1,970000	4,285000	3,470000	0,950000	-0,075000
7 days	1,904000	4,444375	3,615000	0,910000	-0,200000
1 month	1,905000	4,420000	3,640000	0,920000	-0,200000
2 months	2,092000	4,630000	3,830000	1,000000	-0,200000
3 months	2,253000	4,770000	3,900000	0,970000	-0,200000
6 months	2,669000	5,150000	4,345000	1,160000	-0,150000
9 months	2,952000	5,235000	4,650000	1,430000	-0,100000
1 year	3,102000	5,345000	4,965000	1,660000	-0,100000
2 years	3,142000	5,204321	4,904856	1,711500	-0,100013
3 years	3,024000	5,065171	4,904856	1,797000	-0,100013
5 years	2,961000	4,786489	4,904856	1,941000	-0,100013
7 years	2,920000	4,507043	4,904856	2,068000	-0,100013
10 years	2,938000	4,088064	4,904856	2,191000	-0,100013
15 years	2,934000	3,777879	4,904856	2,276000	-0,100013
20 years	2,787000	3,726000	4,904856	2,276000	-0,100013
30 years	2,470000	3,472000	4,904856	2,276000	-0,100013

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**2023**	**2022**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1,10500	1,06600	6,980	6,710	6,650	6,640	6,750
EUR/GBP	0,86905	0,88693	5,020	5,260	5,630	5,900	6,075
EUR/CHF	0,9260	0,9847	6,810	6,290	6,170	6,105	6,110
EUR/JPY	156,33	140,66	10,500	10,255	10,185	10,130	10,060

Regarding exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of the Group, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

	2023				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 171 398	1 171 398	1 171 398
Loans and deposits to credit institutions payable on demand	-	-	61 041	61 041	61 041
Other loans and advances to credit institutions	-	-	178 902	178 902	178 902
Loans and advances to customers	781	-	11 452 478	11 453 259	11 725 686
Financial assets held for trading	18 970	-	-	18 970	18 970
Financial assets at fair value through profit or loss	128 228	-	-	128 228	128 228
Financial assets at fair value through other comprehensive income	-	48 100	-	48 100	48 100
Hedging derivatives	6 174	-	-	6 174	6 174
Other financial assets at amortized cost	-	-	3 878 848	3 878 848	3 565 959
Non-current assets held for sale	-	-	74	74	74
	154 153	48 100	16 742 741	16 944 994	16 904 532
Financial liabilities					
Deposits from central bank	-	-	873 933	873 933	873 933
Deposits from other credit institutions	-	-	909 426	909 426	869 147
Deposits from customers	95 299	-	13 271 109	13 366 408	13 322 243
Debt securities issued	-	-	730 045	730 045	728 269
Financial liabilities held for trading	12 636	-	-	12 636	12 636
Hedging derivatives	3 525	-	-	3 525	3 525
Other subordinated debt	-	-	217 019	217 019	203 188
	111 460	-	16 001 532	16 112 992	16 012 941

(Euro thousand)

	2022				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 383 802	1 383 802	1 383 802
Loans and deposits to credit institutions payable on demand	-	-	52 287	52 287	52 287
Other loans and advances to credit institutions	-	-	106 376	106 376	106 376
Loans and advances to customers	863	-	11 712 234	11 713 097	11 793 411
Financial assets held for trading	23 070	-	-	23 070	23 070
Financial assets at fair value through profit or loss	147 770	-	-	147 770	147 770
Financial assets at fair value through other comprehensive income	-	97 222	-	97 222	97 222
Other financial assets at amortized cost	-	-	4 119 387	4 119 387	3 610 321
Non-current assets held for sale	-	-	11	11	11
	171 703	97 222	17 374 097	17 643 022	17 214 270
Financial liabilities					
Deposits from central bank	-	-	2 889 991	2 889 991	2 889 991
Deposits from other credit institutions	-	-	341 623	341 623	282 116
Deposits from customers	61 565	-	13 053 801	13 115 366	13 071 543
Debt securities issued	-	-	606 651	606 651	583 885
Financial liabilities held for trading	17 697	-	-	17 697	17 697
Other subordinated debt	-	-	217 029	217 029	205 772
	79 262	-	17 109 095	17 188 357	17 051 004

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2023:

(Euro thousand)

	2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 171 398	-	-	-	1 171 398
Loans and deposits to credit institutions payable on demand	61 041	-	-	-	61 041
Other loans and advances to credit institutions	-	-	178 902	-	178 902
Loans and advances to customers	-	781	11 724 905	-	11 725 686
Financial assets held for trading	6 194	8 923	3 853	-	18 970
Financial assets at fair value through profit or loss	-	-	128 228	-	128 228
Financial assets at fair value through other comprehensive income	22 604	619	23 555	1 322	48 100
Hedging derivatives	6 174	-	-	-	6 174
Other financial assets at amortized cost	3 565 959	-		-	3 565 959
Non-current assets held for sale	-	-	74	-	74
	4 833 370	10 323	12 059 517	1 322	16 904 532
Financial liabilities					
Deposits from central bank	873 933	-	-	-	873 933
Deposits from other credit institutions	-	-	869 147	-	869 147
Deposits from customers	-	95 299	13 226 944	-	13 322 243
Debt securities issued	-	-	728 269	-	728 269
Financial liabilities held for trading	-	9 745	2 891	-	12 636
Hedging derivatives	-	3 525	-	-	3 525
Other subordinated debt	-	-	203 188	-	203 188
	873 933	108 569	15 030 439	-	16 012 941

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2022:

(Euro thousand)

	2022				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 383 802	-	-	-	1 383 802
Loans and deposits to credit institutions payable on demand	52 287	-	-	-	52 287
Other loans and advances to credit institutions	-	-	106 376	-	106 376
Loans and advances to customers	-	863	11 792 548	-	11 793 411
Financial assets held for trading	3 242	6 817	13 011	-	23 070
Financial assets at fair value through profit or loss	-	-	147 770	-	147 770
Financial assets at fair value through other comprehensive income	61 660	2 067	32 396	1 099	97 222
Other financial assets at amortized cost	3 610 321	-	-	-	3 610 321
Non-current assets held for sale	-	-	11	-	11
	5 111 312	9 747	12 092 112	1 099	17 214 270
Financial liabilities					
Deposits from central bank	2 889 991	-	-	-	2 889 991
Deposits from other credit institutions	-	-	282 116	-	282 116
Deposits from customers	-	61 565	13 009 978	-	13 071 543
Debt securities issued	-	-	583 885	-	583 885
Financial liabilities held for trading	-	7 694	10 003	-	17 697
Hedging derivatives	-	-	-	-	-
Other subordinated debt	-	-	205 772	-	205 772
	2 889 991	69 259	14 091 754	-	17 051 004

The value recorded as level 3 in the account Financial assets at fair value through other comprehensive income, corresponds, as far as is materially relevant, to the financial investments made in SIBS, Unicre and Abanca, with a total amount of 19,400 thousand euros in the statements financial statements as of 31 December 2023 (31 December 2022: 17,700 thousand euros) and were determined according to the methodology and assumptions detailed as follows:

SIBS

The fair value of the 1.74% stake held by the Bank in the share capital of SIBS, disclosed in the financial statements as at 31 December 2023, is supported by a valuation that considers the methodologies of multiples of comparable companies (market and transaction) and Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2023, the information contained in the reports and accounts on a consolidated basis for financial years 2021 and 2022, the documents prepared by management and updated to June 2023, the budget for the 2023 fiscal year, as well as information on transaction multiples of comparable companies, namely in the Networks and Payment Systems sectors, were considered.

For this valuation, a forecast horizon of four years was considered, for which it was necessary to calculate the forecast cash flows, based on historical cash flows and estimated growth rates, the latter showing accelerated growth for 2023, with, from 2024 onwards, same evolving in line with the Company's growth potential.

In the valuation using the DCF methodology, the continuity of operations beyond the forecast horizon was assumed, and a conservative scenario for the annual variation of cash-flows in perpetuity as well as for the investment levels in CAPEX and depreciation and amortizations were considered. Cash flows were discounted at a rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, which stood at 11.40% with reference to 31 December 2023 (31 December 2022: 10.6%).

In the valuation using the market multiples method, multiples referring to financial years 2021 and 2022 were considered, and which include companies from different geographies, supported by the MergerMarket database.

Unicre

The fair value of the 3.84% stake held by the Bank in the share capital of Unicre, disclosed in the financial statements as at 31 December 2023, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, since, at the valuation date, the Company's information regarding financial year 2022 was not yet public, and was based on information from the Reports and accounts of Unicre referring to financial years 2021 and 2022.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of revenues in its valuation, as well as the cost of financing to support Unicre's activity. On 31 December 2023, the discount rate considered in the valuation was 13.20% (31 December 2022: 11.0%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% stake held in the share capital of ABANCA, disclosed in the financial statements as at 31 December 2023, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, based on information from the Presentations of results and the Reports and accounts of ABANCA referring to financial years 2021, 2022 and the third quarter of 2023.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of operating results in its valuation, with the financing structure remaining stable compared to previous years, as well as the assumption of a slowdown in activity growth and of the Company's profitability in relation to historical performance. On 31 December 2023, the discount rate considered in the valuation was 12.50% (31

December 2022: 11.1%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

The discount rate has a significant impact on the valuation of these financial investments. In this sense, a sensitivity analysis was carried out to a positive variation and a negative variation of 50 basis points in the discount rate, with a view to determining the effect on the balance sheet value of these financial investments, the impact of which is analysed as follows:

(Euro thousand)

	2023		2022	
	Balance sheet value		Balance sheet value	
	Increase	Decrease	Increase	Decrease
Discount rate (0,5% change)	(700)	900	(810)	910

48 Post-employment and long-term benefits

Banco Montepio and Montepio Crédito assumed the responsibility to pay their employees and members of the Management Bodies old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 s).

In accordance with the same policy, the Group calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

The Group’s pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement (“ACT”) for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);
- Retirement due to disability; and
- Survival pension.

The respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of the Group, or as employees who had been permanent employees of the Group and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee’s level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund (“Caixa Geral de Aposentações”) or the National Pensions Centre (“Centro Nacional de Pensões”), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

The Group's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to a pension calculated as per the preceding paragraph and proportional to the time of service rendered to the Group, to be paid by the Penson Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

The Group has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, the Group signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2023	**2022**
Financial assumptions		
Salary growth rate	3,0% in the first year, 2,0% in the second year and 1,0% in the nexts	2,5% in the first three years and 0,75% in the nexts
Pension growth rate	2,5% in the first year, 1,5% in the second year and 0,75% in the nexts	2,5% in the first three years and 0,75% in the nexts
Rate of return of the Fund	3,60%	4,20%
Discount rate	3,60%	4,20%
Revaluation rate		
Salary growth rate - Social Security	1,50%	1,50%
Pension growth rate	1,25%	1,25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2023, the average duration of the pension liabilities of the employees is 14.1 years (31 December 2022: 15.9 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2023	**2022**
Active	2 631	2 842
Retirees and survivors	1 700	1 598
	4 331	4 440

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

	2023	2022
	(Euro thousand)	
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(415 048)	(340 082)
Active	(288 858)	(258 950)
	(703 906)	(599 032)
Liabilities with healthcare benefits		
Pensioners	(27 899)	(23 445)
Active	(27 304)	(23 367)
	(55 203)	(46 812)
Liabilities with death benefits		
Pensioners	(1 980)	(1 637)
Active	(1 213)	(984)
	(3 193)	(2 621)
Total liabilities	(762 302)	(648 465)
Coverages		
Pension Fund value	812 730	787 037
Net assets/(liabilities) in the balance sheet	50 428	138 572
Accumulated actuarial remeasurements recognized in other comprehensive income	219 754	135 267

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2023				2022			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the year	599 032	46 812	2 621	648 465	786 384	66 088	3 955	856 427
Recognized in net income/(loss) (note 10)								
Current service cost	2 596	846	38	3 480	3 089	1 482	71	4 642
Interest cost	25 159	1 966	110	27 235	11 021	927	55	12 003
Early retirement, terminations by mutual agreement and other	6 989	-	-	6 989	6 955	-	-	6 955
Recognized in Equity (note 42)								
Actuarial gains /(losses)								
Changes in assumptions	86 701	6 906	472	94 079	(202 192)	(20 236)	(1 474)	(223 902)
Not related to Changes in assumptions	10 750	(1 327)	(48)	9 375	18 772	(1 449)	14	17 337
Other								
Pensions paid by the Fund	(28 701)	-	-	(28 701)	(25 615)	-	-	(25 615)
Pensions paid by Banco Montepio	(991)	-	-	(991)	(1 736)	-	-	(1 736)
Participant contributions	2 371	-	-	2 371	2 354	-	-	2 354
Liabilities at the end of the year	703 906	55 203	3 193	762 302	599 032	46 812	2 621	648 465

The evolution of the Pension Fund’s net asset value in financial years ended 31 December 2023 and 2022 can be analysed as follows:

	2023	2022
	(Euro thousand)	
Value of the Fund at beginning of the year	787 037	866 203
Recognized in net income/(loss)		
Share of net interest	33 056	12 141
Recognized in equity		
Financial deviations	18 967	(68 046)
Other		
Participant contributions	2 371	2 354
Pensions paid by the Fund	(28 701)	(25 615)
Fund's value at the end of the year	812 730	787 037

The amounts paid by the Pension Fund consider the effect of the application of Ordinance no. 141, of 2023.

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund’s return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2023 and 2022, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2023				2022			
	Assets of the fund	%	Quoted	Unquoted	Assets of the fund	%	Quoted	Unquoted
Variable-income securities								
Shares	101 268	12%	101 268	-	98 405	13%	98 405	-
Shares investment funds	99 245	12%	41 321	57 924	57 993	7%	11 868	46 125
Bonds	516 587	64%	455 834	60 753	538 834	68%	466 608	72 226
Real estate	4 908	1%	-	4 908	4 782	1%	-	4 782
Real estate investment Funds	55 491	7%	4 022	51 469	45 255	6%	3 902	41 353
Venture capital Funds	3 590	0%	-	3 590	1 723	0%	-	1 723
Loans and advances to banks and other	31 641	4%	-	31 641	40 045	5%	9 912	30 133
	812 730	100%	602 445	210 285	787 037	100%	590 695	196 342

The assets of the Pension Fund related to securities, real estate and loans and advances to credit institutions that are entities of the Group, are analysed as follows:

(Euro thousand)

	2023	2022
Loans and advances in banks and other	9 888	28 942
Real estate	4 908	4 782
Bonds	387	374
	15 183	34 098

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2023	2022
Actuarial gains/(losses) at the beginning of the year	135 267	273 786
Actuarial gains/(losses) in the financial year		
Changes in discount rate	56 974	(300 839)
Payroll update	11 385	21 798
Pension growth rate update	23 343	33 945
Changes in mortality tables	-	12 315
Deviation on the Pension Fund return	(18 967)	68 046
Resulting from changes in plan conditions	2 377	8 879
Other	9 375	17 337
Actuarial gains/(losses) recognized in other comprehensive income	219 754	135 267

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2023	2022
Current service cost	3 480	4 642
Net interest income/(expense) on the liabilities coverage balance	(5 821)	(138)
Costs with early retirement, mutually agreed termination and other	6 989	6 955
Costs for the year	4 648	11 459

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023	2022
At the beginning of the year	138 572	9 776
Current service cost	(3 480)	(4 642)
Net interest income/(expense) on the liabilities coverage balance	5 821	138
Actuarial gains/(losses)	(103 454)	206 565
Financial gains/(losses)	18 967	(68 046)
Pensions paid by Banco Montepio	991	1 736
Early retirement, mutually agreed terminations and others	(6 989)	(6 955)
At the end of the year	50 428	138 572

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2023	
	Liabilities	
	Increase	Decrease
Discount rate (0.5% change)	(48 162)	53 801
Salary growth rate (0.5% change)	30 689	(26 507)
Pension growth rate (0.5% change)	48 446	(44 405)
SAMS contribution (0,5% change)	2 597	(2 483)
Future mortality (1 year change)	(18 599)	18 375

(Euro thousand)

	2022	
	Liabilities	
	Increase	Decrease
Discount rate (0.25% change)	(20 855)	22 014
Salary growth rate (0.25% change)	12 844	(11 926)
Pension growth rate (0.25% change)	19 309	(18 511)
SAMS contribution (0.25% change)	2 561	(2 561)
Future mortality (1 year change)	(14 552)	14 274

As at 31 December 2023, the cost associated with the end-of-career awards amounted to Euro 2,729 thousand (31 December 2022: Euro 2,124 thousand), in accordance with the accounting policy described in note 1 s) and as per note 40.

49 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2023 and 2022, the amount of the funds for which the Group acts as depository bank is analysed as follows:

(Euro thousand)

	2023	2022
Securities Investment Funds	245 320	180 913
Real estate Investment Funds	744 824	721 149
Pension Funds	301 454	284 930
Bank and insurance	23 235	28 807
	1 314 834	1 215 799

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

50 Related parties

As defined in IAS 24, the companies detailed in note 57, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of the Group. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties.

The Group’s first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio Group entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2023, the list of related parties considered by Banco Montepio is presented as follows:

Majority shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chaim of the Board of Directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica
Executive Committee
Chaim of the Executive Committee
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus
Audit Committee
Chaim of the Audit Committee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Other related parties Board of Directors
Alice Pinto
Alípio Dias
Amândio Coelho
Ana Sá Couto
António Gouveia
Carlos Beato
Dalila Teixeira
Edite Cheira
Fernando Amaro
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Cidrais Guimarães
Jaquelina Rodrigues [1]
João Almeida Gouveia [2]
João Carvalho das Neves
João Costa Pinto
Jorge Oliveira
José António Gonçalves
José Luís Leitão
José Mendes Alfaia
Laura Duarte
Luís Antunes
Luís Filipe Costa
Luís Franco
Luís Pinheiro [1]
Manuel Baptista
Manuel Carlos Silva
Margarida Andrade
Margarida Duarte
Maria Clemente
Nuno Coelho
Nuno Marques da Silva
Nuno Mendes
Nuno Mota Pinto
Paulo Jorge Rodrigues
Paulo Jorge Silva
Paulo Magalhães
Pedro Crespo
Pedro Ribeiro
Ricardo Carvalho [2]
Rui Heitor
Virgílio Lima
Vitor Filipe

[1] On March 26, 2024, Jaquelina Rodrigues and Luís Pinheiro were appointed as Members of the Board of Directors.
[2] Members João Almeida Gouveia and Ricardo Carvalho resigned from office with effect from 29 February 2024.

Other key management Personnel

Alexandra Ponciano
Alexandra Quirino Silva
Alexandra Rolo
António Carlos Machado
António Coelho
António Figueiredo Lopes
António Longo
Armando Cardoso
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Teixeira
Filipe Guimarães Cizeron
Frederico Tomáz
Helder Reis
Joana Correia
Jorge Barros Luís
Jorge Dourado
Luis Melo
Luís Sena
Manuel Castanho
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Medeiros
Paula Pinheiro
Paula Viegas
Paulo Amorim
Paulo Trindade
Pedro Araújo
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Gama
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sandra Martins Colaço
Sara Candeias
Tânia Madeira
Vânia Fernandes

Other Related parties
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
CESource, A.C.E.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
GreenVolt - Energias Renováveis, S.A.
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação
Montepio Residências para Estudantes, S.A.
NovaCâmbios - Instituição de Pagamento, S.A.
Residências Montepio, Serviços de Saúde, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

As at 31 December 2023, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions of guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2023							
Companies	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Garantees and commitments provided	Provisions for guarantees and commitments assumed	Total
Board of Directors	105	-	-	-	-	-	-	105
Board of Directors of Other Related Parties	1 903	1	-	-	-	-	-	1 902
Other Related Parties	2 385	1	-	-	-	-	-	2 384
Bolsimo - Gestão de Activos, S.A.	1	-	-	-	10	-	-	11
CESource, A.C.E.	-	-	-	-	28	-	-	28
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	-	-	-	1
GreenVolt - Energias Renováveis, S.A.	41 127	84	-	-	-	-	-	41 043
Lusitania, Companhia de Seguros, S.A.	1	-	1 802	239	-	-	-	1 564
Moçambique Companhia de Seguros, S.A.R.L.	-	-	371	-	-	-	-	371
Montepio Geral Associação Mutualista	4	1	-	-	10 957	120	1	11 079
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	192	-	-	193
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	1 934	-	-	1 934
NovaCâmbios - Instituição de Pagamento, S.A.	408	3	-	-	-	963	-	1 368
Residências Montepio, Serviços de Saúde, S.A.	1 024	7	-	-	24	750	1	1 790
	46 959	97	2 174	239	13 145	1 833	2	63 773

As at 31 December 2022, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions of guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2022						
Companies	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Garantees and commitments provided	Total
Board of Directors (after 25 of July 2022)	163	-	-	-	-	-	163
Board of Directors (until 25 of July 2022)	476	-	-	-	-	-	476
Board of Directors of Other Related Parties	2 084	3	-	-	-	-	2 081
Other Related Parties	2 521	1	-	-	-	-	2 520
Bolsimo - Gestão de Activos, S.A.	2 643	22	-	-	22	4 400	7 043
CESource, A.C.E.	-	-	-	-	76	-	76
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	13	-	14
GreenVolt - Energias Renováveis, S.A.	15 125	14	-	-	-	-	15 111
Lusitania, Companhia de Seguros, S.A.	1	-	1 935	369	-	46	1 613
Moçambique Companhia de Seguros, S.A.R.L.	-	-	250	-	-	-	250
Montepio Geral Associação Mutualista	3	1	-	-	4 329	120	4 451
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	50	-	51
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	1 160	-	1 160
NovaCâmbios - Instituição de Pagamento, S.A.	530	15	-	-	-	1 388	1 903
Residências Montepio, Serviços de Saúde, S.A.	1 828	6	-	-	42	300	2 164
	25 375	62	2 186	369	5 692	6 254	39 076

As at 31 December 2023, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities are analysed as follows:

(Euro thousand)

	2023			
Companies	Deposits from customers	Debt securities issued and Other subordinated liabilities	Debt securities issued and Other subordinated liabilities	Total
Board of Directors	848	-	-	848
Board of Directors of Other Related Parties	2 286	-	-	2 286
Other Related Parties	2 326	-	-	2 326
Bolsimo - Gestão de Activos, S.A.	193	-	-	193
Empresa Gestora de Imóveis da Rua do Prior S.A	398	-	-	398
Fundação Montepio Geral	2 311	-	-	2 311
Fundo de Pensões - Montepio Geral	9 211	401	-	9 612
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 751	-	-	1 751
GreenVolt - Energias Renováveis, S.A.	6 205	-	-	6 205
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	99	-	-	99
Lusitania Vida, Companhia de Seguros, S.A.	16 037	-	-	16 037
Lusitania, Companhia de Seguros, S.A.	8 828	3 051	-	11 879
Montepio Geral Associação Mutualista	129 191	212 829	6 721	348 741
Montepio Gestão de Activos - S.G.O.I.C., S.A.	7 189	-	-	7 189
Montepio Gestão de Activos Imobiliários, A.C.E.	2 000	-	-	2 000
Montepio Residências para Estudantes, S.A:	704	-	-	704
NovaCâmbios - Instituição de Pagamento, S.A.	633	-	-	633
Residências Montepio, Serviços de Saúde, S.A.	533	-	-	533
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 628	-	-	3 628
Sociedade Portuguesa de Administrações, S.A.	1 099	-	-	1 099
	195 470	216 281	6 721	418 472

As at 31 December 2022, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2022		
Companies	Deposits from customers	Debt securities issued and Other subordinated liabilities	Total
Board of Directors (after 25 of July 2022)	639	-	639
Board of Directors (until 25 of July 2022)	1 258	-	1 258
Board of Directors of Other Related Parties	2 952	-	2 952
Other Related Parties	2 985	-	2 985
Bolsimo - Gestão de Activos, S.A.	122	-	122
Clínica CUF Belém, S.A.	28	-	28
Empresa Gestora de Imóveis da Rua do Prior S.A	255	-	255
Fundação Montepio Geral	2 079	-	2 079
Fundo de Pensões - Montepio Geral	29 328	401	29 729
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 500	-	1 500
GreenVolt - Energias Renováveis, S.A.	10 058	-	10 058
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	61	-	61
Lusitania Vida, Companhia de Seguros, S.A.	27 406	-	27 406
Lusitania, Companhia de Seguros, S.A.	2 633	-	2 633
Montepio Geral Associação Mutualista	102 130	201 077	303 207
Montepio Gestão de Activos - S.G.O.I.C., S.A.	2 510	-	2 510
Montepio Gestão de Activos Imobiliários, A.C.E.	2 221	-	2 221
Montepio Residências para Estudantes, S.A:	466	-	466
NovaCâmbios - Instituição de Pagamento, S.A.	558	-	558
Residências Montepio, Serviços de Saúde, S.A.	240	-	240
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 371	-	3 371
Sociedade Portuguesa de Administrações, S.A.	346	-	346
	193 146	201 478	394 624

As at 31 December 2023, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2023					
Companies	Interest and similar income	Interest and similar expenses	Net fee and comission income/ (expense)	Staff costs	Other operating income/ (expense)	General administrative expenses
Board of Directors	3	3	1	-	-	-
Board of Directors of Other Related Parties	59	12	5	-	1	-
Other Related Parties	68	22	4	-	1	-
Bolsimo -Gestão de Activos, S.A.	40	22	15	(196)	1	300
CESource, A.C.E.	-	-	-	(415)		-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	3	-	-	-	-
Fundação Montepio Geral	-	20	1	-	-	-
Fundo de Pensões - Montepio Geral	-	174	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	18	2 399	-	-	-
GreenVolt - Energias Renovàveis, S.A.	1 399	33	3	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	73	5 118	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	91	5 188	-	5	-
Montepio Geral Associação Mutualista	3	19 263	2 805	(9 691)	3 641	1 958
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	111	1 312	(733)	107	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 237)	(3 124)	-
Montepio Residências para Estudantes, S.A.	-	6	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	36	1	53	-	8	-
Residências Montepio, Serviços de Saúde, S.A.	118	3	51	(127)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	57	1	-	-	-
Sociedade Portuguesa de Administrações, S. A.	-	5	-	-	-	-
	1 726	19 917	16 958	(13 399)	640	2 258

As at 31 December 2022, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2022					
Companies	Interest and similar income	Interest and similar expenses	Net fee and comission income/ (expense)	Staff costs	Other operating income/(expense)	General administrative expenses
Board of Directors	3	1	2	-	-	-
Board of Directors of Other Related Parties	3	1	1	-	-	-
Other Related Parties	31	-	-	(266)	-	294
CESource, A.C.E.	-	-	-	(457)	-	-
Fundo de Pensões - Montepio Geral	-	12	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	2 832	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 602	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	4 689	-	3	-
Montepio Geral Associação Mutualista	-	18 319	3 107	(9 817)	72	1 923
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	1 138	-	16	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 231)	(2 439)	-
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	-
Montepio Valor, S.G.O.I.C., S.A.	-	-	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	24	-	29	-	3	-
Residências Montepio, Serviços de Saúde, S.A.	25	-	16	(117)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	1	-	-	-	-
	86	18 334	16 417	(12 888)	(2 345)	2 217

As at 31 December 2023 and 2022, there were no transactions with the Group's Pension Fund.

51 Securitization of assets

As at 31 December 2023 and 2022, there are four live securitization operations, three of which originated in Banco Montepio and one realized jointly by Banco Montepio and Montepio Crédito.

We present next some additional details of the live securitization operations as at 31 December 2023.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), Pelican Mortgages no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

On 9 December 2008, Montepio Investimento S.A. sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determination Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective

Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Aqua Mortgages no. 1 and Pelican Finance no. 2).

The Group does not hold any direct or indirect shareholding in the companies Tagus, Sagres and Ares Lusitani.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Group retained most of the risks and rewards associated with the securitized loans. If the Group substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2023, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	83 240	762 375	87 968	22 174
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	320 836	1 028 600	353 346	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	50 308	236 500	53 579	-
Pelican Finance No.2	December 2021	euro	Mortgage loans	360 301	177 734	360 301	174 089	174 088
				2 387 776	632 118	2 387 776	668 982	196 262

* Includes nominal value, accrued interest and other adjustments.

As at 31 December 2022, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	98 236	762 375	103 061	26 165
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	362 466	1 028 600	394 155	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	59 222	236 500	61 644	-
Pelican Finance No.2	December 2021	euro	Mortgage loans	360 301	255 962	360 301	252 994	252 994
				2 387 776	775 886	2 387 776	811 854	279 159

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations: *Pelican Mortgage n.º 3*	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	Total
Domestic loans and advances					
Retail					
Mortgage	83 233	320 608	50 118	-	453 959
Consumer loans and other	-	-	-	176 716	176 716
	83 233	320 608	50 118	176 716	630 675
Credit and overdue interest					
Less than 90 days	6	85	14	47	152
More than 90 days	1	143	176	971	1 291
	7	228	190	1 018	1 443
	83 240	320 836	50 308	177 734	632 118

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations				
	Pelican Mortgage n.º 3	***Pelican Mortgage n.º 4***	***Aqua Mortgage n.º 1***	***Pelican Finance n.º 2***	**Total**
Domestic loans and advances					
Retail					
Mortgage	98 100	361 634	58 890	-	518 624
Consumer loans and other	-	-	-	255 468	255 468
	98 100	361 634	58 890	255 468	774 092
Credit and overdue interest					
Less than 90 days	57	566	181	39	843
More than 90 days	79	266	151	455	951
	136	832	332	494	1 794
	98 236	362 466	59 222	255 962	775 886

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1, Pelican Mortgages no. 4, and partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no. 2.

In 2022, the loan securitization operation Aqua Finance no. 4 was liquidated.

The bonds held by Banco Montepio or by entities integrated in the consolidation perimeter of the Banco Montepio Group ("Interests held by the Group") are eliminated in the consolidation process for which reason they are presented below for information purposes only.

As at 31 December 2023, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount	Current nominal amount	Group's interest held (nominal amount)	Maturity	Rating (initial)				Rating (current)			
		euros	euros	euros		*Fitch*	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	79 163 483	56 989 873	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	2 043 889	2 043 889	2054	AA-	Aa2	AA-	n.a.	A+	Aa2	A+	n.a.
	Class C	12 000 000	1 721 170	1 721 170	2054	A	A3	A	n.a.	A-	A1	BBB+	n.a.
	Class D	6 375 000	914 371	914 371	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	256 116 689	256 116 689	2056	AAA	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AAA
	Class B	55 500 000	22 672 409	22 672 409	2056	AA	n.a.	n.a.	A+	AA	n.a.	n.a.	n.a.
	Class C	60 000 000	24 510 712	24 510 712	2056	A-	n.a.	n.a.	BBB	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	10 212 797	10 212 797	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	11 234 076	11 234 076	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	137 898 949	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AAH
	Class B	20 700 000	10 001 781	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	8 455 612	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	9 325 332	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	8 407 294	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	35 089 309	35 089 309	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	14 989 602	14 989 602	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2022, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount	Current nominal amount	Group's interest held (nominal amount)	Maturity	Rating (initial)				Rating (current)			
		euros	euros	euros		*Fitch*	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	93 413 900	67 248 762	2054	AAA	Aaa	AAA	n.a.	AA-	A1	AA+	n.a.
	Class B	14 250 000	2 411 815	2 411 815	2054	AA-	Aa2	AA-	n.a.	A-	Baa3	BBB	n.a.
	Class C	12 000 000	2 031 002	2 031 002	2054	A	A3	A	n.a.	BBB	Ba2	BB	n.a.
	Class D	6 375 000	1 078 970	1 078 970	2054	BBB	Baa3	BBB	n.a.	BBB-	B1	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	288 300 859	288 300 859	2056	AAA	n.a.	n.a.	AAA	AA+	n.a.	n.a.	AAA
	Class B	55 500 000	25 521 472	25 521 472	2056	AA	n.a.	n.a.	A+	AA-	n.a.	n.a.	n.a.
	Class C	60 000 000	27 590 780	27 590 780	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	11 496 158	11 496 158	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	12 645 774	12 645 774	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	200 401 356	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	14 535 067	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	12 288 100	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	13 552 019	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	12 217 882	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	41 700 752	41 700 752	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	16 442 910	16 442 910	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

Synthetic securitizations

On 18 December 2020, the Group contracted an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18.0% of the portfolio), junior (1.7% of the portfolio) and Synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Group transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with the Group supporting a commission of 0.3% and 4.5% (after retrocession effect) to guarantee each of the tranches, respectively. The Montepio Group retained the risk of the junior tranche and of the excess spread. The legal maturity date of the operation is 25 March 2036 and the respective amount is Euro 248,315 thousand as at 31 December 2023 (31 December 2022: Euro 402,444 thousand). This operation has an average maturity of 2.85 years.

On 21 December 2022, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. The securitization in question was structured in such a way that it could be categorized as Simple, Transparent and Standardized (STS), with same being attested by Prime Collateralized Securities (PCS). Since this is a collateralized operation, the structuring resorts to the use of a Special Purpose Vehicle (SPV) established for the purpose in Ireland. This SPV is not subject to consolidation by Banco Montepio. The legal maturity date of the operation is 29 December 2052 and the respective amount is Euro 672,117 thousand as at 31 December 2023 (31 December 2022: Euro 878,848 thousand).

On 31 May 2023, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. This new securitization is of a non-collateralized nature, having no recourse to an SPV or equivalent, thus not configuring a Simple, Transparent and Standardized (STS) operation. The legal maturity date of the operation is 4 February 2066 and the respective amount is Euro 755,750 thousand as at 31 December 2023.

The operations in question are aimed at strengthening the CET1 ratio, not generating any increase in liquidity. Only prudential effects are captured. In these operations there was no sale of loans to third parties, with there being no transfer of collections.

With these operations, the Group reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio without, however, the accounting derecognition of the financial assets. Thus, as most of the risks and benefits associated with the loans in question were not transferred, the financial assets' derecognition criteria defined in the accounting policy presented in 1 c.9) above are not met.

52 Balance sheet and income statement indicators by operating and geographical segments

The segmental reporting is presented in accordance with IFRS 8. In compliance with the Group's management model, the disclosed segments correspond to the segments used for management purposes by the Board of Directors. The Group develops banking and financial services activities in Portugal and abroad, with a special focus on the domestic market through the following business segments: Retail, Social Economy, and Corporate and Investment Banking.

Products and services include the entire offer inherent in the universal banking activity, namely deposit taking, credit concession and the provision of financial and custodianship services to Companies and Individuals, as well as the trading of investment funds and life and non-life insurance. Additionally, the Group executes short, medium- and long-term investments in the financial and currency markets to take advantage of price variations or as a mean to obtain returns on its available financial resources.

As at 31 December 2023, the Banco Montepio Group had (i) a domestic network of 232 branches (31 December 2022: 246 branches and 7 BEM Corporate Spaces).

The information by operating segments as at 31 December 2023 reflects the organizational and management model of the Banco Montepio Group, which follows the approved strategic guidance. The control over the performance of the activities carried out by the Group follows the allocation between the operating segments, with the respective management information considering the accounting policies underlying the preparation of the financial statements, as well as the internal management criteria. It is the responsibility of the Strategic Planning and Control Directorate to develop, produce and report management information related to the performance of the various operating segments and the respective control in relation to the objectives defined, reporting hierarchically to the Chief Financial Officer (CFO). The Executive Committee monitors the performance of the operating segments of the internal organizational model in a timely manner, as well as that of the respective budgetary control. The management information is reported to the Executive Committee and to the Board of Directors according to the model established, as well as to the competent organic units.

In evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Banking, which includes the sub segments of Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and Micro businesses;

2) Social Economy, which incorporates the Customers allocated to the Social Economy and Public Sector business areas;

3) Specialized credit, which includes the consumer credit business primarily developed by the subsidiary Montepio Crédito;

4) Corporate and Investment Banking, which includes the Large Companies, the Small and Medium Enterprises allocated to this segment and the Financial Institutions, as well as the activity presently developed in the Investment Banking area carried out by Banco de Empresas Montepio (BEM);
5) International Activity, which incorporates the contribution of Finibanco Angola, presented in the financial statements as a Discontinued Operation;
6) Markets, which includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding;
7) Non-core, which includes the operations related to the management of real estate held for trading and of non-performing loans; and
8) Other segments, which group the operations not included in the other segments. Each segment is allocated the Group's structures that are directly or indirectly dedicated to same, as well as the autonomous units of the Group which activity is also imputed.

Geographically, even though the Group concentrates its activity in Portugal, the international activity of the Group is assured by Finibanco Angola, S.A. (operation fully disposed of on 28 August 2023).

Description of the operating segments

On a consolidated basis, each of the reportable segments includes income and costs related to the following activities, products, Customers, and Group structures:

Retail Banking

This operating segment corresponds to all the activity developed by the Group in Portugal with Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and micro businesses, commercially designated as the Individuals and Small Businesses segment, fundamentally originated by the branch network, electronic channels and promotor network. The financial information of this segment includes, among others, products and services, such as mortgage loans, individual and consumer credit, credit to Companies of the Retail segment, demand and term deposits and other savings applications, retirement solutions products, namely PPRs, debit and credit cards, account management and electronic payment services, and investment fund placement, securities' trading and custodianship services, as well as insurance brokerage and non-financial services.

Social Economy

This operating segment reinforces the Group's role while agent of reference of the Social Economy, in the market and with the different stakeholders, incorporating the activity related to the Social Economy and Public Sector business areas.

Specialized Credit

This operating segment highlights one of the cornerstones of the Transformation Plan, reflecting the focus on consumer credit. This segment reflects the activity developed by Montepio Crédito.

Corporate and Investment Banking

This operating segment includes the activity developed by the Group with Small, Medium and Large companies, through the commercial structure dedicated to this segment. It also includes the institutional Customers' business, namely the financial sector. Of note among the products and services provided are treasury and investment financing, commercial discounting, provision of guarantees, leasing, factoring, renting, foreign operations, such as documentary credits, cheques and remittances, deposits, payment and reception services, cards, as well as custodianship services.

The Corporate Banking business includes the Corporate segment in Portugal which operates, in the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group Companies.

In addition, this operating segment includes the activity developed in the Investment Banking area by Banco de Empresas Montepio (Banco BEM), until 28 November 2023, date when the activity was transferred to Banco Montepio.

International Activity

This segment reflects the contribution of Finibanco Angola (operation fully disposed of on 24 August 2023).

Markets

This segment includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding.

Non-core

This segment includes operations related to the management of properties held for trading and non-performing loans.

Other segments

This segment includes all the support activity developed in respect of the main activities constituting the core business of the segments mentioned above. The interest rate, foreign exchange, liquidity and other risks, excluding credit risk, are imputed to this segment.

Allocation criteria of the results to the segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information on which decisions are made in the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related to the operating segments are consistent with those used in the preparation of the financial statements, which are described in note 1, with the following principles having been adopted:

Measurement of segmental profit or loss

The Group uses the net profit/(loss) as a measure of the profits or losses to evaluate the performance of each operating segment.

Autonomous operating units

As mentioned above, each autonomous operating unit is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the primary business developed by same, their assets, liabilities, income and expenses are included in the corresponding Operating Segments.

Group structures dedicated to the segment

The Group's activity covers practically all the operating segments and is, therefore, broken down accordingly.

In preparing the financial information, the following criteria are used:

(i) The operations are allocated to each business segment in function of their origination by the commercial structures, even if, at a later date, and as an example, it is decided to securitize some of the assets originated in same;

(ii) The calculation of the net interest income is performed considering the business negotiated with Customers and other counterparties recognized in each one of the segments, taking into account the respective associated interest rates;

(iii) The determination of the net interest income also considers the impact of the transfer of the assets and liabilities of each product/segment to a pool, which balances these and adjusts the respective interest, considering the market interest rates at each moment, namely, Euribor for the different periods;

(iv) The allocation of the direct costs of the respective structures dedicated to each segment;

(v) The allocation of the indirect costs (central support and IT services), in function of previously defined criteria;

(vi) The allocation of credit risk is performed in accordance with the impairment model used by the Group.

(vii) The allocation of the tax burden to the operating segments results, with the exception of the international activity, from the application of the marginal tax rate of 30.5% to the profit before tax, with the remainder of the tax amount recognized in the income statement being allocated to the other segments.

Operations between the legally autonomous units of the Group are realized at market prices. The price of intersegment services, namely the prices established for internal funding, is determined by the adjustment system through the above-mentioned pool (with prices varying in accordance with the strategic relevance of the product and the equilibrium of the structures funding and lending functions). The remaining services are allocated to the segments in accordance with predefined criteria.

The interest rate, exchange rate, liquidity and other risks, except for credit risk, are included in the segment Other Segments.

Interest and similar income/expense

Since the Group's consolidated activity is, essentially, related to the banking business, the greater part of the income generated results from the difference between the interest earned on its assets and the interest borne with the funding it secures. This situation, and the fact that the activity of the segments represents the direct business developed by the business units for each product, means that the revenue of the intermediation activity is presented, as permitted by IFRS 8 (23), at the net interest value under the designation of Net Interest Income.

Investments presented according to the equity method

Investments in associates presented according to the equity method are included in the segment designated Operations of other Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets in the segment in which they are mostly used.

Assets and liabilities for post-employment benefits

Considering that the factors that influence both the amount of the liabilities and of the assets of the Group's Pension Fund correspond, fundamentally, to variables external to the management of each segment, the Group considers that said impacts should not influence the performance of the Operating Segments which activities are carried out with Customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating unit integrating the International Area is Finibanco Angola, S.A. (operation fully disposed of on 28 August 2023).

The financial and economic elements related to the international area are those presented in the financial statements.

As at 31 December 2023, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated									
	Commercial Banking									
	Retail	Social Economy	Specialized credit	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	417 675	20 780	24 989	**463 444**	159 235	-	51 628	16 867	(92 712)	**598 462**
Interest and similar expense	182 483	12 998	27 205	**222 686**	70 797	-	98 945	8 522	(210 594)	**190 356**
NET INTEREST INCOME	**235 192**	**7 782**	**(2 216)**	**240 758**	**88 438**	**-**	**(47 317)**	**8 345**	**117 882**	**408 106**
Dividends from equity instruments	-	-	-	**-**	-	-	-	-	873	**873**
Net fee and commission income	104 583	2 108	3 125	**109 816**	19 909	-	1 127	46	(3 938)	**126 960**
Net gains/(losses) arising from financing operations	-	-	8 874	**8 874**	(1 094)	-	(25 420)	-	(8 813)	**(26 453)**
Other operating income/(expense)	681	(144)	(836)	**(299)**	(939)	-	(2 571)	6 445	(8 239)	**(5 603)**
OPERATING INCOME	**340 456**	**9 746**	**8 947**	**359 149**	**106 314**	**-**	**(74 181)**	**14 836**	**97 765**	**503 883**
Staff costs	59 225	2 740	6 900	**68 865**	9 292	-	3 573	4 529	67 468	**153 727**
General and administrative expenses	16 202	357	3 704	**20 263**	2 306	-	3 198	1 225	37 162	**64 154**
Depreciation and amortization	1 028	4	600	**1 632**	399	-	1	2	35 881	**37 915**
OPERACIONAL COSTS	**76 455**	**3 101**	**11 204**	**90 760**	**11 997**	**-**	**6 772**	**5 756**	**140 511**	**255 796**
Total provisions and impairment	750	482	1 020	**2 252**	696	-	1 165	64 490	(2 854)	**65 749**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	-	550	**550**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**263 251**	**6 163**	**(3 277)**	**266 137**	**93 621**	**-**	**(82 118)**	**(55 410)**	**(39 342)**	**182 888**
Taxes	65 812	1 541	(540)	**66 813**	23 377	-	(14 994)	(13 320)	(11 563)	**50 313**
Non-controlling interests	-	-	-	**-**	-	1 742	-	-	-	**1 742**
Net income/(loss) from discontinued operations	-	-	-	**-**	-	(102 358)	-	-	(109)	**(102 467)**
NET INCOME/LOSS	**197 439**	**4 622**	**(2 737)**	**199 324**	**70 244**	**(104 100)**	**(67 124)**	**(42 090)**	**(27 888)**	**28 366**
Assets	7 621 993	272 252	-	**7 894 245**	2 891 088	-	5 485 487	643 337	1 075 298	**17 989 455**
Liabilities	11 105 646	832 725	-	**11 938 371**	925 213	-	2 730 424	-	828 976	**16 422 984**
Investments in associated companies	-	-	-	**-**	-	-	4 702	-	-	**4 702**

The caption Net gains/(losses) from discontinued operations includes the contribution of Finibanco Angola, S.A., which impacts on the various captions of the Income Statement are disclosed in note 58.

The preparation of the segmental reporting follows the logic of the contribution to the consolidation, with the reportable segments excluding the respective intercompany balances, identified in note 50.

As at 31 December 2022, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated									
	Commercial Banking									
	Retail	Social Economy	Specialized credit	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	178 985	5 296	20 941	**205 222**	51 691	-	41 433	10 383	(7 877)	**300 852**
Interest and similar expense	18 899	1 417	14 975	**35 291**	6 402	-	36 954	3 063	(32 348)	**49 362**
NET INTEREST INCOME	**160 086**	**3 879**	**5 966**	**169 931**	**45 289**	**-**	**4 479**	**7 320**	**24 471**	**251 490**
Dividends from equity instruments	-	-	-	**-**	-	-	-	-	977	**977**
Net fee and commission income	106 351	2 342	4 319	**113 012**	12 741	-	993	(2 630)	(3 620)	**120 496**
Net gains/(losses) arising from financing operations	-	-	10 566	**10 566**	(149)	-	13 442	-	(11 818)	**12 041**
Other operating income/(expense)	423	(177)	(445)	**(199)**	(390)	-	(13 246)	30 022	(31 134)	**(14 947)**
OPERATING INCOME	**266 860**	**6 044**	**20 406**	**293 310**	**57 491**	**-**	**5 668**	**34 712**	**(21 124)**	**370 057**
Staff costs	63 946	2 870	6 772	**73 588**	6 828	-	1 606	5 637	64 958	**152 617**
General and administrative expenses	15 372	452	5 195	**21 019**	1 822	-	2 048	1 592	33 259	**59 740**
Depreciation and amortization	956	4	905	**1 865**	585	-	-	2	31 554	**34 006**
OPERACIONAL COSTS	**80 274**	**3 326**	**12 872**	**96 472**	**9 235**	**-**	**3 654**	**7 231**	**129 771**	**246 363**
Total provisions and impairment	(4 386)	(2 153)	2 329	**(4 210)**	(7 100)	-	2 312	51 234	2 261	**44 497**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	-	495	**495**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**190 972**	**4 871**	**5 205**	**201 048**	**55 356**	**-**	**(298)**	**(23 753)**	**(152 661)**	**79 692**
Taxes	48 698	1 242	1 522	**51 462**	13 743	-	(1 321)	(5 302)	(22 992)	**35 590**
Non-controlling interests	-	-	-	**-**	-	(2 666)	-	-	-	**(2 666)**
Net income/(loss) from discontinued operations	-	-	-	**-**	-	(12 974)	-	-	-	**(12 974)**
NET INCOME/LOSS	**142 274**	**3 629**	**3 683**	**149 586**	**41 613**	**(10 308)**	**1 023**	**(18 451)**	**(129 669)**	**33 794**
Assets	8 774 895	332 620	573 163	**9 680 678**	1 926 499	246 121	5 929 914	1 044 156	278 883	**19 106 251**
Liabilities	11 517 136	690 362	504 478	**12 711 976**	743 146	188 257	4 055 294	-	(111 908)	**17 586 765**
Investments in associated companies	-	-	-	**-**	-	-	4 390	-	-	**4 390**

The caption Net gains/(losses) from discontinued operations includes the contribution of Banco Montepio Geral Cabo Verde, S.A. – Em Liquidação, of Finibanco Angola, S.A. and of Montepio Valor, S.G.O.I.C., S.A., which impacts on the various captions of the Income Statement are presented in note 58.

As at 31 December 2023, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity		
	Domestic	**International**	**Total**
Interest and similar income	598 462	-	598 462
Interest and similar expense	190 869	(513)	190 356
Inter-Segment	513	(513)	-
Net interest income	408 106	-	408 106
Dividends from equity instruments	873	-	873
Net fee and commission income	126 960	-	126 960
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(6 324)	-	(6 324)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	137	-	137
Net gains/(losses) arising from foreign exchange differences	(20 266)	-	(20 266)
Net gains/(losses) arising from sale of other financial assets	11 710	-	11 710
Other operating income/(expense)	(17 313)	-	(17 313)
Operating income	503 883	-	503 883
Staff costs	153 727	-	153 727
General and administrative expenses	64 154	-	64 154
Depreciation and amortization	37 915	-	37 915
	255 796	-	255 796
Impairment of loans and advances to customers to credit	49 623	-	49 623
Impairment of other financial assets	1 167	-	1 167
Impairment of other assets	24 021	-	24 021
Other provisions	(9 062)	-	(9 062)
Operating profit/(loss)	182 338	-	182 338
Share of profit/(loss) of associated companies under the equity	550	-	550
Profit/(loss) before taxes and non-controlling interests	182 888	-	182 888
Current taxes	(1 465)	-	(1 465)
Deferred taxes	51 778	-	51 778
Profits/(losses) from discontinued operations	-	(102 467)	(102 467)
Non-controlling interests	-	1 742	1 742
Consolidated net income/(loss) for the financial year attributable to the Shareholders	132 575	(104 209)	28 366

As at 31 December 2023, the net contribution of the main geographical areas to the balance sheet is presented as follows:

(Euro thousand)

Balance Sheet	Activity		
	Domestic	International	Total
Cash, deposits and advances and loans to credit institutions	1 411 341	-	1 411 341
Customer loans	11 453 259	-	11 453 259
Investments in financial assets and associated companies	4 085 022	-	4 085 022
Non-current assets held for sale	74	-	74
Investment properties	57 665	-	57 665
Non-current assets held for sale - discontinued operations	-	-	-
Other assets	982 094	-	982 094
Total Assets	17 989 455	-	17 989 455
Deposits from central banks and other credit institutions	1 783 359	-	1 783 359
Deposits from customers	13 366 408	-	13 366 408
Debt securities issued and Other subordinated debt	947 064	-	947 064
Non-current liabilities held for sale - discontinued operations	-		-
Other liabilities	326 153	-	326 153
Total Liabilities	16 422 984	-	16 422 984
Non-controlling interests	-		-
Total Equity attributable to the Shareholders	1 566 471		1 566 471
Total Shareholders' Equity	1 566 471	-	1 566 471
Total Liabilities and Sahreholders' Equity	17 989 455	-	17 989 455

As at 31 December 2022, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity Domestic	Activity International	Total
Interest and similar income	300 852	-	300 852
Interest and similar expense	51 260	(1 898)	49 362
Inter-Segment	1 898	(1 898)	-
Net interest income	251 490	-	251 490
Dividends from equity instruments	977	-	977
Net fee and commission income	120 496	-	120 496
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(217)	-	(217)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	1 449	-	1 449
Net gains/(losses) arising from foreign exchange differences	10 809	-	10 809
Net gains/(losses) arising from sale of other financial assets	33 280	-	33 280
Other operating income/(expense)	(48 227)	-	(48 227)
Operating income	370 057	-	370 057
Staff costs	152 617	-	152 617
General and administrative expenses	59 740	-	59 740
Depreciation and amortization	34 006	-	34 006
	246 363	-	246 363
Impairment of loans and advances to customers to credit	13 371	-	13 371
Impairment of other financial assets	2 325	-	2 325
Impairment of other assets	24 881	-	24 881
Other provisions	3 920	-	3 920
Operating profit/(loss)	79 197	-	79 197
Share of profit/(loss) of associated companies under the	495	-	495
Profit/(loss) before taxes and non-controlling interests	79 692	-	79 692
Current taxes	6 731	-	6 731
Deferred taxes	28 859	-	28 859
Profits/(losses) from discontinued operations	-	(12 974)	(12 974)
Non-controlling interests	-	(2 666)	(2 666)
Consolidated net income/(loss) for the financial period attributable to the Shareholders	44 102	(10 308)	33 794

As at 31 December 2022, the net contribution of the main geographical areas to the balance sheet is presented as follows:

(Euro thousand)

Balance Sheet	Activity - Domestic	Activity - International	Total
Cash, deposits and advances and loans to credit institutions	1 542 465	-	1 542 465
Customer loans	11 713 097	-	11 713 097
Investments in financial assets and associated companies	4 391 839	-	4 391 839
Non-current assets held for sale	11	-	11
Investment properties	72 726	-	72 726
Non-current assets held for sale - discontinued operations	-	199 687	199 687
Other assets	1 186 426	-	1 186 426
Total Assets	18 906 564	199 687	19 106 251
Deposits from central banks and other credit institutions	3 231 614	-	3 231 614
Deposits from customers	13 115 366	-	13 115 366
Debt securities issued and Other subordinated debt	823 680	-	823 680
Non-current liabilities held for sale - discontinued operations	-	101 738	101 738
Other liabilities	314 367	-	314 367
Total Liabilities	17 485 027	101 738	17 586 765
Non-controlling interests	-	11 442	11 442
Total Equity attributable to the Shareholders	1 421 537	86 507	1 508 044
Total Shareholders' Equity	1 421 537	97 949	1 519 486
Total Liabilities and Sahreholders' Equity	18 906 564	199 687	19 106 251

53 Risk management

Objectives of the Risk Management Policy

The Group is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, the Group is subject to other non-financial risks, namely operating, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of the Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Directorate, the unit responsible for the risk management function of the Group, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Group's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body delegated by the Board of Directors with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of the Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

The Group has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it’s monitoring.

The Group's risk management policy is the norm that regulates the entire monitoring and control process of material risks and densifies the activities to be developed by the Bank that assure the adequacy of internal and regulatory capital, considering the business strategy defined.

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Directorate is responsible for promoting that all Group Companies implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio risk management function, in the Banco Montepio Group’s Risk Management Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Directorate is responsible for monitoring the risk management activity of Group Companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio’s Board of Directors decides that the development of these responsibilities by Banco Montepio’s Risk Directorate is more effective and efficient.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Sole traders ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings, and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Directorate, a body independent of the commercial structure. The Risk Directorate is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio Group's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

The Banco Montepio Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 c.

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 1 percentage point: impact of 0.77% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of 1 percentage point: impact of -0.92% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.05% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.61% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2023	2024	2025	2026
Unemployment Rate (2)				
Base Scenario	6,08%	5,77%	5,46%	5,26%
Worst-case Scenario	6,51%	8,05%	7,17%	6,15%
Best-case Scenario	5,95%	5,36%	5,13%	5,04%
GDP Growth Rate (2)				
Base Scenario	1,93%	1,96%	2,16%	1,64%
Worst-case Scenario	0,81%	-3,44%	3,61%	2,55%
Best-case Scenario	2,65%	3,25%	1,87%	1,57%
3-Month Euribor Interest Rate (1)				
Base Scenario	4,03%	3,33%	2,04%	1,84%
Worst-case Scenario	4,51%	1,11%	1,00%	0,99%
Best-case Scenario	4,03%	3,51%	2,29%	1,84%
Housing Price Index Growth Rate (2)				
Base Scenario	0,51%	-3,66%	0,24%	2,34%
Worst-case Scenario	-0,72%	-14,52%	-0,34%	4,60%
Best-case Scenario	0,72%	-1,49%	0,65%	2,25%
Growth Rate of Disposable Income Per Capita (1)				
Base Scenario	1,44%	1,50%	2,39%	1,80%
Worst-case Scenario	1,45%	-2,62%	1,71%	2,60%
Best-case Scenario	1,45%	2,95%	2,66%	1,70%
Growth Rate of Exports of Goods and Services (2)				
Base Scenario	4,84%	1,20%	2,73%	2,18%
Worst-case Scenario	3,48%	-2,64%	2,94%	2,88%
Best-case Scenario	5,82%	3,81%	3,42%	2,63%
Growth Rate of Family Comsumption (2)				
Base Scenario	0,29%	0,40%	1,09%	1,24%
Worst-case Scenario	-0,46%	-4,64%	1,43%	2,17%
Best-case Scenario	0,70%	1,48%	0,78%	0,93%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: National Institute of Statistics; Projections: Moody's Analytics

The Group's credit risk exposure can be analysed as follows:

	(Euro thousand) 2023	2022
Loans and deposits at credit institutions payable on demand	61 041	52 287
Other loans and advances to credit institutions	178 902	106 376
Loans and advances to customers	11 453 259	11 713 097
Financial assets held for trading	16 320	21 697
Financial assets at fair value through profit or loss	8 653	8 970
Financial assets at fair value through other comprehensive income	24 785	76 252
Hedging derivatives	6 174	-
Other financial assets at amortized cost	3 878 848	4 119 387
Other assets	63 752	81 939
Guarantees granted	519 196	462 194
Irrevocable credit lines	638 083	720 589
Revocable credit lines	904 721	908 210
	17 753 734	18 270 998

The analysis of the main credit risk exposures by sector of activity, for financial year 2023, can be analysed as follows:

(Euro thousand)

Activity	2023 Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Investments in associated companies	Guarantees provided	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Book value	Off-balance sheet value		Provisions
Corporate																
Agriculture, forestry and fishing	-	-	-	135 169	2 644	-	-	-	-	-	-	-	-	808	5 127	52
Extractive Industries	-	-	-	14 338	859	501	-	-	-	-	5 026	1	-	1 394	2 266	11
Manufacturing industries	-	-	-	1 088 778	37 534	-	50	-	-	-	4 714	16	-	34 078	116 700	1 244
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	123 078	5 018	-	-	-	-	-	14 689	24	-	362	16 068	10
Water supply	-	-	-	62 121	1 461	-	-	-	-	-	-	-	-	2 217	9 431	84
Construction	-	-	-	395 323	23 667	-	200	-	-	-	-	-	-	136 157	94 538	4 443
Wholesale and retail trade	-	-	-	823 379	29 946	-	5 314	-	-	-	12 983	3	-	54 222	145 780	1 009
Transport and storage	-	-	-	350 422	9 690	-	-	-	-	-	3 109	-	-	5 315	19 350	163
Accommodation and catering activities	-	-	-	517 717	13 600	-	-	-	-	-	-	-	4 028	13 228	23 370	164
Information and Communication	-	-	-	47 009	1 074	-	-	-	-		-	-	-	2 166	23 995	92
Financial and insurance activities	61 041	179 950	1 048	387 318	43 456	15 819	-	1 802	239	6 174	501		-	205 308	19 200	85
Real estate activities	-	-	-	526 027	29 883	-	65	-	-	-	2 683	2	-	16 754	79 253	1 164
Consulting, scientific, technical and similar	-	-	-	319 042	6 856	-	3 012	-	-	-	-	-	-	23 809	33 508	198
Administrative and supporting service activities	-	-	-	120 194	1 915	-	-	-	-	-	-	-	674	6 408	14 919	123
Public administration and defence, compulsory social security	-	-	-	24 355	619	-	-	18 336	40	-	3 841 300	6 111	-	75	896	5
Education	-	-	-	61 972	1 211	-	-	-	-	-	-	-	-	192	3 891	43
Healthcare services and social support	-	-	-	325 601	8 166	-	-	4 332	25	-	-	-	-	4 056	14 641	387
Artistic activities, shows and recreational	-	-	-	49 030	1 650	-	-	-	-	-	-	-	-	7 489	5 185	24
Other services	-	-	-	94 947	3 001	-	12	-	-	-	-	-	-	3 013	9 965	73
Retail						-										
Mortgage Loans	-	-	-	5 541 139	33 273	-	-	619	-	-	-	-	-	-	-	-
Others	-	-	-	727 255	25 432	-	-	-	-	-	-	-	-	2 145	-	988
	61 041	**179 950**	**1 048**	**11 734 214**	**280 955**	**16 320**	**8 653**	**25 089**	**304**	**6 174**	**3 885 005**	**6 157**	**4 702**	**519 196**	**638 083**	**10 362**

The analysis of the main credit risk exposures by sector of activity, for financial year 2022, can be analysed as follows:

(Euro thousand)

Activity	2022														
	Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Other financial assets at amortised cost		Investments in associated companies	Guarantees provided	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry and fishing	-	-	-	115 002	4 964	-	-	-	-	-	-	-	1 137	5 994	146
Extractive Industries	-	-	-	18 209	407	-	-	-	-	5 004	1	-	1 255	2 458	20
Manufacturing industries	-	-	-	1 185 270	72 291	-	211	-	-	-	-	-	31 768	116 402	1 855
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	97 907	8 084	-	-	-	-	10 837	643	-	548	24 751	310
Water supply	-	-	-	72 478	812	-	-	-	-	-	-	-	1 944	4 308	44
Construction	-	-	-	413 205	44 089	-	65	-	-	-	-	-	114 329	114 505	8 355
Wholesale and retail trade	-	-	-	885 837	35 903	-	5 734	-	-	-	-	-	42 924	146 015	1 712
Transport and storage	-	-	-	385 374	12 437	-	-	-	-	3 152	1	-	5 246	21 832	321
Accommodation and catering activities	-	-	-	568 872	17 676	-	-	-	-	-	-	3 716	10 941	26 958	634
Information and Communication	-	-	-	61 764	1 804	-	-	-	-	-	-	-	2 956	24 186	137
Financial and insurance activities	52 287	106 383	7	371 816	48 060	19 828	-	8 443	388	3 210	2	-	196 529	23 832	642
Real estate activities	-	-	-	576 916	22 650	-	71	-	-	-	-	-	14 814	110 820	2 539
Consulting, scientific, technical and similar	-	-	-	282 427	5 327	-	2 817	-	-	-	-	-	14 813	32 666	326
Administrative and supporting service activities	-	-	-	123 098	2 709	-	-	-	-	-		674	5 581	23 985	175
Public administration and defence, compulsory social security	-	-	-	28 054	175	1 869	-	58 628	113	4 094 073	6 044	-	104	444	10
Education	-	-	-	66 512	1 103	-	-	-	-	-	-	-	191	4 033	48
Healthcare services and social support	-	-	-	320 532	5 913	-	-	4 173	24	-	-	-	2 072	21 399	586
Artistic activities, shows and recreational	-	-	-	58 579	2 968	-	-	-	-	-	-	-	8 657	4 980	110
Other services	-	-	-	109 151	4 982	-	23	-	-	-	-	-	3 749	11 021	139
Retail						-						-			
Mortgage Loans	-	-	-	5 581 026	32 896	-	-	1 065	2	-	-	-	-	-	-
Others	-	-	-	745 585	29 267	-	49	4 495	25	9 804	2	-	2 636	-	1 408
	52 287	**106 383**	**7**	**12 067 614**	**354 517**	**21 697**	**8 970**	**76 804**	**552**	**4 126 080**	**6 693**	**4 390**	**462 194**	**720 589**	**19 517**

The Group's total credit exposure, which includes the caption Loans and advances to customers (including the entities subject to the adoption of IFRS 5), the guarantees and standby letters provided in the aggregate amount of Euro 519,016 thousand (31 December 2022: Euro 462,194 thousand), the irrevocable credit facilities amounting to Euro 638,083 thousand (31 December 2022: Euro 720,589 thousand) and the revocable credit facilities in the amount of Euro 904,721 thousand (31 December 2022: Euro 908,210 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	2023			2022		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Collective analysis	**13 243 159**	**189 568**	**13 053 591**	**10 748 763**	**163 234**	**10 585 529**
Stage 1	10 864 106	27 285	10 836 821	8 672 283	18 501	8 653 782
Stage 2	2 152 775	71 895	2 080 880	1 870 499	56 266	1 814 233
Stage 3	226 278	90 388	135 890	205 981	88 467	117 514
Individual analysis	**552 875**	**101 749**	**451 126**	**3 409 809**	**210 800**	**3 199 009**
Stage 1	189 512	2 040	187 472	2 340 362	10 269	2 330 093
Stage 2	148 457	10 580	137 877	566 005	15 759	550 246
Stage 3	214 906	89 129	125 777	503 442	184 772	318 670
	13 796 034	**291 317**	**13 504 717**	**14 158 572**	**374 034**	**13 784 538**

The decrease in the credit exposure analysed on an individual basis from 2022 to 2023 is justified by the review of the criteria for selection individual significant customers that occurred in the second half of 2023, as detailed in accounting policy 1 c.12.6).

As at 31 December 2023 and 2022, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

Impacts by stage	2023 Grosse value	2023 Impairment	2023 Net value	2022 Grosse value	2022 Impairment	2022 Net value
Amortized cost (AC)	**3 885 005**	**6 157**	**3 878 848**	**4 126 080**	**6 693**	**4 119 387**
Stage 1	3 885 005	6 157	3 878 848	4 120 289	6 051	4 114 238
Stage 2	-	-	-	5 791	642	5 149
Fair value (FVOIC)	**25 089**	**304**	**24 785**	**76 804**	**552**	**76 252**
Stage 1	23 287	65	23 222	74 520	181	74 339
Stage 2	1 802	239	1 563	2 284	371	1 913
Loans to credit institutions	**179 950**	**1 048**	**178 902**	**106 383**	**7**	**106 376**
Stage 1	179 506	1 035	178 471	106 366	7	106 359
Stage 2	444	13	431	17	-	17
	4 090 044	**7 509**	**4 082 535**	**4 309 267**	**7 252**	**4 302 015**

As at 31 December 2023 and 2022, the transfer between Stages, in Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	2023			2022		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at the beginning of the year	4 120 289	5 791	4 126 080	3 009 601	-	3 009 601
Exposure of new net derecognition credits, refunds and other variations	(235 284)	(5 791)	(241 075)	1 110 688	5 791	1 116 479
Impairment loss at the end of the year	3 885 005	-	3 885 005	4 120 289	5 791	4 126 080

(Euro thousand)

	2023			2022		
	Impairment loss					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at the beginning of the year	6 051	642	6 693	4 619	-	4 619
Exposure of new net derecognition credits, refunds and other variations	106	(642)	(536)	1 432	642	2 074
Impairment loss at the end of the year	6 157	-	6 157	6 051	642	6 693

As at 31 December 2023 and 2022, the transfer between Stages, in Financial Assets held at fair value through Other comprehensive income, is presented as follows:

(Euro thousand)

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at beginning of the year	74 520	2 284	76 804	101 493	2 487	103 980
Transfer to stage 1	(119)	119		-	-	
Exposure of new net derecognition credits, refunds and other variations	(51 114)	(601)	(51 715)	(26 973)	(203)	(27 176)
Gross value at the end of financial year	23 287	1 802	25 089	74 520	2 284	76 804

(Euro thousand)

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at the beginning of the year	181	371	552	2 103	750	2 853
Transfer to stage 1	(14)	14		-	-	
Exposure of new net derecognition credits, refunds and other variations	(102)	(146)	(248)	(1 922)	(379)	(2 301)
Impairment loss at the end of the year	65	239	304	181	371	552

As at 31 December 2023 and 2022, the transfer between Stages, in Loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	2023			2022		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at the beginning of the year	106 366	17	106 383	229 529	-	229 529
Transfer to stage 2	-	-	-	(17)	17	-
Exposure of new net derecognition credits, refunds and other variations	73 140	427	73 567	(123 146)	-	(123 146)
Impairment loss at the end of the year	179 506	444	179 950	106 366	17	106 383

(Euro thousand)

	2023			2022	
	Impairment loss				
	Stage 1	Stage 2	Total	Stage 1	Total
Impairment loss at the beginning of the year	7	-	7	464	464
Exposure of new net derecognition credits, refunds and other variations	1 028	13	1 041	(457)	(457)
Impairment loss at the end of the year	1 035	13	1 048	7	7

As at 31 December 2023 and 2022, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	2023			2022		
Segment	Grosse value	Impairment	Net value	Grosse value	Impairment	Net value
Retail	**6 660 323**	**59 668**	**6 600 655**	**6 732 326**	**61 884**	**6 670 442**
Mortgage loans	5 627 991	33 234	5 594 757	5 681 021	32 383	5 648 638
Stage 1	4 622 655	1 569	4 621 086	4 765 062	1 192	4 763 870
Stage 2	956 272	20 054	936 218	874 398	15 420	858 978
Stage 3	49 064	11 611	37 453	41 561	15 771	25 790
Consumer credit	762 440	24 261	738 179	785 001	27 274	757 727
Stage 1	673 759	2 786	670 973	692 483	3 010	689 473
Stage 2	56 029	4 596	51 433	57 578	4 603	52 975
Stage 3	32 652	16 879	15 773	34 940	19 661	15 279
Credit cards	269 892	2 173	267 719	266 304	2 227	264 077
Stage 1	248 870	864	248 006	248 776	924	247 852
Stage 2	18 131	267	17 864	14 369	285	14 084
Stage 3	2 891	1 042	1 849	3 159	1 018	2 141
Corporate	**6 582 836**	**129 900**	**6 452 936**	**4 016 437**	**101 350**	**3 915 087**
Non-Construction	5 948 428	114 521	5 833 907	3 626 332	90 308	3 536 024
Stage 1	4 851 036	20 400	4 830 636	2 704 284	12 343	2 691 941
Stage 2	996 124	43 053	953 071	826 223	32 825	793 398
Stage 3	101 268	51 068	50 200	95 825	45 140	50 685
Construction	634 408	15 379	619 029	390 105	11 042	379 063
Stage 1	467 786	1 665	466 121	261 678	1 032	260 646
Stage 2	126 219	3 926	122 293	97 931	3 133	94 798
Stage 3	40 403	9 788	30 615	30 496	6 877	23 619
	13 243 159	**189 568**	**13 053 591**	**10 748 763**	**163 234**	**10 585 529**

As at 31 December 2023 and 2022, impairment is detailed as follows:

(Euro thousand)

	2023						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	551 680	101 708	6 582 837	129 901	7 134 517	231 609	6 902 908
Retail - mortgage loans	1 195	41	5 627 991	33 233	5 629 186	33 274	5 595 912
Retail - other loans	-	-	1 032 331	26 434	1 032 331	26 434	1 005 897
	552 875	101 749	13 243 159	189 568	13 796 034	291 317	13 504 717

(Euro thousand)

	2022						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 403 408	209 113	4 016 438	101 350	7 419 846	310 463	7 109 383
Retail - mortgage loans	4 105	551	5 681 021	32 383	5 685 126	32 934	5 652 192
Retail - other loans	2 296	1 136	1 051 304	29 501	1 053 600	30 637	1 022 963
	3 409 809	210 800	10 748 763	163 234	14 158 572	374 034	13 784 538

As at 31 December 2023 and 2022, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross value at beginning of the year	10 938 081	2 451 355	769 136	14 158 572
Transfer to stage 1	831 100	(818 322)	(12 778)	-
Transfer to stage 2	(870 956)	931 575	(60 619)	-
Transfer to stage 3	(51 980)	(77 120)	129 100	-
Write-Offs	(30)	(3 910)	(127 388)	(131 328)
Exposure of new net derecognition credits, refunds and other variations	207 403	(182 346)	(256 267)	(231 210)
Gross value at the end of financial year	11 053 618	2 301 232	441 184	13 796 034

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at the beginning of the year	13 416	72 378	288 240	374 034
Transfer to stage 1	2 689	(2 614)	(74)	1
Transfer to stage 2	(30 890)	34 605	(3 715)	-
Transfer to stage 3	(15 043)	(25 808)	40 851	-
Write-Offs	(30)	(3 910)	(127 388)	(131 328)
Exposure of new net derecognition credits, refunds and other variations	59 184	7 824	(18 397)	48 611
Impairment loss at the end of the year	29 326	82 475	179 517	291 318

(Euro thousand)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross value at beginning of the year	10 762 827	2 355 679	1 090 444	14 208 950
Transfer to stage 1	618 716	(609 794)	(8 922)	-
Transfer to stage 2	(874 736)	927 567	(52 831)	-
Transfer to stage 3	(40 405)	(63 475)	103 880	-
Write-Offs	(3 955)	(1 666)	(198 911)	(204 532)
Exposure of new net derecognition credits, refunds and other variations	475 634	(156 956)	(164 524)	154 154
Gross value at the end of financial year	10 938 081	2 451 355	769 136	14 158 572

(Euro thousand)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at the beginning of the year	33 456	68 978	440 605	543 039
Transfer to stage 1	2 370	(2 289)	(81)	-
Transfer to stage 2	(24 560)	26 737	(2 177)	-
Transfer to stage 3	(15 206)	(20 320)	35 526	-
Write-Offs	(3 955)	(1 666)	(198 911)	(204 532)
Exposure of new net derecognition credits, refunds and other variations	21 311	938	13 278	35 527
Impairment loss at the end of the year	13 416	72 378	288 240	374 034

As at 31 December 2023 and 2022, the fair value analysis of collaterals associated with the Group's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collateral	2023	2022
Individual analysis		
Securities and other financial assets	18 786	236 896
Real Estate - Mortgage loans	-	10 330
Real Estate - Construction and CRE	213 360	1 823 710
Other real estate	367 207	1 662 924
Other guarantees	108 464	398 541
Collective analysis - Stage 1		
Securities and other financial assets	861 359	796 925
Real Estate - Mortgage loans	10 746 489	10 714 551
Real Estate - Construction and CRE	1 661 021	490 830
Other real estate	1 736 434	823 497
Other guarantees	822 872	525 806
Collective analysis - Stage 2		
Securities and other financial assets	345 660	209 106
Real Estate - Mortgage loans	2 048 096	1 899 396
Real Estate - Construction and CRE	361 663	177 524
Other real estate	550 260	437 373
Other guarantees	53 824	40 268
Collective analysis - Stage 3		
Securities and other financial assets	28 280	7 961
Real Estate - Mortgage loans	118 103	96 427
Real Estate - Construction and CRE	41 746	27 078
Other real estate	72 289	49 109
Other guarantees	17 317	13 400
	20 173 230	**20 441 653**

The Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

The Group's total loans and advances portfolio, by segment and respective impairment, constituted in financial years 2023 and 2022, is presented as follows:

(Euro thousand)

	2023		2022	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 756 249	171 884	5 961 843	232 306
Construction and CRE	1 378 268	59 725	1 458 003	78 157
Retail - Mortgage loans	5 629 186	33 274	5 685 126	32 934
Retail - Other loans	1 032 331	26 434	1 053 600	30 637
	13 796 034	291 317	14 158 572	374 034

The live loans and advances portfolio, by segment and by production year, in financial year 2023, is presented as follows:

(Euro thousand)

	Corporate			**Construction and CRE**			**Retail - Mortage loans**			**Retail - Other**		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	494	17 044	327	562	26 998	5 320	31 128	793 538	5 546	18 203	14 294	262
2005	128	8 896	131	130	4 153	380	8 344	360 474	2 880	4 822	4 489	71
2006	173	14 969	267	114	5 136	587	10 108	450 627	4 016	12 564	9 971	151
2007	263	8 538	542	153	13 617	3 702	10 279	457 919	3 450	32 423	33 917	417
2008	907	27 492	500	320	11 250	755	5 361	241 608	2 412	51 633	66 259	565
2009	1 370	39 782	1 901	339	13 329	984	2 936	143 137	819	40 547	42 941	703
2010	1 410	47 949	1 918	234	16 512	2 458	2 968	168 336	1 418	29 440	19 492	475
2011	1 956	60 327	2 387	311	11 610	3 012	1 099	58 804	330	23 625	20 732	439
2012	1 904	46 790	1 488	417	13 258	3 058	652	35 923	339	16 595	9 736	197
2013	2 802	108 276	2 282	217	12 324	724	825	44 631	319	15 604	11 665	366
2014	3 821	231 700	18 504	1 649	47 747	717	997	56 800	362	17 762	18 080	1 046
2015	3 820	123 063	4 710	403	16 238	536	1 173	66 065	577	14 930	18 359	1 435
2016	4 743	336 201	7 647	716	34 542	3 840	1 688	112 715	976	25 082	26 143	942
2017	7 464	224 582	10 716	544	93 938	11 834	2 296	163 047	1 152	18 822	28 171	792
2018	7 689	201 236	12 400	920	57 020	2 185	2 437	183 551	1 425	29 308	55 606	1 221
2019	8 405	337 852	32 760	1 206	78 690	1 826	2 982	230 707	977	24 061	66 702	2 029
2020	11 409	575 494	13 205	1 522	132 052	4 909	3 304	290 112	1 134	23 494	89 093	3 727
2021	13 463	579 689	17 798	2 328	148 174	4 408	5 943	575 025	2 392	32 397	145 172	5 775
2022	16 548	1 388 407	26 074	2 461	308 929	4 829	5 041	521 950	1 838	31 206	153 070	3 842
2023	17 399	1 377 962	16 327	1 964	332 751	3 661	6 715	674 217	912	40 432	198 439	1 979
	106 168	5 756 249	171 884	16 510	1 378 268	59 725	106 276	5 629 186	33 274	502 950	1 032 331	26 434

The live loans and advances portfolio, by segment and by production year, in financial year 2022, is presented as follows:

(Euro thousand)

	Corporate			***Construction and CRE***			**Retail - Mortage loans**			**Retail - Other**		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	535	26 911	2 234	583	41 420	14 720	35 148	947 813	7 199	19 090	15 528	294
2005	142	10 030	261	140	6 624	1 204	9 095	407 913	3 615	5 077	4 872	150
2006	199	19 055	1 536	130	13 693	5 440	11 043	508 695	3 861	13 233	17 367	1 919
2007	325	11 337	919	165	25 548	5 764	11 248	517 111	4 478	35 155	38 108	803
2008	1 051	30 903	1 521	329	14 743	2 777	5 972	273 278	2 665	55 596	71 980	758
2009	1 656	53 287	1 704	369	21 602	4 181	3 234	165 130	1 271	43 608	46 824	1 236
2010	1 511	60 323	1 652	260	21 143	5 035	3 261	190 730	1 293	31 745	21 251	623
2011	2 190	71 905	1 633	346	13 235	2 061	1 208	67 426	350	25 663	22 614	644
2012	2 030	61 357	3 908	232	19 268	6 711	725	41 458	235	18 166	11 203	338
2013	3 434	128 675	7 381	276	15 269	1 179	937	52 329	292	17 557	14 232	492
2014	4 475	264 013	22 712	1 242	52 363	960	1 123	65 968	338	19 999	22 191	1 149
2015	4 617	190 087	37 172	515	20 259	1 150	1 299	77 361	384	17 817	24 090	1 761
2016	5 895	386 853	13 021	803	54 939	3 774	1 868	131 819	848	28 882	36 598	1 417
2017	8 307	309 290	13 500	727	166 180	4 330	2 571	191 214	827	22 542	41 099	1 490
2018	9 249	303 087	35 150	1 424	69 676	2 592	2 725	213 734	908	34 211	74 531	2 266
2019	10 456	486 646	27 253	1 551	103 605	3 643	3 331	273 014	1 118	29 271	91 353	3 365
2020	13 168	775 163	20 555	1 714	204 866	4 857	3 639	335 221	949	27 378	122 074	4 870
2021	14 609	761 083	18 578	2 264	204 471	3 576	6 446	653 665	1 444	38 868	189 927	5 376
2022	20 327	2 011 838	21 616	2 596	389 099	4 203	5 313	571 247	859	35 191	187 758	1 686
	104 176	5 961 843	232 306	15 666	1 458 003	78 157	110 186	5 685 126	32 934	519 049	1 053 600	30 637

The gross exposure of loans and advances and impairment, individual and collective, by segment, in financial years 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023									
	Corporate		Construction and CRE		Mortage loans		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	378 911	71 156	172 769	30 552	1 195	41	-	-	552 875	101 749
Collective	5 377 338	100 728	1 205 499	29 173	5 627 991	33 233	1 032 331	26 434	13 243 159	189 568
	5 756 249	171 884	1 378 268	59 725	5 629 186	33 274	1 032 331	26 434	13 796 034	291 317

(Euro thousand)

	2022									
	Corporate		Construction and CRE		Mortage loans		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 578 957	149 425	824 451	59 688	4 105	551	2 296	1 136	3 409 809	210 800
Collective	3 382 886	82 881	633 552	18 469	5 681 021	32 383	1 051 304	29 501	10 748 763	163 234
	5 961 843	232 306	1 458 003	78 157	5 685 126	32 934	1 053 600	30 637	14 158 572	374 034

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for the companies, in financial years 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023											
	Construction		Industry		Trade		Mortgage loans		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	96 154	13 271	38 160	8 301	40 076	4 351	76 615	17 281	300 676	58 505	551 681	101 709
Collective	634 409	15 379	1 324 669	31 349	1 063 718	26 614	571 090	13 794	2 988 950	42 764	6 582 836	129 900
	730 563	28 650	1 362 829	39 650	1 103 794	30 965	647 705	31 075	3 289 626	101 269	7 134 517	231 609

(Euro thousand)

	2022											
	Construction		Industry		Trade		Mortgage loans		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	350 181	41 899	545 037	51 731	199 121	11 373	474 269	17 789	1 834 800	86 321	3 403 408	209 113
Collective	390 105	11 042	909 897	22 861	957 374	26 254	243 447	7 427	1 515 615	33 766	4 016 438	101 350
	740 286	52 941	1 454 934	74 592	1 156 495	37 627	717 716	25 216	3 350 415	120 087	7 419 846	310 463

The amount of restructured loans and advances by stage and by segment, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

	2023									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	73 041	4 298	11 246	1 240	35 129	599	4 543	422	123 959	6 559
Stage 3	129 496	66 417	50 590	22 247	16 053	3 776	6 509	3 847	202 648	96 287
	202 537	70 715	61 836	23 487	51 182	4 375	11 052	4 269	326 607	102 846

	2022									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 1	468	-	-	-	-	-	-	-	468	-
Stage 2	72 876	3 059	11 080	827	34 827	427	7 842	666	126 625	4 979
Stage 3	256 207	112 334	107 451	33 009	16 976	7 608	13 135	6 252	393 769	159 203
	329 551	115 393	118 531	33 836	51 803	8 035	20 977	6 918	520 862	164 182

The gross exposure of performing and non-performing loans and advances, in financial years 2023 and 2022, is analysed as follows:

(Euro thousand)

2023													
	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 499 762	-	-	314	314	314	-	9 971	-	314	-	-	-
Other balance sheet credit exposures (b)	12 416 263	44 895	124 219	379 755	379 755	379 710	202 104	104 076	6 557	174 103	96 282	156 405	185 544
Off-balance sheet exposures (c)	2 061 819	1 474	92	60 545	60 545	60 545	551	5 870	2	4 491	-	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

(Euro thousand)

2022													
	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 765 709	-	-	33 000	33 000	33 000	-	9 373	-	14 272	-	-	-
Other balance sheet credit exposures (b)	12 906 341	31 625	127 128	598 434	598 434	598 192	393 534	88 593	4 971	249 530	159 203	281 741	301 714
Off-balance sheet exposures (c)	2 090 993	1 878	47	78 113	78 113	78 113	360	10 623	1	8 894	-	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	3 605	522 227	15 316	880 985	84 746	12 242 001	183	5 570
>= 0,5 M€ e <1M€	454	318 756	320	212 244	833	522 084	1	500
>= 1 M€ e <5M€	511	1 149 832	211	359 452	87	133 165	-	-
>= 5 M€ e <10M€	79	533 307	18	127 370	2	15 438	-	-
>= 10 M€ e <20M€	44	633 110	10	126 747	-	-	-	-
>= 20 M€ e <50M€	15	426 372	1	30 000	-	-	-	-
>= 50M€	9	1 307 411	2	133 343	-	-	-	-
	4 717	4 891 015	15 878	1 870 141	85 668	12 912 688	184	6 070

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 808	628 938	11 117	465 112	91 220	12 233 331	251	6 801
>= 0,5 M€ e <1M€	503	351 564	167	107 629	528	327 626	1	500
>= 1 M€ e <5M€	540	1 178 782	125	237 921	60	88 696	-	-
>= 5 M€ e <10M€	72	506 711	12	88 911	2	12 816	-	-
>= 10 M€ e <20M€	50	683 882	2	28 578	-	-	-	-
>= 20 M€ e <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	15	1 821 281	3	201 080	-	-	-	-
	6 004	5 664 228	11 429	1 245 231	91 810	12 662 469	252	7 301

The LTV (loan-to-value) ratio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

Segment/ Ratio	2023			2022		
	Number of properties	Total exposure	Impairment	Number of properties	Total exposure	Impairment
Corporate						
Without associated property (*)	-	4 596 715	100 752	-	4 680 780	133 866
< 60%	2 070	545 325	15 943	2 167	621 502	51 977
>= 60% e < 80%	550	228 477	11 103	602	267 568	15 493
>= 80% e < 100%	621	328 043	19 814	770	356 804	28 604
>= 100%	17	57 689	24 273	10	35 190	2 365
Construction and CRE						
Without associated property (*)	-	682 437	18 761	-	667 609	22 978
< 60%	766	431 678	18 925	926	422 910	19 019
>= 60% e < 80%	246	160 513	7 399	330	238 649	12 503
>= 80% e < 100%	376	83 236	11 583	420	97 445	12 523
>= 100%	71	20 404	3 057	62	31 390	11 135
Mortgage						
Without associated property (*)	-	28 167	991	-	32 579	1 506
< 60%	60 624	2 801 856	13 361	61 330	2 706 933	12 660
>= 60% e < 80%	19 695	1 816 651	9 917	21 136	1 879 839	8 695
>= 80% e < 100%	5 200	964 808	7 952	6 002	1 041 109	8 951
>= 100%	149	17 704	1 053	211	24 666	1 123

(*) Includes operations with other associated collateral. namely financial collateral.

The fair value and the net value of real estate received in recovery/execution of loans, by asset type, recorded in the caption Other assets (note 33), as at 31 December 2023 and 2022, are presented as follows:

(Euro thousand)

Assets	2023		
	Number of properties	Fair value of assets	Book value
Land	**945**	**125 807**	**109 522**
Urban	745	94 163	81 515
Rural	200	31 644	28 007
Buildings under construction	**238**	**34 435**	**30 028**
Commerce	46	3 273	2 984
Residential	150	30 730	26 627
Other	42	432	417
Constructed buildings	**760**	**80 089**	**65 980**
Commerce	390	56 550	48 404
Residential	155	18 719	13 668
Other	215	4 820	3 908
	1 943	240 331	205 530

(Euro thousand)

Assets	2022 Number of properties	Fair value of assets	Book value
Land	**1 210**	**188 989**	**168 967**
Urban	935	145 203	128 278
Rural	275	43 786	40 689
Buildings under construction	**349**	**48 219**	**43 590**
Commerce	53	6 287	6 013
Residential	198	41 316	36 974
Other	98	616	603
Constructed buildings	**1 102**	**127 523**	**111 576**
Commerce	513	70 170	62 200
Residential	289	51 668	44 171
Other	300	5 685	5 205
	2 661	364 731	324 133

The book value reported in the table above considers, upon initial recognition, and as defined in the accounting policy described in note 1 h), the lower value between its fair value net of selling costs and the book value of the credit existing on the date on which the donation was made, and was subsequently updated due, in particular, to changes in the appraised value of the property and/or the estimated costs of the sale. In situations where a potential added value is determined, it is not recognized in the financial statements.

The time elapsed since the receipt in recovery/execution of real estate, recorded in the caption Other assets (note 33), as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2023 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**200**	**1 095**	**6 377**	**101 850**	**109 522**
Urban	-	174	5 427	75 914	81 515
Rural	200	921	950	25 936	28 007
Buildings under construction	**-**	**439**	**2 117**	**27 472**	**30 028**
Commerce	-	159	461	2 364	2 984
Residential	-	280	1 461	24 886	26 627
Other	-	-	195	222	417
Constructed buildings	**4 927**	**5 819**	**12 561**	**42 673**	**65 980**
Commerce	3 600	3 909	7 998	32 897	48 404
Residential	1 327	1 640	2 963	7 738	13 668
Other	-	270	1 600	2 038	3 908
	5 127	7 353	21 055	171 995	205 530

	(Euro thousand)				
	2022				
Elapsed time since recovery/execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**899**	**4 280**	**13 578**	**150 210**	**168 967**
Urban	39	2 873	11 194	114 172	128 278
Rural	860	1 407	2 384	36 038	40 689
Buildings under construction	**65**	**261**	**13 614**	**29 650**	**43 590**
Commerce	-	166	1 824	4 023	6 013
Residential	65	95	11 623	25 191	36 974
Other	-	-	167	436	603
Constructed buildings	**7 686**	**19 704**	**13 612**	**70 574**	**111 576**
Commerce	5 186	9 927	7 262	39 825	62 200
Residential	2 437	9 272	4 494	27 968	44 171
Other	63	505	1 856	2 781	5 205
	8 650	24 245	40 804	250 434	324 133

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In the Group, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for the Group and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios, for the various Group entities.

To reduce concentration risk, the Group seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Directorate of Banco Montepio. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Directorate. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

The Group regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

The Group's investment portfolio is mainly concentrated in debt instruments and as at 31 December 2023 this represented 96.4% (31 December 2022: 96.2%) of the total portfolio, with the dominant position being held by bonds of sovereign issuers, essentially Portugal, Spain and Italy.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2023 and 2022.

In terms of credit quality of the bonds, circa 99.2% of the debt portfolio is investment grade (31 December 2022: 98.2%). Of note are the Portuguese, Spanish and Italian sovereign bonds with rating A-, BBB+ and BBB, respectively, and that represent 91.3% (31 December 2022: 91.8%) of the portfolio. As regards the portfolio composition no significant changes are observed. Concerning the composition of the portfolio, there are no significant changes per issuer, although the average quality of these has improved, especially as a result of the sovereign rating upgrades of Ireland (A+ to AA-), Portugal (BBB- to A-) and Greece (BB- to BB+).

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2023		2022		Change	
	Amount	%	Amount	%	Amount	%
AAA	34 607	0,9	110 523	2,6	(75 916)	(68,7)
AA+	87 503	2,2	5 177	0,1	82 326	1 590,2
AA	4 861	0,1	34 187	0,8	(29 326)	(85,8)
AA-	139 879	3,6	15 395	0,4	124 484	808,6
A+	7 089	0,2	107 113	2,6	(100 024)	(93,4)
A	501	-	-	-	501	-
A-	1 056 639	27,0		-	1 056 639	-
BBB+	1 031 009	26,4	1 202 557	28,7	(171 548)	(14,3)
BBB	34 395	0,9	1 092 271	26,1	(1 057 876)	(96,9)
BBB-	1 478 053	37,8	1 593 861	38,0	(115 808)	(7,3)
BB+	14 177	0,4	-	-	14 177	-
BB-	-	-	14 550	0,3	(14 550)	(100,0)
NR	18 463	0,5	15 385	0,4	3 078	20,0
Total	3 907 176	100,0	4 191 019	100,0	(283 843)	(6,8)

The position in bonds recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 24,785 thousand (31 December 2022: Euro 69,763 thousand), the position in Other financial assets at amortized cost stood at Euro 3,878,848 thousand (31 December 2022: Euro 4,119,387 thousand) and the position in Financial assets held for trading stood at Euro 3,543 thousand (31 December 2022: Euro 1,869 thousand).

Regarding the trading portfolio, as at 31 December 2023, the main VaR indicators are as follows:

(Euro thousand)

	2023	Average	Minimum	Maximum	2022
Market VaR	134	561	101	1 540	272
Interest rate risk	35	321	2	758	266
Exchange risk	45	162	8	318	66
Price risk	118	241	130	575	83
Spread Risk	7	82	7	93	70
Diversification effect	(71)	(245)	*(46)*	(204)	(213)

The value of the VaR of the trading portfolio decreased from 31 December 2022 to 31 December 2023. It should be noted that the VaR of the trading portfolio remained at moderate levels during financial year 2023, which was marked by the progressive unwinding of the high levels of risk associated with the exogenous shocks of the war in Ukraine and the general rise in prices.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating the Group (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, in financial years 2023 and 2022:

(Euro thousand)

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
31 December 2023					
Assets					
Debt securities	36 441	795 387	61 512	1 576 179	1 464 794
Loans and advances	5 909 394	2 910 606	1 248 353	1 361 841	1 224 992
Others	921 625	-	-	-	-
Off-balance sheet	10 007	9 133	40 901	280 745	-
Total	6 877 467	3 715 126	1 350 766	3 218 765	2 689 786
Liabilities					
Debt securities issued	172 005	100 000	550 635	255 184	8 407
Term deposits	2 428 905	1 691 921	2 512 806	1 084 309	-
Others	1 390 240	-	58 603	150 000	150 492
Off-balance sheet	39 158	264 833	12	93	853
Total	4 030 308	2 056 754	3 122 056	1 489 586	159 752
GAP (Assets - Liabilities)	2 847 159	1 658 372	(1 771 290)	1 729 179	2 530 034
31 December 2022					
Assets					
Debt securities	33 740	27 826	282 386	2 144 391	1 757 383
Loans and advances	6 351 630	3 209 863	1 406 712	1 061 814	421 711
Others	1 153 782	-	-	-	43 577
Off-balance sheet	6 903	16 036	3 010	38 888	-
Total	7 546 055	3 253 725	1 692 108	3 245 093	2 222 671
Liabilities					
Debt securities issued	247 100	-	50 659	650 635	12 218
Term deposits	1 862 789	1 139 178	1 434 196	1 900 929	-
Others	288 074	890 900	189 571	1 688 673	230 997
Off-balance sheet	29 251	16 036	13	106	997
Total	2 427 214	2 046 114	1 674 439	4 240 343	244 212
GAP (Assets - Liabilities)	5 118 841	1 207 611	17 669	(995 250)	1 978 459

(Euro thousand)

	2023				2022			
	December	Annual Average	Maximum	Minimum	December	Annual Average	Maximum	Minimum
Interest Rate Gap	6 993 454	7 013 224	7 327 328	6 718 890	7 327 328	5 276 384	7 327 328	3 836 113

Sensitivity to the balance sheet interest rate risk is calculated by 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 rate curve.

As at 31 December 2023, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause an increase in the economic value expected from the banking portfolio of circa Euro 16,734 thousand (31 December 2022: increase of Euro 44,163 thousand).

The following table presents the average interest rates, in relation to the Group's major asset and liability categories for financial years 2023 and 2022, as well as the respective average balances and the income and expenses for the financial year:

(Euro thousand)

	2023			2022		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest- generating assets						
Deposits at central banks and other credit institutions	825 854	2,90	24 280	1 631 251	1,12	18 503
Other loans and advances to other credit institutions	157 832	1,66	2 650	387 295	1,04	4 069
Loans and advances to customers	11 890 626	4,53	545 820	12 215 110	2,09	258 588
Securities portfolio	4 143 598	0,52	21 905	3 877 280	0,36	14 345
Other assets at fair value	8 736	4,54	402	9 222	1,44	135
Other (derivatives includes)	-	-	3 405	-	-	5 212
	17 026 646	**3,47**	**598 462**	**18 120 158**	**1,64**	**300 852**
Interest-generating liabilities						
Deposits from ECB	1 952 041	2,94	58 164	2 899 053	0,27	8 029
Deposits from other credit institutions	671 457	1,91	12 988	373 289	0,15	550
Deposits from customers	12 898 030	0,64	83 677	12 879 231	0,05	7 045
Senior debt	611 680	0,77	4 790	1 304 930	0,52	6 841
Subordinated debt	216 438	8,92	19 584	216 474	8,81	19 334
Other (derivatives includes)	-	-	11 153	-	-	7 563
	16 349 646	**1,15**	**190 356**	**17 672 977**	**0,28**	**49 362**
Net interest income		**2,36**	**408 106**		**1,37**	**251 490**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, in financial years 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023						
	Euro	U. S. Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Other foreign currencies	Total amount
Assets by currency							
Cash and deposits at central banks	1 162 808	5 493	-	1 446	906	745	1 171 398
Loans and deposits to credit institutions payable on demand	18 662	25 060	14 698	1 415	199	1 007	61 041
Other loans and advances to credit institutions	106 402	57 043	15 432	18	7	-	178 902
Loans and advances to customers	11 441 471	11 788	-	-	-	-	11 453 259
Financial assets held for trading	18 578	210	-	95	87	-	18 970
Financial assets at fair value through profit or loss	128 228	-	-	-	-	-	128 228
Financial assets at fair value through other comprehensive income	48 100	-	-	-	-	-	48 100
Hedging derivatives	6 174	-	-	-	-	-	6 174
Other financial assets at amortized cost	3 799 810	79 038	-	-	-	-	3 878 848
Investments in associated companies	4 702	-	-	-	-	-	4 702
Non current assets held for sale	74	-	-	-	-	-	74
Investment properties	57 665	-	-	-	-	-	57 665
Other tangible assets	195 400	-	-	-	-	-	195 400
Intangible assets	57 744	-	-	-	-	-	57 744
Current tax assets	1 568	-	-	-	-	-	1 568
Deferred Tax Assets	381 062	-	-	-	-	-	381 062
Other assets	338 323	7 996	-	1	-	-	346 320
Total Assets	**17 766 771**	**186 628**	**30 130**	**2 975**	**1 199**	**1 752**	**17 989 455**
Liabilities by currency							
Deposits from central banks	873 933	-	-	-	-	-	873 933
Deposits from other credit institutions	888 939	20 238	-	133	72	44	909 426
Deposits from customers	13 196 941	118 940	-	3 160	18 615	28 752	13 366 408
Debt securities issued	730 045	-	-	-	-	-	730 045
Financial liabilities held for trading	12 636	-	-	-	-	-	12 636
Hedging derivatives	3 525	-	-	-	-	-	3 525
Provisions	20 807	23	-	-	-	-	20 830
Current tax liabilities	1 661	-	-	-	-	-	1 661
Other subordinated debt	217 019	-	-	-	-	-	217 019
Other liabilities	281 307	2 111	37	1 093	230	2 723	287 501
Total Liabilities	**16 226 813**	**141 312**	**37**	**4 386**	**18 917**	**31 519**	**16 422 984**
Exchange forward transactions	-	(45 423)	-	1 404	17 720	29 834	-
Exchange gap	-	(107)	30 093	(7)	2	67	-
Stress Test	-	22	(6 019)	2	-	-	-

(Euro thousand)

	2022						
	Euro	**U. S. Dollar**	**Angolan Kwanza**	**Swiss Franc**	**Pound Sterling**	**Other foreign currencies**	**Total amount**
Assets by currency							
Cash and deposits at central banks	1 354 507	7 508	18 108	1 771	1 062	846	1 383 802
Loans and deposits to credit institutions payable on demand	10 307	30 484	-	6 237	3 865	1 394	52 287
Other loans and advances to credit institutions	26 734	5 579	74 046	17	-	-	106 376
Loans and advances to customers	11 649 353	20 865	42 812	-	-	67	11 713 097
Financial assets held for trading	22 849	221	-	-	-	-	23 070
Financial assets at fair value value through profit or loss	147 770	-	-	-	-	-	147 770
Financial assets at fair value through other comprehensive income	97 222	-	-	-	-	-	97 222
Other financial assets at amortized cost	3 992 377	81 862	38 431	-	6 717	-	4 119 387
Investments in associated companies	4 390	-	-	-	-	-	4 390
Non-current assets held for sale	11	-	-	-	-	-	11
Non-current assets held for sale - - Discontinued Operations	199 687	-	-	-	-	-	199 687
Investment properties	72 726	-	-	-	-	-	72 726
Other tangible assets	139 767	-	52 231	-	-	-	191 998
Intangible assets	47 551	-	-	-	-	-	47 551
Current tax assets	5 966	-	-	-	-	-	5 966
Deferred Tax Assets	413 604	-	-	-	-	-	413 604
Other assets	517 909	4 761	4 619	-	2	16	527 307
Total Assets	**18 702 730**	**151 280**	**230 247**	**8 025**	**11 646**	**2 323**	**19 106 251**
Liabilities by currency							
Deposits from central banks	2 889 991	-	-	-	-	-	2 889 991
Deposits from other credit institutions	340 284	1 133	-	104	75	27	341 623
Deposits from customers	12 837 672	139 654	91 005	2 305	16 770	27 960	13 115 366
Debt securities issued	606 651	-	-	-	-	-	606 651
Financial liabilities held for trading	17 697	-	-	-	-	-	17 697
Non current liabilities held for sale - Discontinued operations	101 738	-	-	-	-	-	101 738
Provisions	30 213	1	538	-	-	-	30 752
Current tax liabilities	4 438	-	-	-	-	-	4 438
Other subordinated debt	217 029	-	-	-	-	-	217 029
Other liabilities	243 830	734	13 543	665	77	2 631	261 480
Total Liabilities	**17 289 543**	**141 522**	**105 086**	**3 074**	**16 922**	**30 618**	**17 586 765**
Exchange forward transactions	-	(6 290)	-	(4 909)	4 928	28 516	-
Exchange gap	-	3 468	125 161	42	(348)	221	-
Stress Test	-	(694)	(25 032)	(8)	70	(44)	-

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 31 December 2023, the LCR value was 233.1% (31 December 2022: 249.6%).

As regards the net stable funding ratio, designated NSFR, same stood at 130.4% (31 December 2022: 125.0%).

As at 31 December 2023, the Group's financing structure was as follows:

(Euro thousand)

	Total	**Undetermined**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**> 12 months**
Deposits from central banks	873 933	-	817 437	-	56 496	-
Deposits from other credit institutions	909 426	-	596 400	8 283	4 236	300 507
Deposits from customers	13 366 408	-	7 813 230	1 641 788	2 458 040	1 453 350
Debt securities issued	730 045	-	-	2 963	3 776	723 306
Financial liabilities held for trading	12 636	-	107	10	774	11 745
Other subordinated debt	217 019	-	-	-	10 696	206 323
Other liabilities	287 501	287 501	-	-	-	-
Total liabilities	**16 396 968**	**287 501**	**9 227 174**	**1 653 044**	**2 534 018**	**2 695 231**

As at 31 December 2022, the Group's financing structure was as follows:

(Euro thousand)

	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 889 991	-	1 162 557	-	-	1 727 434
Deposits from other credit institutions	341 623	-	40 523	1 001	-	300 099
Deposits from customers	13 115 366	-	8 292 466	1 129 470	1 390 581	2 302 849
Debt securities issued	606 651	-	-	-	53	606 598
Financial liabilities held for trading	17 697	-	72	215	507	16 903
Financial liabilities held for sale - - Discontinued operations	101 738	101 738	-	-	-	-
Other subordinated debt	217 029	-	-	-	10 706	206 323
Other liabilities	261 480	261 480	-	-	-	-
Total liabilities	**17 551 575**	**363 218**	**9 495 618**	**1 130 686**	**1 401 847**	**5 160 206**

In the scope of Banco de Portugal Instruction no. 28/2014, of 15 January 2015, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2023 and 2022, on the assets and related collaterals:

(Euro thousand)

Assets	2023 Carrying amount of encumbered assets	2023 Fair value of encumbered assets	2023 Carrying amount of unencumbered assets	2023 Fair value of unencumbered assets
Assets from the reporting institutions	2 416 932	-	15 572 522	-
Equity instruments	-	-	145 540	153 067
Debt securities	1 003 226	359 853	3 489 794	3 234 435
Other assets	-	-	1 212 810	-

(Euro thousand)

Assets	2022 Carrying amount of encumbered assets	2022 Fair value of encumbered assets	2022 Carrying amount of unencumbered assets	2022 Fair value of unencumbered assets
Assets from the reporting institutions	5 101 814	-	14 004 437	-
Equity instruments	-	-	161 143	163 784
Debt securities	1 105 221	930 314	3 638 713	2 780 952
Other assets	-	-	1 632 957	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2023 Carrying amount of selected financial liabilities	2022 Carrying amount of selected financial liabilities
Associated liabilities, contingent liabilities and securities borrowed	1 469 650	3 207 695
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	2 383 400	5 024 389

The encumbered assets are mostly related to the Group's funding operations, namely of the ECB and EIB in Repos operations, with the issuance of covered bonds and securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repos transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position as at 31 December 2023 and 2022 and reflect the high level of collateralization of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2023 to Euro 3,765,706 thousand (31 December 2022: Euro 2,555,225 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2023, amounts to Euro 4,666,394 thousand (31 December 2022: Euro 5,537,699 thousand) with a usage of Euro 924,754 thousand (31 December 2022: Euro 2,999,306 thousand):

(Euro thousand)

	2023	2022
Total eligible collateral	**5 562 498**	**5 930 869**
Total collateral in the pool	4 666 394	5 537 699
Collateral outside the pool	896 104	393 170
Used collateral	**1 796 792**	**3 375 644**
Collateral used for ECB	924 754	2 999 306
Collateral committed to other financing operations	872 038	376 338
Collateral available for ECB	**3 741 640**	**2 538 393**
Total available collateral	**3 765 706**	**2 555 225**

Note: collateral amount considers the applied haircut

As at 31 December 2023 and 2022, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

Liabilities	2023 Total	In cash [1]	Up 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Deposits from central banks	883 362	-	824 759	-	58 603	-	-	-
Deposits from other credit institutions	911 716	47 915	550 758	8 409	4 378	37 557	112 628	150 071
Deposits from customers	13 486 414	5 594 816	2 348 443	1 721 090	2 389 570	501 934	930 561	-
Debt securities issued	901 582	142	16 884	16 426	380 192	75 581	326 623	85 734
Financial liabilities held for trading	12 636	12 636	-	-	-	-	-	-
Other subordinated debt	353 876	-	216	15 250	5 289	23 360	124 126	185 635
Other liabilities	309 991	-	309 991	-	-	-	-	-
Total liabilities	**16 859 577**	**5 655 509**	**4 051 051**	**1 761 175**	**2 838 032**	**638 432**	**1 493 938**	**421 440**

(1) It encompasses trading liabilities, including derivatives, considered at fair value.

(Euro thousand)

Liabilities	2022 Total	In cash [1]	Up 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Deposits from central banks	2 937 041	-	280 396	890 900	189 571	1 576 174	-	-
Deposits from other credit institutions	341 961	40 583	-	1 036	28	57	112 650	187 607
Deposits from customers	13 122 233	6 629 909	1 655 463	1 126 279	1 413 582	1 252 560	1 022 520	21 920
Debt securities issued	768 921	170	20 604	20 610	40 448	402 354	157 957	126 778
Financial liabilities held for trading	17 698	17 698	-	-	-	-	-	-
Financial liabilities held for sale - - Discontinued operations	101 738	-	-	101 738	-	-	-	-
Other subordinated debt	375 130	-	162	15 250	4 182	20 957	73 967	260 612
Other liabilities	296 669	-	296 669	-	-	-	-	-
Total liabilities	**17 961 391**	**6 688 360**	**2 253 294**	**2 155 813**	**1 647 811**	**3 252 102**	**1 367 094**	**596 917**

(1) It encompasses trading liabilities, including derivatives, considered at fair value.

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2023 and 2022, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	2023	2022
Non-current assets held for sale	74	11
Real estate received in recovery of credit	205 511	324 133
Investment properties	57 665	72 726
Investment units in Real Estate Funds	43 954	62 723
	307 204	459 593
Stress test	(30 720)	(45 959)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Information in the table above does not consider the amount of Euro 31,647 thousand related to the prudential deduction in respect of real estate as at 31 December 2023 (31 December 2022. Euro 20,669 thousand).

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Directorate exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring as at 31 December 2023, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Directorate.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

Information and Communication Technologies Risk

Information and communication technologies risk is characterized by the risk of losses in capital and the Bank's net equity due to breach of confidentiality, lack of integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technologies (IT) within a reasonable period of time and cost when the environment or business requirements change (i.e., agility). This scope also includes the risk of losses resulting from external security risk events or inadequate or deficient internal processes, including cyberattacks or inadequate physical security.

As part of the management of this risk, Banco Montepio’s Risk Directorate ensures the identification, measurement, assessment, management, monitoring and communication of information and communication technology risk events and security. Considering the ongoing digital transformation and the Bank's increased technological dependence, as well as the increase in cyberattacks in Portugal and around the world, in 2022 the Bank created a Cybersecurity Office independent of the Information Systems Directorate, in order to centralize and focus teams on implementing a process framework to mitigate security events as well as defining and implementing an action plan whenever they occur; this Office is in direct contact with the Bank's Risk Directorate within the scope of management and security risk monitoring.

Environmental, Social and Governance Risks

ESG Risks are based on the assessment of Environmental, Social and Governance (ESG) components. Environmental risks (“Climate and Environmental Risk via Physical Risk” and “Climate Risk via Transition Risk”) are defined in Banco Montepio’s Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. At an initial stage, this process will be mainly qualitative, integrating a forward-looking perspective, since this type of event has not materialized so far, not allowing the creation of a robust historical basis for the construction of a quantitative analysis. Social and Governance risks are also defined in Banco Montepio’s Risk Taxonomy (“Social Risk” and “Governance Risk”).

To centralize the management of these risks, in 2023 the Bank created a team in the Risk Directorate specializing in the management and monitoring of this risk (ESG Risk Management Centre).

Pension Fund risk

The Pension Fund risk results from the potential devaluation of the Fund's asset portfolio or the decrease in the respective expected returns, as well as the increase in the Fund's liabilities as a result of the evolution of the different actuarial assumptions. In such scenarios, Banco Montepio will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Directorate ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

The Group does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at the Banco Montepio Group has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and the Banco de Portugal add-ons in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Committee, Audit Committee and Board of Directors, as well as of the Group's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Group level, as well as of the entities that assume the risk management function, lies with the Risk Directorate. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Directorate carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Directorate, together with the first-line organic units.

The own funds of the Group are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of Banco de Portugal. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with, of note, the following general composition:

- *Level 1 Core Own Funds or Common Equity Tier 1 (CET1)*: this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings, if existing, is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. Non-controlling interests are only eligible to the extent necessary to cover the Group's capital requirements attributable to minority shareholders. The book value of the amounts related to goodwill, if existing, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 through 2023. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. Also in accordance with Regulation (EU) no. 575/2013, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. In addition to the regulatory deductions, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This prudential reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties considering their ageing on the balance sheet. Regarding portfolios of property received in recovery of credit and investment properties, the Group considered, as at 31 December 2023, a specific prudential deduction of - Euro 31,647 thousand (with an impact of a negative 35 basis points on CET1), resulting from the internal prudential haircut policy. Bearing in mind the plan defined in its own internal regulations, an additional impact of - Euro 59,774 thousand is estimated until the end of 2024 (ceteris paribus in Banco Montepio Group's portfolio as at 31 December 2023). However, Banco Montepio continues to make efforts to reduce its exposure to properties, particularly those with a greater ageing in its portfolio, to reduce the amount of this potential prudential impact.

- *Level 1 Own Funds or Tier 1 (T1)*: includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Banco de Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.
- *Level 2 Own Funds or Tier 2 (T2)*: includes capital equivalent instruments, which conditions are in accordance with article 63 of the CRR and that have been approved by the Banco de Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Total Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

As at 31 December 2023, Banco Montepio already recognizes prudentially the total initial impact related to the adoption of IFRS 9.

Regulation 2020/873 of the European Parliament and Council introduced an additional transitional plan regarding the impacts of increased IFRS 9 impairments occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 50% in 2023, 75% in 2024 and 100% in 2025.

As referred, the effects related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the IFRS 9 impairment increase occurring after 1 January 2020 in Stages 1 and 2, are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRR of 4.5% for CET1, of 6.0% for Tier 1 and of 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by the Banco de Portugal, and an add-on of capital in the scope of the annual exercise of the Supervisory Review and Evaluation Process ("SREP"), which amount is defined by the Banco de Portugal. According to that defined by the Banco de Portugal, the minimum ratios required may be presented as follows:

Ratios	**2023**				**2022**			
	Ratio	**Tier 1**	**Tier 2**	**Reserves (1)**	**Ratio**	**Tier 1**	**Tier 2**	**Reserves (1)**
CET1	9,09%	4,50%	1,83%	2,77%	9,08%	4,50%	1,83%	2,76%
T1	11,20%	6,00%	2,44%	2,77%	11,19%	6,00%	2,44%	2,76%
Total	14,02%	8,00%	3,25%	2,77%	14,01%	8,00%	3,25%	2,76%

(1) Considers:
Conservation reserve 2,5%;
Reserve The SII of 0.25%;
Countercyclical Reserve currently set at 0% in Portugal, however presents the value of 0.016% given the geographical distribution of Banco Montepio Group's exhibitions in December 2023.

Pursuant to these provisions, as at 31 December 2023, the regulatory ratios, considering the reserves, for Common Equity Tier 1, Tier 1 and Total were 9.09%, 11.20% and 14.02%, respectively, including the own funds reserves.

The summary of the calculation of the Group's capital requirements as at 31 December 2023 and 2022 (unaudited information), under phase-in, is presented as follows:

(Euro thousand)

	2023	2022
Common Equity Tier 1 Capital		
Realized share capital	1 210 000	2 420 000
Net income/(loss), reserves and retained earnings	350 471	(911 956)
Non-controlling interests eligible for CET1	-	3 496
Other regulatory adjustments	(331 061)	(376 156)
	1 229 410	1 135 384
Tier 1 Capital		
Non-controlling interests eligible for Tier 1	-	763
	1 229 410	1 136 147
Tier 2 Capital		
Subordinated debt	206 323	206 323
Non-controlling interests eligible for Tier 2	-	420
Non-controlling interests eligible for Tier 2	(89)	-
	206 234	206 743
Total own funds	1 435 644	1 342 890
Own funds requirements		
Credit risk	528 826	563 133
Market risk	4 108	14 375
Operating risk	54 308	49 752
Other requirements	24 060	34 851
	611 302	662 111
Prudential Ratios		
Common Equity Tier 1 Ratio	16,1%	13,7%
Tier 1 Ratio	16,1%	13,7%
Total Capital Ratio	18,8%	16,2%

It should be noted that the ratios, as at 31 December 2023 and 2022, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 32.

If the transitional plan was not applied to the initial impacts of the adoption of IFRS 9, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2023 and 2022 (unaudited information), would be:

(Euro thousand)

	2023	2022
Capital Common Equity Tier 1	1 218 980	1 119 267
Capital Tier 1	1 218 980	1 120 029
Total own funds	1 425 214	1 326 773
Own funds requirements	611 382	661 046
Prudential Ratios		
Common Equity Tier 1 Ratio	16,0%	13,5%
Tier 1 Ratio	16,0%	13,6%
Total Capital Ratio	18,6%	16,1%

54 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2023, for annual periods beginning on 1 January 2023:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2023:

a) **IAS 1** (amendment), 'Disclosure of accounting policies'. Amendment to the disclosure requirements of accounting policies based on the definition of "material" rather than "significant". Information relating to an accounting policy is considered material if, in its absence, users of the financial statements would not be able to understand other financial information included in those same financial statements. Information regarding immaterial accounting policies does not need to be disclosed. IFRS Practice Statement 2 was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

b) **IAS 8** (amendment), 'Disclosure of accounting estimates'. This amendment is still subject to endorsement by the European Unio. Introduction of the definition of an accounting estimate and the way in which it is distinguished from changes in accounting policies. Accounting estimates are now defined as monetary values subject to uncertainty in their measurement, used to achieve the objective(s) of an accounting policy.

c) **IFRS 17** (new and amendment), 'Insurance contracts'. This new standard replaces IFRS 4 and applies to all entities that issue insurance and reinsurance contracts or investment contracts with discretionary participation characteristics in the results if they are also issuers of insurance contracts. Under IFRS 17, entities issuing insurance contracts need to assess whether the policyholder can benefit from a given service as part of a claim, or whether that service is independent of the claim/risk event, in which case it shall separate the uninsured component. In accordance with IFRS 17, entities must identify portfolios of insurance contracts at initial recognition and divide them, at least, into the following groups: i) contracts that are onerous at initial recognition; ii) contracts that do not present a significant possibility of later becoming onerous; and iii) remaining contracts in the portfolio. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. IFRS 17 requires an entity to recognize income as it provides insurance services (rather than when it collects premiums) and to provide information about insurance contract gains that it expects to recognize in the future. IFRS 17 provides for three measurement methods for accounting for different types of insurance contracts: i) General measurement model ("GMM"); ii) Premium allocation approach ("PAA"); and iii) Variable fee approach ("VFA"). IFRS 17 is retrospectively applicable with some exemptions on the transition date.

d) **IFRS 17** (amendment), 'Initial application of IFRS 17 and IFRS 9 - Comparative Information'. This amendment only applies to insurers in the transition to IFRS 17 and allows the adoption of an "overlay" in the classification of a financial asset for which the entity does not apply the change retrospectively, under IFRS 9. This amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, in the comparative information presented on the initial application of IFRS 17, providing for: (i) the application on a financial asset-by-asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

e) **IAS 12** (amendment), 'Deferred tax relating to assets and liabilities associated with a single transaction'. IAS 12 now requires entities to recognize deferred tax on certain specific transactions, when their initial recognition gives rise to equal amounts of taxable timing differences and deductible timing differences. Subject transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for decommissioning, restoration or similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset, when on the date of initial recognition they do not produce tax effects.

These timing differences are excluded from the scope of the deferred tax recording exemption on the initial recognition of assets or liabilities. This amendment applies retrospectively.

f) **IAS 12** (amendment), 'International tax reform – Pillar two model rules'. Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes of the entities impacted which, at this date, are difficult to estimate. This amendment to IAS 12 introduces: i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and ii) targeted disclosure requirements for affected entities (entities belonging to multinational groups that have consolidated revenues of €750m in at least two out of the last four years), such as: the fact that the exception was applied, the current tax expense related to Pillar Two rules, and the reasonable estimate of the impact of Pilar Two rules between the date the legislation becomes enacted and the date it becomes effective.

These amendments had no material impact on the financial statements of the Banco Montepio Group.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, already endorsed by the European Union:

a) **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants' (effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as current or non-current balances depending on the right of an entity to defer payment beyond 12 months after the reporting date. They also clarify that "covenants", which an entity is obliged to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if its verification only occurs after the reporting date. When an entity classifies liabilities arising from financing contracts as non-current and these liabilities are subject to "covenants", it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the "covenants" and the dates of fulfilment; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the "covenants" on the due dates. These amendments apply retrospectively**.**

b) **IFRS 16** (amendment), 'Lease liabilities in sale and leaseback transactions' (effective for annual periods beginning on or after 1 January 2024). This amendment introduces guidance regarding the subsequent measurement of lease liabilities, for sale and leaseback transactions that qualify as "sales" under IFRS 15, with greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate. When subsequently measuring lease liabilities, seller-lessees shall determine the "lease payments" and "revised lease payments" so that they do not recognize gains/(losses) in respect of the right of use they retain. This amendment applies retrospectively.

The Banco Montepio Group does not anticipate any significant impact derived from the application of these amendments to its financial statements.

3. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, not yet endorsed by the European Union:

a) **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements' (effective for annual periods beginning on or after 1 January 2024). These amendments are still subject to endorsement by the European Union. Supplier financing arrangements are characterized by the existence of a financier that undertakes to pay the balances that an entity owes to its suppliers and the entity, in turn, agrees to pay in accordance with the terms and conditions of the arrangement, on the same date, or later, as the date of payment to suppliers. These amendments require an entity to provide additional disclosures about its supplier finance arrangements to enable: i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows; and ii) the understanding of the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020**.**

b) **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025). This amendment is still subject to endorsement by the European Union. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined.

The Banco Montepio Group does not anticipate any significant impact derived from the application of these amendments to its financial statements.

New standards summary

Description	Changes	Effective date
1. Standards (new and amendments) effective as at 1 January 2023		
IAS 1 – Disclosure of accounting policies	Disclosure requirement for “material” accounting policies, rather than “significant” accounting policies	1 January 2023
IAS 8 – Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	
IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information	
IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for decommissioning / related asset, when their simultaneous initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes	
IAS 12 - International Tax Reform – Pillar two model rules	Introduction of a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Requirement of targeted disclosure for affected entities (entities belonging to multinational groups that have consolidated revenues of €750m in at least two out of the last four years)	Immediately and 1 January 2023
2. Standards (new and amendments) that will become effective, on or after 1 January 2024, endorsed by the EU		
IAS 1 – Classification of liabilities as non-current and current and non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity’s right to defer its settlement for at least 12 months after the reporting date, when subject to covenants	1 January 2024
IFRS 16 – Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable	
3. Standards (new and amendments) that will become effective, on or after 1 January 2024, but not endorsed by the EU		
IAS 7 e IFRS 7 – Supplier finance arrangements	Requirement to provide additional disclosures about supplier finance arrangements, the impact in liabilities and cash flows, as well as the impact in liquidity risk analysis, and how the entity would be impacted if these arrangements were no longer available	1 January 2024
IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Requirements for determining whether a currency is capable of being exchanged for another currency and, when exchange is not possible for a long period, the options for calculating the spot exchange rate to be used. Disclosure of the impacts of this situation on the liquidity, financial performance and financial position of the entity, as well as the spot exchange rate used on the reporting date	1 January 2025

55 Transfer of assets

The Group carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the 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 same.

The financial assets sold under these operations are derecognized from the balance sheet of the Group, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same. The funds specialized in the recovery of credit that acquired financial assets from the Group are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same. These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds. The management structure of the fund has as main responsibilities to:

- define the objective of the fund; and
- manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which the Group holds minority positions, incorporate companies under Portuguese law to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies. These junior bonds, when subscribed by the Group, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, the Group subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where the Group has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end;
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, the Group, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, 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 over the funds or the companies holding the assets, the Group derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2023			2022		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	45 349	45 509	160	45 349	45 509	160
	99 964	117 533	17 569	99 964	117 533	17 569

As at 31 December 2023 and 2022, the assets received under these operations are as follows (see note 23):

(Euro thousand)

	2023	2022
	Senior securities	
Fundo Vega, FCR	20 874	22 196
Discovery Portugal Real Estate Fund	13 647	13 111
Fundo Aquarius, FCR	10 579	10 934
Fundo de Reestruturação Empresarial, FCR	11 328	16 200
	56 428	62 441

Although the subordinated securities are fully provided against, the Group also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

56 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (“RGICSF “) and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Banco de Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, the Group is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Banco de Portugal based, among others, on the amount of its liabilities. As at 31 December

2023, the periodic contribution made by the Group amounted to Euro 2,291 thousand (31 December 2022: Euro 5,106 thousand), based on a contribution rate of 0.029%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Banco de Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. (“BES”) a resolution measure under, pursuant to article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. (“Novo Banco”), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Banco de Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco’s status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million.

On 23 December 2021, the Resolution Fund made the payment of Euro 112 million, after having obtained all analyses from a financial, economic and legal point of view, which was pending verification in June 2021 and was already provided against.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of Banco de Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;

- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these consolidated financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

Since this decision is subject to appeal to the Court of Competition, Regulation and Supervision, in like manner to various other institutions charged and that have publicly announced this intention, Banco Montepio also challenged this Decision judicially on 21 October 2019.

Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to the suspension of the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that court, that decided to accept same, and the consequent suspension of the obligation referred to above.

The discussion and judgment hearing began in October 2021. At the conclusion of the hearing, and as requested by Banco Montepio and other defendants, the Court of Competition, Regulation and Supervision (TCRS) decided to suspend the proceedings and refer two preliminary questions to the Court of Justice of the European Union (CJEU), under article 267 of the Treaty on the Functioning of the European Union (TFEU). A decision is awaited from the CJEU, after which the TCRS will issue a sentence in accordance with such decision.

Considering all the relevant circumstances, arising from the appeal lodged by Banco Montepio as well as by the other defendant banks, it is considered that there is a serious and significant probability that the fine applied to Banco Montepio will likely be annulled.

Banco Montepio is not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the circumstances related to the case, it is considered that the chances of success of any legal actions that might be brought against Banco Montepio based on the Decision to be delivered would be reduced.

Banco de Portugal

During 2023, the Bank was subject to some administrative offense processes instituted by the Banco de Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, having, to the effect, made provisions in the global amount of Euro 280,000.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Directorate and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For most of these processes, the Banco de Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine, and, as regards one of the two processes still underway, same is still in a preliminary phase, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions that might hypothetically be imputed to it.

Thus, and notwithstanding the Board of Directors considering as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to any of the infractions that are imputed to it, even if the respective risk of being sentenced still exists, it is the Board's conviction that the amount of the consequent sanctions will not exceed the amount of provisions recognized by the Bank as at 31 December 2023.

57 Subsidiary and associates

As at 31 December 2023, the Companies consolidated under the full consolidation method in the Group are as follows:

					Group	
Subsidiary	Head office	Share capital	Currency	Activity	% of control	% of effective part
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	euro	Specialised loans	100,00%	100,00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	euro	Management of shareholding	100,00%	100,00%
Montepio Investimento, S.A.	Lisbon	180 000 000	euro	Banking	100,00%	100,00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Management of real estate	100,00%	100,00%
Montepio Serviços, A.C.E:	Lisbon	-	-	Support services provided to companies	85,00%	85,00%

As at 31 December 2022, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group	
					% of control	% of effective part
Finibanco Angola, S.A.	Luanda	7 516 296 830	Kwanza	Banking	51,00%	80,22%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	euro	Specialised loans	100,00%	100,00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	euro	Management of shareholding	100,00%	100,00%
Montepio Investimento, S.A.	Lisbon	180 000 000	euro	Banking	100,00%	100,00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Management of real estate	100,00%	100,00%

As at 31 December 2023 and 2022, the Group´s associates accounted for under the equity method, are as follows:

(Euro thousand)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20,00%
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	Lisbon	2 449 707	Management of real estate	27,50%
CESource, ACE	Lisbon	-	Management of IT systems	18,00%

Finibanco Angola

In 2015, a contract was signed for the sale of 1,727,782 shares of Finibanco Angola, representing 30.57% of the share capital, for USD 26,346,178.

The sale operation of 30.57% of Finibanco Angola was realized without any related payment being received. The ownership rights of the shares remained with the Group, including the right to vote and to receive dividends. Therefore, considering that there was no substantive transfer of the associated risks and rewards, the Group did not derecognize the shares object of the transaction, that is, it will not recognize the disposal of the financial shareholding until the respective settlement is made.

In 2017, the financial settlement corresponding to 11,476 shares, representing 0.20% of the share capital, was made in the amount of USD 174,984, with the Group coming to hold 81.37% of the subsidiary Finibanco Angola.

In May 2018, a financial settlement corresponding to 65,040 shares, representing 1.15% of the share capital, was made in the amount of USD 991,764, with the Group coming to hold 80.22% of the subsidiary Finibanco Angola.

Upon full settlement of the two transactions, the Group continued to control Finibanco Angola.

As at 31 December 2022 and until 30 June 2023, the Group held 80.22% of Finibanco Angola, having, on 30 June 2023, a shareholding of 29.22%, which sale was concluded on 24 August 2023, following the disposal of 51% of the shareholding to Access Bank Plc, a commercial bank headquartered in Lagos, in Nigeria. As at 31 December 2022, the consolidated financial statements consider the financial statements of this entity applying IFRS 5, that is, treating it as a discontinued unit, with its assets and liabilities being presented under the captions Non-current Assets and Liabilities held for sale – Discontinued operations, respectively, and the results in Net gains/(losses) from discontinued operations, as described in note 57.

As at 31 December 2023 and 2022, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

58 Non-current assets and liabilities held for sale – Discontinuing operations

On 30 September 2022, to the extent that the sale of the financial interest held in Finibanco Angola was highly probable, being available for immediate sale in its present condition subject only to the usual terms for these types of transactions, Finibanco Angola's operations were classified as discontinued operations, in accordance with IFRS 5; therefore, the total assets and liabilities of Finibanco Angola came to be presented under the captions Non-current assets held for sale and discontinued operations and Non-current liabilities held for sale and discontinued operations in the Balance Sheet, respectively, and the results generated by Finibanco Angola came to be presented in the line of the Income Statement called Net gains/(losses) from discontinued operations.

Montepio Holding, on 4 October 2022, entered into an agreement with Access Bank Plc for the sale of the financial holding held in Finibanco Angola, subject to obtaining approval from the supervisory and regulatory authorities.

On 30 June 2023, in execution of the previously mentioned share purchase and sale agreement, the sale was completed, by Montepio Holding to Access Bank Plc, of the shareholding representing 51% of Finibanco Angola's share capital, with Montepio Holding receiving, on this date, the sales price of the shares.

With the sale of the 51% stake held in Finibanco Angola's share capital and the loss of control of this subsidiary, the financial statements for the year ended 31 December 2023 show:

The de-recognition of the balance sheet values of assets, liabilities and non-controlling interests of Finibanco Angola;

The recognition of the amount received from the sale of the 51% interest in Finibanco Angola;

The recognition of the 29.22% stake held in Finibanco Angola at fair value, classified under the caption Non-current assets held for sale and discontinued operations, given the lack of control or significant influence over management, as well as the ongoing initiatives to complete the sale;

The recycling of accumulated foreign exchange reserves, as a result of the exchange rate devaluation of the AOA, existing as at the date of sale and recorded in Banco Montepio Group's reserves, through transfer to the profit or loss for the period.

On 10 August 2023, the Angolan National Bank authorized the transfer of shares representing 29.22% of the share capital of Finibanco Angola held by Montepio Holding in favour of the shareholder Access Bank Plc, with Montepio Holding having received, on 24 August 2023, the price attributed to the shares representing 29.22% of the share capital of Finibanco Angola, for which reason the Banco Montepio Group no longer holds any financial shareholding in the share capital of Finibanco Angola.

With reference to 31 December 2023 and 2022, the breakdown of Non-current assets and liabilities held for sale – discontinued operations is presented as follows:

(Euro thousand)

	2023	2022
	Finibanco Angola	
Cash and deposits at central banks and credit institutions	-	41 739
Loans and advances to credit institutions	-	45 451
Loans and advances to customers	-	37 307
Other financial assets at fair value through other comprehensive income	-	68
Other financial assets at amortized cost	-	45 757
Other tangible assets	-	29 212
Intangible assets	-	2 491
Investments in associated companies	-	-
Current tax assets	-	126
Deferred tax assets	-	(4 761)
Other assets	-	2 297
Total Assets	**-**	**199 687**
Deposits from other credit institutions	-	559
Deposits from customers	-	95 475
Provisions	-	538
Current tax liabilities	-	2 188
Deferred tax liabilities	-	(3 506)
Other liabilities	-	6 484
Total Liabilities	**-**	**101 738**

The breakdown of Net gains/(losses) from discontinued operations by income statement captions is analysed as follows:

(Euro thousand)

	2023	2022		
	Finibanco Angola	Finibanco Angola	Banco Montepio Geral - Cabo Verde - Em Liquidação	Total
Net interest income	5 811	10 263	2	10 265
Net Fee and commission income	908	1 629	-	1 629
Net gains/ (losses) arising from financing activities	1 811	1 849	(8)	1 841
Other operating income/(expense)	(904)	(1 116)	13	(1 103)
Total operating income	**7 626**	**12 625**	**7**	**12 632**
Staff costs	3 033	3 676	-	3 676
General and administrative expenses	2 135	1 740	-	1 740
Depreciation and amortisation	641	833	-	833
Total operating expense	**5 809**	**6 249**	**-**	**6 249**
Loans, other assets and other provisions impairment	(402)	9 205	-	9 205
Operating profit	**2 219**	**(2 829)**	**7**	**(2 822)**
Profit before income tax	**2 219**	**(2 829)**	**7**	**(2 822)**
Taxes	(18)	41	(15)	26
Recycling of foreign exchange and other reserves	(104 668)	-	-	-
Net profit/ (loss) for the year	**(102 467)**	**(2 788)**	**(8)**	**(2 796)**

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde – Em Liquidação as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding held in this entity was reclassified, in 2021, to Non-current assets held for sale.

In view of this legal imposition, the competent Bodies of the Banco Montepio Group decided to proceed with the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde – Em Liquidação, which was completed on 30 September 2022.

Finibanco Angola came to meet the criteria set out in IFRS 5 to be considered as a discontinued operation following the sale agreement entered between Montepio Holding and Access Bank Plc, as described in note 57.

Following the agreement signed between Montepio Holding and Access Bank Plc for the sale of the financial holding held in the share capital of Finibanco Angola, and considering that the price of this transaction on 31 December 2022 had not yet been defined, we proceeded, based on the terms of the agreement referred to above, to calculate the estimate of the impact which, with reference to 31 December 2022, totalled Euro 19,043 thousand, with same having been recorded under the caption Net gains/(losses) from discontinued operations in the income statement.

59 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format With reference to 31 December 31 2023, the Banco Montepio Group observed an NPL ratio of 3.2%, lower than the 5% previously mentioned. Therefore, considering that as on

31 December 2023 Banco Montepio is no longer considered “NPL Bank”, the following information refers to 31 December 2022:

Credit quality of restructured exposures

(Euro thousand)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on exposures with forbearance measures	
	Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures			Perfoming exposures with forbearance measures	Non-perfoming exposures with forbearance measures		Of which: Collateral and Financial guarantees received on non-perfoming exposures with forbearance measures
			Of which: Defaulted	of which: impaired				
Loans and advances	127 128	393 535	393 535	393 535	(4 971)	(159 203)	301 715	198 676
Central banks	-	-	-	-	-	-	-	-
General governments	-	2 356	2 356	2 356	-	(250)	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	38	65 295	65 295	65 295	(2)	(32 027)	26 680	26 659
Non-financial corporations	80 073	271 550	271 550	271 550	(3 777)	(107 191)	201 313	140 276
Households	47 017	54 334	54 334	54 334	(1 192)	(19 735)	73 722	31 741
Debt securities	-	-	-	-	-	-	-	-
Loan commitments granted	47	326	326	326	(1)	-	-	-
	127 175	**393 861**	**393 861**	**393 861**	**(4 972)**	**(159 203)**	**301 715**	**198 676**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousand)

	Gross carrying amount											
	Perfoming exposures			Non-perfoming exposures								
		Not past due or past due <= 30 days	Past due >30 days <=90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due >180 days <= 1 year	Past due >1 year <= 2 years	Past due > 2 years <= 5 years	Past due >5 years <= 7 years	Past due > 7 years	Of which: defaulted
Loans and advances	**12 307 906**	**12 276 282**	**31 625**	**598 434**	**342 968**	**20 046**	**30 221**	**60 706**	**44 089**	**12 254**	**88 150**	**598 434**
Central banks	1 253 948	1 253 948	-	-	-	-	-	-	-	-	-	-
General governments	101 654	101 654	-	2 356	-	-	-	2 356	-	-	-	2 356
Credit institutions	145 348	145 348	-	-	-	-	-	-	-	-	-	-
Other financial corporations	92 259	92 259	-	67 043	19 334	144	1 331	34 028	11 842	-	364	67 043
Non-financial corporations	4 117 210	4 107 624	9 587	412 537	246 903	12 439	18 201	12 942	27 385	10 541	84 127	412 537
Of which: SME	3 541 848	3 532 262	9 587	386 469	221 021	12 264	18 201	12 931	27 385	10 541	84 127	386 469
Households	6 597 487	6 575 449	22 038	116 498	76 731	7 463	10 689	11 380	4 862	1 713	3 659	116 498
Debt securities	**4 732 709**	**4 732 709**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
General governments	4 131 978	4 131 978	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	89 580	89 580	-	33 000	-	-	-	-	33 000	-	-	33 000
Non-financial corporations	511 151	511 151	-	-	-	-	-	-	-	-	-	-
Off balance sheet exposures	**2 012 881**	**-**	**-**	**78 113**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	5 760			-								-
Credit institutions	194 700			-								-
Other financial corporations	25 875			10								-
Non-financial corporations	1 295 514			74 692								-
Households	491 032			3 411								-
	19 053 496	**17 008 991**	**31 625**	**709 547**	**342 968**	**20 046**	**30 221**	**60 706**	**77 089**	**12 254**	**88 150**	**631 434**

Credit quality of productive and non-performing exposures and their provisions

(Euro thousand)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions					Deduction of accumulated partial assets	Collateral and financial guarantees and received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated imparments, accumulated negative changes in fair value resulting from credit risk and provisions			About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 2	Of which, stage 3		Of which, stage 3			
Loans and advances	**12 307 906**	**10 238 915**	**2 060 264**	**598 434**	**598 192**	**(88 593)**	**(22 657)**	**(65 935)**	**(249 530)**	**(249 530)**	**(128 448)**	**8 858 016**	**281 740**
Central banks	1 253 948	1 253 948	-	-	-	-	-	-	-	-	-	-	-
General governments	101 654	99 623	2 031	2 356	2 356	(232)	(116)	(116)	(250)	(250)	(250)	6 687	-
Credit institutions	145 348	145 332	17	-	-	(24)	(24)	-	-	-	-	21	-
Other financial corporations	92 259	90 488	1 771	67 043	67 043	(507)	(426)	(81)	(32 531)	(32 531)	(600)	75 794	27 724
Non-financial corporations	4 117 210	3 079 157	1 029 325	412 537	412 344	(60 572)	(17 444)	(43 128)	(169 739)	(169 739)	(127 598)	2 671 342	196 281
Of which: SME	3 541 848	2 663 243	875 878	386 469	386 276	(54 344)	(15 230)	(39 114)	(161 704)	(161 704)	(99 598)	2 437 429	188 604
Households	6 597 487	5 570 367	1 027 120	116 498	116 449	(27 258)	(4 647)	(22 610)	(47 010)	(47 010)	-	6 104 172	57 735
Debt securities	**4 732 709**	**4 724 602**	**8 106**	**33 000**	**33 000**	**(9 374)**	**(8 360)**	**(1 013)**	**(14 272)**	**(14 272)**	**-**	**3 699**	**-**
General governments	4 131 978	4 131 978	-	-	-	(6 144)	(6 144)	-	-	-	-	-	-
Other financial corporations	89 580	87 315	2 265	33 000	33 000	(730)	(359)	(371)	(14 272)	(14 272)	-	-	-
Non-financial corporations	511 151	505 309	5 841	-	-	(2 500)	(1 857)	(642)	-	-	-	3 699	-
Off balance sheet exposures	**2 012 882**	**1 634 532**	**378 349**	**78 113**	**78 113**	**(10 623)**	**(4 557)**	**(6 066)**	**(8 894)**	**(8 894)**	**-**	**-**	**-**
General governments	5 760	5 735	25	-	-	(11)	(10)	-	-	-	-	-	-
Credit institutions	194 700	61 816	132 884	-	-	(559)	(12)	(547)	-	-	-	-	-
Other financial corporations	25 875	18 808	7 067	10	10	(53)	(24)	(30)	-	-	-	-	-
Non-financial corporations	1 295 514	1 086 104	209 410	74 692	74 692	(8 026)	(3 098)	(4 928)	(8 861)	(8 861)	-	-	-
Households	491 033	462 069	28 963	3 411	3 411	(1 974)	(1 413)	(561)	(33)	(33)	-	-	-
	19 053 497	**16 598 049**	**2 446 719**	**709 547**	**709 305**	**(108 590)**	**(35 574)**	**(73 014)**	**(272 696)**	**(272 696)**	**(128 448)**	**8 861 715**	**281 740**

Warranties obtained by swearing-in and enforcement proceedings

(Euro thousand)

	Warranties obtained by acquisition of possession	
	Value at initial recognition	Accumulated negative changes
Tangible fixed assets		
Others, except tangible fixed assets	446 236	(122 091)
Real estate	249 183	(51 774)
Comercial real estate	161 595	(57 311)
Movable goods (automobile, vessel, etc.)	48	(47)
Others, except tangible fixed assets	35 410	(12 959)
	446 236	**(122 091)**

60 Relevant facts

Election of Corporate Bodies

The General Assembly of Banco Montepio, in its annual session of 29 April 2022, proceeded to elect new members of the corporate bodies for the term of office 2022-2025.

Following the final endorsement granted by the Banco de Portugal, the composition of the corporate bodies of Banco Montepio was changed, namely the Presiding Board of the General Meeting, the Board of Directors and the Audit Committee, and took office on 25 July 2022.

61 Subsequent events

The Banco Montepio Group analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue and no subsequent events were identified within this period.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version issued in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

REPORT AND ACCOUNTS

ACCOUNTS AND NOTES TO INDIVIDUAL ACCOUNTS

Banco Montepio

2023

Banco Montepio

Individual Income Statement for the financial years of 2023 and 2022

(Euro thousand)

	Notes	2023	2022
Interest and similar income	2	600 014	277 931
Interest and similar expense	2	216 811	61 688
Net interest income		383 203	216 243
Dividends from equity instruments	3	873	977
Net fee and commission income	4	125 127	117 423
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5	1 728	8 627
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	6	137	1 384
Net gains/ (losses) arising from exchange differences	7	1 875	5 927
Net gains/ (losses) arising from sale of other financial assets	8	11 285	32 784
Other operating income/ (expense)	9	(22 595)	(49 758)
Total operating income		501 633	333 607
Staff costs	10	142 724	142 052
General and administrative expenses	11	58 510	51 678
Depreciation and amortization	12	36 311	32 407
Total operating cost		237 545	226 137
Impairment of loans and advances to customers and to credit institutions	13	42 783	12 341
Impairment of other financial assets	14	1 165	2 312
Impairment of other assets	15	70 823	16 865
Other provisions	16	(8 185)	2 777
Profit before income tax		157 502	73 175
Inc Income Tax			
Current	29	1 802	(2 664)
Deferred	29	(52 759)	(34 841)
Net profit/ (loss) for the year		106 545	35 670
Earnings per share			
Basic		0,044	0,015
Diluted		0,044	0,015

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Individual Financial Statements

Banco Montepio

Individual statement of comprehensive Income
for the finantial years of 2023 and 2022

(Euro thousand)

	Notes	2023	2022
Items that may be reclassified into the Income Statement			
Fair value reserves			
Financial assets at faur value			
through other comprehensive income			
Debt instruments	41	1 481	(6 037)
Taxes related fair value changes	29 and 41	(1 136)	2 193
		345	(3 844)
Items that will not be reclassified into the Income Statement			
Fair value reserves			
Financial assets at faur value			
through other comprehensive income			
Equity instruments	41	2 242	(1 155)
Gains related to capital instruments	41	9	1 873
Remeasurements of post-employment and long-term benefits	45	(83 898)	136 666
Taxes	29	20 102	(20 102)
		(61 545)	117 282
Other comprehensive income/ (loss) for the year		(61 200)	113 438
Net profit/ (loss) for the year		106 545	35 670
Total comprehensive income/ (loss) for the year		45 345	149 108

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Individual Financial Statements

Banco Montepio

Individual Balance Sheet as at 31 December 2023 and 2022

(Euro thousand)

	Notes	2023	2022
Assets			
Cash and deposits at central banks	17	1 171 397	1 383 801
Loans and deposits to credit institutions payable on demand	18	46 065	83 372
Other loans and advances to credit institutions	19	125 067	397 310
Loans and advances to customers	20	11 293 205	11 076 135
Financial assets held for trading	21	15 117	10 059
Financial assets at fair value through profit or loss	22	209 657	209 483
Financial assets at fair value through other comprehensive income	23	48 095	93 068
Hedging derivatives	24	6 174	-
Other financial assets at amortized cost	25	4 316 171	4 615 731
Investments in associated companies	26	278 913	324 981
Other tangible assets	27	179 004	175 005
Intangible assets	28	57 537	46 942
Current tax assets	29	1 302	5 722
Deferred tax assets	29	389 077	417 557
Other assets	30	437 987	603 854
Total Assets		18 574 768	19 443 020
Liabilities			
Deposits from central banks	31	873 933	2 889 991
Deposits from other credit institutions	32	1 097 099	396 807
Deposits from customers	33	13 449 021	13 173 842
Debt securities issued	34	533 783	327 492
Financial liabilities associated to transfered assets	35	511 013	611 159
Financial liabilities held for trading	21	12 636	17 697
Hedging derivatives	24	3 525	-
Provisions	36	20 178	28 624
Current tax liabilities	-	703	424
Other subordinated debt	37	217 019	217 029
Other liabilities	38	276 869	245 717
Total Liabilities		16 995 779	17 908 782
Equity			
Share capital	39	1 210 000	2 420 000
Legal reserve	40	196 833	193 266
Fair value reserves	41	6 563	3 975
Other reserves and Retained earnings	41	59 048	(1 118 673)
Net profit / (loss) for the year		106 545	35 670
Total Equity		1 578 989	1 534 238
Total Liabilities and Equity		18 574 768	19 443 020

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Individual Financial Statements

Banco Montepio

Individual Statement of Cash Flows
for the finantial years of 2023 and 2022

(Euro thousand)

	2023	2022
Cash flows arising from operating activities		
Interest income received	567 495	253 836
Interest expense paid	(103 227)	(64 052)
Commission receuved	149 059	140 487
Commission expense paid	(25 087)	(20 780)
Cost with staff and suppliers	(193 074)	(192 053)
Recovery of loans and interests	5 466	7 101
Other payments and receivables	12 937	38 009
Income tax payment	6 259	(1 689)
	419 828	160 859
(Increases) / decreases in operating assets		
Loans and advances to credit institutions and customers	367 373	(99 896)
(Purchase) / Sale of financial assets held for trading	(11 652)	(2 794)
(Purchase) / Sale of financial assets at fair value through profit or loss	44 620	90 218
(Purchase) / Sale of financial assets at fair value through other comprehensive income	52 159	16 177
(Purchase) / Sale of hedging derivatives	137	-
(Purchase) / Sale of other financial assets at amortized cost	200 558	(1 199 999)
Liquidation of assets, net of liabilities, related to the business, transferred from BEM	(178 775)	-
Other assets	69 597	196 032
	544 017	(1 000 262)
(Increases) / decreases in operating liabilities		
Deposits from customers	231 354	393 706
Deposits from credit institutions	477 984	(201 939)
Deposits from central banks	(2 075 000)	-
	(1 365 662)	191 767
	(401 817)	(647 636)
Cash from investing activities		
Dividends received (note 3)	873	977
Sales of fixed assets (notes 27 and 28)	(45 910)	(32 191)
	(45 037)	(31 214)
Cash from financing activities		
Issues of cash bonds and subordinated debt (notes 34 and 37)	200 000	-
Repayment of cash bonds and subordinated debt (notes 34 and 37)	-	(884 300)
Lease agreements	(3 814)	(4 090)
	196 186	(888 390)
Effect of changes in cash exchange rate and cash equivalents	957	6 429
Net change in cash and cash equivalents	(249 711)	(1 560 811)
Cash and cash equivalents at the beginning of the year		
Cash and deposits at central banks (note 17)	1 383 801	2 943 744
Loans and advances to credit institutions payable on demand (note 18)	83 372	84 240
	1 467 173	3 027 984
Cash and cash equivalents at the end of the year		
Cash and deposits at central banks (note 17)	1 171 397	1 383 801
Loans and advances to credit institutions payable on demand (note 18)	46 065	83 372
	1 217 462	1 467 173

THE CHIEF ACCOUNTANT

O CONSELHO DE ADMINISTRAÇÃO

To be read with the notes attached to the Individual Financial Statements

Banco Montepio

Individual statement of changes in equity
for the financial years of 2023 and 2022

(Euro thousand)

	Share Capital (note 39)	Issue premiums	Legal reserve (note 40)	Fair value reserves (note 41)	Retained earnings (note 41)	Total Shareholders Equity
Balance on 31 December 2021	**2 420 000**	**-**	**193 266**	**8 974**	**(1 237 110)**	**1 385 130**
Other comprehensive income:	-	-	-	(4 999)	118 437	113 438
Remeasurements of post-employment and long-term (note 45)	-	-	-	-	136 666	136 666
Changes in fair value (note 41)	-	-	-	(7 192)	-	(7 192)
Earnings from equity instruments	-	-	-	-	1 873	1 873
Taxes related on changes in fair value (note 29)	-	-	-	2 193	-	2 193
Taxes related on changes in liabilities (note 29)	-	-	-	-	(20 102)	(20 102)
Net income for the year	-	-	-	-	35 670	35 670
Total comprehensive income for the year	-	-	-	(4 999)	154 107	149 108
Balance on 31 December 2022	**2 420 000**	**-**	**193 266**	**3 975**	**(1 083 003)**	**1 534 238**
Other comprehensive income:	-	-	-	2 587	(63 787)	(61 200)
Remeasurements of post-employment and long-term (note 45)	-	-	-	-	(83 898)	(83 898)
Changes in fair value (note 41)	-	-	-		-	-
Earnings from equity instruments	-	-	-	-	9	9
Changes in fair value of debt instruments	-	-	-	1 481	-	1 481
Changes in fair value of equity instruments	-	-	-	2 242	-	2 242
Taxes related on changes in fair value (note 29)	-	-	-	(1 136)	-	(1 136)
Taxes related on changes in liabilities (nota 29)	-	-	-	-	20 102	20 102
Net income for the year	-	-	-	-	106 545	106 545
Total comprehensive income for the year	-	-	-	2 587	42 758	45 345
Capital reduction / Hedging negative retained earnings	(1 210 000)	-	-	-	1 210 000	-
Capital incriase (*)	144 188	34 587	-	-	-	178 775
Capital reduction (*)	(144 188)	(34 587)	-	-	-	(178 775)
Other movements	-	-	-	-	(594)	(594)
Constitution of reserves	-	-	-	-	-	-
Legal reserve	-	-	3 567	-	(3 567)	-
Balance on 31 December 2023	**1 210 000**	**-**	**196 833**	**6 562**	**165 594**	**1 578 989**

(*) Related to the transfer of assets and liabilities from the BEM business to Banco Montepio.

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Individual Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio"), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by the Banco de Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the By-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of Banco de Portugal, of 7 December, Banco Montepio's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. Banco Montepio adopted in the preparation of the separate financial statements as at 31 December 2023 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2023.

The separate financial statements, including the respective notes to the financial statements presented herein, were approved by the Board of Directors of Banco Montepio on 15 April 2024. The separate financial statements herein presented relate to 31 December 2023 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes. The financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis 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 classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

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

Comparability of information

With a view to achieving Banco Montepio Group's strategic objectives, namely the simplification of the Group's governance structure and the improvement of the operating model, Banco Montepio's Board of Directors decided to integrate Banco Empresas Montepio (BEM)'s activity into Banco Montepio, allowing the simplification of the approach to the corporate segment and the capturing of synergies, leveraging the learning and results of the commercial banking and investment banking model through the unification of the relationship, as well as making Banco Montepio Group's government structure less complex.

Following this deliberation, several initiatives were initiated that meant that, with reference to 27 November 2023, the assets and liabilities related to the business recorded in the financial statements were transferred from BEM to Banco Montepio, so that, on 31 December 2023, the balance sheet already shows the impact of this transfer. In this context, Montepio Holding agreed with RAUVA Enterprises, S.A., the sale of 100% of BEM's share capital, this operation being subject to the verification of certain precedent conditions, including approval by the Supervisory and Regulatory authorities.

The integration of BEM's activity was carried out with reference to 28 November 2023, with BEM transferring to Banco Montepio the portion of its assets allocated to the business (assets, liabilities and operations) through the subscription by BEM of the capital increase of Banco Montepio, through new contributions in kind in the amount of 178,775 thousand euros, corresponding to the Net Value of BEM's Assets, as verified by the report of the independent Auditor (ROC) issued on 22 November 2023, under the terms and for the purposes of article 28 of the CSC, through the issuance of 288,375,098 new ordinary, nominative and book-entry shares, representing the share capital of Banco Montepio, each one with a nominal value of 0.50 euros, plus a premium issue amounting to 34,587 thousand euros.

On 29 December 2023, Banco Montepio's General Meeting decided to reduce the Bank's share capital, in the amount of 144,188 thousand euros, through the amortization-extinction of 288,375,098 shares, each one with a nominal value of 0.50 euros, subscribed by BEM in the capital increase referred above, with the consent of the respective holder and under the terms set out in article 6 of the Bank's statutes. The consideration received by BEM amounted to 178,755 thousand euros, which includes the issue premium in the amount of 34,587 thousand euros.

In this context, and despite the accounting policies applicable to the financial statements for financial year 2023 being consistent with those of the previous financial year, the amounts for 2022 are not comparable with those for 2023, as they reflect the transfer of assets and liabilities of BEM to Banco Montepio, the detail of which is presented as follows:

(Euro thousand)

	27 November 2023
Assets	
Loans and deposits to credit institutions payable on demand	3 331
Loans and advances to customers	45 572
Financial assets at fair value through profit or loss	4 315
Financial assets at fair value through other comprehensive income	333 735
Other financial assets at amortized cost	709
Investments in associated companies	24
Other tangible assets	432
Intangible assets	80
Deferred tax assets	5 070
Other assets	6 665
Total Assets	399 933
Liabilities	
Deposits from other credit institutions	219 774
Provisions	569
Other liabilities	815
Total Liabilities	221 158
Total Assets - Total Liabilities	178 775

b) Financial instruments – IFRS 9

Classification of financial assets

The Bank classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

b.1.1) Debt instruments

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

- the Bank’s business model for financial asset management, and
- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Bank classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

- they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Bank's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Bank also considered whether it expects to recover the book value of the asset through the sale to a third party.

This portfolio also includes all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term.
- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Bank manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Bank's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Bank in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to the management body, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading serve, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Near-maturity sales and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To the effect, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not coincide with the reference interest rate term (for example, the interest rate is adjusted every three months), the Bank assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the “solely payments of principal and interest” (“SPPI”) test). In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding (“SPPI” test).

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test). In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

b.1.2) Equity instruments

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Bank exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

b.2) Classification of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other subordinated liabilities;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 c);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

(iv) Financial liabilities associated with assets transferred

This category includes liabilities associated with credit securitization operations that were not derecognized following the application of IFRS 9 - Financial instruments. These liabilities are initially recorded at the amount received on the cession of the loans and are subsequently valued at amortized cost, in a manner coherent with the valuation of the corresponding assets and the conditions defined in the securitization operation.

b.3) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

Banco Montepio recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio’s access to the wholesale financial market.

b.4) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Bank values its financial assets (i) at amortized cost, (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

b.5) Interest recognition

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income as is that from financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, Banco Montepio estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

b.6) Reclassifications between financial instrument categories

Reclassifications of financial assets can only occur when Banco Montepio changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

b.7) Modification of loans

Occasionally, the Bank renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Bank assesses whether the new contract terms are substantially different from the original terms. The Bank makes this analysis considering, among others, the following factors:

- If the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- A significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- A significant extension of the contract maturity when the debtor is not in financial difficulty;
- A significant change in interest rate;
- A change from the currency in which the credit was contracted;
- The inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Bank may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 (“ECL lifetime”) or from Stage 2 to Stage 1 (“ECL 12 months”), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

b.8) *De-recognition that does not result from a modification*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Bank substantially transfers all risks and rewards associated with holding the asset, or (ii) the Bank neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Bank engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to channel those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Bank:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Bank (shares and bonds) through repurchase agreements and securities’ lending and borrowing operations are not derecognized because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria.

Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

b.9) *Write-off policy*

Banco Montepio recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by Banco Montepio turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

b.10) *Impairment of financial assets*

The Bank determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments.

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against a cumulative balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The allocations and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

   The Bank estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

   For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

b.11) *Impairment model of loans and advances to customers*

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of Banco Montepio that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income;
- Commitments and financial guarantees issued.

No impairment is recognized on equity instruments since these are measured at fair value and the gains or losses resulting from their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that originated losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition;
- Incorporation of forward-looking information in the ECL calculation.

b.11.1) Calculation of ECLs

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that Banco Montepio expects to receive;

- Financial assets with signs of impairment at the reporting date: 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 contractual cash flows that would result if the commitment is used and the cash flows that Banco Montepio expects to receive;
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that Banco Montepio expects to recover.

b.11.2) Definition of default

Banco Montepio aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by Banco Montepio are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures;
- Non-performing loans, that is, when interest relating to loan obligations is no longer recognized in the financial statements due to the degradation of credit quality;
- Individually significant customers with individual impairment;

- Sale of loan contract with losses in excess of 5%;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in Banco Montepio or the CRC (Central Credit Register), in the case of Corporate customers;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

b.11.3) *Significant increase in credit risk (SICR)*

To determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), Banco Montepio considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on Banco Montepio´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure’s risk rating at the reporting date;
- The exposure’s risk rating attributed at the initial moment of the exposure´s recognition; and
- The annualized lifetime PD of the exposure at the reporting date and the lifetime PD identified at the initial moment of the exposure´s recognition.

Banco Montepio identifies the occurrence of a significant increase in credit risk whet it is verified, at least, one of the following criteria: (i) through a comparison of the actual risk rating with the risk rating attributed at the contract’s inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was, and (ii) when there is a variation in the annualized Lifetime PD from origination to reporting date with an increase of 200% or 5 percentage points.

When evaluating the significant increase in credit risk, Banco Montepio also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis Banco Montepio and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the Banco de Portugal’s Central Credit Register (“Central de Responsabilidades de Crédito”).

b.11.4) *Additional Stage criteria and deterioration of credit ratings*

In the context of the recent energy crisis, the high inflation level and the consequent subsequent successive reference interest rate hikes, and with the aim of anticipating the risk degradation associated with exposures most impacted, the following additional criteria were considered for the Stage 2 classification levels:

Stage 2

- Customers of the Individuals segment for whom average balances of demand and time deposits are lower than the amount of the instalment, whose rating, according to the internal scale, is equal to or higher than 11. For these customers, a worsening of the scoring rating to the minimum rating for classification in stage 2 is also considered, taking into account their original rating and the thresholds for classification in stage 2 defined internally.

b.11.5) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated supported on statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the risk rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);
- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and
- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. Banco Montepio collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. Banco Montepio estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. Banco Montepio obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, Banco Montepio calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

b.11.6) *Measurement of ECL – Individual analysis*

The exposure of individually significant customers is subject to individual analysis which focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for said analysis.

Following the analysis promoted internally, considering the accounting framework described in IFRS 9 and also known market practices, Banco Montepio revised, during the second half of 2023, the criteria to select credit exposures to individual analysis, in order to best capture the exposures with implicit risk perception and also fulfil the expected periodicity of individual analysis.

As at 31 December 2023, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ 10.0 m€ and risk rating ≥ RAS limit or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ 5.0 m€ and risk rating ≥ RAS limit or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ 1.0 m€;
- Other customers when duly justified.

As at 31 December 2022, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Economic Groups with a global exposure amount ≥ 0.5 m€ in which at least one of the participants is the holder of operations classified as Stage 3, with customers with an exposure amount ≥ 0.5 m€ being selected;
- Customers holding Stage 2 operations with an exposure amount ≥ 2.5 m€ and customers with an exposure amount ≥ 2.5 m€ that are part of the same Economic Group;
- Customers holding Stage 1 operations with an exposure amount ≥ 5 m€;
- Customers corresponding to Shareholding Management Companies (SGPS) with economic activity code (CAE) starting with 642 (holdings and financial holdings) with an exposure amount ≥ 2.5 m€;
- Customers holding credits under Project Finance with an exposure amount ≥ €2.5 m;
- Customers that in the last 3 months complied with the aforementioned criteria;
- Other customers when duly justified.

The selection of the individually significant customer universe is made quarterly, considering, for the purpose of determining the exposure of customers, all active credit operations (on- and off-balance sheet) and excluding the operations classified as written off.

The individual analysis is the responsibility of the Individual Impairment Office that considers, namely, the following factors:

- Exposure of each customer, internal rating of the customer, staging associated with each operation and existence of signs of impairment;
- Economic and financial viability of the customer and ability to generate future cash flows to pay the debt;
- Existence of collaterals associated with the financial assets and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors;
- Expectation regarding the credit recovery period.

For the financial assets of individually significant customers classified in Stages 1 and 2, the expected credit loss (ECL) is assigned in accordance with the collective analysis methodology, given that, for these Stages, impairment is not determined individually.

For the financial assets of individually significant customers classified in Stage 3, the impairment value is determined using the discounted cash-flows method, corresponding to the difference between the loan value and the sum of the expected cash-flows relating to the various operations of the customer, discounted at the original interest rate of each financial asset. If the impairment value determined is zero, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the methodology in force. On the other hand, if the impairment rate determined through individual analysis is lower than that determined on a collective basis, the latter prevails.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method:

- In case of the continuity of the activity of the company (going concern), a critical analysis is done of the companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the financial assets;
- In the case of the cessation of the activity of the company (gone concern), the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above-mentioned adjustments, are discounted at the original effective interest rate of the financial assets;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

b.12) *Securitized loans and advances not derecognized*

Banco Montepio does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Loans sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

c) Derivative financial instruments and hedge accounting

Banco Montepio designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, Banco Montepio may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

d) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

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

Distributions made on account of equity instruments are deducted from equity as dividends when declared.

e) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date. Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Bank usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

f) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

Banco Montepio carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

g) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in Banco Montepio's separate financial statements at historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by Banco Montepio. Banco Montepio controls an entity when it is exposed to, or has rights to, the variability of returns from its involvement with that entity and can take possession of same through its power over the relevant activities of that entity (de facto control).

Associates are entities over which Banco Montepio has significant influence but does not control their financial and operating policy. Banco Montepio is presumed to have significant influence when it has the power to exercise more than 20% of the associate's voting rights. If Banco Montepio, directly or indirectly, holds less than 20% of the voting rights, Banco Montepio is presumed not to have significant influence, except when such influence can be clearly demonstrated.

Significant influence on the part of Banco Montepio is usually demonstrated in one or more of the following ways:

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

Impairment

The recoverable value of investments in subsidiaries and associates is assessed whenever there are signs of evidence of impairment. Impairment losses are calculated based on the difference between the recoverable value of investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period. The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value and business risks.

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

Banco Montepio also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable.

Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of 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 their fair value less costs to sell, with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Bank intends to immediately sell all properties and other assets received in recovery of credit, the Bank classifies these in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

Banco Montepio recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Banco Montepio risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is remeasured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

Banco Montepio remeasures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is remeasured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that Banco Montepio will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the statement of cash flows:

- in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;
- the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Bank classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

Finance leases are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalment's receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation) are received in advance and are deferred and recognized over the life of the operation;

   (ii) Commissions agreed for the commitment to provide financing are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

   (iii) Commissions paid on the issuance of financial liabilities at amortized cost are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in Banco Montepio's financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for Banco Montepio. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following annual periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable value is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable value.

The recoverable value is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the 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 tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Intangible assets

Software

Banco Montepio accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. Banco Montepio does not capitalize internal costs arising from software development.

o) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in Banco Montepio's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, capital increases and dividend distributions.

p) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when Banco Montepio has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

q) Foreign currency transactions

Transactions in foreign currencies are translated 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 translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency 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 translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

r) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (“ACT”) it signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, Banco Montepio set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by Banco Montepio and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, Banco Montepio signed a new ACT, introducing several changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 45.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

Banco Montepio´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to that of the date of the term of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pension Fund.

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

Gains and losses from the remeasurement, namely (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

Banco Montepio recognizes in its income statement a net total amount that includes (i) the current service cost, (ii) the net interest income/(expense) from the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by Banco Montepio to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past services of active employees.

Defined contribution plan

Banco Montepio has a defined contribution plan for employees who were admitted after 3 March 2009. This plan, designated as contributory, receives monthly and equal contributions, based on the effective remuneration: 1.5% to be made by the Company and 1.5% to be made by the employee.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the financial year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and Banco Montepio paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for Banco Montepio to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at Banco Montepio's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by Banco Montepio in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount of Banco Montepio's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

s) Income taxes

Banco Montepio was an entity exempt from Corporate Income Tax ("IRC"), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code until 31 December 2011. This exemption had been recognized under an Order, of 3 December 1993, of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March, approving the State Budget for 1996.

With effect from 1 January 2012, Banco Montepio is subject to the regime established by the Corporate Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods.

Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that Banco Montepio does not exercise control over the period of the reversal of the differences.

Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including tax losses carried forward).

As established in IAS 12, paragraph 74, Banco Montepio offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The Companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, Banco Montepio, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by Banco Montepio corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses same, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

t) Segmental reporting

Banco Montepio adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Bank: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for the Bank's operating decisions regarding the allocation of resources to the segment and the assessment of its performance; and (iii) for which distinct financial information is available.

Given that the separate financial statements are presented together with those of the Group, and considering paragraph 4 of IFRS 8, Banco Montepio is not required to present information on a separate basis on the segments.

u) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when (i) Banco Montepio has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because (i) It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation; and (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

v) Insurance and reinsurance brokerage services

Banco Montepio is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, Banco Montepio sells insurance contracts, receiving as remuneration for the services rendered brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between Banco Montepio and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

- commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by Banco Montepio and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
- commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - Insurance brokerage services.

w) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of Banco Montepio by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

x) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof 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 conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

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

y) Significant judgements and estimates in the application of the accounting policies

The IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the military conflicts underway in Ukraine and in the Middle East. The most significant of these accounting estimates and judgments used in the application of the accounting policies by Banco Montepio are discussed in the following paragraphs in order to improve understanding of how their application affects Banco Montepio'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, Banco Montepio's reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Banco Montepio's financial position and results fairly in all material 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 estimates would be more appropriate.

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

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

a) *Significant increase in credit risk:*

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

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Bank uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

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

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Bank expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 19,20, 23, and 25, with a consequent impact in the income statement of Banco Montepio.

In accordance with the provisions of IFRS 9, Banco Montepio, in accordance with the provisions of IFRS 9 and for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 49).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value. Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 21, 22, 23 and 24. The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 44.

Impairment of investments in subsidiaries and associates

Banco Montepio assesses the recoverable value when there are signs of evidence of impairment. Impairment losses are assessed based on the difference between the recoverable value of the investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period.

The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks, which require the use of certain assumptions or judgment in establishing the fair value estimates.

Different methodologies and the use of different assumptions and estimates could result in a different level of impairment losses being recognized and presented in note 26, with the consequent impact on the income statement of Banco Montepio.

Income taxes

Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business. The Bank complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 29. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Bank considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, changed the rules applicable to impairment losses recognized from 1 January 2019, as well as to impairment losses recorded in tax periods beginning before 1 January 2019 and not yet tax accepted, contemplating a maximum adaptation period of 5 years, that is, until 31 December 2023.

Banco Montepio opted to apply the new tax regime for impairment from the 2023 period onwards; therefore, regarding the calculation of current and deferred tax for the period between 2019 and 2022, the tax estimate is based on the regime in force until 31 December 2018, while for the calculation of current and deferred tax for the 2023 period, same is based on the new tax regime for impairment.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2023, the tax rules resulting from Law no. 98/2019, of 4 September, were applied.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by Banco Montepio, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and other factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 45.

Classification and valuation of assets received in recovery of credit

The classification of the real estate received in recovery of credit is determined in accordance with IFRS 5.

Assets received in recovery of credit are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. Fair value is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in note 30.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 36.

Recoverable value of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable value be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal.

Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable value of the Bank's own properties.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	35 264	24 396
Loans and advances to customers	522 883	231 736
Financial assets held for trading	382	98
Financial assets at fair value through profit or loss	19	7
Financial assets at fair value through other comprehensive income	438	591
Hedging derivatives	3 388	5 210
Other financial assets at amortized cost	37 621	15 891
Other interest and similar income	19	2
	600 014	277 931
Interest and similar expense		
Deposits from central banks and other credit institutions	71 171	7 999
Deposits from customers	84 354	7 045
Debt securities issued	4 790	6 841
Financial liabilities associated to transferred assets	25 968	13 117
Hedging derivatives	3 525	2 781
Other subordinated debt	19 584	19 334
Lease liabilities	589	412
Other interest and similar expense	6 830	4 159
	216 811	61 688
Net interest income	383 203	216 243

The caption Interest and similar income – Loans and advances to customers, includes, in 2023, respectively, the amount of Euro 15,714 thousand and the amount of Euro 7,712 thousand (2022: Euro 14,882 thousand and Euro 6,209 thousand, respectively), related to commissions and to other gains/(losses), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 b).

The caption Interest and similar income – Other financial assets at fair value through profit or loss, includes, in 2023, the amount of Euro 19 thousand (2022: 7 thousand) related to interest on loan contracts that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

The caption Interest and similar expense - Deposits from other credit institutions and Deposits from central banks, includes the financing lines under the TLTRO III program, for which the Bank considers that the operation consists of a loan with a floating rate, indexed to the Deposit Facility Rate (DFR), which is also subject to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. In June 2022, the Bank obtained confirmation from the European Central Bank of the compliance with the change in the volume of the eligible credit targets defined by the ECB, namely for the period 24 June 2020 through 23 June 2022. Hence, for the referred interest counting period, the Group used the rate of -1%. The rate of the subsequent periods coincided, until 23 November 2022, with the DFR average verified since the start of each one of the tranches, with, after that date, the rate being adjusted with the DFR in force at each moment.

The caption Interest and similar expense – Other interest and similar charges includes, in 2023, the amount of Euro 6,731 thousand (2022: Euro 4,043 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Financial assets at fair value through other comprehensive income	873	977

In 2023, this caption includes dividends received related to financial shareholdings held in Unicre in the amount of Euro 573 thousand and in SIBS in the amount of Euro 186 thousand (2022: Euro 505 thousand received from Unicre and Euro 406 thousand from SIBS).

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Fee and commission income		
From banking services	112 727	101 498
From transactions on behalf of third parties	20 296	23 438
From insurance brokerage services	9 207	9 036
Guarantees provided	3 987	3 336
Other fee and commission income	2 842	3 179
	149 059	140 487
Fee and commission expense		
From banking services rendered by third parties	21 985	21 122
From transactions with securities	317	323
Other fee and commission expense	1 630	1 619
	23 932	23 064
Net fee and commission income	125 127	117 423

In 2023 and 2022, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2023	2022
Life insurance	4 293	4 409
Non-life insurance	4 914	4 627
	9 207	9 036

The remuneration of insurance brokerage services was received in full, and all the commissions resulted from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2023			2022		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	1 703	814	889	2 452	5 432	(2 980)
Issued by other entities	99	31	68	62	52	10
Shares	1 376	1 313	63	864	1 185	(321)
Investment units	23	13	10	108	350	(242)
	3 201	2 171	1 030	3 486	7 019	(3 533)
Derivative financial instruments						
Interest rate contracts	78 567	75 261	3 306	112 753	119 222	(6 469)
Exchange rate contracts	26 625	26 909	(284)	34 970	35 100	(130)
Futures contracts	8 219	9 696	(1 477)	11 070	8 888	2 182
Option contracts	11 232	11 334	(102)	6 845	7 163	(318)
Commodities contracts and others	2	-	2	464	-	464
	124 645	123 200	1 445	166 102	170 373	(4 271)
Financial assets at fair value through profit or loss						
Investment units	4 126	5 413	(1 287)	2 498	3 113	(615)
Loans and advances to customers	552	74	478	50	666	(616)
	4 678	5 487	(809)	2 548	3 779	(1 231)
Other financial assets at fair value through profit or loss						
Shares	42		42	100	(93)	193
Securitization units	10 228	11 271	(1 043)	15 031	(1 006)	16 037
Loans and advances to customers	48	44	4	26	131	(105)
	10 318	11 315	(997)	15 157	(968)	16 125
Financial liabilities at fair value through profit or loss						
Deposits from customers	4 153	2 917	1 236	2 468	222	2 246
	4 153	2 917	1 236	2 468	222	2 246
Hedging derivatives						
Interest rate contracts	-	-	-	7 199	11 007	(3 808)
Hedged financial liabilities						
Debt securities issued	4 801	4 978	(177)	3 522	423	3 099
	151 796	150 068	1 728	200 482	191 855	8 627

Financial assets at fair value through profit or loss include, in 2023, in terms of Investment units, a negative impact of Euro 1,287 thousand (2022: negative impact of Euro 615 thousand), determined by (i) the negative effects of Fundo de Reestruturação Empresarial (fund) of Euro 3,353 thousand and of Fund Carteira Imobiliária (fund) of Euro 1,701 thousand and (ii) the positive effects of Fundo VIP (fund) of Euro 1,658 thousand, Fundo Aquarius (fund) of Euro 1,177 thousand and Fundo C2 Growth I (fund) of Euro 1,081 thousand.

The Net gains/(losses) arising from the securitization units reflect the change in the value of the securitized loan portfolio, which as at 31 December 2023 recorded the amount of Euro 513,796 thousand (31 December 2022: Euro 614,720 thousand).

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2023			2022		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	84	-	84	18	1 058	(1 040)
Issued by other entities	24	-	24	-	-	-
Commercial paper	29	-	29	2 424	-	2 424
	137	-	137	2 442	1 058	1 384

In 2023, the caption Bonds – Issued by public entities includes net gains realized on the reimbursement of Portuguese public debt bonds in the amount of Euro 2 thousand and Italian public debt in the amount of Euro 82 thousand. In 2022, this caption included net losses obtained on the sale of Portuguese sovereign bonds of Euro 1,040 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2023			2022		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differencies	22 192	20 317	1 875	45 152	39 225	5 927

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 q).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Disposal of loans and advances to customers	2 306	16 435
Disposal of other assets	7 190	16 332
Disposal of financial assets at amortized cost	1 789	17
	11 285	32 784

In financial year 2023, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Côa operation, with the realization of a capital gain of Euro 2,746 thousand.

In financial year 2022, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Gerês operation with the realization of a capital gain of Euro 4,118 thousand, as well as the result of the sale of loans within the scope of the Alqueva and Alvito operations with the realization of capital gains of Euro 7,530 thousand and Euro 5,802 thousand, respectively.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Other operating income		
Services provided	6 089	4 611
Repurchase of own issues	-	4 260
Management fees on demand deposits	3 437	3 406
Reimbursement of expenses	2 058	1 941
Tax recovery	2 988	1 346
Assigment of staff	-	475
Actuarial deviations of assigned collaborators	4 335	-
Other	7 875	4 803
	26 782	20 842
Other operating expenses		
Contributions		
Banking sector	10 857	11 300
Ex-ante to the Single Resolution Fund	5 042	8 228
National Resolution Fund	2 131	4 707
Deposits Guarantee Fund	144	153
Expense from the valuation of financial liabilities	-	11 921
Expenses with trading properties	7 877	7 504
Servicing and expenses with recovery and disposal of loans	9 447	7 673
Expenses with issuances	1 784	1 431
Taxes	961	1 256
Donations and memberships	324	221
Actuarial deviations of assigned collaborators	-	7 595
Other	10 810	8 611
	49 377	70 600
Other net operating income/(expense)	(22 595)	(49 758)

In 2022, the caption Other operating income – Repurchase of own issues considers Euro 4,260 thousand related to income earned on the acquisition of debt issued in the amount of Euro 171,400 thousand, as referred in note 35.

In 2023, the caption Other operating income – Other, includes income associated with the recovery of credit in the amount of Euro 1,307 thousand (31 December 2022: Euro 1,626 thousand) and with the restitution of taxes in the amount of Euro 390 thousand (31 December 2022: Euro 1,196 thousand).

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments.

The caption Contribution *ex-ante* to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Banco de Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução), in cooperation with the Banco de Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, as at 31 December 2023 and 2022, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, as at 31 December 2023, Banco Montepio settled Euro 11,325 thousand (31 December 2022: Euro 9,867 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 19. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of Banco de Portugal, which may be adjusted in function of the credit institution's risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating expense - Servicing and expenses with the recovery of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

The caption Other operating expense – Expenses with properties held for trading includes, as at 31 December 2023, the amount of Euro 3,231 thousand (31 December 2022: Euro 2,255 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.

In 2022, the caption Other operating expense – Losses on the valuation of financial liabilities considers Euro 11,921 thousand related to a loss arising from the change in the estimate of the book value of the financing lines in the TLTRO III program which occurred in 2022 (see note 1 b.4). This change resulted from (i) the formal confirmation, in June 2022, by the ECB of compliance with the targets for the change in the volume of credit for the periods already ended and (ii) the revision of the interest rate to be applied to the next periods, which are no longer dependent on compliance with metrics, being only associated with the future evolution of the DFR, which was revised upwards by the ECB, with the Bank proceeding to update the estimate of future cash flows accordingly. As a result, the difference between the sum of the new future cash flows discounted at the initially estimated effective interest rate and the balance sheet value at the time was recognized directly under Other operating income (by application of paragraph B5.4.6 of IFRS 9).

The caption Other operating expense - Other includes card issuance costs, refund of commissions, ECB supervision fee and other operating expenses.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Remuneration	103 089	96 630
Mandatory social charges	31 582	28 664
Charges with Pension Funds	(3 410)	12 411
Other staff costs	11 463	4 347
	142 724	142 052

In 2023, within the scope of the Employee Adjustment Program, the caption Charges with the Pension Fund includes the amount of Euro 6,989 thousand (2022: Euro 7,112 thousand) related to the charges arising from early retirements and mutual-agreement terminations.

Remuneration and other benefits attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee) and Other key management personnel, including the respective charges, are presented as follows:

(Euro thousand)

	2023			
	General Meeting Board	Board of Directors	Other key managem ent staff	Total
Remuneration and other short-term benefits	4	3 348	3 768	7 120
Pension costs	-	620	110	730
Costs with healthcare benefits (SAMS)	-	15	63	78
Social Security charges	1	665	783	1 449
	5	4 648	4 724	9 377

In 2023, variable remuneration was attributed to the members of the Management Bodies and Other key management personnel in the amounts, respectively, of Euro 279 thousand and Euro 385 thousand.

(Euro thousand)

	2022			
	General Meeting Board	Board of Directors	Other key managem ent staff	Total
Remuneration and other short-term benefits	7	3 291	3 079	6 377
Pension costs	-	518	189	707
Costs with healthcare benefits (SAMS)	-	16	58	74
Social Security charges	1	713	680	1 394
	8	4 538	4 006	8 552

As at 31 December 2023, loans granted by Banco Montepio to members of the Board of Directors (including the members of the Audit Committee) amounted to Euro 105 thousand (31 December 2022: Euro 163 thousand) and to Other key management personnel, Euro 2,385 thousand (31 December 2022: Euro 2,521 thousand), as described in note 47.

The average number of employees at Banco Montepio's service during 2023 and 2022, broken down by major professional categories, was as follows:

	2023	2022
Administration and Coordination	243	239
Senior management	463	489
Technical staff	1 273	1 352
Administrative staff	941	978
Auxiliary staff	18	19
	2 938	3 077

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Rental costs	821	652
Specialized services		
IT services	15 529	12 486
Independent work	5 339	4 471
Other specialized services	16 042	14 371
Maintenance and repairs	4 964	4 655
Communication costs	3 798	3 645
Advertising costs	2 754	2 635
Transportation	2 684	2 311
Water, energy and fuel	1 831	2 287
Insurance	941	880
Travel, accommodation and entertainment expenses	1 012	735
Training	843	604
Consumables	513	566
Other general administrative costs	1 439	1 380
	58 510	51 678

The caption Rents and hires includes, in 2023, the amount of Euro 291 thousand (2022: Euro 225 thousand) related to short-term lease contracts, of which Euro 140 thousand (2022: Euro 94 thousand) correspond to rents paid on real estate and Euro 151 thousand (2022: Euro 131 thousand) to rents paid on vehicles, in both cases used by Banco Montepio as a lessee.

The caption Other specialized services includes the fees billed by the Statutory Auditor of the Group within the scope of the functions of statutory audit of the accounts, as well as for other services, including those provided by its network, as follows (excluding VAT):

(i) Fees contracted for legal review of accounts and audit services, excluding VAT and expenses:

		(Euro thousand)
	2023	**2022**
Banco Montepio	1 069	1 058
Entities directly or indirectly controlled by the Public Interest Entities (EIP)	105	142
	1 174	1 200

(ii) Fees billed by the Statutory Auditor, or by entities part of it network, in financial years 2023 of 2022, relating to non-audit services, excluding VAT and expenses:

		(Euro thousand)
	2023	**2022**
Banco Montepio		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	271	347
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	465	466
Other services	172	112
Entities directly or indirectly controlled by the Public Interest Entities (EIP)		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	15	14
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	13	23
Other services	25	51
	961	1 013

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Intangible assets (note 28)		
Software	23 344	19 139
Other tangible assets (note 27)		
Real Estate		
For own use	2 488	2 537
Leasehold improvements in rented buildings	91	184
Equipment		
IT equipment	2 040	2 147
Fixtures	1 627	1 505
Furniture	108	112
Security equipment	83	81
Machinery and tools	33	37
Transportation	9	8
Right-of-use assets		
Real Estate	4 816	5 089
Motor vehicles	1 672	1 568
	12 967	13 268
	36 311	32 407

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Other loans and advances to credit institutions (note 19)		
Charge for the year	60	849
Reversal for the year	(1 602)	(1 375)
	(1 542)	(526)
Loans and advances to customers (note 20)		
Charge for the year	389 203	423 068
Reversal for the year	(339 412)	(403 100)
Recovery of loans and interest	(5 466)	(7 101)
	44 325	12 867
	42 783	12 341

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 b).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	19	316
Reversal for the year	(106)	(94)
	(87)	222
Other financial assets at amortized cost (note 25)		
Charge for the year	1 252	2 094
Reversal for the year	-	(4)
	1 252	2 090
	1 165	2 312

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2023	2022
Investments in associated companies (note 26)		
Charge for the year	46 092	-
Reversal for the year	-	(5 333)
	46 092	(5 333)
Other tangible assets (note 27)		
Charge for the year	1 592	1 992
Reversal for the year	-	(265)
	1 592	1 727
Other non-current assets held for sale		
Charge for the year	83	-
Reversal for the year	-	-
	83	-
Other assets (note 30)		
Charge for the year	23 733	21 886
Reversal for the year	(677)	(1 415)
	23 056	20 471
	70 823	16 865

Within the scope of the Plan for the resizing of the distribution network, the Bank closed several branches, having, consequently, obtained the market value of those spaces from independent appraisers. Based on the values evidenced by those assessments, it was necessary, in 2023, to make an allocation, net of reversals, for impairment in respect of Other tangible assets of Euro 1,592 thousand (2022: Euro 1,727 thousand).

16 Other provisions

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2023	**2022**
Guarantees and commitments (note 36)		
Charge for the year	21 767	24 881
Reversal for the year	(30 672)	(21 621)
	(8 905)	3 260
Other risks and charges (note 36)		
Charge for the year	1 702	2 259
Reversal for the year	(982)	(2 742)
	720	(483)
	(8 185)	2 777

17 Cash and deposits at central banks

This caption is presented as follows:

	(Euro thousand)	
	2023	**2022**
Cash	149 324	149 888
Deposits at central banks		
Banco de Portugal	1 022 073	1 233 913
	1 171 397	1 383 801

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

18 Loans and Deposits to credit institutions repayable on demand

This caption is presented as follows:

	(Euro thousand)	
	2023	**2022**
Credit institutions in Portugal	516	693
Credit institutions abroad	28 064	50 427
Amounts to be collected	17 485	32 252
	46 065	83 372

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

As at 31 December 2023, Deposits at other credit institutions and central banks were remunerated at the average implicit rate of 2.84% (31 December 2022: 1.06%).

19 Other loans and advances to credit institutions

This caption is presented as follows:

		(Euro thousand)
	2023	**2022**
Loans and advances to credit institutions in Portugal		
Other loans	-	332 674
Term deposits	2 762	2 863
	2 762	335 537
Loans and advances to credit institutions abroad		
Term deposits	47 031	29 690
CSA's	9 099	16 039
Reverse repos	29 641	-
Other loans and advances	36 563	17 400
	122 334	63 129
	125 096	398 666
Impairment for credit risk of loans and advances to credit institutions	(29)	(1 356)
	125 067	397 310

In 2022, the caption Other loans and advances to credit institutions in Portugal - Loans, includes loans made to subsidiaries of Banco Montepio.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in Banco Montepio's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that Banco Montepio negotiated with each one of the counterparties and are materialized through the effective transfers of cash, which are processed via TARGET2 to each one of the counterparties in question, as a guarantee/security of Banco Montepio's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2023, Banco Montepio holds the amount of Euro 9,099 thousand (31 December 2022: Euro 16,039 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

As at 31 December 2023, the caption Other loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 11,325 thousand (31 December 2022: Euro 9,867 thousand) related to a deposit made as collateral in the scope of the Contribution *ex-ante* to the Single Resolution Fund, as described in note 9.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	1 356	2 094
Charge for the year	60	849
Reversal for the year	(1 602)	(1 375)
Transfers	215	(214)
Exchange rate differences	-	2
Closing balance	29	1 356

The analysis of the caption Other loans and advances to credit institutions, by residual maturity, is as follows:

(Euro thousand)

	2023	2022
Up to 3 months	61 699	16 546
3 to 6 months	17 325	342 542
More than 5 years	4 000	4 000
Undetermined	42 072	35 578
	125 096	398 666

In 2023, the Other loans and advances to banks were remunerated at the average implicit rate of 3.42% (2022: 0.97%).

20 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	2023	2022
Corporate		
Loans not represented by securities		
Loans	2 977 982	3 017 766
Current account loans	775 110	720 713
Finance lease	256 279	268 636
Discounted bills	27 140	26 793
Factoring	244 395	223 813
Overdrafts	776	602
Other loans	280 857	299 277
Loans represented by securities		
Commercial paper	199 184	157 713
Bonds	390 170	139 561
Retail		
Mortgage loans	5 309 216	5 402 609
Finance leases	27 726	28 099
Consumer credit and other loans	901 112	866 035
	11 389 947	11 151 617
Value correction of assets subject to hedging operations	(70)	(74)
Past due loans and advances and interest		
Less than 90 days	9 970	7 987
More than 90 days	160 271	258 654
	170 241	266 641
	11 560 118	11 418 184
Impairment for credit risks	(266 913)	(342 049)
	11 293 205	11 076 135

As at 31 December 2023, the caption Loans and advances to customers includes the amount of Euro 3,046,532 thousand (31 December 2022: Euro 2,753,360 thousand) related to the issue of covered bonds realized by Banco Montepio, as per note 34.

As at 31 December 2023, the loans and advances that Banco Montepio granted to shareholders and to related parties, including companies in the consolidation perimeter, amounted to Euro 432,042 thousand (31 December 2022: Euro 360,785 thousand), as described in note 47. The celebration of business between Banco Montepio and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the amount, is always, under a proposal by the commercial network, submitted to deliberation and assessment by the Board of Directors and the Audit Committee, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Directorate. The impairment for credit risks related to these contracts amounts to Euro 882 thousand as at 31 December 2023 (31 December 2022: Euro 4,695 thousand).

As at 31 December 2023, the caption Loans and advances to customers includes the amount of Euro 513,797 thousand (31 December 2022: Euro 614,720 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 b), were not the object of derecognition, as referred in note 48.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). Banco Montepio periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 44.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2023 and 2022, is as follows:

(Euro thousand)

	2023	2022
Variable-rate loans and advances	9 434 181	10 094 914
Fixed-rate loans and advances	2 125 937	1 323 270
	11 560 118	11 418 184

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2023	2022
Asset-backed loans	134 318	184 751
Other guaranteed loans	22 949	30 613
Finance leases	2 658	2 199
Secured loans	314	33 000
Other loans and advances	10 002	16 078
	170 241	266 641

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2023	2022
Corporate		
Construction/Production	16 900	33 270
Investment	99 409	141 395
Treasury	30 736	56 017
Other	4 856	8 524
Retail		
Mortgage loans	10 558	15 806
Consumer credit	5 074	8 273
Other	2 708	3 356
	170 241	266 641

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2023, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	198 428	469 135	7 743 022	134 318	8 544 903
Other guaranteed loans	389 027	223 993	232 015	22 949	867 984
Finance leases	6 262	103 632	174 111	2 658	286 663
Secured loans	199 954	234 632	154 768	314	589 668
Other loans and advances	600 999	125 599	534 300	10 002	1 270 900
	1 394 670	1 156 991	8 838 216	170 241	11 560 118

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2022, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	194 627	563 200	8 005 121	184 751	8 947 699
Other guaranteed loans	320 350	112 935	224 541	30 613	688 439
Finance leases	5 137	97 812	193 786	2 199	298 934
Secured loans	157 957	69 755	69 562	33 000	330 274
Other loans and advances	549 834	149 721	437 205	16 078	1 152 838
	1 227 905	993 423	8 930 215	266 641	11 418 184

As at 31 December 2023, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	57 341	155 443	119 174	331 958
Outstanding interest	(14 909)	(38 071)	(30 379)	(83 359)
Residual values	1 389	9 676	24 341	35 406
	43 821	127 048	113 136	284 005

As at 31 December 2022, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	55 195	151 836	113 502	320 533
Outstanding interest	(10 990)	(28 114)	(21 665)	(60 769)
Residual values	1 561	9 290	26 120	36 971
	45 766	133 012	117 957	296 735

As regards operating leases, Banco Montepio does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	342 049	499 471
Charge for the year	389 203	423 068
Reversal for the year	(339 412)	(403 100)
Utilization	(130 562)	(184 909)
Exchange rate differences	(863)	2 195
Transfers	6 179	1 107
Financial liabilities associated with transferred assets and stage 3 interest	319	4 217
Closing balance	266 913	342 049

The caption Transfers includes, in 2023, the impairment associated with the loans and advances granted by Banco Empresas Montepio that, in the scope of the transfer of assets and liabilities allocated to the activity, came to be recorded in the assets of Banco Montepio, and, in 2022, the impairment associated with the loans and advances included in the Gerês Secured operation.

The use of impairment corresponds to loans and advances written off in 2023 and 2022 and includes, namely, the use of impairment in the scope of loan assignment operations to third-party entities.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2023	2022
Asset-backed loans and finance leases	199 125	255 973
Other secured loans	38 984	52 857
Unsecured loans	28 804	33 219
	266 913	342 049

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)	2023	2022
Asset-backed loans and finance leases	86 184	107 540
Other secured loans	8 994	21 329
Unsecured loans	35 384	56 040
	130 562	184 909

Banco Montepio has adopted forbearance measures and practices, aligned in terms of risk, to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2023, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 323,514 thousand (31 December 2022: Euro 512,906 thousand) and present an impairment of Euro 101,831 thousand (31 December 2022: Euro 162,394 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 31 December 2023 and 2022, by credit type, is as follows:

(Euro thousand)	2023	2022
Corporate		
Loans not represented by securities		
Loans	17 535	99 581
Current account loans	693	28 989
Finance leases	794	2 573
Other loans	1 875	31 013
Retail		
Mortgage loans	15 868	7 603
Consumer credit and other loans	895	2 435
	37 660	172 194

As at 31 December 2023, for restructured loans not yet due, the impairment associated with these operations amounts to Euro 7,615 thousand, which corresponds to an impairment rate of 20.2% (31 December 2022: Euro 40,011 thousand, impairment rate of 23.2%). The decrease in the impairment rate compared with December 2022 is explained by the greater collateralization of the newly restructured contracts.

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity date of the operation is 25 March 2036 and the respective amount is Euro 248,315 thousand as at 31 December 2023 (31 December 2022: Euro 402,444 thousand). As mentioned in accounting policy b.12), Banco Montepio contracted two guarantees from EIB and EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, supporting, respectively, a commission of 0.3% and 4.5%, with quarterly payments.

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 29 December 2052 and the respective amount is Euro 672,117 thousand as at 31 December 2023 (31 December 2022: Euro 878,848 thousand).

On 31 May 2023, Banco Montepio carried out a synthetic securitization, with an underlying portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 4 February 2066 and the amount is Euro 755,750 thousand as at 31 December 2023.

21 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2023	2022
Financial assets held for trading		
Securities		
Shares	2 439	1 373
Bonds	3 543	1 869
Investment units	211	-
	6 193	3 242
Derivative instruments		
Derivative financial instruments with positive fair value	8 924	6 817
	15 117	10 059
Financial liabilities held for trading		
Derivative instruments		
Derivative financial instruments with negative fair value	12 636	17 697
	12 636	17 697

As provided for in IFRS 13, as at 31 December 2023 and 2022, the financial instruments measured in accordance with the following valuation levels described in note 44, are as follows:

(Euro thousand)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 439	-	-	2 439
Bonds	3 543	-	-	3 543
Investment units	211	-	-	211
	6 193	-	-	6 193
Derivative instruments				
Derivative instruments with positive fair value	-	8 924	-	8 924
	6 193	8 924	-	15 117
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	9 746	2 890	12 636
	-	9 746	2 890	12 636

(Euro thousand)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	1 373	-	-	1 373
Bonds	1 869	-	-	1 869
	3 242	-	-	3 242
Derivative instruments				
Derivative instruments with positive fair value	-	6 817	-	6 817
	3 242	6 817	-	10 059
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	7 694	10 003	17 697
	-	7 694	10 003	17 697

The analysis of the securities portfolio recorded in Financial assets held for trading, by maturity, as at 31 December 2023, is presented as follows:

(Euro thousand)

	2023			
	Less than 3 months	1 to 5 years	Undetermined	Total
Fixed income securities				
Bonds				
Foreign	501	3 042	-	3 543
Variable income securities				
Shares				
Domestic	-	-	803	803
Foreign	-	-	1 636	1 636
Investment units	-	-	211	211
	501	3 042	2 650	6 193

The analysis of the securities portfolio recorded in Financial assets held for trading, by maturity, as at 31 December 2022, is presented as follows:

(Euro thousand)

	2022		
	More than 5 years	Undetermined	Total
Fixed income securities			
Bonds			
Foreign	1 869	-	1 869
Variable income securities			
Shares			
Domestic	-	414	414
Foreign	-	959	959
	1 869	1 373	3 242

Within the scope of liquidity provision operations, the nominal value of the assets pledged as collateral to the European Central Bank recorded under this caption amounts to Euro 900 thousand after applying a haircut, as described in the note 31.

These financial assets pledged as collateral may be forfeited in the event of non-compliance with the contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts celebrated.

The book value of the derivative financial instruments as at 31 December 2023 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2023								
		Derivative					Related Asset/Liability			
Derivative	Related financial asset/liability	Notional	Positive fair value	Negative fair value	Total fair value	Changes in fair value in the year (1)	Fair value	Changes in fair value in the year	Book value	Reimbursement amount at maturity date
Intereste rate swaps	Deposits from customers	98 758	141	(879)	(738)	787	(3 329)	(1 236)	95 299	98 628
Intereste rate swaps	Loans and advances to customers	847	11	(5)	6	5	(70)	4	781	847
Intereste rate swaps	-	483 060	2 986	(5 830)	(2 844)	7 048	-	-	-	-
Currency swap (short)	-	53 945	81	(116)	(35)	(47)	-	-	-	-
Currency swap (long)	-	56 388								
Future options (short)	-	3 864	-	-	-	-	-	-	-	-
Future options (long)	-	15	-	-						
Forwards (Short)	-	1 561	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 562								
Options *(Short)*	-	172 690	5 705	(5 806)	(101)	(625)	-	-	-	-
Options *(Long)*	-	172 894								
		1 045 584	8 924	(12 636)	(3 712)	7 168	(3 399)	(1 232)	96 080	99 475

(1) Includes the result of derivatives disclosed in note 5.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2022 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2022								
		Derivative					Related Asset/Liability			
Derivative	Related financial asset/liability	Notional	Positive fair value	Negative fair value	Total fair value	Changes in fair value in the year (1)	Fair value	Changes in fair value in the year	Book value	Reimbursement amount at maturity date
Intereste rate swaps	Deposits for customers	63 906	-	(1 525)	(1 525)	(1 443)	(2 093)	(2 246)	61 565	63 658
Intereste rate swaps	Loans and advances to customers	959	7	(6)	1	23	(74)	(104)	863	931
Intereste rate swaps	-	577 433	3 376	(13 268)	(9 892)	(3 362)	-	-	-	-
Currency swap (short)	-	36 834	37	(25)	12	(96)	-	-	-	-
Currency swap (long)	-	36 860								
Future options (short)	-	10 392	-	-	-	-	-	-	-	-
Future options (long)	-	1 712								
Forwards (Short)	-	19 887	-	-	-	-	-	-	-	-
Forwards (Long)	-	19 912								
Options *(Short)*	-	107 286	3 397	(2 873)	524	92	-	-	-	-
Options *(Long)*	-	107 549								
		982 730	6 817	(17 697)	(10 880)	(4 786)	(2 167)	(2 350)	62 428	64 589

(1) Includes the result of derivatives disclosed in note 5.

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2023, is as follows:

(Euro thousand)

	2023					
	Notional by remaining maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Options	9 190	32 245	541 131	582 566	3 137	6 713
Futures	9 223	74 649	162 952	246 824	5 706	5 807
Exchange rate contracts						
Currency swap	109 245	1 089	-	110 334	81	116
Forwards	1 861	1 262	-	3 123	-	-
Index/Equities contracts						
Futures	3 879	-	-	3 879	-	-
Options	9 188	29 699	59 871	98 758	-	-
	142 586	138 944	763 954	1 045 484	8 924	12 636

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022					
	Notional by remaining maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	7 121	60 982	574 195	642 298	3 383	14 799
Options	5 892	18 976	126 060	150 928	3 389	2 865
Exchange rate contracts						
Currency swap	73 694	-	-	73 694	37	25
Forwards	38 228	1 571	-	39 799	-	-
Index/Equities contracts						
Futures	12 104	-	-	12 104	-	-
Options	5 972	19 046	38 889	63 907	8	8
	143 011	100 575	739 144	982 730	6 817	17 697

22 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2023	2022
Variable income securities		
Investment units	186 669	175 299
Securitization units	22 444	33 769
Loans and advances to customers at fair value		
Loans not represented by securities	544	415
	209 657	209 483

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 44, as follows:

(Euro thousand)

	2023	2022
	Level 3	
Variable income securities		
Investment units	186 669	175 299
Securitization units	22 444	33 769
Loans and advances to customers at fair value		
Loans not represented by securities	544	415
	209 657	209 483

As at 31 December 2023, the level 3 assets in the caption Variable-income securities – Investment units include investments made in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 186,669 thousand (31 December 2022: Euro 175,299 thousand), of which Euro 106,563 thousand (31 December 2022: Euro 132,500 thousand) are related to real estate investment funds. The caption Variable-income securities – Investment units includes, as at 31 December 2023, the amount of Euro 56,426 thousand (31 December 2022: Euro 26,830 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 51. The securitization units correspond to the residual notes acquired by Banco Montepio.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective Funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2023, for Variable-income securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 20,911 thousand (31 December 2022: Euro 20,907 thousand) having been determined.

The movements occurring in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	209 068	286 316
Acquisitions	7 462	761
Remeasurements	(14 273)	3 469
Disposals	(38 716)	(81 478)
Transfers from BEM	45 572	-
Closing balance	209 113	209 068

The movements occurring in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations observed in financial years 2023 and 2022.

23 Financial assets at fair value through other comprehensive income

This caption, as at 31 December 2023, is presented as follows:

(Euro thousand)

	2023				
	Cost [(1)]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 025	-	(1 688)	(40)	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	6 839	-	(705)	(264)	5 870
Foreign	637	-	(19)	-	618
Variable income securities					
Shares					
Domestic	5 222	11 785	-	-	17 007
Foreign	6 233	363	(293)	-	6 303
	38 956	12 148	(2 705)	(304)	48 095

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2022, is presented as follows:

(Euro thousand)

	2022				
	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	6	(2 605)	(39)	18 387
Foreign	40 966	-	(765)	(73)	40 128
Bonds issued by other entities					
Domestic	6 927	70	(566)	(395)	6 036
Foreign	1 118	-	(53)	(2)	1 063
Commercial Paper	6 489	19	-	(19)	6 489
Variable income securities					
Shares					
Domestic	5 113	10 785	-	-	15 898
Foreign	6 238	8	(1 179)	-	5 067
	87 876	10 888	(5 168)	(528)	93 068

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

As at 31 December 2023 and 2022, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 297	-	-	-	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	4 307	-	1 563	-	5 870
Foreign	-	618	-	-	618
	22 604	618	1 563	-	24 785
Variable income securities					
Shares					
Domestic	-	-	16 100	907	17 007
Foreign	-	-	5 893	410	6 303
	-	-	21 993	1 317	23 310
	22 604	618	23 556	1 317	48 095

(Euro thousand)

	2022				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	17 382	1 005	-	-	18 387
Foreign	40 128	-	-	-	40 128
Bonds issued by other entities					
Domestic	-	-	6 036	-	6 036
Foreign	-	1 063	-	-	1 063
Commercial Paper	-	-	6 489	-	6 489
	57 510	2 068	12 525	-	72 103
Variable income securities					
Shares					
Domestic	-	-	15 100	798	15 898
Foreign	-	-	4 771	296	5 067
	-	-	19 871	1 094	20 965
	57 510	2 068	32 396	1 094	93 068

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 44.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 2,356 thousand as at 31 December 2023 (31 December 2022: Euro 3,240 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 11,203 thousand (31 December 2022: positive amount of Euro 9,302 thousand) recognized in fair value reserves.

In this caption, Banco Montepio has some securities (shares) measured at acquisition cost. It is Banco Montepio's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

As at 31 December 2023, the impairment recorded for these level 3 securities amounted to Euro 239 thousand (31 December 2022: Euro 413 thousand).

The movements occurring in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	32 396	37 438
Acquisitions	-	6 489
Revaluations	2 129	(1 483)
Amortization at nominal value	(10 969)	(10 048)
Closing balance	23 556	32 396

The movements occurring in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

	(Euro thousand)	
	2023	**2022**
Opening balance	528	2 759
Charge for the year	19	316
Reversal for the year	(106)	(94)
Utilization	(137)	(2 453)
Closing balance	304	528

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2023, is as follows:

(Euro thousand)

	2023				
	3 months to 1 year	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	-	18 297	-	-	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					-
Domestic	-	4 307	-	1 563	5 870
Foreign	-	-	618	-	618
	-	22 604	618	1 563	24 785
Variable income securities					
Shares					
Domestic	-	-	-	17 007	17 007
Foreign	-	-	-	6 303	6 303
	-	-	-	23 310	23 310
	-	22 604	618	24 873	48 095

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022				
	3 months to 1 year	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	1 005	17 382	-	-	18 387
Foreign	40 128	-	-	-	40 128
Bonds issued by other entities					
Domestic	-	4 470	-	1 566	6 036
Foreign	-	-	1 063	-	1 063
Commercial Paper	-	-	-	6 489	6 489
	41 133	21 852	1 063	8 055	72 103
Variable income securities					
Shares					
Domestic	-	-	-	15 898	15 898
Foreign	-	-	-	5 067	5 067
	-	-	-	20 965	20 965
	41 133	21 852	1 063	29 020	93 068

In the scope of the liquidity providing operations, the nominal value of the assets pledged as collateral to the European Central Bank included in this caption amounts to Euro 18,394 thousand after haircut (31 December 2022: Euro 57,405 thousand), as described in note 31.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts celebrated.

24 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2023	2022
Assets		
Interest rate swaps	6 174	-
Liabilities		
Interest rate swaps	3 525	-
Net value	2 649	-

The analysis of the hedging derivatives' portfolio, by residual maturity, in financial year 2023, is as follows:

(Euro thousand)

	2023			
	For the remaining term			
	Notional		Fair Value	
	October 2026	Total	October 2026	Total
Fair value hedge derivative with interest rate risk				
Interest rate swap	200 000	200 000	2 649	2 649
	200 000	200 000	2 649	2 649

As at 31 December 2023, the fair value hedging operation can be analysed as follows:

(Euro thousand)

	2023						
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in fair value of derivative in the financial year	Fair value of hedge element (2)	Changes in fair value of the hedged item in the financial year (2)
Interest rate swap	Debt securities issued	Interest rate	200 000	2 649	2 619	2 963	2 963
			200 000	2 649	2 619	2 963	2 963

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

25 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2023	2022
Fixed income securities		
Bond issued by public entities		
Domestic	1 054 288	1 073 852
Foreign	2 787 013	3 019 510
Bonds issued by other entities		
Domestic	445 382	506 105
Foreign	30 666	22 956
Commercial Paper		
Domestic	4 979	-
Foreign	-	-
	4 322 328	4 622 423
Impairment for other financial assets at amortized cost	(6 157)	(6 692)
	4 316 171	4 615 731

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 44.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 b).

As at 31 December 2023, the loan obtained from the EIB is collateralized by Italian, Spanish and Greek sovereign bonds with a nominal value of Euro 357,282 thousand (31 December 2022: Euro 376,651 thousand by Portuguese, Italian, Spanish, Irish and Greek sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 32.

The nominal value of the assets pledged as collateral to the European Central Bank under this caption for liquidity-providing operations amounts to Euro 2,859,409 thousand (31 December 2022: Euro 3,585,141 thousand) after the application of a haircut, as described in note 31.

As at 31 December 2023, the nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 29,000 thousand (31 December 2022: Euro 28,000 thousand) as per note 43.

As at 31 December 2023 and 2022, the securities given in guarantee to the Portuguese Securities Market Commission ("CMVM") within the scope of the Investors' Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	6 692	4 619
Charge for the year	1 252	2 094
Reversal for the year	-	(4)
Utilizations	(1 788)	-
Transfers	1	(17)
Closing balance	6 157	6 692

26 Investments in associates companies

This caption is presented as follows:

	(Euro thousand)	
	2023	2022
Investments in associated companies		
Montepio Holding, S.G.P.S., S.A.	413 750	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, A.C.E.	661	637
	417 611	417 587
Impairment of investments in associated companies	(138 698)	(92 606)
	278 913	324 981

Investments in subsidiaries and associates

Banco Montepio analyses the adequacy of the amount of the impairment of investments made in its subsidiaries, considering the recoverable value of the businesses developed by each one. The recoverable value, in accordance with the accounting policy described in this report, was determined by the higher of fair value less costs to sell and value in use, in the case of continuing subsidiaries, and fair value less costs to sell, in the case of discontinued subsidiaries.

The value in use was determined based on the business plan approved by management and, depending on the specificity of the businesses and the markets in which Banco Montepio's subsidiaries operate, differentiated levels for the discount rate, for the solvency levels required for the banking activity and for the growth of net income in perpetuity, were also considered.

The verification of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these same assumptions and, consequently, in the recoverable value determined for the subsidiaries object of this analysis.

The financial statements have been prepared on the assumption of the continuity of the respective operations, which depend on the future evolution of the assumptions underlying the recoverable value of its financial shareholdings as well as on the success of the initiatives to be taken by the Board of Directors to reinforce the net equity.

Montepio Holding, S.G.P.S., S.A.

As a result of the analyses carried out, we concluded on the need to recognize, in the financial statements as at 31 December 2023, an impairment in Banco Montepio in the amount of Euro 138,698 thousand (31 December 2022: Euro 92,606 thousand) related to the financial shareholding held in Montepio Holding, S.G.P.S., S.A. (Montepio Holding). As at 31 December 2023, Montepio Holding holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., of Montepio Crédito – Instituição Financeira de Crédito, S.A. and of Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.. The valuation of Montepio Holding was made considering that the best estimate for determining its fair value corresponded to the amount of its equity adjusted for the fair value effect of assets and liabilities recorded at amortized cost or historical cost.

Montepio Serviços, A.C.E.

In June 2023, Agrupamento Montepio Serviços, A.C.E. was constituted with Banco Montepio holding 85% of the voting rights. The purpose of the Grouping is to improve the conditions for the exercise and the results of the economic activities of the grouped members, essentially aiming to optimize resources, achieve greater operational efficiency and obtain economies of scale through the elimination of replicated cost structures.

The movements in impairment of investments in subsidiaries and associates are analysed as follows:

	(Euro thousand)	
	2023	**2022**
Opening balance	92 606	97 939
Charge for the year	46 092	-
Reversal for the year	-	(5 333)
Closing balance	138 698	92 606

The information related to subsidiaries and associates is presented in the following table:

(Euro thousand)

	Number of shares	**% Stake**	**Unit value**	**Acquisition cost**
31 December of 2023				
Investments in associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	661 421	27,00%	1,00	661
CESource, ACE	-	18,00%	-	-
Montepio Serviços, A.C.E.	-	85,00%	-	-
				417 611
31 December of 2022				
Investments in associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
Montepio - Gestão de Activos Imobiliários, ACE	636 924	26,00%	1,00	637
CESource, ACE	-	18,00%	-	-
				417 587

The subsidiaries and associates of Banco Montepio are listed in note 53.

27 Other tangible assets

This caption is presented as follows:

(Euro thousand)

	2023	2022
Investments		
Real estate		
For own use	165 607	168 621
Leasehold improvements in rented building	28 604	28 301
Equipment		
IT equipment	92 501	86 864
Fixtures	33 521	31 548
Furniture	16 808	16 879
Security equipment	4 335	4 254
Machinery and tools	2 674	2 686
Transportation equipment	302	298
Other equipment	1	1
Works of art	2 870	2 870
Assets in operating leases	58	58
Right-of-use assets		
Real estate	32 246	25 908
Motor vehicles	9 052	7 580
Other tangible assets	540	540
Work in progress	1 369	1 342
	390 488	377 750
Accumulated depreciation		
Charge for the year	12 967	13 268
Accumulated charge in previous years	198 192	188 972
	211 159	202 240
Impairment of Other Tangible Assets	(325)	(505)
	179 004	175 005

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in note 1 i).

The movements in the caption Other tangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	168 621	-	-	(3 014)	165 607
Leasehold improvements in rented building	28 301	-	-	303	28 604
Equipment					
IT equipment	86 864	8 187	2 948	398	92 501
Fixtures	31 548	40	31	1 964	33 521
Furniture	16 879	150	402	181	16 808
Security equipment	4 254	88	26	19	4 335
Machinery and tools	2 686	4	25	9	2 674
Transportation equipment	298	-	-	4	302
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	58	-	-	-	58
Right-of-use assets					-
Real estate	25 908	189	617	6 766	32 246
Motor vehicles	7 580	1 263	758	967	9 052
Other tangible assets	540	-	-	-	540
Work in progress	1 342	2 012	-	(1 985)	1 369
	377 750	11 933	4 807	5 612	390 488
Accumulated depreciation					
Real estate					
For own use	19 089	2 488	-	(342)	21 235
Leasehold improvements in rented building	27 778	91	-	114	27 983
Equipment					
IT equipment	83 495	2 040	2948	374	82 961
Fixtures	21 884	1 627	31	-	23 480
Furniture	16 641	108	402	104	16 451
Security equipment	4 041	83	26	15	4 113
Machinery and tools	2 630	33	25	7	2 645
Transportation equipment	278	9	-	5	292
Other equipment	1	-	-	-	1
Assets in operating lease	58	-	-	-	58
Right-of-use assets					
Real estate	20 452	4 816	617	348	24 999
Motor vehicles	5 386	1 672	758	132	6 432
Other tangible assets	507	-		2	509
	202 240	12 967	4 807	759	211 159
Impairment of Other Tangible Assets	(505)				(325)
	175 005				179 004

The movements in the caption Other tangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	171 357	-	-	(2 736)	168 621
Leasehold improvements in rented bu	28 301	-	-	-	28 301
Equipment					
IT equipment	86 015	1 860	1 011	-	86 864
Fixtures	30 626	5	-	917	31 548
Furniture	17 417	9	547	-	16 879
Security equipment	4 222	166	134	-	4 254
Machinery and tools	2 691	2	7	-	2 686
Transportation equipment	298	-	-	-	298
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	58	-	-	-	58
Right-of-use assets					-
Real estate	23 220	10	-	2 678	25 908
Motor vehicles	6 907	110	136	699	7 580
Other tangible assets	539	-	-	1	540
Work in progress	785	1 480	-	(923)	1 342
	375 307	3 642	1 835	636	377 750
Accumulated depreciation					
Real estate					
For own use	16 815	2 537	-	(263)	19 089
Leasehold improvements in rented bu	27 594	184	-	-	27 778
Equipment					
IT equipment	82 359	2 147	1 011	-	83 495
Fixtures	20 379	1 505	-	-	21 884
Furniture	17 076	112	547	-	16 641
Security equipment	4 094	81	134	-	4 041
Machinery and tools	2 600	37	7	-	2 630
Transportation equipment	270	8	-	-	278
Other equipment	1	-	-	-	1
Assets in operating lease	58	-	-	-	58
Right-of-use assets				-	
Real estate	15 321	5 089	-	42	20 452
Motor vehicles	3 954	1 568	136	-	5 386
Other tangible assets	508	-	-	(1)	507
	191 029	13 268	1 835	(222)	202 240
Impairment of Other Tangible Assets	(480)				(505)
	183 798				175 005

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)	2023	2022
Opening balance	505	480
Charge for the year	1 592	1 992
Reversal for the year	-	(265)
Transfers	(1 772)	(1 702)
Closing balance	325	505

As at 31 December 2023, a reinforcement of impairment, net of reversals, was made in Euro 1,592 thousand (31 December 2022: Euro 1,727 thousand) related to the closure of branches in the scope of the Distribution network resizing plan.

The caption Transfers relates to the impairment associated with branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 30.

28 Intangible assets

This caption is presented as follows:

(Euro thousand)	2023	2022
Investment		
Software	229 150	196 649
Other Intangible Assets	3 012	2 658
Work in progress	7 629	6 002
	239 791	205 309
Accumulated depreciation		
For the current financial year	23 344	19 139
Relating to previous financial years	158 910	139 228
	182 254	158 367
	57 537	46 942

The movements in the caption Intangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	196 649	-		32 501	229 150
Other Intangible Assets	2 658	-	-	354	3 012
Work in progress	6 002	33 859	-	(32 232)	7 629
	205 309	33 859	-	623	239 791
Accumulated depreciation					
Software	158 367	23 344		543	182 254
	158 367	23 344	-	543	182 254
	46 942				57 537

The movements in the caption Intangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	169 039	-	596	28 206	196 649
Other Intangible Assets	2 049	-	-	609	2 658
Work in progress	6 210	28 607	-	(28 815)	6 002
	177 298	28 607	596	-	205 309
Accumulated depreciation					
Software	139 824	19 139	596	-	158 367
	139 824	19 139	596	-	158 367
	37 474				46 942

29 Taxes

Deferred tax assets and liabilities recognized on the balance sheet in financial years 2023 and 2022, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Deferred taxes not dependent on future profitability						
Impairment on loans granted	35 216	36 203	-	-	35 216	36 203
Post-employment and long-term benefits	16 973	22 499	-	-	16 973	22 499
	52 189	58 702	-	-	52 189	58 702
Deferred taxes dependent on future profitability:						
Financial instruments	17 031	16 982	(8 239)	(6 970)	8 792	10 012
Other tangible assets	-	-	-	(6)	-	(6)
Provisions/Impairment						
Impairment on loans granted	35 312	87 695	-	-	35 312	87 695
Other risks and charges	5 560	8 189	-	-	5 560	8 189
Impairment in securities and non-financial assets	4 286	3 048	-	-	4 286	3 048
Impairment in financial assets	1 971	2 202	-	-	1 971	2 202
Post-employment and long-term benefits	40 313	45 920		(20 102)	40 313	25 818
IFRS 16	4 198	-	-	-	4 198	-
Taxes losses carried forward	230 928	219 908	-	-	230 928	219 908
Other	5 528	1 989	-	-	5 528	1 989
	345 127	385 933	(8 239)	(27 078)	336 888	358 855
Net deferred tax assets/(liabilities)	397 316	444 635	(8 239)	(27 078)	389 077	417 557

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets ("Regime" or "REAID"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes 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 the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of said Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (as described in note 41).

As at 31 December 2023, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio has a special reserve in the amount of Euro 300 thousand (31 December 2022: Euro 5,076 thousand), which corresponds to a tax credit of Euro 273 thousand (31 December 2022: Euro 4,614 thousand) and which is an integral part of the total current tax assets. These amounts may be changed in the context of the certification that the Tax and Customs Authority will carry out.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved at the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 1,845 thousand (31 December 2022: Euro 2,081 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of Banco Montepio).

In financial year 2023, deferred taxes recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 24,592 thousand (2022:Euro 30,099 thousand) related to the referred benefits in excess of the existing limits, of which, in 2023, 4,970 thousand euros do not depend on future profitability.

In financial years 2023 and 2022, and in function of (i) the tax rates in force, (ii) the expectation of the conversion into tax-accepted costs and profits, and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 30.5% and 21.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 s), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on Banco Montepio's medium-/long-term business plan, which constitutes an extension of the strategic planning exercise drawn up by the Group for the triennium. The financial projections reflect management's perspectives as to the evolution of the activity and the business model's sustainability, considering the macroeconomic context and financial variables, evolution of economic activity and of credit risk, among others.

The recovery of the profitability, liquidity and capital levels of Banco Montepio, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in core business areas, with a focus on families, SMEs and the social economy, privileging segments and products with a lower capital consumption with lower risk, the improvement of efficiency and profitability, cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following main items which are highlighted next:

- Control of operating costs, despite the inflationary pressures currently raging, through the elimination of redundancies and taking advantage of synergies, derived, among other aspects, from the simplification of the organizational structure and processes, besides the reinforcement of digitalization.

- Increase in the commercial network business with growth in credit portfolios with less risk and capital consumption, based on an appropriate management of the return on capital employed. Potential for growth in the complementary margin through cross-selling and new business areas, leveraging the potential of the customer base that Banco Montepio enjoys, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.

- Banco Montepio's balance sheet structure benefits growth of the net interest income in the context of rising interest rates. Potential for growth of commissions, evidencing the impacts of a management of the price list to adjust same to the value proposal for each segment, and the progressive increase of the customer base with a greater transactionality and level of commitment.

- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions, where customer resources constitute the main source of financing for the activity.

- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, aimed at achieving an NPL ratio below 5% in the short term, or through the reduction of the properties on the balance sheet.

- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.

- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to financial year 2023, Banco Montepio recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax evolved at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	2023	2022
2032	15 338	15 629
2033	26 829	18 931
Undetermined	188 761	185 348
	230 928	219 908

The expiry years indicated above reflect that stipulated in the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), under which the tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

The State Budget Law for 2023 (Law no. 24-D/2022, of 30 December), which came into force on 1 January 2023, establishes that tax losses calculated in fiscal years beginning on or after 1 January 2023, as well as those calculated previously that have not expired, are carried forward to future years without any time limitation, no longer being subject to a maximum period of deduction. Additionally, it also establishes that the deduction limit against taxable income is reduced to 65%, maintaining the increase of 10 percentage points for tax losses calculated in the 2020 and 2021 tax periods (i.e., the deduction can be made up to 75% of taxable income).

However, regarding the time limitation referred to in the previous paragraph, this does not apply to tax losses calculated in tax periods prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the REAID is verified, with the deduction period in force on 31 December 2022 being applied to tax losses calculated in those tax periods.

Tax recognized in net income/(loss) and in reserves during financial years 2023 and 2022 originated as follows:

(Euro thousand)

	2023		2022	
	Charged to net income/(loss)	Recogtnite in reserves and retained earnings	Recogtnite in net income/(loss)	Recogtnite in reserves and retained earnings
Financial instruments	(393)	(1 136)	(2 520)	2 193
Impairment/Provision	(56 458)	-	(33 886)	-
Post-employment and long-term benefits	(11 132)	20 102	(3 272)	(20 102)
Tax losses carried forward	11 020	-	4 837	-
Other	4 204	-	-	-
Deferred taxes/recognized as profit/(loses)	(52 759)	18 966	(34 841)	(17 909)
Current taxes	1 802	-	(2 664)	-
	(50 957)	18 966	(37 505)	(17 909)

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

				(Euro thousand)
	2023		2022	
	%	Value	%	Value
Profit/ (loss) before income tax		157 502		73 175
Income tax based on the current nominal tax rate	(21,0)	(33 075)	(9,8)	(15 367)
Fiscal Profit/ (loss)	(1,2)	(1 952)	(2,3)	(3 675)
Banking sector extraordinary contribution	(5,8)	(9 186)	(1,3)	(2 008)
Post-employment benefits and pension fund	(9,8)	(15 475)	1,5	2 393
Taxable provisions/impairment	(12,3)	(19 360)	(12,8)	(20 158)
Autonomous taxation	(0,3)	(465)	(0,3)	(423)
Corrections to previous periods	-	-	1,4	2 240
Effect of differences in income tax for the year	5,9	9 322	(5,9)	(9 251)
Deferred tax from taxes losses carried forward	7,0	11 020	3,1	4 837
Other	5,2	8 214	2,5	3 907
Income tax for the year	(32,4)	(50 957)	(23,8)	(37 505)

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes, contemplating a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio opted for the application of the new tax regime on impairment as from financial year 2023, for which reason, for the current and deferred tax assessment related to previous years, it estimated its taxes based on the regime that was in force until 31 December 2018, and in the respect of current and deferred tax of financial year 2023 it based same on the new tax regime for impairment.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period corresponds to that of the exercise of that right.

Banco Montepio was subject to inspections by the Tax Authority up to and including the 2021 tax period.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 1,302 thousand (31 December 2022: Euro 5,722 thousand) includes the amount of Euro 273 thousand (31 December 2022: Euro 4,614 thousand) related to the tax credit amount for financial years 2020 and 2022 determined in the scope of the REAID and IRC, recoverable in the amount of Euro 1,029 thousand (31 December 2022: Euro 1,108 thousand).

30 Other assets

This caption is presented as follows:

(Euro thousand)

	2023	2022
Assets received in recovery of credit	299 806	420 119
Post-employment benefits	48 279	135 867
Supplies - Montepio Holding	107 145	107 145
Other debtors	71 850	46 936
Sundry debtors	16 225	10 744
Price deposits	6 514	7 335
Bonifications to be received from the Portuguese Government	5 368	5 778
Deferred costs	4 781	3 012
Other amounts receivable	8 525	5 148
	568 493	742 084
Impairment for assets received in recovery of credit	(104 893)	(116 098)
Impairment for other assets	(25 613)	(22 132)
	437 987	603 854

The caption Assets received in recovery of credit is presented as follows:

(Euro thousand)

	2023	2022
Assets received in recovery of credit	299 806	420 119
Impairment for assets received in recovery of credit	(104 893)	(116 098)
	194 913	304 021

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

The caption Assets received in recovery of credit includes the amount of Euro 1,839 thousand (31 December 2022: Euro 1,326 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in Banco Montepio's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

Banco Montepio has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to Banco Montepio's expectation, it is intended that these assets be sold in under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2023, properties for which promissory contracts to buy and sell, in the amount of Euro 19,683 thousand (31 December 2022: Euro 26,649 thousand), have already been celebrated.

The movements in financial years 2023 and 2022 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)	2023	2022
Opening balance	420 119	571 228
Acquisitions	16 037	10 209
Disposals	(134 418)	(161 192)
Other movements	(1 932)	(2 696)
Transfers	-	2 570
Closing balance	299 806	420 119

The movement in impairment of Assets received in recovery of credit are analysed as follows:

(Euro thousand)	2023	2022
Opening balance	116 098	133 653
Charge of the year	18 766	20 865
Reversal of the year	(102)	(1 025)
Utilization	(33 837)	(39 097)
Transfers	3 968	1 702
Closing balance	104 893	116 098

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 27.

The caption Post-employment and long-term benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund. Despite the impairment losses observed, Banco Montepio recognized in profit or loss, in financial year 2023, gains in the amount of Euro 7,864 thousand (31 December 2022: Euro 16,344 thousand) on the sale of assets received in recovery of loans, included in the caption Disposal of other assets, as described in note 8.

As at 31 December 2023 and 2022, the caption Other debtors is analysed as follows:

(Euro thousand)	2023	2022
Supplementary capital contributions	14 910	14 910
Other	56 940	32 026
	71 850	46 936

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully covered by impairment as at 31 December 2023 and 2022.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors. Additionally, it considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by Banco Montepio with financial settlement in 2023.

As at 31 December 2023 and 2022, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

	2023	2022
	(Euro thousand)	
Bonifications overdue and not yet claimed	2 029	2 183
Bonifications claimed from state not yet settled	3 144	3 506
Bonifications processed and not yet claimed	195	89
	5 368	5 778

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, which amounts were determined in accordance with the legal provisions applicable to low-interest loans, and which do not bear interest and are regularly claimed.

The movements in the impairment of Other assets are analysed as follows:

	2023	2022
	(Euro thousand)	
Opening balance	22 132	23 358
Charge of the year	4 967	1 021
Reversal of the year	(575)	(390)
Utilization	(705)	(2 071)
Transfers	(206)	214
Closing balance	25 613	22 132

As at 31 December 2023, the impairment of Other assets includes the impairment constituted for the exposures of Supplementary capital contributions of Euro 14,910 thousand (identical amount as at 31 December 2022), for Price deposits of Euro 2,577 thousand (31 December 2022: Euro 3,186 thousand), for Guarantee commissions of Euro 609 thousand ((31 December 2022: Euro 590 thousand), for Factoring operations of Euro 498 thousand (identical amount as at 31 December 2022) and for Other debtors of Euro 7,019 thousand (31 December 2022: Euro 2,948 thousand).

The expectations regarding receipts associated with price deposits are regularly evaluated by the Loan Recovery Directorate, considering, namely, the status of each process and the information known/made available by the insolvency administrators. Consequently, the estimate of impairment associated with these price deposits is adjusted whenever this is found to be necessary.

31 Deposits from central banks

As at 31 December 2023 and 2022, this caption includes deposits from the European System of Central Banks, which are collateralized by loans to customers, securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 21, 23 and 25.

For the financing lines under the TLTRO III program, the effective interest rate used in financial years 2023 and 2022 considers the interest rates applicable to each operation in the elapsed period and the confirmation obtained from the European Central Bank regarding the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2023, these funds consist of two operations with maturities and amounts as follows: in March 2024, in the amount of Euro 817,437 thousand and in December 2024, in the amount of Euro 56,496 thousand.

The analysis of the caption Deposits from central banks for the residual period of the operations, as at 31 December 2023 and 2022, is as follows:

(Euro thousand)

	2023	2022
Up to 6 months	817 437	1 162 557
More than 6 months	56 496	1 727 434
	873 933	2 889 991

32 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2023			2022		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	193 279	-	193 279	28 513	-	28 513
Term deposits	-	12 518	12 518	-	1 002	1 002
	193 279	12 518	205 797	28 513	1 002	29 515
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	34 465	-	34 465	61 788	-	61 788
Sales operations with repurchase agreement	-	548 900	548 900	-	-	-
Other deposits	7 930	-	7 930	5 497	-	5 497
	42 395	848 907	891 302	67 285	300 007	367 292
	235 674	861 425	1 097 099	95 798	301 009	396 807

The EIB loan amount, presented in the previous table, has as its main objective the financing of SMEs and considers the loan obtained in November 2020, in the amount of Euro 300,000 thousand, which has a term of twelve years, a grace period of four years, constant amortizations and a rate of 0.019%.

(Euro thousand)

	2023	2022
Up to 3 months	784 073	95 207
3 to 6 months	8 283	1 001
6 months to 1 year	4 236	-
More than 5 years	300 007	300 007
Undetermined	500	592
	1 097 099	396 807

As at 31 December 2023, the Bank contracted Repos operations totalling Euro 548,900 thousand.

The amount of the EIB loan is collateralized by Spanish, Italian and Greek sovereign bonds in the nominal amount of Euro 357,282 thousand (31 December 2022: Euro 376,651 thousand by Portuguese, Italian, Spanish, Irish and Greek sovereign bonds), recorded in the caption Other financial assets at amortized cost, as described in note 25.

33 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2023			2022		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 552 501	105 104	5 657 605	6 674 446	39	6 674 485
Term deposits	-	7 662 456	7 662 456	-	6 342 677	6 342 677
Saving accounts	-	112 859	112 859	-	135 699	135 699
Other deposits	19 430	-	19 430	23 074	-	23 074
Adjustments from operations at fair value option	(3 329)	-	(3 329)	(2 093)	-	(2 093)
	5 568 602	7 880 419	13 449 021	6 695 427	6 478 415	13 173 842

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits, pursuant to that stipulated in said Ordinance. The criteria to calculate the annual contributions to the referred Fund are defined in Banco de Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the residual period of the operations is as follows:

(Euro thousand)

	2023	2022
Deposits repayable on demand	5 657 605	6 674 485
Term deposits and saving accounts		
Up to 3 months	2 222 137	1 655 476
3 to 6 months	1 641 788	1 129 470
6 months to 1 year	2 458 040	1 390 581
1 to 5 years	1 453 350	2 284 665
More than 5 years	-	18 184
	13 432 920	13 152 861
Other deposits		
Up to 3 months	19 430	23 074
Adjustments from fair value option operations	(3 329)	(2 093)
	13 449 021	13 173 842

In 2023, Deposits from customers were remunerated at the average implicit rate of 0.76% (2022: 0.05%).

34 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2023	2022
EMTN bonds	205 300	-
Covered bonds	328 483	327 492
	533 783	327 492

The caption EMTN bonds refers to the issue of Euro 200,000 thousand made in October 2023, and which is eligible for the minimum requirements for own funds and eligible liabilities ('MREL' or 'Minimum Requirement for own funds and eligible liabilities').

The residual maturities of Debt securities issued as at 31 December 2023 and 2022 are as follows:

(Euro thousand)

	2023	2022
6 months to 1 year	3 776	53
1 to 5 years	527 044	327 439
	530 820	327 492
Adjustments from fair value option operations	2 963	-
	533 783	327 492

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in a total amount of Euro 2,300,000 thousand, at nominal value, as at 31 December 2023 and 2022.

As at 31 December 2023, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch /Dbrs)
Covered bonds - 6S	300 000	302 065	-	November 2016	November 2024	Quarterly	Euribor 3M + 0.80%	Aaa/AA+
Covered bonds - 8S	1 250 000	1 252 517	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	Aaa/AA+
Covered bonds - 9S	250 000	251 303	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	Aaa/AA+
Covered bonds - 11S	500 000	328 483	328 483	November 2019	November 2024	Anually	Fixed at 0.125%	Aaa/AA+
	2 300 000	2 134 368	328 483					

As at 31 December 2022, the main characteristics of the covered bonds issues in circulation are as follows:

(milhares de euros)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	301 102	-	November 2016	November 2023	Quarterly	Euribor 3M + 0.80%	Aa2/AA
Covered bonds - 8S	1 250 000	1 251 553	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	Aa2/AA
Covered bonds - 9S	250 000	250 723	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	Aa2/AA
Covered bonds - 11S	500 000	327 492	327 492	November 2019	November 2024	Anually	Fixed at 0.125%	Aa2/AA
	2 300 000	2 130 870	327 492					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in Banco Montepio's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Banco de Portugal Notices no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of Banco de Portugal.

As at 31 December 2023, the value of the loans collateralizing these issues amounted to Euro 3,046,532 thousand (31 December 2022: Euro 2,753,360 thousand), according to note 20.

The movements in Debt securities issued are analysed as follows:

(Euro thousand)

	2023	2022
Opening balance	327 492	1 215 119
Issue	200 000	-
Reimbursements	-	(750 000)
Other movements [(a)]	6 291	(137 627)
Closing balance	533 783	327 492

(a) Includes accrued interest not yet settled.

In accordance with the accounting policy described in note 1 b), the purchase of debt securities issued by Banco Montepio is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2023, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
EMTN BONDS	31/10/2023	30/10/2026	Annual fixed rate of 10.0%	200 000
				700 000
			Repurchase of covered bonds - 11S	(171 400)
			Accrual based accounting, deferred income, costs and others	5 183
				533 783

As at 31 December 2022, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				500 000
			Repurchase of covered bonds - 11S	(171 400)
			Accrual based accounting, deferred income, costs and others	(1 108)
				327 492

35 Financial liabilities associated to transferred assets

In the scope of the securitization operations described in note 48, in respect of which Banco Montepio retained the majority of the risks and rewards associated with the securitized loans, the Bank recorded the financial liabilities associated with the assets transferred, which are detailed as follows:

(Euro thousand)

	2023	2022
Pelican Mortgages No 3	82 960	98 035
Pelican Mortgages No 4	319 541	361 076
Aqua Mortgages No 1	49 885	58 233
Pelican Finance No2	58 627	93 815
	511 013	611 159

36 Provisions

This caption is presented as follows:

(Euro thousand)	2023	2022
Provisions for guarantees and commitments	10 362	19 312
Provisions for other risks and charges	9 816	9 312
	20 178	28 624

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to Banco Montepio's activity, being revised at each reporting date to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies, legal cases and fraud.

The movements in provisions for guarantees and commitments assumed, are analysed as follows:

(Euro thousand)	2023	2022
Opening balance	19 312	16 076
Charge of the year	21 767	24 881
Reversal of the year	(30 672)	(21 621)
Utilization	(70)	(24)
Transfers	25	-
Closing balance	10 362	19 312

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)	2023	2022
Opening balance	9 312	11 810
Charge of the year	1 702	2 259
Reversal of the year	(982)	(2 742)
Utilization	(759)	(2 015)
Transfers	543	-
Closing balance	9 816	9 312

37 Other subordinated debt

The main characteristics of subordinated debt are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest date	2023	2022
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 056	50 044
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 803	107 825
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 661	52 705
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 499	6 455
					217 019	217 029

The movements in Other subordinated debt during financial years 2023 and 2022, were as follows:

(Euro thousand)

	2023		
	Balance at 1 January	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	12	50 056
MONTEPIO EMTN SUB 2019/2029	107 825	(22)	107 803
MONTEPIO EMTN SUB 2020/2030	52 705	(44)	52 661
FINIBANCO VALOR INVEST 2010	6 455	44	6 499
	217 029	(10)	217 019

(Euro thousand)

	2022		
	Balance at 1 January	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 825	-	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-	52 705
FINIBANCO VALOR INVEST 2010	6 691	(236)	6 455
	217 265	(236)	217 029

(a) Include accrued interest

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable Laws or Regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

38 Other liabilities

This caption is presented as follows:

(Euro thousand)	2023	2022
Domestic and foreign operations pending settlement	152 422	133 408
Sundry creditors	40 602	36 108
Staff costs payable	29 864	29 922
Other expenses	21 222	22 288
Administrative public sector	13 997	10 958
Lease liabilities	7 915	6 526
Suppliers	10 536	6 180
Deferred income	311	327
	276 869	245 717

As at 31 December 2023, the caption Staff charges payable includes the amount of Euro 16,822 thousand (31 December 2022: Euro 14,416 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2023, this caption also includes the amount of Euro 2,618 thousand (31 December 2022: Euro 2,034 thousand) related to end-of-career awards, as per note 45. As at 31 December 2022, it includes the amount of Euro 8,423 thousand for the employee adjustment program.

The caption Amounts payable corresponds, essentially, to the application of the accruals' principle to General administrative expenses.

As at 31 December 2023, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)	2023	2022
Up to 1 year	4 073	4 299
1 to 5 years	3 842	2 227
	7 915	6 526

39 Share capital

As at 31 December 2023, Banco Montepio's share capital, which is fully realized, amounts to Euro 1,210,000 thousand (31 December 2022: Euro 2,420,000 thousand).

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

The shareholder structure of Banco Montepio's share capital as at 31 December 2023 and 2022 is as follows:

	2023		2022	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.9930%	2 419 830 580	99.9930%
Other shareholders	169 420	0.0070%	169 420	0.0070%
	2 420 000 000	100.0%	2 420 000 000	100.0%

40 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2023, the legal reserve amounts to Euro 196,833 thousand (31 December 2022: 193,266 thousand).

41 Other reserves and Retained earnings

This caption is presented as follows:

		(Euro thousand)
	2023	2022
Fair value reserve		
Fair value reserve		
Financial assets at fair value through other comprehensive income	9 443	5 720
	9 443	5 720
Taxes		
Financial assets at fair value through other comprehensive income	(2 880)	(1 745)
	(2 880)	(1 745)
Fair value reserve net of taxes	6 563	3 975
Other reserves and retained earnings		
Special regime applicable to deferred tax assets	4 809	5 076
Post-employment benefits	(76 059)	(127 828)
Other reserves and retained earnings	163 710	(962 500)
Realized gains on equity instruments	(33 412)	(33 421)
	59 048	(1 118 673)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2023					
	Balance on 1 January	**Revaluation**	**Acquisitions**	**Disposals**	**Impairment variation**	**Balance on 31 December**
Fixed income securities						
Bonds issued by Portuguese public entities	(2 599)	920	-	(8)	(1)	(1 688)
Bonds issued by foreign public entities	(765)	-	-	692	73	-
Bonds issued by other entities:						
Domestic	(496)	(244)	-	(96)	131	(705)
Foreign	(53)	17	-	15	2	(19)
Commercial Paper	19	-	-	(38)	19	-
	(3 894)	693	-	565	224	(2 412)
Variable income securities						
Shares						
Domestic	10 785	1 000	-	-	-	11 785
Foreign	(1 171)	1 242		(1)	-	70
	9 614	2 242	-	(1)	-	11 855
	5 720	2 935	-	564	224	9 443

(Euro thousand)

	2022					
	Balance on 1 January	**Revaluation**	**Acquisitions**	**Disposals**	**Impairment variation**	**Balance on 31 December**
Fixed income securities						
Bonds issued by Portuguese public entities	198	(2 804)	-	-	7	(2 599)
Bonds issued by foreign public entities	314	(1 084)	-	-	5	(765)
Bonds issued by other entities:						
Domestic	387	(1 744)	-	(120)	981	(496)
Foreign	(13)	(34)	-	(6)	-	(53)
Commercial Paper	1 257	-	38	(2 514)	1 238	19
	2 143	(5 666)	38	(2 640)	2 231	(3 894)
Variable income securities						
Shares						
Domestic	9 985	800	-	-	-	10 785
Foreign	784	(1 955)	-	-	-	(1 171)
	10 769	(1 155)	-	-	-	9 614
	12 912	(6 821)	38	(2 640)	2 231	5 720

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2023	**2022**
Amortized cost of financial assets at fair value through other comprehensive income	38 956	87 876
Recognized accumulated impairment	(304)	(528)
Amortized cost of financial assets at fair value through other comprehensive income net of impairment	38 652	87 348
Market value of financial assets at fair value through other comprehensive income	48 095	93 068
Potential realized gains/(losses) recognized in the fair value reserve	9 443	5 720

As described in note 29, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and 2021, and considering the eligible deferred tax assets at the reference date of the aforementioned periods, as a result of the application of the special regime applicable to deferred tax assets, Banco Montepio recorded a Special reserve corresponding to 110% of the amount of the tax credits calculated, which has the following breakdown:

(Euro thousand)	2023	2022
Special reserve		
2021 (Negative net income of 2020)	4 509	4 750
2022 (Negative net income of 2021)	300	326
	4 809	5 076

As at 31 December 2023, Banco Montepio has a Special reserve in the amount of Euro 4,809 thousand (31 December 2022: Euro 5,076 thousand), which corresponds to a tax credit of Euro 273 thousand (31 December 2022: Euro 4,614 thousand), as described in note 29.

42 Distribution of dividends

In financial years 2023 and 2022, Banco Montepio did not distribute dividends.

The Annual General Meeting realized on 28 April 2023 approved the proposal for the appropriation of the Net Income for financial year 2022, in the amount of Euro 35,670 thousand, appropriating it to reinforce the Legal reserve in Euro 3,567 thousand, with the remainder, in the amount of Euro 32,103 thousand being taken to Retained earnings.

43 Guarantees and other commitments

The balances of these accounts are analysed as follows:

(Euro thousand)	2023	2022
Guarantees granted	516 551	465 782
Commitments to third parties	1 625 013	1 857 163
Deposit and custody of securities	7 050 460	8 157 023
	9 192 024	10 479 968

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)	2023	2022
Guarantees granted		
Guarantees	465 754	430 563
Letters of credit	50 797	35 219
	516 551	465 782
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	698 783	945 074
Potential liability with the Investors Indemnity System	590	708
Term liability to the Guarantee Deposits Fund	22 768	22 768
Securities subscription	5 094	2 051
Revocable commitments		
Revocable credit facilities	897 778	886 562
	1 625 013	1 857 163

Guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by Banco Montepio.

Documentary credits correspond to irrevocable commitments, by Banco Montepio, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to Banco Montepio's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. All credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same principles of any commercial operation, namely the solvency of the underlying customer and business, with Banco Montepio requiring, when necessary, that these operations be adequately covered by collaterals. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2023 and 2022, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by Banco Montepio, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2023, in the scope of the Deposits Guarantee Fund, Banco Montepio pledged treasury bonds (OT October 2030 and OT February 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 29,000 thousand (31 December 2022: Euro 28,000 thousand), as described in note 25.

As at 31 December 2023 and 2022, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that Banco Montepio assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 b). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by Banco Montepio in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

44 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of Banco Montepio.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of Banco Montepio.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13.

Debt and equity instruments

Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

a) Financial instruments shall be classified in level 2 if they are:

i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

ii. valued using indicative third-party purchase prices, based on observable market data.

Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:

i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;

ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or

iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g., degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

The following are the main methods and assumptions used in estimating the fair value of financial assets and liabilities.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.

Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

i. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.

ii. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

For Deposits from central banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is 1.09% for live operations as at 31 December 2023 (31 December 2022: 0.08%).

For the remaining funds from credit institutions, the discount rate used reflects the current conditions applied by Banco Montepio to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2023, the average discount rate was 2.77% (31 December 2022: 3.53%) for the remaining resources.

For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. 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 for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by Banco Montepio to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 31 December 2023, the average discount rate was 3.70% for mortgage loans (31 December 2022: 4.24%), 6.28% for private individual loans (31 December 2022: 8.31%) and 4.77% for the remaining loans (31 December 2022: 5.60%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by Banco Montepio to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of Banco Montepio at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2023 was 2.67% (31 December 2022: 1.18%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which Banco Montepio applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of Banco Montepio.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

Type of instruments			Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash flow method [2]	Interest rate curves
		Exchange rate options	*Black-Scholes* Model	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value though profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3]
Financial Assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

(1) In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with Banco Montepio with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of these adjustments is presented in the table.

Movements in CVA and DVA

(Euro thousand)

	2023		2022	
	CVA	DVA	CVA	DVA
Adjustment	257	144	51	573
Of which: Derivatives expiry	(3)	14	(15)	(260)

Fair value of assets received in recovery of credit

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation;
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as "expert appraisers" with the CMVM and seeks to ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of Banco de Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

As at 31 December 2023, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Yen**
1 day	3.800000	5.365000	5.230000	1.855000	0.125000
7 days	3.895000	5.306250	5.220000	1.650000	-0.340000
1 month	3.903500	5.420000	5.285000	1.780000	-0.340000
2 months	3.900500	5.460000	5.215000	1.755000	-0.300000
3 months	3.868500	5.530000	5.320000	1.675000	-0.280000
6 months	3.684500	5.500000	5.370000	1.690000	-0.190000
9 months	3.446500	5.410000	5.290000	1.700000	-0.050000
1 year	3.213500	5.340000	5.250000	1.710000	0.080000
2 years	2.565500	5.195685	5.182845	1.242500	0.079931
3 years	2.321500	5.052550	5.182845	1.164000	0.079931
5 years	2.181500	4.765493	5.182845	1.146000	0.079931
7 years	2.197500	4.478436	5.182845	1.189000	0.079931
10 years	2.288500	4.047457	5.182845	1.252500	0.079931
15 years	2.416500	3.759688	5.182845	1.302500	0.079931
20 years	2.416500	3.758500	5.182845	1.302500	0.079931
30 years	2.280500	3.590950	5.182845	1.302500	0.079931

As at 31 December 2022, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Yen
1 day	1.970000	4.285000	3.470000	0.950000	-0.075000
7 days	1.904000	4.444375	3.615000	0.910000	-0.200000
1 month	1.905000	4.420000	3.640000	0.920000	-0.200000
2 months	2.092000	4.630000	3.830000	1.000000	-0.200000
3 months	2.253000	4.770000	3.900000	0.970000	-0.200000
6 months	2.669000	5.150000	4.345000	1.160000	-0.150000
9 months	2.952000	5.235000	4.650000	1.430000	-0.100000
1 year	3.102000	5.345000	4.965000	1.660000	-0.100000
2 years	3.142000	5.204321	4.904856	1.711500	-0.100013
3 years	3.024000	5.065171	4.904856	1.797000	-0.100013
5 years	2.961000	4.786489	4.904856	1.941000	-0.100013
7 years	2.920000	4.507043	4.904856	2.068000	-0.100013
10 years	2.938000	4.088064	4.904856	2.191000	-0.100013
15 years	2.934000	3.777879	4.904856	2.276000	-0.100013
20 years	2.787000	3.726000	4.904856	2.276000	-0.100013
30 years	2.470000	3.472000	4.904856	2.276000	-0.100013

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	2023	2022	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.105	1.066	6.98	6.71	6.65	6.64	6.75
EUR/GBP	0.86905	0.88693	5.02	5.26	5.63	5.9	6.075
EUR/CHF	0.926	0.9847	6.81	6.29	6.17	6.105	6.11
EUR/JPY	156.33	140.66	10.5	10.255	10.185	10.13	10.06

Regarding exchange rates, Banco Montepio uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of Financial assets and liabilities of Banco Montepio, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

	2023				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 171 397	1 171 397	1 171 397
Loans and deposits to credit institutions payable on demand	-	-	46 065	46 065	46 065
Other loans and advances to credit institutions	-	-	125 067	125 067	125 067
Loans and advances to customers	781	-	11 292 424	11 293 205	11 568 142
Financial assets held for trading	15 117	-	-	15 117	15 117
Financial assets at fair value through profit or loss	209 657	-	-	209 657	209 657
Financial assets at fair value through other comprehensive income	-	48 095	-	48 095	48 095
Hedging derivatives	6 174	-	-	6 174	6 174
Other financial assets at amortized cost	-	-	4 316 171	4 316 171	3 565 959
	231 729	48 095	16 951 124	17 230 948	16 755 673
Financial liabilities					
Deposits from central banks	-	-	873 933	873 933	873 933
Deposits from other credit institutions	-	-	1 097 099	1 097 099	1 056 820
Deposits from customers	95 299	-	13 353 722	13 449 021	13 404 852
Debt securities issued	-	-	533 783	533 783	528 106
Financial liabilities related to transferred assets	-	-	511 013	511 013	529 771
Financial liabilities held for trading	12 636	-	-	12 636	12 636
Hedging derivatives	3 525	-	-	3 525	3 525
Other subordinated debt	-	-	217 019	217 019	203 188
	111 460	-	16 586 569	16 698 029	16 612 831

(Euro thousand)

	2022				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 383 801	1 383 801	1 383 801
Loans and deposits to credit institutions payable on demand	-	-	83 372	83 372	83 372
Other loans and advances to credit institutions	-	-	397 310	397 310	397 235
Loans and advances to customers	863	-	11 075 272	11 076 135	11 200 869
Financial assets held for trading	10 059	-	-	10 059	10 059
Financial assets at fair value through profit or loss	209 483	-	-	209 483	209 483
Financial assets at fair value through other comprehensive income	-	93 068	-	93 068	93 068
Other financial assets at amortized cost	-	-	4 615 731	4 615 731	4 096 324
	220 405	93 068	17 555 486	17 868 959	17 474 211
Financial liabilities					
Deposits from central banks	-	-	2 889 991	2 889 991	2 889 991
Deposits from other credit institutions	-	-	396 807	396 807	337 301
Deposits from customers	61 565	-	13 112 277	13 173 842	13 132 012
Debt securities issued	-	-	327 492	327 492	308 398
Financial liabilities related to transferred assets	-	-	611 159	611 159	634 416
Financial liabilities held for trading	17 697	-	-	17 697	17 697
Other subordinated debt	-	-	217 029	217 029	205 772
	79 262	-	17 554 755	17 634 017	17 525 587

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2023:

(Euro thousand)

	2023				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	1 171 397	-	-	-	1 171 397
Loans and deposits to credit institutions payable on demand	46 065	-	-	-	46 065
Other loans and advances to credit institutions	-	-	125 067	-	125 067
Loans and advances to customers	-	781	11 567 361	-	11 568 142
Financial assets held for trading	6 194	8 923	-	-	15 117
Financial assets at fair value through profit or loss	-	-	209 657	-	209 657
Financial assets at fair value through other comprehensive income	22 604	619	23 555	1 317	48 095
Hedging derivatives	6 174	-	-	-	6 174
Other financial assets at amortized cost	3 565 959	-	-	-	3 565 959
	4 818 393	10 323	11 925 640	1 317	16 755 673
Financial liabilities					
Deposits from central banks	873 933	-	-	-	873 933
Deposits from other credit institutions	-	-	1 056 820	-	1 056 820
Deposits from customers	-	95 299	13 309 553	-	13 404 852
Debt securities issued	-	-	528 106	-	528 106
Financial liabilities related to transferred assets	-	-	529 771	-	529 771
Financial liabilities held for trading	-	9 745	2 891	-	12 636
Hedging derivatives	-	3 525	-	-	3 525
Other subordinated debt	-	-	203 188	-	203 188
	873 933	108 569	15 630 329	-	16 612 831

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2022:

(Euro thousand)

	2022				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	1 383 801	-	-	-	1 383 801
Loans and deposits to credit institutions payable on demand	83 372	-	-	-	83 372
Other loans and advances to credit institutions	-	-	397 235	-	397 235
Loans and advances to customers	-	863	11 200 006	-	11 200 869
Financial assets held for trading	3 242	6 817	-		10 059
Financial assets at fair value through profit or loss	-	-	209 483	-	209 483
Financial assets at fair value through other comprehensive income	57 510	2 068	32 396	1 094	93 068
Other financial assets at amortized cost	4 096 324		-	-	4 096 324
	5 624 249	9 748	11 839 120	1 094	17 474 211
Financial liabilities					
Deposits from central banks	2 889 991	-	-	-	2 889 991
Deposits from other credit institutions	-	-	337 301	-	337 301
Deposits from customers	-	61 565	13 070 447	-	13 132 012
Debt securities issued	-	-	308 398	-	308 398
Financial liabilities related to transferred assets			634 416	-	634 416
Financial liabilities held for trading	-	7 694	10 003	-	17 697
Other subordinated debt	-	-	205 772	-	205 772
	2 889 991	69 259	14 566 337	-	17 525 587

The value recorded as level 3 in the account Financial assets at fair value through other comprehensive income, corresponds, as far as is materially relevant, to the financial investments made in SIBS, Unicre and Abanca, with a total amount of 19,400 thousand euros in the statements financial statements as of 31 December 2023 (31 December 2022: 17,700 thousand euros) and were determined according to the methodology and assumptions detailed as follows:

SIBS

The fair value of the 1.74% stake held by the Bank in the share capital of SIBS, disclosed in the financial statements as at 31 December 2023, is supported by a valuation that considers the methodologies of multiples of comparable companies (market and transaction) and Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2023, the information contained in the reports and accounts on a consolidated basis for financial years 2022 and 2021, the documents prepared by management and updated to June 2023, the budget for the 2023 fiscal year, as well as information on transaction multiples of comparable companies, namely in the Networks and Payment Systems sectors, were considered.

For this valuation, a forecast horizon of four years was considered, for which it was necessary to calculate the forecast cash flows, based on historical cash flows and estimated growth rates, the latter showing accelerated growth for 2023, with, from 2024 onwards, same evolving in line with the Company's growth potential.

In the valuation using the DCF methodology, the continuity of operations beyond the forecast horizon was assumed, and a conservative scenario for the annual variation of cash-flows in perpetuity as well as for the investment levels in CAPEX and depreciation and amortizations were considered. Cash flows were discounted at a rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, which stood at 11.40% with reference to 31 December 2023 (31 December 2022: 10.6%).

In the valuation using the market multiples method, multiples referring to financial years 2023 and 2022 were considered, and which include companies from different geographies, supported by the MergerMarket database.

Unicre

The fair value of the 3.84% stake held by the Bank in the share capital of Unicre, disclosed in the financial statements as at 31 December 2023, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, since, at the valuation date, the Company's information regarding financial year 2023 was not yet public, and was based on information from the Reports and accounts of Unicre referring to financial years 2021 and 2022.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of revenues in its valuation, as well as the cost of financing to support Unicre's activity. On 31 December 2023, the discount rate considered in the valuation was 13.20% (31 December 2022: 11.0%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% stake held in the share capital of ABANCA, disclosed in the financial statements as at 31 December 2023, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, based on information from the Presentations of results and the Reports and accounts of ABANCA referring to financial years 2021, 2022 and the third quarter of 2023.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of operating results in its valuation, with the financing structure remaining stable compared to previous years, as well as the assumption of a slowdown in activity growth and of the Company's profitability in relation to historical performance. On 31 December 2023, the discount rate considered in the valuation was 12.50% (31 December 2022: 11.1%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

45 Post-employment and long-term benefits

Banco Montepio assumed the responsibility to pay its employees and members of the Management Body old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 r).

In accordance with the same policy, Banco Montepio calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

Banco Montepio's pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

The respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of Banco Montepio, or as employees who had been its permanent employees and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

Banco Montepio's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to a pension calculated as per the preceding paragraph and proportional to the time of service rendered to Banco Montepio, to be paid by the Penson Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

Banco Montepio has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, Banco Montepio signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2023	**2022**
Financial assumptions		
Salary growth rate	3.0% in the first year, 2.0% in the second and 1.0% in the following years	2.5% in the first three years and 0.75% in the following years
Pension growth rate	2.5% in the first year, 1.5% in the second and 0.75% in the following years	2,0% in the first three years and 0.50% in the following years
Rate of return of Fund	3.6%	4.2%
Discount rate	3.6%	4.2%
Revaluation rate		
Salary growth rate - Social Security	1.5%	1.5%
Monetary correction rate	1.25%	1.25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial valuation method	UCP	UCP

UCP - Unit Credit projected

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2023, the average duration of the pension liabilities of the employees is 14.1 years (31 December 2022: 15.9 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2023	2022
Active	2 533	2 740
Retirees and survivors	1 693	1 593
	4 226	4 333

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	2023	2022
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(414 413)	(339 694)
Active	(282 496)	(253 297)
	(696 909)	(592 991)
Liabilities with healthcare benefits		
Pensioners	(27 770)	(23 377)
Active	(26 333)	(22 581)
	(54 103)	(45 958)
Liabilities with death benefits		
Pensioners	(1 973)	(1 632)
Active	(1 179)	(957)
	(3 152)	(2 589)
Total liabilities	(754 164)	(641 538)
Coverages		
Pension Fund value	802 443	777 405
Net assets/(liabilities) in the balance sheet	48 279	135 867
Accumulated actuarial remeasurements recognized in other comprehensive income	211 726	127 828

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2023				2022			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the financial year	592 991	45 958	2 589	641 538	778 363	64 680	3 906	846 949
Recognized in net income/(loss) (note 10)								
Current service cost	2 552	810	37	3 399	3 020	1 421	68	4 509
Interest cost	24 906	1 930	108	26 944	10 897	905	55	11 857
Early retirement, terminations by mutual agreement and others	6 989	-	-	6 989	7 112	-	-	7 112
Recognized in equities (note 41)								
Actuarial gains/(losses)								
- Changes in assumptions	85 594	6 738	463	92 795	(200 095)	(19 647)	(1 440)	(221 182)
- Not related to changes in assumptions	11 203	(1 333)	(45)	9 825	18 695	(1 401)		17 294
Other								
Pensions paid by the Fund	(28 660)			(28 660)	(25 573)	-	-	(25 573)
Pensions paid by Banco Montepio	(991)			(991)	(1 736)	-	-	(1 736)
Participant contributions	2 325			2 325	2 308	-	-	2 308
Liabilities at the end of the financial year	696 909	54 103	3 152	754 164	592 991	45 958	2 589	641 538

The evolution of the Pension Fund's net asset value as at 31 December 2023 and 2022 can be analysed as follows:

(Euro thousand)

	2023	2022
Value of the Fund at the beginning of the financial year	777 405	855 910
Recognized in net income/(loss) (note 10)		
Share of net interest	32 651	11 983
Recognized in equity (note 41)		
Financial deviations	18 722	(67 223)
Others		
Participant Contributions	2 325	2 308
Pensions paid by the Fund	(28 660)	(25 573)
Fund´s value at the end of the year	802 443	777 405

The amounts paid by the Pension Fund consider the effect of the application of Ordinance no. 141, of 2023.

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2023 and 2022, Banco Montepio participates in 98.7% in the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

As at 31 December 2023 and 2022, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2023				2022			
	Assets of the Fund	%	Quoted	Unquoted	Assets of the Fund	%	Quoted	Unquoted
Variable-income securities								
Shares	99 986	12%	99 986	-	97 201	13%	97 201	-
Shares investment funds	97 988	12%	40 798	57 190	57 284	7%	11 723	45 561
Bonds	510 049	64%	450 065	59 984	532 239	68%	460 897	71 342
Real Estate	4 846	1%	-	4 846	4 723	1%	-	4 723
Real Estate investment funds	54 788	7%	3 971	50 817	44 701	6%	3 854	40 847
Venture capital funds	3 545	0%	-	3 545	1 702	0%	-	1 702
Loans and advances in banks and other	31 241	4%	-	31 241	39 555	5%	9 791	29 764
	802 443	100%	594 820	207 623	777 405	100%	583 466	193 939

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of Banco Montepio, are analysed as follows:

(Euro thousand)

	2023	2022
Loans and advances in banks and other	9 763	28 587
Real Estate	4 846	4 723
Bonds	382	370
	14 991	33 680

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2023	2022
Actuarial gains/(losses) at the beginning of the financial year	127 828	264 493
Actuarial gains/(losses) in the financial year		
Changes in discount rate	56 161	(297 148)
Payroll update	11 215	21 215
Pensions growth rate update	23 043	33 655
Changes in mortality tables	-	12 216
Deviation of the Pension Fund return	(18 722)	67 223
Resulting from changes in plan conditions	2 376	8 880
Other changes	9 825	17 294
Actuarial gains/(losses) recognized in other comprehensive income	211 726	127 828

The costs for the period with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2023	2022
Current service cost	3 399	4 509
Net interest income/(expense) on the liabilities coverage balance	(5 707)	(126)
Costs with early retirement, mutually agreed termination and other	6 989	7 112
Costs for the financial year	4 681	11 495

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023	2022
At the beginning of the financial year	135 867	8 961
Current service cost	(3 399)	(4 509)
Net interest income/(expense) on the liabilities coverage balance	5 707	126
Actuarial gains/(losses)	(102 620)	203 888
Financial gains/(losses)	18 722	(67 223)
Pensions paid by Banco Montepio	991	1 736
Early retirement, mutually agreed termination and other	(6 989)	(7 112)
At the end of the financial year	48 279	135 867

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2023	
	Liabilities	
	Increase	Decrease
Discount rate (0.5% change)	(47 638)	53 206
Salary growth rate (0.5% change)	30 137	(26 078)
Pension growth rate (0.5% change)	48 008	(44 012)
SAMS contribution (0.5% change)	2 540	(2 540)
Future mortality (1 year change)	(18 502)	18 281

(Euro thousand)

	2022	
	Liabilities	
	Increase	Decrease
Discount rate (0.25% change)	(20 336)	21 456
Salary growth rate (0.25% change)	12 305	(11 462)
Pension growth rate (0.25% change)	18 943	(18 165)
SAMS contribution (0.25% change)	2 465	(2 465)
Future mortality (1 year change)	(14 347)	14 073

As at 31 December 2023, the cost associated with the end-of-career awards amounted to Euro 2,618 thousand (31 December 2022: Euro 2,034 thousand), in accordance with the accounting policy described in note 1 r) and as per note 38.

46 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2023 and 2022, the amount of the funds for which Banco Montepio acts as depository bank is analysed as follows:

(Euro thousand)

	2023	2022
Securities investment funds	300 641	180 913
Real Estate investment funds	744 824	721 149
Pension funds	301 454	284 930
Bank and insurance	23 235	28 807
	1 370 154	1 215 799

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

47 Related parties

As defined in IAS 24, the companies detailed in note 53, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of Banco Montepio. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties. First-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2023, the list of related parties considered by Banco Montepio is presented as follows:

Majority shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chaim of the Board of Directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica
Executive Committee
Chaim of the Executive Committee
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus
Audit Committee
Chaim of the Audit Committee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Other related parties Board of Directors
Alice Pinto
Alípio Dias
Amândio Coelho
Ana Sá Couto
António Gouveia
Carlos Beato
Dalila Teixeira
Edite Cheira
Fernando Amaro
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Cidrais Guimarães
Jaquelina Rodrigues (1)
João Almeida Gouveia (2)
João Carvalho das Neves
João Costa Pinto
Jorge Oliveira
José António Gonçalves
José Luís Leitão
José Mendes Alfaia
Laura Duarte
Luís Antunes
Luís Filipe Costa
Luís Franco
Luís Pinheiro (1)
Manuel Baptista
Manuel Carlos Silva
Margarida Andrade
Margarida Duarte
Maria Clemente
Nuno Coelho
Nuno Marques da Silva
Nuno Mendes
Nuno Mota Pinto
Paulo Jorge Rodrigues
Paulo Jorge Silva
Paulo Magalhães
Pedro Crespo
Pedro Ribeiro
Ricardo Carvalho (2)
Rui Heitor
Virgílio Lima
Vitor Filipe

(1) On March 26, 2024, Jaquelina Rodrigues and Luís Pinheiro were appointed as Members of the Board of Directors.
(2) Members João Almeida Gouveia and Ricardo Carvalho resigned from office with effect from 29 February 2024.

Other key management Personnel

Alexandra Ponciano
Alexandra Quirino Silva
Alexandra Rolo
António Carlos Machado
António Coelho
António Figueiredo Lopes
António Longo
Armando Cardoso
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Teixeira
Filipe Guimarães Cizeron
Frederico Tomáz
Helder Reis
Joana Correia
Jorge Barros Luís
Jorge Dourado
Luis Melo
Luís Sena
Manuel Castanho
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Medeiros
Paula Pinheiro
Paula Viegas
Paulo Amorim
Paulo Trindade
Pedro Araújo
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Gama
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sandra Martins Colaço
Sara Candeias
Tânia Madeira
Vânia Fernandes

Other related parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
CESource, A.C.E.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
GreenVolt - Energias Renováveis, S.A.
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Residências para Estudantes, S.A.
Montepio Serviços, A.C.E.
NovaCâmbios - Instituição de Pagamento, S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado

As at 31 December 2023, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2023							
Company	**Loans and advances to customers**	**Impairment of loans and advances to customers**	**Financial assets at fair value through other comprehensive income**	**Impairment of financial assets at fair value through other comprehensive income**	**Other assets**	**Guarantees and commitments assumed**	**Provisions for guarantees and commitments assumed**	**Total**
Board of Directors	105	-	-	-	-	-	-	105
Other related parties Board of Directors	1 903	1	-	-	-	-	-	1 902
Other key management personnel	2 385	1	-	-	-	-	-	2 384
Bolsimo - Gestão de Activos, S.A.	1	-	-	-	10	-	-	11
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	14	-	-	14
CESource, A.C.E.	-	-	-	-	28	-	-	28
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	-	-	-	-	-	-	1
GreenVolt - Energias Renováveis, S.A.	41 127	84	-	-	-	-	-	41 043
Lusitania, Companhia de Seguros, S.A.	1	-	1 802	239	-	-	-	1 564
Moçambique Companhia de Seguros, S.A.R.L.	-	-	371	-	-	-	-	371
Montepio Crédito - Instituição Financeira de Crédito, S.A.	385 083	785	-	-	219	60 550	-	445 067
Montepio Geral Associação Mutualista	4	1	-	-	10 957	120	1	11 079
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	1	-	192	-	-	193
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	1 954	-	-	1 954
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	107 176	-	-	107 176
Montepio Investimento, S.A.	-	-	-	-	-	181	-	181
Montepio Serviços, A.C.E.	-	-	-	-	1 618	-	-	1 618
NovaCâmbios - Instituição de Pagamento, S.A.	408	3	-	-	-	963	-	1 368
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	150	1	149
Residências Montepio, Serviços de Saúde, S.A.	1 024	7	-	-	24	750	1	1 790
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.	-	-	-	-	22	-	-	22
	432 042	882	2 174	239	122 214	62 714	3	618 020

As at 31 December 2022, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits in other credit institutions, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2022									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of directors (after July 25th, 2022)	-	-	163	-	-	-	-	-	-	163
Board of directors (until July 25th, 2022)	-	-	476	-	-	-	-	-	-	476
Other related parties Board of directors	-	-	2 084	3	-	-	-	-	-	2 081
Other key management personnel	-	-	2 521	1	-	-	-	-	-	2 520
Bolsimo - Gestão de Activos, S.A.	-	-	2 643	22	-	-	22	4 400	-	7 043
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-	-	18	-	-	18
CESource, A.C.E.	-	-	-	-	-	-	76	-	-	76
Finibanco Angola, S.A.	31 287	-	-	-	-	-	-	3 884	4	35 167
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	-	-	-	13	-	-	14
GreenVolt - Energias Renováveis, S.A.	-	-	15 125	14					-	15 111
Lusitania, Companhia de Seguros, S.A.	-	-	1	-	1 935	369	-	46	-	1 613
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	250	-	-	-	-	250
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	-	335 410	4 633	-	-	197	152 650	-	483 624
Montepio Geral Associação Mutualista	-	-	3	1	-	-	4 329	120	-	4 451
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	1	-	50	-	-	51
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-	-	1 160	-	-	1 160
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	107 161	-	-	107 161
Montepio Investimento, S.A.	-	333 100	-	-	-	-	66	87 081	1	420 246
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	530	15	-	-	-	1 388	-	1 903
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	150	-	150
Residências Montepio, Serviços de Saúde, S.A.	-	-	1 828	6	-	-	42	300	-	2 164
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S	-	-	-	-	-	-	11	-	-	11
	31 287	333 100	360 785	4 695	2 186	369	113 145	250 019	5	1 085 453

As at 31 December 2023, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2023				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued and Other subordinated debt	Other liabilities	Total
Board of Directors	-	848	-	-	848
Other related parties Board of Directors	-	2 286	-	-	2 286
Other key management personnel	-	2 326	-	-	2 326
Bolsimo - Gestão de Activos, S.A.	-	193	-	-	193
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	7 828	-	-	7 828
Empresa Gestora de Imóveis da Rua do Prior S.A	-	398	-	-	398
Fundação Montepio Geral	-	2 311	-	-	2 311
Fundo de Pensões - Montepio Geral	-	9 211	401	-	9 612
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 751	-	-	1 751
GreenVolt - Energias Renováveis, S.A.	-	6 205	-	-	6 205
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	99	-	-	99
Lusitania Vida, Companhia de Seguros, S.A.	-	16 037	-	-	16 037
Lusitania, Companhia de Seguros, S.A.	-	8 828	3 051	-	11 879
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	800	-	-	800
Montepio Geral Associação Mutualista	-	129 191	212 829	6 721	348 741
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	7 189	-	-	7 189
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 000	-	-	2 000
Montepio Holding, S.G.P.S., S.A.	-	32 397	-	2	32 399
Montepio Investimento, S.A.	187 748	-	-	15	187 763
Montepio Residências para Estudantes, S.A.	-	704	-	-	704
Montepio Serviços, A.C.E.	-	239	-	1 352	1 591
NovaCâmbios - Instituição de Pagamento, S.A.	-	633	-	-	633
PEF - Fundo de Investimento Imobiliário Fechado	-	174	-	-	174
Polaris-Fundo de Investimento Imobiliário Fechado	-	326	-	-	326
Residências Montepio, Serviços de Saúde, S.A.	-	533	-	-	533
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 628	-	-	3 628
Sociedade Portuguesa de Administrações, S.A.	-	1 099	-	-	1 099
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	40 155	-	2	40 157
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	690	-	-	690
	187 748	278 079	216 281	8 092	690 200

As at 31 December 2022, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2022				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued and Other subordinated debt	Other liabilities	Total
Board of Directors (after July 25, 2022)	-	639	-	-	639
Board of Directors (until July 25, 2022)	-	1 258	-	-	1 258
Other related parties Board of Directors	-	2 952	-	-	2 952
Other key management personnel	-	2 985	-	-	2 985
Bolsimo - Gestão de Activos, S.A.	-	122	-	-	122
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	11 676	-	-	11 676
Clínica CUF Belém, S.A.	-	28	-	-	28
Empresa Gestora de Imóveis da Rua do Prior S.A	-	255	-	-	255
Finibanco Angola, S.A.	37 252	-	-	-	37 252
Fundação Montepio Geral	-	2 079	-	-	2 079
Fundo de Pensões - Montepio Geral	-	29 328	401	-	29 729
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 500	-	-	1 500
GreenVolt - Energias Renováveis, S.A.	-	10 058	-	-	10 058
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	61	-	-	61
Lusitania Vida, Companhia de Seguros, S.A.	-	27 406	-	-	27 406
Lusitania, Companhia de Seguros, S.A.	-	2 633	-	-	2 633
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	1 518	-	-	1 518
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	2 171	-	-	2 171
Montepio Geral Associação Mutualista	-	102 130	201 077	-	303 207
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	2 510	-	-	2 510
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 221	-	-	2 221
Montepio Holding, S.G.P.S., S.A.	-	6 272	-	-	6 272
Montepio Investimento, S.A.	17 963	-	-	953	18 916
Montepio Residências para Estudantes, S.A.	-	466	-	-	466
NovaCâmbios - Instituição de Pagamento, S.A.	-	558	-	-	558
PEF - Fundo de Investimento Imobiliário Fechado	-	223	-	-	223
Polaris-Fundo de Investimento Imobiliário Fechado	-	343	-	-	343
Residências Montepio, Serviços de Saúde, S.A.	-	240	-	-	240
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 371	-	-	3 371
Sociedade Portuguesa de Administrações, S.A.	-	346	-	-	346
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	36 274	-	-	36 274
	55 215	251 623	201 478	953	509 269

As at 31 December 2023, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	2023						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	Staff costs	General and administrative expenses
Board of Directors	3	3	1	-	-	-	-
Other related parties Board of Directors	61	12	5	1	-	-	-
Other key management personnel	68	22	4	1	-	-	-
Bolsimo - Gestão de Ativos, S.A.	40	22	15	1	-	(196)	300
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	62	-	669	-	-
CESource, A.C.E.	-	-	-	-	-	(415)	-
Empresa Gestora de imóveis da Rua do Prior, S.A.	-	3	-	-	-	-	-
Fundação Montepio Geral	-	20	1	-	-	-	-
Fundo de Pensões - Montepio Geral	-	174	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	18	2 399	-	-	-	-
GreenVolt - Energias Renovàveis, S.A.	1 399	33	3	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	73	5 118	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	91	5 188	5	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	17 656	4 375	57	276	-	(417)	40
Montepio Geral Associação Mutualista	3	19 263	2 805	3 641	-	(9 691)	1 958
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	111	1 312	107	-	(733)	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 904)	-	(2 237)	-
Montepio Hording, S.G.P.S., S.A.	-	226	-	-	-	-	-
Montepio Investimento, S.A.	8 953	125	(39)	652	-	(617)	-
Montepio Residências para Estudantes, S.A.	-	6	-	-	-	-	-
Montepio Serviços, A.C.E.	-	-	-	(810)	-	(867)	-
NovaCâmbios - Instituição de Pagamento, S.A.	36	1	53	8	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	1	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	4	2	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	118	3	51	-	-	(127)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	57	1	-	-	-	-
Sociedade Portuguesa de Administrações, S.A.	-	5	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	432	1	36	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	15	1	-	-	-
	28 341	25 078	17 069	1 015	669	(15 300)	2 298

As at 31 December 2022, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	2022						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/(expense)	gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	Staff costs	General and administrative expenses
Other related parties Board of Directors	3	1	2	-	-	-	-
Other key management personnel	3	1	1	-	-	-	-
Bolsimo - Gestão de Ativos, S.A.	31	-	-	-	-	(266)	294
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	82	-	844	-	-
CESource, A.C.E.	-	-	-	-	-	(457)	-
Finibanco Angola, S.A.	-	-	1	-	-	-	-
Fundo de Pensões - Montepio Geral	-	12	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	2 832	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 602	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	4 689	3	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	34	1	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 553	1 332	19	251	-	(381)	-
Montepio Geral Associação Mutualista	-	18 314	3 107	-	-	(9 817)	1 923
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	1 138	16	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 255)	-	(2 231)	-
Montepio Hording, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Investimento, S.A.	2 214	-	50	422	-	(840)	-
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Valor - S.G.O.I.C., S.A.	-	-	-	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	24	-	29	3	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	-	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	4	-	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	25	-	16	-	-	(117)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	1	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	-	-	36	-	-	-
	4 857	19 661	16 618	(1 523)	844	(14 109)	2 217

Remuneration and social charges with the members of the Board of Directors (including members of the Audit Committee) and Other key management personnel are detailed in note 10.

In financial years 2023 and 2022, there were no transactions with Banco Montepio's Pension Fund.

48 Securitization of assets

As at 31 December 2023, there are four live securitization operations, three of which originated in Banco Montepio and one realized jointly with Montepio Crédito.

We present next some additional details of the live securitization operations as at 31 December 2023.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), Pelican Mortgages no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

On 9 December 2008, Montepio Investimento S.A. (at that date, Finibanco, S.A.) sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years. It should be noted that Montepio Investimento disposed of this securitization portfolio to Banco Montepio in 2011.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determination Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Finance no. 2 and Aqua Mortgages no. 1).

Banco Montepio does not hold any direct or indirect shareholding in the companies Tagus and Sagres.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Bank retained most of the risks and rewards associated with the securitized loans. If the Bank substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2023, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loan and advances: Initial amount	Loan and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount*
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	83 241	762 375	87 968	22 174
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	320 836	1 028 600	353 346	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	50 309	236 500	53 579	-
*Pelican Finance No. 2 ** *	December 2021	euro	Mortgage loans	360 301	59 411	360 301	174 089	174 089
				2 387 776	513 797	2 387 776	668 982	196 263

* Includes nominal value, accrued interest and other adjustments.

** The values presented correspond to the total issuance (Banco Montepio and Montepio Crédito jointly).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations: *Pelican Mortgage n.º 3*	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	Total
Domestic loans and advances					
Retail					
Mortgage	83 234	320 608	50 118	-	453 960
Consumer loans and other	-	-	-	59 056	59 056
	83 234	320 608	50 118	59 056	513 016
Credit and overdue interest					
Less than 90 days	6	85	15	3	109
More than 90 days	1	143	176	352	672
	7	228	191	355	781
	83 241	320 836	50 309	59 411	513 797

As at 31 December 2022, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loan and advances: Initial amount	Loan and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount*
Pelican Mortgages No. 3	March 2007	Euro	Mortgage loans	762 375	98 235	762 375	103 061	26 165
Pelican Mortgages No. 4	May 2008	Euro	Mortgage loans	1 028 600	362 466	1 028 600	394 155	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage loans	236 500	59 222	236 500	61 644	-
*Pelican Finance No. 2 **	December 2021	Euro	Mortgage loans	360 301	94 797	360 301	252 994	252 994
				2 387 776	614 720	2 387 776	811 854	279 159

* Includes nominal value, accrued interest and other adjustments.

** The values presented correspond to the total issuance (Banco Montepio and Montepio Crédito jointly).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations: *Pelican Mortgage n.º 3*	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	Total
Domestic loans and advances					
Retail					
Mortgage	98 099	361 634	58 890	-	518 623
Consumer loans and other	-	-	-	94 513	94 513
	98 099	361 634	58 890	94 513	613 136
Credit and overdue interest					
Less than 90 days	57	566	181	3	807
More than 90 days	79	266	151	281	777
	136	832	332	284	1 584
	98 235	362 466	59 222	94 797	614 720

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Finance no. 2 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1 and Pelican Mortgages no. 4, and partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no. 2.

In the case of the more senior notes, these are recorded as Other financial assets at amortized cost (note 25), while in the case of the residual notes these are recorded in the caption Financial assets at fair value through profit or loss (note 22), and, as at 31 December 2023, these are analysed as follows:

Issue	Bonds	Initial nominal amount euro	Current nominal amount euro	CEMG interest held (nominal amount) euro	Maturity date	Rating (initial) *Fitch*	Rating (initial) Moodys	Rating (initial) S&P	Rating (initial) DBRS	Rating (current) *Fitch*	Rating (current) Moodys	Rating (current) S&P	Rating (current) DBRS
Pelican Mortgages No 3	Class A	717 375 000	79 163 483	56 989 873	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	2 043 889	2 043 889	2054	AA-	Aa2	AA-	n.a.	A+	Aa2	A+	n.a.
	Class C	12 000 000	1 721 170	1 721 170	2054	A	A3	A	n.a.	A-	A1	BBB+	n.a.
	Class D	6 375 000	914 371	914 371	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	256 116 689	256 116 689	2056	AAA	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AAA
	Class B	55 500 000	22 672 409	22 672 409	2056	AA	n.a.	n.a.	A+	AA	n.a.	n.a.	n.a.
	Class C	60 000 000	24 510 712	24 510 712	2056	A-	n.a.	n.a.	BBB	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	10 212 797	10 212 797	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	11 234 076	11 234 076	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	137 898 949	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AAH
	Class B	20 700 000	10 001 781	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	8 455 612	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	9 325 332	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	8 407 294	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	35 089 309	35 089 309	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	14 989 602	14 989 602	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2022, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euro	Current nominal amount euro	CEMG interest held (nominal amount) euro	Maturity date	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	100 888 702	72 629 880	2054	AAA	Aaa	AAA	n.a.	AA-	A1	AA+	n.a.
	Class B	14 250 000	2 604 803	2 604 803	2054	AA-	Aa2	AA-	n.a.	A-	Baa3	BBB	n.a.
	Class C	12 000 000	2 193 519	2 193 519	2054	A	A3	A	n.a.	BBB	Ba2	BB	n.a.
	Class D	6 375 000	1 165 307	1 165 307	2054	BBB	Baa3	BBB	n.a.	BBB-	B1	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	305 093 797	305 093 797	2056	AAA	n.a.	n.a.	AAA	AA+	n.a.	n.a.	AAA
	Class B	55 500 000	27 008 046	27 008 046	2056	AA	n.a.	n.a.	A+	AA-	n.a.	n.a.	n.a.
	Class C	60 000 000	29 197 887	29 197 887	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	12 165 786	12 165 786	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	13 382 365	13 382 365	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	237 925 805	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	17 256 707	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	14 589 003	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	16 089 587	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	14 505 638	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	45 315 966	45 315 966	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	17 202 461	17 202 461	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

Synthetic securitizations

On 18 December 2020, Banco Montepio contracted an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18.0% of the portfolio), junior (1.7% of the portfolio) and Synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, Banco Montepio transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with Banco Montepio supporting a commission of 0.3% and 4.5% (after retrocession effect) to guarantee each of the tranches, respectively. Banco Montepio retained the risk of the junior tranche and of the excess spread. The legal maturity date of the operation is 25 March 2036 and the respective amount is Euro 248,315 thousand as at 31 December 2023 (31 December 2022: Euro 402,444 thousand). This operation has an average maturity of 2.85 years.

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. The securitization in question was structured in such a way that it could be categorized as Simple, Transparent and Standardized (STS), with same being attested by Prime Collateralised Securities (PCS). Since this is a collateralized operation, the structuring resorts to the use of a Special Purpose Vehicle (SPV) established for the purpose in Ireland. This SPV is not subject to consolidation by Banco Montepio. The legal maturity date of the operation is 29 December 2052 and the respective amount is Euro 672,117 thousand as at 31 December 2023 (31 December 2022: Euro 878,848 thousand).

On 31 May 2023, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. This new securitization is of a non-collateralized nature, having no recourse to an SPV or equivalent, thus not configuring a Simple, Transparent and Standardized (STS) operation. The legal maturity date of the operation is 4 February 2066 and the respective amount is Euro 755,750 thousand as at 31 December 2023.

The operations in question are aimed at strengthening the CET1 ratio, not generating any increase in liquidity. Only prudential effects are captured. In these operations there was no sale of loans to third parties, with there being no transfer of collections.

With these operations, Banco Montepio reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio without, however, the accounting derecognition of the financial assets. Thus, as most of the risks and benefits associated with the loans in question were not transferred, the financial assets' derecognition criteria defined in the accounting policy presented in 1 b.8) above are not met.

49 Risk management

Objectives of the Risk Management Policy

Banco Montepio is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, Banco Montepio is subject to other non-financial risks, namely operating, reputational, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of Banco Montepio.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Directorate, the unit responsible for the risk management function of Banco Montepio, which regularly informs the Management (elsewhere also "Board of Directors") and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

Banco Montepio's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body delegated by the Board of Directors with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of Banco Montepio and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Banco Montepio has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

Banco Montepio's risk management policy is the norm that regulates the entire monitoring and control process of risk matters and densifies the activities to be developed by the Bank that assure the adequacy of internal and regulatory capital, considering the business strategy defined.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Sole traders ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings, and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Directorate, a body independent of the commercial structure. The Risk Directorate is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are presented in note 1 b.

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of one percentage point: impact of 0.75% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of one percentage point: impact of -0.91% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.15% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.68% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2023	2024	2025	2026
Unemployment Rate (2)				
Base Scenario	6.08%	5.77%	5.46%	5.26%
Worst-case Scenario	6.51%	8.05%	7.17%	6.15%
Best-case Scenario	5.95%	5.36%	5.13%	5.04%
GDP Growth Rate (2)				
Base Scenario	1.93%	1.96%	2.16%	1.64%
Worst-case Scenario	0.81%	-3.44%	3.61%	2.55%
Best-case Scenario	2.65%	3.25%	1.87%	1.57%
3-Month Euribor Interest Rate (1)				
Base Scenario	4.03%	3.33%	2.04%	1.84%
Worst-case Scenario	4.51%	1.11%	1.00%	0.99%
Best-case Scenario	4.03%	3.51%	2.29%	1.84%
Housing Price Index Growth Rate (2)				
Base Scenario	0.51%	-3.66%	0.24%	2.34%
Worst-case Scenario	-0.72%	-14.52%	-0.34%	4.60%
Best-case Scenario	0.72%	-1.49%	0.65%	2.25%
Growth Rate of Disposable Income Per Capita (1)				
Base Scenario	1.44%	1.50%	2.39%	1.80%
Worst-case Scenario	1.45%	-2.62%	1.71%	2.60%
Best-case Scenario	1.45%	2.95%	2.66%	1.70%
Growth Rate of Exports of Goods and Services (2)				
Base Scenario	4.84%	1.20%	2.73%	2.18%
Worst-case Scenario	3.48%	-2.64%	2.94%	2.88%
Best-case Scenario	5.82%	3.81%	3.42%	2.63%
Growth Rate of Family Comsumption (2)				
Base Scenario	0.29%	0.40%	1.09%	1.24%
Worst-case Scenario	-0.46%	-4.64%	1.43%	2.17%
Best-case Scenario	0.70%	1.48%	0.78%	0.93%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: National Institute of Statistics; Projections: Moody's Analytics

Banco Montepio's credit risk exposure can be analysed as follows:

(Euro thousand)

	2023	2022
Loans and deposits at credit institutions repayable on demand	46 065	83 372
Loans and advances to credit institutions	125 067	397 310
Loans and advances to customers	11 293 205	11 076 135
Financial assets held for trading	12 467	8 686
Financial assets at fair value through profit or loss	22 988	34 184
Financial assets at fair value through other compensative income	24 785	72 103
Hedging derivatives	6 174	-
Other financial assets at amortized cost	4 316 171	4 615 731
Other assets	189 337	140 228
Guarantees granted	516 051	465 782
Irrevocable credit lines	698 783	945 074
Revocable credit lines	897 778	886 562
	18 148 871	18 725 167

The analysis of the main credit risk exposures by sector of activity, for financial year 2023, can be analysed as follows:

(Euro thousand)

Activity	Loans and deposits at others credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
2023															
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	127 661	2 525	-	-	-	-	-	-	-	802	5 127	52
Extractive industries	-	-	-	13 771	800	-	-	-	-	-	5 026	1	1 383	2 266	11
Manufacturing industries	-	-	-	1 076 087	37 216	501	50	-	-	-	4 714	16	33 813	116 700	1 244
Electricity generation and distribution, gas steam and air conditioning	-	-	-	123 002	5 008	-	-	-	-	-	14 689	24	359	16 068	10
Water supply	-	-	-	54 400	1 436	-	-	-	-	-	-	-	2 200	9 431	84
Construction	-	-	-	377 609	23 418	-	200	-	-	-	-	-	135 098	94 538	4 443
Wholesale and retail trade	-	-	-	804 675	29 157	-	218	-	-	-	12 983	3	53 800	145 780	1 009
Transport and storage	-	-	-	287 754	8 585	-	-	-	-	-	3 109	-	5 274	19 350	163
Accommodation and catering activities	-	-	-	513 787	13 529	-	-	-	-	-	-	-	13 125	23 370	164
Information and Communication	-	-	-	45 366	966	-	-	-	-		-	-	2 149	23 995	92
Financial and insurance activities	46 065	125 096	29	768 789	44 228	11 966	-	1 802	239	6 174	501	-	203 892	79 900	86
Real estate activities	-	-		522 593	29 849	-	65	-	-	-	2 683	2	16 624	79 253	1 164
Consulting, scientific, technical and similar	-	-	-	315 263	6 792	-	-	-	-	-	-	-	23 624	33 508	198
Administrative and supporting service activities	-	-	-	108 023	1 824	-	-	-	-	-	-	-	6 358	14 919	123
Public administration and defence, compulsory social security	-	-	-	24 182	619		-	18 336	40	-	3 841 300	6 111	74	896	5
Education	-	-	-	61 336	1 205	-	-	-	-	-	-	-	191	3 891	43
Human Health Services and Social action activities	-	-	-	322 671	8 131	-	-	4 332	25	-	-	-	4 024	14 641	387
Artistic activities, shows and recreational	-	-	-	47 443	1 639	-	-	-	-	-	-	-	7 431	5 185	24
Other services	-	-	-	62 605	2 009	-	10	-	-	-	-	-	3 703	9 965	72
Retail															
Mortgage Loans	-	-	-	5 541 139	33 273	-	22 445	619	-	-	437 323	-	-	-	-
Others	-	-	-	361 962	14 704	-	-	-	-	-	-	-	2 127	-	988
	46 065	**125 096**	**29**	**11 560 118**	**266 913**	**12 467**	**22 988**	**25 089**	**304**	**6 174**	**4 322 328**	**6 157**	**516 051**	**698 783**	**10 362**

The analysis of the main credit risk exposures by sector of activity, for financial year 2022, can be analysed as follows:

(Euro thousand)

Activity	Loans and deposits at others credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
2022															
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	105 209	4 886	-	-	-	-		-	-	1 137	5 994	146
Extractive industries	-	-	-	17 387	404	-	-	-	-		5 004	1	1 255	2 458	20
Manufacturing industries	-	-	-	1 049 921	71 477	-	211	-	-		-	-	31 768	116 402	1 852
Electricity generation and distribution, gas steam and air conditioning	-	-	-	75 403	8 063	-	-	-	-		10 837	643	548	24 751	308
Water supply	-	-	-	51 732	614	-	-	-	-		-	-	1 944	4 308	44
Construction	-	-	-	385 717	43 682	-	65	-	-		-	-	114 329	114 505	8 214
Wholesale and retail trade	-	-	-	843 276	34 853	-	45	-	-		-	-	46 624	146 015	1 712
Transport and storage	-	-	-	290 814	11 350	-	-	-	-		3 152	1	5 246	21 832	321
Accommodation and catering activities	-	-	-	547 919	17 232	-	-	-	-		-	-	10 941	26 958	634
Information and Communication	-	-	-	48 930	1 653	-	-	-	-		-	-	2 956	24 186	137
Financial and insurance activities	83 372	398 666	1 356	636 728	52 370	6 817	-	8 443	388		3 210	2	196 893	260 182	637
Real estate activities	-	-		543 332	21 883	-	71	-	-		-	-	14 814	110 820	2 539
Consulting, scientific, technical and similar	-	-	-	215 866	4 933	-	-	-	-		-	-	14 813	27 666	321
Administrative and supporting service activities	-	-	-	108 054	2 192	-	-	-	-		-	-	5 581	23 985	175
Public administration and defence, compulsory social security	-	-	-	27 831	174	1 869	-	58 627	113		4 093 362	6 043	104	444	10
Education	-	-	-	65 800	1 092		-	-	-		-	-	191	4 033	48
Human Health Services and Social action activities	-	-	-	312 475	5 791	-	-	-	-		-	-	2 072	18 699	578
Artistic activities, shows and recreational	-	-	-	55 233	2 694	-	-	-	-		-	-	8 657	4 980	110
Other services	-	-	-	73 438	4 067	-	23	-	-		-	-	3 273	6 856	107
Retail															
Mortgage Loans	-	-	-	5 577 562	32 815	-	33 769	1 065	2		497 054	-	-	-	-
Others	-	-	-	385 557	19 824	-	-	4 496	25		9 804	2	2 636	-	1 399
	83 372	**398 666**	**1 356**	**11 418 184**	**342 049**	**8 686**	**34 184**	**72 631**	**528**	**-**	**4 622 423**	**6 692**	**465 782**	**945 074**	**19 312**

As regards credit risk, the portfolio of financial assets at amortized cost is dominated by bonds of sovereign issuers, essentially the Portuguese Republic.

In terms of credit quality, an increase in the average level of the counterparties was observed, due to the improved rating of the Portuguese sovereign debt.

Banco Montepio's total credit portfolio, in addition to Loans and advances to customers includes the guarantees and standby letters provided and the documentary credits in the aggregate amount of Euro

516,551 thousand (31 December 2022: Euro 465,601 thousand), the irrevocable credit facilities amounting to Euro 698,783 thousand (31 December 2022: Euro 858,174 thousand) and the revocable credit facilities in the amount of Euro 897,778 thousand (31 December 2022: Euro 886,489 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

Stage impacts	2023 Gross value	2023 Impairment	2023 Net value	2022 Gross value	2022 Impairment	2022 Net value
Collective analysis	**13 125 349**	**176 458**	**12 948 891**	**10 168 972**	**150 037**	**10 018 935**
Stage 1	10 789 067	26 466	10 762 601	8 138 760	16 933	8 121 827
Stage 2	2 133 113	70 401	2 062 712	1 846 427	54 487	1 791 940
Stage 3	203 169	79 591	123 578	183 785	78 617	105 168
Collective analysis	**547 881**	**100 817**	**447 064**	**3 459 476**	**211 324**	**3 248 152**
Stage 1	185 803	2 028	183 775	2 420 894	13 242	2 407 652
Stage 2	148 457	10 580	137 877	545 186	14 917	530 269
Stage 3	213 621	88 209	125 412	493 396	183 165	310 231
	13 673 230	**277 275**	**13 395 955**	**13 628 448**	**361 361**	**13 267 087**

As at 31 December 2023 and 2022, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

Stage impacts	2023 Gross value	2023 Impairment	2023 Net value	2022 Gross value	2022 Impairment	2022 Net value
Amortized cost (AC)	**4 322 328**	**6 157**	**4 316 171**	**4 622 423**	**6 692**	**4 615 731**
Stage 1	4 322 328	6 157	4 316 171	4 616 632	6 050	4 610 582
Stage 2	-	-	-	5 791	642	5 149
Fair value (FVOIC)	**25 089**	**304**	**24 785**	**72 631**	**528**	**72 103**
Stage 1	23 287	65	23 222	70 347	157	70 190
Stage 2	1 802	239	1 563	2 284	371	1 913
Loans and advances to other institutions	**125 096**	**29**	**125 067**	**398 666**	**1 356**	**397 310**
Stage 1	124 652	16	124 636	398 649	1 356	397 293
Stage 2	444	13	431	17	-	17
	4 472 513	**6 490**	**4 466 023**	**5 093 720**	**8 576**	**5 085 144**

As at 31 December 2023 and 2022, the transfer between Stages, in Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	2023			2022		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	4 616 632	5 791	4 622 423	3 535 188	-	3 535 188
Exposure of new net derecognition credits, refunds and other variations	(294 304)	(5 791)	(300 095)	1 081 444	5 791	1 087 235
Gross value at the end of the year	4 322 328	-	4 322 328	4 616 632	5 791	4 622 423

(Euro thousand)

	2023			2022		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	6 050	642	6 692	4 619	-	4 619
Exposure of new net derecognition credits, refunds and other variations	107	(642)	(535)	1 431	642	2 073
Gross value at the end of the year	6 157	-	6 157	6 050	642	6 692

As at 31 December 2023 and 2022, the transfer between Stages, in Financial assets at fair value through other comprehensive income is presented as follows:

(Euro thousand)

	2023			2022		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	70 347	2 284	72 631	81 294	2 487	83 781
Transfer to stage 1	(119)	119	-	-	-	-
Exposure of new net derecognition credits, refunds and other variations	(46 941)	(601)	(47 542)	(10 947)	(203)	(11 150)
Gross value at the end of the year	23 287	1 802	25 089	70 347	2 284	72 631

(Euro thousand)

	2023			2022		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	157	371	528	2 009	750	2 759
Transfer to stage 1	(14)	14	-	-	-	-
Exposure of new net derecognition credits, refunds and other variations	(78)	(146)	(224)	(1 852)	(379)	(2 231)
Gross value at the end of the year	65	239	304	157	371	528

As at 31 December 2023 and 2022, the transfer between Stages, in Loans and advances to credit institutions is presented as follows:

(Euro thousand)

	2023			2022		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	398 649	17	398 666	390 553	-	390 553
Transfer to stage 2			-	(17)	17	-
Exposure of new net derecognition credits, refunds and other variations	(273 997)	427	(273 570)	8 113	-	8 113
Gross value at the end of the year	124 652	444	125 096	398 649	17	398 666

(Euro thousand)

	2023			2022		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	1 356	-	1 356	2 094	-	2 094
Exposure of new net derecognition credits, refunds and other variations	(1 340)	13	(1 327)	(738)	-	(738)
Gross value at the end of the year	16	13	29	1 356	-	1 356

As at 31 December 2023 and 2022, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

Segment	2023 Book value	2023 Impairment	2023 Net value	2022 Book value	2022 Impairment	2022 Net value
Retail	**6 290 063**	**48 926**	**6 241 137**	**6 362 646**	**52 355**	**6 310 291**
Mortgage loans	*5 627 991*	*33 234*	*5 594 757*	*5 677 557*	*32 302*	*5 645 255*
Stage 1	4 622 655	1 569	4 621 086	4 763 964	1 192	4 762 772
Stage 2	956 272	20 054	936 218	872 090	15 354	856 736
Stage 3	49 064	11 611	37 453	41 503	15 756	25 747
Consumer credit	*397 677*	*13 601*	*384 076*	*424 061*	*17 866*	*406 195*
Stage 1	341 395	1 770	339 625	361 039	2 063	358 976
Stage 2	41 150	3 370	37 780	44 675	3 448	41 227
Stage 3	15 132	8 461	6 671	18 347	12 355	5 992
Credit cards	*264 395*	*2 091*	*262 304*	*261 028*	*2 187*	*258 841*
Stage 1	243 763	851	242 912	243 894	916	242 978
Stage 2	17 926	248	17 678	14 255	275	13 980
Stage 3	2 706	992	1 714	2 879	996	1 883
Corporate	**6 835 286**	**127 532**	**6 707 754**	**3 806 326**	**97 682**	**3 708 644**
Non Construction	*6 216 123*	*112 395*	*6 103 728*	*3 429 446*	*86 945*	*3 342 501*
Stage 1	5 127 861	20 657	5 107 204	2 520 345	11 766	2 508 579
Stage 2	991 950	42 827	949 123	818 073	32 305	785 768
Stage 3	96 312	48 911	47 401	91 028	42 874	48 154
Construction	*619 163*	*15 137*	*604 026*	*376 880*	*10 737*	*366 143*
Stage 1	453 394	1 619	451 775	249 517	996	248 521
Stage 2	125 815	3 902	121 913	97 334	3 105	94 229
Stage 3	39 954	9 616	30 338	30 029	6 636	23 393
	13 125 349	**176 458**	**12 948 891**	**10 168 972**	**150 037**	**10 018 935**

As at 31 December 2023 and 2022, impairment is detailed as follows:

(Euro thousand)

	2023						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	546 686	100 777	6 835 286	127 533	7 381 972	228 310	7 153 662
Mortgage loans	1 195	40	5 627 991	33 234	5 629 186	33 274	5 595 912
Other loans	-	-	662 072	15 691	662 072	15 691	646 381
	547 881	100 817	13 125 349	176 458	13 673 230	277 275	13 395 955

(Euro thousand)

	2022						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 451 622	209 642	3 806 326	97 682	7 257 948	307 324	6 950 624
Mortgage loans	4 105	551	5 677 557	32 302	5 681 662	32 853	5 648 809
Other loans	3 749	1 131	685 089	20 053	688 838	21 184	667 654
	3 459 476	211 324	10 168 972	150 037	13 628 448	361 361	13 267 087

As at 31 December 2023, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross value at the beginnig of the year	10 558 514	2 392 752	677 182	13 628 448
Transfer to stage 1	805 835	(800 633)	(5 202)	-
Transfer to stage 2	(836 911)	895 977	(59 066)	-
Transfer to stage 3	(46 616)	(71 478)	118 094	-
Write-Offs	(30)	(3 910)	(126 690)	(130 630)
Exposure of new net derecognition credits, refunds and other variations	492 938	(129 999)	(187 527)	175 412
Gross value at the end of the year	10 973 730	2 282 709	416 791	13 673 230

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment losses at the beginnig of the year	30 175	69 404	261 782	361 361
Transfer to stage 1	2 548	(2 527)	(21)	-
Transfer to stage 2	(29 062)	32 459	(3 397)	-
Transfer to stage 3	(13 419)	(23 833)	37 252	-
Write-Offs	(30)	(3 910)	(126 690)	(130 630)
Exposure of new net derecognition credits, refunds and other variations	38 282	9 388	(1 126)	46 544
Impairment losses at the end of the year	28 494	80 981	167 800	277 275

As at 31 December 2022, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross value at the beginnig of the year	10 349 833	2 288 385	1 006 192	13 644 410
Transfer to stage 1	607 815	(599 647)	(8 168)	-
Transfer to stage 2	(863 223)	914 518	(51 295)	-
Transfer to stage 3	(34 176)	(56 534)	90 710	-
Write-Offs	(3 955)	(1 666)	(198 499)	(204 120)
Exposure of new net derecognition credits, refunds and other variations	502 220	(152 304)	(161 758)	188 158
Gross value atthe end of the year	10 558 514	2 392 752	677 182	13 628 448

(Euro thousand)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Impairment losses at the beginnig of the year	33 363	65 766	416 418	515 547
Transfer to stage 1	2 327	(2 248)	(79)	-
Transfer to stage 2	(23 873)	25 942	(2 069)	-
Transfer to stage 3	(13 416)	(18 373)	31 789	-
Write-Offs	(3 955)	(1 666)	(198 499)	(204 120)
Exposure of new net derecognition credits, refunds and other variations	35 729	(17)	14 222	49 934
Impairment losses at the end of the year	30 175	69 404	261 782	361 361

As at 31 December 2023 and 2022, the fair value analysis of collaterals associated with Banco Montepio's total portfolio, is as follows:

(Euro thousand)

Fair value of collaterals	2023	2022
Individual analysis		
Securities and other financial assets	*18 786*	*218 174*
Real estate - Mortgage loans	*-*	*10 330*
Real estate - Construction and CRE	*213 360*	*1 775 423*
Other real estate	*367 207*	*1 656 721*
Other guarantees	*108 453*	*365 251*
Collective analysis - Stage 1		
Securities and other financial assets	*861 359*	*785 094*
Real estate - Mortgage loans	*10 746 489*	*10 714 551*
Real estate - Construction and CRE	*1 661 021*	*490 830*
Other real estate	*1 736 434*	*823 092*
Other guarantees	*393 262*	*101 936*
Collective analysis - Stage 2		
Securities and other financial assets	*345 660*	*209 106*
Real estate - Mortgage loans	*2 048 096*	*1 899 396*
Real estate - Construction and CRE	*361 663*	*177 524*
Other real estate	*550 260*	*436 548*
Other guarantees	*40 276*	*26 912*
Collective analysis - Stage 3		
Securities and other financial assets	*28 280*	*7 961*
Real estate - Mortgage loans	*118 103*	*96 427*
Real estate - Construction and CRE	*41 746*	*27 078*
Other real estate	*72 289*	*49 109*
Other guarantees	*5 851*	*1 559*
	19 718 595	**19 873 022**

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

Banco Montepio's total loans and advances portfolio, by segment and respective impairment, constituted as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

	2023		2022	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	6 024 864	168 869	5 865 449	230 480
Construction and CRE	1 357 108	59 441	1 392 499	76 844
Retail mortgage loans	5 629 186	33 274	5 681 662	32 853
Retail other loans	662 072	15 691	688 838	21 184
	13 673 230	277 275	13 628 448	361 361

The live loans and advances portfolio, by segment and by production year, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	348	17 044	327	534	26 998	5 320	31 128	793 538	5 546	17 620	14 294	262
2005	85	8 896	131	124	4 153	380	8 344	360 474	2 880	4 605	4 489	71
2006	123	14 969	267	109	5 136	587	10 108	450 627	4 016	12 315	9 971	151
2007	216	8 538	542	143	13 617	3 702	10 279	457 919	3 450	32 137	33 917	417
2008	880	27 492	500	317	11 250	755	5 361	241 608	2 412	51 454	66 257	563
2009	1 338	39 782	1 901	337	13 329	984	2 936	143 137	819	40 491	42 941	703
2010	1 341	47 949	1 918	226	16 512	2 458	2 968	168 336	1 418	29 371	19 492	475
2011	1 876	60 228	2 387	300	11 610	3 012	1 099	58 804	330	23 542	20 732	439
2012	1 867	46 980	1 488	416	13 258	3 058	652	35 923	339	16 529	9 734	196
2013	2 745	108 227	2 253	211	10 759	719	825	44 631	319	15 523	11 643	347
2014	3 747	231 829	18 503	1 646	47 746	717	997	56 800	362	17 553	17 863	1 035
2015	3 694	122 891	4 685	396	16 234	535	1 173	66 065	577	14 471	17 151	1 379
2016	4 524	335 526	7 590	706	34 488	3 823	1 688	112 715	976	23 735	21 889	718
2017	7 022	222 643	10 539	522	93 853	11 830	2 296	163 047	1 152	16 413	17 210	471
2018	7 008	195 982	11 990	872	56 752	2 167	2 437	183 551	1 425	25 948	36 468	708
2019	7 298	323 357	31 855	1 103	77 508	1 790	2 982	230 707	977	19 899	37 988	888
2020	9 958	999 838	13 020	1 353	128 195	4 873	3 304	290 112	1 134	16 406	39 310	1 281
2021	11 973	553 567	17 322	2 091	144 239	4 369	5 943	575 025	2 392	23 653	68 777	2 270
2022	14 909	1 347 530	25 624	2 268	304 445	4 722	5 041	521 950	1 838	20 465	72 384	2 140
2023	15 428	1 311 596	16 027	1 788	327 026	3 640	6 715	674 217	912	25 777	99 562	1 177
	96 380	6 024 864	168 869	15 462	1 357 108	59 441	106 276	5 629 186	33 274	447 907	662 072	15 691

The live loans and advances portfolio, by segment and by production year, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	381	26 726	2 214	550	40 772	14 475	35 136	947 166	7 180	18 465	15 506	279
2005	93	10 007	260	132	6 551	1 195	9 088	407 551	3 610	4 834	4 851	138
2006	133	18 918	1 528	120	13 693	5 440	11 034	508 242	3 857	12 935	17 366	1 918
2007	269	10 124	820	149	25 239	5 740	11 238	516 430	4 463	34 804	38 108	803
2008	1 000	29 538	1 423	317	14 600	2 761	5 961	272 663	2 660	55 325	71 978	755
2009	1 595	52 549	1 371	365	19 101	3 886	3 229	164 860	1 267	43 476	46 825	1 236
2010	1 376	59 147	1 419	251	21 143	5 035	3 259	190 682	1 292	31 394	21 250	622
2011	2 024	71 313	1 626	329	13 035	1 940	1 206	67 292	350	25 274	22 600	630
2012	1 927	61 540	3 909	220	19 268	6 711	725	41 458	235	17 846	11 197	334
2013	3 282	128 597	7 361	266	13 323	1 174	937	52 329	292	17 089	14 086	460
2014	4 270	263 976	22 697	1 224	52 356	958	1 123	65 968	338	19 326	21 516	1 121
2015	4 291	189 592	37 123	496	20 237	1 142	1 298	77 106	356	16 573	21 577	1 646
2016	5 497	385 480	12 947	774	54 850	3 762	1 868	131 820	848	26 492	29 325	1 093
2017	7 471	304 582	13 222	671	165 965	4 304	2 571	191 214	827	18 583	23 731	1 023
2018	8 125	334 310	35 311	1 315	69 142	2 558	2 725	213 734	908	29 245	45 983	1 517
2019	8 884	432 524	26 147	1 388	101 427	3 605	3 331	273 014	1 118	22 541	50 997	1 861
2020	11 251	1 067 361	23 141	1 496	181 799	4 707	3 639	335 221	949	18 628	54 711	2 158
2021	12 841	674 529	17 532	2 009	186 634	3 478	6 446	653 665	1 444	26 069	90 822	2 659
2022	18 485	1 744 636	20 429	2 394	373 364	3 973	5 313	571 247	859	21 500	86 409	931
	93 195	5 865 449	230 480	14 466	1 392 499	76 844	110 127	5 681 662	32 853	460 399	688 838	21 184

The gross exposure of loans and advances and impairment, individual and collective, by segment, as at 31 December 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	376 396	70 233	170 290	30 544	1 195	40	-	-	547 881	100 817
Collective	5 648 468	98 636	1 186 818	28 897	5 627 991	33 234	662 072	15 691	13 125 349	176 458
	6 024 864	168 869	1 357 108	59 441	5 629 186	33 274	662 072	15 691	13 673 230	277 275

(Euro thousand)

	2022									
	Corporate		Construction and CRE		Retail mortgage loans		Real Other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 676 677	150 831	774 945	58 812	4 105	551	3 749	1 132	3 459 476	211 326
Collective	3 188 772	79 649	617 554	18 032	5 677 557	32 302	685 089	20 052	10 168 972	150 035
	5 865 449	230 480	1 392 499	76 844	5 681 662	32 853	688 838	21 184	13 628 448	361 361

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for the companies, as at 31 December 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023											
	Construction		Industries		Trade		Mortgage loans		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	93 675	13 263	37 919	8 267	39 646	3 937	76 615	17 281	298 831	58 029	546 686	100 777
Collective	619 163	15 138	1 311 633	31 005	1 045 310	26 239	567 655	13 759	3 291 525	41 392	6 835 286	127 533
	712 838	28 401	1 349 552	39 272	1 084 956	30 176	644 270	31 040	3 590 356	99 421	7 381 972	228 310

(Euro thousand)

	2022											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	331 487	41 658	438 399	51 224	179 313	10 883	443 458	17 154	2 058 965	88 724	3 451 622	209 643
Collective	376 881	10 737	878 847	22 545	934 504	25 691	240 673	7 295	1 375 421	31 413	3 806 326	97 681
	708 368	52 395	1 317 246	73 769	1 113 817	36 574	684 131	24 449	3 434 386	120 137	7 257 948	307 324

The amount of restructured loans and advances by stage and by segment, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

	2023									
	Corporate		**Construction and CRE**		**Retail - Mortgage loans**		**Retail - Others**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	72 943	4 294	11 246	1 240	35 129	599	3 275	321	122 593	6 454
Stage 3	129 346	66 328	50 590	22 247	16 053	3 776	4 939	3 027	200 928	95 378
	202 289	70 622	61 836	23 487	51 182	4 375	8 214	3 348	323 521	101 832

	2022									
	Corporate		**Construction and CRE**		**Retail - Mortgage loans**		**Retail - Others**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 1	468	-	-	-	-	-	-	-	468	-
Stage 2	72 513	3 043	8 562	530	34 543	422	6 116	530	121 734	4 525
Stage 3	255 080	111 801	107 452	33 009	16 918	7 593	11 559	5 465	391 009	157 868
	328 061	114 844	116 014	33 539	51 461	8 015	17 675	5 995	513 211	162 393

The gross exposure of performing and non-performing loans and advances, in financial years 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 959 530	-	-	314	314	314	-	9 971	-	314	-	-	-
Other balance sheet credit exposures (b)	12 164 230	41 428	122 853	355 427	355 427	355 416	200 384	100 732	6 452	162 386	95 374	150 031	184 335
Off-balance sheet exposures (c)	2 113 112	1 337	92	60 444	60 444	60 444	551	5 870	2	4 491	-	-	-

(a) Includes debt instruments of the financial asset available for sale and commercial paper and bonds recognised under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.

(Euro thousand)

	2022												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	5 059 097	-	-	33 000	33 000	33 000	-	8 315	-	14 272	-	-	-
Other balance sheet credit exposures (b)	12 804 276	28 095	122 238	565 868	565 868	565 735	390 773	89 965	4 525	238 073	157 868	267 876	296 756
Off-balance sheet exposures (c)	2 297 418	1 813	47	77 755	77 755	77 755	360	10 461	1	8 852	-	-	-

(a) Includes debt instruments of the financial asset available for sale and commercial paper and bonds recognised under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Corporate, Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	3 605	522 227	10 543	772 742	84 746	12 242 001	183	5 570
>= 0.5 M€ and <1M€	454	318 756	320	212 244	833	522 084	1	500
>= 1 M€ and <5M€	511	1 149 832	210	356 300	87	133 165	-	-
>= 5 M€ and <10M€	79	533 307	18	127 370	2	15 438	-	-
>= 10 M€ and <20M€	44	633 110	10	126 747	-	-	-	-
>= 20 M€ and <50M€	15	426 372	1	30 000	-	-	-	-
>= 50M€	9	1 307 411	2	133 343	-	-	-	-
	4 717	4 891 015	11 104	1 758 746	85 668	12 912 688	184	6 070

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Corporate, Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	4 792	625 484	6 063	390 010	91 219	12 233 154	250	6 749
>= 0.5 M€ and <1M€	499	348 414	155	98 906	528	327 626	1	500
>= 1 M€ and <5M€	533	1 155 548	106	197 327	60	88 696	-	-
>= 5 M€ and <10M€	66	466 117	10	72 622	2	12 816	-	-
>= 10 M€ and <20M€	46	627 572	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	14	1 671 872	3	201 080	-	-	-	-
	5 966	5 388 077	6 342	1 104 523	91 809	12 662 292	251	7 249

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE and Mortgage segments, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

Segment/Ratio	2023 Number of real estate	2023 Total exposure	2023 Impairment	2022 Number of real estate	2022 Total exposure	2022 Impairment
Corporate						
With out real estate (*)	-	4 865 331	97 737	-	4 604 947	132 098
< 60%	2 070	545 325	15 943	2 166	619 835	51 977
>= 60% e < 80%	550	228 477	11 103	601	253 545	15 451
>= 80% e < 100%	621	328 043	19 814	770	352 300	28 596
>= 100%	17	57 689	24 273	9	34 822	2 359
Construction and CRE						
With out real estate (*)	-	661 278	18 477	-	619 024	21 761
< 60%	766	431 678	18 925	920	410 181	18 946
>= 60% e < 80%	246	160 513	7 399	330	238 649	12 503
>= 80% e < 100%	376	83 236	11 583	419	93 255	12 499
>= 100%	71	20 404	3 057	62	31 390	11 135
Mortgage						
With out real estate (*)	-	28 167	991	-	29 115	1 424
< 60%	60 624	2 801 856	13 361	61 330	2 706 933	12 660
>= 60% e < 80%	19 695	1 816 651	9 917	21 136	1 879 839	8 695
>= 80% e < 100%	5 200	964 808	7 952	6 002	1 041 109	8 951
>= 100%	149	17 704	1 053	211	24 666	1 123

(*) Includes operations with other associated collaterals, namely financial collaterals.

The fair value and the net value of real estate received in recovery of loans, by asset type, as at 31 December 2023 and 2022, are presented as follows:

(Euro thousand)

Assets	2023 Number of properties	2023 Fair value assets	2023 Book value
Land	**867**	**116 762**	**103 851**
Urban	684	86 507	77 093
Rural	183	30 255	26 758
Buildings under construction	**231**	**33 621**	**29 303**
Commercial	44	2 933	2 665
Housing	145	30 256	26 221
Other	42	432	417
Constructed buildings	**711**	**75 366**	**61 759**
Commercial	347	52 863	45 062
Housing	151	17 947	13 036
Other	213	4 556	3 661
	1 809	225 749	194 913

Assets	2022		
	Number of properties	Fair value assets	Book value
Land	**1 093**	**174 629**	**161 520**
Urban	857	132 743	122 644
Rural	236	41 886	38 876
Buildings under construction	**341**	**47 425**	**42 854**
Commercial	51	5 943	5 683
Housing	192	40 866	36 568
Other	98	616	603
Constructed buildings	**969**	**113 683**	**99 647**
Commercial	415	59 123	52 622
Housing	273	49 430	42 247
Other	281	5 130	4 778
	2 403	335 737	304 021

(Euro thousand)

The book value reported in the table above considers, upon initial recognition, and as defined in the accounting policy described in note 1 h), the lower value between its fair value net of selling costs and the book value of the credit existing on the date on which the donation was made, and was subsequently updated due, in particular, to changes in the appraised value of the property and/or the estimated costs of the sale. In situations where a potential added value is determined, it is not recognized in the financial statements.

The time elapsed since the receipt in recovery of real estate, as at 31 December 2023 and 2022, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2023				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**200**	**1 095**	**6 377**	**96 179**	**103 851**
Urban	-	174	5 427	71 492	77 093
Rural	200	921	950	24 687	26 758
Buildings under construction	**-**	**377**	**2 117**	**26 809**	**29 303**
Commercial	-	159	461	2 045	*2 665*
Housing	-	218	1 461	24 542	*26 221*
Other	-	-	195	222	*417*
Constructed buildings	**4 835**	**5 819**	**12 561**	**38 544**	**61 759**
Commercial	3 508	3 909	7 998	29 647	45 062
Housing	1 327	1 640	2 963	7 106	13 036
Other	-	270	1 600	1 791	3 661
	5 035	7 291	21 055	161 532	194 913

					(Euro thousand)
			2022		
Elapsed time since recovery/execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**884**	**4 280**	**13 578**	**142 778**	**161 520**
Urban	24	2 873	11 194	108 553	122 644
Rural	860	1 407	2 384	34 225	38 876
Buildings under construction	**-**	**261**	**13 614**	**28 979**	**42 854**
Commercial	-	166	1 824	3 693	*5 683*
Housing	-	95	11 623	24 850	*36 568*
Other	-	-	167	436	*603*
Constructed buildings	**3 220**	**19 704**	**13 612**	**63 111**	**99 647**
Commercial	1 678	9 927	7 262	33 755	52 622
Housing	1 535	9 272	4 494	26 946	42 247
Other	7	505	1 856	2 410	4 778
	4 104	24 245	40 804	234 868	304 021

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In Banco Montepio, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for Banco Montepio and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Directorate. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Directorate. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

Banco Montepio regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income (these portfolios represent a low materiality in the Bank’s total assets), with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

Banco Montepio's investment portfolio is mainly concentrated in debt instruments and as at 31 December 2023 this represented 94.8% (31 December 2022: 97.0%) of the total portfolio (excluding notes held of own securitizations not derecognized), with the dominant position being held by bonds of sovereign issuers of the Eurozone.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2023 and 2022.

In terms of credit quality of the debt securities, circa 99.2% of the bond portfolio is investment grade (31 December 2022: 99.4%). Of note are the Portuguese, Spanish and Italian sovereign bonds with rating A-, BBB+ and BBB, respectively, and that represent 91.3% (31 December 2022: 92.4%) of the portfolio. Concerning the composition of the portfolio, there are no significant changes per issuer, although the average quality of these has improved, especially as a result of the sovereign rating upgrades of Ireland (A+ to AA-), Portugal (BBB to A-) and Greece (BB- to BB+).

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income (excluding notes of own securitizations held) and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2023		2022		Change	
	Amount	%	Amount	%	Amount	
AAA	34 607	0,9	110 523	2,6	(75 916)	(68,7)
AA+	87 503	2,2	5 177	0,1	82 326	1 590,2
AA	4 861	0,1	34 187	0,8	(29 326)	(85,8)
AA-	139 879	3,6	15 395	0,4	124 484	808,6
A+	7 089	0,2	107 113	2,6	(100 024)	(93,4)
A	501	-	-	-	501	-
A-	1 056 639	27,0	-	-	1 056 639	-
BBB+	1 031 009	26,4	1 202 557	28,7	(171 548)	(14,3)
BBB	34 395	0,9	1 091 561	26,1	(1 057 166)	(96,8)
BBB-	1 478 053	37,8	1 593 861	38,1	(115 808)	(7,3)
BB+	14 177	0,4	-	-	14 177	-
BB-	-	-	14 550	0,3	(14 550)	(100,0)
NR	18 463	0,5	11 235	0,3	7 228	64,3
Total	3 907 176	100,0	4 186 159	100,0	(278 983)	(6,7)

Note: excludes securities resulting from own securitisations belonging to the consolidation perimeter.

The position in bonds (excluding notes held of own securitizations not derecognized) recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 24,785 thousand (31 December 2022: Euro 65,614 thousand), the position in Other financial assets at amortized cost stood at Euro 3,878,848 thousand (31 December 2022: Euro 4,118,676 thousand) and the position in Financial assets held for trading stood at Euro 3,543 thousand (31 December 2022: Euro 1,869 thousand).

Regarding the trading portfolio, as at 31 December 2023 and 2022, the main VaR indicators are as follows:

(Euro thousand)

	2023	Average	Minimum	Maximum	2022
Market VaR	134	561	101	1 540	272
Interest rate risk	35	321	2	758	266
Exchange risk	45	162	8	318	66
Price risk	118	241	130	575	83
Spread risk	7	82	7	93	70
Diversification effect	*(71)*	*(245)*	*(46)*	*(204)*	*(213)*

The value of the VaR of the trading portfolio decreased from 31 December 2022 to 31 December 2023. It should be noted that the VaR of the trading portfolio remained at moderate levels during financial year 2023, which was marked by the progressive unwinding of the high levels of risk associated with the exogenous shocks of the war in Ukraine and the general rise in prices.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating Banco Montepio (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, as at 31 December 2023 and 2022:

(Euro thousand)

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
31 December 2023					
Assets					
Debt securities	36 441	795 387	61 512	1 576 179	1 464 794
Loans and advances	6 492 482	2 886 053	1 221 513	1 082 939	1 146 487
Others	921 625	-	-	-	-
Off-balance sheet	10 007	9 133	40 901	280 745	-
Total	7 460 555	3 690 573	1 323 926	2 939 863	2 611 281
Liabilities					
Debt securities issued	64 914	100 000	550 635	255 184	2 973
Term deposits	2 444 747	1 692 745	2 553 660	1 081 129	-
Others	1 390 240	-	58 603	150 000	150 492
Off-balance sheet	39 158	264 833	12	93	853
Total	3 939 059	2 057 578	3 162 910	1 486 406	154 318
GAP (Assets - Liabilities)	3 521 496	1 632 995	(1 838 984)	1 453 457	2 456 963
31 December 2022					
Assets					
Debt securities	29 606	2 726	282 386	2 144 391	1 757 383
Loans and advances	6 079 060	3 053 366	1 331 628	598 746	324 738
Others	1 153 782	-	-	-	43 577
Off-balance sheet	6 903	16 036	3 010	38 888	-
Total	7 269 351	3 072 128	1 617 024	2 782 025	2 125 698
Liabilities					
Debt securities issued	247 100	-	50 659	650 635	12 218
Term deposits	1 862 491	1 139 127	1 433 923	1 900 954	-
Others	288 074	890 900	189 571	1 688 673	230 997
Off-balance sheet	29 251	16 036	13	106	997
Total	2 426 916	2 046 063	1 674 166	4 240 368	244 212
GAP (Assets - Liabilities)	4 842 435	1 026 065	(57 142)	(1 458 343)	1 881 486

The following table presents the interest rate gaps, in financial years 2023 and 2022:

(Euro thousand)

	2023				2022			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate GAP	7 225 926	6 695 222	7 225 926	6 259 599	6 259 599	4 689 134	6 259 599	3 118 670

Sensitivity to the balance sheet interest rate risk is calculated by 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 rate curve.

As at 31 December 2023, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause an increase in the economic value expected from the banking portfolio of circa Euro 21,754 thousand (31 December 2022: increase of Euro 50,800 thousand).

The following table presents the average interest rates, in relation to Banco Montepio's major asset and liability categories for financial years 2023 and 2022, as well as the respective average balances and interest for the financial year:

(Euro thousand)

	2023			2022		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest assets generators						
Deposits at central banks and other credit institutions	833 568	2,84	23 997	1 679 870	1,06	18 094
Other loans and advances to credit institutions	324 637	3,42	11 267	641 740	0,97	6 302
Loans and advances to customers	11 383 129	4,53	522 883	11 572 158	1,98	231 736
Securities portfolio	4 641 973	0,89	41 829	4 394 198	0,37	16 580
Other assets at fair value	401	4,67	19	1 182	0,58	7
Other (Includes derivatives)	-	-	19	-	-	5 212
	17 183 708	**3,44**	**600 014**	**18 289 148**	**1,50**	**277 931**
Interest liabilities generators						
Deposits from ECB	1 817 590	3,16	58 164	2 889 908	0,27	7 929
Deposits from other credit institutions	538 338	2,38	13 007	414 121	0,02	70
Deposits from customers	10 895 033	0,76	84 354	12 916 747	0,05	7 045
Senior debt	470 639	6,47	30 855	1 693 802	1,16	19 958
Subordinated debt	181 716	10,63	19 584	216 428	8,81	19 334
Other (includes derivatives)	-	-	10 847	-	-	7 352
	13 903 316	**1,54**	**216 811**	**18 131 006**	**0,34**	**61 688**
Net interest income		**2,20**	**383 203**		**1,17**	**216 243**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, as at 31 December 2023 and 2022, is analysed as follows:

(Euro thousand)

	2023						
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Other foreign currencies	Total
Assets by currency							
Cash and deposits at central banks	1 162 806	5 493	906	476	1 446	270	1 171 397
Loans and advances to credit institutions payable on demand	22 847	20 601	199	243	1 415	760	46 065
Other loans and advances to credit institutions	68 000	57 043	7	-	17	-	125 067
Loans and advances to customers	11 281 418	11 787	-	-	-	-	11 293 205
Financial assets held for trading	14 725	210	87	-	95	-	15 117
Other financial assets at fair value through profit or loss	209 657	-	-	-	-	-	209 657
Other financial assets at fair value through other comprehensive income	48 095	-	-	-	-	-	48 095
Hedging derivatives	6 174	-	-	-	-	-	6 174
Other financial assets at amortized cost	4 237 133	79 038	-	-	-	-	4 316 171
Investments in associated companies	278 913	-	-	-	-	-	278 913
Non-current assets held for sale	-	-	-	-	-	-	-
Other tangible assets	179 004	-	-	-	-	-	179 004
Intangible assets	57 537	-	-	-	-	-	57 537
Current tax assets	1 302	-	-	-	-	-	1 302
Deferred tax assets	389 077	-	-	-	-	-	389 077
Other assets	429 990	7 996	-	-	1	-	437 987
Total assets	**18 386 678**	**182 168**	**1 199**	**719**	**2 974**	**1 030**	**18 574 768**
Liabilities by currency							
Deposits from central banks	873 933	-	-	-	-	-	873 933
Deposits from other credit institutions	1 076 611	20 238	72	32	133	13	1 097 099
Deposits from customers	13 279 555	118 940	18 615	25 724	3 160	3 027	13 449 021
Debt securities issued	533 783	-	-	-	-	-	533 783
Financial liabilities related to transferred assets	511 013	-	-	-	-	-	511 013
Financial liabilities held for trading	12 636	-	-	-	-	-	12 636
Hedging derivatives	3 525	-	-	-	-	-	3 525
Provisions	20 156	22	-	-	-	-	20 178
Current tax liabilities	703	-	-	-	-	-	703
Deferred tax liabilities	217 019	-	-	-	-	-	217 019
Other liabilities	270 711	2 111	230	2 640	1 093	84	276 869
Total liabilities	**16 799 645**	**141 311**	**18 917**	**28 396**	**4 386**	**3 124**	**16 995 779**
Exchange forward transactions		(45 423)	17 720	27 592	1 404	2 242	
Exchange gap		(4 566)	2	(85)	(8)	148	
Stress Test		913	-	17	2	-	

(Euro thousand)

	2022						
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Other foreign currencies	Total
Assets by currency							
Cash and deposits at central banks	1 372 614	7 508	1 062	460	1 771	386	1 383 801
Loans and advances to credit institutions payable on demand	36 864	35 021	3 863	270	6 237	1 117	83 372
Other loans and advances to credit institutions	391 715	5 579	-	-	16	-	397 310
Loans and advances to customers	11 055 212	20 857	-	-	-	66	11 076 135
Financial assets held for trading	9 838	221	-	-	-	-	10 059
Other financial assets at fair value through profit or loss	209 483	-	-	-	-	-	209 483
Other financial assets at fair value through other comprehensive income	93 068	-	-	-	-	-	93 068
Hedging derivatives	-	-	-	-	-	-	-
Other financial assets at amortized cost	4 534 540	74 474	6 717	-	-	-	4 615 731
Investments in associated companies	324 981	-	-	-	-	-	324 981
Non-current assets held for sale	-	-	-	-	-	-	-
Other tangible assets	175 005	-	-	-	-	-	175 005
Intangible assets	46 942	-	-	-	-	-	46 942
Current tax assets	5 722	-	-	-	-	-	5 722
Deferred tax assets	417 557	-	-	-	-	-	417 557
Other assets	599 085	4 751	2	-	-	16	603 854
Total assets	19 272 626	148 411	11 644	730	8 024	1 585	19 443 020
Liabilities by currency							
Deposits from central banks	2 889 991	-	-	-	-	-	2 889 991
Deposits from other credit institutions	359 920	36 681	75	13	104	14	396 807
Deposits from customers	13 019 030	107 779	16 770	23 731	2 305	4 227	13 173 842
Debt securities issued	327 492	-	-	-	-	-	327 492
Financial liabilities related to transferred assets	611 159	-	-	-	-	-	611 159
Financial liabilities held for trading	17 697	-	-	-	-	-	17 697
Hedging derivatives	-	-	-	-	-	-	-
Provisions	28 623	1	-	-	-	-	28 624
Current tax liabilities	424	-	-	-	-	-	424
Deferred tax liabilities	217 029	-	-	-	-	-	217 029
Other liabilities	241 626	718	77	2 631	665	-	245 717
Total liabilities	17 712 991	145 179	16 922	26 375	3 074	4 241	17 908 782
Exchange forward transactions		(6 290)	4 928	25 485	(4 909)	3 031	
Exchange gap		(3 058)	(350)	(160)	41	375	
Stress Test		612	70	32	(8)	(75)	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects Banco Montepio's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 31 December 2023, the LCR value was 230.2% (31 December 2022: 246.1%).

As at 31 December 2023, the net stable funding ratio, designated NSFR, stood at 126.6% (31 December 2022: 122.7%).

As at 31 December 2023, Banco Montepio’s financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	873 933	-	817 437	-	56 496	-
Deposits from other credit institutions	1 097 099	500	784 073	8 283	4 236	300 007
Deposits from customers	13 449 021	-	7 895 843	1 641 788	2 458 040	1 453 350
Debt securities issued	533 783	-	-	-	3 776	530 007
Financial liabilities associated with transferred assets	511 013	-	-	-	-	511 013
Financial liabilities held for trading	12 636	-	107	10	774	11 745
Other subordinated debt	217 019	-	-	-	10 696	206 323
Other liabilities	276 869	276 869	-	-	-	-
Total funding	**16 971 373**	**277 369**	**9 497 460**	**1 650 081**	**2 534 018**	**3 012 445**

As at 31 December 2022, Banco Montepio’s financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 889 991	-	1 162 557	-	-	1 727 434
Deposits from other credit institutions	396 807	-	95 799	1 001	-	300 007
Deposits from customers	13 173 842	-	8 350 943	1 129 470	1 390 581	2 302 848
Debt securities issued	327 492	-	-		53	327 439
Financial liabilities associated with transferred assets	611 159	-	-	-	-	611 159
Financial liabilities held for trading	17 697	-	72	215	507	16 903
Other subordinated debt	217 029	-	-	-	10 706	206 323
Other liabilities	245 717	245 717	-	-	-	-
Total funding	**17 879 734**	**245 717**	**9 609 371**	**1 130 686**	**1 401 847**	**5 492 113**

In the scope of Banco de Portugal Instruction no. 28/2014, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2023 and 2022, on the assets and related collaterals:

(Euro thousand)

Assets	2023			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets from the reporting institution	2 416 932	-	16 157 836	-
Equity instruments	-	-	212 629	220 155
Debt securities	1 003 226	359 853	3 949 562	3 696 368
Other assets	-	-	1 508 240	-

(Euro thousand)

Assets	2022			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets from the reporting institution	5 085 775	-	14 357 245	-
Equity instruments	-	-	197 636	200 289
Debt securities	1 105 221	947 696	3 933 159	3 328 571
Other assets	-	-	1 730 767	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2023	2022
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	1 469 650	3 207 695
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	2 383 400	5 008 350

The encumbered assets are mostly related to Banco Montepio's funding operations, namely of the ECB and the EIB in repos operations, with the issuance of covered bonds and securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repos transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position as at 31 December 2023 and 2022 and reflect the high level of collateralization of the wholesale funding of Banco Montepio. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2023 to Euro 3,765,706 thousand (31 December 2022: Euro 2,554,700 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2023, amounts to Euro 4,666,394 thousand (31 December 2022: Euro 5,537,174 thousand) with a usage of Euro 924,754 thousand (31 December 2022: Euro 2,999,306 thousand):

(Euro thousand)

	2023	2022
Total eligible collateral	**5 562 498**	**5 930 344**
Total collateral in the pool	4 666 394	5 537 174
Collateral outside the pool	896 104	393 170
Used collateral	**1 796 792**	**3 375 644**
Collateral used for ECB	924 754	2 999 306
Collateral committed to other financing operations	872 038	376 338
Collateral available for ECB	**3 741 640**	**2 537 868**
Total available collateral	**3 765 706**	**2 554 700**

Note: collateral amount considers the applied haircut

As at 31 December 2023, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	2023							
Liabilities	**Total**	**In cash [(1)]**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**more than 5 years**
Deposits from central banks	883 362	-	824 759	-	58 603	-	-	-
Deposits from other credit institutions	1 099 464	235 663	550 758	8 409	4 378	37 557	112 628	150 071
Deposits from customers	13 569 027	5 677 022	2 348 443	1 721 497	2 389 570	501 934	930 561	-
Debt securities issued	586 364	-	-	-	349 011	20 000	217 353	-
Financial liabilities associated with transferred assets	181 916	68	9 233	8 995	16 979	29 739	52 177	64 725
Financial liabilities held for trading	12 636	12 636	-	-	-	-	-	-
Other subordinated debt	353 876	-	216	15 250	5 289	23 360	124 126	185 635
Other liabilities	297 750	-	297 750	-	-	-	-	-
Total funding	**16 984 395**	**5 925 389**	**4 031 159**	**1 754 151**	**2 823 830**	**612 590**	**1 436 845**	**400 431**

(1) Includes trading liabilities, including derivatives, recognised at fair value.

As at 31 December 2022, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	2022							
Passivos	**Total**	**In cash [(1)]**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**more than 5 years**
Deposits from central banks	2 937 041	-	280 396	890 900	189 571	1 576 174	-	-
Deposits from other credit institutions	397 176	95 798	-	1 036	28	57	112 650	187 607
Deposits from customers	13 188 976	6 697 559	1 655 564	1 125 271	1 413 582	1 252 560	1 022 520	21 920
Debt securities issued	329 421	-	-	-	410	329 011	-	-
Financial liabilities associated with transferred assets	254 072	87	11 337	11 441	22 289	40 483	82 389	86 046
Financial liabilities held for trading	17 698	17 698	-	-	-	-	-	-
Other subordinated debt	375 130	-	162	15 250	4 182	20 957	73 967	260 612
Other liabilities	274 766	-	274 766	-	-	-	-	-
Total de Passivos	**17 774 280**	**6 811 142**	**2 222 225**	**2 043 898**	**1 630 062**	**3 219 242**	**1 291 526**	**556 185**

(1) Includes trading liabilities, including derivatives, recognised at fair value.

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2023 and 2022, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	2023	2022
Real estate received in recovery of credit	194 894	304 021
Investment units in Real Estate Funds	111 047	136 942
	305 941	440 963
Stress test	(30 594)	(44 096)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Information in the table above does not consider the amount of Euro 31,647 thousand related to the prudential deduction in respect of real estate as at 31 December 2023 (31 December 2022. Euro 19,468 thousand).

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Directorate exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

Regarding operational risk monitoring as at 31 December 2023, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Directorate.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

Information and Communication Technologies Risk

Information and communication technologies risk is characterized by the risk of losses in capital and the Bank's net equity due to breach of confidentiality, lack of integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technologies (IT) within a reasonable period of time and cost when the environment or business requirements change (i.e., agility). This scope also includes the risk of losses resulting from external security risk events or inadequate or deficient internal processes, including cyberattacks or inadequate physical security.

As part of the management of this risk, Banco Montepio's Risk Directorate ensures the identification, measurement, assessment, management, monitoring and communication of information and communication technology risk events and security. Considering the ongoing digital transformation and the Bank's increased technological dependence, as well as the increase in cyberattacks in Portugal and around the world, in 2022 the Bank created a Cybersecurity Office independent of the Information Systems Directorate, in order to centralize and focus teams on implementing a process framework to mitigate security events as well as defining and implementing an action plan whenever they occur; this Office is in direct contact with the Bank's Risk Directorate within the scope of management and security risk monitoring.

Environmental, Social and Governance Risks

ESG Risks are based on the assessment of Environmental, Social and Governance (ESG) components. Environmental risks ("Climate and Environmental Risk via Physical Risk" and "Climate Risk via Transition Risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. At an initial stage, this process will be mainly qualitative, integrating a forward-looking perspective, since this type of event has not materialized so far, not allowing the creation of a robust historical basis for the construction of a quantitative analysis. Social and Governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

To centralize the management of these risks, in 2023 the Bank created a team in the Risk Directorate specializing in the management and monitoring of this risk (ESG Risk Management Centre).

Pension Fund risk

The Pension Fund risk results from the potential devaluation of the Fund's asset portfolio or the decrease in the respective expected returns, as well as the increase in the Fund's liabilities as a result of the evolution of the different actuarial assumptions. In such scenarios, Banco Montepio will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Directorate ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Within the scope of emerging risks, among which ESG risks stand out, the Bank is implementing its own framework for the management of these risks, ensuring their interconnection with credit, market, liquidity, operational and real estate risks, among others. Within the scope of this framework, the Management and Supervisory bodies will monitor the current and prospective evolution of the institution's risk profile to these risks. It should be noted that, within the scope of the review of the Bank's risk appetite for the year 2022, KRI's have already been included to regulate the exposure to ESG risks (namely, climatic risks).

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no.

575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

Banco Montepio does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at Banco Montepio has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and the Banco de Portugal add-ons of in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Committee, Audit Committee and Board of Directors, as well as the Bank's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Bank level, as well as of the entities that assume the risk management function, lies with the Risk Directorate. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Directorate carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Directorate, together with the first-line organic units.

The own funds of Banco Montepio are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council and Notice no. 10/2017 of Banco de Portugal. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

- Level 1 Core Own Funds or Common Equity Tier 1 (CET1): this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings, if existing, is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. The book value of the amounts related to goodwill, if existing, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 through 2023. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. Also in accordance with Regulation (EU) no. 575/2013, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. In addition to the regulatory deductions, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This prudential reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties considering their ageing on the balance sheet. Regarding portfolios of property received in recovery of credit and investment properties, the Bank considered, as at 31 December 2023, a specific prudential deduction of - Euro 31,647 thousand (with an impact of a negative 35 basis points on CET1) resulting from the internal prudential haircut policy. Bearing in mind the plan defined in its own internal regulations, an additional impact of - Euro 53,062 thousand is estimated until the end of 2024 (*ceteris paribus* in Banco Montepio's portfolio as at 31 December 2023). However, Banco Montepio continues to make efforts to reduce its exposure to properties, particularly those with a greater ageing in its portfolio, to reduce the amount of this potential prudential impact.

- Level 1 Own Funds or Tier 1 (T1): includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Banco de Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which Banco Montepio does not hold full ownership, if they exist, are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.

- Level 2 Own Funds or Tier 2 (T2): includes capital equivalent instruments, which conditions are in accordance with article 63 of Regulation (EU) no. 575/2013 and that have been approved by the Banco de Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which Banco Montepio does not hold full ownership, if they exist, are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Total Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250.0% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100.0% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

Regulation 2020/873 of the European Parliament and Council introduced an additional transitional plan regarding the impacts of increased IFRS 9 impairments occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 50% in 2023, 75% in 2024 and 100% in 2025.

The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1 of 6.0% for Tier 1 and 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions). For 31 December 2023, the Banco de Portugal defined a Counter-Cyclical Reserve of 0% for exposures to Portuguese non-financial companies. However, taking into account the geographic dispersion of its exposures and capital requirements, Banco Montepio, as at 31 December 2023, had a Counter-Cyclical Reserve of 0.019%. Regarding the Conservation Reserve, its value is 2.5%. Pursuant to these provisions, as at 31 December 2023 and 2022, the Common Equity Tier 1, Tier 1 and Total regulatory ratios were 7.019%, 8.519% and 10.519%, respectively.

The summary of the calculation of Banco Montepio's capital requirements as at 31 December 2023 and 2022 (unaudited information), under phase-in, is presented as follows:

(Euro thousand)

	2023	2022
Capital *Common Equity Tier 1*		
Realized share capital	1 210 000	2 420 000
Net income/(loss), reserves and retained earnings	362 989	(885 762)
Other regulatory adjustments	(325 647)	(372 635)
	1 247 342	1 161 603
Capital *Tier 1*	1 247 342	1 161 603
Capital *Tier 2*		
Subordinated loans	206 323	206 323
Regulatory adjustments	(89)	-
	206 234	206 323
Total own funds	1 453 576	1 367 926
Own funds requirements		
Credit risk	519 188	513 972
Market risk	1 681	4 048
Operating risk	49 114	42 283
Other requirements	29 595	35 542
	599 578	595 845
Prudential Ratios		
Common Equity Tier 1 Ratio	16.64%	15.6%
Tier 1 Ratio	16.64%	15.6%
Total Capital Ratio	19.39%	18.37%

It should be noted that the ratios, as at 31 December 2023 and 2022, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 29.

If the transitional plan was not applied to the initial impacts of the adoption of IFRS 9, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2023 and 2022 (unaudited information), would be:

(Euro thousand)

	2023	2022
Capital Common Equity Tier 1	1 239 036	1 143 667
Capital Tier 1	1 239 036	1 143 667
Total own funds	1 445 270	1 349 990
Own funds requirements	599 660	594 677
Prudential ratios		
Rácio *Common Equity Tier 1*	16.53%	15.39%
Rácio *Tier 1*	16.53%	15.39%
Rácio de Capital Total	19.28%	18.16%

50 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2023, for annual periods beginning on 1 January 2023:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2023:

a) **IAS 1** (amendment), 'Disclosure of accounting policies'. Amendment to the disclosure requirements of accounting policies based on the definition of "material" rather than "significant". Information relating to an accounting policy is considered material if, in its absence, users of the financial statements would not be able to understand other financial information included in those same financial statements. Information regarding immaterial accounting policies does not need to be disclosed. IFRS Practice Statement 2 was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

b) **IAS 8** (amendment), 'Disclosure of accounting estimates'. Introduction of the definition of an accounting estimate and the way in which it is distinguished from changes in accounting policies. Accounting estimates are now defined as monetary values subject to uncertainty in their measurement, used to achieve the objective(s) of an accounting policy.

c) **IFRS 17** (new and amendment), 'Insurance contracts'. This new standard replaces IFRS 4 and applies to all entities that issue insurance and reinsurance contracts or investment contracts with discretionary participation characteristics in the results if they are also issuers of insurance contracts. Under IFRS 17, entities issuing insurance contracts need to assess whether the policyholder can benefit from a given service as part of a claim, or whether that service is independent of the claim/risk event, in which case it shall separate the uninsured component. In accordance with IFRS 17, entities must identify portfolios of insurance contracts at initial recognition and divide them, at least, into the following groups: i) contracts that are onerous at initial recognition; ii) contracts that do not present a significant possibility of later becoming onerous; and iii) remaining contracts in the portfolio. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. IFRS 17 requires an entity to recognize income as it provides insurance services (rather than when it collects premiums) and to provide information about insurance contract gains that it expects to recognize in the future. IFRS 17 provides for three measurement methods for accounting for different types of insurance contracts: i) General measurement model ("GMM"); ii) Premium allocation approach ("PAA"); and iii) Variable fee approach ("VFA"). IFRS 17 is retrospectively applicable with some exemptions on the transition date.

d) **IFRS 17** (amendment), 'Initial application of IFRS 17 and IFRS 9 - Comparative Information'. This amendment only applies to insurers in the transition to IFRS 17 and allows the adoption of an "overlay" in the classification of a financial asset for which the entity does not apply the change retrospectively, under IFRS 9. This amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, in the comparative information presented on the initial application of IFRS 17, providing for: (i) the application on a financial asset-by-asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

e) **IAS 12** (amendment), 'Deferred tax relating to assets and liabilities associated with a single transaction'. IAS 12 now requires entities to recognize deferred tax on certain specific transactions, when their initial recognition gives rise to equal amounts of taxable timing differences and deductible timing differences. Subject transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for decommissioning, restoration or similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset, when on the date of initial recognition they do not produce tax effects. These timing differences are excluded from the scope of the deferred tax recording exemption on the initial recognition of assets or liabilities. This amendment applies retrospectively.

f) **IAS 12** (amendment), 'International tax reform – Pillar two model rules'. Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes of the entities impacted which, at this date, are difficult to estimate. This amendment to IAS 12 introduces: i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and ii) targeted disclosure requirements for affected entities (entities belonging to multinational groups that have consolidated revenues of €750m in at least two out of the last four years), such as: the fact that the exception was applied, the current tax expense related to Pillar Two rules, and the reasonable estimate of the impact of Pilar Two rules between the date the legislation becomes enacted and the date it becomes effective.

These amendments had no material impact on the financial statements of Banco Montepio.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, already endorsed by the European Union:

a) **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants' (effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as current or non-current balances depending on the right of an entity to defer payment beyond 12 months after the reporting date. They also clarify that "covenants", which an entity is obliged to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if its verification only occurs after the reporting date. When an entity classifies liabilities arising from financing contracts as non-current and these liabilities are subject to "covenants", it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the "covenants" and the dates of fulfilment; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the "covenants" on the due dates. These amendments apply retrospectively.

b) **IFRS 16** (amendment), 'Lease liabilities in sale and leaseback transactions' (effective for annual periods beginning on or after 1 January 2024). This amendment introduces guidance regarding the subsequent measurement of lease liabilities, for sale and leaseback transactions that qualify as "sales" under IFRS 15, with greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate. When subsequently measuring lease liabilities, seller-lessees shall determine the "lease payments" and "revised lease payments" so that they do not recognize gains/(losses) in respect of the right of use they retain. This amendment applies retrospectively.

Banco Montepio does not anticipate any significant impact derived from the application of these amendments to its financial statements.

3. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, not yet endorsed by the European Union:

a) **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements' (effective for annual periods beginning on or after 1 January 2024). These amendments are still subject to endorsement by the European Union. Supplier financing arrangements are characterized by the existence of a financier that undertakes to pay the balances that an entity owes to its suppliers and the entity, in turn, agrees to pay in accordance with the terms and conditions of the arrangement, on the same date, or later, as the date of payment to suppliers. These amendments require an entity to provide additional disclosures about its supplier finance arrangements to enable: i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows; and ii) the understanding of the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020**.**

b) **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025). This amendment is still subject to endorsement by the European Union. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined.

Banco Montepio does not anticipate any significant impact derived from the application of these amendments to its financial statements.

New standards summary

Description	Changes	Effective date
1. Standards (new and amendments) effective as at 1 January 2023		
IAS 1 – Disclosure of accounting policies	Disclosure requirement for "material" accounting policies, rather than "significant" accounting policies	1 January 2023
IAS 8 – Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	1 January 2023
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	1 January 2023
IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information	1 January 2023
IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for decommissioning / related asset, when their simultaneous initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes	1 January 2023
IAS 12 - International Tax Reform – Pillar two model rules	Introduction of a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Requirement of targeted disclosure for affected entities (entities belonging to multinational groups that have consolidated revenues of €750m in at least two out of the last four years)	Immediately and 1 January 2023
2. Standards (new and amendments) that will become effective, on or after 1 January 2024, endorsed by the EU		
IAS 1 – Classification of liabilities as non-current and current and non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity's right to defer its settlement for at least 12 months after the reporting date, when subject to covenants	1 January 2024
IFRS 16 – Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable	1 January 2024
3. Standards (new and amendments) that will become effective, on or after 1 January 2024, but not endorsed by the EU		
IAS 7 e IFRS 7 – Supplier finance arrangements	Requirement to provide additional disclosures about supplier finance arrangements, the impact in liabilities and cash flows, as well as the impact in liquidity risk analysis, and how the entity would be impacted if these arrangements were no longer available	1 January 2024
IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Requirements for determining whether a currency is capable of being exchanged for another currency and, when exchange is not possible for a long period, the options for calculating the spot exchange rate to be used. Disclosure of the impacts of this situation on the liquidity, financial performance and financial position of the entity, as well as the spot exchange rate used on the reporting date	1 January 2025

51 Transfer of assets

Banco Montepio carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the 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 same.

The financial assets sold under these operations are derecognized from the balance sheet of Banco Montepio, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from Banco Montepio are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same.

These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the fund has as main responsibilities to:

- Define the objective of the fund; and
- Manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which Banco Montepio holds minority positions, incorporate companies under Portuguese law to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by Banco Montepio, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, Banco Montepio subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where Banco Montepio has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end; and
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, Banco Montepio, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, 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 over the funds or the companies holding the assets, Banco Montepio derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2023 Amounts associated with the transfer of assets			2022 Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	(15 267)	27 857	43 124	(15 267)
Discovery Portugal Real Estate Fund	13 698	15 415	(1 717)	-	-	-
Fundo Aquaris, FCR	13 060	13 485	(425)	-	-	-
Fundo de Reestruturação Empresarial, FCR	45 349	45 509	(160)	21 549	21 590	(41)
	99 964	117 533	(17 569)	49 406	64 714	(15 308)

The information in respect of 2023 in the above table also considers the value of the assets received by Montepio Investimento, S.A., which, following the transfer of its assets and liabilities came to be recorded in Banco Montepio.

As at 31 December 2023 and 2022, the assets received under these operations are as follows:

(Euro thousand)

	2023	2022
	Senior securities	
Fundo Vega, FCR	20 874	22 196
Discovery Portugal Real Estate Fund	13 647	-
Fundo Aquarius, FCR	10 579	-
Fundo de Reestruturação Empresarial, FCR	11 328	4 634
	56 428	26 830

Although the subordinated securities are fully provided against, Banco Montepio also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

52 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (“RGICSF “) and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Banco de Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, Banco Montepio is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Banco de Portugal based, among others, on the amount of its liabilities. As at 31 December 2023, the periodic contribution made by Banco Montepio amounted to Euro 2,131 thousand (31 December 2022: Euro 4,707 thousand), based on a contribution rate of 0.029%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Banco de Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Banco de Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco's status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million.

On 23 December 2021, the Resolution Fund made the payment of Euro 112 million, after having obtained all analyses from a financial, economic and legal point of view, which was pending verification in June 2021 and was already provided against.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of Banco de Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

Since this decision is subject to appeal to the Court of Competition, Regulation and Supervision, in like manner to various other institutions charged and that have publicly announced this intention, Banco Montepio also challenged this Decision judicially on 21 October 2019.

Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to the suspension of the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that court, that decided to accept same, and the consequent suspension of the obligation referred to above.

The discussion and judgment hearing began in October 2021. At the conclusion of the hearing, and as requested by Banco Montepio and other defendants, the Court of Competition, Regulation and Supervision (TCRS) decided to suspend the proceedings and refer two preliminary questions to the Court of Justice of the European Union (CJEU), under article 267 of the Treaty on the Functioning of the European Union (TFEU). A decision is awaited from the CJEU, after which the TCRS will issue a sentence in accordance with such decision.

Considering all the relevant circumstances, arising from the appeal lodged by Banco Montepio as well as by the other defendant banks, it is considered that there is a serious and significant probability that the fine applied to Banco Montepio will likely be annulled.

Banco Montepio is not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the circumstances related to the case, it is considered that the chances of success of any legal actions that might be brought against Banco Montepio based on the Decision to be delivered would be reduced.

Banco de Portugal

During 2023, the Bank was subject to some administrative offense processes instituted by the Banco de Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, having, to the effect, made provisions in the global amount of Euro 280,000.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Directorate and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For most of these processes, the Banco de Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine, and, as regards one of the two processes still underway, same is still in a preliminary phase, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions that might hypothetically be imputed to it.

Thus, and notwithstanding the Board of Directors considering as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to any of the infractions that are imputed to it, even if the respective risk of being sentenced still exists, it is the Board’s conviction that the amount of the consequent sanctions will not exceed the amount of provisions recognized by the Bank as at 31 December 2023.

53 Subsidiaries and associates

As at 31 December 2023 and 2022, the companies directly or indirectly held by Banco Montepio are as follows:

					Group		Bank
Subsidiary	Head office	Share capital	Currency	Activity	% of control	% of effective part	% of direct part
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	euro	Managements of shareholding	100,00%	100,00%	100,00%

(Euro)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accommodation, catering and similar/hotels with restaurant	20,00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	26,00%
CESource, ACE	Lisbon	-	Management of IT systems	18,00%

As at 31 December 2023 and 2022, Banco Montepio held investment units in investment funds as follows:

Subsidiary	Ano de Constituição	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

54 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format With reference to 31 December 31 2023, the Banco Montepio Group observed an NPL ratio of 3.2%, lower than the 5% previously mentioned. Therefore, considering that as on 31 December 2023 Banco Montepio is no longer considered "NPL Bank", the following information refers to 31 December 2022:

Credit quality of restructured exposures

(Euro thousand)

	Gross carrying amount of exposures subject to restructuring measures				Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Collateral and financial guarantees received on restructed exposures	
	About productive restructured exhibitions	About non-productive restructured exhibitions			About productive restructured exhibitions	About non-productive restructured exhibitions		Of which, collateral and financial guarantees received on non-productive exposures with restructuring measures
			Of which, in default	Of which, in situations of impairment				
Loans and advances	**122 238**	**390 774**	**390 774**	**390 774**	**(4 524)**	**(157 869)**	**296 756**	**197 578**
Central administrations	-	2 356	2 356	2 356	-	(250)	-	-
Other financial companies	38	65 295	65 295	65 295	(2)	(32 027)	26 680	26 659
Non-financial corporations	77 382	270 647	270 647	270 647	(3 473)	(106 778)	198 471	139 803
Households	44 818	52 476	52 476	52 476	(1 049)	(18 814)	71 605	31 116
Loans commitments given	47	326	326	326	(1)	-	-	-
	122 285	**391 100**	**391 100**	**391 100**	**(4 525)**	**(157 869)**	**296 756**	**197 578**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousand)

	Gross carrying amount											
	Productive exhibitions			Non-productive exhibitions								
		No late or late <= 30 days	Overdue >30 days <= 90 days		Reduce probability of payment that is not overdue or overdue for <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Overdue > 1 year <= 2 years	Overdue > 2 years <= 5 years	Overdue > 5 years <= 7 years	Overdue > 7 years	Of which, in default
Loans and advances	**12 238 408**	**12 210 313**	**28 094**	**565 868**	**326 428**	**16 492**	**26 251**	**54 401**	**42 035**	**12 248**	**88 013**	**565 868**
Central banks	1 285 033	1 285 033	-	-	-	-	-	-	-	-	-	-
Central administrations	101 432	101 432	-	2 356	-	-	-	2 356	-	-	-	2 356
Credit institutions	430 918	430 918	-	-	-	-	-	-	-	-	-	-
Other financial companies	421 507	421 507	-	67 043	19 334	144	1 331	34 028	11 842	-	364	67 043
Non-financial corporations	3 788 828	3 779 361	9 466	399 263	236 621	11 955	17 585	11 460	27 081	10 541	84 020	399 263
Of which SME s	3 302 059	3 292 593	9 466	380 638	218 182	11 780	17 585	11 449	27 081	10 541	84 020	380 638
Households	6 210 690	6 192 062	18 628	97 206	70 473	4 393	7 335	6 557	3 112	1 707	3 629	97 206
Debt securities	**5 026 097**	**5 026 097**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
Central administrations	4 131 267	4 131 267	-	-	-	-	-	-	-	-	-	-
Other financial companies	555 836	555 836	-	33 000	-	-	-	-	33 000	-	-	33 000
Non-financial corporations	338 994	338 994	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**2 219 664**	**-**	**-**	**77 755**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central administrations	5 760	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	281 985	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	175 343	-	-	10	-	-	-	-	-	-	-	-
Non-financial corporations	1 273 628	-	-	74 667	-	-	-	-	-	-	-	-
Households	482 948	-	-	3 078	-	-	-	-	-	-	-	-
	19 484 169	**17 236 410**	**28 094**	**676 623**	**326 428**	**16 492**	**26 251**	**54 401**	**75 035**	**12 248**	**88 013**	**598 868**

Credit quality of productive and non-performing exposures and respective provisions

(Euro thousand)

	Productive exhibitions			Non-productive exhibitions		Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions					Write-off of accumulated partial assets	Collateral and financial guarantees and received	
						Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions			About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 1	Of which, stage 2		Of which, stage 3			
Loans and advances	**12 238 408**	**10 219 185**	**2 018 939**	**565 868**	**565 735**	**(89 965)**	**(26 466)**	**(63 500)**	**(238 074)**	**(238 074)**	**(128 448)**	**8 463 822**	**267 875**
Central banks	1 285 033	1 285 033	-	-	-	-	-	-	-	-	-	-	-
Central administrations	101 432	99 400	2 031	2 356	2 356	(231)	(115)	(116)	(250)	(250)	(250)	6 564	-
Credit institutions	430 918	430 901	17	-	-	(1 356)	(1 356)	-	-	-	-	-	-
Other financial companies	421 507	419 735	1 772	67 043	67 043	(5 129)	(5 049)	(81)	(32 531)	(32 531)	(600)	75 551	27 724
Non-financial corporations	3 788 828	2 783 333	1 005 212	399 263	399 130	(58 306)	(16 342)	(41 964)	(166 610)	(166 610)	(127 598)	2 546 342	189 209
Of which SME s	3 302 059	2 444 227	857 549	380 638	380 505	(52 516)	(14 453)	(38 062)	(159 074)	(159 074)	(99 598)	2 335 750	187 509
Households	6 210 690	5 200 783	1 009 907	97 206	97 206	(24 943)	(3 604)	(21 339)	(38 683)	(38 683)	-	5 835 365	50 942
Debt securities	**5 026 097**	**4 984 221**	**8 106**	**33 000**	**33 000**	**(8 314)**	**(7 302)**	**(1 013)**	**(14 272)**	**(14 272)**	**-**	**3 699**	**-**
Central administrations	4 131 267	4 131 267	-	-	-	(6 143)	(6 143)	-	-	-	-	-	-
Other financial companies	555 836	519 802	2 265	33 000	33 000	(455)	(85)	(371)	(14 272)	(14 272)	-	-	-
Non-financial corporations	338 994	333 152	5 841	-	-	(1 716)	(1 074)	(642)	-	-	-	3 699	-
Off-balance sheet exposures	**2 219 665**	**1 846 950**	**372 714**	**77 755**	**77 755**	**(10 461)**	**(4 558)**	**(5 901)**	**(8 852)**	**(8 852)**	**-**	**-**	**-**
Central administrations	5 760	5 735	25	-	-	(11)	(10)	-	-	-	-	-	-
Credit institutions	281 985	148 736	133 249	-	-	(564)	(12)	(552)	-	-	-	-	-
Other financial companies	175 343	168 117	7 226	10	10	(43)	(6)	(37)	-	-	-	-	-
Non-financial corporations	1 273 628	1 070 263	203 365	74 667	74 667	(7 880)	(3 123)	(4 756)	(8 847)	(8 847)	-	-	-
Households	482 949	454 099	28 849	3 078	3 078	(1 963)	(1 407)	(556)	(5)	(5)	-	-	-
	19 484 170	**17 050 356**	**2 399 759**	**676 623**	**676 490**	**(108 740)**	**(38 326)**	**(70 414)**	**(261 198)**	**(261 198)**	**(128 448)**	**8 467 521**	**267 875**

55 Relevant facts

Election of Corporate Bodies

The General Assembly of Banco Montepio, in its annual session of 29 April 2022, proceeded to elect new members of the corporate bodies for the term of office 2022-2025.

Following the final endorsement granted by the Banco de Portugal, the composition of the corporate bodies of Banco Montepio was changed, namely the Presiding Board of the General Meeting, the Board of Directors and the Audit Committee, and took office on 25 July 2022.

56 Subsequent events

Banco Montepio analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue and no subsequent events were identified within this period.

REPORT AND ACCOUNTS

DECLARATION OF CONFORMITY

2023

Banco Montepio

DECLARATION OF CONFORMITY

This declaration is issued under the terms of paragraph c) of no. 1 of article 29-G of the Securities Code approved by Decree-Law no. 486/99, of 13 November, in the wording introduced by Law No. 99-A/2021, of 31 December.

It is the responsibility of the Board of Directors to prepare the management report and the financial statements, presenting, in a true and appropriate manner, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), the result of operations as well as the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system to prevent and detect any errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- All individual and consolidated financial information contained in the accounting documents, with reference to 31 December 2023, was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of Banco Montepio and the companies included in the consolidation perimeter;
- The management report truly exposes the evolution of the business, the performance and the position of the Institution and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties they face.

BOARD OF DIRECTORS

Chairman	Manuel Ferreira Teixeira
Members	Clementina Maria Dâmaso de Jesus Silva Barroso
	Eugénio Luís Correia Martins Baptista
	Florbela dos Anjos Frescata Lima
	Maria Cândida de Carvalho Peixoto
	Maria Lúcia Ramos Bica
	Pedro Manuel Moreira Leitão
	Ângela Isabel Sancho Barros
	Helena Catarina Gomes Soares de Moura Costa Pina
	Isabel Cristina dos Santos Pereira da Silva
	Jorge Paulo Almeida e Silva Baião
	José Carlos Sequeira Mateus

Lisbon, 15 April 2024

REPORTS AND OPINION OF THE SUPERVISORY BODY

Banco Montepio

2023

Banco Montepio

ACTIVITY REPORT

Audit Committee

2023

Valores que
crescem consigo.

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Banco Montepio

Activity of the Audit Committee in 2023

1. Framework

The current Audit Committee ("CAUD") of Caixa Económica Montepio Geral, caixa económica bancária S.A. ("CEMG | BM"), was appointed for the term of office 2022-2025 by the General Meeting of Shareholders held on 29 April 2022 and after completion of the fit and proper process and the authorisation granted by Banco de Portugal ("BdP") and took office on 25 July 2022.

The Audit Committee, in compliance with Article 17(3)(f) of the Articles of Association of "CEMG | BM", reflected in Article 2(2)(c) of its Regulations, approved at its meeting of 20 December 2022 and at the Board of Directors ("CA") meeting on 22 December 2022, prepared the annual report on its supervisory action during 2023.

2. Composition

On 25 July 2022, Banco Montepio's governing bodies took office for the term 2022-2025, namely the Audit Committee as the Supervisory Body.

The current composition of this body is as follows:

- Clementina Maria Dâmaso de Jesus Silva Barroso (Chairman);
- Florbela dos Anjos Frescata Lima;
- Maria Lúcia Ramos Bica;
- Maria Cândida de Carvalho Peixoto.

3. Responsibilities and Competencies

3.1 Competencies

The Audit Committee of CEMG | BM has responsibilities at the level of Banco Montepio Group ("GBM") and is equipped with the necessary competencies to fulfil its responsibilities, taking into account the requirements of knowledge, competence and independence, in accordance with the applicable regulations. In the exercise of its competencies, the Audit Committee has access to all the entities of the Banco Montepio Group, in particular to the areas of internal control and external auditors.

In addition to the competencies legally conferred to the supervisory body, under the terms of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), the Commercial Companies Code ("Código das Sociedades Comerciais" - "CSC") and other applicable regulations, as well as under the terms of the Articles of Association of the CEMG | BM, the Audit Committee's competencies established in Article 2 of the respective Regulations, namely:

3.1.1. General competencies

a) Supervise the management of Banco Montepio;

b) Monitor compliance with applicable legal and regulatory provisions and the Articles of Association;

c) Prepare an annual report on the Audit Committee's supervisory action;

d) Call the General Meeting when the Chairman of its Board, who should do this, does not;

e) Hire expert services to assist one or more of its members in the performance of their functions, where the hiring and remuneration of experts must take into account the importance of the matters entrusted to them and the economic situation of Banco Montepio.

3.1.2. Competencies in the area of monitoring the quality and integrity of financial information

a) Verify, when considered appropriate and in the manner deemed appropriate, the extent of the cash and inventories of any kind of assets or values belonging to Banco Montepio or received by it as collateral, deposit or in another capacity;

b) Verify the correctness of the accounting ledgers, accounting records and supporting documents;

c) Verify that the accounting policies and procedures and the valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and results and are consistent with generally accepted principles, as well as supervise, in conjunction with the Statutory Auditor ("ROC"), the correct application of said policies, procedures and criteria in force;

d) Verify the accuracy of the accounting documents and issue an opinion on the report, accounts and proposals submitted by the Management, including proposed application of net income, to be submitted to the General Meeting;

e) Appraise, with the Board of Directors and the Statutory Auditor, any issues and decisions of material relevance for the preparation of the financial statements, including any changes to regulatory or accounting rules, or to accounting policies, practices, or procedures, as well as the effects of unusual transactions on financial information, the estimates and judgements adopted, and their consistent application;

f) Follow-up and supervise the preparation and disclosure of financial information and the main prudential indicators, issue recommendations or presenting proposals aimed at ensuring the reliability of the process;

g) Oversee the integrity and effectiveness of internal information and communication management systems (namely with regard to prudential and other reporting and accounting and financial aspects) and internal control, internal audit and risk management systems with regard to the process of preparation and disclosure of financial information.

3.1.3. Competencies within the scope of its functions and responsibilities regarding supervision of the Statutory Auditor's activity and independence

a) Select and propose the election of the Statutory Auditor to the General Meeting, issue a prior opinion on the selection and appointment policy of the Statutory Auditor and on the remuneration to be paid for the statutory audit of Banco Montepio Group's accounts, and monitor the implementation and revision of said policy;

b) Annually appraise the Statutory Auditor's audit plan, supervise and assess the Statutory Auditor's activity, and monitor and supervise the statutory audit of the financial statement documents, on an individual and consolidated basis;

c) Verify and follow-up the Statutory Auditor's independence and objectivity, amongst other aspects, on an annual basis and with respect to the provision of additional services by the Statutory Auditor;

d) Proceed with the prior approval, duly justified, of the hiring of non-prohibited additional services, to be provided by the Statutory Auditor to Banco Montepio Group entities, as well as the respective remuneration conditions;

e) Annually inform the Board of Directors of the results of the statutory audit of the financial statements, their contribution to the integrity of the process of disclosure and preparation of the financial information, and the role played by the Audit Committee in this process.

3.1.4. Competencies within the scope of its functions and responsibilities regarding supervision of the effectiveness of the internal auditing, risk management, and internal control and compliance systems

a) Control and assess the effectiveness of systems in terms of internal control and compliance, risk management, prevention of money laundering and financing of terrorism, internal auditing and corporate governance policies and practices, in particular by issuance of a prior opinion on the various policies in relation to each of these systems, ensuring consistency and risk control at the level of Banco Montepio and its branches, and carrying out control actions;

b) Issue a prior opinion on the status and regulation, the plan of activities (including the audit action plan), the budget and the resources of the control functions;

c) Periodically monitor the implementation of the activity plans of the control functions and assess the conclusions of the respective actions and deficiencies identified, as well as analyse and monitor the periodic reports of the control functions (including, among others, the reports provided for in Articles 27, 28 and 32 of Banco de Portugal Notice no. 3/2020 and in particular issue an opinion on the respective self-assessment reports), and convey the recommendations that it considers appropriate to the Executive Committee and Board of Directors;

d) Issue prior opinions on the risk profile, the internal control systems, risk management, and internal auditing and compliance, including a detailed opinion, summary of the deficiencies detected by any functional unit, within the scope of the processes and controls implemented, and recommendations issued on the efficiency and adequacy of these systems, under the terms defined in Banco de Portugal Notice no. 3/2020;
e) Issue a prior opinion and follow-up of the implementation of the selection policies, assessment of the suitability, succession and remuneration of the members of the management and supervisory bodies and of the control functions, as well as assess the principles applicable to the respective remuneration policies of employees of the Banco Montepio Group for the purposes of Article 53 of Notice no. 3/2020;
f) Issue a prior binding opinion on the appointment, dismissal and replacement of the persons responsible for control functions and participate in the respective performance assessment process;
g) Issue a binding prior opinion on all issues related to Banco Montepio's organisational structure, as defined in the Regulations of the Board of Directors and relating to the organisation of the Audit Committee or the control functions, as well as a prior opinion on policies for subcontracting and outsourcing services and activities, and business continuity management;
h) Assess needs in terms of the Audit Committee's composition and organisation;
i) Issue prior authorisations for the subcontracting of specific operational tasks of the internal control functions;
j) Issue a prior opinion regarding changes to the group structure for the purposes of Articles 49 and 50 of Banco de Portugal Notice no. 3/2020;
k) Issue a prior opinion on the code of conduct and ethics, the internal policies and regulations that lead to their development and implementation, and subsequent revisions, as well as Banco Montepio's whistleblowing policy, promoting their periodic assessment;
l) Receive communications of irregularities submitted by shareholders, employees of Banco Montepio or others, and periodically evaluate complaints management reports concerning complaints submitted by customers;
m) Issue a prior opinion on policies for the management of conflicts of interest and transactions with related parties, know the list of related parties and issue a prior opinion on transactions subject to this, in accordance with said policies and applicable legal and regulatory provisions;
n) Assess the proposals regarding Banco Montepio's objectives in terms of risks, supervise the strategies defined within this scope, including those related to risk appetite and the risk management framework to which Banco Montepio is subject, as well as monitor decisions involving the assumption of significant risks, namely for the purposes of Article 27 of Notice no. 3/2020 and periodically the implementation of the global risk policy and strategy, the risk appetite statement and the capital and liquidity strategy and policy;

o) Issue a prior opinion and monitoring the implementation and effectiveness of risk management processes, on a periodic basis;
p) Issue a prior opinion with periodic follow-up of the implementation of the approval policy for new products and services;
q) Periodically analyse the main prudential indicators and compliance with capital and liquidity requirements and the valuation exercises of materially relevant assets and analyse the decision to exclude risk categories under Article 21 of Notice No. 3/2020;
r) Draw up annual assessment reports, reviews, statements, opinions and summaries with regard to organisational culture and governance and internal control systems for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020;
s) Issue an opinion on the internal control system for combating and preventing money laundering and financing of terrorism in accordance with the applicable legal and regulatory provisions;
t) Be informed and monitor the conclusions of all inspection actions, specific determinations, or recommendations issued by Banco de Portugal, the Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" – "CMVM"), the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" – "ASF"), the Tax and Customs Authority ("Autoridade Tributária e Aduaneira" – "AT") and the IGF - Audit Authority.

The Audit Committee is responsible, within the scope of its competencies, and together with the Board of Directors, to ensure that the Bank's organisational culture and the governance and internal control systems, including remuneration practices and policies and other matters discussed in Banco de Portugal Notice no. 3/2020, are appropriate, and promote sound and prudent management.

The Regulations of the Audit Committee will be reviewed during the first quarter of 2024.

3.2 Training

During 2023, the Audit Committee's members received series of training courses, the following of which are highlighted due to their relevance:

Name	Training	Date
Clementina Maria Dâmaso de Jesus Silva Barroso	O ESG como Estratégia (Católica Lisbon School of Business and Economics)	September 2023
	Novos Desafios da Governação (Católica Lisbon School of Business and Economics)	September 2023
	Resiliência Cibernética: Cybernate Management Test Game (Disem Institute)	October 2023
	Risk Management (Instituto de Formação Bancária)	November 2023

Name	Training	Date
Florbela dos Anjos Frescata Lima	O ESG como Estratégia (Católica Lisbon School of Business and Economics)	September 2023
	Resiliência Cibernética: Cybernate Management Test Game (Disem Institute)	October 2023
	Prevenção do Branqueamento de Capitais e Financiamento do Terrorismo – Alterações Regulamentares (KPMG Advisory)	October 2023
	Risk Management (Instituto de Formação Bancária)	November 2023
	Novos Desafios da Governação (Católica Lisbon School of Business and Economics)	December 2023

Name	Training	Date
Maria Cândida de Carvalho Peixoto	Novos Desafios da Governação (Católica Lisbon School of Business and Economics)	September 2023
	O ESG como Estratégia (Católica Lisbon School of Business and Economics)	September 2023
	Resiliência Cibernética: Cybernate Management Test Game (Disem Institute)	October 2023

Name	Training	Date
Maria Lúcia Ramos Bica	O ESG como Estratégia (Católica Lisbon School of Business and Economics)	September 2023
	Novos Desafios da Governação (Católica Lisbon School of Business and Economics)	September 2023
	Corporate Governance: Liderança de Boards (Nova School of Business & Economics)	October 2023
	Resiliência Cibernética: Cybernate Management Test Game (Disem Institute)	October 2023
	Risk Management (Instituto de Formação Bancária)	November 2023

4. Summary of Audit Committee meetings

Pursuant to the provisions in its Regulations, the Audit Committee ordinarily holds monthly meetings and whenever deemed by the Chairman or requested by any of the other members or by the Chairman of the Board of Directors, and minutes are prepared with the topics discussed and decisions taken. The Audit Committee meetings, which came to a total of 18 in 2023, were held on the dates listed below, and were attended as expressed in the following tables:

Meeting	Nature	Date
1	Ordinary	25/01/2023
2	Ordinary	23/02/2023
3	Ordinary	27/03/2023
4	Extraordinary	11/04/2023
5	Ordinary	21/04/2023
6	Extraordinary	04/05/2023
7	Extraordinary	10/05/2023
8	Ordinary	26/05/2023
9	Extraordinary	06/06/2023
10	Ordinary	27/06/2023
11	Ordinary	28/07/2023
12	Ordinary	06/09/2023
13	Ordinary	27/09/2023
14	Ordinary	24/10/2023
15	Ordinary	27-28/11/2023
16	Extraordinary	13/12/2023
17	Extraordinary	14/12/2023
18	Ordinary	20/12/2023

From 1 January to 31 December 2023	
Clementina de Jesus Silva Barroso (Chairman)	18/18
Florbela dos Anjos Frescata Lima	18/18
Maria Lúcia Ramos Bica	18/18
Maria Cândida de Carvalho Peixoto	18/18

5. Summary of the activities carried out

The Audit Committee performed its functions on an ongoing basis, with the examination, among other matters, of the periodic reports on internal auditing, compliance and risk, accounting and financial reporting, internal control and plan control functions, as well as the reports of the Statutory Auditors (PwC), in addition to the specific audit reports, follow-up reports on the implementation of the respective recommendations, as well as the internal policies and regulations and other matters on which it was required to give an opinion in accordance with the applicable rules and regulations.

The Audit Committee has a multi-annual activity plan, in compliance with the provisions of Article 31(9) of Banco de Portugal Notice no. 3/2020. This plan, in addition to the ongoing supervision and monitoring of the activity of the internal control functions (Internal Audit, Risk Management and Compliance) and regular interactions with the external auditors, within the scope of its competencies concerning supervision of the quality and integrity of financial information, includes periodic interactions to monitor the activity of several areas of the Bank, particularly the following:

- Internal Control Office ("GCI"), as part of the follow-up of the internal control system, monitors the remediation of internal control deficiencies;
- Accounting and Financial Reporting Division ("DCRF"), as part of supervision of the process to prepare and disclose financial information, and monitor measures issued by Banco de Portugal under the Supervisory Review in the Evaluation Process ("SREP"); and
- Strategic Planning and Control Division ("DPEC"), in the context of follow-up of the strategic plan and budget implementation, including the monitoring of the goals of the Funding & Capital Plan ("FCP") and deleveraging plans in non-productive assets (Non-Performing Loans and Real Estate);
- Cybersecurity Office, in the context of follow-up of the cybersecurity plan, reports severe incidents and Information Security Policy;
- Credit Recovery Division, in the context of follow-up of Credit Recovery and its policy, and the monitoring of wholesale selling and its policy.

The Audit Committee also interacted with the supervisory bodies of the subsidiaries, having held half-yearly follow-up meetings on the internal control system and financial reporting.

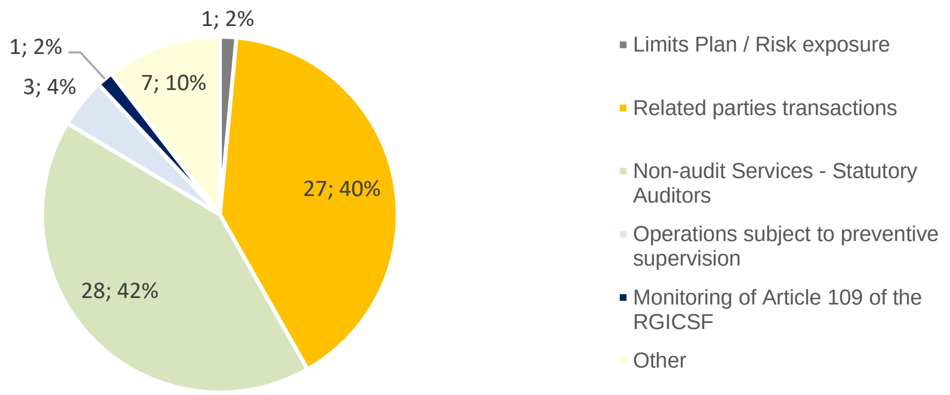
Generally, the activity plan defined for 2023 was accomplished, with some of the activities identified in the plan having been rescheduled, which are considered for inclusion in the activity plan for 2024.

In addition, unplanned activities were carried out arising from the necessity of the Audit Committee's intervention, for purposes of the issue of an opinion on specific transactions involving the sale of assets, financial and loan operations, transactions with related parties, alteration of risk limits, and other operations.

The Audit Committee also commented, in September 2023, on the disposal of the license of Montepio Investimento ("Banco de Empresas Montepio" – "BEM").

In 2023, the Audit Committee held 18 meetings and issued 67 opinions, all approved unanimously[1]:

Graph 1 - Audit Committe 2023 opinions (term of office 2022-2025)



Note: It should be noted that the above opinions are autonomous opinions and do not exhaust the opinions issued by this Committee. In addition to these, are the opinions issued by the Audit Committee in minutes, in the context of the respective meetings.

Under the supervision of the governance and internal control systems, the Audit Committee issued and submitted, on 22 December 2023, to Banco de Portugal, the assessments inherent to the Individual and Group Self-Assessment Reports – pursuant to Notice no. 3/2020 – and to the Securities Market Commission ("CMVM") pursuant CMVM Regulation no. 9/2020 (amended by CMVM Regulation no. 7/2022).

5.1. Audit by the Statutory Auditor (ROC)

The Audit Committee, as part of its supervision of the Statutory Auditor, monitored the work carried out, appraised the reports and memoranda issued, namely:

i. Approval of the External Auditor's activity plan and monthly follow-up of its execution;

ii. Appraisal of the Desktop Review – Individual and consolidated accounts with reference to 31 March 2023, which included i) the identification of the main variations; ii) the investigation and justification of unusual variations; and iii) specific analyses of risk areas;

iii. Appraisal of the conclusions of the limited review of the individual and consolidated financial statements of Banco Montepio with reference to 30 June 2023;

[1] The situations in which some Audit Committee members were excused from giving opinions in situations of potential conflict of interest were duly identified.

iv. Appraisal of the conclusions of the statutory audit of the individual and consolidated financial statements of Banco Montepio and its subsidiaries with reference to 31 December 2023 (Legal Certification of Accounts);

v. Appraisal of the report with the conclusions on the processes of preparation of prudential and financial reporting that were selected in the year, Article 56(1)(f) of Notice no. 3/2020, of the Opinion on issuance of the assurance statement on the processes of preparation of prudential and financial reporting[2] and Opinion on issuance of the assurance statement on the processes of preparation of publicly disclosed information, and on Banco Montepio's appropriate compliance with the duties of public disclosure[3];

vi. Regular monitoring of Banco Montepio Group's credit portfolio impairment report – 31 December 2022, issued on 24 April 2023;

vii. Follow-up to the report on the impairment of Banco Montepio Group's credit portfolio — 30 June 2023 issued on 31 October 2023;

viii. Monitor the follow-up work on the evolution of the implementation of the recommendations reported in the Self-Assessment Report, with reference to 30 November 2022;

ix. Assessment of the performance and control functions activities for the purpose of providing an opinion on the quality of performance and adequate independence of control functions; and

x. Issuance of Memorandum on the Assessment of the Internal Control System - Limited Statement of Assurance issued by PwC, with reference to 30 November 2023.

5.2. Supervision of the Internal Audit Function

The Audit Committee carried out the analysis of the quarterly reports of the Internal Audit Division ("DAI") and the monthly analysis of the specific internal audit reports issued by the Internal Audit Division.

The Audit Committee appraised the analyses of reports of the internal audit function of the parent company, the specific internal audit reports and other activities, and the reports issued in the Group context. Special reference is made to the audits on the coherency of the Group's Internal Control System, the annual assessment reports on the performance of the Management and Supervisory bodies of the subsidiaries, the annual assessment reports on Conduct and Organisational Culture of the subsidiaries, the audit reports on the compliance with the remuneration policies of Banco Montepio Group entities, and the audit report on the preparation, monitoring and executing process of the 2023 Recovery Plan.

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[2] As required in Article 56(1)(f) of Banco de Portugal Notice no. 3/2020.
[3] Pursuant to Article 56(1)(g) and (h) of Banco de Portugal Notice no. 3/2020, respectively.

The Audit Committee appraised and approved the annual Internal Audit Plans for 2024 for the Banco Montepio and Banco Montepio Group entities on 13 December 2023. The Internal Audit Independence Report was also appraised (pursuant to Article 32(1)(d) of Banco de Portugal Notice no. 3/2020).

5.3. Supervision of the Risk Management Function

Under its follow-up of the Risk Management Function, the Audit Committee carried out the quarterly analysis of the evolution of the activity plan of the Risk Division ("DRI") and the periodic analysis of the specific reports issued by the Risk Division, namely:

- Issuance of an opinion on the review of the Internal Regulations of the Risk Management Function (PLT 7/2023);
- Analysis of the Reports on the 2022 Internal Capital Adequacy Assessment Process (ICAAP) exercise and 2022 Internal Liquidity Adequacy Assessment Process (ILAAP) exercise;
- Monitoring by the Audit Committee of the limits foreseen in Article 109 of the RGICSF, carried out on a monthly basis and reported quarterly to Banco de Portugal;
- Appraisal and issuance of an opinion on the Risk Management Function Activity Plan 2023;
- Assessment of the materiality of risks;
- Appraisal of the quarterly monitoring reports of the Risk Appetite Statement (RAS);
- Monthly analysis of the Solvency, Liquidity Risk, and Real Estate Risk reports;
- Analysis of the quarterly Credit Risk, Pension Fund, Operational Risk, Foreign Exchange Risk, Bank Portfolio Interest Rate Risk and Market Risk reports;
- Analysis of the weekly capital and liquidity monitoring report;
- Monitoring the Risk Management Function 2023 Activity Plan and the deficiencies;
- Analysis of the Market Discipline report.

In addition, an overall review of Risk Management and Monitoring Policies was carried out, highlighting in 2023 the following (review or implementation of new Policies) on which the Audit Committee issued an opinion:

- Real Estate Risk Management Policy;
- Information Technology Risk Management Policy;
- Credit Risk Management Policy;
- Investment Policy and Market Risk Management;
- Banco Montepio Group Risk Management Policy;
- Business Model/Strategy Risk Management Policy;
- Banco Montepio Group's Risk Appetite Policy;
- Default Exposure Policy, Non-Performing Exposure (NPE), Default Exposure;

- Business Continuity Management Policy;
- Operational Risk Management Policy;
- Capital Risk Management Policy;
- Foreign Exchange Risk Management Policy;
- ESG Risk Management Policy;

In addition to the appraisal and issuance of opinions on policies related to material risks, and the monitoring of the activity carried out by the Risk Management Function, reflected in the reports listed above, the Audit Committee, within the scope of its competencies to supervise the effectiveness of the risk management system, carried out the following activities:

- Analysis and issuance of an opinion on the Banco Montepio Group's 2023 Recovery Plan, as part of the annual review, prepared to ensure alignment with other management and risk mechanisms and instruments, such as the Risk Appetite Statement (RAS), ICAAP, ILAAP, the contingent management mechanisms related to the Business Continuity Plan and the Solvability Plan.
- Appraisal of the Risk Independence Report (pursuant to Article 27(1)(s) of Banco de Portugal Notice no. 3/2020);
- Analysis of the status of activities within the scope of the resolvability exercise.

The Audit Committee was also made aware of the List of Related Parties prepared by the Risk Management Function in accordance with Banco de Portugal Notice no. 3/2020.

5.4. Supervision of the Compliance Function

In the context of monitoring the effectiveness of the internal control system, in particular in the context of risks related to compliance, money laundering and financing of terrorism, the Audit Committee followed the activity carried out by the Compliance area, appraising and issuing opinions, whenever applicable, on the following matters:

- Appraisal and issuance of an opinion on the Compliance Plan 2023;
- Follow-up of the 2023 Compliance Function Activity Plan and deficiencies;
- Analysis of monthly and quarterly reports of the Compliance Division;
- Appraisal and issuance of an opinion on the revision of the Organic Statute of the Compliance Division;

- Appraisal and issuance of an opinion on the Regulations of the Compliance function;
- Appraisal and issuance of an opinion on the Report on Prevention of Money Laundering and Financing of Terrorism – 1 January to 31 December 2022;
- Appraisal of the report on the monitoring of the collection and conservation of the Fund Movement Declaration (DMF);
- Appraisal of the Compliance Independence Report (pursuant to Article 28(1)(p) of Banco de Portugal Notice no. 3/2020);
- Approval of the Report on Communication of Irregularities under Banco de Portugal Instruction no. 18/2020, which was submitted to the Supervisor on 22 December 2023.
- Appraisal of the critical Review of the operations examined by the Compliance Division under prevention of money laundering and financing of terrorism. Regarding the review of regulations, special reference is made to the Audit Committee's approval, during the period, of the following policies concerning compliance:
    - Policy on Selection and Appointment of the Statutory Auditor;
    - Policy on identification and management of transactions with related parties;
    - Policy on processing of insurance policy holders, insured persons, beneficiaries or injured third parties;
    - Policy on Prevention of Money Laundering and the Financing of Terrorism;
    - Policy on Sanctions;
    - Policy on Customer Acceptance and Maintenance;
    - Policy on Safeguarding Assets.

Reference is also made to the follow-up in 2023 of different topics concerning Prevention of Money Laundering and, in particular, on 23 February 2023, the issuance of the Opinion on the Internal Control System regarding the Prevention of Money Laundering and Financing of Terrorism ("RPB"), in compliance with the legal and regulatory rules in force, namely the requirements of that system, defined in Banco de Portugal Notice no. 2/2018[4].

5.5. Monitoring the Internal Control Deficiency Resolution Plan

As part of its functions and responsibilities in terms of overseeing the effectiveness of internal auditing, risk management, internal control and compliance systems, the Audit Committee regularly monitors the Internal Control Deficiency Resolution Plan, whose implementation is followed by the Internal Control Office ("GCI").

[4] Repealed by Banco de Portugal Notice no. 1/2022, dated 6 July 2022, in force since 5 August 2022.

5.6. Supervision of the process of preparation and disclosure of financial information

Under its competencies in terms of overseeing the quality and integrity of the financial information, during 2023, the Audit Committee ensured the monthly follow-up of the financial statements, on an individual and consolidated basis, as well as the results and main financial indicators, and the 2022 accounting closing process, having issued an opinion on the Individual and Consolidated Financial Statements for 2022.

The Audit Committee analysed Individual and Consolidated Financial Statements for 2023 on a quarterly basis and the Annual Report and Accounts on a half-yearly basis, on which it issued opinions, and is monitoring the process of closing the 2023 accounts.

The Audit Committee has also maintained the process of follow-up and monitoring of SREP measures in collaboration with the Accounting and Financial Reporting Division throughout 2023.

In addition, the Audit Committee analysed the information related to the Futuro's Pension Fund Report, presented by the Accounting and Financial Reporting Division.

5.7. Monitoring the Strategic Plan and budget execution

In the context of Strategic Planning and Control, the Audit Committee ensured the quarterly follow-up of the Strategic Plan and budget implementation, including control of the Funding & Capital Plan and Budget objectives, activities, and risk, prudential capital and liquidity, efficiency and profitability indicators.

On 14 December 2023, the Audit Committee issued an opinion on the Activity Plan and Budget for 2024-2026, focusing, among other aspects, on the assumptions underlying the exercise and respective grounds, the analysis of conjunctural risks, expected evolution of results and activity indicators. The Audit Committee concluded on the alignment of the proposed goals with the guidelines and goals formulated in the Mission Charter approved by the Bank's General Meeting on 29 April 2022, and convergent with the medium-term goals, namely in terms of growth, efficiency, maintenance of adequate levels of liquidity and capital and increased profitability, in addition to their alignment with the specific plans related to capital planning.

5.8. Monitoring of non-productive assets

The Credit Recovery Division ("DAC") presents a Credit Recovery Overview to the Audit Committee every six months, in accordance with the defined plan. In this context, the reports presented by the Strategic Planning and Control Division on the control of Non-Performing Loans (NPLs) and on real estate activity are also appraised by the Audit Committee on a quarterly basis.

5.9. Participation in delegated Commissions and other work meetings

- **Internal Control Commission (COMCI)**

Participation of the Audit Committee's Chair, Clementina Barroso, as an advisory member, in five meetings of the Internal Control Commission.

- **Irregularities Commission**

The Irregularities Commission (COMIR) is a structure designated by the Audit Committee, to which it has delegated competencies concerning the procedures for receiving communications of irregularities foreseen in the Policy on Communication of Irregularities. Therefore, the main mission of the Irregularities Commission is to support the Audit Committee, ensuring autonomy and transparency in the processing of the irregularities received at Banco Montepio under the aforesaid Policy on Communication of Irregularities. Composed of the directors of the Compliance Division and Internal Audit Division and chaired by a member of the Audit Committee (Maria Lúcia Bica), the Irregularities Commission took office in January 2023, and held a total of 9 meetings throughout 2023. In 2023, the Audit Committee analysed 4 reports drafted and submitted by the Irregularities Commission related to the processing of the communications of irregularities that were received, including previous periods, and ended the year having closed all the communicated irregularities.

6. Decisions and recommendations issued

A series of decisions of the Audit Committee were implemented, by the areas, during 2023, in particular those related to the different opinions on the Policies referred to above. Recommendations were also issued, aimed at enhancing the indicators, methodologies of analysis and monitoring, development and timeliness of processes.

The control of the implementation and adoption of the decisions and recommendations is carried out at all the formal meetings of the Audit Committee.

7. Conclusion

The Audit Committee highlights the good institutional cooperation in the relations established with the Board of Directors, the Executive Committee, the Risk Committee, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, the Divisions and Offices belonging to the Institution's organic structure and the Statutory Auditor– PwC, as well as with the Supervisor.

The Audit Committee notes, with great appreciation, the sense of cooperation, technical quality and dedication to CEMG | BM of those responsible and employees of the Organic Structure with which it works directly.

Finally, the Audit Committee highlights the appropriateness and timeliness of all the written and oral information that was provided to it, indispensable support to the performance of the competencies and responsibilities inherent to its activity, a fact that greatly contributed to its proper operational functioning as a supervisory body.

Lisbon, 30 January 2024

The Audit Committee

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Clementina de Jesus Silva Barroso
(Chairman)

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Florbela dos Anjos Frescata Lima

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Maria Cândida de Carvalho Peixoto

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Maria Lúcia Ramos Bica

OPINION OF THE AUDIT COMMITTEE ON THE REPORT AND ACCOUNTS FOR THE FINANCIAL OF YEAR 2023

1. The Audit Committee, under regulatory terms and within the scope of its statutory powers, and in accordance with the respective Regulations, reviewed the Management Report and the Individual and Consolidated Financial Statements and respective Explanatory Notes to the Financial Statements ("Report and Accounts") for the year ended 31 December 2023 of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio"), approved by the Board of Directors.

2. The Audit Committee considered the Additional Report to the Supervisory Body ("RAOF"), issued by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PwC") as well as the Legal Certification of Accounts ("CLC") and the Audit Reports on the Financial Statements for the year ended 31 December 2023, on an individual and consolidated basis, which do not contain any reservation or emphasis. According to the Legal Certification of Accounts issued on an individual and consolidated basis, the PwC audit was carried out in conformity with the International Standards on Auditing ("ISA") and other technical and ethical standards and guidelines established by the Association of Statutory Auditors.

3. The Audit Committee monitored the preparation of the Report and Accounts, drawn up in accordance with the International Financial Reporting Standards adopted in the European Union ("IFRS"), for the financial year ended 31 December 2023, having attended the Executive Committee's meeting that approved the respective final version for submission for approval by the Board of Directors. In the preparation of this opinion, the Audit Committee requested all the information and clarifications it deemed relevant to comply with the applicable legal and statutory rules, questioning the people in charge, including the Executive Director in charge of Finance, the Director of Accounting and Financial Reporting, the Director of Strategic Planning and Control, the Director of Risk, the Director of Compliance, the Company Secretary and the Statutory Auditor.

4. To the best of the Audit Committee's knowledge, the Individual and Consolidated Financial Statements were prepared in accordance with the applicable Accounting Standards in force on 31 December 2023, reporting, truthfully and appropriately, in all material respects, the financial situation and results of Banco Montepio and the companies included in its consolidation perimeter. Likewise, and under identical assumptions, the Audit Committee considers that the Management Report

describes the evolution of the business, performance, and financial position of Banco Montepio and of the companies included in the consolidation perimeter, and contains a description of the relevant risks to which they are exposed and of the challenges they face.

5. The Legal Certification of Accounts and the Audit Reports on Banco Montepio's individual and consolidated financial statements were prepared according to the formats resulting from Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014, and of Law no. 140/2015 of 7 September, and include the “Relevant Audit Matters”, which the PwC identified as being:
   (i) Impairment losses on loans and advances to customers;
   (ii) Measurement of real estate properties received by way credit recovery;
   (iii) Recoverability of the deferred tax assets;
   (iv) Fair value of financial instruments not listed in active markets – level 3 of the fair value hierarchy;
   (v) Liabilities related to pensions and other benefits;
   (vi) Provisions and contingent liabilities.

   The issues in question were systematically monitored by the Audit Committee of Banco Montepio, as evidenced in its minutes.

6. In conclusion, the Audit Committee agrees with the content of the Legal Certification of Accounts and Audit Reports prepared by PwC and gives a favourable opinion to the Banco Montepio Report and Accounts, which includes the financial statements, on an individual and consolidated basis, for the year ended 31 December 2023, approved on 15 April 2024 by the Board of Directors.

7. In view of the above, taking into account the information provided to it, its supervisory action and not being aware of any circumstance that hinders the issuance of this opinion, and in compliance with the provisions in Article 423-F(1)(g), in Article 420(5) and (6), *ex vi* of Article 423-F(2), all of the Commercial Companies Code (CSC), the Audit Committee is of the opinion that the General Meeting of Banco Montepio should approve:
   a) the Report and Accounts, including the various individual and consolidated financial statements for the year ended 31 December 2023;
   b) the information on corporate governance for the financial year 2023, included in the Report and Accounts, in accordance with the applicable legal provisions;

c) the proposal for the appropriation of net income presented by the Board of Directors in its management report.

which are in accordance with the applicable accounting, legal, and statutory provisions.

Finally, the Audit Committee expresses its thanks to the Board of Directors, the Executive Committee and the managers and employees of the various departments, as well as the Audit Firm, for the collaboration and work carried out within the scope of their respective duties.

Lisbon, 15 April 2024

The Audit Committee

Clementina de Jesus Silva Barroso (Chairman)

Florbela dos Anjos Frescata Lima

Maria Cândida de Carvalho Peixoto

Maria Lúcia Ramos Bica

Banco Montepio

Audit Committee

Self-Assessment Report Summary (Group)

for the period from 01 December 2022 to 30 November 2023

This document is submitted pursuant to Article 60(1) of Banco de Portugal Notice no. 3/2020 (hereinafter referred to as “Notice no. 3/2020” or “Notice”) and is intended to be published as an annex to the annual financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “Banco Montepio” or “Bank”).

The Annual Self-Assessment Report (hereinafter abbreviated as “Report”), prepared in accordance with the provisions of Article 54 of Notice no. 3/2020 and Banco de Portugal Instruction no. 18/2020 (hereinafter “Instruction no. 18/2020” or “Instruction”), includes the assessments of the Group’s Supervisory Body and Management Body, pursuant to Article 56 of the Notice, approved, respectively, at the Audit Committee (“CAUD”) meeting of 20 December 2023 and Board of Directors (“CA”) meeting of 22 December 2023, and contains the results of the assessment carried out by Banco Montepio, as the parent company of the Banco Montepio Group (hereinafter abbreviated to “Group” or “GBM”), on the adequacy and effectiveness of the organisational culture in force at the Group and its instituted governance and internal control systems, as well as the coherence between the internal control systems of subsidiaries and the internal control system of the parent company, with reference to the period from 1 December 2022 to 30 November 2023.

The Report includes a description of the Group's organisational structure and governance model, which are considered to be aligned with the best practice in the market in terms of corporate governance, as well as a description of the functioning of the corporate internal control functions and identification of the persons responsible for them.

In this regard, it should be noted that, in 2023, GBM completed the sale of the entire equity stake and voting rights held in Finibanco Angola, S.A. Likewise, it should be highlighted that, with the completion of the transfer of the business of Montepio Investimento, S.A. (Banco de Empresas Montepio – “BEM”) to Banco Montepio (Carve-Out), the governance and internal control structure of BEM was adjusted, in accordance with a the judgement of proportionality, in view of the reduction of its activity and balance sheet, up to the closing date of the equity stake’s sale, ensuring compliance with the legal and regulatory reporting obligations applicable to BEM[1].

Furthermore, the Group Report includes the current situation of the measures defined in the Gap Analysis carried out in 2021, relative to compliance with Notice no. 3/2020, and which continued outstanding on the reference date of 30 November 2023. On the other hand, the Group Report includes an overall analysis of the internal control deficiencies of all the Group entities, which includes the description and characterisation of the outstanding deficiencies on the reference date with a high-risk classification.

During the preparation of the Group Report, the individual self-assessment reports of the Group entities subject to compliance with the Notice and Instruction were incorporated, which in turn include the annual self-assessment/independence reports of those responsible for the risk management, compliance and internal audit functions, pursuant to Articles 27, 28 and 32, respectively, of the Notice. In these annual self-assessment reports, the independence of each of the internal control functions is confirmed by the respective persons in charge. The Report also considered the assessments of the Supervisory and Management Bodies of the different Group entities covered, pursuant to Articles 56 and 57 of the Notice, respectively.

Likewise, the Report considered the assessments of the Supervisory and Management Bodies of the different Group entities covered, pursuant to the requirements defined in the Notice.

Under the assessment of the Supervisory Body of the Group's parent company, the Audit Committee of BM concluded, based on the information and clarifications provided, the evidence analysed and the assessments made, that, although there are opportunities to improve the governance and internal control system itself, as well as in the process of remedying deficiencies in the entities and Group, it finds that the principle of coherence is reasonably applied at the level of organisational culture and the governance and internal control systems as a whole within the Group.

In turn, under the assessment of Management Body of the Group's parent company, the Board of Directors of BM, having analysed the F3 or other deficiencies that, as a whole together, could jeopardise the Group’s control environment, and based on the work and assessment carried out (where no deficiencies are classified as level F4 – severe), it was concluded that

[1] In this regard, it is stressed that the Individual Self-Assessment Report of BEM was drawn up pursuant to the terms agreed with Banco de Portugal, namely, via submission, on 12 February 2024, of the simplified model indicated by Banco de Portugal.

the Group's internal control system is adequate and efficient, in view of the requirements defined in the Notice.

Lisbon, 10 April 2024

The Audit Committee

Clementina de Jesus Silva Barroso (Chairman)

Florbela dos Anjos Frescata Lima

Maria Cândida de Carvalho Peixoto

Maria Lúcia Ramos Bica

Banco Montepio

Audit Committee

Self-Assessment Report Summary (Individual)

for the period from 1 December 2022 to 30 November 2023

This document is submitted in compliance with Article 60(1) of Banco de Portugal Notice no. 3/2020 (hereinafter referred to as "Notice") and is intended to be published as an annex to the annual financial statement documents of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as "Banco Montepio" or "Bank").

The Annual Self-Assessment Report (hereinafter referred to as "Report"), prepared in accordance with the provisions of Article 54 of Notice no. 3/2020 and Banco de Portugal Instruction no. 18/2020, includes the Assessment of the Supervisory Body, pursuant to Article 56, approved at the Audit Committee ("CAUD") meeting of 20 December 2023, the Assessment of the Management Body, pursuant to Article 57 of the Notice, approved at the Board of Directors ("CA") meeting of 22 December 2023, and contains the results of the assessment carried out by Banco Montepio on the adequacy and effectiveness of the organisational culture in force at the Institution and its governance and internal control systems, including remuneration practices and policies and other matters covered in Notice no. 3/2020, with reference to the period from 1 December 2022 to 30 November 2023.

The Report describes Banco Montepio's organisational structure and governance model, and the methodology underlying the continuous monitoring of the Internal Control System, with particular attention to the review of the internal Control Policy, in the reference period, with a view to strengthening the efficacy and timeliness of the process of resolving shortcomings, aligning the implementation times according to the severity, possible IT development needs and complexity of their resolution.

Additionally, this Report also presents an overall analysis of the internal control deficiencies, which includes the description and characterisation of the outstanding deficiencies on the reference date. The findings indicate not only a downward trend in the number of outstanding deficiencies remedied, but also a decreasing trend in the stock of deficiencies and in their risk level, which shows the favourable evolution and strengthening of Banco Montepio's internal governance system and its compliance with Notice no. 3/2020, with every effort being maintained to ensure its ongoing improvement.

The Report's preparation involved the drafting of the annual self-assessment reports of the Risk Management, Compliance and Internal Audit Functions, pursuant to Articles 27, 28 and

32 of Notice no. 3/2020, which confirm the inexistence of constraints that materially compromise, both currently and possibly in the future, the independent performance of those functions, and describe the deficiencies pointed to each of the control functions referred to above.

Regarding the assessment carried out pursuant to Article 56 of Notice no., the Audit Committee, based on the work carried out and the information collected, concluded:

- On the adequacy and effectiveness of the organisational culture and its governance and internal control systems, in all materially relevant aspects, in accordance with the requirements established in Notice no. 3/2020. Here, it should be noted that, during the reference period, in compliance with the provisions in Article 3(3) of the Notice, the Audit Committee promoted, in articulation with the Board of Directors, an independent assessment on its own conduct and values, carried out by an entity outside the institution. The conclusion drawn from this assessment was that the conduct and culture of Banco Montepio and its Management and Supervisory Bodies is appropriate;
- That there are still deficiencies whose current and potential impacts have been considered for the purposes of the conclusions drawn above, but which require implementation of the appropriate procedures and controls with a view to the continuous strengthening of the organisational culture and of the governance and internal control systems, in order to ensure the full adoption of the requirements set out in Notice no. 3/2020;
- That it is aware of the deficiencies classified as high-risk (F3), with this classification being considered appropriate in view of the methodology for classification of deficiencies defined at the Group level, and reported in conformity with Article 2(c) of Banco de Portugal Instruction no. 18/2020;
- For the adequacy of the quality, performance and independence of the internal control functions, including the operational tasks that are subcontracted to the level of the internal control functions;
- That the processes for preparing prudential and financial reports, including those carried out under the Committee's Implementing Regulation (EU) no. 680/2014 of 16 April 2014, during the reference period, are reliable;
- That the processes for preparing information released to the public by the Bank under applicable laws and regulations, including financial and prudential information, are reliable;
- That all duties to publish information released to the public by the Bank under applicable laws and regulations, which relate to matters set out in Notice no. 3/2020, were adequately fulfilled during the reference period.

Banco Montepio

Audit Committee

In view of the work carried out and the available information, identified in the Self-Assessment Report, and considering the opinion issued by the Audit Committee, the Board of Directors of Banco Montepio issued an opinion considering that the organisational culture, the governance and internal control systems, the remuneration practices and policies, and the other matters discussed in Notice no. 3/2020, in force at Banco Montepio, reveal an adequate and effective response to the requirements defined by the Notice, taking into account the internal control deficiencies identified by the Bank's control functions, by the External Auditor and by the Supervisory Entities, in particular those classified as F3 or others that, taken together, cast doubt on the Bank's risk profile.

Lisbon, 10 April 2024

The Audit Committee

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Clementina de Jesus Silva Barroso (Chairman)

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Florbela dos Anjos Frescata Lima

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Maria Cândida de Carvalho Peixoto

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Maria Lúcia Ramos Bica

EXTERNAL AUDITOR REPORTS

REPORT AND ACCOUNTS

Banco Montepio

2023

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio", "Banco" or "Grupo"), which comprise the consolidated balance sheet as at 31 December 2023 (which shows total assets of Euros 17.989.455 thousand and total shareholders' equity of Euros 1.566.471 thousand including a consolidated net gain attributable to the shareholders of Euros 28.366 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco Montepio as of 31 December 2023, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law, we are independent of entities that make up the Group, and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	*Summary of the Audit Approach*
Impairment losses on loans and advances to customers *Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point c), 13, 21 and 53 attached to the consolidated financial statements of the Bank* As of 31 December 2023, the gross amount of loans and advances to customers amounts to Euros 11.734.214 thousand and the corresponding impairment losses recognized at that date amounts to Euros 280.955 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements, in particular the adaptation to complex macroeconomic scenarios, from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount, justify that this has been a key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the loan's portfolio and for the remaining portfolio determined through collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual impairment quantification analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of its credit risk since the date of its recognition and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the economic context and	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, and the timely identification, measurement and recording of impairment losses. On a sample basis, we have analyzed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the staging analysis and in the impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk or default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its internal regulations. For a sample of exposures representative of the credit population subject to individual analysis by the Bank as of 31 December 2023, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the debt service payment capacity; (iii) examining the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. In the specific case of the individual impairment measurement (*stage* 3), we performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for the purpose of impairment quantification with the respective agreements (ii) the most relevant collaterals and its most recent appraisals and confirming the registration of them in favour of the Bank; and (iii) the discounted cash flows underlying the impairment determination.

Key Audit Matter	*Summary of the Audit Approach*
simultaneously to incorporate a perspective of future economic evolution, these models also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the housing price index, (iv) the expected variation rate of the private consumption; or (v) the prospects for the evolution of exports of goods and services. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment of the Bank’s loan portfolio, based on a probability of occurrence. The specificity and uncertainty of the current macroeconomic and geopolitical situation led to an increase in the complexity of determining impairment losses. In these circumstances, the internal models developed by the Bank were adapted to incorporate new criteria and other judgments, specifically, updating the information in order to reflect the potential effects of the current adverse macroeconomic context, guided by the persistence of a high degree of geopolitical uncertainty, with risks predominantly of an external nature, as well as the reflection of the expected relationship of this information with the risk parameters of the collective analysis models developed by the Bank. Considering the above, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses of the customer loan portfolio, as well as different recovery strategies, condition the estimate of recovery flows and the timing of their receipt, and may have relevant impacts on the amount of impairment losses determined at any given time.	Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria considered for the exposures with moratoria conditions; (iv) review and testing of the main risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) the analysis of the documentation of the backtesting exercise of the risk parameters and its results, when available; (vii) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (viii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2023. Additionally, for a sample of relevant sales operations carried out during the year, our procedures also included obtaining the documents that formalized these operations and analyzing the impact reflected in the Bank´s financial statements. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented in the Bank’s accompanying notes to the consolidated financial statements, considering the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
Measurement of properties received by credit recovery *<u>Measurement and disclosures related to the valuation of properties presented in notes 1 point h) and 33 attached to the consolidated financial statements of the Bank</u>* As of 31 December 2023, the net value of real estate properties received in respect of loan recovery and registered in Other assets amounts to Euros 205.530 thousand. According with the policies in force at the Group, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Group's consolidated balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management body for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	The audit procedures developed included the assessment of the key controls implemented by the Group to identify the real estate properties with impairment risk, to determine the corresponding amounts of impairment losses. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Group, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Group's accompanying notes to the consolidated financial statements, considering the applicable accounting standards
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 1 points t) and 32 attached to the consolidated financial statements</u>* In the Bank's consolidated balance sheet as of 31 December 2023, the deferred tax assets amounts to Euros 389.338 thousand, of which the recoverability of Euros 337.149 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 35.485 thousand related to the impairment losses for loans and guarantees; (ii) Euros 29.495 thousand related to other impairment losses, provisions and other taxed amounts; (iii) Euros 40.606 thousand related to employee benefits and; (iv) Euros 231.563 thousand originated by tax losses.	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonabless of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2024-2034, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter.

Key Audit Matter	*Summary of the Audit Approach*
According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Despite the extension of the time horizon for recovering tax losses, the management body carried out the recoverability analysis of deferred tax assets and based it on projections of the Bank's activity and results for the period from 2024 to 2034. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the consolidated financial statements and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, our internal specialists in tax matters. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Fair value of financial instruments measured at fair value not listed in an active market – level 3 of the fair value hierarchy *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 47 attached to Bank's consolidated financial statements.* As of 31 December 2023, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 155.636 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income; (ii) derivatives classified as financial assets held for trading; and (iii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and data to be used. Due to its expression in the context of the Bank's consolidated financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of financial instruments whose measurement was substantially based on unobservable data (level 3 of the fair value hierarchy), our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes annexed to the Bank's consolidated financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits	

Key Audit Matter	*Summary of the Audit Approach*
Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point s), 10, 33 and 48 attached to the consolidated financial statements of the Bank.	
As of 31 December 2023, the liabilities resulting from past services of the Group in relation to its pensioners, employees and directors amounts to Euros 762.302 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement ("Acordo Coletivo de Trabalho") of Banco Montepio. These responsibilities are mostly financed by allocated pension funds, whose asset value at the end of 2023 financial year amounts to Euros 812.730 thousand. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority. These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behavior of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. Thus, this subject was considered a key matter for the purposes of our audit.	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the pension fund's assets fair value estimation process. The audit work included the analysis of the actuarial study prepared by the independent actuary with reference to 31 December 2023 and the performance of meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained, when available. A compliance review was also performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the Pension Fund's assets, independently calculating its value for a sample of assets; and (iv) the variation throughout the year in the Pension Fund surplus recorded and analysis of the respective conclusions obtained by the Bank to recognize this value. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities	
Measurement and disclosures related to contingent liabilities presented in notes 1 point v) and 56 attached to the consolidated financial statements of the Bank.	
From the contingent liabilities disclosed in note 56 attached to the consolidated financial statements of the Bank as of 31 December 2023, highlights the process of administrative offense initiated by the Competition Authority. In 2012, the Competition Authority initiated an administrative infraction proceeding against a number	The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank with regard to the identification and monitoring of contingent liabilities. In view of the relevance and complexity of the judgments required by the management body, within

Key Audit Matter	*Summary of the Audit Approach*
of banks, including Banco Montepio, for alleged practices that restrict competition. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of 13 million euros was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision ("TCRS"). On 21 December 2020, by decision of the aforementioned Court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. On April 28, 2022, the TCRS issued a decision in which it analyzed the facts that were proved, but did not rule on any sanctions, suspending the process and proceeding with a preliminary ruling to the Court of Justice of the European Union ("TJUE"), to which it was raised the question of knowing whether the facts given as proven meet the necessary characteristics to be able to constitute the infringement of the competition rules said "by object" imputed to the banks. As of this date, the decision of the TJUE is still unknown. The financial statements as at 31 December 2023 reflect the expectation of the management body that the probabilities that the process initiated by the Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite happening. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party and, to that extent, this was a matter considered relevant for the purposes of our audit.	the scope of our audit we carried out, among others, the following procedures in relation to the process initiated by the Competition Authority, (i) an analysis of the Bank's assessment of the nature and status of the aforementioned process, and (ii) an assessment of the information obtained from the Bank's external lawyers who monitor the process. We also analyzed the information available on developments regarding the aforementioned process after 31 December 2023. Our audit procedures also included a review of the disclosures on contingent liabilities, contained in the notes annexed to the Bank´s financial statements, considering the accounting standards applicable and in force.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' report and the non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group’s ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank’s ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group’s financial information.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) we obtain sufficient and appropriate audit evidence relating to the financial information of entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one’s were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors’ report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Directors' report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Group's consolidated financial statements for the year ended on 31 December 2023 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the consolidated financial statements, in XBRL format using iXBRL technology. the identification and assessment of the risks of material misstatement associated with the marking of information in the consolidated financial statements, in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the Bank to mark the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation. In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Consolidated Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Directors' report the non-financial statement set forth in article No. 508-G of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021, keeping us in office until the present period. Our last election took place at the general shareholders' meeting held on 28 April 2023 for the term between 2023 and 2025.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of the same date; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Group in conducting our audit.

15 April 2024

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

[Original in Portuguese signed by]

Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio" or "Banco"), which comprise the balance sheet as at 31 December 2023 (which shows total assets of Euros 18.574.768 thousand and total shareholders' equity of Euros 1.578.989 thousand including a net gain of Euros 106.545 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including material information about accounting policy.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Banco Montepio as of 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law, we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Impairment losses on loans and advances to customers *Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point b), 13, 20 and 49 attached to the financial statements of the Bank*	
As of 31 December 2023, the gross amount of loans and advances to customers amounts to Euros 11.560.118 thousand and the corresponding impairment losses recognized at that date amounts to Euros 266.913 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires the processing of a significant volume of data, a set of complex assumptions and judgements, in particular the adaptation to complex macroeconomic scenarios, from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount, justify that this has been key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the loan's portfolio and for the remaining portfolio determined through collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities and/or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual impairment quantification analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of its credit risk since the date of its	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, and the timely identification, measurement and recording of impairment losses. On a sample basis, we have analyzed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the staging analysis and impairment quantification ; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk or default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its internal regulations. For a sample of exposures representative of the credit population subject to individual analysis by the Bank as of 31 December 2023, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the debt service payment capacity; (iii) examining the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. In the specific case of the individual impairment measurement (*stage* 3), we performed a set of additional procedures that consisted of analyzing (i) the correspondence of the financing plans used for the purpose of impairment quantification with the respective agreements (ii) the most relevant collaterals and its most recent appraisals and

Key Audit Matter	***Summary of the Audit Approach***
recognition and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the housing price index, (iv) the expected variation rate of the private consumption; or (v) the prospects for the evolution of exports of goods and services. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment of the Bank's loan portfolio, based on a probability of occurrence. The specificity and uncertainty of the current macroeconomic and geopolitical situation led to an increase in the complexity of determining impairment losses. In these circumstances, the internal models developed by the Bank were adapted to incorporate new criteria and other judgments, specifically for updating prospective information in order to reflect the potential effects of the current adverse macroeconomic context, guided by the persistence of a high degree of geopolitical uncertainty, with risks predominantly of an external nature as well as the reflection of the expected relationship of this information with the risk parameters of the collective analysis models developed by the Bank. Considering the above, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses of the customer loan portfolio, as well as different recovery strategies, condition the estimate of recovery flows and the timing of their receipt, and may have relevant impacts on the amount of impairment losses determined at any given time.	confirming the registration of them in favour of the Bank; and (iii) the discounted cash flows underlying the impairment determination. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria considered for the exposures with moratoria conditions; (iv) review and testing of the main risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) the analysis of the documentation of the backtesting exercise of the risk parameters and its results, when available; (vii) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (viii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2023. Additionally, for a sample of relevant sales operations carried out during the year, our procedures also included obtaining the documents that formalized these operations and analyzing the impact reflected in the Bank's financial statements. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Measurement of properties received by credit recovery *Measurement and disclosures related to the valuation of properties presented in notes 1 point h) and 30 attached to the financial statements of the Bank*	
As of 31 December 2023, the net value of real estate	The audit procedures developed included the

Key Audit Matter	*Summary of the Audit Approach*
properties received in respect of loan recovery and registered in Other assets amounts to Euros 194.913 thousand. According with the policies in force at the Bank, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Bank's balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management body for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	assessment of the key controls implemented by the Bank to identify the real estate properties with impairment risk, to determine the corresponding amounts of impairment losses. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Bank, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 1 points s) and 29 attached to the financial statements of the Bank</u>* In the Bank's balance sheet as of 31 December 2023, the deferred tax assets amounts to Euros 397.316 thousand, of which the recoverability of Euros 345.127 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 35.312 thousand related to the impairment losses for loans and guarantees; (ii) Euros 38.574 thousand related to other impairment, provisions and other taxed amounts; (iii) Euros 40.313 thousand related to employee benefits and; (iv) Euros 230.928 thousand originated by tax losses. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Despite the extension of the time horizon for recovering tax losses, the management body carried	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonabless of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2024-2034, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, our internal

Key Audit Matter	***Summary of the Audit Approach***
out the recoverability analysis of deferred tax assets and based it on projections of the Bank's activity and results for the period from 2024 to 2034. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the financial statements and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	specialists in tax matters. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Fair value of financial instruments measured at fair value not listed in an active market – level 3 of the fair value hierarchy. *<u>Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 44 attached to the financial statements of the Bank.</u>* As of 31 December 2023, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 233.213 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income; (ii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and data to be used. Due to its expression in the context of the Bank's financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of instruments whose measurement was substantially based on unobservable data (level 3 of the fair value hierarchy), our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes annexed to the Bank's financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits *<u>Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point r), 10, 30 and 45 attached to the financial statements</u>*	

Key Audit Matter	*Summary of the Audit Approach*
of the Bank. As of 31 December 2023, the liabilities resulting from past services of the Bank in relation to its pensioners, employees and directors amounts to Euros 754.164 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement ("Acordo Coletivo de Trabalho") of Banco Montepio. These responsibilities are mostly financed by allocated pension funds, whose asset value at the end of the 2023 financial year amounts to 802.443 thousand Euros. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority. These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behavior of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. Thus, this subject was considered a key matter for the purposes of our audit.	 The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the pension fund's assets fair value estimation process. The audit work included the analysis of the actuarial study prepared by the independent actuary with reference to 31 December 2023 and the performance of meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained, when available. A compliance review was also performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the fund's assets, independently calculating its value for a sample of assets; and (iv) the variation throughout the year in the registered pension funds surplus and analysis of the respective conclusions obtained by the Bank to recognize this value. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities _Disclosures related to contingent liabilities presented in notes 1 point u) and 52 attached to the financial statements of the Bank._ From the contingent liabilities disclosed in note 52 attached to the financial statements of the Bank as of 31 December 2023, we would like to highlight the process of administrative offense initiated by the Competition Authority: In 2012, the Competition Authority initiated an administrative infraction proceeding against a number of banks, including Banco Montepio, for alleged	 The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank with regard to the identification and monitoring of contingent liabilities. In view of the relevance and complexity of the judgments required by the management body, within the scope of our audit we carried out, among others,

Key Audit Matter	*Summary of the Audit Approach*
practices that restrict competition. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of 13 million euros was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision ("TCRS"). On 21 December 2020, by decision of the aforementioned Court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. On April 28, 2022, the TCRS issued a decision in which it analyzed the facts that were proved, but did not rule on any sanctions, suspending the process and proceeding with a preliminary ruling to the Court of Justice of the European Union ("TJUE"), to which he raised the question of knowing whether the facts given as proven meet the necessary characteristics to be able to constitute the infringement of the competition rules said "by object" imputed to the banks. As of this date, the decision of the TJUE is still unknown. The financial statements as at 31 December 2023 reflect the expectations of the management body that the probabilities that the process initiated by the Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite happening. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party and, to that extent, this was a matter considered relevant for the purposes of our audit.	the following procedures in relation to the process initiated by the Competition Authority (i) an analysis of the Bank's assessment of the nature and status of the aforementioned process, and (ii) an assessment of the information obtained from the Bank's external lawyers who monitor the process. We also analyzed the information available on developments that occurred in the process after 31 December 2023. Our audit procedures also included a review of the disclosures on contingent liabilities, contained in the notes annexed to the Bank´s financial statements, considering the accounting standards applicable and in force.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' report and the non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

j) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

k) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

l) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

m) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

n) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

o) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

p) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

q) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Directors' report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Bank's financial statements for the year ended on 31 December 2023 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

c) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

d) the identification and assessment of the risks of material misstatement associated with the tagging of information in the financial statements, in XBRL format using iXBRL technology. the identification and assessment of the risks of material misstatement associated with the marking of information in the financial statements, in XBRL format using iXBRL technology.
This assessment was based on an understanding of the process implemented by the Bank to mark the information.

In our opinion, the financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation. In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Directors' report the non-financial statement set forth in article No. 66-B of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

e) We were first appointed auditors of the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021, keeping us in office until the present period. Our last election took place at the general shareholders' meeting held on 28 April 2023 for mandate between 2023 and 2025.

f) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;

g) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board as of the same date; and

h) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Bank in conducting our audit.

15 April 2024

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

[Original in Portuguese signed by]

Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

REPORT AND ACCOUNTS

CORPORATE GOVERNANCE REPORT

PART III

Banco Montepio

2023

CORPORATE GOVERNANCE REPORT

CONTENTS

INTRODUCTION

This Corporate Governance Report, relative to the financial year of 2023, is produced by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “CEMG” or “Banco Montepio”), in compliance with the duty to provide annual information on the corporate governance structure and practices, under the terms established in Article 70(2)(b) of the Commercial Companies Code (“CSC”) and Article 29-H of the Securities Code (“CVM”), as well as in observance of the principles and recommendations of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG), of which it is a member since October 2023.

This report, which is part of the annual management report, was produced in accordance with the various regulations and guidelines issued by the competent regulatory and supervisory entities concerning corporate governance, namely Securities Market Commission (CMVM) Regulation no. 4/2013 on Corporate Governance, the CMVM guidelines in the Circular “The supervision of the Corporate Governance recommendatory framework – new rules and procedures for 2019” of 11/01/2019 on Corporate Governance, Notice 3/2020 of Banco de Portugal, which regulates governance and internal control systems, and the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05).

PART I

A. SHAREHOLDING STRUCTURE

I. Capital structure

1. Capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of the shares not admitted to trading, different categories of shares, rights and obligations associated with shares, and the percentage of capital represented by each category

Banco Montepio is a “Caixa Económica Bancária” (Savings Bank) ruled by the “Regime Jurídico das Caixas Económicas” (Legal Framework of Savings Banks) (Decree-Law 190/2015 of 10 September). Founded in 1844 as Caixa Económica de Lisboa (and changed its name to Caixa Económica Montepio Geral in 1989), attached to Montepio Geral Associação Mutualista (“MGAM”), it upheld this condition for 171 years, until 2015, the year of entry into force of a new Legal System for Savings Banks (Decree-Law 190/2015), after which it became a “Caixa Económica Bancária” (Savings Bank).

Before the transformation into a public limited company, Banco Montepio’s capital was composed of institutional capital (2,020 million euros), corresponding to cash entries of Montepio Geral - Associação Mutualista, and a Holding Fund (400 million euros, of which 85.4% are held by Montepio Geral - Associação Mutualista).

The application of the new Legal System for Savings Banks gave rise, in 2017, to the transformation of CEMG into a public limited company and the corresponding changes to its brand, Articles of Association and governance model, with its capital, up until then designated as institutional capital, having been converted into ordinary shares representing the share capital.

From November 2017 onward, MGAM became the holder of almost all the shares of CEMG’s share capital. In 2018, the governance model was changed (from dualist to monist) and social sector entities entered into CEMG’s share capital, non-qualifying minor stakes.

As at 31 December 2023, Banco Montepio’s share capital stood at 1,210,000,000 euros, represented by 2,420,000,000 registered book-entry shares, each of the nominal value of 0.5 euros (fifty cents), of which 2,419,830,580 are held by Montepio Geral - Associação Mutualista (“MGAM”), which owns a qualifying holding of 99.99% in the share capital, with the remaining capital (0.01%), corresponding to 169,420 shares, being dispersed over 37 social economy entities (see point 7, below).

A reformulation of the equity headings was approved during an extraordinary General Meeting held on 10 February 2023, for the specific purpose of reinforcing the funds susceptible of being qualified by regulatory authorities as distributable, such as to cover negative retained earnings, by reducing the share capital by 1,210,000,000 Euros, without changing the number of existing shares or altering the total value of the net equity. This was achieved by reducing the nominal unit value of each share from 1.00 to 0.50 euro, with the subsequent change in Article 4(1) of the Articles of Association of Banco Montepio.

The shares that represent the share capital are all of the same type and category, conferring equal rights upon the respective holders, namely voting and profit-sharing rights. Under these terms, there are no shareholders with special rights.

2. Restrictions to the transfer of shares, namely consent clauses for the sale of shares or limitations on the ownership of shares

The Articles of Association of Banco Montepio do not establish any restrictions, of any type, to the transfer of shares, or any limitations on the ownership of shares.

3. Number of own shares and the corresponding percentage of share capital and voting rights

As at 31 December 2023, Banco Montepio did not have any own shares, having carried out an issuance and subsequent extinction by way of redemption throughout the period, as detailed below.

Under the integration of the business of Montepio Investimento, S.A. ("Banco de Empresas Montepio" or "BEM") into CEMG, framed in the Banco Montepio Group's simplification plan, at the extraordinary General Meeting held on 15 and 27 November 2023, a share capital increase was approved in the form of new entries in kind, underwritten by BEM, through the contribution, at the respective net book value of the portion of its assets allocated to the business to be transferred to CEMG. This was verified by the independent audit firm, in accordance with the report drafted pursuant to Article 28 of the Commercial Companies Code, with the share capital having shifted from 1,210,000,000.00 euros to 1,354,187,549.00 euros, through the issuance of 288,375,098 new ordinary, registered book-entry shares representing CEMG's share capital, each of the nominal value of 0.5 euros.

These new shares underwritten by BEM were framed under the regime for own shares, pursuant to Article 325-A(1) of the Commercial Companies Code.

The extraordinary General Meeting held on 29 December 2023 approved the share capital reduction from 1,354,187,549.00 euros to 1,210,000,000.00 euros, of the value of 144,187,549.00 euros, through the extinction by way of redemption of 288,375,098 ordinary, registered book-entry shares representing CEMG's share capital held by BEM, with the consent of the respective holder and pursuant to Article 6 of CEMG's Articles of Association.

4. Significant agreements to which the company is a party, which may come into effect, be amended or cease in the event of a change of control resulting from a public takeover bid, as well as the respective effects, unless this disclosure, due to its nature, causes serious harm to the company, with the exception of situations where the company is specifically obliged to disclose the information in question, by virtue of other legal imperatives

Banco Montepio has not signed any agreements whose coming into effect depends on any change to the Bank's shareholder structure following a public takeover bid, or which are amended or ceased as a result thereof.

Moreover, Banco Montepio is not a party in any significant agreements that determine any demand for payment or the incurring of expenses by the Company, in case of a change of control or alteration to the composition of the management body, which may be perceived as likely to compromise the free transfer of Banco Montepio's shares and the free assessment by the Shareholders of the performance of the Directors.

5. Regime applicable to the renewal or revoking of defensive measures, particularly measures limiting the number of votes that can be held, or the right to vote that can be exercised, by a single shareholder, individually or jointly with other shareholders

There are no statutory clauses that impose limits on the number of votes that can be held, or the right to vote that can be exercised, by a single Shareholder, individually or jointly with other Shareholders.

In accordance with the provisions included in the Articles of Association of Banco Montepio, each share corresponds to one vote and the General Meeting is composed of the shareholders with the right to vote, who will be required to prove share ownership, by sending a statement issued for this purpose, under the terms of the Law, by the financial intermediary responsible for share registration, to the Chairman of the Board of the General Meeting, by the fifth business preceding the scheduled date of the Meeting of Shareholders. Shareholders may exercise their right to vote by correspondence; however, voting by electronic means is not permitted (see articles 7 and 8 of the Articles of Association of Banco Montepio).

Moreover, no share incentive plans are in place for the Employees of Banco Montepio.

6. Shareholders' agreements known to the company that might lead to restrictions on matters of transmission of securities or voting rights

The Company has no knowledge of any shareholders' agreement entered into by its Shareholders.

II. Shares and bonds held

7. Identification of the natural or legal persons that, directly or indirectly, own qualifying holdings, including a detailed indication of the percentage of capital and votes imputable and the source and causes of imputation

As at 31 December 2023, holdings in the share capital of Banco Montepio were distributed as shown in the following table:

	Shareholders	No. Shares	% of capital	% of voting rights
1	Montepio Geral - Associação Mutualista	2,419,830,580	99.993000%	99.993000%
2	Santa Casa da Misericórdia de Lisboa	75,000	0.003100%	0.003100%
3	CSC - Associação de Socorros Mútuos de Empregados no Comércio de Lisboa	10,000	0.000410%	0.000410%
4	Santa Casa da Misericórdia do Porto	10,000	0.000410%	0.000410%
5	Fundação INATEL	10,000	0.000410%	0.000410%
6	União das Misericórdias Portuguesas	7,500	0.000310%	0.000310%
7	Irmandade da Santa Casa da Misericórdia de Grândola	5,000	0.000210%	0.000210%
8	Montepio Rainha D. Leonor - Associação Mutualista	5,000	0.000210%	0.000210%
9	AME - Associação Mutualista dos Engenheiros	5,000	0.000210%	0.000210%
10	Liga das Associações de Socorros Mútuos de Vila Nova de Gaia	5,000	0.000210%	0.000210%
11	Mutualidade Popular - Associação Mutualista	5,000	0.000210%	0.000210%
12	União Mutualista Nossa Senhora da Conceição - Associação Mutualista	3,000	0.000120%	0.000120%
13	Santa Casa da Misericórdia de Póvoa do Lanhoso	2,420	0.000100%	0.000100%
14	Santa Casa da Misericórdia de Albufeira	1,000	0.000040%	0.000040%
15	Santa Casa da Misericórdia de Alhos Vedros	1,000	0.000040%	0.000040%
16	Irmandade da Santa Casa da Misericórdia de Vila Cova de Alva	1,000	0.000040%	0.000040%
17	Santa Casa da Misericórdia do Barreiro	1,000	0.000040%	0.000040%
18	A “Benéfica e Previdente” - Associação Mutualista	1,000	0.000040%	0.000040%
19	Associação e Socorros Mútuos João Deus	1,500	0.000060%	0.000060%
20	A Lacobrigense - Associação de Socorros Mútuos	1,500	0.000060%	0.000060%
21	Santa Casa da Misericórdia de Alcácer do Sal	1,500	0.000060%	0.000060%
22	Santa Casa da Misericórdia de Évora	1,000	0.000040%	0.000040%
23	Santa Casa da Misericórdia de Boticas	1,000	0.000040%	0.000040%
24	Santa Casa da Misericórdia de Idanha-a-Nova	1,000	0.000040%	0.000040%
25	Santa Casa da Misericórdia de Vagos	1,000	0.000040%	0.000040%
26	Santa Casa da Misericórdia de Soure	1,000	0.000040%	0.000040%
27	Santa Casa da Misericórdia de Santiago do Cacém	1,000	0.000040%	0.000040%
28	Santa Casa da Misericórdia de Vila Verde	1,000	0.000040%	0.000040%
29	CEEPS - Centro de Estudos em Economia Pública e Social	1,000	0.000040%	0.000040%
30	Santa Casa da Misericórdia da Vila de São Sebastião	1,000	0.000040%	0.000040%
31	Santa Casa da Misericórdia de Arganil	1,000	0.000040%	0.000040%
32	A Associação Vilanovense de Socorro Mútuo	1,000	0.000040%	0.000040%
33	Santa Casa da Misericórdia de Tomar	1,000	0.000040%	0.000040%
34	Santa Casa da Misericórdia de Castelo Branco	1,000	0.000040%	0.000040%
35	A Mutualidade da Moita - Associação Mutualista	1,000	0.000040%	0.000040%
36	Santa Casa da Misericórdia do Bom Jesus de Matosinhos	1,000	0.000040%	0.000040%
37	Associação de Intervenção Social de Grândola (AISGRA)	1,000	0.000040%	0.000040%
38	Santa Casa da Misericórdia de Arcos de Valdevez	1,000	0.000040%	0.000040%
	TOTAL	**2,420,000,000**	**100%**	**100%**

Pursuant to article 16 of the CVM, the minimum limit for a shareholding to be considered a qualifying holding is 5%. In this sense, only Montepio Geral - Associação Mutualista, as the holder of 99.99% of the share capital of Banco Montepio and an equal percentage of the voting rights, owns a qualifying holding.

8. Information on the number of shares and bonds held by members of the management and supervisory bodies

As at 31 December 2023, the members of the management and supervisory bodies of Banco Montepio did not hold any shares issued by the Bank, nor had they performed during 2023 any transactions involving such securities, as relevant for the purposes of Article 447 of the Commercial Companies Code, with the text currently in effect.

9. Special powers of the management body, namely in what regards deliberations to increase share capital, including, with respect to the latter, the date on which such powers were conferred, the period during which they can be exercised and the maximum quantitative limit of the share capital increase

Pursuant to Article 4(3) of the Articles of Association of Banco Montepio, whose text results from the statutory review approved at the General Meeting of 30 October 2018, the Board of Directors can deliberate a share capital increase, by cash entries, once or more times, up to a maximum amount corresponding to 10% of the share capital.

In accordance with Article 456(2)(b) of the Commercial Companies Code, the competence statutorily conferred upon the Board of Directors could be exercised until 30 October 2023, without prejudice to any renewal that may be eventually deliberated by the General Meeting.

Up to the present date, the Board of Directors has not deliberated any share capital increase under the aforementioned statutory provision.

10. Information on any significant business relationships between the owners of qualifying holdings and the company.

Transactions conducted between the Company and any owner of a qualifying holding, or natural or legal persons related thereto, shall comply with the principles and rules established in the Policy on Transactions with Related Parties currently in force at Banco Montepio, observing the procedures defined in Work Order on the Assessment and Control of Transactions with Related Parties, internal regulations established in compliance with the provisions included in Notice 3/2020 of Banco de Portugal, which is currently undergoing its annual review process, for subsequent approval by the competent bodies.

The approval of significant transactions with Related Parties requires the majority approval of two thirds of the Board of Directors, after obtaining the prior opinions of the Audit Committee, Risk Division and Compliance Division.

Information regarding transactions with the owners of qualifying holdings during the financial year of 2023 is included in the notes to the financial statements of Banco Montepio, in the section concerning Transactions with Related Parties.

B. Governing Bodies, Committees and Commissions

I. General Meeting

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the Board of the General Meeting and the respective terms of office (start and end)

Pursuant to Article 9(1) of the Articles of Association of Banco Montepio, the Board of the General Meeting is composed of a Chairman and a Secretary.

The Chairman and the Secretary of the Board of the General Meeting were elected for the term 2018-2021 on 16 March 2018 and reappointed by the General Meeting on 29 April 2022 for the quadrennium 2021-2025.

Under these terms, the composition of the Board of the General Meeting as at 31 December 2023 was as follows:

Member	Position
António Manuel Lopes Tavares	Chairman
Appointed ad hoc by the Chairman of the Board at each General Meeting, in view of the death of the appointed Secretary	*Secretary*

b) Exercise of the right to vote

12. Any restrictions on the right to vote, such as limitations on voting rights depending on ownership of a certain number or percentage of shares, deadlines for exercising voting rights or systems highlighting ownership rights

The Articles of Association of Banco Montepio do not provide for any limitations on voting rights or systems highlighting ownership rights.

Pursuant to Article 7(2) of the Articles of Association of Banco Montepio, each share corresponds to one vote, and the shareholders owing at least one share at 00:00 (GMT) of the fifth business day preceding the scheduled date may participate in the General Meeting. Shareholders may exercise their right to vote by correspondence, for which purpose they shall be required to submit a declaration of vote on each of the items on the agenda to the Chairman of the Board of the General Meeting, by the second business day preceding the scheduled date of the General Meeting.

13. Indication of the maximum percentage of voting rights that may be exercised by a single Shareholder, or by related Shareholders, under any of the relationships set out in Article 20(1) of the Securities Code

The Articles of Association of Banco Montepio do not provide for any limitation on the voting rights that may be exercised by a single Shareholder, individually or with related Shareholders, under any of the relationships set out in Article 20(1) of the Securities Code.

See point 5 above.

14. Identification of the deliberations of Shareholders that, pursuant to the Articles of Association, can only be made by a qualified majority, in addition to those provided for by law, and indication of those majorities

In accordance with Article 11(2) of the Articles of Association, deliberations of the General Meeting, concerning the amendment of the Articles of Association, merger, demerger, transformation and dissolution require the approval of a majority of third thirds of the votes cast.

II. Management and Supervision

a) Composition of the Board of Directors

15. Identification of the corporate governance model adopted Banco Montepio adopted a one-tier governance (Anglo-Saxon) model in 2018, according to which management and supervision are structured as established in Article 278(1)(b) of the Commercial Companies Code, with a Board of Directors that includes the Audit Committee (elected at the General Meeting from the non-executive members) and a Statutory Auditor.

16. Statutory rules on the procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors

Pursuant to Article 6(1) of the Articles of Association of Banco Montepio, the Governing Bodies include the General Meeting, the Board of Directors, including the Audit Committee, and the Statutory Auditor, all of which are elected by the General Meeting. The term of office of the governing bodies is four years, with the exception of the Statutory Auditor, whose term of office may be set by the General Meeting as a minimum of one to a maximum of four years, with re-election being allowed in any of the cases.

Governing bodies are elected as lists, with voting being cast on the lists presented, unless the election concerns a single member is elected.

In case of definitive absence, the Board of Directors will be responsible, under the terms legally and statutorily established, for proceeding with the replacement of directors by co-optation, which must be submitted for ratification at the following General Meeting.

The Articles of Association of Banco Montepio do not establish any other procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors.

The selection and assessment of the members of the management and supervisory bodies ("MOAF") are subject to the rules established in the Succession Policy of the Members of the Management and Supervisory Bodies, approved by the Board of Directors, and in the Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders ("TFE"), approved at the General Meeting. This aims to ensure the existence of an appropriate and effective process of identification and selection of the profiles, and promote the continuity of the development of the institution's activity and of a sustainable medium and long-term strategy that is compatible with the institution's risk appetite, thus protecting the interests of its shareholders, depositors, investors, customers and other counterparts, as well as its employees.

The Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG") is a specialised committee of the Board of Directors responsible, among other matters, for the annual assessment of the suitability of the structure, size, composition and performance of the management and supervisory bodies, through collective assessment of the bodies and individual assessment of their members.

CANESG conducts the process of assessment of suitability considering the criteria of being fit and proper, qualification and professional experience, availability and independence established in Articles 30 and following of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF") and in Article 64 of the Commercial Companies Code, as well as the requirements stipulated in the Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders in force at Banco Montepio (published on the Bank's website), Notice 3/2020 of Banco de Portugal, the joint European Banking Authority ("EBA") and European Securities and Markets Authorities ("ESMA") Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06| ESMA35-36-2319 of 2 July 2021), and European Central Bank ("ECB") Guide to fit and proper assessments (December 2021), taking account of, on the one hand, the nature, size and complexity of the Bank's activity, and on the other hand, the requirements and responsibilities associated with specific duties to be performed by the management and supervisory bodies.

17. Composition of the Board of Directors, including the minimum and maximum statutory number of members, the statutory term of office, the number of effective members, the date of first appointment and the end date of the term of office of each member

Pursuant to Article 13(1) of the Articles of Association of Banco Montepio, the Board of Directors of Banco Montepio is composed of a minimum of twelve and a maximum of nineteen members, including a Chairman without executive functions, all elected at the General Meeting for four-year terms, subject to renewal.

The General Meeting of Banco Montepio, held on 29 April 2022, elected the members of the Institution's management and supervisory bodies for the term of office 2021-2025, having subsequently submitted to Banco de Portugal the competent request for authorisation of the performance of the respective duties by the elected members, under the terms of Article 30-B of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), which was granted by deliberation of the Board of Directors of Banco de Portugal on 19 July 2022, following which the members of the management and supervisory bodies elected for 2021-2025 took office on 25 July 2022.

The composition of the Board of Directors during the financial year to which this Report refers was as follows:

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term	Independence
Manuel Ferreira Teixeira	Chairman of the Board of Directors	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Clementina Maria Dâmaso Barroso	Non-Executive Member | Chairman of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Eugénio Baptista	Non-Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Florbela dos Anjos Frescata Lima	Non-Executive Member | Chairman of the Risk Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Maria Cândida de Carvalho Peixoto	Non-Executive Member | Chairman of CANESG	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Maria Lúcia Ramos Bica	Non-Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Pedro Manuel Moreira Leitão	Executive Member | Chairman of the Executive Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Ângela Isabel Sancho Barros	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Helena Catarina Gomes Soares de Moura Costa Pina	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Isabel dos Santos Pereira da Silva	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Jorge Paulo Almeida e Silva Baião	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
José Carlos Sequeira Mateus	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent

The Board of Directors of Banco Montepio is thus the only with equal gender representation of Portuguese banks, surpassing the national goal of 40% of women in management positions.

Banco Montepio prioritises and values a culture of diversity, widely evidenced by its mutualist, transgenerational, multicultural activity. The guiding principles that govern the activity of Banco Montepio, in terms of inclusion and diversity in human resources, including governing bodies, are defined in its Policy on Diversity and Inclusion, available on the Banco Montepio website, in Policies and Regulations | Banco Montepio.

In order to ensure compliance with the aforementioned principles, the Bank has implemented a Policy on Selection and Assessment of the Suitability of Members of the Management and Supervisory Bodies that promotes a diversified composition of the management bodies, so as to ensure a wide range of qualities and competencies, with a view to benefiting from a variety of perspectives and experiences, and encouraging the independence of opinions, constructive discussion and the making of solid decisions by these bodies. The following aspects should be particularly considered with respect to meeting diversity requirements: qualifications and professional experience, gender, age, nationality and cultural background.

The aforementioned Policy on Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, which was reviewed at the General Meeting of 28 April 2023 and is currently undergoing its annual review process, for subsequent appraisal at the annual General Meeting, established the target of achieving at least 33% of the under-represented gender in the composition of the Board of Directors. This target has already been achieved in the composition of the governing bodies elected for the term of office 2022-2025, with 58% of the Board of Directors being women.

18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members who may be considered independent

The Board of Directors of Banco Montepio is composed of a total of 12 directors, 6 of whom are executive and 6 non-executive, hence, incorporating a sufficient number of members to efficiently perform their duties, suited to the Bank's size and complexity of the risks associated with its activity, namely taking into account the diversity of academic competencies, career paths and professional experience of each of these members, enabling the Bank to efficiently secure the duties entrusted to the Board of Directors and safeguarding the interests of all Stakeholders, in their different aspects, all matters, as well as the effective supervision and evaluation of executive performance, which Banco Montepio considers to be appropriate and aligned with its interests.

Excluding the executive directors, the 5 non-executive directors of the Board of Directors, out of a total of 6, are independent, where it is considered that, in view of their supervisory function, the proportion of independent non-executive directors in relation to the total number of directors is appropriate, taking into account the adopted governance model and the size of the Bank. The supervisory body, which is the Audit Committee ("CAUD"), is composed of 4 non-executive directors, 3 of whom are qualified as independent, including its Chairman.

Identification of the independent members in the Table presented in point 17 above.

19. Professional qualifications and other relevant curricular information of each of the members of the Board of Directors

Information relating to the professional qualifications and other relevant curricular information of each of the members of the Board of Directors is presented in Annex I to this Report.

20. Customary and significant family, professional or commercial relationships between the members of the Board of Directors and Shareholders owning qualifying holdings that correspond to more than 2% of the voting rights

Banco Montepio was not informed of the existence of any customary and significant family, professional or commercial relationships between the members of the Board of Directors and any Shareholders owning qualifying holdings in the share capital of Banco Montepio or the respective associative bodies.

Under the terms of the Policy on Conflict of Interest in force, conflicts of interest at the level of the governing bodies or supporting committee, should be notified to the Chairman of the respective body. If the actual Chairman of one of the bodies of Banco Montepio is the person subject to a situation of conflict of interest, the situation should be notified directly to the Audit Committee. If the conflict refers to the Chairman of the Audit Committee, the fact should be notified to the Chairman of the Board of Directors. Furthermore, Article 5(3) of the Regulations of the Board of Directors establishes that directors cannot vote on issues in which they have on their own behalf or on behalf of third parties, a direct or indirect interest that could conflict with that of the Company, where the statement concerning that situation should be recorded in the minutes and they should abstain from participating in the discussion and decision in question.

21. Organisational charts or functional maps related to the allocation of competencies to the various governing bodies, commissions and/or company departments, including information on delegation of competencies, particular regarding delegation of the company's daily management

According to the corporate governance model adopted by Banco Montepio, the Bank's governing bodies include a Board of Directors, which includes an Audit Committee, elected by the General Meeting, and a Statutory Auditor.

Pursuant to Article 12(c) of the Articles of Association, a Remuneration Committee, composed of three members, was also elected by the General Meeting for the term 2022-2025. Amongst other tasks, the

Remuneration Committee, with competence for setting the remunerations of the members of the governing bodies, in accordance with Article 399(1) of the Commercial Companies Code.

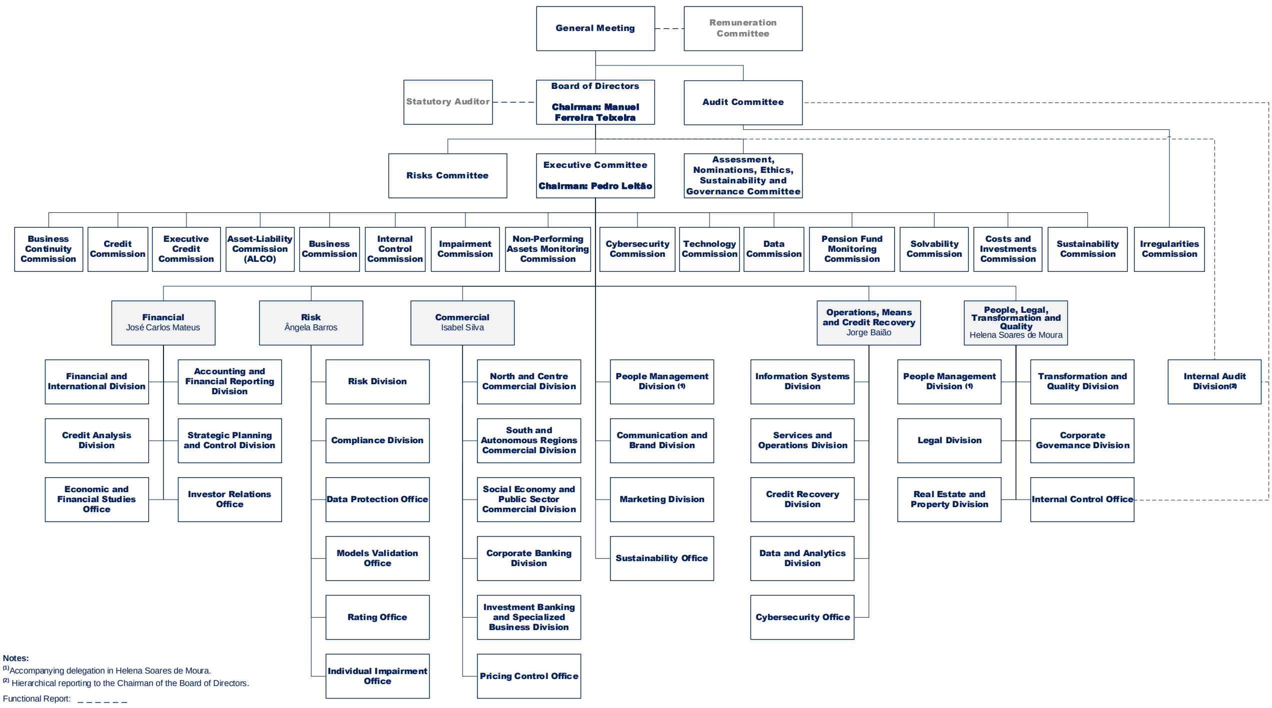
The Board of Directors appointed two committees – the Risk Committee ("CR" or "CRI") and the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG"), which were tasked with the follow-up of certain specific matters on a permanent basis.

Additionally, the Board of Directors delegated the daily management of Banco Montepio on an Executive Committee, with the exception of the powers related to matters whose delegation is prohibited by Law, or those reserved thereto under the terms of the respective Regulations, having established its composition and mode of operation and appointed the respective Chairman.

In turn, the Executive Committee appointed delegated committees, which were entrusted with the ongoing follow-up of certain specific issues.

In these terms, the organisational structure of Banco Montepio, as at 31 December 2023, was as shown in the table below, with the competencies detailed below:

Organisation Chart Banco Montepio



Notes:
(1) Accompanying delegation in Helena Soares de Moura.
(2) Hierarchical reporting to the Chairman of the Board of Directors.
Functional Report: _ _ _ _ _ _
The organizational structure and the competencies and responsibilities of each body, structural unit or function are reviewed at least every two years and whenever necessary.

21.1. Board of Directors

The **Board of Directors** is granted the broadest Company management and representation powers, as established in the Law and the Articles of Association, and is responsible for the overall definition and implementation of major strategic guidelines and general policies, in order to ensure the sustainability of the Institution in the medium and long term, and the prudent exercise of its activity.

In addition to the remaining non-delegable matters provided for in the applicable Law and Regulations, the Board of Directors reserves the following competencies for itself:[1]

a) Approval of strategic and business plans, and annual and multiannual budgets, with submission of the general guidelines for multiannual action plans and the respective updates to the General Meeting;

[1] Pursuant to the Regulations of the Board of Directors approved on 29 February 2024

b) Approval of the investment and funding policy;

c) Approval of the overall risk policy and strategy, risk appetite statement, capital and liquidity strategy and policy, and services and product policy;

d) Approval and periodic review of policies and practices related to corporate governance, internal control and risk management, including but not limited to the following:

(i) the organisational structure of Banco Montepio, comprising:

1. the constitution of commissions under the Board of Directors and establishment of their internal regulations;

2. the approval of the areas of responsibility of the Executive Committee, as well as the definition of objectives, reporting lines and responsibilities, and the creation or extinction of the various functional units that perform control functions or other essential functions, or that perform executive functions and report directly to the Executive Committee or the Board of Directors ("Senior Management"), excluding the mere merging or separation of functional units that do not perform control functions, or the mere clarification of the respective scope of competencies;

3. the assessment of the structure, size, composition and performance of the management and supervisory bodies and the suitability of their members;

(ii) the policies on selection, fit and proper assessment and succession, and of the succession plans, pertaining to the members of management and supervisory bodies, key function holders and senior management, as applicable, under the terms of the law and applicable regulations;

(iii) the policy on remuneration of key function holders due to their remunerative status and impact on the risk profile of Banco Montepio;

(iv) the policies and systems on risk management, internal control and compliance, prevention of money laundering and financing of terrorism, management and security of information, and subcontracting;

e) Approval and review of the Code of Conduct, as proposed by the Executive Committee, after having obtained the prior opinion of the Audit Committee and the Assessment, Nominations, Ethics, Sustainability and Governance Committee;

f) Promotion of periodic and independent assessments, to be carried out by an external entity, on the conduct and organisational culture, in articulation with the Audit Committee and the Assessment, Nominations, Ethics, Sustainability and Governance Committee;

g) Approval of the assessment reports on the adequacy and efficacy of the organisational culture, governance system and internal control system, at an individual group level, pursuant to Articles 54 to 60 of Notice 3/2020 of Banco de Portugal;

h) Approval of the results and conclusions of the Supervisory Review and Evaluation Process ("SREP"), Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"), and their implementation plans;

i) Appointment of Directors by co-optation;

j) Appointment of Company Secretary and the respective alternate;

k) Appointment and dismissal of the persons responsible for control and approval of organic statutes, regulations, activity plans and budgets of each of these functions, as well as the respective reports, for the purposes of Articles 27, 28 and 32 of Notice 3/2020 of Banco de Portugal;

l) Appointment and dismissal of Senior Management members and the Ombudsman, if applicable;

m) Approval of investments, divestments, extensions or reductions of activity, or other operations not included in the budget, which have an impact greater than 5% on the consolidated assets of Banco Montepio;

n) Approval of credit transactions related to customers with increased or aggravated risk, or any other transactions expressly identified in the policies in effect at Banco Montepio, as well as operations and transactions involving related parties and conflicts of interest, in accordance with the policies in effect at Banco Montepio;

o) Authorisation of the creation or acquisition of shareholdings or other forms of lasting cooperation with other companies representing more than 15% of total own funds;

p) Approval, under the terms of the Law and the Articles of Association, for issuance of shares or other securities that entail, or may entail, an increase in the consolidated regulatory own funds of Banco Montepio, and establishments of issuance conditions, with observance of any limits set by the General Meeting and the Articles of Association;

q) Approval of any draft amendments to the Articles of Association of Banco Montepio.

21.2. Audit Committee

Under the terms of the Law, the Bank's Articles of Association and its Regulations, the Audit Committee is responsible for the continuous supervision of Banco Montepio, particularly concerning its financial performance, the definition of the institution's strategy and general policies, the Group's corporate structure and the decisions that should be considered strategic due to their value and risk, and in particular[2]:

a) Supervise the management of Banco Montepio;
b) Monitor compliance with applicable legal and regulatory provisions and the Articles of Association;
c) Produce annual reports on its supervisory action;
d) Call the General Meeting when the Chairman of its Board, who should do this, does not;
e) Assess needs in terms of the Audit Committee's composition and organisation;
f) Issue an opinion on the proposed annual Action Plan and Budget, prior to its approval by the Board of Directors.

The Audit Committee is especially responsible for the following competencies concerning supervision of the preparation of the accounts and financial reporting:

a) Verify that the accounting policies and procedures and the valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and results and are consistent with generally accepted principles, and supervise, in conjunction with the Statutory Auditor ("ROC"), the correct application of said policies, procedures and criteria in force;
b) Verify the accuracy of the accounting documents and issue an opinion on the report, accounts and proposals submitted by the Management, including the proposed appropriation of net income, to be submitted to the General Meeting;
c) Verify the correctness of the accounting ledgers, accounting records and supporting documents;
d) Review, with the Board of Directors and the Statutory Auditor, any matters and decisions of material relevance to the preparation of the financial statements, including changes in regulatory or accounting standards and in accounting policies, practices or procedures, the impact of unusual transactions on the financial information, and estimates and judgements made and their consistent application;
e) Follow-up and supervise the preparation and disclosure of financial information and the main prudential indicators, issue recommendations or present proposals so as to ensure the reliability of the process;

[2] Pursuant to the Regulations of the Audit Committee approved on 29 February 2024

f) Oversee the integrity and effectiveness of internal information and communication management systems (namely with regard to prudential and other reporting and accounting and financial aspects) and internal control, internal audit and risk management systems with regard to the process of preparation and disclosure of financial information.

Within the scope of its functions and responsibilities concerning the supervision of the activity and independence of the Statutory Auditor, the Audit Committee is competent to:

a) Select and propose the election of the Statutory Auditor to the General Meeting, issue a prior opinion on the selection and appointment policy of the Statutory Auditor and on the remuneration to be paid for the statutory audit of Banco Montepio Group's accounts, and monitor the implementation and review of that policy;
b) Annually assess the activities plan of the Statutory Auditor, as well as annually supervision and assessment of the Statutory Auditor’s activity, follow-up and supervise the legal review of the financial statements on an individual and consolidated basis;
c) Verify and follow-up the Statutory Auditor’s independence and objectivity, amongst other aspects, on an annual basis and with respect to the provision of additional services by the Statutory Auditor;
d) Proceed with the prior and substantiated appraisal of the hiring of additional non-prohibited services to be rendered by the Statutory Auditor to Banco Montepio Group entities, and respective remuneration conditions;
e) Under the annual Opinion on the Accounts, inform the Board of Directors annually about the results of the statutory audit, its contribution to the integrity of the process of preparation and disclosure of financial information, as well as the role played by Audit Committee in that process.

Under its functions and responsibilities with respect to the supervision of the efficacy of the risk management, governance and compliance systems, the Audit Committee is competent to:

Regarding the governance and internal control systems

a) Control and assess the effectiveness of systems in terms of internal control and compliance, risk management, prevention of money laundering and financing of terrorism, internal audit and corporate governance policies and practices, in particular by issuance of a prior opinion on the various policies in relation to each of these systems, so as to ensure consistency and risk control at the level of Banco Montepio and its branches, and perform control actions;
b) Periodic follow-up of the implementation of the activity plans of the control functions and assess the conclusions of the respective actions and identified deficiencies, as well as the analysis and follow-up of the periodic reports of the control functions (including, among others, the reports provided for in Articles 27, 28 and 32 of Notice 3/2020 of Banco de Portugal and in particular issue an opinion on the respective self-assessment reports), and convey to the Executive Committee and the Board of Directors the recommendations deemed appropriate;
c) Draw up annual assessment reports, reviews, statements, opinions and summaries with regard to organisational culture and governance and internal control systems for the purposes of Articles 54 to 60 of Notice 3/2020 of Banco de Portugal;
d) Promote, in articulation with the Board of Directors, periodic and independent assessments, to be carried out by an entity outside the institution, on the Audit Committee’s conduct and values;
e) Be informed of and monitor the conclusions of all inspection actions, specific determinations, or recommendations issued by Banco de Portugal, the Securities Market Commission (“CMVM), the Insurance and Pension Funds Supervisory Authority (“ASF), the Tax and Customs Authority (“AT) and, if applicable, the Audit Authority (IGF);
f) Receive communications of irregularities submitted by shareholders, Banco Montepio employees or others and, in articulation with the Irregularities Commission, promote their processing, completion and filing, and periodically assess reports on management of complaints submitted by customers;
g) Issue a prior opinion and follow-up of the implementation of the selection policies, assessment of the suitability, succession and remuneration of the members of the management and supervisory bodies and of the control functions, as well as assess the principles applicable to the respective

remuneration policies of employees of the Banco Montepio Group for the purposes of Article 53 of Notice 3/2020 of Banco de Portugal;

h) Issue binding prior opinions on the nomination, dismissal and replacement of the persons in charge of the control functions, based on the assessment made by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, and issue opinions concerning the definition of the assessment criteria and goals of the control functions, participate in the respective performance assessment process, and comment on the attribution of variable remuneration to these functions;
i) Issue a binding prior opinion on all issues related to the organisational structure of Banco Montepio, as defined in the Regulations of the Board of Directors, to the extent that they refer to the organisation of the Audit Committee or the control functions, as well as a prior opinion on policies for subcontracting and outsourcing services and activities and business continuity management;
j) Issue a prior opinion regarding changes to the group structure for the purposes of Articles 49 and 50 of Notice 3/2020 of Banco de Portugal;
k) Issue a prior opinion on the code of conduct and ethics and the internal policies and regulations that develop and implement it and on subsequent revisions, as well as on Banco Montepio's policy on communication of irregularities, and periodically monitor their compliance;
l) Issue a detailed opinion, that includes a summary of the deficiencies detected by any functional unit, in the context of the implemented processes and controls, and the identification of the recommendations issued on the efficacy and adequacy of the governance and risk management systems, under the terms defined in Notice 3/2020 of Banco de Portugal;
m) Issue a prior opinion on policies for the management of conflicts of interest and transactions with related parties, know the list of related parties and issue a prior opinion on transactions subject to this, in accordance with said policies and applicable legal and regulatory provisions;
n) Issue an opinion on the internal control system for combating and preventing money laundering and financing of terrorism in accordance with the applicable legal and regulatory provisions;
o) Issue an opinion prior to the Board of Directors' approval on the Articles of Association and regulations, the activity plan (including the audit action plan) and the resources (material and technical) of the control functions;
p) Issue prior authorisations for the subcontracting of specific operational tasks of the internal control functions.

Regarding the risk management system

a) Supervise the strategy defined by Banco Montepio concerning risks, including on risk appetite and the risk management framework to which Banco Montepio is subject, and oversee decisions that involve significant risk-taking, in particular for the purposes of Article 27 of Notice 3/2020 of Banco de Portugal;
b) Analyse the decision to exclude risk categories under Article 21 of Notice 3/2020 of Banco de Portugal and periodically supervise the implementation of the overall risk policy, the risk appetite statement and the policy on capital and liquidity;
c) Periodically analyse the key prudential indicators and compliance with the capital and liquidity requirements, and the valuation exercises of materially relevant assets;
d) Issue a prior opinion with periodic follow-up of the implementation and effectiveness of the risk management processes, taking into account the assessments that have been made and opinions issued by the Risk Committee ("CR" or "CRI"), as well as any of its communications to the Audit Committee, regarding situations of which it is aware that affect the institution's risk situation;
e) Issue a prior opinion with periodic follow-up of the implementation of the approval policy for new products and services.

21.3. Delegated committee under the Audit Committee

Pursuant to no. 5 of the Policy on Communication of Irregularities (Whistleblowing) – Policy 21/2022, the Audit Committee delegated the duties of analysis and processing of irregularities to the Irregularities

Commission (COMIR), whose main mission is to support the Audit Committee, so as to ensure autonomy and transparency in the processing of irregularities received by the Bank.

21.4. Risk Committee

Under the terms of the respective Regulation, the mission of the Risk Committee is to assist the Board of Directors and Audit Committee in the performance of their competencies, with regard to the definition, implementation and supervision of the risk strategy and risk appetite, for which purpose, and without prejudice to any other competencies pursuant to the applicable legislation of regulations, or under the Articles of Association, the internal policies of Banco Montepio or by resolution of the Board of Directors, the Risk Committee is entrusted with the following competencies[3]:

a) Advise the Board of Directors and the Audit Committee on the overall risk policy and strategy, present and future, the risk appetite statement, and the capital and liquidity policies;

b) Advise the Board of Directors on the risk management system, including the policies, processes and methodologies of identification, assessment, follow-up and control of risks, and support to the Audit Committee in the monitoring and supervision of the implementation of the risk management strategy;

c) Analyse whether the conditions of the products and services offered to the customers take into account the business model and risk strategy of Banco Montepio and analysis of the risks associated to them, and submit a correction plan to the Board of Directors, when this analysis indicates that these conditions do not adequately reflect the risks;

d) Examine whether the incentives established in Banco Montepio's remuneration policies and practices take into account the current and future risks, the capital and liquidity position, verify their alignment with the Bank's risk strategy and appetite, and expectations concerning results;

e) Follow-up of the process of definition of the risk strategy and the process of identification and assessment of significant risks;

f) Follow-up of the process of review of the Risk Appetite Framework ("RAS"), issuance of an opinion prior to the Board of Directors' approval, sent to the Audit Committee, and follow-up of the evolution of the RAS indicators;

g) Supervise the execution of the strategies concerning own funds, liquidity and all the other material risks faced by Banco Montepio at any given time (including new risks such as environmental, social and governance (ESG risks), through appropriate indicators that enable follow-up of their management process and adequacy in relation to the Risk Appetite Framework and the defined policies, as well as in relation to the Bank's risk strategy and appetite;

h) Issue recommendations to the Board of Directors regarding necessary adjustments to the risk strategy, namely as a result of changes to the business model, market evolution or the business context in which Banco Montepio and its subsidiaries operate, as well as recommendations issued by the risk management function;

i) Follow-up of the Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"), issuance of an opinion prior to the Board of Directors' approval, sent to the Audit Committee, on the respective review proposals and follow-up of the monitoring of ICAAP and ILAAP;

j) Analyse the outcomes of the test exercises conducted by the Risk Management Function on a series of possible scenarios, including stress tests, in order to assess how Banco Montepio's risk profile would respond to external and internal events;

k) Follow-up of the process of preparation and review of the Recovery Plan and issue an opinion prior to the Board of Directors' approval, sent to the Audit Committee, on the proposed review;

[3] Pursuant to the Regulations of the Risk Committee approved on 29 February 2024

l) Comment, and inform the Audit Committee, prior to the Board of Directors' approval, on the Market Discipline Report;

m) Comment, prior to the Board of Directors' approval and prior to the Audit Committee's issuance of an opinion, on policies and internal regulations, when applicable and strictly within the sphere of its competencies;

n) Follow-up of the evolution of the efficacy of the internal risk models, appraise the results obtained in the different phases of the models (development, validation and monitoring);

o) Issue an opinion on decisions to appoint or replace the person responsible for the risk management function;

p) Comment on the activity plan of the risk management function and follow-up of its implementation, inform the Audit Committee and the Board of Directors, appraisal and follow-up of the activity plan of the Model Validation Office, and monitoring of the adequacy of resources of these areas;

q) Assess the recommendations issued by external auditors and the reports produced by the control functions, for the purposes of Articles 54 to 60 of Notice 3/2020 of Banco de Portugal, and follow-up of the appropriate implementation of the measures adopted in relation to the matters within the sphere of competence of the Risk Committee.

21.5. Assessment, Nominations, Ethics, Sustainability and Governance Committee

The **Assessment, Nominations, Ethics, Sustainability and Governance Committee** ("CANESG") is competent to assist the Board of Directors and the Remuneration Committee ("CdR") with the performance of their competencies with respect to (i) selection and assessment of adequacy, profile and performance; (ii) remuneration and incentives created within this scope for risk, capital and liquidity management purposes; and (iii) ethics, sustainability and corporate governance.

Without prejudice to the remaining competencies conferred upon it by the applicable legislation or regulations, the Articles of Association and the internal policies of Banco Montepio, or by deliberation of the Board of Directors, the Assessment, Nominations, Ethics, Sustainability and Governance Committee has the following competencies[4]:

Regarding selection and assessment of suitability, profile and performance, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to:

a) Produce, review and submit to the Board of Directors, on an annual basis, the policies for selection and assessment of suitability of members of the management and supervisory bodies and key function holders, and their succession policies (in case of succession of the key function holders, following a proposal from the Executive Committee), and monitor their implementation;

b) Assess the structure, size, composition and performance of the members of the management and supervisory bodies, on an annual basis, and make recommendations to the Board of Directors and Audit Committee, according to the respective competencies, concerning:

    i. the functional profile of the members of the management and supervisory bodies, including the description of the responsibilities and functions of each member, and suitable knowledge, competencies, experience and availability to fulfil them;

    ii. the succession plans (including the simplified assessment of potential successors, and ensure the six-monthly update of the List of succession of the members of the management and supervisory bodies), and the plans of diversity and non-discrimination of the members of the management and supervisory bodies (including, but not exclusively, gender issues);

c) Issue recommendations to the Board of Directors regarding candidate members of the management and supervisory bodies, and draft assessment report on their suitability, for purposes of their appointment and reassessment of their suitability, in conformity with the applicable internal policy;

[4] Pursuant to the Regulations of the Assessment, Nominations, Ethics, Sustainability and Governance Committee approved on 29 February 2024

d) Assess the knowledge, competencies, professional qualification, fit and proper aspects and availability of the key function holders, and prepare the respective draft assessment report on suitability to be submitted to the final appraisal of the Board of Directors, for purposes of appointment of the key function holders and annual reassessment of their suitability, in conformity with the applicable internal policy;
e) Ensure the implementation of the Succession Policy for Key Function Holders, and update the respective Succession Policy, in accordance with the applicable policy;
f) Annually assess the implementation of the suitability assessment policy for the members of the management and supervisory bodies and key function holders of the subsidiaries, and follow-up of the respective appointment process.

Regarding remuneration and incentives created in this context for purposes of risk, capital and liquidity management, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to:

a) Annually issue an opinion addressed to the Remuneration Committee and Board of Directors, according to the respective competencies, concerning (i) the remuneration policy of the members of the management and supervisory bodies and key function holders, due to their remuneration status and impact on Banco Montepio's risk profile, as defined in the respective remuneration policy applicable to key function holders; and (ii) the respective implementing regulations;
b) Follow-up the process of identification of key function holders, under the terms of the respective remuneration policy and the applicable law and regulations (namely Commission Delegated Regulation (EU) no. 2021/923 of 25 March);
c) Prepare the decisions of the Remuneration Committee and Board of Directors, according to the respective competencies concerning the remuneration of members of the management and supervisory bodies and key function holders, including, but not limited to, the issuance of opinions on (i) the attribution, payment and adjustment of the variable remuneration of executive directors; and (ii) the assessment criteria and goals, structure and remuneration criteria of the key function holders and all other employees of the control functions, being consulted as to the respective attribution of remuneration and application of adjustment mechanisms, in accordance with the respective remuneration policies;
d) Comment on the adequacy of the proposals of retirement pension supplements due to old age or disability, to be approved under a specific Regulation by the General Meeting, pursuant to Article 402 of the Commercial Companies Code, after comments by the Remuneration Committee;
e) Annually verify compliance with the policies and regulations referred to in paragraph a), of the independence between the remunerations of employees who perform control functions and Banco Montepio's results, and, in general, supervise the remuneration of the employees who perform control functions, and report the respective conclusions to the General Meeting, the Remuneration Committee, the Board of Directors and the Audit Committee, for the purposes of the reports specified in Articles 44 and 57 of Notice 3/2020 of Banco de Portugal and Article 115-C(6) of the Legal Framework of Credit Institutions and Financial Companies("RGICSF);
f) Conduct, in coordination with the risk management and compliance functions, an annual assessment of the impact of the remuneration practices adopted by the subsidiaries of Banco Montepio located abroad, particularly on risk management, with emphasis on capital and liquidity risks, under the terms of Article 53(3) of Notice 3/2020 of Banco de Portugal;
g) Issue, as part of the Banco Montepio Group self-assessment report, as specified in Article 58(1)(d) of Notice 3/2020 of Banco de Portugal, an opinion on the overall consistency of the remuneration policies adopted by the subsidiaries of Banco Montepio located abroad, in relation to the provisions included in the RGICSF and the aforementioned Notice, with indication of any existing shortcomings, including those detected by the control functions of the parent company;

Regarding ethics, sustainability and corporate governance, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to:

a) Assist the Board of Directors on matters pertaining to the conduct standards applicable to Banco Montepio and the Banco Montepio Group, including the following:
    i. issue an opinion on the Policies on Management of Conflicts of Interest, Transactions with Related Parties and Whistleblowing, the Code of Conduct and other documents that define ethical principles, when requested by the Board of Directors or Executive Committee;
    ii. support the Board of Directors in the definition policies on topics of social responsibility, diversity, equality and non-discrimination, protection of human rights, sustainable development and environmental protection, in the context of Banco Montepio's corporate conduct, and the definition of Banco Montepio's strategy and risk management policy;
    iii. Follow-up the Sustainability Office's work, including supervision of the production of the Annual Sustainability Report.
b) Assist the Board of Directors in the following corporate governance areas:
    i. support the Board of Directors with regard to the operating regulations of the Board of Directors, and of its committees, namely review existing documents and propose changes;
    ii. analyse the governance and organisational structure of the Company (as defined in the Regulations of the Board of Directors), within the scope of the duties of the Board of Directors, and propose changes to improve the decision-making process and performance of the inherent functions;
    iii. supervise the production of the Annual Corporate Governance Report.

21.6. Executive Committee

The Board of Directors has delegated the daily management of Banco Montepio on an Executive Committee, with the exception of the powers related to matters whose delegation is prohibited by law, or those that the Board of Directors reserves for itself, under the terms of its Regulations, and has established its composition and mode of operation, and appointed the respective Chairman, as specified in Article 15 of the Articles of Association.

Under the proposal of the Chairman of the Executive Committee, the Board of Directors approved, under the terms of Article 2(2) of the Regulations of the Executive Committee[5], the specific allocation of the following areas of responsibility:

Areas of Responsibility (as at 31 December 2023)

Manuel Teixeira Chairman of the Board of Directors	Audit Division (DAI) *(with functional report to the Audit Committee)*
Pedro Leitão Chairman of the Executive Committee	People Management Division (DGP) (1) Communication and Brand Division (DCM) Marketing Division (DMK) Sustainability Office (GS) APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) (2) AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado (Association of Company Issuers of Market-Listed Securities) (2)
Isabel Pereira da Silva Executive Member	North and Centre Commercial Division (DCNC) South and Islands Commercial Division (DCSI) Social Economy and Public Sector Commercial Division (DCESSP) Corporate Banking Division (DBE)

[5] Regulations of the Executive Committee approved on 29 February 2024.

Areas of Responsibility (as at 31 December 2023)

	Investment Banking and Specialised Business Banking Division (DBINE) Pricing Control Office (GCP) Montepio Crédito [3]
Helena Soares de Moura Executive Member	People Management Division (DGP) [1] Legal Division (DJ) Transformation and Quality Division (DTQ) Corporate Governance Division (DGC) Transformation and Quality Division (DIP) Internal Control Office (GCI) *(with functional report to the Audit Committee)* APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) [2]
José Carlos Mateus Executive Member	Financial and International Division (DFI) Strategic Planning and Control Division (DPEC) Credit Analysis Division (DAC) Accounting and Financial Reporting Division (DCRF) Financial Asset Monitoring Office (GAAF) Economic and Financial Studies Office (GEEF) Market Relations Office (GRM) Banco de Empresas Montepio [3] [4]
Jorge Baião Executive Member	Information Systems Division (DSI) Services and Operations Division (DSO) Credit Recovery Division (DAC) Data and Analytics Division (DDA) Cybersecurity Office (GCS) Montepio Serviços, ACE [5] SIBS [2]
Ângela Sancho Barros Executive Member	Risk Division (DRI) Compliance Division (DCOMP) Data Protection Office (GPD) Model Validation Office (GVM) Rating Office (GR) Individual Impairment Office (GII)

[1] *With a delegation of follow-up by Helena Soares de Moura.*
[2] *Position held on behalf of Banco Montepio.*
[3] *Monitoring of an entity that is part of the Banco Montepio Group.*
[4] *Whose business integration process was completed at the end of 2023.*
[5] *Shared service areas not included in Banco Montepio's organisational chart.*

Under the provisions included in Article 2(4) of the respective Regulations, the Executive Committee entrusted with the ongoing monitoring of certain specific issues to the following operational committees, all of which chaired by a member of the Executive Committee, with the composition and mode of operation established in the respective Regulations:

- **Credit Commission (CC) and Credit Executive Commission (CEC)**, with decision-making competencies delegated by the Executive Committee on credit operations that are not reserved to the

Board of Directors, within the framework of the Regulations applicable to Credit Risk, Credit Recovery and Loans to Employees;

- **Asset-Liability Commission (ALCO)**, whose main responsibilities are the definition of capital planning and management measures, asset allocation, and financing and liquidity strategy, as well as the prudent management of the structural, market and liquidity risks of the Banco Montepio Group, contributing to their effective implementation;
- **Business Commission**, whose mission is to: (i) analyse and propose for deliberation on the proposals for production and distribution of new products and services and/or significant changes to the offer being marketed (new products), with a view to submission for approval by the Board of Directors; (ii) monitor compliance with the defined business objectives, analyse and propose commercial action priorities; and (iii) monitor the approved strategic actions for business development;
- **Internal Control Commission (COMCI)**, whose main mission is to support the Executive Committee with regard to the process of implementation of an effective internal control system on the level of the Banco Montepio Group, namely through a continuous and effective process of follow-up and monitoring of the detected deficiencies, so as to contribute to the promotion of a robust control environment and solid risk management;
- **Impairment Commission (COMIMP)**, whose mission is to analyse and make decisions on the loan impairments of Banco Montepio, on an individual and consolidated basis, monitor the loan portfolio and ensure the follow-up of non-performing exposures (NPE);
- **Non-Performing Assets Monitoring Commission (COMAANP)***,*with competencies to propose the strategy for the appropriate management of the non-performing assets (NPA), monitor the evolution of the NPA portfolio and the main indicators on performance and real estate risk, monitor the evolution of stock and flows of non-performing exposures (NPE), and analyse the non-performing loans (NPL) portfolios managed by the Credit Recovery Division*;*
- **Cybersecurity Commission (COMCIBER)**, whose main mission is to support the Executive Committee with the definition and follow-up of cybersecurity (information security) management objectives, aligned with business requirements, the requirements and expectations of the stakeholders, and relevant laws and regulations, as well as the follow-up of the implementation and continuous improvement of the information security management system (SGSI);
- **Technology Commission (COMTECH)**, with competence to propose the strategy for the development of Information Systems and technology-based systems at Banco Montepio, confirm structural and strategic IT projects, monitor the evolution of the most relevant IT projects, promote the ongoing survey of needs and define implementation priorities;
- **Data Commission (COMDATA)**, whose main mission is to support the Executive Committee with regard to the definition and monitoring of implementation of the data strategy, aligned with business requirements, the requirements and expectations of the stakeholders and the regulatory framework in effect, with a view to the transformation of data into an increasingly predominant asset in the sustainable growth of the organisation;
- **Pension Fund Monitoring Commission (COMAFP)**, with delegated competencies, at the Banco Montepio Group level, to monitor the Pension Fund investment policy, the evolution of the asset portfolio and its profitability, ensure the determination of the liabilities associated with the post-employment and long-term benefits of employees and directors, and review the actuarial reports produced by the Actuary, as well as the certification issued by an external consultant, if applicable;
- **Resolvability Commission (CRES)**, with the competencies to propose and monitor the implementation of the solvability programme in the Banco Montepio Group, ensure that the Institution complies and will continue to comply with solution planning requirements;

- **Costs and Investments Commission (COMCINTO)**, with competence to develop, follow-up and monitor the action programmes so as to ensure the optimisation of the costs and investments approved under each budget year, as well as the respective control, on an individual and consolidated basis;
- **Sustainability Commission (COMSESG)**, whose main mission is to assess, debate, implement and monitor (i) the Sustainability, Sustainable Finance & ESG and Social Responsibility strategy and planning of Banco Montepio and of all entities comprising the Banco Montepio Group; and (ii) the policies, voluntary codes and co-responsibility of the Bank's areas in the promotion and communication of sustainability issues within the scope of management, organisational culture and current operations.

b) Functioning of the Board of Directors

22. Existence and location where the operating regulations of the Board of Directors, Audit Committee and Executive Committee can be consulted

The Regulations of the Board of Directors (as well as other general corporate information on Banco Montepio, namely its Articles of Association and Regulations of the Audit Committee, Executive Committee and remaining commissions) are available on the Banco Montepio website, at Policies and Regulations | Banco Montepio.

23. Number of meetings held and attendance level of each member of the Board of Directors

Under the terms of the Articles of Association and its Regulations, the Board of Directors shall meet whenever called for such purpose by the Chairman or by two Directors and should meet at least monthly.

During the financial year of 2023, the Board of Directors held 19 meetings, with all the minutes having been drawn up, including the contents defined in Article 8 of Notice 3/2020 of Banco de Portugal, namely records of the presence of its members and occasional absences due to holidays, duly justified and accepted by the Board, as shown in the table below:

Member	Term of Office	Position	No. of meetings held in 2023	Representative Delegation
Manuel Ferreira Teixeira	2022-2025	Chairman of the Board of Directors	19/19	0
Clementina Maria Dâmaso Barroso	2022-2025	Non-Executive Member of the Board of Directors	19/19	0
Eugénio Luís Correia Martins Baptista	2022-2025	Non-Executive Member of the Board of Directors	19/19	0
Florbela dos Anjos Frescata Lima	2022-2025	Non-Executive Member of the Board of Directors	18/19	1
Maria Cândida de Carvalho Peixoto	2022-2025	Non-Executive Member of the Board of Directors	18/19	1
Maria Lúcia Ramos Bica	2022-2025	Non-Executive Member of the Board of Directors	18/19	*Justified absence*
Pedro Manuel Moreira Leitão	2022-2025	Chairman of the Executive Committee	19/19	0
Ângela Isabel Sancho Barros	2022-2025	Non-Executive Member of the Board of Directors	19/19	0
Helena Catarina Gomes Soares de Moura Costa Pina	2022-2025	Non-Executive Member of the Board of Directors	19/19	0

Member	Term of Office	Position	No. of meetings held in 2023	Representative Delegation
Isabel Cristina dos Santos Pereira da Silva	2022-2025	Non-Executive Member of the Board of Directors	19/19	0
Jorge Paulo Almeida e Silva Baião	2022-2025	Executive Member of the Board of Directors	19/19	0
José Carlos Sequeira Mateus	2022-2025	Executive Member of the Board of Directors	18/19	1

24. Indication of the governing bodies with competence to conduct the assessment of performance of the executive directors

The Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG") is competent to ensure the assessment of performance of the Executive Directors, and propose the attribution of variable remuneration to the Remuneration Committee, if applicable.

This performance assessment should cover successive periods of 4 (four) years and allow *ex post* reassessment, individual and collective, on risk-taking, and the dilution of any eventual effects resulting from extraordinary non-recurring results.

As established in the Remuneration Policy of the Members of the Management and Supervisory Body, the attribution of the variable component of remuneration depends on an annual (as to frequency) and multiannual (as to the scope) assessment of (i) the performance of each member of the Executive Committee, based on financial and non-financial criteria; (ii) the collective performance of the Executive Committee; and (iii) the global performance and results of the Bank.

25. Predetermined criteria for assessing the performance of executive directors

Qualitative and quantitative criteria are defined for the purpose of assessing the performance of the executive directors, under the terms of the Remuneration Policy of the Members of the Management and Supervisory Bodies and their Implementing Regulation, weighted at 80% and 20%, respectively, in relation to:

(i) the performance of each Executive Committee member, which should consider financial and non-financial criteria (with a weight of 30%, except for the director responsible for the risk and compliance areas with a weight of 50%);

(ii) the Executive Committee's collective performance (which a weight of 20%); and

(iii) the Bank's overall performance and results (with a weight of 50%, except for the director responsible for the risk and compliance areas with a weight of 30%).

The assessment criteria should reflect Banco Montepio's strategic goals and include risk indicators in order to ensure the alignment of the risk profile of the members of the Board of Directors with the risk level considered tolerable by Banco Montepio.

26. Availability of each of the members of the Board of Directors, including information on the positions held simultaneously in other companies, within and outside the Group, and other relevant activities carried out by the members of the aforementioned body during the financial year

Information on the positions held simultaneously by each of the members of the Board of Directors in other companies, inside and outside the Banco Montepio Group, and other relevant activities carried out, is presented in Annex II to this Report.

c) Internal Committees of the Board of Directors and Executive Committee

27. Identification of the committees created within the Board of Directors and location where the respective operating regulations can be consulted

Pursuant to Banco Montepio's Articles of Association, the Board of Directors is authorised to constitute any commissions and committees deemed necessary to perform its functions, and appoint its members and

Chairman from among its non-executive members, of whom the majority, including the Chairman, should be independent.

The Board of Directors in office appointed the following internal committees, composed solely of non-executive members, mostly independent, including the respective Chairmen, whose operating Regulations may be consulted on the Banco Montepio website, in Policies and Regulations | Banco Montepio:

RISK COMMITTEE

Member	Position	No. of meetings held in 2023
Florbela dos Anjos Frescata Lima	Chairman	14/14
Eugénio Luís Correia Martins Baptista	Member	14/14
Maria Lúcia Ramos Bica	Member	14/14

Pursuant to Article 1 of its Regulations, the Risk Committee ("CR" or "CRI") is composed of a minimum of 3 (three) and a maximum of 5 (five) members, including the Chairman, appointed by the Board of Directors from among its non-executive members.

The majority of the members of the Risk Committee, including the Chairman, should be independent, in accordance with the criteria set out in the applicable legal and regulatory provisions, and the internal policy for selection and assessment of the suitability of the members of management and supervisory bodies, and are required to have, individually and as a group, the necessary and appropriate knowledge, experience and competencies to perform their functions.

As established in the respective Regulations, the Risk Committee holds ordinary meetings at least eleven (11) times a year, and whenever a meeting is called by the respective Chairman or requested by any of the other members, or upon request by the Audit Committee, the Board of Directors or any of its committees, or by the Chief Risk Officer. During the financial year of 2023, the Risk Committee held 14 meetings, which were attended by all members, as shown in the tables above.

ASSESSMENT, NOMINATIONS, ETHICS, SUSTAINABILITY AND GOVERNANCE COMMITTEE

Member	Position	No. of meetings held in 2023
Maria Cândida de Carvalho Peixoto	Chairman	16/16
Clementina Maria Dâmaso de Jesus Silva Barroso	Member	16/16
Eugénio Luís Correia Martins Baptista	Member	16/16

Pursuant to Article 1 of the Regulations of the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG"), it is composed of 3 (three) members, including its Chairman, all appointed by the Board of Directors from among its non-executive members.

The majority of the members of the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, including the Chairman, should be independent, in accordance with the criteria set out in the applicable legal and regulatory provisions, and the internal policy for selection and assessment of the suitability of the members of management and supervisory bodies, and are required to have, individually and as a group, the necessary and appropriate knowledge, experience and competencies to perform their functions.

As established in its Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee ordinarily holds at meeting least one every two months and whenever called by the Chairman or requested by any of the other members.

The Assessment, Nominations, Ethics, Sustainability and Governance Committee held 16 meetings in 2023, which were attended by all its members.

28. Composition of the Executive Committee

During the financial year of 2023, the composition of the Executive Committee was as follows:

Member	Position
Pedro Manuel Moreira Leitão	Chairman
Ângela Isabel Sancho Barros	Member
Helena Catarina Gomes Soares de Moura Costa Pina	Member
Isabel dos Santos Pereira da Silva	Member
Jorge Paulo Almeida e Silva Baião	Member
José Carlos Sequeira Mateus	Member

Under the terms of the respective Regulations, the Executive Committee holds meetings at least weekly, and whenever a meeting is called by the respective Chairman or requested by any of the other members.

During the financial year of 2022, the Executive Committee held 56 meetings sessions, with all the minutes having been drawn up, including the contents defined in Article 8 of Notice 3/2020 of Banco de Portugal, namely records of the presence of its members and occasional absences due to holidays, training or other reasons, duly justified and accepted by the Executive Committee, as shown in the table below:

Member	Term of Office	Position	Attendance	Representative Delegation
Pedro Manuel Moreira Leitão	2022-2025	Chairman	54/56	2
Ângela Isabel Sancho Barros	2022-2025	Member	52/56	4
Helena Catarina Gomes Soares de Moura Costa Pina	2022-2025	Member	53/56	3
Isabel Cristina dos Santos Pereira da Silva	2022-2025	Member	52/56	2
Jorge Paulo Almeida e Silva Baião	2022-2025	Member	56/56	0
José Carlos Sequeira Mateus	2022-2025	Member	48/56	8

29. Indication of the competencies of each of the commissions created and summary of the activities carried out in the performance of those competencies

Information on these matters is included in point 21, above.

III. Supervision

a) Composition of the Audit Committee

30. Identification of the supervisory body corresponding to the model adopted

The Audit Committee, elected at the General Meeting, is the Company's supervisory body, is competent to supervise internal and external audit activities, the quality and integrity of financial information and reporting, as well as the process of preparation and disclosure of financial information, the effectiveness of the internal control, internal audit, risk management and compliance systems, and the activity and independence of the Statutory Auditor.

31. Composition of the Audit Committee, including the minimum and maximum statutory number of members, the statutory term of office, the number of effective members, the date of first appointment and the end date of the term of office of each member

Pursuant to Article 18(1) of the Articles of Association, the Audit Committee is composed of a minimum of three and a maximum of five members, elected at the General Meeting from among the non-executive members of the Board of Directors.

During the financial year of 2023, the composition of the Audit Committee was as follows:

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term
Clementina Maria Dâmaso Barroso	Chairman of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Florbela dos Anjos Frescata Lima	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Maria Cândida de Carvalho Peixoto	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Maria Lúcia Ramos Bica	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025

32. Identification of the members of the Audit Committee considered independent, under the terms of Article 414(5) of the Commercial Companies Code

Information on these matters is included in points 17 and 18, above.

33. Professional qualifications and other relevant curricular information of each of the members of the Audit Committee

Information relating to the professional qualifications and other relevant curricular information of each of the members of the Board of Directors is presented in Annex I to this Report.

b) Functioning of the Audit Committee

34. Existence and location where the operating regulations of the Audit Committee can be consulted

The Audit Committee's Regulations are available on the Banco Montepio website, in Policies and Regulations | Banco Montepio.

35. Number of meetings held and attendance level of each member of the Audit Committee

Under the terms of the Articles of Association and the respective Regulations, the Audit Committee holds ordinary meetings at least once a month, and whenever a meeting is called by the respective Chairman, on their own initiative or at the request of any of the other members, or of the Chairman of the Board of Directors.

In the financial year of 2023, the Audit Committee held 18 meeting, which were attended by the members indicated in the following tables.

Member	Position	No. of meetings held in 2023
Clementina de Jesus Silva Barroso	Chairman	18/18
Florbela dos Anjos Frescata Lima	Member	18/18
Maria Cândida de Carvalho Peixoto	Member	18/18
Maria Lúcia Ramos Bica	Member	18/18

36. Availability of each of the members of the Board of Directors, including information on the positions held simultaneously in other companies, within and outside the Group, and other relevant activities carried out by the members of the aforementioned body during the financial year

Information on the positions held simultaneously by each of the members of the Audit Committee in other companies, inside and outside the Banco Montepio Group, and other relevant activities carried out, is presented in Annex II to this Report.

c) Responsibilities and functions of the Audit Committee

37. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of hiring additional services from the external auditor

The hiring of any non-audit services from the Statutory Auditor is regulated by the Policy for the Selection, Appointment and Evaluation of the Statutory Auditor ("ROC"), or Audit Firm ("SROC"), and Hiring of Services from the Statutory Auditor/Audit Firm, published on the Banco Montepio institutional website, in Policies and Regulations | Banco Montepio.

Within the scope of its competencies as the supervisory body of Banco Montepio, the Audit Committee assesses and controls the independence of the Statutory Auditor/Audit Firm with respect to the provision of the respective audit services and other non-prohibited services.

As part of the hiring of audit services and other non-prohibited services, the Audit Committee defines adequate measures to ensure the independence of the Statutory Auditor/Audit Firm, by the identification of situations of potential conflicts of interest that may compromise such independence, namely personal, financial and representative interests, directly or through any related person or entity, including any direct or indirect relationships, and, if applicable, involving the respective network, managers, auditors, employees or any other natural person whose services are available to or under the control of the Statutory Auditor/Audit Firm, or any person directly or indirectly linked to the Statutory Auditor/Audit Firm by a domain relationship.

In addition, the Statutory Auditor/Audit Firm is responsible, within the scope of the services provided, to identify any threats to their independence and the safeguard measures instituted, and will be required to immediately report any situation that may affect the independent performance of their functions to the Audit Committee.

The hiring of non-audit services from the Statutory Auditor, which falls within the remit of the Executive Committee, is subject to prior evaluation and approval by the Audit Committee. For this purpose, the grounds for the proposal to be submitted to the Audit Committee must include an assessment of eventual threats to independence, as a result of the provision of the aforementioned services, and the safeguard measures adopted, in accordance with Article 73 of the Statutes of the Statutory Auditors Association ("EOROC").

In this regard, the Audit Committee may approve the hiring of non-audit services from the Statutory Auditor/Audit Firm, provided that the latter has conducted an appropriate assessment of the threats to their independence and presented the appropriate safeguards, and the following conclusions are reached:

a) The provision of a prohibited service is not an issue, nor is it intended that such as service be provided, directly or indirectly, by any member of the network to which the Statutory Auditor/Audit Firm belongs;

b) The Group's hiring of these services has kept the value of non-audit services hired in the last three years or more below 70% of the average fees paid, in the last three consecutive years, for the statutory audit or statutory audits of the accounts of the audited entity and, if applicable, its parent company, of the entities under its control and of the consolidated financial statements of this group of entities.

The Executive Committee is competent to ensure that the hiring of the aforementioned services complies with the limit established, being required to submit evidence of the control performed for this purpose to the Audit Committee.

38. Other functions of the Audit Committee

Information on these matters is included in point 21, above.

IV. Statutory Auditor

The Statutory Auditor is especially duty-bound to conduct all examinations and verifications required for the legal review and certification of accounts, in a conscientious, impartial manner, namely being responsible, for this purpose, to:

a) Verify the correctness of the accounting ledgers, accounting records and supporting documents;

b) Verify, when considered convenient and as deemed adequate, the extent of treasury and of any type of assets or values owned by Banco Montepio, or received by the Bank as collateral, deposit or other security;

c) Verify the accuracy of the accounting documents;

d) Assess whether the accounting policies and procedures and valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and liabilities and results.

39. Identification of the statutory auditor and partner representing it

The current Statutory Auditor of Banco Montepio is *PricewaterhouseCoopers* & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PwC"), represented by Aurélio Adriano Rangel Amado (Statutory Auditor number 1074, registered at the CMVM under number 20160686).

40. Indication of the number of consecutive years during which the statutory auditor performs duties for the Company and/or Group

Under the duties entrusted to it, in the second half of 2022, the Audit Committee embarked on the process of selection of the Statutory Auditor of the entities included in the Banco Montepio Group, with, by decision of the General Meeting of 28 April 2023, PwC having been reappointed as Statutory Auditor for the three-year period 2023-2025.

Thus, PwC has been performing duties for about five (5) consecutive years, currently serving its third term.

41. Description of other services provided by the Statutory Auditor to the Company

The rules to be observed when hiring audit and additional, non-audit services from the Statutory Auditor are specified in the Policy for Selection and Assessment of the Statutory Auditor (published on the institutional website), under whose terms the Audit Committee, within the scope of its competencies as the supervisory body of Banco Montepio, and as a specialised committee tasked with the duties legally and statutorily assigned thereto, is competent to assess and control the independence of the Statutory Auditor with respect to the provision of the respective audit services and other non-prohibited services.

The non-audit services provided by PwC to Banco Montepio during the financial year of 2023, as listed in the table below, refer to reliability assurance services and other services allowed under the applicable regulatory and professional standards, namely those established in the Statutes of the Statutory Auditors Association, which are provided under a regime of total functional and hierarchical independence in relation to Banco Montepio.

	Ref. Date	Non-Audit Services - 2023
Banco Montepio	31/12/2021	Certification of the Single Resolution Fund (FUR)
	31/12/2022	Mortgage Debentures (annual and quarterly audits)
	31/12/2022	Report Banco de Portugal – granular NPL with reference to 31/12/2022
	31/12/2022	Support to the supervisory body in the report on money laundering and terrorist financing (ML/TF) (Notice 3/2020 of Banco de Portugal)
	30/11/2022	Alqueva opinion
	31/12/2022 and 30/06/2023	Evaluation of loan portfolio impairment, to comply with Instruction 18/2018 of Banco de Portugal with reference to 31 December 2022 and 30 June 2023
	31/12/2023	Revision of the procedures for safeguarding customer assets to comply with Article 304-C of the Securities Code
	-	Financial services risk and regulation newsletter: legislative novelties and regulatory updates
	31/12/2022	Translation of the notes attached to the Financial Statements and Legal Certification of Accounts
	-	Support in the implementation of the SAF-T file
	-	AML - Verification of the implementation of the supervisory measures (Banco de Portugal)

	-	Comfort letter - Euro Medium Term Notes (EMTN) Programme
	30/04/2023	Conversion of mortgage debentures into covered bonds
	30/06/2023	Limited review to individual and consolidated financial information with reference to 30/06/2023
	30/11/2023	Review of the Internal Control System (Notice 3/2020 of Banco de Portugal)
	-	Training on prudential regulations and interest rate risk in the banking book (IRRBB)
	-	Comfort letter - Mortgage Debentures
	-	Independent assessment of culture and conduct - Article 3 of Notice 3/2020 of Banco de Portugal
	-	Comfort letter - Euro Medium Term Notes (EMTN) Programme Update
	31/12/2022	Opinion on supervision rates (ECB)
	30/06/2023	Revision of the translation of the notes attached to the Financial Statements and Legal Certification of Accounts
Montepio Crédito	31/12/2022	Support to the supervisory body in the report on ML/FT (Notice 2/2018 of Banco de Portugal)
	31/12/2021	Single Resolution Fund (SRF) Certification
	31.12.2022 and 30.06.2023	Evaluation of loan portfolio impairment, to comply with Instruction 18/2018 of Banco de Portugal with reference to 31 December 2022 and 30 June 2023
	-	AML - Verification of the implementation of the supervisory measures (Banco de Portugal)
	30/11/2023	Review of the Internal Control System (Notice 3/2020 of Banco de Portugal)
Montepio Holding	-	Support in the implementation of the SAF-T file
Montepio Investimento (BEM)	31/12/2022	Support to the supervisory body in the report on anti-money laundering and combating the financing of terrorism (Notice 2/2018 of Banco de Portugal)
	-	Support in the implementation of the SAF-T file
	30/11/2023	Review of the Internal Control System (Notice 3/2020 of Banco de Portugal)

V. External Auditor

42. Identification of the external auditor appointed for the purposes of Article 8 and of the partner representing it in the performance of these duties, as well as the respective registration number with the Securities Market Commission (CMVM)

The duties of Auditor are performed by PwC, registered at the CMVM under number 20161485, represented by Aurélio Adriano Rangel Amado (Statutory Auditor no. 1074, registered at the CMVM under number 20160686).

43. Indication of the number of consecutive years during which the external auditor and the partner representing it perform duties for the Company and/or Group

PwC was elected for the first time on 27 May 2019 and reappointed to office in 2022, and again in 2023 for the three-year period 2023-2025, having thus been performing these duties for about five consecutive years, and is currently serving its second term of office.

44. Policy and frequency of rotation of the external auditor and the representing partner in the performance of these duties

The policy and frequency of rotation of the ROC are established in the current Policy for the Selection, Appointment and Evaluation of the Statutory Auditor ("ROC"), or Audit Firm ("SROC"), and Hiring of Services from the Statutory Auditor/Audit Firm, which specifies minimum and maximum periods for the performance of duties concerning the legal review of accounts by the Statutory Auditor and the partner responsible for guidance or direct performance of the legal review of accounts, in compliance with the applicable legal regime, as established in Article 17 of Regulation (EU) no. 537/2014 of 16 April, and Article 54 of the Statutes of the Statutory Auditors Association (approved by Law 140/2015 of 7 September), with the text provided in Law 99-A/2021 of 31 December.

45. Indication of the body responsible for the assessment of the external auditor and periodicity of the assessment

The Audit Committee is responsible for the conduct of an annual assessment of the quality of the services provided by the external auditor and respective partner Statutory Auditor, as described in point 21, above, regarding the Audit Committee's competencies with respect to the supervision of the Statutory Auditor's activity and independence.

This assessment examines the quality, competence, rigour, impartiality, professionalism and independence of the auditors. The Audit Committee ensures the follow-up of the external auditor's activity, in particular, appraises the conclusions of the audit to the annual financial statements, on an individual and consolidated basis and the limited review of the six-monthly financial statements, and also analyses the conclusions of the desktop reviews to the financial statements of the first and third quarters. The Audit Committee regularly holds meetings with the external auditor and whenever necessary.

46. Identification of non-audit services provided by the external auditor to the company and/or companies in a control relationship therewith, and indication of the internal procedures in place for approving the hiring of these services, as well as the reasons for the respective hiring

Information on these matters is included in points 37 and 41, above.

47. Indication of the amount of annual remuneration paid by the company and/or legal persons in a control or group relationship therewith to the auditor and other natural or legal persons that are part of the same network, and breakdown of the percentages pertaining to the legal review of accounts, reliability assurance, tax consulting and non-audit services

In Euros

Fees for services provided in 2023	Audit	Non-audit services required by law	Non-audit services not required by law	Total
Banco Montepio	1,069,000	271,425	637,308	1,977,733
Montepio Holding	20,000	-	-	20,000
Montepio Crédito	49,670	14,500	30,000	94,170
Montepio Investimento	16,500	-	9,156	16,500
Ssagincentive	19,000	-	-	19,000
	1,174,170	**285,925**	**676,464**	**2,127,403**

C. Internal Organisation

I. Articles of Association

48. Rules applicable to the alteration of the company's Articles of Association

Pursuant to Article 10(2) of the Articles of Association of Banco Montepio and Article 386(3) of the Commercial Companies Code, the deliberations of the General Meeting concerning the alteration of the Articles of Association require approval by a majority of two thirds of the votes cast.

II. Communication of Irregularities

49. Means and policy for reporting irregularities within the company

The Policy on Communication of Irregularities (Whistleblowing) in effect at Banco Montepio, reviewed in October 2022, sets out the general principles of action of the Institution with respect to the communication and processing of irregularities, ensures independence and autonomy in the assessment of reports, the possible anonymity of the whistleblowers, and the confidential nature of the identity of the whistleblowers and of any third parties referred to in the reports.

Accordingly, Banco Montepio has implemented specific, independent, autonomous that are appropriate to receive, process and record the reports of irregularities related to its management, accounting organisation and internal supervision, as well as serious signs of breach of the duties to which it is bound, infringement of the values or ethical standards defined in the Code of Conduct, and non-compliance with the policies or other internal regulations of Banco Montepio or related to Banco Montepio Group entities.

In this context, it should be noted that a new channel has been implemented for communication of irregularities – the **Ethics Channel** – and changes introduced to the governing of the communication of irregularities process, namely through the creation of a **Communication of Irregularities Commission**, with delegated competencies of the Audit Committee on this matter, so as to ensure autonomy and independence in the processing of the irregularities received by Banco Montepio.

The **Irregularities Commission** is composed of a member of the Audit Committee, appointed by the latter, who chairs this commission and has a casting vote, and the Directors of the Compliance and Audit and Inspection Divisions. On 22 November 2022, the Audit Committee appointed the Director Maria Lúcia Bica to chair the Irregularities Commission.

Considering the scope of action of the Irregularities Commission, it has been stipulated that this body will meet whenever an irregularity is reported. Therefore, no regular periodicity has been established for the holding of the respective meetings.

The Policy provides clear guidelines on the issues that may be reported and the various stages of the procedure, to guarantee the confidentiality of the reports received and the protection of the personal data of whistleblowers. Additionally, it is ensured that the information reported by the whistleblowers is effectively analysed, the measures deemed necessary for correcting any irregularity are implemented, and whistleblowers acting in good faith are protected against any disciplinary measures, direct or indirect, or equivalent decisions. Banco Montepio's Policy on Communication of Irregularities is published on its website and available to all employees on the intranet site.

III. Internal Control and Risk Management

50. Persons, bodies or commissions responsible for internal audit and/or implementation of internal control systems

The internal control system of Banco Montepio includes a series of strategies, policies, procedures, systems and controls so as to ensure the adequate identification, assessment, monitoring and control of the risks to which the Bank is or may eventually be exposed, namely through the assured availability of timely, objective, complete, reliable accounting, financial and management information, as well as independent reporting mechanisms for communication of this information to the management and supervisory bodies and internal control functions.

In line with the applicable regulatory requirements, namely those set out in Notice 3/2020 of Banco de Portugal, and best practice, the internal control system of Banco Montepio is based on five components, namely the following: (i) control environment; (ii) risk management system; (iii) control procedures; (iv) information and communication; and (v) independent assessment.

With a view to the continuous existence of an adequate, effective organisational culture, based on high standards of ethics and conduct of its employees, the following bodies and structural units of Banco Montepio undertake the following main responsibilities, with respect to the governing and internal control system of the Banco Montepio Group:

The **Board of Directors** is competent to implement and maintain an appropriate and effective internal control system, able to ensure business continuity, through the efficient allocation of resources, execution of operations, risk control, prudential assessment of assets and liabilities, accounting and financial information system integrity, compliance with the applicable legislation and regulations, and security and control of access to information and communication systems.

The **Audit Committee** is competent to perform the role of the continuous supervision of the Institution, and is competent to conduct an annual assessment, in a comprehensive, conclusive and reasoned manner, of the suitability and effectiveness of its organisational culture and internal governance and control systems, in order to reflect upon the adoption of the necessary measures to correct any shortcomings identified, and supervise the integrity of information and financial reporting, the internal control system and the risk management model, through the adoption or proposal to the Board of Directors the adoption of adequate measures to correct any deficiencies detected, or alerting the latter, when necessary, whenever risk evolution harms or may cause harm to the institution.

The mission of the **Risk Committee** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Audit Committee and Board of Directors in these spheres.

The **Executive Committee** ensures that current business management is carried out in accordance with the strategy and risk appetite limits defined by the management body, through supervision of current risk management activities and the operationalisation of the implemented controls, as well as the prudential assessment of assets and liabilities, accounting and financial information system integrity, compliance with the applicable legislation and regulations, and security and control of access to information and communication systems.

The **Internal Control Commission** is competent to promote and support the continuous monitoring and assessment of effectiveness of the internal control system of Banco Montepio, so as to ensure that the system promotes for a robust control environment and solid risk management, and benefits from a fluid, reliable information and communication system, and an effective, continuous process to monitor and correct the detected shortcomings.

The **Internal Audit Division** (“DAI”) is constituted as the **Internal Audit Function**, integrated in the internal control system monitoring process, with its assessment incident on the Bank’s activities, systems and processes, and so as to promote the continuous monitoring of the identified deficiencies, with a periodicity deemed adequate to the associated risk, in order to ensure the adequacy and timely implementation of the measures aimed at their correction, with the ultimate purpose to ensure the continuous improvement of the Bank’s internal processes.

The head of the Internal Supervision Function (Maria Fernanda Infante Melo Costa Correia) is appointed by the Board of Directors and reports hierarchically to its Chairman and functionally to the management body and the Audit Committee, as the supervisory body.

The **Risk Division** (“DRI”), entrusted with the **Risk Management Function**, is competent to ensure that all material risks to which Banco Montepio and/or the Group is or may eventually be exposed are properly identified, assessed, monitored, controlled and reported. For this purpose, the risks associated to the Bank’s activity are identified in an individual, aggregated, current and prospective manner, and assessed by determining exposure, based on adequate methodologies.

The head of the **Risk Management Function** (Bruno Manuel Ferro Espadanal Torres de Magalhães) is appointed by the Board of Directors and reports hierarchically to a member of the Executive Committee (Chief Risk Officer – CRO), and functionally to the Risk Committee, Audit Committee and Board of Directors.

The Compliance Division (“DCOMP”) is entrusted with the **Compliance Function** and is responsible for the prevention and/or detection of situations that entail, or may eventually entail, compliance risks for Banco Montepio (among others, criminal or administrative offence penalties and/or financial losses or reputational damages, on an individual and consolidated basis). Accordingly, it acts to prevent the occurrence of situations of internal or external fraud, actions tending to jeopardise internal control, and obstructions to information that should be known by the management and supervisory bodies, amongst others.

The person responsible for the Compliance Function (António Miguel Coelho Oliveira) reports hierarchically to a member of the Executive Committee and functionally to the Board of Directors and the Audit Committee.

The mission of the **Internal Control Office** ("GCI"), which reports hierarchically to one of the members of the Executive Committee and functionally to the Audit Committee, is to provide support to the management and supervisory bodies to maintain an adequate, effective internal control system, through the permanent monitoring of the process of remedying internal control shortcomings.

Under their respective competencies, the Board of Directors and Audit Committee are competent to draft an annual self-assessment report on the adequacy and efficacy of the organisational culture, its governance and internal control systems, as established in Notice 3/2020 of Banco de Portugal and CMVM Regulation no. 9/2020, relative to the Group and each of the entities subject to supervision on a consolidated or sub-consolidated basis, including the parent company and its subsidiaries.

51. Information, even if through an organisational chart, on the hierarchical and/or functional dependency in relation to other bodies or commissions

The hierarchical and functional dependency relationships of the internal control functions are shown in the organisational chart included in point 21, above.

52. Existence of other functional areas with risk control competencies

The **Data Protection Office** ("GPD") ensures compliance with personal data protection principles, duties and obligations, namely through support to the Data Protection Officer (DPO) with respect to their duties as guarantor of compliance with the General Data Protection Regulation ("GDPR") and the Data Protection Act (Law 58/2019 of 8 August), which ensures the implementation, in the national legislation, of the GDPR and other applicable legislation on privacy and data protection matters.

The **Data Protection Officer**("DPO"), in its advisory function and to monitor the compliance of the activities undertaken by the entities comprising the Banco Montepio Group, according to a risk-based approach, assesses and controls, with independence and objectivity, the compliance of the activities, systems and processes with the policies and procedures of the Banco Montepio Group, as well as with the applicable legal and regulatory obligations concerning the protection of personal data.

The mission of the **Corporate Governance Division** ("DGC") is to provide functional support to the Board of Directors, Audit Committee, Executive Committee and specialised committees, promote the good management and effectiveness of the Bank's governance system, in particularly competent to assist the management and supervisory bodies with the production of the respective self-assessment reports, under the terms of Notice 3/2020 of Banco de Portugal, in coordination with the Internal Control Office and the remaining internal control areas.

The middle management, composed of Division/Organic Unit managers (excluding control functions), develops control actions over their areas of responsibility, through implementation of the processes and control mechanisms deemed necessary to ensure that all risks taken are identified, assessed, monitored and controlled in an adequate, timely manner, so as to guarantee that they remain within the risk tolerance limits defined in the risk management policy and the risk appetite policy of the Banco Montepio Group, as defined in the Risk Appetite Framework ("RAF").

53. Identification and description of the main types of risk (economic, financial and legal) to which the company is exposed as a result of its activity

Information regarding this matter is included in the "Risk Management" chapter of the Management Report.

54. Description of the risk identification, assessment, monitoring, control and management process

Information regarding this matter is included in the "Risk Management" chapter of the Management Report.

55. Main elements of the internal control and risk management systems implemented in the company with respect to the financial information disclosure process

Banco Montepio's financial statements are produced in accordance with the international financial reporting standards, with the definition of a series of procedures to ensure the reliability, accuracy, timeliness, consistency and integrity of the disclosed information.

The information preparation process is based on separation of responsibilities, such as to mitigate the risks associated with the production of financial statements.

The disclosure of financial information to the market is prepared by the Market Relations Office, based on the financial statements and management information provided by the Accounting and Financial Reporting Division and the Strategic Planning and Control Division.

IV. Investor Support

56. Service responsible for investor support, composition, duties, information provided and contact information

The **Market Relations Office** ("GRM") is the organic unit of Banco Montepio competent to ensure compliance with the duties of communication and provision of information to investors, rating agencies and the market in general, under the applicable legal and regulatory framework.

The Market Relations Office is composed of a manager and two employees, who are responsible for Banco Montepio's relationship with the market.

In the performance of its duties, the Market Relations Office carries out the following main activities:

- Reply to requests from investors, financial analysts and other Stakeholders, national and international, regarding financial and other public information pertaining to the activity of Banco Montepio, in accordance with the applicable legislation and regulations;
- Prepare press releases and presentations for disclosure of information and communication with investors and the market, in cooperation with the Communication and Brand Division;
- Coordinate relations with rating agencies, through the preparation of the meetings and production of the respective information and presentation documents;
- Coordinate the updating of debt instrument programs and prospectuses;
- *Keep updated information on critical debt market factors and agency ratings available, on a quarterly basis;*
- Monitor legal and regulatory changes regarding information duties.

In 2023, Banco Montepio continued to engage in extensive communication with the market, having adopted the recommendations of the Securities Market Commission ("CMVM") and the best practices in matters of financial and institutional communication.

In order to ensure the fulfilment of reporting obligations, legal and regulatory, the Institution discloses information on the respective results and activity on a quarterly basis, and publishes all relevant and mandatory information through the CMVM's information disclosure system.

Contact information for the Market Relations Office is available on the Banco Montepio website, in Market Relations Office | Banco Montepio.

57. Representative for market relations

The representative for relations with the market and with the CMVM, appointed by Banco Montepio, is the head of the Market Relations Office, Fernando Emanuel Mendes Teixeira.

58. Information on the proportion and deadline for replying to information requests received during the year or pending from previous years

Banco Montepio's Market Relations Office engages with investors, analysts and the market in general on a continuous basis, to ensure the provision of all relevant information on the Bank's activity and provide the clarifications requested within a maximum of one business day, when the information in question is of public domain. Requests are occasionally received by e-mail, in which case a longer period may be required for the collection of information, owing to its technical complexity. These requests are processed and answered in less than five business days.

At the end of the financial year of 2023, no requests for information and/or clarification referring to previous years were pending.

V. Website

59. Address

Banco Montepio publishes all essential information to ensure an adequate knowledge of its activity on its institutional website – www.bancomontepio.pt.

60. Location where information about the company, the status of public limited company, the head office and the remaining items mentioned in Article 171 of the Commercial Companies Code are available

All general corporate information about Banco Montepio is available on the Institution's website, on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio.

61. Location where the articles of association and the operating regulations of the bodies and/or committees are available

The Articles of Association of Banco Montepio are available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio.

The Regulations of the Board of Directors, the Audit Committee, the Executive Committee and the remaining internal commissions established, as well as the Institution's policies and regulations, and the Code of Conduct, are available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/pr.

62. Location where the identity of the members of governing bodies, the representative for market relations and the members of the Market Relations Office, and information about the respective functions and means of access, is available

The list of members of the governing bodies of Banco Montepio is available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/orgaos-sociais.

The identity, description of functions and contact information of the representative for market relations is available onwww.bancomontepio.pt/institucional/informacao-investidores/gabinete-relacoes-mercado .

63. Location where the financial statements, which should be available for at least five years, as well as the six-monthly company event calendar, published at the start of each half-year, including general meetings of shareholders and the disclosure of annual, half-yearly and quarterly results, if applicable, are available.

The financial statements and financial information documents of Banco Montepio are published on www.bancomontepio.pt/institucional/informacao-investidores/relatorios-informacao-financeira; related press releases are available on www.bancomontepio.pt/institucional/informacao-investidores/comunicacao-resultados.

64. Location where the notice convening the general meeting and all the preparatory and subsequent information related thereto is available

The calls and preparatory information for the General Meetings of Banco Montepio are available, subject to the legally established deadlines for this purpose, on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/assembleias-gerais.

65. Location where the historical archive on the deliberations made at the company's general meetings, represented share capital and voting results referring to the previous three years are available

Information regarding the deliberations made at the General Meetings of Banco Montepio is available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/assembleias-gerais

D. Remunerations

I. Competence to establish

66. Indication regarding the competence to establish the remunerations of the governing bodies, the members of the executive committee and the company's directors

Pursuant to Article 12(c) of the Articles of Association of Banco Montepio, a Remuneration Committee was elected at the General Meeting held on 19 April 2022, which is responsible, under the terms of Article 17 of the Articles of Association of Banco Montepio, to establish the remunerations of the members of the Governing Bodies and the Statutory Auditor.

Regarding the establishment of the remunerations of the members of governing bodies, the Remuneration Committee is responsible for the following, after consulting the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, the Risk Committee and the Audit Committee, whenever relevant and within the scope of their competencies:

a) Issue an opinion on the revisions of the Remuneration Policy of the Members of the Management and Supervisory Bodies;

b) Issue an opinion to the Regulations for the Implementation of the Remuneration Policy of the Members of the Management and Supervisory Bodies, namely including the relevant criteria, objectives and adjustment indicators, for the purposes of eventual attribution and payment of variable remuneration to executive directors, in compliance with the Remuneration Policy;

c) Establish the fixed and variable remuneration components, as applicable, of the members of the management and supervisory bodies, in compliance with the Remuneration Policy and as provided for Article 399(1) of the Commercial Companies Code;

d) Deliberate on the verification of adjustments to the variable remuneration of executive directors, in compliance with the remuneration policy;

e) Issue an opinion on the adequacy of the proposals concerning the supplementary pension scheme, applicable to retirement due to old age or disability, of the directors, to be approved as a separate regulation at the General Meeting, under the terms of Article 402 of the Commercial Companies Code, as well as compensation for termination of term and any other benefits attributed to the members of the management and supervisory bodies.

In performing its duties, the Remuneration Committee takes into account the long-term interests of Banco Montepio, the sustainability of its activity, and the long-term interests of the Shareholders, Customers and other Stakeholders, as well as the public interest.

The Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to prepare the decisions of the Remuneration Committee and Board of Directors, according to the respective competencies, concerning the remunerations of the members of the management and supervisory bodies and key function holders, with impact on the strategy and risk management and/or the liquidity and capital levels of Banco Montepio, including, but not limited to, the issuance of opinions on the attribution, payment and adjustment of the variable remuneration of executive directors, and the structure and remuneration criteria of key function holders, in accordance with the respective Remuneration Policies.

In addition, the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to produce and submit to the annual General Meeting a Report concerning the alignment of the remuneration policies of Banco Montepio and the Banco Montepio Group with adequate risk management and the Institution's long-term strategy and interests, in accordance with Article 115-C(6) of the RGICSF and Article 44 of Notice 3/2020 of Banco de Portugal, within the scope of the independent analysis of the implementation of the Remuneration Policy and remuneration practices, as well as an assessment of the consistency of remuneration practices on the Group level.

The disposal of the equity stakes held in Finibanco Angola, S.A. means that the annual assessment of the impact of the remuneration practices of Banco Montepio subsidiaries abroad is no longer applicable (pursuant to Article 53(3) of Notice 3/2020 of Banco de Portugal), which had been previously conducted by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, in articulation with the Compliance Division and the Risk Division.

II. Remuneration Committee

67. Composition of the Remuneration Committee, including the identification of the natural or legal persons hired to provide support and a statement about the independence of each of the members and advisers

The Remuneration Committee elected by the General Meeting held on 29 April 2022, and one of the members appointed by the General Meeting held on 28 April 2023, presented the following composition as at 31 December 2023:

Member	Position
Paulo Câmara Pires dos Santos	Chairman
António Miguel Lino Pereira Gaio	Member
Soledade Carvalho Duarte (*)	Member
(*) appointed at the General Meeting on 28 April 2023	

All members of the Remuneration Committee are independent from the members of the management body.

The members of the Remuneration Committee are invited to attend the Bank's annual General Meeting. The meeting held on 28 April 2023, conducted through physical presence, was attended by the Chairman and member in office on that date, and appointed the member Soledade Carvalho Duarte.

Pursuant to the Regulations of the Remuneration Committee, its meetings may be attended by any employees, consultants, experts, members of governing bodies or committees of the Board of Directors, or other guests purposely called by the Chairman, on his/her own initiative or at the request of any other member of the Remuneration Committee.

The Remuneration Committee may freely propose the Bank's hiring of the consulting services deemed necessary or convenient for the performance of its duties, which should be submitted to the approval of the Costs and Investments Commission (COMCINTO), pursuant to the established governance model and process, which decides taking into account the approved budget allocation.

68. Knowledge and experience of the members of the remunerations committee in matters of remuneration policy

All members of the Remuneration Committee possess adequate professional qualifications, gained as a result of academic qualifications, professional experience, or specialised training suited to the performance of their duties.

III. Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies

The Assessment, Nominations, Ethics, Sustainability and Governance Committee is responsible for drafting, monitoring and reviewing the Remuneration Policy of the Members of the Management and Supervisory Bodies, being supported by the Corporate Governance Division to this end.

Under proposal of the Assessment, Nominations, Ethics, Sustainability and Governance Committee, after prior obtaining of the opinions of the Remuneration Committee and Compliance Division, the aforesaid Policy review is submitted to the approval of the General Meeting.

The final review of the Remuneration Policy of the Members of the Management and Supervisory Bodies in force was approved by the General Meeting on 28 April 2023.

The aforementioned Policy constitutes an important instrument for strategic business management, as it focuses on the following goals:

a) Reward professional responsibility and ensure internal equity and external competitiveness;
b) Strengthen the commitment and motivation of people, and promoting excellent performance, by recognising and rewarding merit;
c) Ensure the achievement of the strategic objectives, values and long-term interests of Banco Montepio, in a sustainable manner, always taking the Bank's risk management and risk appetite into account.

To this end, the Remuneration Policy of the Members of the Management and Supervisory Bodies takes into account Banco Montepio's activity, risk appetite, structure and size, as well as market practices, thus being based on objective, transparent, consistent criteria, compatible with the chain of responsibilities and competencies of the members of the management and supervisory bodies, with a view to the creation of incentives that ensure a level of risk-taking compatible with Banco Montepio's strategy, tolerance and risk culture, and with sound and prudent management.

At least 50% (fifty percent) of the variable remuneration, deferred and non-deferred, should be paid as specified in the RGICSF, namely in the form of instruments issued by Banco Montepio, with a residual amortisation period of at least five years, which are part of the classes of instruments listed in Commission Delegated Regulation (EU) no. 527/2014 of 12 March 2014.

During the deferral period, Banco Montepio is the holder of the instruments and cash attributed as variable remuneration.

Pursuant to the Remuneration Policy of the Members of the Management and Supervisory Bodies, if other instruments are issued, the identification and management of potential conflicts of interest that may be generated by the payment of the instruments issued as part of the variable remuneration will be ensured, and appropriate procedures will be implemented to ensure compliance with the requirements applicable to the management of privileged information and the avoidance of measures that may have a short-term impact on the price of the instruments in question.

The aforementioned instruments will only be issued if they contribute to ensure the alignment of variable remuneration with the performance and risks of Banco Montepio.

A performance reassessment and, if necessary, a risk-based adjustment, will be carried out prior to the payment of deferred variable remuneration, or acquisition of the right to deferred-payment instruments, such as to ensure alignment between the variable remuneration and the additional risks identified or materialised after the respective attribution.

70. Information on how remuneration is structured such as to allow alignment between the interests of the members of the management body and the long-term interests of the company, and on how remuneration is based on the assessment of performance and discourages excessive risk-taking

The Remuneration Policy of the Members of the Management and Supervisory Bodies is materialised taking into account the scope and complexity of the activity pursued, the risk appetite, structure, size and internal organisation, with its definition based on objective and transparent criteria, as well as on mission and values to which it is inherently bound and market practices.

The remuneration consists of the following components:

i. Fixed component, paid on a monthly basis;
ii. Variable component.

The definition of these two remuneration components is based on objective, transparent, consistent criteria, compatible with the chain of responsibilities and competencies of the remunerated employees, taking sector and national remuneration standards into account.

The remuneration of the members of the Audit Committee and non-executive members of the Board of Directors is exclusively composed of a monthly fixed component.

The remuneration of the members of the Executive Committee is composed of a fixed component, which should reflect the necessary responsibilities, experience, competencies and knowledge associated with the position, and a variable component, the attribution of which is not assured, but rather, is dependent on achievement of at least 80% of the established performance goals and subject to partial deferral of payment, so as to ensure a balance between the short and long-term.

In 2023, the Bank decided to attribute variable remuneration to the Executive Directors with respect to the financial year of 2022.

71. Reference, if applicable, to the existence of variable component of remuneration and information on the eventual impact of performance assessment on this component

The remuneration structure of Executive Directors includes, in addition to a fixed component, an eventual variable component, based on measurable criteria and predefined assumptions.

The total amount of the variable component of remuneration is defined based on the following criteria: (i) individual performance assessment; (ii) collective assessment of the Executive Committee; (iii) performance of Banco Montepio. Financial and non-financial should be considered, which should reflect the strategic objectives of Banco Montepio and include risk indicators, in order to ensure alignment with the risk profile considered tolerable by Banco Montepio.

This variable component depends on a multiannual assessment of the performance of each member, and must be approved by the Remuneration Committee, under proposal of the Assessment, Nominations, Ethics, Sustainability and Governance Committee, or by the General Meeting, in the event of the attribution of a higher ratio between the fixed and variable remuneration, under the terms of Article 115-F(3-5) of the RGICSF.

The following criteria are considered in the process of attribution of variable remuneration:

- The attribution of the variable remuneration of the Executive Committee's members depends on achievement of at least 80% of the performance goals, observing the regulations in force and taking into account the established ratio between the variable component and the fixed component which should not, as a rule, exceed 100% of the value of the annual fixed component of remuneration;
- When justified by exceptional circumstances and provided this is duly substantiated by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, a variable remuneration higher than the established ratio may be attributed, at the most corresponding to double the value of the fixed remuneration, pursuant to Article 115-F(3) of the RGICSF;
- The variable component of the remuneration of the Executive Committee's members is structured in order to ensure that it does not limit Banco Montepio's capacity to strengthen its base of own funds and liquidity;
- The variable remuneration structure should be in line with the risk management policy related to Banco Montepio's activity, which should consider financial and non-financial risks;
- The ascertainment of the degree of achievement of the goals and the proposed attribution of variable remuneration to be submitted to the Assessment, Nominations, Ethics, Sustainability and Governance Committee to the Risk Committee, establishing the variable remuneration, is carried out after the approval of the duly audited annual net income for the year by the Board of Directors and General Meeting of Banco Montepio.

72. Deferred payment of variable remuneration, including information on the deferral period

Whenever it is decided to attribute variable remuneration to the members of the Executive Committee, payment of 50% (fifty percent) of this remuneration, or 60% (sixty percent), when the respective amount is particularly, will be deferred for a minimum of four years (deferral period). The deferral period begins after the date of attribution of the non-deferred percentage of the variable remuneration, after which the first deferred instalment will be paid 12 months after the start of the deferral period, and the following instalments 12 months after each deferred payment.

The right to receive the deferred percentage of the variable remuneration is acquired over the deferral period, on an annual proportional basis, being conditional upon the confirmation and sustainability of the economic and financial performance indicators of Banco Montepio that justify the attribution of variable remuneration, the non-occurrence of facts that may have negative impacts during the respective financial year, the favourable performance assessment of employee involved, and the assessment of the current and future risks taken by Banco Montepio.

73. Criteria on which the attribution of variable remuneration in the form of shares is based, as well as information concerning the holding, by the executive directors, of those shares, the eventual signature of contracts concerning the shares, namely hedging or risk transfer contracts, as well as the respective limit and ratio with respect to the total annual remuneration

No variable remuneration will be attributed in the form of shares.

74. Criteria on which the attribution of variable remuneration in the form of options is based and indication of the deferral period and price for exercise

No variable remuneration will be attributed in the form of options.

75. Main parameters and grounds underlying any annual bonus scheme and other non-monetary benefits

The value of the variable component of remuneration is defined in accordance with the performance assessment carried out, based on quantitative and qualitative criteria for assessing the performance of executive directors, set on an annual basis, and with the established methodology and rules, in compliance with the Remuneration Policy of the MOAF.

Under the terms of the Remuneration Policy of the MOAF currently in effect, the following benefits are attributable to the members of the management and supervisory body:

a) Supplementary pension scheme, applicable to retirement due to old age, disability and survival, approved at the General Meeting;

b) Compensation for damages resulting from occupational accidents and illnesses, similar to the scheme applicable to the employees;

c) Health insurance providing coverage similar to that of employees, if they do not have direct access to this protection.

Pursuant to the Remuneration Policy of the Members of the Management and Supervisory Bodies approved at the annual General Meeting of 28 April 2023, in addition to the mandatory public or private pension schemes, as applicable in accordance with the respective contributory careers, the members of the management and supervisory body, under an arrangement of exclusivity[6], are offered a pension supplement, paid by the Institution, in the event of disability or when they have reached the retirement age in effect for Bank employees, as well as in the event of survival, based on a percentage of the fixed remuneration earned as members of the Board of Directors, in accordance with the Regulations approved at the General Meeting. No discretionary pension benefits are attributed.

[6] The attribution to non-executive directors only under an arrangement of exclusivity merely takes effect for the future, with due safeguarding of the rights that have already been acquired.

76. Main characteristics of supplementary pension or early retirement schemes for directors, and date of approval at the general meeting, on an individual basis

In accordance with the Regulation of Implementation of the Supplementary Pension Scheme of the Members of the Management and Supervisory Body, approved at the General Meeting held on 30 June 2020, the amount of this supplement is calculated based on 4% or 5% of the fixed base remuneration earned in each year as a member of the Board of Directors, for each full year of office, depending on whether the time served in office totalled up to five (5) or more years.

IV. Disclosure of remunerations

77. Indication of the annual values of remuneration received, on an aggregate and individual basis, by the members of the management bodies, including fixed and variable remuneration, and, regarding the latter, indication of the various components that originated it

In compliance with Article 47 of Notice 3/2020 of Banco de Portugal and Article 450 of Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013, quantitative information on the remuneration values paid in 2023 by Banco Montepio to the employee categories listed in Article 115-C(2) of the RGICSF are disclosed, namely the following:

a) Members of the management and supervisory bodies;

b) Senior management;

c) Persons in charge of the Institution's significant business units;

d) Persons in charge of the internal control functions; and

e) Employees whose remuneration places them in the same remuneration bracket as the previous categories a), b) or c), whose professional activities have a material impact on the Institution's risk profile.

77.1. Members of the management and supervisory bodies

In the financial year of 2023, the values of fixed remuneration received, on an aggregate and individual basis, by the members of the management and supervisory bodies of Banco Montepio was as shown in the following table:

Members of the Management and Supervisory Bodies (gross amounts expressed in Euros)						
				Of which		
Name	Position	Total fixed remuneration paid in 2023	Total Variable Remuneration Attributed in 2023 (1)	Total variable remuneration paid in cash in 2023 (1)	Total Remuneration Units acquired in 2023 (1) (withheld for the period of 1 year)	Total variable remuneration deferred for a period of 4 year (1)
Manuel Ferreira Teixeira	Chairman of the Board of Directors	€ 300,220.60	-	-	-	-
Clementina Barroso	Chairman of the Audit Committee	€ 162,000.00	-	-	-	-
Eugénio Baptista	Non-Executive Member	€ 126,999.96	-	-	-	-
Florbela Lima	Non-Executive Member	€ 155,000.04	-	-	-	-
Maria Cândida Peixoto	Non-Executive Member	€ 155,000.04	-	-	-	-
Maria Lúcia Bica	Non-Executive Member	€ 155,000.04	-	-	-	-

Members of the Management and Supervisory Bodies (gross amounts expressed in Euros)						
				Of which		
Name	Position	Total fixed remuneration paid in 2023	Total Variable Remuneration Attributed in 2023 (1)	Total variable remuneration paid in cash in 2023 (1)	Total Remuneration Units acquired in 2023 (1) (withheld for the period of 1 year)	Total variable remuneration deferred for a period of 4 year (1)
Pedro Leitão	Chairman of the Executive Committee	€ 412,720.60	€ 318,000.00	€ 79,500.00	€ 79,500.00	€ 159,000.00
Helena Soares de Moura	Executive Member	€ 300,157.60	€ 204,000.00	€ 51,000.00	€ 51,000.00	€ 102,000.00
Isabel Silva	Executive Member	€ 300,220.60	€ 90,000.00	€ 22,500.00	€ 22,500.00	€ 45,000.00
Ângela Barros	Executive Member	€ 300,220.60	€ 93,000.00	€ 23,250.00	€ 23,250.00	€ 46,500.00
José Carlos Mateus	Executive Member	€ 300,067.02	€ 204,000.00	€ 51,000.00	€ 51,000.00	€ 102,000.00
Jorge Baião	Executive Member	€ 300,220.60	€ 207,000.00	€ 51,750.00	€ 51,750.00	€ 103,500.00
	TOTAL	**€ 2,967,827.70**	**€ 1,116,000.00**	**€ 279,000.00**	**€ 279,000.00**	**€ 558,000.00**

(1) **relative to the financial year of 2022**

The variable remuneration attributed to the Executive Directors (relative to the financial year of 2022) is subject to the rules defined in the Remuneration Policy of the Members of the Management and Supervisory Bodies, with 50% of the attributed remuneration being directly subject to deferral for a period of four years and subject to adjustment mechanisms ("malus" reduction and "clawback" reversal mechanisms).

Likewise, pursuant to the Remuneration Policy of the Members of the Management and Supervisory Bodies, 50% of the variable remuneration (deferred and not deferred) was attributed in cash and 50% in Remuneration Units (UR), as defined in the Implementing Regulation on Remuneration Instruments ("Implementing Regulation on Remuneration Units") approved by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, after having obtained the opinion of the Remuneration Committee, Risk Committee, Risk Division and Compliance Division.

The value of each Remuneration Unit, on its attribution date, corresponds to 6.25% of the value in euros of the variable remuneration attributed to each Executive Committee member relative to the year to which that remuneration component refers ("Notional Value"), pursuant to the rules established in the Implementing Regulation on Remuneration Units, approved by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, after having obtained the opinion of the Remuneration Committee, preceded by the opinion of the Compliance Division, Risk Division and Risk Committee. Pursuant to said Implementing Regulation, upon payment, the value of the Remuneration Unit may be adjusted downwards, according to the negative variation of total own funds ("Payment Value").

It should be noted that all the attributed Remuneration Units are withheld for a period of 1 year after their acquisition date and subject to all the other adjustment mechanisms, as established and defined in Article 15-E(12) and (13) of the RGICSF.

77.2. Senior management, persons in charge of significant business units, persons in charge of the internal control functions and other employees whose activity has a material impact on the Institution's risk profile

The current Remuneration Policy of the Employees in force, covering the employees with impact on the risk profile, qualified as key function holders, approved by the Board of Directors on 30 October 2023, also represents a strategic instrument of Banco Montepio. This policy takes into account risk management by adopting clear and accessible remuneration practices for all the employees, with a view to ensure the sustainable growth and profitability of Banco Montepio, as well as the protection of customers and investors, through the implementation of incentive policies aligned with Banco Montepio's long-term interests. In order to pursue these purposes, the aforementioned Policy establishes a maximum ratio of 60% between variable and fixed remuneration, which is calculated and defined at the time of determination of the percentage of positive net income do be distributed, which takes into account all the types of risks, current and future, as well as the cost to own funds and the liquidity needed by the Institution.

The total remuneration values paid in 2023 to the aforementioned employees[7] were as follows, detailed by:

- **Activity area[8]:**

	Fixed Remuneration	Variable Remuneration (1)	No. of Beneficiaries
Business Areas	€ 1,029,344	€ 116,480	10
Internal Control Functions	€ 1,136,243	€ 112,540	16
Support Areas	€ 2,572,769	€ 273,175	25
	€ 4,738,355	**€ 502,195**	**51**

(1) Variable remuneration paid in 2023, relative to the financial year of 2022. There are no deferred amounts as, pursuant to the Remuneration Policy of the Employees in force, and in light of Article 15-E(20) of the RGICSF, the rules for deferral are not applicable to employees for whom the annual variable component of their remuneration is less than €50.000 and does not represent more than one third of their total annual remuneration.

- **Senior management and key function holders:[9]**

	Fixed Remuneration	Variable Remuneration (1)	No. of Beneficiaries
Senior Management	€ 3,382,433	€ 382,265	32 (2)
Persons in charge of significant business units	€ 561,862	€ 58,720	6 (3)
Persons in charge of the control functions	€ 794,061	€ 61,210	13 (4)
Employees whose remuneration places them in the same remuneration bracket as the previous categories, provided that the respective professional activities have a material impact on the Institution's risk profile	- €	- €	-
	€ 4,738,355	**€ 502,195**	**51**

(1) Variable remuneration paid in 2023, relative to the financial year of 2022. There are no deferred amounts as, pursuant to the Remuneration Policy of the Employees in force, and in light of Article 15-E(20) of the RGICSF, the rules for deferral are not applicable to employees for whom the annual variable component of their remuneration is less than €50.000 and does not represent more than one third of their total annual remuneration.

(2) Includes Senior Management (1st Lines) of the Internal Control Functions (Risk Division, Compliance Division and Internal Audit Division).

(3) Includes the 2nd line management staff of the business areas.

(4) Includes the 2nd line management staff of the control functions.

According to the information provided by the People Management Division, the structural unit that ensures the processing of the Institution's remunerations, no situations were found that are stipulated under Article

[7] Classified as Key Function Holders (TFS), included in the report produced in December 2023, pursuant to Notice 3/2020 and Instruction 18/2020 of Banco de Portugal.
[8] For the purposes of Article 450(1)(g) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013.
[9] For the purposes of Article 450(1)(h) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013.

450(1)(i) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013, and Article 155-C(2)(e) of the RGICSF.[10]

No new hiring bonuses or compensation for termination of term were paid during the financial year of 2023.

78. Amounts paid, for any reason, by other companies in a control or group relationship, or under common control

During the financial year of 2023, no remuneration or other amounts were paid, for any reason, to the members of the Board of Directors of Banco Montepio by companies in a control or group relationship with the Company.

79. Remuneration paid as profit shares and/or bonuses, and reasons for the attribution of such bonuses and/or profit shares

In 2023, no remuneration in the form of profit shares or bonuses was paid to the members of the Board of Directors.

80. Compensation paid or due to former executive directors in connection with the termination of their term during the financial year

In the year to which this Report refers, no compensation was paid or due to former executive directors of Banco Montepio in connection with the termination of their term during the financial year.

81. Indication of the annual values of remuneration received, on an aggregate and individual basis, by the members of the company's supervisory bodies

Information on these matters is included in point 77, above.

82. Indication of the remuneration of the Chairman of the Board of the General Meeting in the year to which this report refers

During the financial year of 2023, the values of the remuneration, exclusively fixed, received by the Chairman of the General Meeting were as follows:

Members of the Board of the General Meeting	Position	Remuneration
António Manuel Tavares	Chairman	€ 4,000.00

V. Agreements with remunerative implications

83. Contractual limitations established for due compensation in case of unjustified dismissal of a director and relation to the variable component of remuneration

No contracts related to compensation matters were signed with the members of the governing bodies; the rules legally established within this scope, namely in Article 403(5) of the Commercial Companies Code, applied.

In accordance with Remuneration Policy of the Members of the Management and Supervisory Body (MOAF), the members of the Board of Directors are entitled to receive compensation for the damages suffered in the event of unjustified dismissal, whose maximum amount corresponds to the fixed monthly remunerations presumptively received until the end of the respective term of office.

Regarding the variable component of remuneration, the respective attribution to the members of the Executive Committee is conditional upon their prior written acceptance of reduction ("malus*")* and clawback

[10] Article 450(1)(i) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013 - *"i) The number of individuals that have been remunerated €1mn or more per financial year, with the remuneration between €1mn and €5mn broken down into pay bands of €0.5mn and with the remuneration of €5mn and above broken down into pay bands of €1mn."*

mechanisms, as provided for and defined in Article 115-E(9-10) of the RGICSF. These reduction and clawback mechanisms will remain applicable during the total period of deferral and withholding of remuneration.

The attribution of variable remuneration to the members of the Executive Committee is also conditional upon their prior written commitment not to enter into any risk coverage or risk transfer contracts, in relation to any deferred component, that may minimise the effects of the risk associated with the established remuneration system.

84. Reference to the existence and description of agreements, including the amounts involved, between the company and the members of the governing body, whereby the payment of compensation is established in the event of resignation, unjustified dismissal or termination of employment following a change of control of the company

No agreements exist between the Company and the members of the Board of Directors, or any other employee, whereby the payment of compensation is established in the event of resignation, unjustified dismissal or termination of employment following a change of control of the Company.

VI. Plans for the attribution of shares or stock options

As no share attribution plans or stock options are in place, this chapter does not apply to Banco Montepio.

E. Transactions with Related Parties

I. Control mechanisms and procedures

89. Mechanisms implemented by the company for the purpose of controlling transactions with related parties

The Policy on Transactions with Related Parties of Banco Montepio defines the internal procedures implemented for the purpose of assessing, identifying, controlling and monitoring transactions between Banco Montepio and related parties, as well as the respective disclosure, including the scope of consolidation of the Banco Montepio Group and other entities in a control relationship.

In this sense, the workflow that characterises the process of identification and monitoring of transactions with related parties is adequately defined, as well as the list of entities to be included in the transaction system, so that an alert can be triggered in the event of any compromising business situation, allowing Banco Montepio to prevent conflicts of interest pertaining to transactions with related parties, comply with the applicable legal and regulatory requirements, and ensure transparency and objectivity in the management of the aforementioned transactions.

The monitoring of the policy on the identification and analysis of transactions with related parties and respective disclosure are carried out by the Risk Management and Compliance Functions, with periodic reporting of the activities carried out within this scope to the Audit Committee.

Any proposals related to the persons or entities included in the list of related parties of Banco Montepio require approval by at least two thirds of the members of the Board of Directors, following the issuance of a prior opinion by the Audit Committee, as well as the opinions of the Compliance Division and the Risk Division, regarding compliance of the proposed operations with the internal regulations, legal and regulatory provisions, and other applicable conditions, namely regarding risk.

90. Indication of the transactions subject to control during the year to which this report refers

In the financial year of 2023, a total of twenty-seven (27) transactions with related parties were presented to the Audit Committee to issue an opinion and subsequently submitted to the Board of Directors for approval.

Quantitative information on transactions with related parties is presented in detail in the financial statements of Banco Montepio.

91. Description of the applicable procedures and criteria used by the supervisory body for the prior assessment of business to be conducted between the company and owners of qualifying shareholdings, or entities related thereto

The Audit Committee is competent to control significant or relevant transactions (transactions whose value totals at least one hundred thousand euros, individually or cumulatively in a given financial year) with related parties, through the issuance of a prior opinion, for which purpose it should receive complete information from the proponent area, as well as the opinions of the Compliance Division and the Risk Division, which identify the risks, potential or real, that the operations in question may entail for Banco Montepio.

II. Data relative to business

92. Location of the accounting documents where information about business conducted with related parties is available

Detailed information on transactions with related parties is available in Note 47 to the financial statements of Banco Montepio.

PART II - Assessment of the compliance with the IPCG Corporate Governance Code Recommendations and Sub-recommendations

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
I.1	The company explains how its strategy seeks to ensure the achievement of its long-term goals and the main contributions derived thereof to the community in general.	*Management Report 2023* *Sustainability Report 2023*	**Compliant**
I.2	The company identifies the main policies and measures adopted with respect to the achievement of its environmental goals and concerning the achievement of its social goals.	*Management Report 2023* *Sustainability Report 2023*	**Compliant**
II.1.1	The company institutes mechanisms that ensure the appropriate, rigorous and timely disclosure of the necessary information to its bodies, the company secretary, shareholders, investors, financial analysts, all other stakeholders and the market in general.	Point: 21 (Responsibilities of the Board of Directors and Audit Committee) Points: 55 to 65 (Information disclosure)	**Compliant**
II.2.1.	The companies establish, previously and in abstract, criteria and requirements relative to the profile of the members of the company's bodies suited to the function to be performed, considering, namely, individual attributes (such as competence, independence, integrity, availability and experience), and requirements on diversity (with particular attention to gender equality), which could contribute to the improved performance of the body and balance of its composition.	Points: 16, 17 and 19 - established practices and policies *(Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, and Succession Policy of the Members of the Management and Supervisory Bodies)* Point: 21.4 (Competencies of the Assessment, Nominations, Ethics, Sustainability and Governance Committee)	**Compliant**
II.2.2.	The management and supervisory bodies and their internal committees have regulations – namely on the performance of their responsibilities, chair, frequency of meetings, functioning and framework of duties of their members – fully disclosed on the company's website, and minutes should be drawn up of their meetings.	Points: 20 to 23, 27, 34 and 61	**Compliant**
II.2.3.	The composition and number of meetings each year of the management and supervisory bodies and their internal committees are disclosed on the company's website.	Points: 17, 23, 27, 28, 31 and 35	**Compliant**
II.2.4.	The companies adopt a policy on communication of irregularities (whistleblowing) which explains the main	Point: 49	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
	rules and procedures to be followed for each communication and an internal channel which is also accessible to non-employees, under the terms of the applicable law.		
II.2.5.	The companies have committees specialised in corporate governance, remunerations, nomination of members of governing bodies and performance assessment, separately or cumulatively. If the remuneration committee stipulated in Article 399 of the Commercial Companies Code has been created, this recommendation can be implemented through assignment of responsibility in said matters, when not prohibited by law.	Points: 21.4 and 27 (Assessment, Nominations, Ethics, Sustainability and Governance Committee), 67 and 68 (Remuneration Committee)	**Compliant**
II.3.1.	The articles of association or other equivalent means adopted by the company establish mechanisms to ensure, within the limits of the applicable legislation, that the members of the management and supervisory bodies should have permanent access to all the necessary information to assess the performance, situation and outlook on the development of the company, including, in particular, the minutes, documentation supporting the decisions taken, call notices and archive of the executive management body's meetings, without prejudice to any other documents or people from whom clarifications may be requested.	Points: 21 and 23	**Compliant**
II.3.2.	Each company body and committee ensure the timely and appropriate inter-organic flow of the necessary information for performance of the legal and statutory duties of each of the remaining bodies and committees.	Points: 21, 22 and 27	**Compliant**
II.4.1.	By internal regulations or equivalent means, the members of the management and supervisory bodies and of the internal committees are bound to inform the body of committee concerned whenever there are facts that could constitute or give rise to a conflict between their interests and the company's interest.	Points: 10, 20 to 22, 49, 89 to 91 *(Policy on Management of Conflicts of Interest, Policy on Transactions with Related Parties, Code of Conduct and Regulations of the Board of Directors)*	**Compliant**
II.4.2.	The company adopts procedures that ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, committee or their members.	Points: 10, 20 to 22, 49, 89 to 91 *(Policy on Management of Conflicts of Interest, Policy on Transactions with Related Parties, Code of Conduct and Regulations of the Board of Directors)*	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
II.5.1.	The management body discloses, in the governance report or via another publicly available method, the internal procedure for verification of transactions with related parties.	Points: 10, 89 to 91	**Compliant**
III.1.	The company should establish an excessively high number of shares required to confer the right to one vote, and the governance report should disclose its option whenever each share does not correspond to one vote.	-	**Not applicable**
III.2.	If a company has issued shares with special right to multiple-vote, the governance report should disclose the matters which, pursuant to the company's articles of association, are excluded from multiple-vote.	-	**Not applicable**
III.3.	The company should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that foreseen by law.	Points: 5, 12 and 14 (Banco Montepio's Articles of Association)	**Compliant**
III.4.	The company implements the appropriate means for the participation of the shareholders in the General Meeting, through non-physical attendance, in terms proportional to their size.	Point: 12	**Compliant**
III.5.	The company also implements the appropriate means for the non-physical exercise of the right to vote, including by correspondence and electronically.	Point: 12 (Voting by correspondence is permitted, but not electronically – Article 8 of Banco Montepio's Articles of Association)	**Partially compliant**
III.6.	The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, should also foresee that, at least every five years, the general meeting should deliberate on the amendment or maintenance of this statutory provision – without higher quorum requirements than that legally in force – and that in said resolution, all votes cast should be counted, without applying this restriction.	-	**N.A.**
III.7.	Measures should not be adopted that require payments or the incurring of expenses by the company in the event of transfer of control or change in the composition of the management body and which appear likely to jeopardise the economic interest in the transfer of shares and free appraisal by shareholders of the performance of the directors.	Point: 4	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
IV.1.1.	The management body ensures that the company acts in a manner consistent with its purpose and does not delegate powers, namely, with respect to: i) definition of the company's strategy and main policies; ii) organisation and coordination of the corporate structure; iii) matters that should be considered strategic due to their value, risk or special features	Point: 21 (Regulations of the Board of Directors)	**Compliant**
IV.1.2.	The management body approves, through regulations or equivalent means, the framework of action of the executive directors applicable to their performance of executive duties in entities outside the group.		
IV.2.1.	Notwithstanding the legal duties of the chairman of the board of directors, if he/she is not independent, the independent directors – or, if there are not in a sufficient number, the executive directors – appoint from among one another a coordinator to, namely, (i) act, whenever necessary, as an agent of communication with the chairman of the board of directors and with the other directors, (ii) strive to ensure that they have the set of necessary conditions and means to perform their duties; and (iii) coordinate them in the performance assessment by the management body established in recommendation VI.1.1. Alternatively, the company may establish another equivalent mechanism to ensure that coordination.	-	**Not applicable**
IV.2.2.	The number of non-executive members of the management body should be appropriate to the company's size and the complexity of the risks inherent to its activity, but sufficient to efficiently ensure the duties with which it is entrusted, where the formulation of that judgement on appropriateness should be presented in the governance report.	Point: 18	**Compliant**
IV.2.3.	The number of non-executive directors is higher than that of executive directors	Point: 18	**Not compliant but justified**
IV.2.4.	The number of non-executive directors who comply with the requirements of independence should be plural and cannot be less than one third of the total number of non-executive directors. For the purposes of this recommendation, an independent person is considered one who is not associated with any group of specific interests, nor is in any circumstance that could affect that person's impartiality in analysis or decision-making, namely by virtue of the fact that he/she:	Points: 17 and 18	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
	i) Has performed for more than twelve years, in a continuous or intermittent manner, duties in any of the company's bodies, where this time limit is counted independently of coinciding, or not, with the term of office; ii. Has been employed at the company or a company which is in a controlling or group relationship with the former in the last three years; iii. Has, in the last three years, rendered services or established significant commercial relations with a company which has been in a controlling or group relationship, whether directly as a partner, director or manager of a legal person; iv. Has received remuneration paid by a company which has been in a controlling or group relationship, apart from the remuneration arising from the performance of directorship duties; v. Lives in non-marital cohabitation or is the spouse, parent or similar in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of legal or natural persons directly or indirectly holding qualifying stakes; vi. Is the holder of a qualifying stake or representative of a shareholder with qualifying stakes.		
IV.2.5.	The provisions in paragraph (i) of the previous recommendation do not preclude the classification of a new director as independent if at least three years have elapsed between the end of his/her duties in any body of the company and his/her new appointment (cooling-off period).	-	**Not applicable**
V.1.	With respect to the competencies conferred by law, the supervisory body is aware of the strategic lines, and appraises and comments on the risk policy prior to its final approval by the management body.	Point: 21 (Competencies of the Audit Committee)	**Compliant**
V.2.	The number of non-executive members of the supervisory body and financial matters committee should be appropriate to the company's size and the complexity of the risks inherent to its activity, but sufficient to efficiently ensure the duties with which it is entrusted, where the formulation of that judgement on appropriateness should be presented in the governance report	Point: 21 (Competencies of the Audit Committee)	**Compliant**
VI.1.1.	The management body – or committee with competencies on the matter, composed of a majority of non-executive members – annually assesses their	Points: 16, 21.4, 24 and 25	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
	performance, as well as the performance of the executive committee, executive directors and committees of the company, taking into account the fulfilment of the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member to this end, and the relationship between the company's bodies and committees.		
VI.2.1.	The company has created a remuneration committee, whose composition ensures its independence in relation to the management, which may be the designated remuneration committee pursuant to Article 399 of the Commercial Companies Code.	Points: 66 to 68	**Compliant**
VI.2.2.	The establishment of the remunerations of members of the management and supervisory bodies and company committees is entrusted to the remuneration committee or to the general meeting, under proposal of that committee.	Points: 67 and 68	**Compliant**
VI.2.3.	The company discloses in the governance report, or in the remunerations report, the termination of duties of the members of the company's bodies and committees, indicating the values of all the company's expenses related to that termination of duties, in any capacity, in the year in question.	Points: 77 to 81	**Compliant**
VI.2.4.	In order to provide information or clarifications to shareholders, the chairman or other member of the remuneration committee should be present at the annual general meeting and in any others if the respective agenda includes issues related to the remuneration of the members of the company's bodies and committees, or if that presence has been requested by shareholders.	Point: 67	**Compliant**
VI.2.5.	Within the company's budgetary constraints, the remuneration committee may freely decide on the hiring, by the company, of the consulting services deemed necessary or convenient for the performance of its duties.	Point: 67 (Regulations of the Remuneration Committee)	**Not compliant but justified**
VI.2.6.	The remuneration committee ensures that those services are rendered with independence.	**Points: 21.2 and 89** (Competencies of the Audit Committee in the context of transactions with related parties and control procedures)	**Not compliant but justified**
VI.2.7.	The providers of these services shall not be hired, by the actual company or by others with which it is in a controlling or group relationship, to render to the company any other services related to the remuneration	**Points: 21.2 and 89** (Competencies of the Audit Committee in the context of transactions with related parties and control procedures)	**Not compliant but justified**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
	committee's competencies, without express authorisation of that committee.		
VI.2.8.	With a view to the alignment of interests between the company and the executive directors, part of the latter's remuneration is of a variable nature reflecting the company's sustained performance and does not stimulate excessive risk-taking.	**Points: 69 to 74** *Remunerations Policy of the Members of the Management and Supervisory Bodies and Key Function Holders, disclosed on Banco Montepio's website – www.bancomontepio.pt*	**Compliant**
VI.2.9.	A significant part of the variable component is partially deferred for a period of not less than three years, is associated, under terms defined in the company's remuneration policy, with the confirmation of the sustainability of the performance.	**Points: 72 and 74** *Remunerations Policy of the Members of the Management and Supervisory Bodies and Key Function Holders, disclosed on Banco Montepio's website – www.bancomontepio.pt*	**Compliant**
VI.2.10.	When the variable remuneration includes options or other instruments directly or indirectly dependent on share values, the beginning of the period of exercise is deferred for a period of not less than three years.	**-**	**Not applicable**
VI.2.11.	The remuneration of the non-executive directors does not include any component whose value depends on the company's performance or its value.	**Points: 69 and 77.1**	**Compliant**
VI.3.1.	The company endeavours to ensure, in the terms deemed most appropriate, but in a demonstrable manner, that the proposals for election of the members of the company's bodies should be accompanied by evidence of the suitability of each of the candidates to the position to be held.	**Points: 16 and 17** *(Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, and Succession Policy of the Members of the Management and Supervisory Bodies)*	**Compliant**
VI.3.2.	The committee for nomination of members of governing bodies includes a majority of independent directors.	Points: 17 and 27 *All the members of the Assessment, Nominations, Ethics, Sustainability and Governance Committee are independent*	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
VI.3.3.	Unless unjustified by the company's size, the function of follow-up and support to the nomination of senior management is attributed to a nominations committee.	**Point: 21**	**Compliant**
VI.3.4.	The committee for nomination of senior management provides its terms of reference and promotes, to the extent of its competencies, the adoption of transparent selection processes that include effective mechanisms for identification of potential candidates, and ensure the proposal for selection of those who show greatest merit, who are best suited to the position's requirements and foster an appropriate diversity, within the organisation, including gender equality.	**Points: 16 and 17** *(Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, and Succession Policy of the Members of the Management and Supervisory Bodies)*	**Compliant**
VII.1.A	The management body debates and approves the company's strategic plan and risk policy, which includes the establishment of limits with respect to risk-taking.	Point: 21.1 (Competencies of the Board of Directors) and 21.3 (Competencies of the Risk Committee)	**Compliant**
VII.2.A	The company has a specialised commission or committee composed of specialists in risk matters that regularly reports to the management body.	Risk Committee	**Compliant**
VII.3.	The supervisory body is internally organised and implements periodic control mechanisms and procedures, so as to ensure that the risks effectively incurred by the company are consistent with the goals established by the management body.	Point: 21.2 (Competencies of the Audit Committee)	
VII.4.	The internal control system, comprising the risk management, compliance and internal audit functions, is structured appropriately to the company's size and the complexity of the risks inherent to its activity. The supervisory body should assess the internal control system, under its competence to supervise this system's efficacy, and propose the adjustments deemed necessary.	Points: 21.2 and 50 to 55	**Compliant**
VII.5.	The company establishes procedures for supervision, periodic assessment and adjustment of the internal control system, including an annual assessment of the degree of internal compliance and performance of this system, as well as the outlook on change of the previously defined risk framework.	Points: 21.1, 21.2 and 50	**Compliant**
VII.6.A	Based on its risk policy, the company has instituted a risk management function, to identify (i) the main risks faced during the development of its activity; (ii) the likelihood of their occurrence and corresponding impact; (iii) the instruments and measures to be taken with for their	Point: 50 to 55	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
	mitigation; and (iv) the monitoring procedures, with a view to their follow-up.		
VII.7.	The company has instituted procedures to compile and process data related to environmental and social sustainability, to warn the management body on the risks that the company may be taking and propose strategies for their mitigation.	On this issue, see Banco Montepio's Annual Sustainability Report	**Compliant**
VII.8.	The company discloses how climate change is considered in the organisation and how the analysis of climate risk is taken into account in the decision-making processes.	Point: 53	**Compliant**
VII.9.	The company discloses, in the governance report, how artificial intelligence mechanisms have been used as decision-making instruments by the governing bodies.	-	**Not applicable**
VII.10.	The supervisory body comments on the work plans and resources allocated to the internal control services, including the risk management, compliance and internal audit functions, and may approve adjustments that prove necessary.	Points: 21.2	**Compliant**
VII.11.	The supervisory body receives the reports produced by the internal control services, including the risk management, compliance and internal audit functions, at least when involving matters related to the presentation of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities.	Points: 21.2 and 50	**Compliant**
VIII.1.1.	The regulations of the supervisory body require it to supervise the adequacy of the process of preparation and disclosure of information by the management body, including the adequacy of the accounting policies, estimates, judgements, relevant disclosures and their consistent application throughout financial years, in a duly documented and communicated manner.	Points: 21.2 and 34	**Compliant**
VIII.2.1.	Through regulations, the supervisory body defines, under the terms of the applicable legal system, the supervisory procedures so as to ensure the statutory auditor's independence.	Points: 21.2, 34 and 45	**Compliant**
VIII.2.2.	The supervisory body should be the main agent for communication with the company's statutory auditor and first receiver of the respective reports, and is responsible, namely, to propose the statutory auditor's remuneration and ensure the existence of the appropriate conditions for the provision of the services within the company.	Points: 21.2 and 34	**Compliant**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report	Compliance
VIII.2.3.	The supervisory body should annually assess the statutory auditor’s work, independence and suitability to perform functions, and propose, to the competent body, the statutory auditor's dismissal or termination of service contract whenever there are fair grounds for the effect.	Point: 45	**Compliant**

Annex I

Relevant curricular information of the members of the Board of Directors

MANUEL FERREIRA TEIXEIRA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Governance & The Future of Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Corporate Governance Programme - Board Leadership, at Nova - School of Business and Economics, Lisbon
- Master's degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Post-graduate degree in European Economics from Universidade Católica de Lisboa
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Chairman of the Board of Directors

Professional activities performed over the last 10 years

- Non-Executive Member of the Board of Directors, Chairman of the Audit Committee, Member of the Risk Committee and Alternate Member of the Remunerations, Nominations and Assessment Committee (which he chaired from its creation until 2020) of Banco Montepio in the term of office 2018-2021
- Executive Member of the Board of Directors of CVP – Sociedade de Gestão Hospitalar, S.A. (Hospital da Cruz Vermelha) and Chairman of the referred Board of Directors (2020-2022)
- Visiting professor at Universidade Nova – IMS (2015 – 2022)
- Secretary of State for Health of the XIX Constitutional Government

CLEMENTINA MARIA DÂMASO DE JESUS SILVA BARROSO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- PhD in Applied Business Management from ISCTE – Instituto Universitário de Lisboa (2015)
- Statutory Auditor (ROC) (1990)
- Degree in Business Management and Organisation from ISCTE – Instituto Universitário de Lisboa (1981)

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Audit Committee
- Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee

Positions held outside Banco Montepio

- Professor at the Department of Finance of ISCTE – Instituto Universitário de Lisboa
- Chairman of the Board of Directors of Greenvolt – Energias Renováveis, S.A.
- Member of the Board of Directors of IPCG – Instituto Português de Corporate Governance

Professional activities performed over the last 5 years

- Member of the Board of Directors of Banco CTT, S.A. (2015-2022)
- Member of the General and Supervisory Board of EDP – Energias Renováveis, S.A. (2018-2021)
- Chairman of the Board of the General Meeting of Science 4 You, S.A. (2014-2020)
- Member of the Board of Directors of FundBox – SGFIM, S.A. (2011-2019), having served as Chairman of the Audit Committee from 2016 to 2019

EUGÉNIO LUÍS CORREIA MARTINS BAPTISTA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- Degree in Electrical and Computer Engineering from Instituto Superior Técnico, Universidade de Lisboa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Member of the Risk Committee
- Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee

Professional activities performed over the last 5 years

- Central Director of Information Systems at Caixa Geral de Depósitos (2003-2022)

FLORBELA DOS ANJOS FRESCATA LIMA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- Diploma in Corporate Governance from the Corporate Governance Institute
- Post-graduate degree in Finance and Controlling from CEMAF/ISCTE
- Degree in Business Management and Administration from Universidade Católica Portuguesa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Risk Committee
- Member of the Audit Committee

Positions held outside Banco Montepio

- Managing partner of Relatório Urgente, Lda.

Professional activities performed over the last 5 years

- Partner in the SAT team at Ernst & Young, S.A., in Portugal, responsible for the Strategy team (2015-2020)

MARIA CÂNDIDA DE CARVALHO PEIXOTO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- New governance and Internal Control Rules, Prevention of Money Laundering and Terrorist Financing and General Compliance course at Instituto de Formação Bancária (2019-2021)
- Complexities of Board Chairing in Modern Governance in Banking Programme at INSEAD - Institut Européen D'Administration des Affaires (2019)
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee
- Member of the Audit Committee

Professional activities performed over the last 5 years

- Chair of Banco Atlântico Europa, undertaking the leadership of the Board of Directors and the institutional representation of the Institution (2021-2022)
- Non-Executive Director of Banco Atlântico Europa, with the functions of Person Responsible for Regulatory Compliance, coordination of the Internal Control Commission and member of the Nominations and Remuneration Committee (2018-2021)
- Member of the Supervisory Council of Banco Atlântico Europa (2015-2018)

MARIA LÚCIA RAMOS BICA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- Corporate Governance Board Leadership, at Nova School of Business & Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Member of the Audit Committee, responsible for chairing the Irregularities Commission
- Member of the Risk Committee

Positions held outside Banco Montepio

- Managing partner of Quinta de Serra, Sociedade Unipessoal, Lda.

Professional activities performed over the last 5 years

- Non-Executive Member of the Board of Directors of Residências Montepio, Serviços de Saúde, S.A. (2017-2022)
- Non-Executive Member of the Board of Directors of Nova Câmbios, Instituição de Pagamento, S.A. (2019-2021)
- Director of the corporate Centre of Montepio Geral – Associação Mutualista (2016-2021)

PEDRO MANUEL MOREIRA LEITÃO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Strategic Leadership Program, ISEG + Columbia Business School
- Business Sustainability Programme at INSEAD - Institut Européen D'Administration des Affaires, France
- Stakeholder Management for Boards, IMD, Switzerland
- Customer Focused Innovation, Stanford University, USA
- Value Creation for Owners and Directors – Corporate Governance for Long Term Value Creation at INSEAD, France
- Senior Executive Program (SEP), London Business School, UK
- Leading Digital Business Transformation IMD, Switzerland
- Leading Businesses into the Future and Senior Executive Programme at the London Business School, UK
- Post-graduate degree in Management Consulting from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), in Lisbon
- Post-graduate degree in e-Business, Master's Degree in Management and MBA, all from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Degree in Economics from Universidade de Évora

Positions held at Banco Montepio

- Chairman of the Executive Committee

Positions held at the Banco Montepio Group

- Vice-Chairman of the Board of Directors of Montepio Holding, SGPS, S.A.
- Chairman of the Board of Directors of Montepio Investimento, S.A.

Positions held outside Banco Montepio

a) As representative of Banco Montepio
- Member of Board of APB – Associação Portuguesa de Bancos (Portuguese Association of Banks)
- Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado

b) Other positions
- Member of the Supervisory Board of Oeiras International School

Professional activities performed over the last 10 years

- Chairman of the Board of Directors of Montepio Investimento, S.A. (since 2022)
- Vice-Chairman of the Board of Directors of Montepio Holding, SGPS, S.A. (since 2021)
- Chairman of the Executive Committee of Banco Montepio (since 2020)
- Executive Director (Chief Digital Officer) of Banco Atlântico Europa, Portugal (2016-2019)
- Executive Director of Banco Millennium Atlântico, Angola (2011-2015)

ÂNGELA ISABEL SANCHO BARROS

Academic qualifications

- Corporate Governance – Action in Boards, at Nova School of Business & Economics (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Oxford Executive Leadership Programme course at the University of Oxford
- Leadership Development Programme at the School of Economics of Universidade Católica Portuguesa
- International Certification in Banking Risk and Regulation by GARP
- Degree in Business Management and Administration from ISCTE – Instituto Universitário de Lisboa

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Executive Member of the Board of Directors of Montepio Investimento, S.A.

Professional activities performed over the last 5 years

- Senior Manager to Associate Partner at Ernst & Young, S.A. (2012-2022)

HELENA CATARINA GOMES SOARES DE MOURA COSTA PINA

Academic qualifications

- Strategic Leadership Program, ISEG + Columbia Business School (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- Rising to the ESG Challenge: Routes towards effective Governance, at INSEAD-International Business School
- International Directors Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Corporate Governance Programme - Board Leadership, at Nova - School of Business and Economics, Lisbon
- Cross-Border Dispute Resolution course at the Lex Mundi Institute, USA
- Attendance of post-graduate course in Industrial Law at the Law School of Universidade de Lisboa (FDUL)
- Post-graduate degree in Information Society Studies and Electronic Commerce from FDUL
- Law degree from FDUL

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Member of Board B of APB - Associação Portuguesa de Bancos
- Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E.

b) Other positions

- Member of the Business Council of APA - Associação Portuguesa de Arbitragem

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2018)
- Member of the Board of Directors of SIBS, SGPS, S.A. (2018-2021), Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A. (2018-2021), and Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E. (since 2022), as representative of Banco Montepio
- Litigation Director of the Ageas Group in Portugal (2017-2018)

ISABEL CRISTINA DOS SANTOS PEREIRA DA SILVA

Academic qualifications

- Risk Management, at Instituto de Formação Bancária (2023)
- Corporate Governance – Action in Boards, at Nova School of Business & Economics (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Corporate Governance Board Leadership, at Nova School of Business & Economics
- Training course for insurance and reinsurance intermediaries, APS-Associação Portuguesa de Seguradores
- Specialisation in Management (curricular component of the Master's degree in Management) from Universidade do Minho
- Post-graduate degree in Social Economy – Cooperativism, Mutualism and Solidarity from the School of Economics of Universidade de Coimbra
- Degree in Business Management from Universidade do Minho

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Executive Member of the Board of Directors of Montepio Investimento, S.A.

Professional activities performed over the last 5 years

- Employee of Banco Montepio, having occupied several positions in the management structure of Retail Banking, namely Area Manager, Regional Manager, Deputy Director and Director of the North and Centre Commercial Division (1994-2022)
- Member of the Board of Directors of Norgarante – Sociedade de Garantia Mútua, S.A., as representative of Banco Montepio (2021-2022)

JORGE PAULO ALMEIDA E SILVA BAIÃO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Corporate Governance Programme: Board Leadership, at Nova School of Business & Economics
- Specialisation Diploma in Bank Management from Instituto de Formação Bancária
- ISPA University attendance – 4th year of Applied Psychology – Social and Organisations Branch

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Plenary Meeting of CISP - Comissão Interbancária para os Sistemas de Pagamentos
- Resilience and Cybersecurity Forum
- Member of the Board of Directors of SIBS, SGPS, S.A.
- Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A.

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2021)
- Member of the Board of Directors of SIBS, SGPS, S.A. (since 2021) and Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A. (since 2021), as a representative of Banco Montepio;
- CIO of Grupo Crédito Agrícola - CA Serviços, ACE and CFO of CA Serviços, ACE and CA Informática, S.A. (2013-2021).

JOSÉ CARLOS SEQUEIRA MATEUS

Academic qualifications

- Strategic Leadership Program, ISEG + Columbia Business School (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Governance & The Future of Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Master's degree in Mathematics Applied to Economics and Management (without presentation of dissertation) from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Executive Member of the Board of Directors of Montepio Holding, SGPS, S.A.
- Executive Member of the Board of Directors of Montepio Investimento, S.A.
- Member of the Liquidation Commission of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2018)
- Executive Director of the Board of Directors of Montepio Holding, SGPS, S.A. (since 2018)
- Executive Director of the Board of Directors of Montepio Investimento, S.A. (since 2018)
- Executive Director of the Board of Directors of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. (since 2014)
- Director of the Financial and International Commercial Division of Banco Montepio (2008-2018)

Annex II - Accumulation of positions by the members of the Board of Directors

Accumulated positions, including additional responsibilities at commissions and committees

(as at 31 December 2023)

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Manuel Ferreira Teixeira	**Caixa Económica Montepio Geral** • Chairman of the Board of Directors	• Does not hold other positions
Clementina Barroso	**Caixa Económica Montepio Geral** • Chairman of the Audit Committee • Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Professor at ISCTE, Instituto Universitário de Lisboa • Greenvolt – Energias Renováveis, S.A. (Chairman of the Board of Directors; Chairman of the Audit, Risk and Related Parties Commission; Member of the Ethics and Sustainability Commission) • Member of the Board of Directors of IPCG – Instituto Português de Corporate Governance
Eugénio Baptista	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Risk Committee • Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Does not hold other positions
Florbela Lima	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee • Chairman of the Risk Committee	• Managing partner of Relatório Urgente, Lda.
Cândida Peixoto	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee • Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Does not hold other positions
Maria Lúcia Bica	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee, responsible for chairing the Irregularities Commission • Member of the Risk Committee	• Managing partner of Quinta de Serra, Sociedade Unipessoal, Lda.

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Pedro Leitão	**Caixa Económica Montepio Geral** • Chairman of the Executive Committee • Chairman of the Credit Commission • Chairman of the Business Commission • Chairman of the Sustainability Commission • Member of the ALCO* Commission • Member of the Internal Control Commission • Member of the Impairment Commission* • Member of the Non-Performing Assets Monitoring Commission* • Member of the Cybersecurity Commission • Member of the Technology Commission* • Member of the Data Commission* • Member of the Pension Fund Monitoring Commission* • Member of the Solvability Commission* • Member of the Costs and Investments Commission* * Optional presence **Montepio Holding, SGPS, S.A.** • Vice-Chairman of the Board of Directors **Montepio Investimento, S.A.** • Chairman of the Board of Directors	As a representative of Banco Montepio: • Member of Board of APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) • Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado Other positions: • Member of the Supervisory Board of Oeiras International School
Ângela Barros	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Impairment Commission • Chairman of the Solvability Commission • Member of the Credit Commission • Member of the ALCO Commission • Member of the Business Commission • Member of the Internal Control Commission • Member of the Cybersecurity Commission • Member of the Technology Commission • Member of the Data Commission • Member of the Non-Performing Assets Monitoring Commission • Member of the Pension Fund Monitoring Commission • Member of the Sustainability Commission • Member of the Costs and Investments Commission* * Optional presence **Montepio Investimento, S.A.** • Executive Member of the Board of Directors	• Does not hold other positions
Helena Soares de Moura	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Pension Fund Monitoring Commission • Chairman of the Internal Control Commission • Member of the Business Commission • Member of the Cybersecurity Commission* • Member of the Data Commission* • Member of the Solvability Commission* • Member of the Sustainability Commission* • Member of the Costs and Investments Commission* • Member of the Credit Commission* * Optional presence	As a representative of Banco Montepio: • Member of Board B of APB - Associação Portuguesa de Bancos • Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E. Other positions: • Member of the Business Council of APA - Associação Portuguesa de Arbitragem

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Isabel Silva	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Member of the Credit Commission • Member of the ALCO Commission • Member of the Internal Control Commission* • Member of the Impairment Commission • Member of the Business Commission • Member of the Cybersecurity Commission* • Member of the Technology Commission • Member of the Data Commission* • Member of the Solvability Commission* • Member of the Sustainability Commission • Member of the Costs and Investments Commission* * Optional presence **Montepio Investimento, S.A.** • Executive Member of the Board of Directors (resigned, taking effect on31 March 2024)	• Does not hold other positions
Jorge Baião	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Non-Performing Assets Monitoring Commission • Chairman of the Technology Commission • Chairman of the Cybersecurity Commission • Chairman of the Data Commission • Member of the Credit Commission • Member of the ALCO Commission • Member of the Business Commission • Member of the Impairment Commission • Member of the Internal Control Commission • Member of the Costs and Investments Commission • Member of the Solvability Commission* • Member of the Sustainability Commission* * Optional presence	As a representative of Banco Montepio: • Member of the Board of Directors of Montepio Serviços, A.C.E. • Plenary Meeting of CISP - Comissão Interbancária para os Sistemas de Pagamentos • Resilience and Cybersecurity Forum • Member of the Board of Directors of SIBS, SGPS, S.A. • Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A.
José Carlos Mateus	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the ALCO Commission • Chairman of the Costs and Investments Commission • Member of the Credit Commission • Member of the Business Commission • Member of the Impairment Commission • Member of the Internal Control Commission* • Member of the Non-Performing Assets Monitoring Commission • Member of the Pension Fund Monitoring Commission • Member of the Sustainability Commission • Member of the Cybersecurity Commission* • Member of the Data Commission* * Optional presence **Montepio Holding, SGPS, S.A.** • Executive Member of the Board of Directors **Montepio Investimento, S.A.** • Executive Member of the Board of Directors	• Does not hold other positions

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