Banco Comercial Português, S.A.

Market Discipline Report

2023

Millennium bcp

Market Discipline Report 2023

Statement pursuant to part VIII of EU Regulation number 575/2013 please find herein the transcription of the

2023 Market Discipline Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company
Head Office: Praça D. João I, 28, 4000-295 Porto – Share Capital of 3.000.000.000 euros
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

Millennium bcp

Table of contents

Introduction **7**
1. Statement of Responsibility of the Board of Directors **8**
2. Key Metrics **9**
3. Scope of Application **10**
3.1. Identification of Banco Comercial Português, S.A. 10
3.2. Basis And Perimeters of Consolidation For Accounting And Prudential Purposes 10
4. Risk Management Objectives and Policies **16**
4.1. Risk Culture 16
4.2. Risk Strategy 16
4.3. Internal Control 16
4.4. Three Lines of Defence Model 18
4.5. Risk Management Structure and Governance 18
4.6. Risk Management 27
4.7. Concise Risk Apetite Statement 41
4.8. Recovery Plan 42
4.9. Risk Identification and Risk Taxonomy 42
4.10. Reporting and Risk Measurement Systems 46
4.11. Regulatory Calculation Methodologies 47
5. Capital Adequacy **49**
5.1. Regulatory Framework 49
5.2. Own Funds and Capital Adequacy 50
5.3. Internal Capital Adequacy Assessment Process (ICAAP) 69
6. Leverage Ratio **72**
7. MREL **76**
7.1. Key Metrics for Own Funds and Eligible Liabilities 77
7.2. Composition of Own Funds and Eligible Liabilities 77
7.3. Ranking in the Creditor Hierarchy and Maturity 79
8. Credit Risk **82**
8.1. Evolution And Breakdown of the Loan Portfolio 82
8.2. Definitions and Policies for Losses and Provisioning Assessment 83
8.3. Characterisation of the Exposures 86
8.4. Credit Quality 88
8.5. Concentration Risk Management 95
8.6. Own Funds Requirements for Credit Risk 96
9. Counterparty Credit Risk **116**
9.1. Wrong way risk 121
10. Credit Risk Mitigation Techniques **122**
10.1. Eligibility and Type of Mitigation Instruments 122
10.2. Protection Levels 122
10.3. Collateral Valuation 122
11. Equity Exposures in the Banking Book **126**
12. Securitisation Operations **127**
12.1. Description of the Activities and Operations 127
12.2. Group Accounting Policies 130
12.3. Own Funds Requirements 131
13. Market Risks (trading book) **136**
13.1. Calculation Methodologies 136
13.2. Stress Tests on the Trading Book 141

13.3. Valuation of Financial Instruments....141
13.4. Backtesting of the Internal Models Approach....142
14. Operational Risk 144
14.1. Gross Income....144
14.2. Operational Risk – Standard Approach 144
14.3. Operational Risk Management....145
15. Interest Rate Risk in the Banking Book....150
15.1. IRRBB Measurement and Monitoring 150
15.2. Management Model and Mitigation Strategies....150
15.3. Interest Rate Shock and Stress Scenarios....151
15.4. Modelling Assumptions 152
16. Credit Spread Risk in the Banking Book 154
17. Liquidity Risk....155
17.1. Liquidity Risk Management and Assessment....155
17.2. Management Model 155
17.3. Regulatory Requirements and ILAAP....156
17.4. Balance Sheet Indicators 157
17.5. Regulatory Indicators....159
18. Remuneration Policy....168
18.1. General principles....168
18.2. Remuneration Policies Description 168
18.3. Identification of Key Function Holders 169
18.4. Remuneration Policy Governance....170
18.5. Quantitative Information....171
19. ESG Risk 177
19.1 Qualitative Information on Environmental Risk....177
19.2 Qualitative Information on Social Risk....182
19.3 Qualitative Information on Governance Risk....184
19.4. Quantitative Information 185

Tables index

Table 1 – Template EU KM1 – Key Metrics Template 9
Table 2 – Template EU LI3 – Outline of the Differences in the Scopes of Consolidation (entity by entity)....11
Table 3 – Template EU LI1 – Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories....14
Table 4 – Template EU LI2 – Main sources of Differences between Regulatory Exposure Amounts and carrying Values in Financial Statements 15
Table 5 – RMS Governance Model 19
Table 6 – Risk Taxonomy....43
Table 7 – Calculation Methods and Scope of Application....48
Table 8 – Minimum Capital Requirements from SREP 49
Table 9 – Capital Ratio And Summary of the Main Aggregates 51
Table 10 – Template eu OV1 – Overview of Risk weighted Exposure Amounts....52
Table 11 – Reconciliation between Accounting and Regulatory Capital 53
Table 12 – Template EU CC1 – Composition of Regulatory Own Funds at 31 December 2023....55
Table 13 – Template EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements 61
Table 14 – Template EU CCA – Main Features of Own Funds' Instruments....63
Table 15 – Template EU PV1 – Prudent Valuation Adjustments (PVA)....66

Table 16 – Uniform Disclosure of Transitional IFRS 9 Arrangements....67
Table 17 – Template EU CCYB1 – Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer....68
Table 18 – Template EU CCYB2 – Amount of Institution-Specific Countercyclical Capital Buffer....69
Table 19 – ICAAP Process....69
Table 20 – Material Risks....70
Table 21 – Internal Capital Requirements Per Type of Risk....71
Table 22 – Template EU LR1 – Lrsum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures....72
Table 23 – Template EU LR2 – Lrcom: Leverage Ratio Common Disclosure....73
Table 24 – Template EU LR3-LRSPL – Split-up of on Balance Sheet Exposures (excluding derivatives, SFTS and exempted exposures)....75
Table 25 – Key Metrics – MREL and, where applicable, G-SII Requirement for Own Funds and Eligible Liabilities....77
Table 26 – EU TLAC1 – Composition – MREL and, where Applicable, G-SII Requirement For Own Funds And Eligible Liabilities....78
Table 27 – EU ILAC – Internal Loss Absorbing Capacity: Internal MREL And, Where Applicable, Requirement For Own Funds And Eligible Liabilities For Non-Eu G-SIIS – Activobank, S.A....79
Table 28 – Ranking of Liabilities in an Insolvency Proceeding under Portuguese Law....80
Table 29 – EU TLAC3B: Creditor Ranking – Resolution Entity – Bcp, S.A.....80
Table 30 – EU TLAC2B: Creditor Ranking – Entity that is not a Resolution Entity - Activobank, S.A....81
Table 31 – Evolution of The Group's Portfolio Subject to Credit Risk and Counterparty Credit Risk....82
Table 32 – template EU CR1 – Performing and Non-Performing Exposures and Related Provisions....87
Table 33 – Template EU CR1-A – Maturity of Exposures....88
Table 34 – Template EU CQ1 – Credit Quality of Forborne Exposures....89
Table 35 – Template EU CQ3 – Credit Quality of Performing and Non-Performing Exposures by Past Due Days....90
Table 36 – Template EU CQ4 – Template 5 – Quality of Non-Performing Exposures by Geography....91
Table 37 – Template EU CQ5 – Credit Quality of Loans and Advances to Non-Financial Corporations by Industry....92
Table 38 – Template EU CQ7 – Collateral Obtained by Taking Possession and Execution Processes....93
Table 39 – Template EU CQ8 – Collateral Obtained by Taking Possession and Execution Processes – Vintage Breakdown....94
Table 40 – Limits for Single Name Concentration....95
Table 41 – Rating Master Scale and Relation Between Internal and External Grades....97
Table 42 – Credit Facilities Outside of the Balance Sheet....99
Table 43 – Corporates Rating Models and Systems....100
Table 44 – Retail Portfolio Rating Models and Systems....101
Table 45 – Template CR9 – IRB Approach – Back-Testing of PD Per Exposure Class (Fixed PD Scale)....101
Table 46 – Template EU CR6 – IRB Approach – Credit Risk Exposures by Exposure Class And PD Range....105
Table 47 – Template EU CR6-A – Scope of the use of IRB and SA Approaches....112
Table 48 – Template EU CR7-A – IRB Approach – Disclosure of the Extent of the use of CRM Techniques....113
Table 49 – Template EU CR10.1 – Specialised Lending....114
Table 50 – Template EU CR10.5 – Equity Exposures under the Simple Risk Weighted Approach....114
Table 51 – Template EU CR8 – RWEA Flow Statements of Credit Risk Exposures under The IRB Approach....114
Table 52 – Template EU CR5 – Standardised Approach....115
Table 53 – Template EU Ccr1 – Analysis of CCR Exposure by Approach....117
Table 54 – Template EU CCR2 – Transactions Subject to Own Funds Requirements for CVA Risk....117
Table 55 – Template EU CCR3 – Standardised Approach – CCR Exposures by Regulatory Exposure Class and Risk Weights....118
Table 56 – Template EU CCR4 – IRB Approach – CCR Exposures by Exposure Class and PD Scale....119
Table 57 – Template EU CCR5 – Composition of Collateral for CCR Exposures....119

Table 58 – Template EU CCR8 – Exposures to CCPS 120
Table 59 – Template EU CR3 – CRM Techniques Overview: Disclosure of the use of Credit Risk Mitigation Techniques....... 124
Table 60 – Template EU CR4 – Standardised Approach – Credit Risk Exposure and CRM Effects....... 125
Table 61 – Equity Exposures 126
Table 62 – Description of Securitisation Operations 128
Table 63 – Template EU-SEC1 – Securitisation Exposures in the Non-Trading Book 133
Table 64 –Template EU-SEC3 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements – Institution Acting as Originator or as Sponsor 134
Table 65 – Template EU-SEC4 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements – Institution Acting as Investor....... 135
Table 66 – Template EU MR1 – Market Risk Under The Standardised Approach 136
Table 67 – Template EU MR2-A – Market Risk under the Internal Model Approach (IMA) 138
Table 68 – Template EU MR2-B – RWA Flow Statements of Market Risk Exposures under the IMA....... 139
Table 69 – Template EU MR3 – IMA Values For Trading Portfolios....... 140
Table 70 – Stress Tests Over the Trading Book 141
Table 71 – Template EU OR1 – Operational Risk Own Funds Requirements and Risk-Weighted Exposure Amounts....... 145
Table 72 – Template EU IRRBB1 – Interest Rate Risks of Non-Trading Book Activities 152
Table 73 – ILAAP Interconnection within the Planning Exercises of the Group 157
Table 74 – Liquid Assets Integrated in Collateral Pool 158
Table 75 – Liquidity Buffer in the ECB 159
Table 76 – Template EU LIQ1 – LCR Disclosure....... 160
Table 77 – Template EU LIQ2 – Net Stable Funding Ratio 163
Table 78 – Template EU AE1 – Encumbered and Unencumbered Assets 166
Table 79 – Template EU AE2 – Collateral Received and Own Debt Securities Issued 167
Table 80 – Template EU AE3 – Sources of Encumbrance....... 167
Table 81 – Template EU REM1 – Remuneration Awarded for the Financial Year 172
Table 82 – Template EU REM2 – Special Payments to Staff whose Professional Activities have a Material Impact on Institutions' Risk Profile (Identified Staff) 173
Table 83 – Template EU REM3 – Deferred Remuneration....... 174
Table 84 – Template EU REM4 – Remuneration of 1 Million Eur or more Per Year 175
Table 85 – Template EU REM5 – Information on Remuneration of Staff whose Professional Activities have a Material Impact on Institutions' Risk Profile (Identified Staff) 176
Table 86 – Governance Structure to Respond to ESG Issues....... 179
Table 87 – ESG Risk Factors Management Model 181
Table 88 – The Sustainable Development Goals (SDGS), with the Greatest Impact on The Management of Social Issues and Risks....... 183
Table 89 – Template 1 – Banking Book – Climate Change Transition Risk: Credit Quality of Exposures by Sector, Emissions and Residual Maturity....... 186
Table 90 – Template 2 – Banking Book – Climate Change Transition Risk: Loans Collateralised by Immovable Property – Energy Efficiency of the Collateral 188
Table 91 – Template 4 – Banking Book – Climate Change Transition Risk: Exposures to Top 20 Carbon-Intensive Firms....... 189
Table 92 – Template 5 – Climate Change Physical Risk–Exposures Subject to Physical Risk 190
Table 93 – Template 6 – Summary of Gar KPI....... 194
Table 94 – Template 7 – Mitigating Actions: Assets for the Calculation of GAR....... 195
Table 95 – Template 8 – GAR (%) 198
Table 96 – Template 10 – Other Climate Change Mitigating Actions that are Not Covered in the EU Taxonomy....... 200

Graphs index

Graph 1 – MREL Resolution Group and MREL Activobank 76
Graph 2 – Composition of the Credit Portfolio by Risk Classes 83
Graph 3 – Template EU MR4 – Comparison of VAR Estimates with Gains/Losses 143
Graph 4 – Loss Amount Distribution, by Cause 147
Graph 5 – Loss Amount Distribution, by Amount Range 147
Graph 6 – Loss Amount Distribution, by Business Line 148
Graph 7 – LTD Ratio Evolution (according to Instruction 16/2004 of Banco de Portugal) 157
Graph 8 – Initiatives of the Sustainability Master Plan 177

Appendices index

Appendix I – Mapping of Quantitative Information 201
Appendix II – Mapping of Qualitative Information 205
Appendix III – List of the Acronyms and Technical Terms Frequently used throughout the Document 206

Introduction

This document, “Market Discipline Report 2023 ”, is comprised within the requisites for the provision of information foreseen in Pillar III of the capital agreement complementing the information provided in the 2023 Annual Report of Banco Comercial Português, S.A. (hereinafter referred to as “Bank” or “Millennium bcp”) concerning the information on risk management and capital adequacy on a consolidated basis, namely in what concerns the provision of detailed information on the capital, the risks assumed, solvency and respective control and management processes.

This report has an underlying prudential approach and aims to comply with the duty of public disclosure of information provided for in Part VIII of the consolidated and updated text of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR), providing participants of the market with accurate and complete information on the risk profiles of the institution, as well as the complementary information contained in the guidelines of the European Banking Authority (EBA).

This information is available in https://ind.millenniumbcp.pt/pt/institucional/Pages/Institucional.aspx, the Millennium bcp website , and is complemented with the 2023 Annual Report of the Bank.

The information presented refers to the end of the 2023 financial year.

1. Statement of Responsibility of the Board of Directors

I. This declaration of compliance issued by the Board of Directors of Banco Comercial Português, S.A., focuses on the Market Discipline Report 2023, complying with the requirements set forth in CRD IV/CRR.

II. The Market Discipline Report 2023 was made within the scope of Pillar III, in compliance with the regulations and legislation in force and in line with the practices adopted by major international banks.

III. The Regulation (EU) No. 575/2013 and the Directive 2013/36/EU, both dated June 26, (Capital Requirements Regulation / Capital Requirements Directive), this one transposed into the domestic legal order by Decree-Law no. 157/2014 of 24 October, establish the requirements and criteria for disclosure of information and own funds, namely those provided for in articles 431 to 455 of the CRR within the scope of Pillar III requirements.

IV. Since the regulatory requirements do not foresee it, this report was not audited by the Bank's External Auditor. However, the report includes information contained in the Consolidated and audited Financial Statements, reported in the 2023 Annual Report, which was discussed and approved at the General Meeting of Shareholders held on May 22, 2024.

V. Concerning the information presented in the Market Discipline Report 2023, the Board of Directors:

- Certifies that all procedures deemed necessary were carried out and that, to the best of its knowledge, all the information disclosed is trustworthy and true;
- Ensures the quality of all the information disclosed, including the one referring to or with origin in entities comprised within the economic group of which the institution is part;
- Confirms that the risk management systems are adequate, and this Report outlines the Bank's risk profile in relation to its business strategy, reflected in the key ratios and figures disclosed in it, namely those previewed in Chapter 2;
- Informs that no information related to the one described in paragraph 2 of article 432 of the CRR has been omitted; and
- Commits to timely disclose any significant alterations that may occur in the financial year after the one this report relates to.

Lisbon, 26th of June 2024

The Board of Directors of Banco Comercial Português, S.A., by delegation

2. Key Metrics

The following table provides key regulatory metrics and ratios, comprising own funds, RWAs, capital ratios, additional requirements based on Supervisory Review and Evaluation Process (SREP), capital buffers requirements, leverage ratio, Liquidity Coverage Ratio (LCR) and net stable funding ratio (NSFR).

TABLE 1 – TEMPLATE EU KM1 – Key Metrics Template

(Thousand euros)

		a	b	c	d	e
		Dec 23	**Sep 23**	**Jun 23**	**Mar 23**	**Dec 22**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	6 157 338	5 761 530	5 861 884	5 428 996	5 442 456
2	Tier 1 capital	6 641 604	6 251 914	6 360 793	5 924 283	5 938 797
3	Total capital	7 905 585	7 529 456	7 675 084	7 249 295	7 278 712
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	39 751 013	39 688 850	41 849 873	41 257 824	43 102 759
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15,49%	14,52%	14,01%	13,16%	12,63%
6	Tier 1 ratio (%)	16,71%	15,75%	15,20%	14,36%	13,78%
7	Total capital ratio (%)	19,89%	18,97%	18,34%	17,57%	16,89%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional CET1 SREP requirements (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 7b	Additional AT1 SREP requirements (%)	1,41%	1,41%	1,41%	1,41%	1,41%
EU 7c	Additional T2 SREP requirements (%)	1,88%	1,88%	1,88%	1,88%	1,88%
EU 7d	Total SREP own funds requirements (%)	10,50%	10,50%	10,50%	10,50%	10,50%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer	1,00%	1,00%	1,00%	1,00%	0,75%
11	Combined buffer requirement (%)	3,50%	3,50%	3,50%	3,50%	3,25%
EU 11a	Overall capital requirements (%)	14,00%	14,00%	14,00%	14,00%	13,75%
12	CET1 available after meeting the total SREP own funds requirements	3 511 212	3 126 417	3 065 115	2 675 230	2 544 454
	Leverage ratio					
13	Leverage ratio total exposure measure	102 616 333	98 893 142	99 446 476	97 288 103	98 339 418
14	Leverage ratio	6,47%	6,32%	6,40%	6,09%	6,04%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	Liquidity Coverage Ratio (*)					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	21 094 737	20 940 215	21 544 996	22 561 065	23 539 207
EU 16a	Cash outflows - Total weighted value	11 734 110	11 845 538	11 976 973	12 048 053	11 834 677
EU 16b	Cash inflows - Total weighted value	2 507 750	2 634 716	2 839 985	2 995 007	3 086 660
16	Total net cash outflows (adjusted value)	9 226 361	9 210 822	9 136 987	9 053 046	8 748 016
17	Liquidity coverage ratio (%)	229%	228%	237%	250%	269%
	Net Stable Funding Ratio					
18	Total available stable funding	79 502 884	76 056 830	75 611 494	74 455 205	75 782 802
19	Total required stable funding	47 718 246	47 624 955	48 846 016	48 588 675	49 176 996
20	NSFR ratio (%)	167%	160%	155%	153%	154%

* Liquidity coverage ratio is the average, using the end-of-month observations over the last twelve months at each quarter

3. Scope of Application

3.1. Identification of Banco Comercial Português, S.A.

Banco Comercial Português, S.A. is a joint stock company with share capital open to public investment (public company), with registered office at Praça D. João I, 28, 4000-295 Porto, registered at the Porto Companies Registry Office under the single registry and tax number 501525882, registered at Banco de Portugal as a bank institution under code 33, at the Comissão do Mercado de Valores Mobiliários as a Financial Intermediary under registration number 105 and at Autoridade de Supervisão de Seguros e Fundos de Pensões as a connected Insurance Mediator under number 419527602/3.

On 31 December 2023, the Bank's share capital amounted to 3.000.000.000,00 euros, fully paid-up and represented by 15.113.989.952 shares without nominal value. The shares are ordinary, book-entry and nominal shares are registered in the centralised system managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.

The Bank is a private capital company, incorporated in Portugal by public deed on 25 June 1985, the parent company of a group of companies that are in a controlling or group relationship with it, under the provisions of article 21 of the Securities Code (hereinafter referred to as "Group" or "BCP Group"), being subject to the supervision of the European Central Bank, on an individual and consolidated basis, through the Single Supervisory Mechanism (SSM), in accordance with the provisions of Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17) (SSM Framework Regulation).

The Bank's Articles of Association and the Management Report and the Financial Statements (individual and consolidated), as well as the Corporate Governance and Sustainability Reports are available on the Bank's website, in Portuguese and in English, on the page with the following address:

https://ind.millenniumbcp.pt/pt/institucional/Pages/Institucional.aspx

3.2. Basis and perimeters of consolidation for accounting and prudential purposes

The information disclosed within the present document reflects the consolidation perimeter for prudential purposes, which differs from the consolidation perimeter of the Group accounts defined in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union (EU) within the scope of the provisions of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as transposed into the Portuguese legislation through the Decree-Law 35/2005 of 17 February and the Notice of Banco de Portugal no. 5/2005.

The main differences between the consolidation perimeter for prudential purposes and the consolidation perimeter of the Group accounts are related with the treatment of companies whose activity is of a different nature and incompatible with the provisions of the General Framework for Credit Institutions and Financial Companies, with reference to supervision on a consolidated basis, in accordance with Banco de Portugal Notice no. 8/94, namely in relation to commercial, industrial, agricultural or insurance companies.

The companies mentioned in the previous paragraph are excluded from consolidation for prudential purposes but are considered by the equity method. Notwithstanding, and according to the Notice 8/94 of Banco de Portugal, Banco de Portugal may order the inclusion of some of these companies in the prudential consolidation perimeter, when it considers this the most appropriate decision in terms of supervision objectives.

In addition, shareholdings excluded from consolidation for prudential purposes that are recorded in the financial statements for the purposes of supervision on a consolidated basis under the equity method, may have to be deducted from consolidated own funds, totally or partially, under the terms defined by the CRR, as detailed in chapter "5. Capital adequacy". As of 31 December 2023, there are no subsidiaries not included in the consolidation perimeter for prudential purposes, whose own funds are lower than the minimum required level. Also, there are also no subsidiaries included in the consolidation perimeter for prudential purposes, regarding which the obligations relative to the minimum level of own funds and limits to large exposures are not applicable, as per CRR articles 92 and 395.

The entities included in the consolidation perimeter of BCP Group as of 31 December 2023 are described in the following Table, indicating the consolidation method to which they are subject to and giving adequate notes aiming to highlight the regulatory treatment of entities excluded from the consolidation perimeter for prudential purposes.

TABLE 2 – TEMPLATE EU LI3 – Outline of the Differences in the Scopes of Consolidation (Entity by Entity)

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					Description of the entity
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Banco ActivoBank, S.A.	Full consolidation	X					Banking
Bank Millennium, S.A.	Full consolidation	X					Banking
BCP África, S.G.P.S., Lda.	Full consolidation	X					Holding company
BCP International B.V.	Full consolidation	X					Holding company
BCP Finance Bank, Ltd.	Full consolidation	X					Banking
BIM - Banco Internacional de Mozambique, S.A.	Full consolidation	X					Banking
M Representações, Ltda.	Full consolidation	X					Financial services
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Full consolidation	X					Holding company
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Full consolidation	X					Investment fund management
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Full consolidation				(1)		Real estate management
Millennium bcp - Prestação de Serviços, A.C.E.	Full consolidation	X					Services
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Full consolidation	X					E-comerce
Millennium Bank Hipoteczny S.A.	Full consolidation	X					Banking
Millennium Consulting S.A.	Full consolidation	X					Brokerage services
Millennium Goodie Sp. z o.o.	Full consolidation	X					Consultant and services
Millennium Leasing Sp. z o.o.	Full consolidation	X					Leasing
Millennium Service Sp. z o.o	Full consolidation	X					Services
Millennium Telecomunication Sp. z o.o.	Full consolidation	X					Brokerage services
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Full consolidation	X					Investment fund management
Piast Expert Sp. z o.o.	Full consolidation	X					Marketing services
Europa Millennium Financial Services, Sp.z o.o.	Equity Method					(2)	Services
Bichorro - Empreendimentos Turísticos e Imobiliários S.A.	Full consolidation				(4)		Real estate company
Finalgarve - Sociedade de Promoção Imobiliária Turística, S.A.	Full consolidation				(4)		Real estate company

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					Description of the entity
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Fiparso - Sociedade Imobiliária Lda.	Full consolidation				(4)		Real estate company
Imoserit, S.A.	Full consolidation				(4)		Real estate company
Fundo de Investimento Imobiliário Imosotto Acumulação	Full consolidation				(1)		Real estate investment fund
Fundo de Investimento Imobiliário Imorenda	Full consolidation				(1)		Real estate investment fund
Fundo de Investimento Imobiliário Fechado Sand Capital	Full consolidation				(1)		Real estate investment fund
Fundial - Fundo de Investimento Imobiliário Fechado	Full consolidation				(1)		Real estate investment fund
Fundipar - Fundo de Investimento Imobiliário Fechado	Full consolidation				(1)		Real estate investment fund
Domus Capital - Fundo de Investimento Imobiliário Fechado	Full consolidation				(1)		Real estate investment fund
Predicapital - Fundo de Investimento Imobiliário Fechado	Full consolidation				(1)		Real estate investment fund
Banco Millennium Atlântico, S.A.	Equity Method					(2)	Banking
Banque BCP, S.A.S.	Equity Method					(2)	Banking
Lubuskie Fabryki Mebli S.A	Equity Method				(3)		Furniture manufacturer
SIBS, S.G.P.S., S.A.	Equity Method					(2)	Banking services
UNICRE - Instituição Financeira de Crédito, S.A.	Equity Method					(2)	Credit cards
Webspectator Corporation	Equity Method				(3)		Services de publicidade digital
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Equity Method					(2)	Holding company
Fidelidade Moçambique - Companhia de Seguros, S.A.	Equity Method					(2)	Insurance
Magellan Mortgages No.3 Limited	Full consolidation	X					Special Purpose Entity (SPE)

(1) Entity excluded from the consolidation for prudential purposes, whose impact on solvency indicators results from the assessment of capital requirements of the participation units held in the investment fund.

(2) Entity excluded from the consolidation for prudential purposes, for which the financial participation amount is deducted from own funds under article 48 of the CRR.

(3) Entity excluded from the consolidation for prudential purposes, whose impact on solvency indicators results from the assessment of capital requirements of the equity amount registered on the balance sheet assets.

(4) Entity excluded from the consolidation for prudential purposes, since it is held by one of the investment funds identified in (1).

The consolidation methods used for accounting purposes and the respective selection criteria in force in the Group are described below.

Full consolidation

Investments in subsidiaries where the Group holds control are fully consolidated from the date the Group assumes control over its financial and operational activities until the control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Additionally, control exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of an entity to obtain benefits from its activities, even if the percentage of capital held is less than 50%.

Additionally, the Group fully consolidates Special Purpose Entities ("SPE") resulting from securitisation operations with assets from Group entities, based on the criteria presented in the chapter "12.2 Group accounting policies", related to the treatment of securitisation operations. Besides these SPE resulting from securitisation operations, no additional SPE have been consolidated considering that they do not meet the criteria established on SIC 12 (Consolidation – Special Purpose Entities).

In addition, the Group manages assets held by investment funds, whose participation units are held by third parties. The financial statements of these funds are not consolidated by the Group, except when the Group holds more than 50% of the participation units. However, the investment funds consolidated for accounting purposes are excluded from the consolidation for prudential purposes, as previously mentioned, with their impact being reflected in the determination of own funds requirements.

Equity consolidation

Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence until the date it ceases. Associates are those entities, in which the Group has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, 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 by the Group is usually evidenced in one or more of the following ways:

- Representation on the board of directors or equivalent governing body of the investee.
- Participation in policy-making processes, including participation in decisions about dividends or other distributions.
- Material transactions between the Group and the investee.
- Interchange of the management team.
- Provision of essential technical information.

The holdings held by the Group in insurance companies consolidated under the full consolidation method are accounted under the equity method for the purpose of supervision on a consolidated basis.

On 31 December 2023, the accounting values determined under the scope of regulatory consolidation are distributed according to the regulatory risk categories presented in Table 3:

TABLE 3 – TEMPLATE EU LI1 – Differences Between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

(Thousand euros)

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
ASSETS							
Cash and deposits at central banks	4,545,526	4,545,526	4,545,611				
Loans and advances to credit institutions repayable on demand	337,687	337,064	337,064				
Other loans and advances to credit institutions	908,477	908,477	909,445				
Loans and advances to customers and debt instruments at amortised cost	70,884,295	70,884,295	65,430,691		5,240,351		59,919
Securities and derivatives	12,553,340	12,722,468	12,201,646	223,853	101	534,606	23,638
Non current assets held for sale	80,317	90,075	90,075				
Investment property	39,100	36,321	36,321				
Other tangible assets	606,447	545,665	545,665				
Goodwill and intangible assets	223,105	223,105	77,347				145,758
Current tax assets	20,469	20,465	20,465				
Deferred tax assets	2,554,331	2,548,850	2,121,682				427,168
Other assets	1,626,683	1,528,081	1,084,618				420,897
Total assets	**94,379,777**	**94,390,392**	**87,400,631**	**223,853**	**5,240,451**	**534,606**	**1,077,379**
LIABILITIES							
Resources from credit institutions	829,126	829,126					
Resources from customers	75,606,813	75,616,289					
Non subordinated debt securities issued	2,712,682	2,712,682		274,363			
Subordinated debt	1,397,425	1,397,425					
Financial liabilities held for trading	207,387	207,387				82,461	
Financial liabilities at fair value through profit or loss	3,608,487	3,608,487				627,961	
Hedging derivatives	67,825	67,825				23,121	
Non-current liabilities held for sale	0	0					
Provisions	753,103	751271					
Current tax liabilities	197,085	197,085					
Deferred tax liabilities	8,795	8,795					
Other liabilities	1,691,550	1,711,387					
Total liabilities	**87,080,278**	**87,107,759**	**0**	**274,363**	**0**	**733,544**	**0**

The difference between columns a) and b) - carrying values as reported in published financial statements and carrying values under scope of regulatory consolidation, respectively - is immaterial. Additionally, the sum of carrying amounts under the regulatory frameworks can be higher than the one reported in column a), as some asset types are subject to capital requirements in more than one regulatory framework.

The following table shows the reconciliation between the carrying values in financial statements and the exposure considered for regulatory purposes. The starting point of this table is the carrying values in financial statements reported in template LI1 (please see note 1 below) and through the detail of relevant differences the exposure amount, as reported in COREP, is reached. Exception only for Market Risk, as for this framework there is EAD definition.

TABLE 4 – TEMPLATE EU LI2 – Main Sources of Differences Between Regulatory Exposure Amounts and Carrying Values in Financial Statements

(Thousand euros)

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1) (a)	**93,399,541**	**87,400,631**	**223,853**	**5,240,451**	**534,606**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	274,363		274,363		
3	Total net amount under the regulatory scope of consolidation	93,125,178	87,400,631	(50,510)	5,240,451	534,606
4	Off-balance-sheet amounts (b)	16,451,451	7,415,550			
5	Differences in valuations (c)	921,482		921,482		
6	Differences due to consideration of provisions (d)	1,001,524	1,001,524			
7	Differences due to the use of credit risk mitigation techniques (CRMs)	(401,683)	(363,565)		(38,118)	
8	Differences due to credit conversion factors	(9,035,901)				
9	Other differences	74,998	156,653		(81,655)	
10	Exposure amounts considered for regulatory purposes	**102,137,050**	**95,610,793**	**870,972**	**5,120,678**	**534,606**

a. The total of line 1 does not match with Template EU LI1. Assets not deducted to own funds nor those not subject of capital requirements are not considered.

b. The total amount of line 4 does not match with the remaining items since, according to the filling rules, the total amount refers to the original position net of provisions and the item "Credit Risk framework" contains the exposure value after CCF application.

c. Reflects the use of SA-CCR method to calculate the EAD of positions subject to counterparty credit risk.

d. Provisions related to IRB on-balance exposures are considered in EAD.

e. Value refers to "Total", according to note (b)

f. EAD reported in each of the frameworks, except for market risk since there is no EAD concept in regulatory reporting.

4. Risk Management Objectives and Policies

The BCP Group develops its activity aiming to maintain a moderate and sustainable risk profile, with a solid reputation in the market and with comfortable levels of capital and liquidity adequate to the managed business portfolio, always with the objective of strengthening the confidence of its clients, customers, markets, and regulators.

To achieve this objective, the Bank has implemented internal control and risk management systems and a prudent risk appetite structure, in line with the pursued business model and the Bank's profile and strategy. Improvements are continuous and permanently introduced to ensure constant alignment with the dynamics of markets, the economy, and regulations.

4.1. Risk culture

The Group has risk management policies and procedures, embodied in a vast set of risk manuals that define the rules to be observed within the scope of the risk management function and which contribute to the strengthening of an established risk culture in line with the risk appetite statement (RAS) defined by the Board of Directors, supported by the involvement of Management and Senior Management and present in the day-to-day activities of the Bank, framing the internal attitudes and behaviours related to the conscience of risk, risk taking and management and implementation of controls appropriate to business processes and activities concerning rentability and sustainability objectives, respecting social and environmental goals.

The structure of the Group and the Bank is based on the principle of segregation of functions not to harm the interactions between the organic units and the internal control functions, bearing in mind that possible situations of potential conflict of interest are previously identified, minimized and subject to a careful and independent monitoring, in order to guarantee the autonomy and independence of the internal control units.

The Bank's internal regulatory framework establishes detailed rules and standards of conduct, defines efficient business, risk and operating processes and the appropriate competencies for their execution. The internal regulatory framework is subject to constant update considering, particularly, the legal and regulatory dynamics issues and internal self-assessment exercises. The rules that make up the internal regulatory framework are reviewed at least every two years, ensuring its permanent updating and constant search for operational excellence, the maintenance of high ethical standards and an adequate governance model. The existence of a Code of Conduct approved by the Board of Directors that guides proper conduct and ethical values at all levels of the organization, prohibiting practices that may inadvertently provide incentives or temptations to inappropriate activities should be highlighted.

Regarding remuneration policies, the Bank defines policies capable of attracting and retaining the best talents and, at the same time, defending the Bank's reputation and long-term objectives, discouraging the focus exclusively on goals and short-term results.

Still within the scope of strengthening the risk culture, it is worth mentioning the periodic training of employees in risk and compliance matters, including e-learning actions under the coordination of the Millennium Banking Academy.

4.2. Risk strategy

The Board of Directors formally reviews and approves the Bank's Risk Strategy, ensuring its alignment with the budgeting process and the Bank's Risk Appetite. The definition of the Group's Risk Strategy integrates the conclusions of the risk identification process, the results of the assessment of the adequacy of the internal capital and liquidity and influences the Group's strategic business options by defining the main lines of action to be developed to control, mitigate or eliminate the material risks to which the Group's activity is subject in the medium term. The objective of the Risk Strategy is not to eliminate or avoid risks, but to assume acceptable risks and promote proper management fostering the achievement of the strategic and operational objectives of the BCP Group.

The Risk Strategy is reviewed in coordination with the risk appetite statement update, focuses on the material risks identified by the Bank and before its formal approval by the Board of Directors is subject to the opinion by the Risk Assessment Committee and the Executive Committee. The Risk Strategy is regularly revisited within the scope of the quarterly risk assessment review.

4.3. Internal control

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

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

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

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

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

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

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

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

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

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

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a 'check and balance' system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their efficiency.
- A solid risk management system, aimed at the identification, evaluation, follow-up, and control of all risks which might influence the Group's activities.

- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing, and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks.
- An effective monitoring and correction process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential, or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective actions.
- Strict compliance with all the legal and regulatory provisions by the Group's Employees in general, and by the people who hold senior or managerial positions, including members of the management bodies.
- A governance model that defines that the business areas are responsible for risk taking, ensuring the effective monitoring, control and management of the risks assumed, and supporting the independent review of the risk levels incurred as compliant with the Risk Appetite Framework.

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

4.4. Three lines of defence model

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

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

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

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

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

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

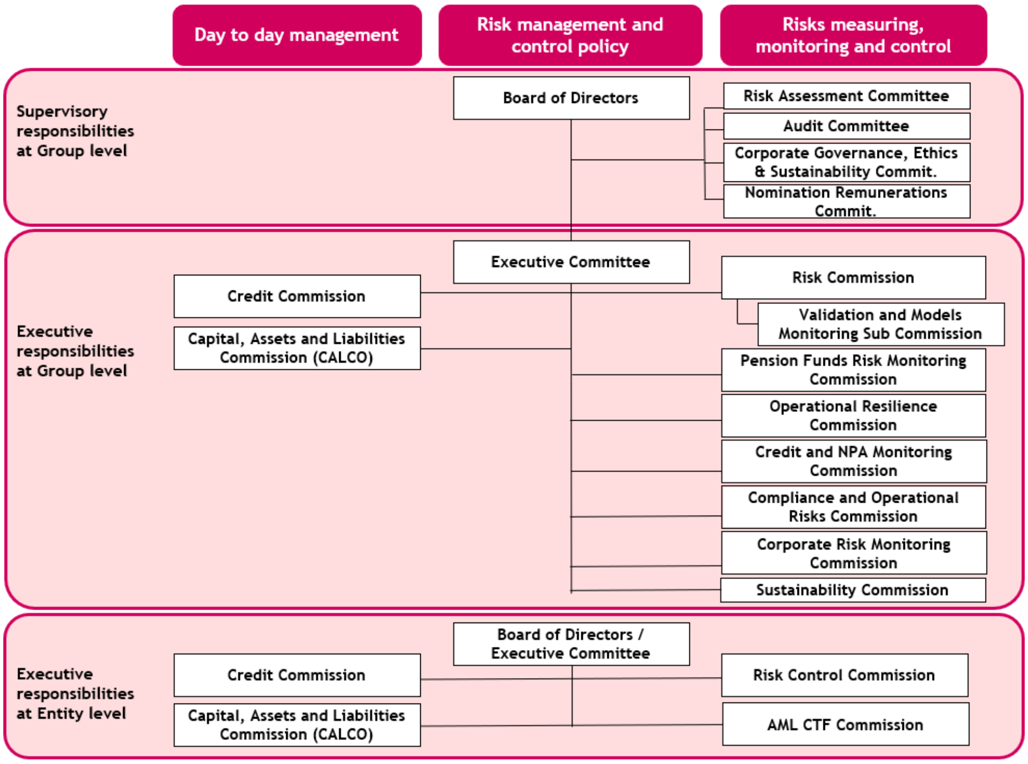
Both the risk management function and the compliance function intervene to ensure the improvement and strengthening of internal control and risk management systems interacting with the first line of defence whenever necessary.

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

4.5. Risk management structure and governance

The following figure illustrates the process of risk management's Governance, as of 31st December 2023, exerted through various organizational bodies and units with specific responsibilities in risk management or internal supervision:

TABLE 5 – RMS Governance Model



Board of Directors

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

The number of positions held by the executive and non-executive members of the Board of Directors and the Supervisory Board (Audit Committee) of the Bank complies with the provisions of Article 33 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC), and according to the assessments made, it was concluded that each member showed availability and dedicated to the exercise of their functions the necessary and proportional time to the importance of the matters to be dealt with, assessed taking into account their interest to the Bank.

The identification of the positions held by the executive and non-executive members of the Board of Directors and Supervisory Board simultaneously in other companies, inside and outside the group, and other relevant activities, is indicated on page 775 and following of the 2023 Annual Report, available on the Bank's website.

The Bank has in place an internal policy for selecting and assessing the suitability of members of the management and Supervisory bodies and key function holders compliant with the European regulations, namely the European Banking Authority Guidelines on the internal governance of institutions (EBA/GL/2021/05 of 2 July) and on assessing the suitability of members of the management and Supervisory bodies (EBA/GL/2021/06 of 2 July), as well as with Banco de Portugal's Notice no. 3/2020.

The internal policy for selecting and assessing the suitability of members of the Board of Directors and Supervisory Board and key function holders includes: the general principles; scope and governance of the individual and collective suitability assessment of the members of the Board of Directors and Supervisory Board and key function holders; suitability requirements; training; diversity; corrective measures; and succession plan. The Internal Policy for selecting and assessing the suitability of members of the management and Supervisory bodies is available on the Bank's website, in Portuguese and English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas_regulamentos.aspx

BCP approved a Group wide policy according to which all entities of the Group shall promote diversity among the members of the management body, to ensure a wide range of attributes and competences of the members of the management body, to obtain diversity of perspectives and experiences and to favour independence of opinions and sound decision making within the management body.

The concern with diversity refers to the following aspects: qualifications and professional background, gender, age and geographical origin. The Bank complies with the Portuguese legislation in force, namely Law 62/2017, of 1 August that sets forth a balanced representation regime between men and women in the management and Supervisory bodies of listed companies.

The diversity policy applied by the company regarding its management bodies is described on pages 748 and following of the 2023 Annual Report, available on the Bank's website, in Portuguese and English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/RelatorioContas.aspx

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

Risk Assessment Committee

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

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

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

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

Audit Committee

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

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

- Analyzing the information is received through the whistleblowing mechanism as well as the clients claims.
- Monitor the activity of the External Auditor and periodically assess its independence and objectivity in the exercise of its activity.

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

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

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

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

Committee for Corporate Governance, Ethics and Sustainability

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

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

- Recommend the adoption by the Board of Directors of policies, that observe the ethical and professional conduct principles and best corporate governance practices and social responsibility.
- Support the Board of Directors and its Committees in the evaluation of the systems that identify and solve conflicts of interest.
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles.
- Every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues.
- Issue an opinion for the Board of Directors on the Annual Corporate Governance Report.
- Issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible and on the Sustainability Master Plan.
- Time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. Proposing, particularly, guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and principles of social charity and environmental protection.
- Issue an opinion on the Group Codes and respective annexes whenever this competence has been delegated to it by the BoD.

Committee for Nominations and Remunerations

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

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

Other functions of this Committee:

- Monitor the existence and the application of specific policies related with selection and recruitment, evaluation of performance, promotion and career management, training, and development of competences.

- Elaborate and report to the BoD recommendations on the candidates to members of the Governance and Supervisory bodies of the Bank, ensuring the Fit & Proper assessment process.
- Issue an opinion to the BoD on the Selection, Assessment and Succession policies for members of the Governance and Supervisory bodies and responsible for control functions.
- Prepare and maintain a succession plan for members of the Board of Directors and KFH.

Executive Committee

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

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

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

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

Risk Commission

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

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

Models Monitoring and Validation Sub-commission

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

Credit and Non-Performing Assets Monitoring Commission

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

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

Pension Funds Risk Monitoring Commission

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

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

Compliance and Operational Risks Commission

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

Particularly, it monitors the AML / CTF, market abuse fraud and outsourcing risks and the analysis of means to improve the internal control system.

Operational Resilience Commission

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

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

Corporate Risk Monitoring Commission

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

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

Sustainability Commission

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

It has the following attributions and responsibilities:

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

The members of this committee are the CEO (Executive Director responsible for the Sustainability area) and the CRO. Any other members of the EC may participate in the meetings of this Committee, whenever they consider it convenient to do so. Members of this Committee are also primarily responsible for the following directorates: DESC, DRH, COFF, ROFF, DRAT, DMAR, DMENI and Fundação BCP (not entitled to vote).

CALCO

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

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

Credit Commission

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

Risk Office

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

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

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

Compliance Office

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

Furthermore, the COFF has also the mission to:

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

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

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

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

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

- Identifies and evaluates the various types of risks – either concerning in what refers to products and services approval process, corporate processes, and conflicts of interest.
- Issues proposals for the correction of processes and risks mitigation.
- Permanently analyses the general Supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.
- Within the scope of its specific functions, the COFF also ensures an assessment and intervention in what concerns:
- The control and monitoring of compliance risks.
- The Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT);
- The mitigation of reputation risk at all Group entities, aiming at the alignment of concepts, practices and goals in these matters.

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

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

COFF is also responsible for coordinating the process that supports the annual issue of the Report on Client's Assets Safeguarding by the External Auditor to the Securities Market Commission.

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

Audit Division

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

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

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

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

4.6. Risk management

4.6.1. Risk management principles

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

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

The Group RAS is composed by a broad set of indicators that are considered of primary importance and representative of risks assessed as material, within the formal risks' identification and quantification process, that is regularly updated. For each risk assessed as material at least one RAS metric is defined and monitored. The RAS metrics are grouped in five blocs covering solvency, liquidity and funding, profitability, reputation and franchise and also sustainability risks.

For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is still acceptable but from which corrective measures must be taken immediately (aiming to return the level of risk to a comfortable level) and a 'level of breach', which requires immediate measures with significant impact, aimed at correcting a risk situation considered excessive.

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

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

The above definition of RAS - as primary set of indicators that render and materialize the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors, by proposal of the Risk Assessment Committee. Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, to address the mitigation or control of the risks classified as material within the risks' identification and assessment process. These lines of action formally constitute the Group's Risk Strategy. Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks' identification process.

The risk appetite structure - which includes the identification of material risks, the RAS and the Risk Strategy and is reviewed at least once a year or whenever the risks´ monitoring so advises (e.g. conclusion that there are new material risks) - provides a reference framework for the permanent monitoring of risks affecting the business and business support activities developed, for the monitoring of the variables, indicators and limits that are derived from RAS. Therefore, the permanent follow-up based on this structure is the result of a strong link between the risk management framework thus defined the methods and indicators applicable to the activities carried out, this link being essential for the performance of the Group's risk management.

In addition, there is an interaction between the definition of the Group's risk appetite structure and its business objectives, represented in the business planning and budgeting. Thus, the risk appetite structure conditions the definition of the business objectives, since the business plan has to respect the risk limits established by the Board of Directors.

In its turn, the business objectives and risk appetite structures are the foundations for all activities and lines of business carried out, also setting out the global controls on the Group's strength, such as the stress tests and the internal processes to assess capital (ICAAP) and liquidity adequacy (ILAAP) as well as the recovery plan and the activities in the scope of the resolution planning.

4.6.2. Main developments and accomplishments in 2023

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

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

- Monitoring the level of compliance with the risk limits, in particular the RAS, at the consolidated level and of the main entities;
- Preparation of the Risk Management Function Independence Report;
- Carrying out the Risk Identification Process with the revision of the RAS and the Risk Strategy for 2024;
- Preparation of quarterly Risk Assessment Reports updating the perspectives on the evolution of the risks to which the Bank is subject in its activity and the risk strategy to address them;
- Development and validation of new methodologies for calculating economic capital;
- Completion of ICAAP and ILAAP reports, and their respective regular monitoring, ensuring the Group's capital and liquidity adequacy on an ongoing basis;
- Continuous improvement of the internal governance, management, measurement and control of risk at Group level, with a special focus on strengthening credit risk monitoring and the inclusion of climate and environmental risk factors in the framework of risk management and monitoring of its implementation within the scope of the Bank's RAS;
- Close monitoring of the financial situation of clients, with the aim of identifying situations potentially more affected by the macroeconomic context, anticipating possible difficulties in fulfilling their responsibilities;
- Consolidation of the process of assigning credit strategies to corporate segment costumers, with different review periodicities, depending on the level of risk associated with the assigned strategy;
- Revision of the parameters of the impairment models and update of the macroeconomic scenarios;
- Approval by the ECB of applications for material changes to the IRB models, namely the Probability of Default (PD) and Loss Given Default models applicable to the Retail and Corporate segments;
- Implementation of the approved models in the Bank's IT processes and systems, ensuring the start-up of the new PD models concomitantly with the introduction of a new Rating Master Scale as of January 2024;
- Application to the ECB for authorisation to use a new Credit Conversion Factor (CCF) model;
- Maintenance of the overlay policy to incorporate uncertainty associated with relevant risk factors in the current macroeconomic and geopolitical context;
- Review, update and implementation of NPA/NPE and exposure to corporate restructuring funds reduction Plans;
- Participation in the CDP questionnaires – Carbon Disclosure Project and Corporate Sustainability Assessment (S&P Global);
- Update of the Climate and Environment materiality assessment;
- Preparation of replies to the ECB's "Targeted Review on Digitalization" questionnaire;
- Publication of the Annual Market Discipline Report and quarterly disclosures;
- Execution of EBA's capital stress tests;
- Participation in the ECB's Cyber Resilience Stress Testing;
- Continuous improvement of liquidity and financing risk management and control systems at Group level;
- Participation in the annual liquidity exercise of the SSM/SRB (Single Supervisory Mechanism/Single Resolution Board), followed by a self-assessment of the Bank's ability to report the data of the model (Joint Liquidity Template);
- Consolidation of a liquidity management framework in the context of resolution planning;
- Improvement of the interest rate risk control and management framework (IRRBB and CSRBB), in line with regulator guidance (EBA/GL/2022/14);
- Implementation of a new platform to support core risk quantification processes (SAS Cloud);
- Obtaining authorisation from the ECB for the application of Article 352(2) CRR for the exclusion of structural foreign exchange positions from the calculation of net open foreign exchange positions;
- Submission of the report for the EBA Market Risk Benchmarking Exercise 2024;

- Continuation of projects aimed at continuous improvement of the quality of decision support data and risk control metrics according to BCBS239 and the development of the upgrade of the technological platform to support risk management;
- Presentation of the results of the 2022 annual exercise on risk self-assessment (RSA-Risk Self-Assessment) and execution of the corresponding exercise in 2023;
- Execution of the annual Risk Self-Assessment (RSA) exercise of operational processes;
- Consolidation of the framework for monitoring and controlling ICT (information, communication and technology) and cybersecurity risks, as well as outsourcing risk;
- Participation in the project of renewal and reformulation of the Business Continuity Management System;
- Participation in the update of the Group's recovery plan for 2023;
- Continuous updating of the regulations of the risk management function at Group level;
- Participation in the Budget and Plan for 2024/26;
- Follow-up of several On-Site Inspections and Deep Dive exercises conducted by the Supervisory Entities.

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

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

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

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

- Reinforcement of automatic control processes relating to transaction filtering, to ensure permanent and timely compliance with the sanctions and embargoes decreed by the various international organisations.
- Strengthening AML/CFT risk control in customer onboarding, in the segments and jurisdictions involved in business relationships.
- Reinforcement of the model of an integrated view of Customers in the business relationship with the Bank and the inherent risk factors, to strengthen effectiveness in the fulfilment of AML/CFT duties, mainly identification and diligence, control, examination and communication.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.

- Reinforcement of controls over Correspondent Banks, ensuring a timely periodic review of their AML/CFT practices and policies according to their risk, the assessment of which now includes a set of new risk factors, in compliance with recent regulatory changes and restrictive measures related to the war in Ukraine.
- Continuing to strengthen, train and specialise the Compliance Office teams in the various dimensions of PBC/FT.

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

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

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

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

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

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

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

4.6.3. Credit risk

The granting of credit is based on the previous classification of risk of Customers, on the respective capacity for the repayment of credit to be made through the cash flows generated in the customer's activity, on the rigorous assessment of the level of protection provided by the underlying collateral and in line with the guidelines that reflect the Bank's credit risk appetite.

For the purposes of rating the customer's risk, a single rating system, the Rating Master Scale, based on the Expected Probability of Default (PD) is used, allowing a greater discriminating capacity in the evaluation of Customers and a better hierarchy of the associated risk.

The Rating Master Scale also enables the Bank to identify Customers that show signs of degradation in their capacity to service their debts and those who are classified, within the prudential scope, as being in default. All the rating models and systems used in the Group have been duly calibrated for the Rating Master Scale.

The Group also uses an internal scale of “protection levels” as an instrument aimed at assessing the collateral efficiency in the mitigation of the credit risk, promoting a more active credit collateralisation and a better adequacy of the pricing to the incurred risk.

Aiming at the best possible adequacy of credit risk assessment, the Group has defined a series of client macro-segments and segments which are treated under different rating systems and models and support the links between internal ratings (risk grades) and the Customers’ PD, ensuring that the risk assessment takes into account the specific characteristics of the Customers, in terms of their respective risk profiles.

The assessments made by the rating systems and models referred above are translated into the risk grades of the transversal Master Scale, with fifteen levels, of which the last three correspond to situations of relevant deterioration in Customer creditworthiness, called "procedural risk grades". Non-processual risk grades are attributed by rating systems models with automatic decision or by the Rating Division and are revised/updated periodically or whenever justified by events. The worst rating on Master Scale corresponds to customers classified in default (Default).

The development, calibration and implementation of rating models and systems is carried out by the Risk Office for Retail and Small/Mid Corporate segments and by the Rating Division for Corporate customers. The monitoring and validation of these models is guaranteed periodically by the Office for Validation and Monitoring of Models (GAVM). These models are reviewed / updated periodically or whenever events occur that justify it.

The internal estimates of Loss Given Default (LGD) and Credit Conversion Factors (CCF) are supported by internal approaches validated by the Supervisor within the scope of the approval of the IRB-based approaches. The LGD estimations are produced by resorting to a model that collects and analyses the history of losses due to credit risk and discounts all the cash flows inherent to the respective recovery processes while the CCF own estimations result from the analysis made to data on the use of credit lines and limits or from the execution of the collateral provided for a time horizon of one year before the occurrence of the defaults. The CCF own estimations (or the regulatory values for these factors) apply to almost all off-balance sheet exposures.

The stage of development of the processes and systems allocated by the Group to credit risk management and control enabled the approval, by the Supervision, of the Group's application for the use of the IRB approach for the calculation of the regulatory capital requirements for this type of risk and for the main risk classes, with effect as of 31 December 2010 for the Group's activities in Portugal, which was followed by the joint authorisation given by the Polish and Portuguese supervision authorities for the sequential adoption of that approach for Bank Millennium (Poland), effective as of 31 December 2012. Effective from 31 December 2013, the Supervisor has approved, for the Group activities in Portugal, the use of own LGD estimates for the corporates risk class (IRB Advanced), as well as internal rating models with own LGD estimates for the real estate promotion Clients.

The consistency of the credit granting framework with the Group's risk appetite is ensured by the alignment of the credit regulations with the credit risk strategy and policy guidelines approved by the Board of Directors and by the Executive Committee, respectively.

The Group adopts a policy of continuous monitoring of its credit risk management processes, promoting changes and improvements whenever deemed necessary, aiming at greater consistency and effectiveness of these processes. In this context, the Credit Risk Monitoring Area of the Risk Office is responsible for developing and implementing the appropriate processes for credit life cycle monitoring, in line with the RAS and the Risk Strategy, policies and procedures implemented by the Bank, namely with regard to the evolution of the relevant risk parameters, both for existing credit portfolios and for new businesses and restructured loans, implementing preventive alert systems adjusted to the various credit portfolios.

Still within the Risk Office, the Credit Risk Area is responsible for permanently monitoring the levels of Non-Performing Exposures (NPE), ensuring the processes of marking and unmarking Customers in default, and of restructuring due to financial difficulties of Customers, monitoring the quality and effectiveness of the credit recovery process and for the analysis of the impairment of the Bank's loan portfolio.

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

The importance of this approach is reinforced by the uncertainty that has marked the activity since the 2020 pandemic context that emerged at the beginning of 2020 and the effects resulting from multiple geopolitical conflicts, with impacts on various aspects such as a more modest level of economic growth, budgetary pressures to cope with the impacts felt by economic agents, the need to allocate budgetary amounts to areas such as Defense, limitations on the transportation of goods, pressure on energy costs, inflationary impacts, high levels of interest rates and rising unemployment rates.

In the specific case of Portugal, the context described translated into lower demand for credit instruments from customers, especially in the corporate segment.

The main guidelines of the credit portfolio monitoring approach can be characterized as presented below:

- Global and transversal: Analysis of the entire credit portfolio of the Bank, being excluded from the monitoring process only customers with a better risk profile (in the case of retail) or with exposures of a lower size (in the case of retail and corporate).
- Specialized: Monitoring by the "Comité de Acompanhamento de Risco de Empresas" (CARE), and Credit Division in coordination with the Rating Division for the corporate segment and by the Credit Division and Retail Recovery Division for individuals and small businesses. The cases monitored by the CARE commission, are related to clients covered by a set of criteria that combine exposure size and risk factors like the rating assigned, IFRS 9 staging and, for the corporate segment, the level of leverage and whether the sector in which it operates is considered highly vulnerable by the Bank.
- Segmented: Prioritization of approach/analysis recurrence based on risk signs, to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.
- Prospective: Use of predictive models, to anticipate potential future defaults, avoiding a reactive approach.
- Standardized: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).
- Convenient and innovative: Making the restructuring journey simpler and more convenient both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and mortgages.

Specifically in the corporate segment, the process of portfolio follow-up and monitoring can be generically characterized as described below, having as a fundamental component the attribution of credit strategies, among pre-defined options, with review periods differentiated according to the level of risk associated to the strategy attributed:

1. Client Assessment and presentation of Indicative Credit Strategy by the Rating Division (for customers with ratings assigned by corporate rating models);
2. Approval, by the competent credit decision levels, of a credit strategy for each customer, taking into consideration the Indicative Credit Strategy from the Rating Division, the information received from the commercial area that follows the client and the inputs received as a result of the customer interaction process;
3. Decision, negotiation and formalisation of the operations that will ensure that the approved strategy is pursued, and the approved credit limits are met (Credit Division, Areas that follow the client and Operations Division);
4. Monitoring the Credit Strategy and the evolution of the customer's activity (Credit Division, Areas that follow the client and Specialised Committees - CARE);
5. Monitoring of the credit portfolio and effectiveness of the portfolio monitoring process and credit strategy attribution (Risk Office), based on a set of KPIs, (e.g. percentage of the credit portfolio with valid risk strategy; evolution of credit exposure to customers with a reduction strategy; adequacy of the credit strategy to the customer's performance);
6. In the attribution of the customer's credit strategy, besides the intrinsic factors of the customer, more transversal factors are taken into consideration, such as the evaluation of the sectoral risk and ESG impacts and taking into consideration the attribution of a ESG rating regarding the clients with most relevant exposures;
7. The occurrence of effective and/or potential risk events (signs of default/delinquency; breach of contractual covenants; severe alteration in sector risk; alteration in the corporate/shareholder structure), trigger an extraordinary/anticipated revision of the strategy.

Within the scope of this monitoring process and with an impact on other complementary procedures adopted by the Bank, namely for reporting purposes, the Bank defines a list of sectors considered as more vulnerable to the macroeconomic environment, which is reviewed periodically (at least annually), also involving the preparation of report presenting a detailed characterisation of its loan portfolio under a sectoral perspective.

Macroeconomic scenarios update

Considering the changes and uncertainty of the context and the economic outlook essentially marked by a context conditioned by the maintenance of relatively high levels of inflation and interest rates, an update of the macroeconomic scenarios used in the collective impairment analysis model in Portugal was carried out in December 2023, based on three scenarios (Central Scenario, Optimistic and Pessimistic) prepared by the Bank's Economic Studies area.

The referred scenarios, which are used in the Bank for several purposes other than the impairment calculation, took into consideration the existing projections of reputed entities.

Impairment overlays

To incorporate an additional level of conservatism in the impairment values, the Bank defined and implemented a methodology of complementary of identification of significant increase in credit risk situations and potential signs of impairment.

This approach adopts differentiated criteria in relation to the base methodologies in force, with distinct processes having been adopted for the calculation of overlays for the corporate and individual customers segments.

The overlays currently in force seek to address the context of uncertainty that continues to prevail, associated with a context of multiple geopolitical crisis, the constraints that still exist with regard to economic growth, inflationary pressures and the high level of interest rates, an environment that constitutes a disruption of the context that prevailed until the end of 2021, characterized by low levels of interest rates and inflation.

This positioning is in line with the guidelines on this matter issued by the Supervisors in what regards the identification and measurement of credit risk in contexts of uncertainty, so that the release of overlays initially constituted in the context of the pandemic should be carried out with prudence and considering the possible need for new overlays to respond to the current context.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact arising from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment. The methodology developed by the Bank was considered for the calculation and recording of impairment at the reference date of the accounts, without affecting the classification of credit exposures by stages in the Bank's loan portfolio.

In Poland, the Bank also adopted a policy of recording overlays. Taking into consideration the country's specific reality, adjustments to the overlay's methodology had already been incorporated in 2022 to address the impacts of the geopolitical crisis.

As a result of the implementation of this methodology, the Bank calculated an additional impairment to that resulting from the collective analysis model, therefore with characteristics of overlays, whose amount on 31 December 2023 was approximately Euros 99.0 million in Portugal (Euros 95.0 million in December 2022), Euros 48.3 million in Poland (Euros 33.9 million in December 2022) and Euro 2.8 million in Mozambique (in the end of 2022 there weren't overlay allocations in this geography).

Government measures to mitigate the impacts on mortgage contracts

Decree-Law 80-A/2022

Specifically with regard to Decree-Law 80-A/2022, a Portuguese Government Act of 25 November 2022 that established measures to mitigate the effects of the increase in the reference indexing factors of credit contracts for the acquisition or construction of permanent house ownership, it is worth highlighting the fact that it introduced the obligation for Financial Institutions to approach individual customers with mortgage credit who potentially fit into the requirements set out in that Act.

In what concerns Millennium bcp, a contact was promoted with about 180 thousand customers, requesting information to calculate the respective effort rate.

On 31 December 2023, date when the period to adhere to this measure expired, the number of clients that had shown interest in evaluating the support mechanisms provided for under Decree Law 80-A/2022 amounted to around 15 thousand.

Decree-Law 20-B/2023

Decree-Law 20-B/2023, a Portuguese Government regulation of 22 March 2023, embodied the legislative package "Mais Habitação", providing extraordinary support to families, namely through the creation of support for borrowers of credit agreements for permanent own housing in the form of a temporary subsidy of the interest component, in situations where the index rate exceeds a certain threshold.

On 13 February 2024, loans with subsidies already processed amounted to exposures of approximately Euros 520 million, with an average monthly subsidy of Euros 49.

Decree Law 91/2023

Also, with regard to the promotion of support measures for borrowers of mortgage loan contracts, it is worth noting the publication of Decree-Law 91/2023, a Portuguese Government decree of October 11, 2023, which allows to fix the installment over a period of 24 months, taking into account an interest rate benchmark defined in the decree-law, and with an adherence period until March 31, 2024.

By January 31, 2024, at the request of customers, the Bank had implemented this measure in around 1,800 contracts.

4.6.4. Market risks

For the purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions with the objective of achieving short-term gains, through sale or revaluation. These positions are actively managed, tradable without restriction, and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities.
- Funding - Management of institutional funding (wholesale funding) and money market positions.
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period) or positions which are not tradable on liquid markets.
- Commercial - Management of positions arising from commercial activity with customers.

- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above.
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the Trading and Banking Books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

The Trading Book includes financial instruments, such as bonds, currencies, equities, and derivatives, that are actively traded in the market and are held for sale or purpose or for short-term profit. The Banking Book portfolio includes all other positions held for longer-term investment or resulting from banking activities, namely wholesale funding, securities held for investment, commercial activity, and structural activity.

To ensure that the risk levels incurred in the different portfolios of the Group comply with the approved risk tolerance, various market risk limits are established, at least yearly, being applicable to all portfolios of the management areas over which the risks are incident. These limits are monitored daily (or intra-daily, in the case of financial markets' areas) by the Risk Office.

Stop loss limits are also defined for the financial markets' areas – Trading and Funding – based on multiples of the risk limits defined for those, aiming to limit the maximum losses that may occur in these areas. If these limits are reached, a review of the underlying business strategy and assumptions relating to the management of the positions in question is mandatory.

Also, within the scope of risk appetite, the Group has defined the products and currencies in which the dealing rooms of the different entities are authorized to trade. The introduction of any new product or currency is subject to approval by the Group's Risk Commission, based on a reasoned proposal from the business areas subject to Risk Office's opinion.

Each entity within the Group has in place procedures that aim to ensure the effective control of positions considering the entities' trading strategy, including the monitoring of transaction volume and compliance with expected holding periods.

For the daily measurement of general market risk – including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (CDS) – a VaR (value-at-risk) model is used, considering a time horizon of ten business days and a significance level of 99%.

A model is also used to assess the specific risk existing due to the holding of securities (debt instruments, equities, certificates, etc.) and of derivatives whose performance is directly related with the securities' value. With the necessary adjustments, this model follows the standard methodology defined in the CRD IV/CRR.

Other complementary methods are also applied to the remaining risk types, namely a non-linear risk measure that incorporates the option risk not covered by the VaR model, with a confidence interval of 99%, and a standardised approach for the commodities risk. These measures are integrated in the market risk indicator, with the conservative assumption of perfect correlation between the several risk types (worst-case scenario).

The amounts of capital at risk are thus determined, both on an individual basis, for each of the portfolio positions of the taking and managing risk areas, and in consolidated terms, considering the effects of diversification of the various portfolios.

To ensure the appropriateness of the internal VaR model for the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include a backtesting process, carried out daily through which the VaR indicators are compared with those that really occurred. The backtesting is performed using both hypothetical (based on the static portfolio used for the estimation of the VaR and the market variations occurred subsequently) and actual outcomes (using the actual results of the portfolio, writing off the intermediation results).

In the context of market risk management, in 2023, the Group continued its efforts to continually improve the market risk management framework, leading to the reinforcement of the control mechanisms of the assumptions of the internal model used (VaR - Value at risk), to the update of Risk Appetite for market risks, namely, in what concerns the revision of the limits established for the different areas, and to the revision and formalisation of internal manuals that accordingly define the operationalisation of market risks' control.

Moreover, in what regards the management of the Banking Book foreign exchange position, the Bank revised its risk management framework aiming to minimize the sensitivity of the CET 1 consolidated ratio to changes in foreign currency exchange rates, namely in what regards the positions in PLN and in MZN resulting from the participations held in, respectively, Bank Millennium in Poland and Millennium Bim in Mozambique.

On March 24, 2023, BCP was notified of the favourable decision of the Supervisory authority on the request for the application of Article 352(2) of the CRR for the exclusion, from the calculation of risk weighted assets for market risk, of certain structural exchange positions maintained for hedging of regulatory ratios against changes in exchange rates.

The Risk Office's Market Risks Area is responsible for the following main activities:

- Proposing and implementing market risks' management policies and methodologies for their identification, measurement, limitation, monitoring, mitigation, and reporting.
- Participating in the structural management of market risk, particularly in the planning processes, in ICAAP and Recovery Planning.
- Measuring, monitoring, and reporting the risk positions and the results of stress test exercises, as well as compliance with the established internal limits, computing the capital requirements (or RWA) for market risks and ensure the calculation of the Credit Valuation Adjustment (CVA / DVA) for OTC derivatives.
- Modelling the market risk management system and ensure the respective updates as well as verify its operational implementation on the Bank's front-office platform.
- Reporting to the Executive Committee any excess over limits, as well as verifying the compliance with the required ratification and approval processes.
- Analysing the new products prior to their launching and the trading in new currencies.
- Defining and reporting the classification of financial instruments in the fair value hierarchy, under the terms defined in terms of IFRS 13.
- Coordinating with the relevant Group entities the definition of the negotiation strategies, validating their compliance with the defined policy and limits.

The Market Risks Area acts independently – both organically and functionally – from all risk-taking areas, which ensures the autonomy of its management functions, oriented towards a risk profile in accordance with the Group's strategic goals.

4.6.5. Operational risk

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

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations, tolerance limits for exposures to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators[1] (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management system is framed by the 3 lines of defence corporate Governance model and is based on a structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes' structure also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity.

The metrics and indicators for the operational risk management are regularly reported to the Compliance and Operational Risks Commission (CORC), the top management body specialised in operational risk. In what concerns the issues regarding ICT (information and communications' technologies), cybersecurity, personal data protection and physical security, those are addressed by (and discussed at) the Operational Resilience Commission (OpRC).

[1] The monitoring of the KRI metrics enables the identification of changes in the risk profile or in the efficiency of the controls, providing the detection of opportunities for the launching of corrective actions to prevent effective losses. This management tool is used for all processes of the main Group geographies.

The Group's subsidiaries have their own process's structure, which is periodically adjusted according to business evolution, to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence which is composed of process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic review of the processes' structure in each geography is ensured by their own structure units.

The objective of the risks self-assessment (RSA) is to promote the identification and mitigation (or even elimination) of risks, actual or potential, within each process. Each risk is classified according to its positioning on a tolerance matrix, for three different scenarios, which allows for the: determination of the risk of the process without considering the existent specific controls (Inherent Risk); assessment of the risks exposure of the different processes, considering the influence of the existing specific controls (Residual Risk); and identification of the impact of the improvement opportunities in the reduction of the most significant exposures (Target Risk).

These exercises are based on workshops, attended by the Risk Office and with the participation of the process owners and process managers or questionnaires sent to the process owners to update the results, according to pre-defined updating criteria. Representatives from the Internal Audit (3rd Line of Defence), the Compliance Office, the IT Division, the Business Continuity Area and the Personal Data Protection Office are invited to participate in the RSA workshops.

The process owners play a relevant role in promoting the data collection on losses occurring within the context of their processes, which are identified through the systematic monitoring of their activities, through notifications of any employee or through communications from organisational units, following costs authorizations concerning operational flaws. The Risk Office ensures the completeness of the database, notifying process owners about events that are not yet registered in the database by using information made available by other areas, such as accounting, complaints management and insurance claims data.

The main objectives of data collection on operational loss events is to identify the causes for the materialization of risks and so develop the mitigation actions for those risks, also reinforcing the awareness about operational risk and providing relevant information to the process owners, to be incorporated in the management of their processes, besides providing some feedback measure on the *ex-ante* assessment made for each risk.

The identified operational losses are related to a process and risk and are registered in the Group's operational risk management IT application, being characterised by their respective process owners and process managers.

The full characterisation of an operational loss includes, in addition to the description of the respective cause-effect, its valuation and, when applicable, a description of the identified mitigation action (based on the analysis of the cause of loss) which was or will be implemented. Depending on the events' categorization and on pre-defined thresholds of loss for each category, process owners must produce "Lessons learned" templates for the most relevant loss events, which are presented to (and discussed at) the CORC.

Each process has a set of identified KRI, the continuous monitoring of which allows to assess changes to the risk profile of the processes, thus trying to anticipate risk situations that have not yet materialised.

The consolidation of the loss data capture process at the different subsidiaries of the Group is evidenced by the evolution of its respective records in the database. Uniformity of criteria in data capture is ensured by the BCP Risk Office, which analyses loss events data and promotes the circulation of information on the mitigation of events throughout all the geographical areas in which the Group operates.

The Risk Office incorporates an Operational Risk Area that ensures the following main activities:

- Plan and carry out the annual Self-Assessment exercise on operational risks in all Bank processes.
- Monitor and control the recording of operational losses in the event database, ensuring their completeness, quality and timeliness.
- Monitor the risk indicators (KRI) and plan and carry out the Scenario Analysis exercise.
- Promote the assessment of the operational risks in terms of IT, cybersecurity and outsourcing risks.
- Propose operational risk mitigation actions and monitor their implementation together with the respective Process Owners.
- Support the design of measures to remedy internal control weaknesses and monitor the implementation of the respective mitigation plans.
- Maintenance and updating of the main standards regarding the management and control of operational risk and outsourcing risk, also issuing opinions, as an internal control area, about all new procedures' norms (and changes to the existing ones).

4.6.6. Liquidity risk

Liquidity risk is the potential inability of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or non-existent funding, or due to the sale of assets for amounts below market value (market liquidity risk).

The liquidity risk assessment is based on the regulatory framework, as well as on other internal indicators for which exposure limits have also been defined.

Regarding the evolution of liquidity, short-term indicators such as the LCR (Liquidity Coverage Ratio, a regulatory indicator) and the ratio between the buffer available for discount with central banks and customer deposits, and structural indicators such as the loan to deposits ratio and the NSFR (Net Stable Funding Ratio, a regulatory indicator) are monitored in the scope of the “Risk Appetite Statement” of the Group and each subsidiary. These high-level indicators are complemented at the operational level by metrics defined within the Group's liquidity risk management framework and adopted at the level of each of the main subsidiaries. All these indicators are regularly monitored and reported to the Bank's management bodies.

Liquidity risk management also includes the preparation of an annual Consolidated Liquidity Plan, which is an integral part of the Group's planning process and defines the desired financing structure for the expected evolution of the Group's assets and liabilities, including a set of initiatives and an action plan to achieve the financing structure at both Group level and for the major subsidiaries and currencies.

At the same time, the Bank regularly monitors the evolution of the Group’s liquidity position, with the identification of all factors that may justify the variations occurred. This analysis is submitted to the appraisal of the CALCO, aiming at making decisions that enable to maintain financing conditions suitable for the development of the activity. The Risk Commission is responsible for the continuous assessment of the liquidity risk methodological framework and for controlling the approved limits for exposure to that same risk.

The Risk Office has a Liquidity Risk Area that has the following responsibilities:

- Permanently monitor liquidity risk levels and promote the implementation of the respective control mechanisms.
- Prepare limit proposals in the area of liquidity risks.
- Coordinate the Group's ILAAP process.
- Proceed with the design and performance of liquidity stress tests.
- Propose, review and monitors the indicators of the Liquidity Contingency Plan
- Contribute to the preparation of the recovery plan and the resolution plan.
- Collect information and prepare a set of reports for internal and external purposes.
- Monitor the appropriate implementation of the liquidity regulatory indicators (LCR and NSFR).
- Support local risk offices in the implementation of the approved methodologies for the entire Group.

4.6.7. Pension fund risk

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

In 2023 the BCP Group Pension Fund had a net performance of +7%.

All asset classes contributed positively to this performance, with equity and fixed-rate securities performance standing out, with a contribution of 2,1% and 4,5%, respectively.

In the equity component, European equities showed a return of +5,7% and international equities +19%.

The portfolio made a significant change in terms of investment policy, where exposure to equities was reduced to 20%, which represented a reduction of 5% compared to the previous central allocation, although, except for January, the tactical positioning throughout the year showed a slight overexposure to this class.

In terms of the Fixed Rate component, it is also worth noting the change in investment policy with a substantial increase in both the level of exposure and the level of its composition, now composed of public debt (49.5%) and a corporate debt component (5%). In this way, the portfolio has reduced its profile and risk since the long-term interest rate is one of the main vectors for determining liabilities.

With reference to the evolution of the Mercer's indicative rate, which went from 3,9% to 3,5%, the discount rate for the calculation of the Fund's liabilities has also been updated. Thus, the discount rate on 31 December 2022 stood at 4,17%, falling to 4% in June 2023 and to 3.53% at the end of 2023.

As of 31 December 2023, the pension fund's liabilities coverage was over 390 million euros, corresponding to 13% of total liabilities.

4.6.8. Legal, Compliance, Conduct and Financial Crime risks

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

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

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

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

- Business Relations monitoring and alerts system;
- Financial transactions monitoring system;
- Entity filtering system;
- New Business relationships validation system;
- External information platforms.

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2023, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- The continued strengthening, training and specialization of the Compliance Office teams within the scope of AML/CFT model, in its various dimensions.
- The main legislative and regulatory highlights focused on the conflict resulting from the invasion of Ukraine by Russia, due to the continued establishment of sanctions and embargoes and in preventing new and emerging ML/CFT risks.
- As a result of the establishment of the referred sanctions and embargoes, development of enhanced controls to identify transactions and risk entities, ensuring compliance with restrictive measures.
- Reinforcement of the model of an integrated view of Customers in the business relationship with the Bank and the inherent risk factors, to strengthen effectiveness in the fulfilment of AML/CFT duties, mainly identification and diligence, control, examination, and communication.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.
- Update of the internal rules governing the approval of new products.
- Updating of the Group's Code of Conduct, with the following most significant changes:
    - Two general principles of conduct have been added for the entities covered by the Code: sustainability and confidentiality.

- Reinforcement of corruption prevention practices, formalising new internal regulations on the prevention of corruption and related offences in line with the latest practices in the industry.
- Adjustments to the criteria relating to "liberalities", making them more demanding by seeking to differentiate between liberalities in accordance with social custom and strictly prohibited liberalities related to the Bank's activity.
- Added point on training, so that employees are always up to date through the internal training and dissemination provided by the Bank.
- A new provision has been added on the pricing of each product, namely that it must be drawn up based on public information, reinforcing the prohibition of any practices typified in the law that are intended to distort or restrict competition in an appreciable way.
- The way in which communications with clients and other external organisations should be carried out was reviewed.
- Adjustment of the requirements for exclusivity in the provision of work, bringing the Code into line with article 129 of the Labour Code.

- Reinforcement of the Bank's regulatory framework on the subject of corruption prevention, with a Plan for the prevention of corruption risks and related offences of BCP Group entities in Portugal, which defines, among other provisions, the governance model, prevention mechanisms, training and culture of corruption prevention, corruption circuits and reporting and evaluation system.

- As provided for in the evaluation system of the plan, the annual report on the implementation of the internal control system for combating corruption was issued and is available in the public information section.
- Implementation of the Training and Communication Plans on compliance matters for all the Bank's Employees and commercial structures, with the most important aspects to be considered, both in terms of the risk of financial crime and in terms of other compliance and regulatory risks.

4.6.9. Environmental and social risks

Since 2010, BCP's management bodies have defined and monitored a Sustainability Master Plan (SMP), in which the Group's priorities for action are defined and the respective operational initiatives implemented, in their own calendar and with the attribution of responsibilities for their execution to the different departments and entities of the Group.

Aware of the impact of environmental and social risks on the planet and on its own activity, the Bank defined in its SMP an approach to environmental and social risk management that is based on the implementation of several initiatives, such as: a) recognizing the potential impacts of ESG (Environmental, Social and Governance) risk factors on the financial performance of clients and their operations; and b) determine the best actions, whether in terms of business structuring or the introduction of additional conditions/risk mitigation, that best protect the Group's sustainability.

The Bank's sustainability governance model and ESG risk management model reflect a structure designed to identify, review, and prioritize the risks and opportunities of the topic, with clearly defined responsibilities, ensuring an effective response to the different challenges and responsibilities posed to the Group.

This model follows an organization based on three lines of defence, which under the leadership of the Board of Directors (and their delegations in the Executive Committee), ensure its proper evaluation and management.

It should be noted the responsibility of the Sustainability Commission that supports the Executive Committee in the integration of ESG aspects in the Group's business and risk management system and is responsible for monitoring the implementation of the SMP, including its degree of execution, compliance with the respective deadlines and the validation of the results obtained in each initiative. On the other hand, the role of the Sustainability Function, ensured in Portugal by the Economic Studies, Sustainability and Cryptoassets Division (DESC), is established within the scope of the first line of defence, with responsibilities that include: the overall management of the strategy and sustainability plans; direct guidance and operational support to the first and second lines of defence in the performance of their main responsibilities; policy-making, methodologies and reports that address ESG issues; and management of the Bank's and the Group's external commitments and communications in this regard.

The Bank has been integrating environmental and social risk factors, within the risk identification process and incorporating policies, standards and procedures for their management. The Bank has an annual process to identify, evaluate and manage more than 60 types of risks, a process that considers the impact of ESG risk factors, which have gained increasing relevance in the Bank's activity, both by densifying the legal and regulatory framework and by deepening good practices in risk management.

With the aim of promoting the integration of ESG risk factors into risk management, the Bank has implemented a set of processes and methodologies to identify, assess, manage, and monitor its impact, following the framework and policies already established for other financial and non-financial risks. The risk management process has been adapted to reflect the strategic priority given by the Bank to ESG topics with the implementation of several initiatives that include: the establishment of an internal taxonomy that allows the classification of clients and operations more aligned with the transition objectives of the European economy; the development of methodologies for the evaluation of ESG risk factors integrated into the credit risk assessment models for large companies, allowing their integration into business decision processes; the application of risk classification matrices at the portfolio level, allowing the identification of the sectors, companies and exposures most subject to transition and/or physical risks; the design of methodologies for quantifying the GHG (greenhouse gas) financed emissions, promoting the strategic discussion regarding the management of these emissions and their alignment (in the long term) with the objectives of the Paris Agreement; the performance of analyses of sensitivity and stress testing with an impact on climatic risk factors.

The Bank continues to offer products and services that embody social principles and respect for the environment and nature and is working on the development of a complete and comprehensive offering of ESG financial products and services. It is also aware that the implementation of social and environmental criteria and standards in the commercial offer translates into more effective risk management, reputational value and better quality of the available products and services offer.

The Group also meets the needs of investors who value social and environmental risk factors by developing Responsible Investment Funds based on the new directives in force (MiFID II and SFDR) available for underwriting, and by integrating ESG factors in the building of portfolios.

The Bank monitors legal and regulatory initiatives related to climate change as a systemic risk to the financial sector. It is thus, realizing the ongoing transformative dynamics that places sustainability at the centre of the financial system's strategy, that it adopts the guidelines of the Task Force on Climate Related Financial Disclosures (TCFD), sponsored by the Financial Stability Board, and is part of the United Nations Global Compact and the United Nations Environment Programme – Finance Initiative (UNEP-FI), being a signatory to its Principles of Responsible Banking (PRB).

The Bank is also attentive to the changes that will occur in the prudential and Supervisory areas, following the development of criteria and technical standards to be adopted in a broad and unambiguous way in the market, which favor uniformity and transparency.

Finally, the Bank is also developing an integrated platform for all ESG data, both internal and from external sources / data providers, comprehensive and aiming at responding to the varied requirements of risk management and monitoring, reporting and business support. Among others, it will integrate data at customers, operations and collaterals' levels, whether real data or estimates and proxies in case of absence or unavailability of information.

More information on environmental and social risk management is available in the BCP Group Sustainability Report on the Bank's website.

https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Pages/sustentabilidade.aspx

4.6.10. Litigation risk in Swiss francs portfolio in Poland

The Group is subject to litigation risk in the polish operation related to the claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the alleged abusive nature of indexation clauses, or maintenance of the loan agreement in PLN and with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 240 are also part of ongoing individual cases, 858 concluded settlements and 7 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 20 November 2023 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 27 December 2023, the request for granting interim measures was dismissed.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium (including the former Euro Bank portfolio) on 31 December 2023 was PLN 6,264 million (Euros 1,442.1 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 763 million (Euros 175.7 million).

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societé Génerale, when the bank was acquired by Bank Millennium.

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,955 million (Euros 1,601.2 million), excluding potential amounts connected with interest. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 12 months of 2023, Bank Millennium created PLN 2,828.1 million (Euros 623 million) provisions for Bank Millennium originated portfolio and PLN 237.3 million (Euros 52.2 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of December 2023 was at the level of PLN 7,268.8 million (Euros 1,673.4 million), and PLN 603 million (Euros 138.8 million) for former Euro Bank originated portfolio.

The issues related to the statute of limitations for the Bank's and the customer's restitutionary claims following the invalidation of a loan agreement remain an area that may be subject to further analysis in the jurisprudence of Polish courts. Legal interpretations in this subject may be particularly significant for the Bank's claims as to the commencement of the running of the limitation period of its claims, by eliminating or confirming the risk of its claims being deemed time-barred in a given case.

In addition, the extent of the consumer's and the bank's entitlement to statutory interest for delay on restitution claims may be an important legal issue.

The issue that remains unresolved in the jurisprudence of common courts and the Supreme Court is also the issue of the admissibility of borrowers' claims in the event of the invalidity of a loan agreement for payment of amounts beyond the reimbursement of monthly instalments and costs paid for the execution of that agreement and beyond the payment of statutory default interest from the date of the demand for payment, which, in light of the CJEU's judgment of 15 June 2023 in case C-520/21, remains not excluded. Due to the uncertainty of the direction of case law in this area, as of the date of publication of the Bank Millennium's report, it is difficult to reliably assess the impact of potential rulings.

Further detail is presented in note 57 of the 2023 Annual Report available in the website of the Bank:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/RelatorioContas.aspx

4.7. Concise risk apetite statement

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

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

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

For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is still acceptable but from which corrective measures must be taken immediately (in order to that the level of risk regained to a comfortable level) and a 'critical level', which requires immediate measures with significant impact, aimed at correcting a risk situation considered excessive.

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

For the main geographies in which the Group operates, specific risk appetite indicators ("individual" RAS) are also established. Thus, the definition of RAS involves indicators for Portugal, Poland and Mozambique, some of which are part of the Corporate RAS, which is a set of obligatory metrics for all geographies (but with appropriate limits for each of the operations and structure in question), disaggregating the Group's risk appetite into the local geographies risk appetite. Besides the Corporate RAS metrics, local RAS include other metrics aiming to measure idiosyncratic risks in each geography.

The indicators of the Group's and Portugal's RAS are approved by the Board of Directors of Banco Comercial Português, S.A., from a proposal of BCP's Risk Office – the structure unit that coordinates the implementation and maintenance of the mechanisms and definitions of the RMS – after an opinion from the BoD's Executive Committee and Risk Assessment Committee.

The RAS is reviewed at least once a year (or whenever the risk circumstances identified at any given moment so determine), both in terms of the list of indicators considered and their limits thresholds. For each indicator, the limits are fixed using a "RAG" approach (red, amber, green):

- Red = critical level, represented by an excess or insufficiency, that must be corrected in the shortest time possible.

- Amber = alert level, representing a negative evolution towards an excess or insufficiency, which should prompt immediate corrective and/or mitigation measures.
- Green = comfort level, within the defined risk tolerance.

Breaches to the amber or red zones initiate an event escalation process from the metric owner (the Division of the Bank responsible for the risk that is associated with the metric) to the Board of Directors, involving the Executive and Risk Assessment Committees and the Risk Office. The RAS breach management follows a process clearly defined in the internal regulations of the Bank. An eventual breach to the risk appetite may require defining a plan to return to acceptable risk level. The decision on launching a mitigation plan is taken by the Executive Committee, challenged by the Risk Assessment Committee, and ratified by the Board of Directors. In case a mitigation plan is approved, the results should be presented regularly for Executive Committee steering. Similar process is implemented at subsidiaries level with reporting of the conclusions to the BCP management bodies.

The implementation of a comprehensive and diversified structure of mechanisms necessary for the identification, measurement, monitoring, control, prevention and mitigation of the various risks incident on the Group's activities is based on criteria of economic and financial rationality (based, inter alia , on a cost/benefit analysis), in order to allow the sustained (and sustainable) development of all business activities, in a simultaneously profitable and prudent manner, adequate to the defined objectives.

4.8. Recovery plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group annually revises the Recovery Plan for its business and activities, in which a set of recovery options are identified to be the measures to be implemented in a timely manner to respond to financial stress circumstances that may be originated by events of both idiosyncratic and/ or systemic order.

Considering that the Recovery Plan aims to restore the financial viability of the Group, several scenarios are defined, supported on hypothetical and forward-looking events, against which the impacts of recovery options, the Recovery Plan feasibility and the overall recovery capacity are tested.

In order to monitor the performance of the Group’s business activity, a set of quantitative and qualitative key indicators is presented in the Recovery Plan, in line with the guidelines defined by the European Banking Authority (EBA). This set of indicators is permanently monitored, allowing for immediate management actions whenever there are deviations that exceed alert or activation thresholds (also defined in the Plan). The report of these situations is mandatory to the Group’s management and Supervision Bodies.

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are established in the Recovery Plan, which complements the Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a ‘playbook’, intended to provide key information for rapid decision-making in a crisis, and prescribes the performance of dry-run exercisess, with the aim of testing parts of the Plan and raising the Bank’s preparedness to implement it in a possible crisis scenario.

The Recovery Plan includes components of Bank Millennium’s Recovery Plan (Poland) and information from Millennium bim’s Recovery Plan (Mozambique). It is aligned with the definition of the business continuity framework and its respective plans, the Communication Plan – towards the market and stakeholders (in contingency situations) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

4.9. Risk identification and risk taxonomy

The Risk Identification Process (RIP) is a formal process at Group level, covering a large set of risk types listed in the Group Risk Taxonomy and aiming to ensure that all potential risks to capital, earnings and liquidity are regularly considered, identifying which risks are quantified during the ICAAP and serving as input for scenario generation and sensitivity analysis.

The risk taxonomy revision and RIP update are followed by the approval of the material risks and the conclusions of the risk identification by the Executive Committee and the Risk Assessment Committee. Together with the Risk Strategy and the budget, the outcome of the RIP is subject to discussion and approval by the Board of Directors.

The BCP Group risk taxonomy, containing the list of risks that are formally assessed in the annual risk identification process is regularly updated to reflect all the risk types that may impact in or arise from the activity of the BCP Group.

TABLE 6 – Risk Taxonomy

Risk Name	Credit risk
Credit default risk	The current or prospective risk to earnings, capital and liquidity arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, technological updates, reputational repercussions, market or sectorial risks and legal considerations) and physical risks (i.e., acute and chronic risks).
Issuer credit risk	The current or prospective risk to earnings, capital and liquidity arising from default or downgrade of issuer of security or contractual trading party. This includes e.g. loans, bonds and potential future exposure through OTC derivatives. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, technological updates, reputational repercussions, market risks and legal considerations) and physical risks (i.e., acute and chronic risks).
Counterparty credit risk	The current or prospective risk to earnings, capital and liquidity arising from the risk of a trading counterparty defaulting before the settlement date of a transaction. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, technological updates, reputational repercussions, market risks and legal considerations) and physical risks (i.e., acute and chronic risks).
Settlement risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that the credit institution will deliver the asset sold or cash to the counterparty and will not receive the purchased asset or cash as expected. As such a settlement risk comprises credit risk and liquidity risk.
Securitization risk	The risk of loss associated with buying or selling asset-backed securities (investor perspective). The current or prospective risk to earnings, capital and liquidity arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed, in a securitized exposure that is not de-recognized for risk purposes (originator perspective).
Country risk	The current or prospective risk to earnings, capital and liquidity arising from the risk of exposure to losses caused by events in the particular country (countries where Bank does not have a local presence), which may be under the control of the government but not under the control of a private enterprise or individual.
Residual risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that recognized risk measurement and mitigation techniques used by the firm prove less effective than expected.
Transfer risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that the government will impose restrictions on the transfer of funds by debtors in the country in question to foreign creditors, either for financial or other reasons. This risk is almost exclusively related to foreign currency exposure.
Wrong way risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty.
Sovereign risk	The current or prospective risk to earnings, capital and liquidity arising from the credit risk related with all Sovereign exposures, including the risk associated with the impact of changes of rating of Sovereign debt or events of default (Banking Book) and the risk arising from the possibility that changes in credit spreads will affect the value of financial instruments or contracts (fair value Banking Book exposures). This risk does not include Central Bank related exposures.
Migration risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that a portfolio's credit quality will materially deteriorate over time without allowing a repricing of the portfolio to compensate the creditor for the now higher default risk being undertaken.
FX Lending	The current or prospective risk to earnings, capital and liquidity arising from an obligor's failure to meet the terms of any lending contract in non-local currency or increased probability of default in such contracts only due to changes in FX rates and not by the deterioration of the credit quality of the debtor.
Central Banks risk	The current or prospective risk to earnings, capital and liquidity arising from the credit risk related with Central Bank exposures.

Risk Name	Credit concentration risk
Single name	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with large individual exposures.
Sector	The current or prospective risk to earnings, capital and liquidity arising from significant exposures to groups of counterparts whose likelihood of default is driven by common industrial sector underlying factors.
Geography	The current or prospective risk to earnings, capital and liquidity arising from significant exposures to groups of counterparts whose likelihood of default is driven by common geographical underlying factors.

Risk Name	Liquidity risk
Intra-day liquidity risk	The current or prospective risk to earnings, capital and liquidity arising from liquidity constraints during the daily operations.
Short term cash flow risk	The current or prospective risk to earnings, capital and liquidity arising from the Bank's inability to meet its liabilities when they come due in the short term. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, market environment and legal considerations) and physical risks (i.e., acute risks).
Structural liquidity	The current or prospective risk to earnings, capital and liquidity arising from an institution's inability to meet its liabilities when they come due arising from balance sheet structural imbalances of assets and liabilities terms NSFR. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, market environment and legal considerations) and physical risks (i.e., acute risks).
FX Liquidity Risk	The current or prospective risk to earnings, capital and liquidity arising from an institution's inability to meet its liabilities in foreign currency.

Funding concentration risk	The current or prospective risk to earnings, capital and liquidity arising from the potential cost to obtain additional funding to compensate significant and sudden withdraw from large funding providers.
Funding cost risk	The current or prospective risk to earnings, capital and liquidity arising from an increase in the cost of the wholesale funding of the Bank. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, market environment and legal considerations) and physical risks (i.e., acute risks).

Risk Name	Market risk
Traded market risk	The current or prospective risk to earnings, capital and liquidity arising from adverse movements in bond prices, security or commodity prices, interest rates or foreign exchange rates in the trading book. It can arise from market making, dealing, and position taking in bonds, securities, currencies, commodities, or derivatives (on bonds, securities, currencies, or commodities). This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, technological updates, reputational repercussions, market or sectorial risks and legal considerations) and physical risks (i.e., acute and chronic risks).
CVA risk	The current or prospective risk to earnings, capital and liquidity arising from the fair value adjustment, required for OTC derivatives, due to the additional risk implied for positive fair values due to the counterparty inability to pay the required cash flows.
Non-traded market risk - FX rate risk BB	The current or prospective risk to earnings, capital and liquidity arising from the risk of holding or taking positions in foreign currencies in the banking book (e.g. in the form of loans, bonds, deposits or cross-border investments, including financial participations in foreign currencies).
Market concentration risk	The current or prospective risk to earnings, capital and liquidity arising from the risk of loss arising from a large position in a single asset or market exposure. An excessive concentration can give rise to liquidity risk or market risk losses (Trading Book).
Credit spread risk	The current or prospective risk to earnings, capital and liquidity arising from the possibility that changes in credit spreads will affect the value of financial instruments or contracts (including both trading and banking book positions) excluding fair value Banking Book Sovereign debt portfolio.
Financial instruments Price Risk (BB)	The current or prospective risk to earnings, capital and liquidity arising from adverse movements in bond prices, security or commodity prices in the banking book (BB). This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, technological updates, reputational repercussions, market risks and legal considerations) and physical risks (i.e., acute and chronic risks).
Default and migration risk	The current or prospective risk to earnings, capital and liquidity arising from the materialization of credit default and credit migration risk types.
Market liquidity risk	Also named "asset illiquidity risk". The current or prospective risk to earnings, capital and liquidity arising from positions that cannot easily be unwound or offset at short notice without significantly influencing its market price, because of insufficient market depth or market disruption. Includes risk from holding illiquid equity assets.
Valuation risk	The current or prospective risk to earnings, capital and liquidity arising from mispricing or pricing adjustments, due to complex pay-offs/pricing models or illiquidity / unobservability of pricing model's input parameters as well as adjustments made to the mid-price of fair valued positions (e.g. valuation adjustments on derivatives due to collateral, liquidity, funding costs, model risk, close out costs, etc.).

Risk Name	Real estate risk
Real estate risk	The current or prospective risk to earnings, capital and liquidity arising from changes in value of firm-owned real estate.

Operational risk	
Process Risk	
Damage to physical assets	The current or prospective risk to earnings, capital and liquidity arising from damages to the Bank's physical assets, caused by accidental or deliberate events such as climate risks (i.e., acute and/or chronic events), natural disasters, terrorism or vandalism acts, etc.
Execution, delivery & process management	The current or prospective risk to earnings, capital and liquidity arising from errors in execution of operative processes (e.g., "fat finger errors"; lack of or loosing documentation), including failed process management and relations with counterparties and vendors (e.g. outsourcing), excluding ICT related risks.
External fraud risk	The current or prospective risk to earnings, capital and liquidity arising from external fraud.
Employment practices and workplace safety	The current or prospective risk to earnings, capital and liquidity arising from losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., employee and legal risks).
Model risk	The current or prospective risk to earnings, capital and liquidity arising from the development or the use of any flawed of inappropriately applied models/algorithms, within the scope of pricing or transactions' decision making, internal capital quantification models or business decisions.
Internal fraud risk	The current or prospective risk to earnings, capital and liquidity arising from internal fraud.
ICT Risk	
ICT - Security risks	The current or prospective risk to earnings, capital and liquidity arising from a financial loss, disruption or damage to the reputation connected with activity online, internet trading, electronic systems and technological networks, as well as storage of personal data, (e.g., disruptive cyber-attacks and other external based attacks; inadequate IT physical or logical security).
ICT - Availability and continuity risk	Or "Business disruption and system failures". The current or prospective risk to earnings, capital and liquidity arising from disruption of business or system failures (e.g., inadequate capacity management; inadequate continuity and disaster recovery planning; dysfunctional data processing or handling; ill designed data

	validation controls in systems; ill designed and/or managed data architecture, data flows, data models or data dictionaries).
ICT - Data integrity risk	The current or prospective risk to earnings, capital and liquidity arising from data stored and processed by ICT systems incomplete, inaccurate or inconsistent across different ICT systems, for example as a result of weak or absent ICT controls during the different phases of the ICT data life cycle, impairing the ability of an institution to provide services and produce (risk) management and financial information in a correct and timely manner.
ICT change risk	The current or prospective risk to earnings, capital and liquidity arising from the inability of the institution to manage ICT system changes in a timely and controlled manner, for large and complex change programmes (e.g., inadequate controls over systems changes and development; inadequate architecture; inadequate lifecycle and patch management).
ICT Outsourcing risk	The current or prospective risk to earnings, capital and liquidity arising from engaging a third party, or another Group entity (intra-group outsourcing), to provide ICT systems or related services adversely impacts the institution's performance and risk management (e.g., inadequate SLA, breaches in the SLA, fail of the providers).
Legal and Compliance Risk	
Compliance and conduct risk	Or "Clients, products & business practices". The current or prospective risk to earnings, capital and liquidity arising from violations or non-compliance with laws and regulations due to unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, from the nature or design of a product, or from market manipulation, antitrust or improper trade and customer conduct risk.
Financial crime risk	The current or prospective risk to earnings, capital and liquidity arising from violations or non-compliance with financial regulations (includes AML-Anti money laundering and CTF - Counter terrorism financing, sanctions and bribery).
Data protection risk	The current or prospective risk to earnings capital and liquidity arising from failing to ensure the data protection legal requirements.
Litigation risk	The current or prospective risk to earnings, capital and liquidity arising from court processes started by clients due to contractual disagreements.
Governance risk	The current or prospective risk to earnings capital and liquidity arising from violations or non-compliance with principles of good governance within the firm.

Risk Name	IRRBB - Interest rate risk in the Banking Book
Behavioral and optional risk	The current or prospective risk to earnings, capital and liquidity arising from early unscheduled return of principal on interest rate sensitive asset and liabilities (e.g., changes in the behavioral profile of classes of customers and products, including embedded options.
Gap risk	The current or prospective risk to earnings, capital and liquidity arising from direct or indirect financial losses in the banking book due to movements in interest rates and mismatch between assets and liabilities, making the bank vulnerable to changes in the yield curve, under the current behavioral and prepayment customer and product profiles
Basis risk	The current or prospective risk to earnings, capital and liquidity arising from imperfect hedges.

Risk Name	Business risk
Economic risk	The current or prospective risk to earnings, capital and liquidity arising from the uncertainty in revenues in the short run (< 1 year) due to unforeseen changes in the economic, geo-political and competitive environment as well as risk of regulatory or fiscal policy changes and requirements. This risk also includes the consideration of climate-related risks, such as transition risks (i.e., new climate policies, and legal risks) and physical risks (i.e., acute).
Strategic risk	The current or prospective risk to earnings, capital and liquidity arising from geo-political and competitive environment, strategy and fiscal policy changes in strategy and from adverse business decisions, including strategic decisions that must be taken to comply with regulatory ratios, namely capital, liquidity or leverage ratio. This also comprehends climate-related risks, such as transition risks (i.e., new climate policies, and legal risks) and physical risks (i.e., chronic).
Participations	The current or prospective risk to earnings, capital and liquidity arising from the risk of depreciation of strategic financial participations outside the consolidation perimeter.
IT Strategy risk	The current or prospective risk to earnings, capital and liquidity arising from misalignment between the IT framework and the strategy of the Bank.

Risk Name	Reputational risk
Reputational risk	The current or prospective risk to earnings, capital and liquidity arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators due to actions of any BCP Group entity or its employees. This also includes the consideration of climate-related risks, such as transition risks (i.e., reputational repercussions).
Industry-wide reputational risk	The current or prospective risk to earnings, capital and liquidity arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators due to actions of the wider industry.
Insurance reputation	The current or prospective risk to earnings, capital and liquidity arising from reputational risk associated with the selling process of financial insurance.

Risk Name	Other risks
Step-in risk	The current and prospective risk to earnings, capital and liquidity due to the need of the Bank, by reputational reasons, to provide financial support to an entity beyond or in the absence of contractual obligations, should the entity experience financial stress (unconsolidated entities, only).
Pension fund risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with the uncertainty surrounding required contributions to defined benefit pension schemes or with market rates movements that could lead to direct or indirect financial losses in the pension fund assets.
Underwriting risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with underwriting issuance of equity or debt securities.
Equity risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with the issuance stock at incorrect risk premiums.
Insurance risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with future income/expenses due to life insurance business arm.
Re-hypothecation risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with the use of assets that have been posted as collateral by bank´s clients.
Financial System protection schemes risk	The current or prospective risk to earnings, capital and liquidity arising from the value of an unexpected the increase in the future contributions to the Resolution Fund and to other financial system protection schemes.
Risk Name	**Circumstantial risks**
FX Lending Conversion	The current or prospective risk to earnings, capital and liquidity arising from economic losses due to potential approval of legislation that could have negative impact on bank capital position from lower net profit coming from potential conversion of FX denominated loans into PLN or return of FX spreads or from increased risk weights for FX mortgage loans, namely denominated in CHF.
Assistance Programme Risk in Poland	The current or prospective risk to earnings, capital and liquidity arising from a higher-than-expected utilization of credit holidays in Poland or other assistance programs that might imply direct losses to the Bank.

The set of risks identified as material risks in the Risk Identification Process of 2023 are disclosed in the Table 20 of this report.

4.10. Reporting and risk measurement systems

The BCP Group has implemented an IT infrastructure – SAS Solution for Risk Management - that includes the Risk Office Data Mart (RODM) and SAS Risk Dimensions that captures the risk exposure at a Group level.

SAS Solution for Risk Management is a complete end-to-end application for measuring, exploring, managing, regulatory reporting (COREP/FINREP) and ALM (Assets & Liabilities Management), among other objectives. This solution integrates data access, mapping, enrichment, and aggregation with advanced analytics and flexible calculation and reporting, all in an open, extensible, client server framework.

The Risk Office DataMart (RODM) is an information repository that was designed to support the risk analysis and capital calculation. This application allows the collection of specific and relevant information in terms of risk, from all relevant systems of the Group (domestic and international operations).

RODM aggregates and manages several types of information, namely financial, transactions, customer details, ratings, customer limits, collaterals / guarantees.

The data is obtained directly from the Group's IT systems through automated procedures, which regularly stores data into the RODM, corresponding to the Group's position by the end of each month. The procedures for the loading of updated data were designed by the Group's IT Division at the Risk Office's request and involve the feeding of data from the Group's operational systems, concerning transactions, positions or entities (clients and counterparties) registered into those systems.

The information stored in RODM is used to feed the SAS Risk Dimensions, a simulation software that implements advanced methods for credit risk management, performs risk assessment and mitigation of credit risks through an optimized allocation process, calculates the capital requirements for Pillar I and produces sensitivity analysis and feeds into stress tests exercises. This solution also covers liquidity risk and interest rate risk management.

The main outcomes from this system are:

- Assets & Liabilities Management (ALM), including interest rate risk identification and calculation for all balance sheet (and off-balance) interest-sensitive items, and Gap Analysis for liquidity risk control.
- Capital requirements calculation.
- Impairment calculation.
- Regulatory reporting, namely COREP and FINREP.

It also enables Credit risk analysis, monitoring and reporting, such as exposures, risk weighted assets, non-performing loans, concentration risk, impairment and other credit risk indicators that can be aggregated by geography, business line, product, etc.

Data quality is an essential tool for risk information and therefore to a sound and effective risk management. The Bank is implementing the BCBS 239 Project - Governance and Data Quality, which develops permanently processes and enhancements to comply with the principles for effective risk data aggregation and risk reporting, as presented in BCBS 239, the Basel Committee on Banking Supervision (BCBS) Principles for effective risk data aggregation and risk reporting.

The Bank has established an operating model for Data Quality and Governance, based on segregated responsibilities:

- In the first line of defence, roles deal with the Bank's daily operations and, as a result, ensure a proper usage of data and fulfilment of its requirements.
- In the second line of defence, functions aid the first line by monitoring and providing recommendations, such as setting standards, policies, and procedures.
- In the third line of defence, functions are independent from the Governance and Data Quality framework, allowing them to ensure compliance with the BCBS 239 principles and guarantee that the Bank's objectives and strategy are also aligned.

The process is supported by a complete set of internal regulations and procedures detailing the Bank's Data Governance and Quality model, in accordance with the guidelines of the Group Data Officer (CDO), responsible for defining the global principles and rules applicable throughout the Group and published in the form of Group Codes. In addition, the Group CDO is also responsible for monitoring compliance across the group, in coordination with the CDOs of the subsidiaries.

The Governance and Data Quality Supervisory functions were incorporated in the Operational Resilience Commission.

Data quality metrics were added to the BCP Group RAS and subsidiaries.

The risk management and control information need of the governing bodies are fulfilled by the production of several periodic risk reports, presented to the Committees and Commissions of the Bank. The most high-level reports are the RAS Monitoring Report, presented monthly to the Board of Directors, the Executive Committee and the Risk Assessment Committee and the Key Risk Indicators, covering in detail all material risks of the Bank and presented monthly to the Executive Committee and Risk Assessment Committee.

The Bank is currently implementing a Master Financial Data Base ("MFDB") which, in accordance with its strategic vision, will be the golden source for all regulatory reporting and related reporting processes. This database builds from the know-how developed with RODM incorporating all relevant additional information for the relevant reports and improvements in the information and processes supporting its creation.

4.11. Regulatory calculation methodologies

Following the request submitted by Millennium bcp in the first six months of 2009, the Bank received authorisation from Banco de Portugal to use the advanced approach (internal model) for the generic market risk and to use the standard approach for operational risk.

Banco de Portugal authorised, with effects as of 31 December 2010, the adoption of methodologies based on the Internal Ratings Based models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risks of the activity in Portugal.

Subsequently, within the scope of the gradual adoption of the IRB approach in the calculation of capital requirements for credit and counterparty risks, Banco de Portugal authorised the extension of this methodology to the subclasses "Renewable Retail Positions" and "Other Retail Positions" in Portugal, effective as of 31 December 2011.

With reference to 31 December 2012, Banco de Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for the "Corporate" risk class in Portugal and the adoption of IRB models for "Loans secured by residential real estate" and for "Renewable Positions" in the retail portfolio of Bank Millennium, the Group's subsidiary in Poland.

On 31 December 2013, Banco de Portugal authorised the extension of the IRB method to the real estate promotion segment, as well as the adoption of own estimations of LGD (Loss Given Default) for the "Corporate" exposures in Portugal.

In the following table is shown a summary of the calculation methodologies of the capital requirements used in the regulatory reporting as well as of the respective geographic application scope.

TABLE 7 – Calculation Methods and Scope of Application

	31 Dec. 23	31 Dec. 22
CREDIT RISK AND COUNTERPARTY CREDIT RISK		
PORTUGAL		
Retail	IRB Advanced	IRB Advanced
Corporates	IRB Advanced (1)	IRB Advanced (1)
POLAND		
Retail		
- Loans secured by residential real estate	IRB Advanced	IRB Advanced
- Renewable positions	IRB Advanced	IRB Advanced
OTHER EXPOSURES (ALL ENTITIES OF THE GROUP)	Standardised	Standardised
MARKET RISKS (2)		
Generic market risk in debt and equity instruments	Internal Models	Internal Models
Foreign exchange risk	Internal Models	Internal Models
Commodities risk and market risk in debt and equity instruments	Standardised	Standardised
OPERATIONAL RISK (3)	Standard	Standard

(1) Excluding the following exposures: those derived from the SOE rating systems and the simplified rating system and purchased receivables which were weighted by the standardised approach.

(2) For exposures in the perimeter centrally managed from Portugal; for all other exposures the only approach applied is the standardised method.

(3) The adoption of the standard method of operational risk was authorised in 2009.

5. Capital Adequacy

5.1. Regulatory framework

On 26 June 2013, the European Parliament and the Council approved the Directive 2013/36/EU and the Regulation (EU) no. 575/2013 (Capital Requirements Directive IV / Capital Requirements Regulation – CRD IV/CRR), which established new and stricter capital requirements to credit institutions, with effects from 1 January 2014.

These stricter requirements result from a narrower definition of own funds and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer and additional Pillar 2 requirements.

Additionally, Supervisory authorities may impose a capital buffer to systemically important institutions given their dimension, importance to the economy, business complexity or degree of interconnection with other institutions of the financial sector and, in the event of insolvency, the potential contagion of these institutions to the rest of the non-financial and financial sectors. The BCP Group has been considered an O-SII (other systemically important institution) and is obliged to comply with an additional buffer.

It is also considered a countercyclical buffer, which aims to ensure that the banking sector has enough capital to absorb the losses generated in macroeconomic downturn situations, especially after periods of excess credit expansion, and to moderate these movements, given that this buffer depends on a discretionary decision of the competent authorities, based on their assessment regarding the underlying risks of the evolution of credit aggregates. This buffer may vary between zero and 2.5% for each institution and the need to achieve the defined goals may also impose restrictions in terms of distributions that go against an adequate capital conservation level. Pursuant to a decision of 29 September 2023, Banco de Portugal, in the exercise of its powers as national macroprudential authority, decided that the countercyclical buffer rate to be in force in the fourth quarter of 2023 would remain unchanged at 0% of the total risk exposure amount.

The CRD IV/CRR also considers the possibility of institutions to gradually accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios, over determined maximum transition periods.

On the scope of the Supervisory Review and Evaluation Process the minimum Own Funds requirements for 2023 were as follows:

TABLE 8 – Minimum Capital Requirements from SREP (Supervisory Review and Evaluation Process)

31/12/2023

	Minimum required Pillar 1	Aditional requirements Pillar 2	Capital conservation buffer	O-SII capital buffer	Total
CET1	4.5%	1.41%	2.500%	1.000%	9.406%
T1	6.0%	1.88%	2.500%	1.000%	11.375%
Total	8.0%	2.50%	2.500%	1.000%	14.000%

The Bank complies with all Supervisory requirements and other recommendations in this area.

The Bank of Portugal, as the national macroprudential authority, notified the Bank of the decision to implement, from October 2024, a reserve for sectoral systemic risk of 4%, on retail exposures guaranteed by residential properties located in Portugal. If applied to December 2023 data, this reserve would represent an increase of 0,28%, compared to the minimum capital requirements under the SREP, currently in force.

The consolidated capital ratios, as of 31 December 2023, were calculated applying methodologies based on Internal Rating Based Models (IRB) for the calculation of capital requirements for credit and counterparty risks, covering a substantial part of both its retail portfolio in Portugal and Poland, and its corporate portfolio in Portugal.

The advanced method (internal model) was used for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

5.2. Own funds and capital adequacy

Own funds, calculated according to the applicable regulatory norms, include tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1 (AT1).

Common equity tier 1 includes:

- paid-up capital, share premium, reserves, and retained earnings with the deduction of expected dividends and non-controlling interests.
- and deductions related to own shares and loans given to finance the acquisition of Bank's shares, the shortfall of value adjustments and provisions to expected losses concerning exposures whose capital requirements for credit risk are calculated under the IRB approach, goodwill and other intangible assets, the additional value adjustments required by applying prudent valuation requirements to all assets valued at fair value, adjustments related to minimum commitment with collective investments undertakings, with the insufficient coverage for non-performing exposures and with the amount of securitisation positions, eligible for deduction as an alternative to a 1 250 % risk weight.

Reserves and retained earnings are adjusted by the reversal of unrealised gains and potential losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements, attributable to minority shareholders.

In addition, the deferred tax assets arising from unused tax losses are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

The additional value adjustments under SREP as well as the irrevocable payment commitments for the Single Resolution Fund, the fair value of the collateral for irrevocable commitments from the Deposits Guarantee Fund and the additional coverage of non-productive exposures are also deducted.

Additional tier 1 comprises preference shares and other hybrid instruments and perpetual bonds representing subordinated debt that are compliant with CRR requirements and the minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 own funds include the subordinated debt that is compliant with the CRR requirements, and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

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

With the IFRS 9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR. The group also decided to adopt, until the end of 2022, the option to gradually recognise the change in unrealized gains and losses measured at fair value through other comprehensive income, according to artº 468 of the CRR.

By decision of the General Meeting of Shareholders the Bank decided to join the special regime applicable to the deferred tax assets.

The Bank has no restrictions applied to the own funds calculations, on the scope of the CRR article 437.º e).

The Group does not qualify as a financial conglomerate; therefore, the complementary capital requirements were not assessed.

The main aggregates of the consolidated own funds and own funds requirements, as of 31 December 2023, 30 September 2023, and 31 December 2022 as well as the respective capital ratios are shown in the next table:

TABLE 9 – Capital Ratio and Summary of the Main Aggregates

(Thousand euros)

	Fully implemented			Phased-in		
	Dec 2023	Sep 2023	Dec 2022	Dec 2023	Sep 2023	Dec 2022
OWN FUNDS						
Tier I	6,607,904	6,233,097	5,874,922	6,641,604	6,251,914	5,938,797
of which: Common Equity Tier I	6,123,712	5,742,935	5,382,350	6,157,338	5,761,530	5,442,456
Tier II	1,295,308	1,296,503	1,366,507	1,263,980	1,277,541	1,339,915
Total capital	**7,903,212**	**7,529,599**	**7,241,429**	**7,905,585**	**7,529,456**	**7,278,712**
RWA						
Credit risk and counterparty credit risk	34,277,870	34,898,170	36,268,830	34,304,305	34,929,093	36,265,788
Market risk	547,022	532,058	2,611,404	547,022	532,058	2,611,404
Operational risk	4,854,039	4,178,551	4,178,551	4,854,039	4,178,551	4,178,551
Credit Valuation Adjustments (CVA)	45,646	49,148	47,016	45,646	49,148	47,016
Total	**39,724,577**	**39,657,927**	**43,105,801**	**39,751,013**	**39,688,850**	**43,102,759**
CAPITAL RATIOS						
Common Equity Tier I	**15.4%**	**14.5%**	**12.5%**	**15.5%**	**14.5%**	**12.6%**
Tier I	**16.6%**	**15.7%**	**13.6%**	**16.7%**	**15.8%**	**13.8%**
Total capital	**19.9%**	**19.0%**	**16.8%**	**19.9%**	**19.0%**	**16.9%**

Note: The September 2023 ratios do not include the accumulated net income.

The estimated CET1 ratio as at 31 December 2023 stood at 15.5% phased-in and 15.4% fully implemented, reflecting a change of +286 and +293 basis points, respectively, compared to the 12.6% and 12.5% phased-in and fully implemented ratios reported in the same period of 2022, comfortably above the minimum regulatory ratios defined within the scope of SREP for the year 2023 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability targets.

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

The table below shows the BCP Group risk weighted assets as of 31/12/23 and 30/09/2023.

TABLE 10 – TEMPLATE EU OV1 – Overview of Risk Weighted Exposure Amounts

(Thousand euros)

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		Dec 23	Sep 2023	Dec 23
1	**Credit risk (excluding CCR)**	**33,309,287**	**34,284,020**	**2,664,743**
2	Of which the standardised approach	13,854,424	11,714,285	1,108,354
3	Of which the foundation IRB (FIRB) approach	709,117	752,855	56,729
4	Of which: slotting approach	709,117	752,855	56,729
EU 4a	Of which: equities under the simple riskweighted approach	922,997	1,055,505	73,840
5	Of which the advanced IRB (AIRB) approach	14,521,444	14,461,150	1,161,715
6	**Counterparty credit risk - CCR**	**213,424**	**204,036**	**17,074**
7	Of which the standardised approach	76,562	90,883	6,125
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	12,355	14,266	988
EU 8b	Of which credit valuation adjustment - CVA	45,646	49,148	3,652
9	Of which other CCR	78,860	49,740	6,309
10	Empty set in the EU			
11	Empty set in the EU			
12	Empty set in the EU			
13	Empty set in the EU			
14	Empty set in the EU			
15	**Settlement risk**	0	0	0
16	**Securitisation exposures in the non-trading book (after the cap)**	827,242	490,185	66,179
17	Of which SEC-IRBA approach	274,532	305,768	21,963
18	Of which SEC-ERBA (including IAA)	1,256	1,256	101
19	Of which SEC-SA approach	551,453	183,161	44,116
EU 19a	Of which 1250%/ deduction			
20	**Position, foreign exchange and commodities risks (Market risk)**	**547,022**	**532,058**	43,762
21	Of which the standardised approach	200,783	198,821	16,063
22	Of which IMA	346,239	333,237	27,699
EU 22a	**Large exposures**			
23	**Operational risk**	**4,854,039**	**4,178,551**	388,323
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	4,854,039	4,178,551	388,323
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	2,149,425	2,244,587	171,954
25	Empty set in the EU			
26	Empty set in the EU			
27	Empty set in the EU			
28	Empty set in the EU			
29	**Total**	**39,751,013**	**39,688,850**	**3,180,081**

The following table presents the full reconciliation of own funds items to audited financial statements as of 31 December 2023, according to the Commission Implementing Regulation (EU) No 1423/2013:

TABLE 11 – Reconciliation Between Accounting and Regulatory Capital

(Thousand euros)

		Dec 2023
1	Share capital	3 000 000
2	Own shares	
3	Share premium	16 471
4	Preference shares	
5	Other capital instruments	400 000
6	Reserves and retained earnings	2 039 551
7	Net income for the period attributable to Shareholders	856 050
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**6 312 071**
8	Non-controlling interests (minority interests)	970 561
	TOTAL EQUITY	**7 282 632**
9	Own shares of CET1 not eligible instruments	-1 119
10	Preference shares not eligible for CET1	
11	Other capital instruments not eligible for CET1	-400 000
12	Net profit for the year attributable to the Bank's shareholders not eligible for CET1	-262 999
13	Non-controlling interests not eligible for CET1	-494 638
14	Other regulatory adjustments	33 462
	Of which: Intangible assets	-101 234
	Of which: Goodwill	-68 161
	Of which: Deferred tax assets	-125 594
	Of which: Other	328 451
	COMMON EQUITY TIER 1 (CET1)	**6 157 338**
15	Subordinated debt	400 000
16	CET1 transferred adjustments	84 267
17	T2 transferred adjustments	
18	Other Adjustments	
	Of which: Intangible assets	
	Of which: Shortfall of impairment to expected loss	
	Of which: Residual amounts of CET1 instruments of financial entities in which the institution has a significant investment	
	Of which: Other	
	TIER 1 (T1)	**6 641 604**
19	Subordinated debt	1 014 615
20	Non-controlling interests eligible for T2	225 063
22	Preference shares eligible for T2	83 102
22	Adjustments with impact in T2, including national filters	-58 800
23	Adjustments that are transferred for T1 for insufficient T2 instruments	
	TIER 2 (T2)	**1 263 980**
	OWN FUNDS	**7 905 585**

Notes:
The sum of items 1, 2, 3 e 9 is equivalent to the item 1 of Template CC1.
Item 6 is equivalent to the sum of items 2 and 3 of Template CC1.
The sum of items 7 e 12 is equivalent to the item 5a of Template CC1.
Item 14 is equivalent to the item 28 of Template CC1.
Item 15 is equivalent to the item 30 of Template CC1.
Item 16 is equivalent to the item 34 of Template CC1.
Item 19 is equivalent to the item 46 of Template CC1.
Item 20 is equivalent to the item 48 of Template CC1.
Item 22 is equivalent to the item 55 of Template CC1.

In accordance with the instructions in the ITS (Implementing Technical Standards) issued by EBA (EBA ITS 2020/04), regarding the public disclosure of the information referred to in Titles II and III of part VIII of Regulation (EU) No. 575/2013, we present below the information referred to in Article 437, points a), d), e) and f), of Regulation (EU) No. 575/2013 using the EU CC1 and CC2 templates and detailed information about the main characteristics of the main equity funds instruments of level 1, additional level 1 and level 2, as defined in point 1 (b) of the said article, using the EU CCA template.

TABLE 12 – TEMPLATE EU CC1 – Composition of Regulatory Own Funds at 31 December 2023

(Thousand euros)

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3,016,471	
	of which: Instrument type 1	3,000,000	37
	of which: Instrument type 2	0	
	of which: Instrument type 3	0	
2	Retained earnings	1,265,320	41;43
3	Accumulated other comprehensive income (and other reserves)	774,231	41;43
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-11,343	45
5	Minority interests (amount allowed in consolidated CET1)	487,266	45
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	593,051	44
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,124,995**	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
7	Additional value adjustments (negative amount)	-9,307	
8	Intangible assets (net of related tax liability) (negative amount)	-169,395	14;18
9	Empty set in the EU	0	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-125,594	20
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	876,477	43
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1,783	43
15	Defined-benefit pension fund assets (negative amount)	-283,643	21
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-1,119	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
20	Empty set in the EU	0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-81,655	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	-81,655	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	20
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	14
24	Empty set in the EU	0	
25	of which: deferred tax assets arising from temporary differences	0	20
EU-25a	Losses for the current financial year (negative amount)	0	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
26	Empty set in the EU	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjusments (including IFRS 9 transitional adjustments when relevant)	-175,204	14, 20, 21
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**32,342**	
29	**Common Equity Tier 1 (CET1) capital**	**6,157,338**	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	400,000	40
31	of which: classified as equity under applicable accounting standards	400,000	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	84,267	45
35	of which: instruments issued by subsidiaries subject to phase out	75	45
36	Additional Tier 1 (AT1) capital before regulatory adjustments	484,267	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
41	Empty set in the EU	0	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	484,267	
45	Tier 1 capital (T1 = CET1 + AT1)	6,641,604	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	1,014,615	26
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	0	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	225,063	26, 45
49	of which: instruments issued by subsidiaries subject to phase out	-1,772	
50	Credit risk adjustments	112,658	
51	Tier 2 (T2) capital before regulatory adjustments	1,352,337	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
54a	Empty set in the EU	0	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-58,800	5
56	Empty set in the EU	0	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	
56b	Other regulatory adjusments to T2 capital	-29,556	
57	Total regulatory adjustments to Tier 2 (T2) capital	-88,356	
58	Tier 2 (T2) capital	1,263,980	
59	Total capital (TC = T1 + T2)	7,905,585	
60	Total risk exposure amount	39,751,013	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.49%	
62	Tier 1 (as a percentage of total risk exposure amount)	16.71%	
63	Total capital (as a percentage of total risk exposure amount)	19.89%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.41%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%	
EU-67b	of which: additional capital requirement to address risks other than the risk of excessive leverage	1.41%	
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	10.99%	
National minima (if different from Basel III)			
69	[non relevant in EU regulation]	0.00%	
70	[non relevant in EU regulation]	0.00%	
71	[non relevant in EU regulation]	0.00%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	48,795	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	332,621	
74	Empty set in the EU	0	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	527,149	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	174,299	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	132,523	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	112,658	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

The table below highlights the difference in the basis of consolidation for accounting and prudential purposes as it compares the carrying values as reported under IFRS with the carrying values under the scope of the regulatory consolidation. References in the last column of the table provide the mapping of regulatory balance sheet items used to calculate regulatory capital. The reference-columns presented below reconcile to the references-columns as presented in the template “EU CC1– Composition of regulatory own funds”.

TABLE 13 – TEMPLATE EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet on the Audited Financial Statements

(Thousand euros)

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to Template CC1
		Dec 23	Dec 23	
ASSETS				
1	Cash and deposits at Central Banks	4,545,526	4,545,526	
2	Loans and advances to credit institutions repayable on demand	337,687	337,064	
3	Financial assets at amortised cost			
4	Loans and advances to credit institutions	908,477	908,477	
5	Loans and advances to customers	53,305,159	53,305,159	
	Of which:			
	Subordinated loans		58,800	55
6	Debt instruments	17,579,136	17,579,136	
7	Financial assets at fair value through profit or loss			
8	Financial assets held for trading	822,905	822,905	
9	Financial assets not held for trading mandatorily			
	at fair value through profit or loss	467,254	605,663	
10	Financial assets designated at fair value			
	through profit or loss	32,004	32,004	
11	Financial assets at fair value through			
	other comprehensive income	10,834,291	10,850,239	
12	Assets with repurchase agreement			
13	Hedging derivatives	40,628	40,628	
14	Investments in associated companies	356,259	371,030	
	Of which:			
	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			23
	Other regulatory adjustments to CET1 capital			27a
	Goodwill		23,638	8
15	Non-current assets held for sale	80,317	90,075	
16	Investment property	39,100	36,321	
17	Other tangible assets	606,447	545,665	
18	Goodwill and intangible assets	223,105	223,105	
	Of which:			
	Goodwill and intangible assets, excluding software classified as intangible assets not within the scope of article 13a of Regulation 241/2014		145,758	8
19	Current tax assets	20,469	20,465	
20	Deferred tax assets	2,554,331	2,548,850	
	Of which:			
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences		125,594	10
	Arising from temporary differences (amount above 10% threshold)			21
	Arising from temporary differences (amount above 17.75% threshold)			25
	Other regulatory adjustments to CET1 capital			27a
21	Other assets	1,626,683	1,528,081	
	Of which:			
	Defined-benefit pension fund assets		283,643	15
	Single resolution fund		30,638	27a
	Total Assets	**94,379,778**	**94,390,393**	

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to Template CC1
		Dec 23	Dec 23	
LIABILITIES				
22	Financial liabilities at amortised cost			
23	Resources from credit institutions	829,126	829,126	
24	Resources from customers	75,606,813	75,616,289	
25	Non subordinated debt securities issued	2,712,682	2,712,682	
26	Subordinated debt	1,397,425	1,397,425	
	Of which:			
	Capital instruments and the related share premium accounts		1,014,615	46
	Qualifying own funds instruments issued by subsidiaries and held by third parties		112,687	48, 49
27	Financial liabilities at fair value through profit or loss			
28	Financial liabilities held for trading	207,387	207,387	
29	Financial liabilities at fair value			
30	through profit or loss	3,608,487	3,608,487	
31	Hedging derivatives	67,825	67,825	
32	Non-current liabilities held for sale			
33	Provisions	753,103	751,271	
34	Current tax liabilities	197,085	197,085	
35	Deferred tax liabilities	8,795	8,795	
36	Other liabilities	1,691,552	1,711,389	
	Total Liabilities	**87,080,280**	**87,107,761**	
EQUITY				
37	Share capital	3,000,000	3,000,000	1
38	Share premium	16,471	16,471	1
39	Preference shares			
40	Other equity instruments	400,000	400,000	31
41	Legal and statutory reserves	316,375	316,375	2;3
42	Treasury shares			1
43	Reserves and retained earnings	1,723,176	1,723,176	2;3;11;14
44	Net income for the year attributable to Shareholders	856,050	856,050	5a
	Total Equity attributable to Shareholders	**6,312,071**	**6,312,071**	
45	Non-controlling interests	987,427	970,561	
	Of which:			
	Amount allowed in consolidated CET1		475,923	4, 5
	Amount allowed in consolidated AT1		84,342	34, 35
	Amount allowed in consolidated T2		110,605	48, 49
	Total Equity	**7,299,498**	**7,282,632**	
	Total Liabilities and Equity	**94,379,778**	**94,390,393**	

The following table shows the main features of own funds' instruments in December 2023.

TABLE 14 – TEMPLATE EU CCA – Main Features of Own Funds' Instruments

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	PTBCPWOM0034	PTBIT3OM0098	PTBCPGOM0067	PTBCPJOM0056	PLBIG0000453	PLBIG0000461	PTBCPFOM0043	PTBCP0AM0015
2a	Public or private placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement
3	Governing law(s) of the instrument	English and Portuguese law	English and Portuguese law	English and Portuguese law	English and Portuguese law	Polish law	Polish law	English and Portuguese law	Portuguese law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes	Yes	N/A	N/A	Yes	N/A
REGULATORY TREATMENT									
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Other Capital Instruments	Ordinary Shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date) [(1)]	130,915,056	450,000,000	300,000,000	133,700,000	51,556,073	61,130,772	399,999,980	2,998,881
9	Nominal amount of instrument	166,300,000	450,000,000	300,000,000	133,700,000	PLN 700.000.000 (153.498.673)	PLN 830.000.000 (182.005.570)	400,000,000	N/A
9a	Issue price	100%	100%	100%	100%	100%	100%	100%	N/A
9b	Redemption price	100%	100%	100%	100%	100%	100%	100%	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity	Shareholders' equity

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	Original date of issuance	07 December 2017	27 September 2019	17 November 2021	5 December 2022	07 December 2017	30 January 2019	31 January 2019	N/A
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual	No maturity
13	Original maturity date	07 December 2027	27 March 2030	17 May 2032	5 March 2033	07 December 2027	30 January 2029	N/A	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
15	Optional call date, contingent call dates and redemption amount	Existence of an early repayment option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	27 March 2025. Existence of an early repayment option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	From 17 November 2026 to 17 May 2027. Existence of an early repayment option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	From 5 December 2027 to 5 March 2028. Existence of an early repayment option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	08 December 2022. Existence of an early repayment option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	30 January 2024. Existence of an early repayment option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	First date: 31 January 2024. Existence of call option, any time, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	First call date and on each interest payment date thereafter	N/A
COUPONS/DIVIDENDS									
17	Fixed or floating dividend/coupon	Fixed	Fixed (reset)	Fixed (reset)	Fixed (reset)	Floating	Floating	Fixed (reset)	Floating
18	Coupon rate and any related index	6,888%, year	First 5,5 years. 3.871%. Refixing at the end of the 5,5th year: MS 5y rate + Initial Margin (4,231%)	First 5,5 years. 4%. Refixing at the end of the 5,5th year: MS 5y rate + Initial Margin (4,065%)	First 5,5 years. 8,75%. Refixing at the end of the 5,5th year: MS 5y rate + Initial Margin (6,051%)	Wibor 6M + 2,30%	Wibor 6M + 2,30%	MS 5y rate + 941.4 bps first 5 years; Refixing every 5 years. Until 31 Juanuary 2019: 9.25%	N/A
19	Existence of a dividend stopper	No	No	No	No	No	No	No	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	N/A
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	N/A
22	Noncumulative or cumulative	N/A	N/A	N/A	N/A	N/A	N/A	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	No	No	No	N/A	No	Yes	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	CET1 ratio below 5.125%	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	Partial	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	Temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	(2)	N/A
34a	Type of subordination (only for eligible liabilities)	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Legal
34b	Ranking of the instrument in normal insolvency proceedings	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Tier 1
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Tier 2	Additional Tier 1
36	Non-compliant transitioned features	N/A	No	No	N/A	N/A	N/A	N/A	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the intrument (signposting)	PTBCPWOM0034_FT_EMTN-Sr854_180109.pdf (millenniumbcp.pt)	PTBIT3OM0098_Final_Terms_OpTagus_MTN855.PDF (millenniumbcp.pt)	PTBCPGOM0067_MTN858_BCP_Signed_Final_Terms_10122021.pdf (millenniumbcp.pt)	PTBCPJOM0056_BCP-MTN-860.pdf (millenniumbcp.pt)	Seria-C-Warunki-Emisji-EBK-C-01122021.pdf (bankmillennium.pl)	NOTA_INFORMACYJNA_Millennium_seriaW.pdf (gpwcatalyst.pl)	FINAL_Offering_Circular_29012019.pdf (millenniumbcp.pt)	N/A

(1) Amount included in the calculation of Bank's Own Funds (phased-in) as of 31 December 2023
(2) Always subject to compliance with the regulations in force and with the terms and conditions of the issue, if, at any moment, while the issued bonds are written down, the issuer records a profit and provided that its CET1 ratio, in individual and consolidated terms, is equal to or greater than 5.125%, he can, at his exclusive and absolut discretion, decide to increase the nominal value of the bonds by an amount stipulated by it.

The Prudent Valuation Adjustment based on the methodology defined in the Commission Delegated Regulation (EU) 2016/101 is disclosed below in accordance with Regulation (EU) 2019/876, Article 436 (e) CRR for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions.

TABLE 15 – TEMPLATE EU PV1 – Prudent Valuation Adjustments (PVA)

(Thousand euros)

		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty				
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: **Total core approach** in the trading book	Of which: **Total core approach** in the banking book
1	Market price uncertainty										
2	Set not applicable in the EU										
3	Close-out cost										
4	Concentrated positions										
5	Early termination										
6	Model risk										
7	Operational risk										
8	Set not applicable in the EU										
9	Set not applicable in the EU										
10	Future administrative costs										
11	Set not applicable in the EU										
12	**Total Additional Valuation Adjustments (AVAs)**								**9,307**		

TABLE 16 – Uniform Disclosure of Transitional IFRS 9 Arrangements

Given that the Bank decided to adopt the option of recognizing the impacts in stages, in accordance with the of IFRS 9 provisions of article 473-A of the CRR, the following is a model for comparing own funds, own funds and leverage ratios of institutions with and without the application of the IFRS 9 transitional regime or similar expected credit losses, as referred to in the EBA GL 2018/01 guidelines, regarding the uniform disclosure of the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds. On the other hand, under the guidelines EBA GL 2020/12, the Bank decided not to apply the temporary treatment regime for unrealized gains and losses valued at fair value through other comprehensive income, in accordance with article 468 of CRR.

(Thousand euros)

		Dec 23	Sep 23	Jun 23	Mar 23	Dec 22
AVAILABLE CAPITAL (AMOUNTS)						
1	Common Equity Tier 1 (CET1) capital	6,157,338	5,761,530	5,861,884	5,428,996	5,442,456
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,123,712	5,743,014	5,854,870	5,423,950	5,392,846
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied					5,372,680
3	Tier 1 capital	6,641,604	6,251,914	6,360,793	5,924,283	5,938,797
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,607,904	6,233,176	6,353,439	5,919,019	5,889,187
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					5,869,021
5	Total capital	7,905,585	7,529,456	7,675,084	7,249,295	7,278,712
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,903,212	7,529,679	7,669,734	7,245,911	7,240,275
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					7,208,936
RISK-WEIGHTED ASSETS (AMOUNTS)						
7	Total risk-weighted assets	39,751,013	39,688,850	41,849,873	41,257,824	43,102,759
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	39,724,577	39,657,927	41,817,703	41,233,824	43,045,340
CAPITAL RATIOS						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.5%	14.5%	14.0%	13.2%	12.6%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.4%	14.5%	14.0%	13.2%	12.5%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					12.4%
11	Tier 1 (as a percentage of risk exposure amount)	16.7%	15.8%	15.2%	14.4%	13.8%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.6%	15.7%	15.2%	14.4%	13.7%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					13.6%
13	Total capital (as a percentage of risk exposure amount)	19.9%	19.0%	18.3%	17.6%	16.9%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.9%	19.0%	18.3%	17.6%	16.8%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					16.7%
LEVERAGE RATIO						
15	Leverage ratio total exposure measure	102,616,333	98,893,142	99,446,476	97,288,103	98,339,418
16	Leverage ratio	6.47%	6.32%	6.40%	6.09%	6.04%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.44%	6.30%	6.39%	6.03%	5.99%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	6.47%	6.32%	6.40%	6.09%	5.97%

The main objective of the countercyclical reserve is to ensure that the Bank has an adequate capital buffer to allow it to absorb unexpected losses in a situation of negative systemic shock, thus not compromising the granting of credit to the real economy. Banco de Portugal is responsible for defining the value of the countercyclical reserve, measured as a percentage of the total amount of exposures (between 0% and 2.5%). Banco de Portugal decided that the percentage of countercyclical capital reserve to be in force in the 4th quarter of 2022 would be 0%, for counterparties domiciled in Portugal. In compliance with the information disclosure requirements provided in Article 440, paragraph 1, point a) of the CRR, table 17 shows the geographic distribution of the credit risk positions relevant for calculating the cyclical reserve of own funds and in the table 18 the determination of the countercyclical reserve for capital requirements (cf. Delegated Regulation (EU) 2015/1555).

TABLE 17 – TEMPLATE EU CCYB1 – Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer

(Thousand euros)

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	Breakdown by country:													
	PL	6,873,191	8,067,280	0		2,933,912	17,874,383	600,389	0	44,116	644,505	8,056,318	29%	0.0%
	PT	3,185,819	40,723,138	388,157		2,268,421	46,565,535	1,544,185	295	22,063	1,566,543	19,581,790	71%	0.0%
020	**Total**	**10,059,010**	**48,790,418**	**388,157**		**5,202,333**	**64,439,918**	**2,144,574**	**295**	**66,179**	**2,211,049**	**27,638,109**		

TABLE 18 – TEMPLATE EU CCYB2 – Amount Of Institution-Specific Countercyclical Capital Buffer

(Thousand euros)

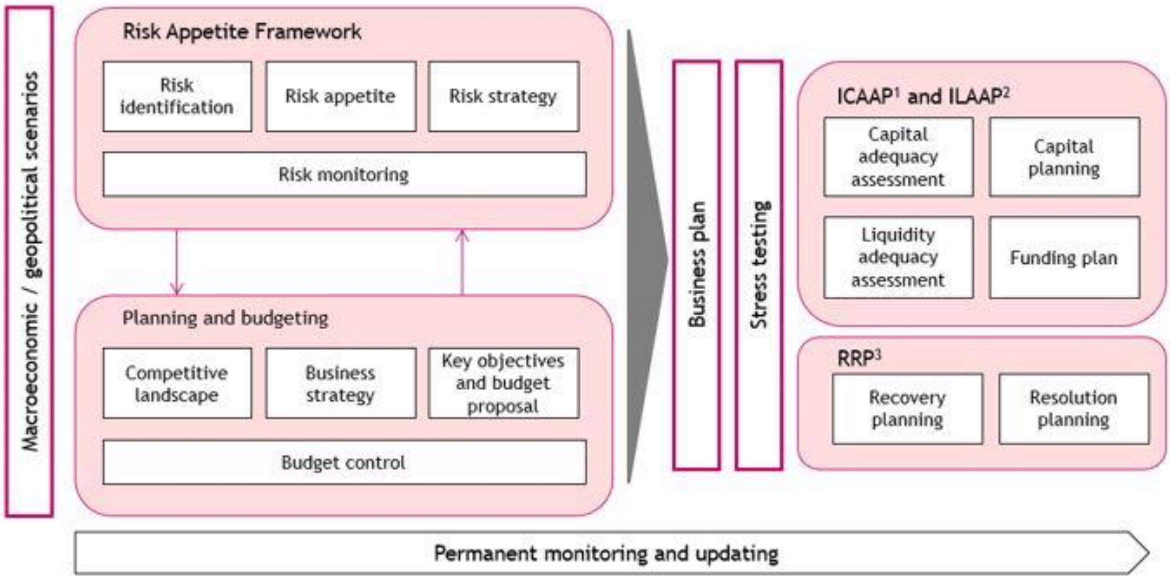
		a
1	Total risk exposure amount	39,751,013
2	Institution specific countercyclical capital buffer rate	0
3	Institution specific countercyclical capital buffer requirement	0

5.3. Internal capital adequacy assessment process (ICAAP)

The Bank's internal capital adequacy to cover the level of risks to which the Group's activity is subject to permanent monitoring in the scope of the ICAAP (Internal Capital Adequacy Assessment Process).

The following figure summarizes the process in question:

TABLE 19 – ICAAP Process



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

The ICAAP is a key process within the BCP Group's risk management function and is developed under an internal governance model that guarantees the involvement of the Board of Directors (the body responsible for approving the results) and its Risk Assessment Committee, the EC and the top management of the Group, in its various phases.

The results of the ICAAP and the conclusions of its regular monitoring are a key input for the definition of the risk appetite of and of the risk strategy of the BCP Group. The results of the ICAAP allow the Bank's management bodies – namely, the Board of Directors and the Executive Committee - to test if the Group's capitalisation is appropriate for the risks stemming from its activities and if the strategic plan and budget are sustainable in the medium term and comply with the risk limits defined in the Risk Appetite Statement (RAS) approved for the Group, allowing the Bank to anticipate possible situations of weakness and, if necessary, to develop active capital management policies in order to ensure the adequacy of both the solvency levels and the return on capital.

For this purpose, the ICAAP starts from a prospective view of the impacts of the materialization of the various risks on the Group's capital (capital requirements), considering the respective scale or dimension, complexity, frequency, probability of occurrence and materiality, having as a backdrop fund the developments projected for the Group's activity in a medium-term time horizon (3 years). The impacts are estimated from a normative and economic perspective and consider different scenarios, including stress scenarios with a severely penalizing evolution of macroeconomic indicators. Through this process, it is possible to test the Group's resilience, checking if the capital levels are adequate to cover the risks to which its activities may be subject. To this end, the different risks are modelled or incorporated within the framework of the Group's stress testing methodology.

The process of identifying the material risks to which the Group's activity is subject (risk identification process) constitutes the first phase of each ICAAP cycle. This process involves the top management of the Bank and the main subsidiaries abroad, following a methodological approach based on an internal taxonomy of risks covering more than 60 different types of risks and defined materiality limits, assessing the importance for the Group's activity of each type of risk, based on the probability of occurrence and the magnitude of the impacts - either before or after the application of risk mitigation measures.

The result of this stage is the list of material risks to be considered by the ICAAP, as well as supporting data for the definition of the variables to be considered for the establishment of the base and the stressed scenarios, mentioned ahead. The approval of the results of the risks identification process is a capacity attributed to the Risk Assessment Committee.

Besides all risks considered to be material, the Group integrates in the ICAAP all of Basel's Pillar I risks, even if these do not attain levels that are material, at Group level.

In parallel, the base and stressed scenarios that are the ICAAP's framework are defined taking into consideration the main geographies in which the Group develops its business. While the baseline scenario corresponds to the Group's view on the most probable evolution of the medium-term business constraints, the stress scenarios incorporate extreme conditions, with a low probability of occurrence and with a severe expected impact over the Group's activity. The approval of the scenarios to be considered in ICAAP is also a responsibility assigned to the Risk Assessment Committee.

In the third phase, the impact of the risks identified on the reference date is modelled, determining the capital requirements for that date. All material risks identified by the Bank are quantified in terms of impact at the level of the RWA, or in results, according to a set of methodologies and internal models, formally approved, documented, validated and audited internally, considering a level of significance aligned with capital requirements under Regulation (EU) 575/2013 (CRR - Capital Requirements Regulation) or Solvency 2 and a time horizon of 1 year. Non-quantifiable or non-material risks are considered through an additional capital buffer. The approval of the methodologies for estimating the impact of risks on the Group's activity is the responsibility of the Risk Committee.

In the prospective component, scenarios for the projections of the Group's activities are considered with a medium-term time horizon (3 years): a baseline scenario – corresponding to the current vision of the Group's management – and adverse scenarios that severely penalise the macroeconomic indicators, in order to test the Group's resilience under extreme scenarios and if it has adequate capital levels to cover the risks to which its activity may be subject, even in adverse conditions.

Within the ICAAP with reference 31 of December of 2023, the Group has considered the following risks (as materially relevant ones, after mitigation effects, or considered within the scope of Pillar I):

TABLE 20 – Material Risks

Risk category	Risk type
Credit Risk	Default risk
	Issuer risk
	Sovereign risk Securitisation risk
	Securitisation risk
Market risks	Non-traded market risk - FX rate risk BB
	Traded market risk
Business risks	Economic risk
	Strategy risk
	IT strategy risk
	Participation risk
Operational risk	Processes - External fraud risk
	ICT risk – Change risk
	ICT risk – Security risk
	ICT risk – Data integrity risk
	Legal - Financial crime risk
IRRBB – Interest rate risk of the Banking book	Gap risk
Other risks	Pension fund risk
	Litigation risk (CHF loans)
	Assistance program risk

These risks are modelled or incorporated into the Group's stress testing methodology framework, producing estimated impacts on capital levels both through the impact on operating results or through changes in the risk-weighted assets (RWA) levels.

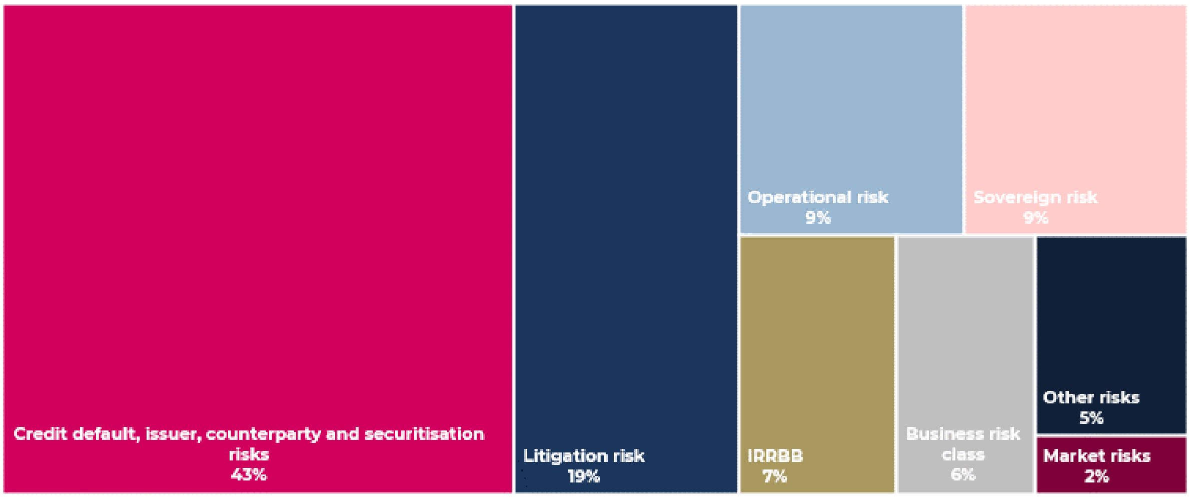
Once the impacts of the various risks on the Group's operating account and balance sheet - in particular, over own funds - have been estimated, the Group is able to assess the adequacy of its risk-absorbing capacity against the expected profile for its activity.

The Group assumes a high-quality Risk-Taking Capacity (RTC) in line with the definition of regulatory capital ratios under Directive 2013/36 / EU and CRR, including some adjustments to include others capital elements or instruments that the Group considers appropriate to cover existing risks, prudently projected over the time horizon under analysis.

The Bank considers that in December 2023 the amounts of economic and regulatory capital held were sufficient to adequately capitalize the risks to which the Group was exposed on that date.

The table below shows the distribution of the capital requirements per type of risk:

TABLE 21 – Internal Capital Requirements Per Type of Risk



Given the nature of the Bank's activity, credit risk presents itself as the most relevant risk, justifying 43% of the internal capital needs. The litigation risk, arising from the Swiss Franc mortgage loan portfolio at Bank Millennium, represents 19% of the total internal capital requirements. Sovereign risk, which represents 9%, is influenced by the volume of investments of the Group's excess liquidity in public debt securities.

On a quarterly basis, the Bank updates the quantification of ICAAP's main material risks, reporting the results to the Bank's management bodies.

ICAAP is subject to independent validation carried out by the Office for the Validation and Monitoring of Models (GAVM) and audited by the Audit Division.

6. Leverage Ratio

The calculation of the regulatory leverage ratio is specified in article 429 of the CRR, modified by the Delegated Act no. 62/2015 of 10 October 2014 and by the Regulation (EU) 876/2019 of 20 May 2019.

The leverage ratio is defined as the proportion of tier 1 capital (either in a phased-in or fully implemented mode) divided by the exposure measure, i.e. balance sheet and off-balance sheet assets after certain value adjustments, namely those related to intra-group exposures, securities financing transactions (SFTs), items deducted from the total capital ratio's numerator and off-balance sheet items. Additionally, adjustments are made to account for different risk profiles of each type of exposure. For SFTs and derivatives add-ons for future risks are considered, while for off-balance sheet items, different CCFs are considered according to the risk of the exposure.

The leverage ratio is included in the Risk Appetite Framework of the Group, as part of its commitment to preserve robust capital adequacy ratios. Consequently, the leverage ratio is monitored and reported to ensure that any significant changes in its main drivers are analysed and reported internally, thereby preventing breaches of limits. In the event of a risk appetite breach for the leverage ratio, the Group will undertake the necessary actions based on the source and severity of the breach.

The following tables show the leverage ratio exposure and the leverage ratio in December 2023.

TABLE 22 – TEMPLATE EU LR1 – LRSUM: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

(Thousand euros)

		a
		Applicable amount
1	Total assets as per published financial statements	94,379,778
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	10,615
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	568,202
9	Adjustment for securities financing transactions (SFTs)	0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	8,707,263
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	-1,049,525
13	**Leverage ratio total exposure measure**	**102,616,333**

TABLE 23 – TEMPLATE EU LR2 – LRCOM: Leverage Ratio Common Disclosure

(Thousand euros)

		CRR leverage ratio exposures	
		a	b
		Dec 23	Jun 23
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	93,307,884	89,718,773
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-123,729	-102,299
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	-836,051	169,882
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	92,348,103	89,786,356
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	644,089	786,647
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	223,843	276,414
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	867,933	1,063,062
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	266,299	10,757
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	0	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	266,299	10,757
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	16,530,725	15,852,699
20	(Adjustments for conversion to credit equivalent amounts)	-7,823,462	-7,368,696
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet exposures**	8,707,263	8,484,003

		CRR leverage ratio exposures	
		a	b
		Dec 23	Jun 23
	Excluded exposures		
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0	0
EU-22c	(-) Excluded exposures of public development banks - Public sector investments	0	0
EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	**(Total exempted exposures)**	0	0
	Capital and total exposure measure		
23	**Tier 1 capital**	6,641,604	6,360,793
24	**Leverage ratio total exposure measure**	102,616,333	99,446,476
	Leverage ratio		
25	Leverage ratio	6.5%	6.4%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	6.5%	6.4%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.5%	6.4%
26	Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%
EU-26	Additional leverage ratio requirements (%)	0.0%	0.0%
27	Required leverage buffer (%)	0.0%	0.0%

		CRR leverage ratio exposures	
		a	b
		Dec 23	Jun 23
	Choice on transitional arrangements and relevant exposures		
EU-27	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	755,294	173,759
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	266,299	8,690
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	103,105,328	99,611,545
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	103,105,328	99,611,545
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.4%	6.4%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.4%	6.4%

TABLE 24 – TEMPLATE EU LR3-LRSPL – Split-Up of on Balance Sheet Exposures (excluding Derivatives, SFTS and Exempted Exposures)

(Thousand euros)

		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	93,307,884
EU-2	Trading book exposures	413,562
EU-3	Banking book exposures, of which:	92,894,322
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	27,625,211
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	972,865
EU-7	Institutions	1,717,480
EU-8	Secured by mortgages of immovable properties	30,366,796
EU-9	Retail exposures	9,226,491
EU-10	Corporate	10,615,959
EU-11	Exposures in default	1,536,134
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	10,833,386

7. MREL

The Bank Recovery and Resolution Directive ("BRRD") requires that institutions meet at all times a Minimum Requirement for own funds and Eligible Liabilities ("MREL") to facilitate the implementation of the preferred resolution strategy. When determining MREL in accordance with BRRD, and in applying the bail-in tool, the resolution authority should ensure that the resolution entity has sufficient own funds and eligible liabilities to ensure that, if the bail-in tool or write down and conversion powers, respectively, were to be applied to them, losses could be absorbed and that it is possible to restore the total capital ratio and, as applicable, the leverage ratio.

Relevant laws are the Single Resolution Mechanism Regulation (SRMR) and BRRD II that was implemented in Portugal through Law no. 23-A/2022, of 9 December. According to Article 45i(3) of BRRD, the Bank is subject to public disclosures' obligations from 1 January 2024, which are clarified in Title II of Commission Implementing Regulation (EU) 2021/763.

On 12 July 2023, BCP announced that it has been notified by Banco de Portugal, as the National Resolution Authority, about the update of its MREL as decided by the Single Resolution Board ("SRB"). The resolution strategy applied is a multiple point of entry (MPE). MRELs for the different resolution groups (i.e. the points of entry) should be set in such a way that each can be resolved independently without causing immediate shortfalls in other resolution groups.

The MREL requirements to be met by the BCP Resolution Group, which consists: the Bank, Banco ActivoBank, S.A. ("ActivoBank") and all the subsidiary of the Bank apart from Bank Millennium and BIM and their respective subsidiaries, from 1 January 2024 is of:

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

The Bank is not subject to subordination requirements.

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

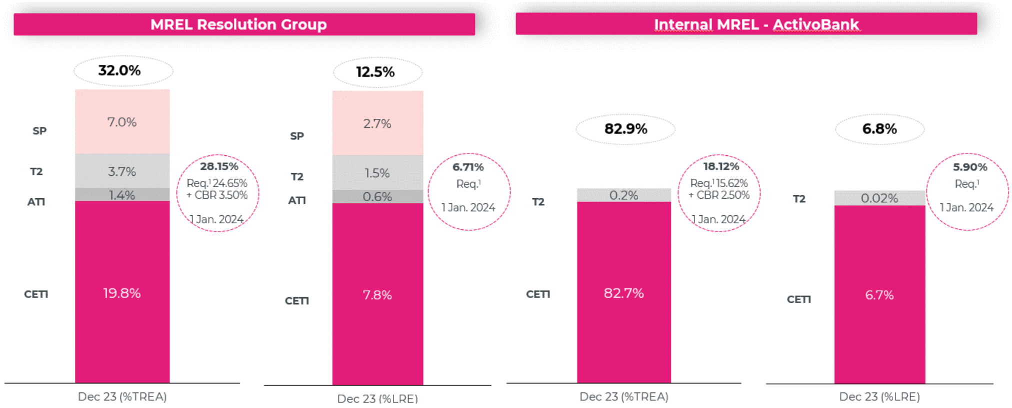
The Bank complies with the currently applicable MREL requirement, both as a percentage of TREA (also including the applicable CBR) and as a percentage of TEM.

MREL ratios for the BCP Resolution Group are determined using a hybrid approach (i.e., own funds of the BCP Resolution Group and eligible liabilities of BCP on a solo basis).

The SRB has defined an internal MREL requirement (iMREL) for ActivoBank (non-resolution entity): it was required to meet an iMREL requirement of (i) 18.12% of TREA, including CBR currently of 2.50%, and (ii) 5.90% of leverage exposures.

ActivoBank currently comfortably complies with its iMREL requirement including the respective CBR buffer and complies also with its Requirements as a percentage of leverage exposure.

GRAPH 1 – MREL Resolution Group and MREL Activobank



[1] Requirements as of 2022 Resolution Planning Cycle. CBR applicable at the time

For Other Systemically Important Institutions ("O-SIIs"), disclosure requirements have been settled from 2024 onwards and are based in the formats provided in the Basel Committee Standards for Pillar 3 disclosures requirements.

7.1. Key metrics for own funds and eligible liabilities

The table below provides summary information about the BCP Resolution Group's "Minimum requirement for own funds and eligible liabilities".

TABLE 25 – KEY METRICS – MREL and, where applicable, G-SII Requirement for Own Funds and Eligible Liabilities

(Thousand euros)

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
		T
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	8,841,038
EU-1a	Of which own funds and subordinated liabilities	6,938,538
2	Total risk exposure amount of the resolution group (TREA)	27,653,377
3	Own funds and eligible liabilities as a percentage of the TREA	31.97%
EU-3a	Of which own funds and subordinated liabilities	25.09%
4	Total exposure measure (TEM) of the resolution group	70,622,154
5	Own funds and eligible liabilities as percentage of the TEM	12.52%
EU-5a	Of which own funds or subordinated liabilities	9.82%
6a	Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL expressed as a percentage of the TREA	24.65%
EU-8	Of which to be met with own funds or subordinated liabilities	-
EU-9	MREL expressed as a percentage of the TEM	6.71%
EU-10	Of which to be met with own funds or subordinated liabilities	-

As of 31 December 2023, the MREL ratio was 31.97% as a percentage of TREA implying a surplus of 1,057 million euros, above the bank's MREL requirement. As a percentage of the TEM, the MREL ratio was 12.52%.

7.2. Composition of own funds and eligible liabilities

This section provides detailed information on the composition of the BCP Resolution Group, as well as ActivoBanks' own funds and eligible liabilities, their ranking in the creditor hierarchy and their maturities.

As of 31 December 2023, the BCP Resolution Group's available own funds and eligible liabilities amounted to 8,841 million euros, consisting of 6,903 million euros own funds and 35 million euros subordinated liabilities and 1,938 million euros non-subordinated liabilities.

TABLE 26 – EU TLAC1 – COMPOSITION – MREL and, where applicable, G-SII Requirement for Own Funds and Eligible Liabilities

(Thousand euros)

		a Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities and adjustments		
1	Common Equity Tier 1 capital (CET1)	5,476,303
2	Additional Tier 1 capital (AT1)	400,000
6	Tier 2 capital (T2)	1,026,850
11	Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	6,903,153
Own funds and eligible liabilities: Non-regulatory capital elements		

		a Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements		
18	Own funds and eligible liabilities items before adjustments	8,841,038
19	(Deduction of exposures between multiple point of entry (MPE) resolution groups)	
20	(Deduction of investments in other eligible liabilities instruments)	-
22	Own funds and eligible liabilities after adjustments	8,841,038
EU-22a	Of which: own funds and subordinated liabilities	6,938,538
Risk-weighted exposure amount and leverage exposure measure of the resolution group		
23	Total risk exposure amount (TREA)	27,653,377
24	Total exposure measure (TEM)	70,622,154
Ratio of own funds and eligible liabilities		
25	Own funds and eligible liabilities as a percentage of TREA	31.97%
EU-25a	Of which own funds and subordinated liabilities	25.09%
26	Own funds and eligible liabilities as a percentage of TEM	12.52%
EU-26a	Of which own funds and subordinated liabilities	9.82%
27	CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	2.16%
28	Institution-specific combined buffer requirement	
29	of which capital conservation buffer requirement	
30	of which countercyclical buffer requirement	
31	of which systemic risk buffer requirement	
EU-31a	of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
Memorandum items		
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013	

As of 31 December 2023, ActivoBank has no MREL eligible liabilities in its balance sheet, therefore, its available own funds amounted to 249 million euros, with an excess of CET 1 capital of 67.08% of TREA after meeting the entity's requirements.

TABLE 27 – EU ILAC – Internal Loss Absorbing Capacity: Internal MREL and, where applicable, Requirement for Own Funds and Eligible Liabilities for Non-EU G-SIIS – Activobank, S.A.

(Thousand euros)

		a	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	Qualitative information
Applicable requirement and level of application			
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Y/N)		N
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)		-
EU-2a	Is the entity subject to an internal MREL? (Y/N)		Y
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)		I
Own funds and eligible liabilities			
EU-3	Common Equity Tier 1 capital (CET1)	248,388	
EU-4	Eligible Additional Tier 1 capital	0	
EU-5	Eligible Tier 2 capital	664	
EU-6	Eligible own funds	249,052	
EU-7	Eligible liabilities	0	
EU-8	of which permitted guarantees	0	
EU-9a	(Adjustments)	0	
EU-9b	Own funds and eligible liabilities items after adjustments	249,052	
Total risk exposure amount and total exposure measure			
EU-10	Total risk exposure amount (TREA)	300,336	
EU-11	Total exposure measure (TEM)	3,688,320	
Ratio of own funds and eligible liabilities			
EU-12	Own funds and eligible liabilities as a percentage of the TREA	82.92%	
EU-13	of which permitted guarantees	0.00%	
EU-14	Own funds and eligible liabilities as a percentage of the TEM	6.75%	
EU-15	of which permitted guarantees	0.00%	
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	67.08%	
EU-17	Institution-specific combined buffer requirement		
Requirements			
EU-18	Requirement expressed as a percentage of the TREA	15.62%	
EU-19	of which part of the requirement that may be met with a guarantee	-	
EU-20	Requirement expressed as percentage of the TEM	5.90%	
EU-21	of which part of the requirement that may be met with a guarantee	-	
Memorandum items			
EU-22	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013		

As of 31 December 2023, ActivoBank's MREL ratio was 82.92% as a percentage of TREA implying a surplus of 194 million euros above its MREL requirement. As a percentage of TEM, the MREL ratio was 6.75%.

7.3. Ranking in the creditor hierarchy and maturity

The following table provides a simplified overview of the ranking of liabilities in an insolvency proceeding under Portuguese law.

The ranking is presented from the more junior liabilities to the more senior liabilities. BCP's eligible liabilities qualify for MREL through meeting all the conditions defined in point (71a) of Article 2 (1) BRRD. Eligible liabilities instruments which are eligible for MREL rank in positions 7 and 9.

TABLE 28 – Ranking of Liabilities in an Insolvency Proceeding Under Portuguese Law

Rank	Claims	Legal Basis
1	Common Equity Tier 1 instruments	Articles 47(4)(b), 48(c) and 177(1) and (2) of CIRE Article 28(1)(j) and (k) CRR
2	Additional Tier 1 instruments	Articles 47(4)(b), 48(c) and 177(1) and (2) CIRE Article 52(1)(d) CRR
3	Tier 2 instruments	Articles 47(4)(b), 48(c) and 177(1) and (2) CIRE Article 63(d) CRR
4	Shareholder loans which are not Additional Tier 1 or Tier 2 instruments	Articles 47(4)(b), 48(g) and 177(1) and (2) CIRE
5	Claims relating to services provided free of payment by the debtor	Articles 47(4)(b), 48(d) and 177(1) and (2) CIRE
6	Claims that are contractually subordinated by agreement between the parties	Articles 47(4)(b), 48(c) and 177(1) and (2) CIRE
7	Claims of persons with a special relationship with the debtor and of those to whom such claims have been transferred in the two years prior to the start of insolvency proceedings.	Articles 47(4)(b), 48(a), 49 and 177(1) and (2) CIRE
8	Non-preferred senior debt corresponds to debt issued under the rules resulting from the transposition of Directive (EU) 2017/2399	Article 8-A(1) and (2) of Decree Law 199/2006 (Credit Institution Liquidation Act)
9	Common claims: unsecured, unpreferred and unsubordinated credit claims.	Article 47(4)(c) CIRE Articles 166-A(5) (a contrario) and 165(1) of the Portuguese Legal Framework of Credit Institutions and Financial Companies

Both BCP´s and ActivoBank's own funds and eligible liabilities fall into these insolvency ranks as per below tables EU TLAC3b and EU TLAC2b, based on the Portuguese insolvency law.

TABLE 29 – EU TLAC3B: Creditor Ranking – Resolution Entity - BCP, S.A.

(Thousand euros)

		Insolvency ranking					Sum of 1 to 9
		1	2	3	7	9	
		(most junior)				(most senior)	
1	Description of insolvency rank	CET1	Additional Tier 1	Tier 2	Claims of persons with a special relationship with the debtor (1)	Common claims (2)	
5	Own funds and liabilities potentially eligible for meeting MREL	5,728	400	1,050	1	1,902	9,080
6	of which residual maturity ≥ 1 year < 2 years	0	0	0	0	358	358
7	of which residual maturity ≥ 2 year < 5 years	0	0	166	1	1,522	1,689
8	of which residual maturity ≥ 5 years < 10 years	0	0	884	0	23	906
9	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	0	0	0	0	0
10	of which perpetual securities	5,728	400	0	0	0	6,128

(1) Claims of persons with a special relationship with the debtor and of those to whom such claims have been transferred in the two years prior to the start o

(2) Common claims: unsecured, unpreferred and unsubordinated credit claims.

TABLE 30 – EU TLAC2B: Creditor Ranking – Entity that is not a Resolution Entity – Activobank, SA

(Thousand euros)

		Insolvency ranking		Sum of 1 to 1
		1	1	
		(most junior)	(most junior)	
		Resolution entity	Other	
2	Description of insolvency rank	CET1	CET1	
6	Own funds and eligible liabilities for the purpose of internal MREL	254,201	0	254,201
7	of which residual maturity ≥ 1 year < 2 years	0	0	0
8	of which residual maturity ≥ 2 year < 5 years	0	0	0
9	of which residual maturity ≥ 5 years < 10 years	0	0	0
10	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	0	0
11	of which perpetual securities	254,201	0	254,201

8. Credit Risk

8.1. Evolution and breakdown of the loan portfolio

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

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

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

TABLE 31 – Evolution of the Group's Portfolio Subject to Credit Risk and Counterparty Credit Risk

(million euros)

Geography	Dec. 23	Dec. 22	Change	
			Amount	%
Portugal	62 585	61 716	869	1,4%
Polónia	26 730	24 023	2 707	11,3%
Moçambique	2 466	2 446	20	0,8%
TOTAL	**91 781**	**88 185**	**3 596**	**4,1%**

Note: The EAD represents the expected exposure if the customer defaults. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.
Without impairment deduction to the exposures treated prudentially under the Standardized Approach (STD) and including all risk classes (i.e., besides credit to Customers, debt positions from Sovereign entities and Institutions are included).

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

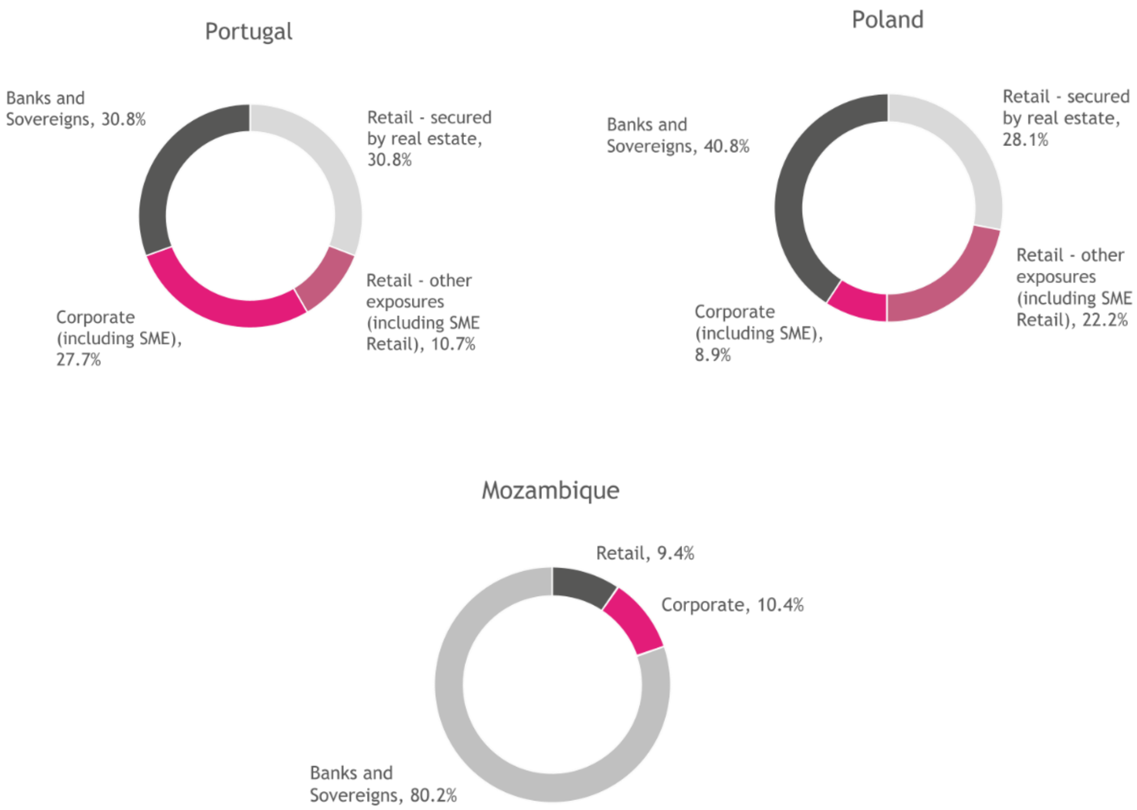
The increase in the portfolio in Portugal is associated with the growth in Sovereign and Institutional exposures and the retail portfolio, as opposed to the decrease in the portfolio of the Corporate segments and Banco de Portugal deposits. Additionally, should be noted the decrease in non-performing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

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

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

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

GRAPH 2 – Composition of The Credit Portfolio by Risk Classes



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

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

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

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

8.2. Definitions and policies for losses and provisioning assessment

Credit risk is associated with the potential losses and with the uncertainty concerning the expected returns due to the failure of the borrower – and of its guarantor if there is one – or of the issuer of a security or of the counterparty of a contract in complying with their duties.

Past due loans, for accounting purposes, correspond to the global value of the credits and instalments due and not collected associated to credit agreements recognised in the balance sheet in any form whatsoever. Thus, all the credits (capital) that have not been settled 30 days after their maturity date are accounted in past due loans.

This framework also includes the capital instalments contractually foreseen for future periods but that, due to the non-payment of one of the instalments (of capital or of interests) may, in accordance with the law, be considered due and there are doubts on whether they will be paid.

A loan, including its components of principal, interest, and expenses, is "non-performing" whenever a previously established limit has been exceeded, whenever a contractual covenant has been breached or when an overdraft situation has occurred (with no previous approval and after its liquidation has been requested to the debtor). Materiality thresholds per client segment are defined for the monitoring of credit risk.

Restructured credits (Forborne) are credit operations for which forbearance measures have been granted. Forbearance measures are concessions made to a debtor that is going through or will soon go through difficulties in meeting its financial commitments (financial difficulties).

Since January 1st, 2018, the process for calculating impairment of financial assets classified at amortized cost or at fair value through other comprehensive income and of credit commitments, documentary credits and financial guarantees integrates the general principles defined by IFRS 9 and the guidelines issued by the Banco de Portugal through Circular Letter 2018/00000062.

Under IFRS 9, the concept of impairment is based on expected losses. The expected credit losses of each operation are determined according to the changes in credit risk that have occurred since initial recognition. For this purpose, transactions are classified into stages according to the following criteria:

- Stage 1: Contracts whose credit risk has not increased significantly since its initial recognition (except for POCI cases)[2].
- Stage 2: Contracts whose credit risk has increased significantly since initial recognition, but for which there is no objective evidence of impairment.
- Stage 3: Contracts with objective signs of impairment.

The Bank adopted the internal definition of default (i.e., classified with Risk Grade 15 on the internal rating scale) as the criterion for identifying financial instruments at Stage 3. In accordance with the provisions of the definition of default, which were subject to change at the beginning of 2020, the existence of a situation of default in relation to a given debtor takes into account the verification of at least one of the following conditions:

- Days past due: The obligor is more than 90 days past due on any obligation above the following thresholds: 100 Euros, for retail obligors or above 500 Euros for non-retail obligors; and 1% of total (on-balance sheet) exposure (irrespective of whether it is a retail obligor or not).
- Non-accrual status: The obligor has had at least one obligation that has ceased to recognize interest income because of a perceived decline in its credit quality.
- Debtor with credit impairment: The obligor has been submitted to the individual impairment analysis and it has been concluded as having objective signals of impairment.
- Sale of the credit obligation: The obligor's exposure(s) have been sold – partially or in full – with a material loss (≥5%).
- Restructuring due to financial difficulties: The debtor was subject to a restructuring due to financial difficulties with an economic loss higher than 1%.
- Bankruptcy: The obligor that has filed for bankruptcy (insolvency) or similar arrangements: (i) PEAP; or (ii) EPR; or (iii) PER; or (iv) "Pre-insolvency".
- Credit arrears after restructuring due to financial difficulties: The debtor has a significant credit obligation overdue for more than 30 days on a restructured credit obligation.
- Restructuring recurrence: The debtor has a restructured obligation and requests additional restructuring measures, regardless of the loss/gain from the restructuring.
- Legal recovery proceedings: The obligor that is sent to legal recovery proceedings.
- Guarantors of exposures in default: The obligor is a guarantor of a defaulted exposure, provided that (i) the guarantee has been officially claimed; and (ii) after the foreseen contractual period the overdue amount has not been paid.
- Credit fraud: The debtor has participated in credit fraud.

[2] POCI (*Purchased or Originated Credit Impaired*): financial assets with objective evidence of impairment at the time of initial recognition.

- Cross default at the BCP Group level: The common obligor (between BCP and any other Group entity) is in a default status in any entity of BCP Group.
- Breach of covenants in a credit agreement: The debtor that, as a result of a case-by-case analysis, is considered to have any other indication of reduced probability of payment, taking into consideration the breach of covenants in a credit agreement.
- Contagion of default in economic group: The debtor who, as a result of a case-by-case analysis, is considered to have any other indication of reduced probability of payment, taking into consideration the contagion of default at the level of a group of related debtors.
- Days past due on joint credit obligations: The obligor has, together with other obligors classified as in default, a significant credit obligation overdue for more than 90 days (or 30 days in case of a restructured credit obligation) - in this case, the materiality thresholds are analysed considering only the amounts of the obligation.

Clients representing high risk and exposure for which objective signs of impairment exist (Stage 3) are submitted to individual impairment analysis.

That individual analysis is a regular process of assigning a recovery expectation concerning all the exposures, as well as of a term expected for the recovery. The impairment amount for each client is based, essentially, in the prospects of repayment and repayment term, concerning monetary, financial, or physical assets. This process is based on the elements that are relevant for the impairment assessment, namely:

- Financial and economic data based on the Client's most recent accounting statements.
- Qualitative data that characterise the Client's situation in what concerns the economic viability of the business.
- Projected cash-flows for clients that are analysed in a 'going concern' perspective.
- Creditworthiness track-record of the Client within the Bank and the financial system.

Collateral and guarantees data are of particular importance, especially in real estate companies and in cases for which economic viability is reduced ("gone concern" approach).

The Bank has a conservative approach towards the treatment of collateral, materialised in the use of haircuts, aiming at incorporating the assets' devaluation risk, the costs inherent to their selling and the maintenance costs and term that occur until the sale.

For each client, impairment is calculated as the difference between the respective exposure and the total of expected cash-flows for the various operations, discounted at the effective interest rate of each operation.

The credits that are not subject to individual impairment analysis are grouped, taking into consideration their risk features and impairment assessed is based on homogeneous populations (collective analysis), defined in accordance with the risk grade and the segment of clients.

For these cases, the following main parameters are used for impairment assessment:

- PD: Probability of Default ('1-year' for credits in Stage 1, 'lifetime' for credits in Stage 2);
- LGD: Loss Given Default;
- CCF: Credit Conversion Factor applicable to the undrawn off-balance amount.

These parameters are estimated through statistical internal models, including macro-economic adjustments in a forward-looking perspective. Those models are updated annually and submitted for independent appreciation by the Models' Validation and Monitoring Office.

During 2023 and to meet the Supervisors' guidelines, namely regarding the identification and measurement of credit risk in the context of the uncertainty associated with a context of multiple geopolitical crisis, the constraints that still exist regarding economic growth, inflationary pressures and the high level of interest rates, the Bank recognised additional impairments in relation to the models in force for the calculation of collective impairment (overlays).

In accordance with Banco de Portugal Circular Letter No. CC / 2017/00000020, the Bank has defined in its internal regulations a policy for the classification, derecognition and monitoring of credits considered uncollectible. The Bank recognizes a credit as written off to the balance sheet when there are no reasonable expectations of its recovery in whole or in part. This registration occurs after all the recovery actions carried out have proved unsuccessful. Thus, when a credit reaches 100% impairment, its classification as uncollectible should be considered. However, even if a loan does not yet have 100% impairment, it can also be classified as uncollectible if there are no expectations of recovery. In this case, impairment should be recognized for the remaining amount. In the case of credits that still have collateral, write-offs can only be made on the part not covered if there is evidence of the uncollectability of the excess on the value of the collateral and it is 100% covered by impairment. The credit uncollectability decision is the responsibility of the Credit Decision Bodies, under the proposal of the recovery area responsible for the Client's management. As a rule, the removal of an uncollectible credit from the balance sheet is irreversible, so, if any amount related to these credits is recovered, the recovery amount is recognized as an income in the profit and loss account. Loans written off are recorded in off-balance sheet items when they are derecognised from the balance sheet and kept until the moment of the definitive extinguishment of the liabilities.

8.3. Characterisation of the exposures

The exposures taken into consideration for the calculation of the own funds requirements for credit risk comprise the Banking Book exposures registered in the consolidated balance sheet and in off-balance sheet accounts related, namely, with loans and advances to customers, other loans and advances to credit institutions, investments in financial instruments, the ownership of other assets, the guarantees and commitments assumed. These exposures do not include those handled within the scope of the trading portfolio, but the ones related to securitisation are considered.

TABLE 32 – TEMPLATE EU CR1 – Performing and Non-Performing Exposures and Related Provisions

(Thousand euros)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	Cash balances at central banks and other demand deposits	4,194,089	4,194,089	0	0	0	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	53,859,128	46,560,371	7,290,622	1,946,685	0	1,914,768	-561,100	-269,172	-291,752	-1,026,623	0	-1,007,481	0	40,140,449	579,973
020	Central banks	184,650	184,650	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	970,601	687,942	282,659	1	0	1	-4,333	-1,474	-2,859	-1	0	-1	0	311,909	0
040	Credit institutions	720,062	719,988	74	0	0	0	-224	-224	0	0	0	0	0	259,634	0
050	Other financial corporations	959,426	934,586	24,840	45,699	0	45,699	-22,446	-21,326	-1,120	-23,504	0	-23,504	0	789,177	20,450
060	Non-financial corporations	16,806,319	13,467,501	3,336,822	888,024	0	884,751	-333,139	-152,558	-180,581	-557,463	0	-557,463	0	12,462,416	252,649
070	Of which: SMEs	12,886,170	9,917,852	2,966,337	741,342	0	739,107	-283,126	-125,967	-157,159	-463,771	0	-463,771	0	10,507,753	208,366
080	Households	34,218,070	30,565,704	3,646,227	1,012,961	0	984,316	-200,958	-93,590	-107,193	-445,655	0	-426,513	0	26,317,313	306,874
090	Debt Securities	28,860,262	28,346,420	62,872	6,255	0	6,255	-23,863	-23,066	-797	-2,675	0	-2,675	0	570,590	3,580
100	Central banks	2,385,102	2,385,102	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	21,765,357	21,733,353	0	0	0	0	-15,268	-15,268	0	0	0	0	0	139,943	0
120	Credit institutions	1,090,991	1,090,991	0	0	0	0	0	0	0	0	0	0	0	186,926	0
130	Other financial corporations	587,029	168,062	0	0	0	0	-1,049	-1,049	0	0	0	0	0	82,891	0
140	Non-financial corporations	3,031,783	2,968,911	62,872	6,255	0	6,255	-7,546	-6,749	-797	-2,675	0	-2,675	0	160,831	3,580
150	Off-balance sheet exposures	16,370,210	14,936,404	1,433,794	339,060	0	336,497	-27,566	-12,880	-14,686	-94,008	0	-94,008	0	3,411,255	125,320
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170	General governments	146,130	117,572	28,558	1	0	1	-159	-139	-21	0	0	0	0	7	0
180	Credit institutions	385,704	384,571	1,133	57	0	57	-57	-56	-1	-1	0	-1	0	28,607	0
190	Other financial corporations	558,135	530,986	27,149	1,095	0	1,095	-1,082	-819	-263	-454	0	-454	0	99,076	275
200	Non-financial corporations	12,301,579	11,105,834	1,195,745	326,751	0	324,190	-19,191	-9,684	-9,506	-89,979	0	-89,979	0	3,244,744	123,240
210	Households	2,978,662	2,797,442	181,209	11,156	0	11,153	-7,077	-2,182	-4,896	-3,575	0	-3,575	0	38,821	1,804
220	**Total**	**103,283,688**	**94,037,283**	**8,787,288**	**2,292,000**	**0**	**2,257,521**	**-612,529**	**-305,117**	**-307,235**	**-1,123,306**	**0**	**-1,104,164**	**0**	**44,122,294**	**708,873**

Item 010: In what regards to Portugal, an amount involving EUR 4,4 billion of exposure is covered by State Guarantees/Mutual Guarantee, EIF and EIB (11,9% of the total) of which EUR 4,3 billion is related to guarantees for Non-Financial Corporations (covering 32% of NFC exposure). Guarantees represent EUR 3,1 billion (8,5% of the total) and an amount of EUR 2,1 billion was subject to securitisation (5,6% of the total) .

The table below provides the Group's original risk positions by residual maturity term at the end of 2023.

TABLE 33 – TEMPLATE EU CR1-A – Maturity of Exposures

(Thousand euros)

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	3,323,508	4,930,526	11,042,977	34,921,080	0	54,218,090
2	Debt securities	0	7,904,638	13,441,244	7,326,984	167,113	28,839,980
3	**Total**	**3,323,508**	**12,835,165**	**24,484,221**	**42,248,064**	**167,113**	**83,058,070**

8.4. Credit quality

The following tables present the breakdown of both on-balance and off-balance sheet items' credit quality, excluding counterparty credit positions.

TABLE 34 – TEMPLATE EU CQ1 – Credit Quality of Forborne Exposures

(Thousand euros)

		a	b	c	d	e	f	g	h
		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 received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	Loans and advances	830,648	913,193	913,193	905,684	-26,603	-459,398	1,024,615	297,944
020	Central banks	0	0	0	0	0	0	0	0
030	General governments	65,932	0	0	0	-464	0	49,797	0
040	Credit institutions	0	0	0	0	0	0	0	0
050	Other financial corporations	8,677	23,539	23,539	23,539	-283	-2,344	27,848	19,454
060	Non-financial corporations	296,038	432,966	432,966	432,966	-16,257	-273,783	408,737	134,362
070	Households	460,001	456,688	456,688	449,179	-9,599	-183,270	538,233	144,127
080	Debt Securities	18,015	5,065	5,065	5,065	-216	-1,485	21,379	3,580
090	Loan commitments given	1,926	1,307	1,307	1,307	-24	-804	230	0
100	**Total**	**850,589**	**919,565**	**919,565**	**912,056**	**-26,843**	**-461,687**	**1,046,224**	**301,523**

TABLE 35 – TEMPLATE EU CQ3 – Credit Quality of Performing and Non-Performing Exposures by Past Due Days

(Thousand euros)

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are 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
005	Cash balances at central banks and other demand deposits	4,194,089	4,194,089	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	53,859,128	53,661,064	198,064	1,946,685	1,187,563	224,128	184,937	153,410	143,339	23,541	29,766	1,946,490
020	Central banks	184,650	184,650	0	0	0	0	0	0	0	0	0	0
030	General governments	970,601	970,600	1	1	0	0	0	0	1	0	0	1
040	Credit institutions	720,062	720,062	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	959,426	959,426	0	45,699	45,689	4	1	2	2	0	0	45,699
060	Non-financial corporations	16,806,319	16,780,202	26,117	888,024	617,900	126,176	59,218	43,172	30,897	2,958	7,703	887,829
070	Of which SMEs	12,886,170	12,862,025	24,145	741,342	502,625	102,458	58,360	41,494	26,980	2,701	6,725	741,260
080	Households	34,218,070	34,046,124	171,946	1,012,961	523,974	97,948	125,717	110,236	112,439	20,583	22,063	1,012,961
090	Debt securities	28,860,262	28,860,262	0	6,255	6,215	0	0	0	0	0	40	6,255
100	Central banks	2,385,102	2,385,102	0	0	0	0	0	0	0	0	0	0
110	General governments	21,765,357	21,765,357	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	1,090,991	1,090,991	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	587,029	587,029	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	3,031,783	3,031,783	0	6,255	6,215	0	0	0	0	0	40	6,255
150	Off-balance-sheet exposures	16,370,210			339,060								339,060
160	Central banks	0			0								0
170	General governments	146,130			1								1
180	Credit institutions	385,704			57								57
190	Other financial corporations	558,135			1,095								1,095
200	Non-financial corporations	12,301,579			326,751								326,751
210	Households	2,978,662			11,156								11,156
220	Total	103,283,688	86,715,415	198,064	2,292,000	1,193,778	224,128	184,937	153,410	143,339	23,541	29,806	2,291,806
	NPL ratio (Loans and Advances)		**3.49%**										

Item 010: In what regards to Portugal, an amount involving EUR 4,4 billion of exposure is covered by State Guarantees/Mutual Guarantee, EIF and EIB (11,9% of the total) of which EUR 4,3 billion is related to guarantees for Non-Financial Corporations (covering 32% of NFC exposure). Guarantees represent EUR 3,1 billion (8,5% of the total) and an amount of EUR 2,1 billion was subject to securitisation (5,6% of the total) .

TABLE 36 – TEMPLATE EU CQ4 – TEMPLATE 5 – Quality of Non-Performing Exposures by Geography

(Thousand euros)

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	On balance sheet exposures	84,672,330	1,952,940	1,952,745	84,212,056	-1,609,412		-4,849
020	Portugal	42,506,307	1,042,683	1,042,683	42,248,959	-941,014		0
030	Poland	25,005,571	810,361	810,166	24,996,280	-574,907		-4,843
040	Mozambique and others	17,160,452	99,896	99,896	16,966,816	-93,490		-6
080	Off balance sheet exposures	16,709,270	339,060	339,060			-121,574	
090	Portugal	12,627,136	325,029	325,029			-109,257	
100	Poland	3,076,745	13,174	13,174			-9,677	
110	Mozambique and others	1,005,388	857	857			-2,641	
150	Total	101,381,600	2,292,000	2,291,806	84,212,056	-1,609,412	-121,574	-4,849

TABLE 37 – TEMPLATE EU CQ5 – Credit Quality of Loans and Advances to Non-Financial Corporations by Industry

(Thousand euros)

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which defaulted			
010	Agriculture, forestry and fishing	439,001	11,949	11,949	439,001	-15,745	0
020	Mining and quarrying	100,839	9,935	9,935	100,839	-6,669	0
030	Manufacturing	3,601,851	171,595	171,594	3,601,849	-191,406	0
040	Electricity, gas, steam and air conditioning supply	498,506	267	267	498,506	-5,362	0
050	Water supply	190,485	2,887	2,887	190,485	-8,606	0
060	Construction	1,448,947	105,438	105,437	1,448,947	-79,879	0
070	Wholesale and retail trade	3,672,394	116,289	116,289	3,672,394	-108,725	0
080	Transport and storage	1,342,498	42,176	42,064	1,342,485	-29,523	0
090	Accommodation and food service activities	1,326,118	90,433	90,433	1,326,118	-73,891	0
100	Information and communication	420,632	8,839	8,839	420,632	-9,112	0
110	Financial and insurance actvities	232,454	630	630	232,454	-1,955	0
120	Real estate activities	1,912,493	42,049	42,049	1,912,493	-52,448	0
130	Professional, scientific and technical activities	907,756	193,338	193,338	907,756	-150,513	0
140	Administrative and support service activities	482,738	26,299	26,299	482,738	-23,291	0
150	Public administration and defense, compulsory social security	917	0	0	917	-8	0
160	Education	107,797	1,581	1,581	107,797	-2,204	0
170	Human health services and social work activities	324,790	5,293	5,293	324,790	-9,294	0
180	Arts, entertainment and recreation	213,153	32,760	32,760	213,153	-32,006	0
190	Other services	470,975	26,266	26,186	470,975	-89,966	0
200	**Total**	**17,694,343**	**888,024**	**887,829**	**17,694,327**	**-890,602**	**0**

TABLE 38 – TEMPLATE EU CQ7 – Collateral Obtained by Taking Possession and Execution Processes

(Thousand euros)

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)		
020	Other than PP&E	367,785	-120,955
030	Residential immovable property	43,902	-6,699
040	Commercial Immovable property	181,998	-78,458
050	Movable property (auto, shipping, etc.)	5,099	-776
060	Equity and debt instruments	135,572	-34,429
070	Other collateral	1,215	-593
080	**Total**	**367,785**	**-120,955**

TABLE 39 – TEMPLATE EU CQ8 – Collateral Obtained by Taking Possession and Execution Processes – Vintage Breakdown

(Thousand euros)

		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed <=2 years		Foreclosed >2 years <=5 years		Foreclosed >5 years		Of which: Non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010	Collateral obtained by taking possession classified as Property Plant and Equipment (PP&E)												
020	Collateral obtained by taking possession other than classified Property Plant and Equipment	560,279	-125,099	367,785	-120,955	36,186	-5,295	43,717	-13,046	287,882	-102,614	153,690	-63,803
030	Residential immovable	43,701	-9,744	43,902	-6,699	8,047	-379	11,152	-1,377	24,703	-4,942	17,419	-3,796
040	Commercial Immovable Property	277,666	-79,296	181,998	-78,458	23,656	-4,704	31,983	-11,363	126,359	-62,391	70,315	-35,531
050	Movable property (auto,	5,099	-776	5,099	-776	4,483	-211	345	-306	271	-259	5,006	-696
060	Equity and debt instruments	232,599	-34,689	135,572	-34,429	0	0	238	0	135,334	-34,429	60,949	-23,780
070	Other	1,215	-593	1,215	-593	0	0	0	0	1,215	-593	0	0
080	**Total**	**560,279**	**-125,099**	**367,785**	**-120,955**	**36,186**	**-5,295**	**43,717**	**-13,046**	**287,882**	**-102,614**	**153,690**	**-63,803**

8.5. Concentration risk management

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined by the Board of Directors and applies across the BCP Group.

The monitoring of the concentration risk and the follow-up of major risks are made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency). The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for exposures to Sovereign risk, Institutions (banks/financial institutions), large exposures (Corporate single-name exposures), geographic concentration (country risk), for the portfolio of exposures to leveraged transactions and to the exposure to sectors of activity.

These limits apply to the 'Net exposures'(*) at stake, relating either to a counterparty or a group of counterparties – cases for banks, Sovereigns and large exposures single-name -, to the leveraged transactions portfolio and to set of exposures to an activity sector or to a country (the counterparty country of residence). The measurement of concentration on Sovereign risks and of geographic concentration exclude the countries in which the Group operates (Portugal, Poland and Mozambique) and their respective Sovereigns.

Except for the exposure to sectors of activity and leveraged transactions portfolio, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for corporate single-name exposures apply only to non-NPE positions, since the NPE positions are covered by the NPE reduction Plan.

The limits in force as of 31 December 2023, for the exposure to Sovereigns, Institutions, Single-name, leveraged transactions portfolio and geographical (for a given Customer/Group of Customers in the second and third cases) are the following, in terms of the Net Exposure weight over the Consolidated Own Funds:

TABLE 40 – Limits for Single Name Concentration

Limit = Max. % of Net Exposure over the Consolidated Own Funds

Risk quality	Risk grades	Countries
1st Tier	1 - 3	40,0%
2nd Tier	4 - 6	20,0%
3rd Tier	7 - 12	9,1%

Risk quality	Risk grades	Single name
High	1 - 5	7,0%
Average good	6 - 7	4,5%
Average low	8 - 9	2,8%
Low	10 - 11	0,5%
Restricted credit	12 - 13	0,3%

(*) Net exposure = EAD x LGD, assuming that PD=1 and considering LGD=45% whenever own estimates for LGD do not exist.

Risk grades	Sovereigns % own funds	Institutions % own funds
1	14.4%	8.3%
2	13.7%	7.9%
3	13.1%	7.5%
4	12.5%	7.1%
5	11.9%	6.7%
6	10.6%	5.8%
7	7.5%	5.0%
8	3.1%	2.1%
9	2.5%	1.7%
10	0.6%	0.4%
11	0.5%	0.3%
12	0.3%	0.2%

As of 31 December 2023:

- There were no exposure excesses to Sovereigns, Institutions, or countries.
- There were four Economic Groups with net exposure above the established Single name limits for their respective risk grade, same number of Economic Group than in the end of 2022, with the total excess smaller in 2023 than in 2022.
- For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the measurement of this concentration type is also done within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31/12/2023, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. As of 31/12/2023, there was no excess over this limit.

Moreover, the limit of 25% of consolidated Own Funds for the Group's exposure to leveraged transactions portfolio also did not register any excess.

The Bank's Executive Committee, the Risk Assessment Committee and the Board of Directors are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group's systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

8.6. Own funds requirements for credit risk

8.6.1. Framework of the approaches used

On 31 December 2023, the Group calculated the own funds requirements for credit risk in accordance with the authorisations granted by the Supervisor for the approach to calculate risk weighted assets (RWA).

For the portfolio that, on those dates, fitted the standardised approach, the original exposures were classified according to regulatory risk classes in line with the nature of the counterparty, to which specific regulatory weights are applied after carrying out some adjustments - such as the ones related with provisions and value corrections, the ones due to the application of CCF, namely, in the case of off-balance sheet exposures, and those resulting from risk mitigation - thus finding the value of the risk weighed assets.

In the capital requirements calculation based on the standardised approach, the exposures are weighted according to the provisions of the CRR. Credit ratings of issuers or issues are used, provided they have been attributed by recognised credit rating agencies (ECAI – External Credit Assessment Institutions), for the purpose of determining the respective risk quality levels, as per which the corresponding risk weights are applied. Whenever the same issuer or issue has two or more risk evaluations, the second-best rating attributed is used. The ECAI used by the Group were Standard & Poor's, Moody's, and Fitch Ratings.

Concerning the risk classes "Central Government and Central Banks", "Regional Governments and local authorities", "Public Sector Entities", "Multilateral Development Banks", "International Organisations" and "Institutions", in Portugal, the Group uses the standardised approach, pursuant to the conditions for permanent partial use of such approach, defined by article 150, Section 1, Chapter 3, Title II, Part III of the CRR.

On 31 December 2023, according to the Supervisory authorisations granted for the Group's activities in Portugal, the Bank used the internal ratings-based approach for the exposure classes " Corporates" and "Retail Exposures" (in both cases, with own LGD estimates), "Equity exposures", "Items representing securitisation positions" and "Other non-credit obligations". Regarding the Corporates exposure class, the exposures treated under the "State Owned Enterprises" (SOE) and simplified rating systems were weighted using the standardised approach. Purchased receivables positions, for both corporate and retail classes, were also treated according to standardised approach.

Also, in Portugal, exposures to Customers that did not receive an internal risk level were computed according to the IRB approach, considering the most conservative PD related to the last performing risk grade available. From 31 December 2012, also, according to the Supervisory authorisations granted for the Group's activities in Poland, the Bank used the internal ratings-based approach for "Retail Exposures" (with own LGD estimates), regarding the positions of individual clients guaranteed by residential real estate collateral and the retail renewable positions (QRRE – Qualified Retail Renewable Exposures).

For all the other geographies where the Group operates, the consolidated own funds requirements as of 31 December 2023 were estimated following the standardised approach.

8.6.2. IRB Approach – parameters and general information

In the IRB Approach, the weight of exposures to determine the value of risk weighted assets is based on the PD corresponding to the various internal risk ratings of the Customers, using internal rating systems and models, adequate for each Customers segment/sub-segment.

In addition, in this approach, the computation of the risk weighted assets also uses the internally estimated LGD as well as CCF factors on off-balance sheet exposures. On the IRB approach, the effect of the credit risk decrease by means of collaterals for credit exposures is incorporated into the estimate of the risk weighted assets through the LGD parameters.

The internal ratings are given based on the Rating Master Scale, common to all the rating systems and models used, presented in the next table.

TABLE 41 – Rating Master Scale and Relation between Internal and External Grades

Risk grades	Minimum PD	Maximum PD	Description
1	0.01%	0.05%	Maximum security (only for Sovereign risks)
2	0.05%	0.07%	Superior quality
3	0.07%	0.14%	Very high quality
4	0.14%	0.28%	High quality
5	0.28%	0.53%	Very good quality
6	0.53%	0.95%	Good quality
7	0.95%	1.73%	Medium-high quality
8	1.73%	2.92%	Medium quality
9	2.92%	4.67%	Medium-low quality
10	4.67%	7.00%	Low quality
11	7.00%	9.77%	Very low quality
12	9.77%	13.61%	Conditioned access to credit
13 (*)	13.61%	27.21%	Weak signs of impairment
14 (*)	27.21%	100.00%	Strong signs of impairment
15 (*)	100.00%	100.00%	*Default*

(*) Processual risk grade; the presented values of maximum and minimum PD for RG 13 and 14 are indicative, being applied the observed PD.

Risk grades	Fitch	Standard & Poor's	Moody's
1	AAA, AA+	AAA, AA+	Aaa, Aa1
2	AA-, AA	AA-, AA	Aa2, Aa3
3	A, A+	A, A+	A1, A2
4	A-, BBB+	A-, BBB+	A3, Baa1
5	BBB	BBB	Baa2
6	BBB-	BBB-	Baa3
7	BB+	BB+	Ba1
8	BB	BB	Ba2
9	BB-	BB-	Ba3
10	B+	B+	B1
11	B	B	B2
12	≤ B-	≤ B-	≤ B3

The risk ratings attributed by the rating systems and models are valid for one year and are periodically revised/updated or whenever there are grounds to do so (e.g. requests for new loans or evidence of a decrease/increase in the debtor's credit quality).

The Rating Division is responsible for assigning risk ratings - a unit that is independent from the credit decision-making bodies and business areas – even though most risk scores are granted by automatic decision-making models used for the debtors of the Retail exposure class.

All customers are rated, but the corresponding PD is only used to compute own funds requirements through the IRB Approach for exposures that fit the risk classes for which the Supervisor authorised the use of this approach.

The rating models included in the various rating systems are regularly subject to validation, carried out by the validation unit of the Office for the Validation and Monitoring of Models (GAVM), which is independent from the units that are responsible for the development and maintenance of rating models. In addition, GAVM's validation unit is also responsible for ensuring that the Group's Rating Master Scale is up-to-date and correct.

The conclusions of GAVM's validation, as well as its amendment/improvement recommendations and proposals, are analysed and ratified by a specific Subcommission on Monitoring and Validation of Models, whose composition varies according to the type of model analysed. The proposals to amend the models originated in the Validation Subcommittees are submitted to the approval of the Risk Commission.

Besides its responsibilities regarding the PD models and the Rating Master Scale, GAVM is also responsible for validating the models used to estimate LGD and CCF parameters. Regarding these models, the Bank estimates them all based on the methods validated by the Supervisor within the scope of the process to approve the use of the IRB approach.

In terms of LGD parameters, the computation model used is based on the gathering and analysis of past data on credit risk losses, and all losses verified are computed and the various cash flows underlying credit recovery processes are discounted, including financial losses.

CCF are estimated based on the analysis of data on the use of credit lines and limits within the time frame of one year prior to the defaults.

It should be underlined that there is a model owner for each credit risk model - PD, LGD and CCF – responsible for:

- Ensuring compliance with the regulatory requirements for storing input and output data;
- Ensuring the adequacy of the model's documentation, including the development documentation, development samples and all the documents regarding changes to the model;
- Being the senior responsible in charge of all requests pertaining to the decision process based on the model;
- Changing the model whenever necessary;
- Ensuring the existence of monitoring processes;
- Ensuring the necessary support to the GAVM pursuant to the model validation work and do the Internal Audit Division in the audit exercises performed.
- In addition, regarding the rating systems in which rating models are integrated, there is also a rating system owner, who is responsible for:
- Ensuring the necessary support to the GAVM within the scope of the analysis of the rating systems decision flow;
- Promoting the execution of changes to the rating system whenever necessary.

The Bank has defined a model risk management framework, duly documented in the form of a specific group code, which is applied throughout the model's life cycle and based on a robust governance structure that ensures a holistic understanding of the application and use of models, the identification, measurement, monitoring, management and risk mitigation of the model. In this framework, all models are identified in the model inventory and the respective risks are identified and assessed. The continuous use and performance of the models are monitored to ensure that they are used within the scope and for the purpose for which they were approved and, furthermore, that they continue to function as expected. The models are monitored by GAVM and audited by the Internal Audit Division, with a frequency based on their objective risk rating, or as prescribed by the regulation.

The models in force at the Bank are approved by the Subcommission on Monitoring and Validation of Models or by the Risk Commission, as applicable. The Risk Office is responsible for requesting the approval of the use of risk models from the Supervisory Authorities, when applicable.

The relevant IRB portfolio parameters in 2023/2022, including cases in default (PD = 100%), were, respectively, the following:

- Average LGD: 28%/29%;
- Average CCF: 59%/53%;
- Average PD:4.6%/5.1%.

The next table shows the off-balance credit facilities' amounts and their use, weighted by using own estimates for CCF (in accordance with paragraphs i) to iii) of article 452 of the CRR):

TABLE 42 – Credit Facilities Outside of the Balance Sheet

(Thousand euros)

	Original exposure		Exposure at risk		Risk weighted assets		% RWA	
	Non-used	Used	Non-used	Used	Non-used	Used	Non-used	Used
Corporate	11,374,701	15,038,345	4,879,840	14,735,989	3,188,529	10,259,151	65%	70%
Large Corporate	7,243,856	7,942,969	3,232,271	7,711,259	2,140,798	6,072,551	66%	79%
Small and medium Corporate	3,944,417	6,215,264	1,555,965	6,153,998	965,803	3,392,788	62%	55%
Specialised lending	186,428	880,112	91,604	870,732	81,928	793,812	89%	91%
Equity	22,145	581,718	22,145	581,718	39,479	939,298	178%	161%

8.6.3. IRB Approach – "corporates" risk class

In this risk class, the computation of own funds requirements using the IRB Approach is based on the weights resulting from the risk assessment made by the Rating Division system and on the PD that correspond to the risk ratings given by the Real Estate Promotion and the Corporates rating systems.

The Bank uses several rating models to grant risk scores (and the respective PD used to compute the applicable weights): Large, Mid and Small Corporate models, models for Holdings of Economic Groups and for Investment Holdings, models for Real Estate Promotion projects and companies (in both cases, with specific approaches to investment or development cases), Real Estate Investment Funds model and Small Real Estate Companies/Small Real Estate Projects models.

The risk grades attributed by those models result from two evaluation components: a quantitative component (economic-financial grade, based on the Customer's accounting data) and a qualitative component, based on an evaluation questionnaires / matrix of qualitative factors, which in the Large Corporate model are different according to the Client's sector of activity and include the Sector Risk itself (The Bank's Economic Studies Area developed and runs periodically a sectoral risk model). The risk grade resulting from these two components may be adjusted (upwards or downwards) by checking several situations that are typified and pre-defined in specific internal regulations. Subsequently, the degree of risk is adjusted according to the economic group to which the company belongs (if applicable), with a parent and affiliate template to determine the level of relevance of the company in the group itself (e.g. core, strategic) and as a consequence, the level of adjustment that the company's degree of risk can / should be subject to (are called Group Adjustments).

Whenever the Bank uses the Project Finance rating model, it consists of the mapping between the scoring of a specific questionnaire and one of four possible classifications (besides the possibility of default) for the risks in question, which then define the weights to be used in the computation of risk weighted assets in accordance with no. 5 of article 153, Sub-Section 2, Section 2, Chapter 3, Title II, Part III of the CRR.

Finally, if the rating analyst proposes an override to the Client's Integrated Rating, this must be approved by the Rating Committee, resulting in the Final Rating. It should be mentioned that the overrides are not frequent.

The next table summarises these rating models and systems:

TABLE 43 – Corporates Rating Models and Systems

Rating system for Corporates	Large Corporate Model: quantitative component (quantitative score, based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on expert judgment and following sectorial rating matrixes that incorporate the sectors' risk) + adjustments stemming from pre-defined situations (including those arising from the identification of "imminent risk" evidence) + Group adjustments.
	Small and Mid Corporate Models: quantitative component (economic/financial grade based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on information gathered by the commercial area on specific templates for that purpose) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Business Model for Real Estate Development/Model for Investment Companies/Real Estate income: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for Small Real Estate agents (development projects / investment / income): quantitative component + qualitative component + adjustments stemming from pre-defined situations or from the identification of imminent risk evidence.
Rating system for Projects	Rating model for Project Finance: scoring of specific questionnaires on the financial strength, the politic and regulatory frameworks, other features of the operation, the ability of sponsors/shareholders and the package of collaterals.
	Model for Real Estate Promotion Projects for sale / Model for Real Estate Promotion Projects for income/Model for Real Estate Investment Funds: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for small Real Estate Projects (for sale / income): quantitative component + qualitative component + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.

8.6.4. IRB Approach – "retail portfolio" risk class

In this risk class, the risk weighted assets calculation by the IRB Approach is based on the PD that correspond to the risk scores given by the rating systems for Small Businesses and for Individuals.

In these rating systems, the attribution of risk scores is made using two types of automated decision models: (i) a behavioural model (TRIAD), based on the past financial data of the Customers at the Bank (executed by computer monthly), which is complemented by (ii) acceptance scoring models, used whenever the behavioural model does not apply (new Customers for instance) and defined based on the credit product the Customer wants or on the products the Customer already has.

In the Small Businesses Rating System, the TRIAD model is composed by two assessment grids that allow the model to fit the evaluated Customer's profile. In this rating system, as mentioned before, risk scores may also be granted by an acceptance scoring model designed for the segment in question.

In the Individuals Rating System, the TRIAD model is composed by four assessment grids defined based on the products already owned by the Customer, and the complementary acceptance scoring models are defined based on the credit product the Customer wants or on the products the Customer already has.

The rating systems and models used by the Bank for the Retail Portfolio are broken down in next table:

TABLE 44 – Retail Portfolio Rating Models and Systems

Rating system for Small Business	TRIAD model - automatic decision based on Client financial behaviour and two scorecards (according to the Client profile).
	Application Scoring model for the Small Businesses (whenever TRIAD cannot be applied - e.g. new Clients).
Rating system for Individuals	TRIAD model - Automatic decision based on Client financial behaviour and four scorecards (according to the products already owned by the Client).
	Application Scoring model for Individuals (whenever TRIAD cannot be applied - e.g. new customers), for each intended product or for products already owned by the Client.

The table below shows the values related to PD Backtesting, by risk class, at the end of 2023.

TABLE 45 – TEMPLATE CR9 – IRB Approach – Back-testing of PD Per Exposure Class (Fixed PD Scale)

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
CORPORATE	b	c	d	e	f	g	h
	0.00 to <0.15	**134**	**0**	**0.00%**	**0.05%**	**0.08%**	**0.11%**
	0.00 to <0.10	7	0	0.00%	0.05%	0.05%	0.00%
	0.10 to <0.15	127	0	0.00%	0.10%	0.10%	0.12%
	0.15 to <0.25	**699**	**0**	**0.00%**	**0.20%**	**0.20%**	**0.00%**
	0.25 to <0.50	**1,207**	**2**	**0.17%**	**0.40%**	**0.40%**	**0.07%**
	0.50 to <0.75	**1,155**	**3**	**0.26%**	**0.70%**	**0.70%**	**0.14%**
	0.75 to <2.50	**2,075**	**8**	**0.39%**	**1.70%**	**1.80%**	**0.25%**
	0.75 to <1.75	1,091	5	0.46%	1.30%	1.30%	0.20%
	1.75 to <2.5	984	3	0.30%	2.30%	2.30%	0.31%
	2.50 to <10.00	**2,581**	**26**	**1.01%**	**4.57%**	**5.26%**	**0.73%**
	2.5 to <5	961	2	0.21%	3.70%	3.70%	0.43%
	5 to <10	1,620	24	1.49%	6.47%	6.81%	0.93%
	10.00 to <100.00	**2,579**	**124**	**4.81%**	**11.62%**	**28.75%**	**4.35%**
	10 to <20	2,453	63	2.57%	11.50%	11.51%	2.80%
	20 to <30	0	0	0.00%	0.00%	0.00%	46.43%
	30.00 to <100.00	126	61	48.41%	53.70%	46.00%	27.44%
	100.00 (Default)	**461**	**0**	**0%**	**100%**	**100%**	**0%**

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
CORPORATE SME	b	c	d	e	f	g	h
	0.00 to <0.15	**33**	**0**	**0.00%**	**0.09%**	**0.08%**	**0.00%**
	0.00 to <0.10	6	0	0.00%	0.05%	0.05%	0.00%
	0.10 to <0.15	27	0	0.00%	0.10%	0.10%	0.00%
	0.15 to <0.25	**229**	**0**	**0.00%**	**0.20%**	**0.20%**	**0.04%**
	0.25 to <0.50	**268**	**0**	**0.00%**	**0.40%**	**0.40%**	**0.00%**
	0.50 to <0.75	**235**	**0**	**0.00%**	**0.70%**	**0.70%**	**0.06%**
	0.75 to <2.50	**616**	**1**	**0.16%**	**1.70%**	**1.80%**	**0.10%**
	0.75 to <1.75	332	0	0.00%	1.30%	1.30%	0.09%
	1.75 to <2.5	284	1	0.35%	2.30%	2.30%	0.11%
	2.50 to <10.00	**578**	**4**	**0.69%**	**5.47%**	**5.23%**	**0.45%**
	2.5 to <5	275	0	0.00%	3.70%	3.70%	0.32%
	5 to <10	303	4	1.32%	6.72%	6.76%	0.59%
	10.00 to <100.00	**337**	**7**	**2.08%**	**12.37%**	**28.75%**	**5.22%**
	10 to <20	320	3	0.94%	11.50%	11.50%	3.41%
	20 to <30	0	0	0.00%	23.60%	0.00%	12.50%
	30.00 to <100.00	17	4	23.53%	49.24%	46.00%	21.83%
	100.00 (Default)	**62**	**0**	**0%**	**100%**	**100%**	**0%**

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
SECURED BY REAL ESTATE SME	b	c	d	e	f	g	h
	0.00 to <0.15	**7,145**	**10**	**0.14%**	**0.10%**	**0.08%**	**0.07%**
	0.00 to <0.10	89	0	0.00%	0.06%	0.05%	0.52%
	0.10 to <0.15	7,056	10	0.14%	0.10%	0.10%	0.06%
	0.15 to <0.25	**5,503**	**12**	**0.22%**	**0.20%**	**0.20%**	**0.14%**
	0.25 to <0.50	**2,562**	**15**	**0.59%**	**0.40%**	**0.40%**	**0.30%**
	0.50 to <0.75	**2,114**	**12**	**0.57%**	**0.70%**	**0.70%**	**0.23%**
	0.75 to <2.50	**2,205**	**24**	**1.09%**	**1.60%**	**1.80%**	**0.62%**
	0.75 to <1.75	1,475	16	1.08%	1.30%	1.30%	0.52%
	1.75 to <2.5	730	8	1.10%	2.30%	2.30%	0.79%
	2.50 to <10.00	**1,725**	**38**	**2.20%**	**5.39%**	**5.28%**	**1.68%**
	2.5 to <5	847	18	2.13%	3.70%	3.70%	1.39%
	5 to <10	878	20	2.28%	6.91%	6.85%	1.92%
	10.00 to <100.00	**1,332**	**105**	**7.88%**	**15.73%**	**28.76%**	**7.54%**
	10 to <20	1,222	63	5.16%	11.52%	11.51%	5.65%
	20 to <30	0	0	0.00%	25.30%	0.00%	20.74%
	30.00 to <100.00	110	42	38.18%	52.40%	46.00%	35.96%
	100.00 (Default)	**329**	**0**	**0%**	**100%**	**100%**	**0%**

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
SECURED BY REAL ESTATE NON SME	b	c	d	e	f	g	h
	0.00 to <0.15	**207,361**	**273**	**0.13%**	**0.09%**	**0.08%**	**0.11%**
	0.00 to <0.10	96,807	173	0.18%	0.08%	0.05%	0.16%
	0.10 to <0.15	110,554	100	0.09%	0.10%	0.10%	0.07%
	0.15 to <0.25	**56,850**	**132**	**0.23%**	**0.20%**	**0.20%**	**0.15%**
	0.25 to <0.50	**33,006**	**138**	**0.42%**	**0.40%**	**0.40%**	**0.31%**
	0.50 to <0.75	**20,116**	**118**	**0.59%**	**0.70%**	**0.70%**	**0.51%**
	0.75 to <2.50	**21,054**	**283**	**1.34%**	**1.69%**	**1.80%**	**1.12%**
	0.75 to <1.75	12,606	149	1.18%	1.29%	1.30%	0.99%
	1.75 to <2.5	8,448	134	1.59%	2.29%	2.30%	1.32%
	2.50 to <10.00	**17,853**	**417**	**2.34%**	**5.27%**	**5.25%**	**2.18%**
	2.5 to <5	9,366	160	1.71%	3.72%	3.70%	1.60%
	5 to <10	8,487	257	3.03%	6.91%	6.81%	2.73%
	10.00 to <100.00	**9,344**	**1,155**	**12.36%**	**21.28%**	**28.91%**	**10.31%**
	10 to <20	7,870	542	6.89%	12.20%	11.82%	6.64%
	20 to <30	0	0	0.00%	25.30%	0.00%	27.17%
	30.00 to <100.00	1,474	613	41.59%	50.15%	46.00%	37.07%
	100.00 (Default)	**5,149**	**0**	**0%**	**100%**	**100%**	**0%**

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
QUALIFYING REVOLVING RETAIL EXPOSURES	b	c	d	e	f	g	h
	0.00 to <0.15	**584,816**	**634**	**0.11%**	**0.08%**	**0.08%**	**0.08%**
	0.00 to <0.10	389,207	406	0.10%	0.07%	0.05%	0.08%
	0.10 to <0.15	195,609	228	0.12%	0.10%	0.10%	0.08%
	0.15 to <0.25	**252,186**	**470**	**0.19%**	**0.20%**	**0.20%**	**0.14%**
	0.25 to <0.50	**197,019**	**1,369**	**0.69%**	**0.40%**	**0.40%**	**0.48%**
	0.50 to <0.75	**113,926**	**1,517**	**1.33%**	**0.70%**	**0.70%**	**0.98%**
	0.75 to <2.50	**134,003**	**2,994**	**2.23%**	**1.70%**	**1.80%**	**1.79%**
	0.75 to <1.75	78,553	1,548	1.97%	1.29%	1.30%	1.55%
	1.75 to <2.5	55,450	1,446	2.61%	2.27%	2.30%	2.12%
	2.50 to <10.00	**99,376**	**4,089**	**4.11%**	**5.81%**	**5.31%**	**3.76%**
	2.5 to <5	44,009	1,504	3.42%	3.77%	3.70%	2.91%
	5 to <10	55,367	2,585	4.67%	7.50%	6.92%	4.42%
	10.00 to <100.00	**118,667**	**13,603**	**11.46%**	**20.50%**	**28.87%**	**11.86%**
	10 to <20	111,668	9,161	8.20%	13.70%	11.73%	8.95%
	20 to <30	0	0	0.00%	25.87%	0.00%	41.50%
	30.00 to <100.00	6,999	4,442	63.47%	50.36%	46.00%	56.83%
	100.00 (Default)	**24,507**	**0**	**0%**	**100%**	**100%**	**0%**

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
OTHER RETAIL - SME	b	c	d	e	f	g	h
	0.00 to <0.15	**21,243**	**12**	**0.06%**	**0.09%**	**0.08%**	**0.03%**
	0.00 to <0.10	668	0	0.00%	0.05%	0.05%	0.03%
	0.10 to <0.15	20,575	12	0.06%	0.10%	0.10%	0.03%
	0.15 to <0.25	**25,214**	**74**	**0.29%**	**0.20%**	**0.20%**	**0.17%**
	0.25 to <0.50	**18,421**	**130**	**0.71%**	**0.40%**	**0.40%**	**0.46%**
	0.50 to <0.75	**12,300**	**133**	**1.08%**	**0.70%**	**0.70%**	**0.66%**
	0.75 to <2.50	**13,900**	**357**	**2.57%**	**1.65%**	**1.80%**	**1.50%**
	0.75 to <1.75	8,786	183	2.08%	1.30%	1.30%	1.16%
	1.75 to <2.5	5,114	174	3.40%	2.30%	2.30%	2.08%
	2.50 to <10.00	**7,940**	**388**	**4.89%**	**5.31%**	**5.22%**	**3.52%**
	2.5 to <5	4,122	144	3.49%	3.70%	3.70%	2.65%
	5 to <10	3,818	244	6.39%	6.76%	6.74%	4.28%
	10.00 to <100.00	**15,414**	**1,320**	**8.56%**	**14.61%**	**28.78%**	**9.58%**
	10 to <20	14,760	872	5.91%	11.50%	11.56%	7.90%
	20 to <30	0	0	0.00%	25.30%	0.00%	43.29%
	30.00 to <100.00	654	448	68.50%	52.40%	46.00%	46.69%
	100.00 (Default)	**2,485**	**0**	**0%**	**100%**	**100%**	**0%**

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
OTHER RETAIL - NON SME	b	c	d	e	f	g	h
	0.00 to <0.15	**10,712**	**22**	**0.21%**	**0.09%**	**0.08%**	**0.13%**
	0.00 to <0.10	2,291	3	0.13%	0.05%	0.05%	0.11%
	0.10 to <0.15	8,421	19	0.23%	0.10%	0.10%	0.13%
	0.15 to <0.25	**38,763**	**139**	**0.36%**	**0.20%**	**0.20%**	**0.25%**
	0.25 to <0.50	**65,613**	**719**	**1.10%**	**0.40%**	**0.40%**	**0.75%**
	0.50 to <0.75	**37,309**	**776**	**2.08%**	**0.70%**	**0.70%**	**1.56%**
	0.75 to <2.50	**37,109**	**1,331**	**3.59%**	**1.69%**	**1.80%**	**2.83%**
	0.75 to <1.75	23,875	728	3.05%	1.30%	1.30%	2.41%
	1.75 to <2.5	13,234	603	4.56%	2.30%	2.30%	3.53%
	2.50 to <10.00	**19,835**	**1,385**	**6.98%**	**5.29%**	**5.25%**	**5.82%**
	2.5 to <5	8,803	463	5.26%	3.70%	3.70%	4.45%
	5 to <10	11,032	922	8.36%	6.78%	6.79%	6.81%
	10.00 to <100.00	**8,579**	**2,621**	**30.55%**	**21.07%**	**28.95%**	**25.06%**
	10 to <20	6,861	1,323	19.28%	11.50%	11.90%	17.24%
	20 to <30	0	0	0.00%	25.30%	0.00%	53.17%
	30.00 to <100.00	1,718	1,298	75.55%	52.40%	46.00%	72.65%
	100.00 (Default)	**4,391**	**0**	**0%**	**100%**	**100%**	**0%**

The figures for the risk positions of portfolios treated by the IRB approach, with reference to 31 December 2023 are presented in the following tables, reflecting the different risk classes of the portfolios.

TABLE 46 – TEMPLATE EU CR6 – IRB Approach – Credit Risk Exposures by Exposure Class and PD Range

(Thousand Euros)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
CORPORATE													
	0.00 to <0.15	**6**	**116,589**	**108%**	**125,878**	**0.05%**	**4**	**36.94%**	**1.26**	**14,482**	**11.5%**	**24**	**-6**
	0.00 to <0.10	0	113,652	109%	124,409	0.05%	1	36.94%	1.22	13,862	11.1%	24	-5
	0.10 to <0.15	6	2,937	50%	1,468	0.10%	3	37.10%	4.86	620	42.2%	1	0
	0.15 to <0.25	**1,154,436**	**1,869,086**	**62%**	**2,310,294**	**0.20%**	**234**	**36.21%**	**1.57**	**717,500**	**31.1%**	**1,723**	**-805**
	0.25 to <0.50	**241,025**	**539,278**	**61%**	**567,972**	**0.40%**	**254**	**37.61%**	**2.13**	**293,112**	**51.6%**	**880**	**-488**
	0.50 to <0.75	**549,003**	**551,528**	**59%**	**872,196**	**0.70%**	**269**	**38.13%**	**2.67**	**666,592**	**76.4%**	**2,398**	**-1,843**
	0.75 to <2.50	**599,085**	**620,313**	**65%**	**1,003,090**	**1.70%**	**477**	**36.37%**	**1.76**	**867,381**	**86.5%**	**6,305**	**-5,367**
	0.75 to <1.75	340,636	417,224	62%	597,542	1.30%	266	37.97%	1.48	482,346	80.7%	3,038	-2,084
	1.75 to <2.5	258,449	203,090	72%	405,548	2.30%	211	34.01%	2.17	385,036	94.9%	3,267	-3,283
	2.50 to <10.00	**1,000,342**	**710,087**	**51%**	**1,361,905**	**4.57%**	**572**	**31.23%**	**2.27**	**1,455,403**	**106.9%**	**20,235**	**-20,494**
	2.5 to <5	647,010	556,583	51%	932,982	3.70%	302	31.00%	2.30	930,030	99.7%	11,024	-11,266
	5 to <10	353,332	153,504	49%	428,922	6.47%	270	31.72%	2.21	525,373	122.5%	9,211	-9,228
	10.00 to <100.00	**424,158**	**207,228**	**51%**	**530,099**	**11.62%**	**312**	**29.02%**	**3.89**	**807,975**	**152.4%**	**18,417**	**-24,330**
	10 to <20	423,442	204,111	52%	528,621	11.50%	303	29.02%	3.90	805,566	152.4%	18,169	-24,183
	20 to <30	0	0	0%	0	0.00%	0	0.00%	0.00	0	0.0%	0	0
	30.00 to <100.00	715	3,117	24%	1,479	53.70%	9	31.09%	3.13	2,409	163.0%	248	-147
	100.00 (Default)	**312,356**	**72,094**	**33%**	**336,435**	**100.00%**	**56**	**42.36%**	**3.73**	**154,539**	**45.9%**	**246,069**	**-239,745**
Subtotal Corporate		**4,280,411**	**4,686,203**	**60%**	**7,107,869**	**6.9%**	**2,178**	**35.4%**	**2.18**	**4,976,985**	**70.0%**	**296,051**	**-293,078**

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
CORPORATE SME													
	0.00 to <0.15	**3,753**	**2,902**	**86%**	**6,256**	**0.09%**	**70**	**38.92%**	**3.00**	**1,041**	**16.6%**	**2**	**-7**
	0.00 to <0.10	295	732	89%	945	0.05%	6	53.68%	1.45	100	10.6%	0	-2
	0.10 to <0.15	3,458	2,169	85%	5,311	0.10%	64	36.29%	3.28	941	17.7%	2	-4
	0.15 to <0.25	**26,984**	**108,276**	**75%**	**108,627**	**0.20%**	**604**	**42.26%**	**1.45**	**24,635**	**22.7%**	**95**	**-54**
	0.25 to <0.50	**129,479**	**230,514**	**73%**	**298,025**	**0.40%**	**1,209**	**43.32%**	**1.92**	**110,874**	**37.2%**	**532**	**-461**
	0.50 to <0.75	**169,115**	**199,323**	**66%**	**299,736**	**0.70%**	**1,098**	**39.01%**	**2.03**	**133,514**	**44.5%**	**843**	**-764**
	0.75 to <2.50	**618,640**	**466,736**	**56%**	**879,360**	**1.70%**	**2,064**	**39.31%**	**2.51**	**644,913**	**73.3%**	**5,964**	**-6,621**
	0.75 to <1.75	375,767	248,757	62%	529,258	1.30%	1,079	40.83%	2.81	422,002	79.7%	2,893	-2,748
	1.75 to <2.5	242,873	217,979	49%	350,103	2.30%	985	37.02%	2.05	222,912	63.7%	3,071	-3,873
	2.50 to <10.00	**1,262,264**	**1,093,545**	**50%**	**1,804,762**	**5.47%**	**2,836**	**30.97%**	**2.26**	**1,313,031**	**72.8%**	**31,330**	**-35,404**
	2.5 to <5	474,326	564,744	48%	745,850	3.70%	1,120	31.46%	1.97	471,342	63.2%	8,941	-9,377
	5 to <10	787,939	528,801	51%	1,058,912	6.72%	1,716	30.63%	2.47	841,689	79.5%	22,389	-26,027
	10.00 to <100.00	**807,789**	**279,428**	**46%**	**937,497**	**12.37%**	**2,820**	**32.29%**	**3.00**	**963,210**	**102.7%**	**38,726**	**-62,183**
	10 to <20	786,721	276,493	47%	915,525	11.50%	2,732	32.24%	2.98	935,360	102.2%	34,963	-55,240
	20 to <30	538	54	16%	547	23.60%	6	38.86%	0.68	718	131.2%	52	-298
	30.00 to <100.00	20,530	2,882	31%	21,424	49.24%	82	34.43%	3.94	27,133	126.6%	3,711	-6,645
	100.00 (Default)	**232,187**	**109,924**	**26%**	**260,424**	**100.00%**	**597**	**42.19%**	**3.51**	**225,356**	**86.5%**	**176,198**	**-196,401**
Subtotal Corporate SME		**3,250,211**	**2,490,648**	**54%**	**4,594,688**	**10.7%**	**11,298**	**35.1%**	**2.47**	**3,416,575**	**74.4%**	**253,689**	**-301,895**

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
SECURED BY REAL ESTATE SME													
	0.00 to <0.15	**436,347**	**8,136**	**81%**	**465,855**	**0.10%**	**6,170**	**15.77%**	**0.00**	**14,493**	**3.1%**	**76**	**-59**
	0.00 to <0.10	745	830	122%	1,906	0.06%	35	22.97%	0.00	64	3.4%	0	0
	0.10 to <0.15	435,602	7,307	77%	463,950	0.10%	6,135	15.74%	0.00	14,429	3.1%	75	-58
	0.15 to <0.25	**393,338**	**8,427**	**73%**	**452,636**	**0.20%**	**4,567**	**17.54%**	**0.00**	**26,495**	**5.9%**	**164**	**-76**
	0.25 to <0.50	**117,337**	**12,324**	**59%**	**215,349**	**0.40%**	**2,032**	**19.97%**	**0.00**	**23,796**	**11.0%**	**177**	**-60**
	0.50 to <0.75	**114,291**	**7,546**	**75%**	**185,229**	**0.70%**	**1,879**	**19.31%**	**0.00**	**29,355**	**15.8%**	**258**	**-89**
	0.75 to <2.50	**145,760**	**8,365**	**49%**	**221,354**	**1.60%**	**2,077**	**19.84%**	**0.00**	**61,266**	**27.7%**	**722**	**-273**
	0.75 to <1.75	100,750	4,830	52%	153,808	1.30%	1,384	20.07%	0.00	38,203	24.8%	413	-142
	1.75 to <2.5	45,009	3,535	45%	67,546	2.30%	693	19.31%	0.00	23,063	34.1%	309	-130
	2.50 to <10.00	**107,061**	**2,637**	**67%**	**134,562**	**5.39%**	**1,593**	**17.66%**	**0.00**	**66,064**	**49.1%**	**1,314**	**-585**
	2.5 to <5	50,005	1,401	64%	63,590	3.70%	737	17.96%	0.00	26,615	41.9%	435	-194
	5 to <10	57,056	1,236	71%	70,972	6.91%	856	17.39%	0.00	39,449	55.6%	879	-391
	10.00 to <100.00	**75,694**	**5,874**	**56%**	**120,194**	**15.73%**	**1,253**	**20.51%**	**0.00**	**99,088**	**82.4%**	**3,854**	**-1,513**
	10 to <20	66,668	5,874	56%	107,202	11.52%	1,109	20.86%	0.00	89,727	83.7%	2,657	-1,017
	20 to <30	769	0	0%	931	25.30%	21	13.97%	0.00	629	67.5%	34	-22
	30.00 to <100.00	8,257	0	0%	12,061	52.40%	123	17.87%	0.00	8,733	72.4%	1,163	-474
	100.00 (Default)	**28,783**	**1,254**	**34%**	**41,476**	**100.00%**	**427**	**50.10%**	**0.00**	**42,078**	**101.5%**	**13,651**	**-6,961**
Subtotal Secured by Real Estate SME		**1,418,611**	**54,563**	**65%**	**1,836,655**	**4.1%**	**19,998**	**18.8%**	**0.00**	**362,635**	**19.7%**	**20,215**	**-9,614**

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
SECURED BY REAL ESTATE NON SME													
	0.00 to <0.15	**11,657,012**	**82,432**	**68%**	**11,735,107**	**0.09%**	**208,477**	**24.58%**	**0.00**	**659,483**	**5.6%**	**2,541**	**-13,697**
	0.00 to <0.10	4,780,332	7,405	85%	4,787,486	0.08%	109,584	38.43%	0.00	388,593	8.1%	1,465	-13,286
	0.10 to <0.15	6,876,679	75,027	66%	6,947,621	0.10%	98,893	15.03%	0.00	270,889	3.9%	1,076	-411
	0.15 to <0.25	**4,872,860**	**58,686**	**59%**	**4,925,709**	**0.20%**	**60,755**	**19.14%**	**0.00**	**404,710**	**8.2%**	**1,898**	**-2,923**
	0.25 to <0.50	**2,138,733**	**19,036**	**61%**	**2,158,595**	**0.40%**	**30,154**	**19.95%**	**0.00**	**308,051**	**14.3%**	**1,743**	**-2,427**
	0.50 to <0.75	**1,298,499**	**9,549**	**62%**	**1,310,571**	**0.70%**	**19,147**	**20.67%**	**0.00**	**289,180**	**22.1%**	**1,942**	**-2,533**
	0.75 to <2.50	**1,266,183**	**4,440**	**58%**	**1,272,822**	**1.69%**	**19,880**	**22.71%**	**0.00**	**539,394**	**42.4%**	**4,940**	**-4,887**
	0.75 to <1.75	756,665	2,129	61%	760,679	1.29%	11,856	22.89%	0.00	277,610	36.5%	2,281	-2,631
	1.75 to <2.5	509,518	2,311	55%	512,143	2.29%	8,024	22.45%	0.00	261,784	51.1%	2,659	-2,256
	2.50 to <10.00	**985,984**	**4,244**	**70%**	**996,075**	**5.27%**	**16,704**	**19.84%**	**0.00**	**707,736**	**71.1%**	**10,666**	**-6,147**
	2.5 to <5	508,556	2,366	73%	512,729	3.72%	8,605	20.15%	0.00	314,409	61.3%	3,934	-2,480
	5 to <10	477,427	1,878	66%	483,346	6.91%	8,099	19.51%	0.00	393,326	81.4%	6,732	-3,667
	10.00 to <100.00	**614,172**	**1,771**	**48%**	**624,313**	**21.28%**	**10,044**	**20.15%**	**0.00**	**679,415**	**108.8%**	**27,575**	**-15,723**
	10 to <20	465,504	1,765	48%	472,035	12.20%	7,860	19.98%	0.00	506,592	107.3%	12,457	-8,664
	20 to <30	4,508	0	0%	4,574	25.30%	123	14.20%	0.00	4,121	90.1%	169	-53
	30.00 to <100.00	144,160	5	100%	147,703	50.15%	2,061	20.88%	0.00	168,702	114.2%	14,948	-7,006
	100.00 (Default)	**376,843**	**505**	**32%**	**381,306**	**100.00%**	**5,974**	**51.08%**	**0.00**	**426,376**	**111.8%**	**142,234**	**-108,891**
Subtotal Secured by Real Estate Non SME		**23,210,285**	**180,662**	**63%**	**23,404,499**	**2.7%**	**371,135**	**22.8%**	**0.00**	**4,014,344**	**17.2%**	**193,538**	**-157,228**

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
QUALIFYING REVOLVING RETAIL EXPOSURES													
	0.00 to <0.15	**144,503**	**1,129,100**	**65%**	**878,018**	**0.08%**	**610,603**	**47.98%**	**0.00**	**22,395**	**2.6%**	**339**	**-590**
	0.00 to <0.10	114,951	734,620	65%	590,697	0.07%	440,401	58.12%	0.00	17,275	2.9%	259	-451
	0.10 to <0.15	29,553	394,480	65%	287,321	0.10%	170,202	27.12%	0.00	5,120	1.8%	80	-140
	0.15 to <0.25	**126,623**	**623,870**	**64%**	**527,479**	**0.20%**	**280,406**	**41.13%**	**0.00**	**24,800**	**4.7%**	**438**	**-592**
	0.25 to <0.50	**148,616**	**288,044**	**62%**	**326,986**	**0.40%**	**203,842**	**45.23%**	**0.00**	**29,585**	**9.0%**	**596**	**-1,086**
	0.50 to <0.75	**102,135**	**125,674**	**65%**	**183,241**	**0.70%**	**113,839**	**52.36%**	**0.00**	**30,106**	**16.4%**	**685**	**-1,402**
	0.75 to <2.50	**150,129**	**105,333**	**67%**	**220,478**	**1.70%**	**137,637**	**60.30%**	**0.00**	**80,286**	**36.4%**	**2,281**	**-3,669**
	0.75 to <1.75	84,549	67,003	66%	129,101	1.29%	79,808	58.91%	0.00	37,634	29.2%	985	-1,818
	1.75 to <2.5	65,579	38,330	67%	91,377	2.27%	57,829	62.25%	0.00	42,651	46.7%	1,295	-1,851
	2.50 to <10.00	**121,864**	**52,563**	**65%**	**156,207**	**5.81%**	**108,565**	**66.71%**	**0.00**	**147,133**	**94.2%**	**6,209**	**-6,301**
	2.5 to <5	53,993	25,360	66%	70,751	3.77%	46,157	64.46%	0.00	49,025	69.3%	1,734	-2,144
	5 to <10	67,871	27,203	65%	85,456	7.50%	62,408	68.57%	0.00	98,107	114.8%	4,475	-4,158
	10.00 to <100.00	**77,014**	**37,113**	**53%**	**96,716**	**20.50%**	**151,745**	**68.07%**	**0.00**	**165,064**	**170.7%**	**14,298**	**-13,705**
	10 to <20	56,082	35,469	54%	75,289	13.70%	136,168	66.74%	0.00	120,351	159.9%	7,207	-7,400
	20 to <30	5,026	581	32%	5,211	25.87%	3,450	60.28%	0.00	9,658	185.3%	826	-999
	30.00 to <100.00	15,906	1,062	29%	16,216	50.36%	12,127	76.74%	0.00	35,055	216.2%	6,265	-5,307
	100.00 (Default)	**56,878**	**4,986**	**26%**	**58,155**	**100.00%**	**45,874**	**72.78%**	**0.00**	**65,427**	**112.5%**	**39,086**	**-31,482**
Subtotal Qualifying Revolving Retail Exposures		**927,762**	**2,366,683**	**64%**	**2,447,281**	**3.9%**	**1,652,511**	**50.2%**	**0.00**	**564,794**	**23.1%**	**63,932**	**-58,829**

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
OTHER RETAIL - SME													
	0.00 to <0.15	**75,429**	**144,954**	**75%**	**161,927**	**0.09%**	**23,074**	**35.19%**	**0.00**	**11,178**	**6.9%**	**55**	**-243**
	0.00 to <0.10	1,990	15,192	112%	18,803	0.05%	239	36.70%	0.00	846	4.5%	4	-15
	0.10 to <0.15	73,439	129,762	71%	143,124	0.10%	22,835	34.99%	0.00	10,333	7.2%	52	-227
	0.15 to <0.25	**236,954**	**139,602**	**65%**	**274,736**	**0.20%**	**25,517**	**34.73%**	**0.00**	**32,146**	**11.7%**	**197**	**-726**
	0.25 to <0.50	**313,702**	**114,631**	**57%**	**288,657**	**0.40%**	**17,881**	**34.46%**	**0.00**	**52,283**	**18.1%**	**410**	**-2,113**
	0.50 to <0.75	**214,070**	**69,355**	**52%**	**184,533**	**0.70%**	**11,423**	**34.07%**	**0.00**	**45,054**	**24.4%**	**453**	**-1,775**
	0.75 to <2.50	**233,757**	**77,312**	**46%**	**198,180**	**1.65%**	**14,061**	**32.64%**	**0.00**	**64,738**	**32.7%**	**1,103**	**-5,123**
	0.75 to <1.75	154,999	52,811	46%	128,472	1.30%	8,800	32.43%	0.00	39,234	30.5%	558	-2,645
	1.75 to <2.5	78,758	24,501	49%	69,708	2.30%	5,261	33.03%	0.00	25,504	36.6%	545	-2,478
	2.50 to <10.00	**100,050**	**27,341**	**51%**	**88,171**	**5.31%**	**8,662**	**31.84%**	**0.00**	**34,894**	**39.6%**	**1,526**	**-6,172**
	2.5 to <5	47,325	13,559	53%	41,800	3.70%	4,138	32.47%	0.00	16,337	39.1%	517	-2,165
	5 to <10	52,725	13,783	48%	46,371	6.76%	4,524	31.27%	0.00	18,557	40.0%	1,009	-4,007
	10.00 to <100.00	**143,532**	**57,150**	**50%**	**131,160**	**14.61%**	**18,175**	**33.26%**	**0.00**	**67,425**	**51.4%**	**6,781**	**-25,038**
	10 to <20	127,382	55,608	51%	118,502	11.50%	16,888	32.68%	0.00	57,171	48.2%	4,587	-17,414
	20 to <30	4,075	418	30%	4,039	25.30%	558	40.23%	0.00	3,288	81.4%	423	-2,149
	30.00 to <100.00	12,075	1,124	31%	8,620	52.40%	729	38.05%	0.00	6,967	80.8%	1,770	-5,475
	100.00 (Default)	**86,812**	**74,862**	**24%**	**92,660**	**100.00%**	**4,623**	**41.36%**	**0.00**	**133,634**	**144.2%**	**53,945**	**-61,450**
Subtotal Other Retail SME		**1,404,307**	**705,207**	**57%**	**1,420,025**	**8.7%**	**123,416**	**34.5%**	**0.00**	**441,352**	**31.1%**	**64,470**	**-102,639**

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
OTHER RETAIL - NON SME													
	0.00 to <0.15	**79,770**	**16,561**	**74%**	**69,641**	**0.09%**	**4,558**	**21.21%**	**0.00**	**3,543**	**5.1%**	**13**	**-48**
	0.00 to <0.10	9,412	8,329	74%	14,738	0.05%	656	27.99%	0.00	663	4.5%	2	-9
	0.10 to <0.15	70,358	8,231	75%	54,903	0.10%	3,902	19.38%	0.00	2,880	5.2%	11	-40
	0.15 to <0.25	**395,370**	**20,534**	**75%**	**392,509**	**0.20%**	**37,699**	**23.74%**	**0.00**	**41,197**	**10.5%**	**192**	**-304**
	0.25 to <0.50	**634,741**	**19,016**	**81%**	**641,828**	**0.40%**	**71,513**	**31.03%**	**0.00**	**137,350**	**21.4%**	**820**	**-1,491**
	0.50 to <0.75	**302,047**	**6,285**	**77%**	**300,729**	**0.70%**	**37,206**	**31.55%**	**0.00**	**89,179**	**29.7%**	**684**	**-1,615**
	0.75 to <2.50	**315,252**	**9,074**	**76%**	**318,116**	**1.69%**	**38,353**	**30.67%**	**0.00**	**128,370**	**40.4%**	**1,683**	**-3,554**
	0.75 to <1.75	194,158	4,020	62%	193,965	1.30%	25,061	31.48%	0.00	75,250	38.8%	818	-1,960
	1.75 to <2.5	121,094	5,054	87%	124,151	2.30%	13,292	29.41%	0.00	53,120	42.8%	865	-1,594
	2.50 to <10.00	**147,933**	**4,195**	**85%**	**144,371**	**5.29%**	**19,095**	**29.29%**	**0.00**	**68,802**	**47.7%**	**2,355**	**-4,552**
	2.5 to <5	69,184	2,998	94%	69,554	3.70%	8,567	27.00%	0.00	29,385	42.2%	716	-1,523
	5 to <10	78,749	1,197	63%	74,817	6.78%	10,528	31.42%	0.00	39,418	52.7%	1,639	-3,029
	10.00 to <100.00	**73,552**	**1,746**	**32%**	**64,826**	**21.07%**	**9,290**	**31.86%**	**0.00**	**46,396**	**71.6%**	**4,893**	**-10,779**
	10 to <20	48,733	1,618	33%	43,586	11.50%	6,197	28.94%	0.00	24,372	55.9%	1,494	-4,433
	20 to <30	9,235	17	20%	9,172	25.30%	1,235	36.78%	0.00	8,961	97.7%	879	-1,874
	30.00 to <100.00	15,584	111	21%	12,069	52.40%	1,858	38.69%	0.00	13,063	108.2%	2,520	-4,472
	100.00 (Default)	**85,816**	**3,109**	**57%**	**83,275**	**100.00%**	**10,365**	**41.81%**	**0.00**	**42,492**	**51.0%**	**43,720**	**-43,991**
Subtotal Other Retail Non SME		**2,034,481**	**80,519**	75%	**2,015,296**	5.73%	**228,079**	29.6%	0.00	**557,330**	27.7%	**54,360**	**-66,335**
Total (all exposures classes)		**36,526,067**	**10,564,485**	**60%**	**42,826,314**	**4.71%**	**2,408,615**	**28.31%**	**0.63**	**14,334,015**	**33.5%**	**946,257**	**-989,620**

Note: This data does not include the exposures on Derivatives and Specialised Lending.

TABLE 47 – TEMPLATE EU CR6-A – Scope of the use of IRB and SA Approaches

(Thousand euros)

		a	b	c	d	e
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure subject to a roll-out plan (%)
1	Central governments or central banks	0	29,374,902	100%	0%	0%
1.1	Of which Regional governments or local authorities		1,112,220	100%	0%	0%
1.2	Of which Public sector entities		334,146	100%	0%	0%
2	Institutions	0	2,834,838	100%	0%	0%
3	Corporates	12,697,634	20,047,170	3.6%	21.7%	74.7%
3.1	Of which Corporates - Specialised lending, excluding slotting approach		0	0.0%	0.0%	100.0%
3.2	Of which Corporates - Specialised lending under slotting approach		134,644	0.0%	0.0%	100.0%
4	Retail	32,281,958	39,948,372	1.1%	13.4%	85.6%
4.1	of which Retail – Secured by real estate SMEs		1,516,897	0.2%	0.1%	99.7%
4.2	of which Retail – Secured by real estate non-SMEs		25,338,729	0.1%	3.7%	96.3%
4.3	of which Retail – Qualifying revolving		3,103,370	0%	0%	100%
4.4	of which Retail – Other SMEs		3,980,944	10.1%	17.6%	72.4%
4.5	of which Retail – Other non-SMEs		6,008,430	3.0%	62.4%	34.6%
5	Equity	818,466	878,825	6.9%	0%	93.1%
6	Other non-credit obligation assets	5,151,430	5,177,866	0.5%	0%	99.5%
7	**Total**	**50,949,488**	**98,261,972**	**37.7%**	**9.1%**	**53.2%**

TABLE 48 – TEMPLATE EU CR7-A – IRB Approach – Disclosure of the Extent of the use of CRM Techniques

(Thousand Euros)

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)								Unfunded credit Protection (UFCP)				
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks														
2	Institutions														
3	Corporates	**11,846,124**	**3.03%**	**33.77%**	**24.63%**	**0.00%**	**9.14%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**8,560,319**	**8,475,563**
3.1	Of which Corporates – SMEs	4,649,385	3.02%	51.17%	36.01%	0.00%	15.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3,476,747	3,442,323
3.2	Of which Corporates – Specialised lending														
3.3	Of which Corporates – Other	7,196,739	3.05%	22.53%	17.28%	0.00%	5.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5,083,572	5,033,240
4	Retail	**32,281,954**	**1.32%**	**77.14%**	**0.98%**	**0.00%**	**0.82%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**6,166,798**	**6,045,881**
4.1	Of which Retail – Immovable property SMEs	1,853,344	0.27%	99.02%	90.31%	0.00%	8.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	372,058	364,763
4.2	Of which Retail – Immovable property non-SMEs	24,415,638	0.04%	94.47%	94.30%	0.00%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4,172,914	4,091,092
4.3	Of which Retail – Qualifying revolving	2,447,281	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	576,090	564,794
4.4	Of which Retail – Other SMEs	1,494,003	7.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	463,638	454,547
4.5	Of which Retail – Other non-SMEs	2,071,688	14.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	582,099	570,685
5	**Total**	**44,128,078**	**1.78%**	**65.49%**	**62.58%**	**0.00%**	**2.91%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**14,727,117**	**14,521,444**

TABLE 49 – TEMPLATE EU CR10.1 – Specialised Lending

(Thousand euros)

Regulatory categories	Remaining maturity	Specialised lending : Project finance (Slotting approach) On-balancesheet exposure	Off-balancesheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		a	b	c	d	e	f
Category 1	Less than 2.5 years	0	0	50%	0	0	0
	Equal to or more than 2.5 years	0	0	70%	0	0	0
Category 2	Less than 2.5 years	0	0	70%	0	0	0
	Equal to or more than 2.5 years	420,862	82,499	90%	460,287	352,942	3,682
Category 3	Less than 2.5 years	0	0	115%	0	0	0
	Equal to or more than 2.5 years	309,633	38,580	115%	312,523	307,766	8,751
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	39,404	12,161	250%	41,845	89,298	3,348
Category 5	Less than 2.5 years	0	0	0%	0	0	0
	Equal to or more than 2.5 years	0	712	0%	142	0	71
Total	Less than 2.5 years	**0**	**0**		**0**	**0**	**0**
	Equal to or more than 2.5 years	**769,899**	**133,952**		**814,797**	**750,006**	**15,852**

TABLE 50 – TEMPLATE EU CR10.5 – Equity Exposures under the Simple Risk Weighted Approach

(Thousand euros)

	Equity exposures under the simple risk-weighted approach On-balancesheet exposure	Off-balancesheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	a	b	c	d	e	f
Private equity exposures	436,396	0	190%	436,396	829,151	3,491
Exchange-traded equity exposures	0	0	290%	0	0	0
Other equity exposures	25,364	0	370%	25,364	93,846	609
Total	**461,759**	**0**		**461,759**	**922,997**	**4,100**

The following table shows the breakdown of RWA flows in the last quarter of 2023:

TABLE 51 – TEMPLATE EU CR8 – RWEA Flow Statements of Credit Risk Exposures under the IRB Approach

(Thousand euros)

		Risk weighted exposure amount
		a
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**18,438,309**
2	Asset size (+/-)	-14,201
3	Asset quality (+/-)	0
4	Model updates (+/-)	0
5	Methodology and policy (+/-)	0
6	Acquisitions and disposals (+/-)	0
7	Foreign exchange movements (+/-)	115,965
8	Other (+/-)	13,853
9	**Risk weighted exposure amount as at the end of the reporting period**	**18,553,926**

8.6.5. Standardised approach – exposures and risk weights by regulatory risk classes

The table below presents the break down as of the 31 December 2023 of the on- and off-balance sheet risk positions within the scope of the regulatory consolidation, net from specific credit risk adjustments and cancellations, post conversion factors and post CRM techniques, relative to portfolios that are treated under the standardised approach.

TABLE 52 – TEMPLATE EU CR5 – Standardised Approach

(Thousand euros)

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	29,268,045	0	16,851	1	0	0	27,608	0	0	2,688,404	564,746	527,149	0	0	0	33,092,804	4,044,843
2	Regional government or local authorities	116,934	0	0	0	741,812	0	0	0	0	0	0	0	0	0	0	858,746	36,302
3	Public sector entities	0	0	0	0	0	0	10,592	0	0	292,560	3,703	0	0	0	0	306,855	10,230
4	Multilateral development banks	227,711	0	0	0	0	0	0	0	0	0	0	0	0	0	0	227,711	227,711
5	International organisations	780,125	0	0	0	0	0	0	0	0	0	0	0	0	0	0	780,125	342,543
6	Institutions	0	22,883	0	0	909,901	0	651,750	0	0	11,858	1,874	0	0	0	0	1,598,267	136,047
7	Corporates	0	0	0	0	0	0	0	0	0	3,476,784	229,911	0	0	0	0	3,706,695	307,087
8	Retail	0	0	0	0	0	0	0	0	4,245,323	0	0	0	0	0	0	4,245,323	187,041
9	Secured by mortgages on immovable property	0	0	0	0	0	1,066,129	184,788	0	70,880	340,138	9,176	0	0	0	0	1,671,112	34,086
10	Exposures in default	0	0	0	0	0	0	0	0	0	249,186	79,634	0	0	0	0	328,821	8,456
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	1,322	0	0	0	0	1,322	363
12	Covered bonds																0	
13	Institutions and corporates with a short-term credit assessment																0	
14	Unit or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	15,619	0	0	0	31,093	46,712	
15	Equity	0	0	0	0	0	0	0	0	0	672	0	12,942	0	0	0	13,613	
16	Other items	0	0	0	0	0	0	0	0	0	26,436	0	0	0	0	0	26,436	
17	**TOTAL**	**30,392,816**	**22,883**	**16,851**	**1**	**1,651,714**	**1,066,129**	**874,739**	**0**	**4,316,203**	**7,086,038**	**905,985**	**540,090**	**0**	**0**	**31,093**	**46,904,541**	**5,334,710**

9. Counterparty Credit Risk

The counterparty credit risk translates the risk of counterparties being unable to meet their liabilities resulting from securities contracts such as derivatives.

For the counterparty credit risk management, the Bank defines exposure limits to specific counterparties, establishes bilateral contracts to guarantee exposures resulting from derivatives and requests collaterals within the scope of these agreements as preferred tools to mitigate this risk.

The internal procedures of the Group define the way in which the usage of the counterparty credit risk limits are determined. This calculation is regularly made based on the market value of the operations, to which a factor arising from the future potential variation of that same value is added, adjusting for the volatility and deadline of each operation.

The Bank has a policy of closing bilateral contracts to guarantee exposures resulting from OTC derivatives contracted with Banks under the ISDA Master Agreement (ISDA - International Swaps and Derivatives Association).

In addition, an ISDA Master Agreement may frame the creation of collateral using an annex or ISDA Credit Support Document. As a template for the Credit Support Document, the Bank chose the Credit Support Annexes (CSA) contracts to guarantee the constitution, by the entity with net values payable in the future, of financial collaterals from the other party to guarantee the payment of these contractual obligations. In these contracts, the Bank (almost exclusively) accepts deposits in Euros as collateral.

The Bank does not use netting as a technique for credit risk mitigation/reduction under RWA/capital requirements calculation; only in accounting, non-prudential terms, netting is used for interest rate swaps, per operation.

The total exposure limits for counterparties that are not financial institutions, in contracts subject to this type of risk, are generally divided into two components: one for traditional credit operations (financial and / or subscription) and another for treasury products.

Finally, the Bank uses a framework agreement model of TBMA/ISMA (The Bond Market Association/International Securities Market Association) within the scope of the repo operations it carries out. This framework agreement, the Global Master Repurchase Agreement (GMRA), defines the repo transactions between the parties and regulates the creation of the collateral that guarantees the exposure.

The Group applies the SA-CCR method, as established in article 274, Section 3, Chapter 6, Title II, Part III of the CRR, in which the exposure for derivatives is built through the calculation of Replacement Cost and Potential Future exposure for these transactions.

The market values of the operations are directly collected from the Bank's front-end application, in which the management and evaluation of the operations is carried out.

Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories - commonly referred to as EMIR (European Markets Infrastructure Regulation) - has introduced legal obligations with the aim of improving post-trade transparency and reducing the risks associated with the derivatives market, in particular through the need to bring in a central counterparty or the adoption of risk mitigation techniques for derivatives not centrally cleared. Within this framework, the Group became obliged to carry out the clearing of the OTC derivatives portfolio within the criteria defined by the EMIR, with a qualified CCP (Central Counterpart). This clearing obligation is, in a first stage, applicable to the simpler derivatives, namely, those relating to interest rate (IRS and FRA) and in the most common currencies (EUR, GBP, JPY, USD). Afterwards, there will be a phased extension of these obligations to a broader set of derivatives.

Derivatives traded through Central Clearing benefit from specific credit mitigation thecniques are used in such framework, namely initial and variation margins determined by the CCP. The Bank is not a direct member of any CCP dealing through contracted specialized brokers. All CCPs, with which such type of transactions has been performed, are included in the ESAM Qualified CCPs list.

The Bank's negotiating policy for ISDA CSA clauses privileges bilateral conditions, without any terms associated with the counterparties' ratings. Moreover, after the implementation of the last phase of EMIR, the conditions defined for OTC collateral contracts cannot be linked to credit ratings. In this context, there is currently no relation between the collateral requirements for OTC derivatives and the rating of the Bank.

As of December 2023, the Group did not have any formal counterparty credit risk coverage operation in force.

The next tables present further details on the exposures to counterparty credit risk.

TABLE 53 – TEMPLATE EU CCR1 – Analysis of CCR Exposure by Approach

(Thousand euros)

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)								
EU2	EU - Simplified SA-CCR (for derivatives)								
1	SA-CCR (for derivatives)	117,217	61,480		1.4	250,175	250,175	250,175	154,814
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					266,299	3,040	3,040	608
5	VaR for SFTs								
6	**Total**					**516,475**	**253,215**	**253,215**	**155,422**

TABLE 54 – TEMPLATE EU CCR2 – Transactions Subject to Own Funds Requirements for CVA Risk

(Thousand euros)

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	158,183	45,646
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	**158,183**	**45,646**

TABLE 55 – TEMPLATE EU CCR3 – Standardised Approach – CCR Exposures by Regulatory Exposure Class and Risk Weights

(Thousand euros)

	Exposure classes	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks												0
2	Regional government or local authorities												0
3	Public sector entities												0
4	Multilateral development banks												0
5	International organisations												0
6	Institutions		617,757			68,594	86,876			1,040			774,268
7	Corporates									18,962			18,962
8	Retail								14				14
9	Institutions and corporates with a short-term credit assessment												0
10	Other items												0
11	**Total exposure value**	**0**	**617,757**	**0**	**0**	**68,594**	**86,876**	**0**	**14**	**20,003**	**0**	**0**	**793,245**

TABLE 56 – TEMPLATE EU CCR4 – IRB Approach – CCR Exposures by Exposure Class and PD Scale

(Thousand euros)

	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
		a	b	c	d	e	f	g
CORPORATE								
	0.00 to <0.15	40	0.10%	9	37.95%	0	22	56.35%
	0.15 to <0.25	295	0.40%	40	75.90%	0	138	85.85%
	0.25 to <0.50	818	1.89%	13	60.21%	0	648	159.82%
	0.50 to <0.75	24,235	1.40%	6	91.25%	0	24,061	168.20%
	0.75 to <2.50	4,162	2.61%	40	58.94%	0	2,680	179.35%
	2.50 to <10.00	6,928	7.64%	90	68.07%	0	9,587	274.73%
	10.00 to <100.00	78	23.00%	5	75.68%	0	172	360.24%
	100.00 (Default)	156	200.00%	4	96.04%	0	53	100.75%
Subtotal Corporate		**36,712**	**4.00%**	**207**	**66.10%**	**0**	**37,361**	**192.92%**
OTHER RETAIL - SME								
	0.00 to <0.15	0	0.00%	0	0.00%	0	0	0.00%
	0.15 to <0.25	0	0.00%	0	0.00%	0	0	0.00%
	0.25 to <0.50	0	0.00%	0	0.00%	0	0	0.00%
	0.50 to <0.75	0	0.00%	0	0.00%	0	0	0.00%
	0.75 to <2.50	4	1.30%	2	32.13%	0	1	29.32%
	2.50 to <10.00	0	0.00%	0	0.00%	0	0	0.00%
	10.00 to <100.00	0	0.00%	0	0.00%	0	0	0.00%
	100.00 (Default)	0	0.00%	0	0.00%	0	0	0.00%
Subtotal Other Retail SME		**4**	**1.30%**	**2**	**32.13%**	**0**	**1**	**29.32%**
Total (all CCR relevant exposure classes)		**36,716**		**209**		**0**	**37,362**	**101.76%**

TABLE 57 – TEMPLATE EU CCR5 – Composition of Collateral for CCR Exposures

(Thousand euros)

	a	b	c	d	e	f	g	h
	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	111,011	0	418,083	0	0	0	0	0
2 Cash – other currencies	0	0	0	0	0	0	0	0
3 Domestic sovereign debt	0	0	0	0	0	266,299	0	0
4 Other sovereign debt	0	0	0	0	0	0	0	0
5 Government agency debt	0	0	0	0	0	0	0	0
6 Corporate bonds	0	0	0	0	0	0	0	0
7 Equity securities	0	0	0	0	0	0	0	0
8 Other collateral	0	0	0	0	0	0	0	0
9 Total	**111,011**	**0**	**418,083**	**0**	**0**	**266,299**	**0**	**0**

TABLE 58 – TEMPLATE EU CCR8 – Exposures to CCP

(Thousand euros)

		a	b
		Exposure value	**RWEA**
1	**Exposures to QCCPs (total)**		**12,355**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	617,757	12,355
3	(i) OTC derivatives	617,757	12,355
4	(ii) Exchange-traded derivatives	0	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	322,492	
8	Non-segregated initial margin	0	0
9	Prefunded default fund contributions	0	0
10	Unfunded default fund contributions	0	0
11	**Exposures to non-QCCPs (total)**		**0**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13	(i) OTC derivatives	0	0
14	(ii) Exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

9.1. Wrong way risk

The Wrong Way risk corresponds to the risk of a given exposure being negatively correlated with the counterparty's credit risk. Within credit granting this risk stems from the correlation between the collateral value and the credit worthiness of the borrower, i.e., when the deterioration of the credit risk of the latter leads to a devaluation of the collateral.

Similarly, in the case of derivative and repo transactions, this translates to the risk associated with the fact that the exposure at risk is adversely impacted by the credit quality of the counterparty.

Overall, the Bank considers this risk as immaterial, considering the composition of financial collateral. In terms of credit granted, the borrower's own securities (shares or bonds) represent a very small percentage of the total amount of credit, corresponding mainly to structured finance, including Project Finance, where the usual pledge of shares from the companies or vehicles is part of a comprehensive guarantees' package. Indeed, almost all the credits that have a securities' pledge have additional collateral to secure the exposure.

In the case of derivative and repo operations, in which the Bank mitigates counterparty credit risk through ISDA contracts with CSA, the coverage of market receivables is exclusively made through deposits at the Group itself; hence, wrong-way risk does not apply. In terms of credit default derivatives (CDS or TRS) or other guarantees provided by counterparties, the Bank is also not subject to material wrong-way risk, as the risk covered is not positively correlated with the protection provider.

It should also be noted that, in the ICAAP 2023, this risk was not considered material, within the scope of the assessment carried out.

10. Credit Risk Mitigation Techniques

10.1. Eligibility and type of mitigation instruments

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Division opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- Financial collaterals, real estate collaterals or other physical collaterals.
- Receivables.
- First demand guarantees, issued by banks or other entities with rating 7 or better on the Rating Master Scale.
- Personal guarantees, when the persons are classified with rating 7 or better.
- Credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's instruments eligible for own funds (e.g. shares, preferred shares or subordinated bonds) are not accepted as financial collaterals of new credit operations.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the rating of the client by the rating of the guarantor, (if the rating of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist.
- Personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider).
- Credit derivatives.
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.
- Entities duly notified of the assignment of credits to the bank, as debtors in factoring contracts.

10.2. Protection levels

An internal level of protection is attributed to all credit operations in the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

10.3. Collateral valuation

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and before decision process.

The evaluations are performed by external expert valuers registered in the CMVM (Portuguese Securities Exchange Comission) and the analyse and ratification process is centralized in the Appraisals Unit, within the Rating Division, which is independent of the business areas.

They are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 (CRR) and Law no. 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Banco de Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9 (meaning a devaluation above 10%), the Bank revaluates the property, choosing one of the following two methods:

- Depreciation of the property by direct application of the index, if the amount owed does not exceed 300 thousand euros.
- Whenever it comes to residential property, an updated value is made using the property value review algorithms, resident in the internal Valuation Database, comparing the property under review with identical properties recently evaluated, in the same location.
- Review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Banco de Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in a potential significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are provided to the Bank by a specialized external entity that has been collecting and processing information on the Portuguese real estate market for over a decade.

When evaluating properties, the Bank already considers environmental factors, namely in terms of physical risk factors, and the evaluator is responsible for collecting and disclosing information on:

- Flood risk: property built in the vicinity of water lines.
- Fire hazards: identification of fuel elements in the building structure.
- Risk of soil contamination or the existence of potentially hazardous materials included in the construction.

The conclusions regarding the physical risk factors identified are incorporated into the Bank's management processes, namely in terms of the management of insurance coverage associated with properties.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

The table below shows a breakdown of unsecured and secured credit risk exposures and credit risk exposures secured by various credit risk mitigants for all loans and debt securities including the carrying amounts of the total population which are in default in December 2023.

TABLE 59 – TEMPLATE EU CR3 – CRM Techniques Overview: Disclosure of the use of Credit Risk Mitigation Techniques

(Thousand euros)

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	19,279,479	40,720,422	33,924,585	6,795,837	0
2	Debt securities	28,292,348	574,170	142,544	431,626	
3	Total	47,571,827	41,294,592	34,067,129	7,227,463	0
4	Of which non-performing exposures	1,369,387	583,553	532,318	51,235	0
EU-5	Of which defaulted	1,381,976	570,770			

The next table below shows credit risk exposure and CRM effects in the standardized approach as well as related RWA and average risk weights broken down by regulatory exposure classes and a split in on- and off-balance sheet exposures in December 2023.

TABLE 60 – TEMPLATE EU CR4 – Standardised Approach – Credit Risk Exposure and CRM Effects

(Thousand euros)

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	28,622,122	464,476	32,785,711	307,092	4,867,873	14.71%
2	Regional government or local authorities	1,092,090	116,166	844,020	14,726	148,363	17.28%
3	Public sector entities	303,005	14,956	303,005	3,849	303,410	98.88%
4	Multilateral development banks	227,711	0	227,711	0	0	0.00%
5	International organisations	780,125	0	780,125	0	0	0.00%
6	Institutions	1,717,480	525,579	1,551,791	46,476	522,982	32.72%
7	Corporates	3,987,336	3,373,471	3,398,726	307,969	3,606,887	97.31%
8	Retail	4,490,685	701,953	4,039,755	205,568	3,086,971	72.71%
9	Secured by mortgages on immovable property	1,656,264	376,218	1,567,901	103,211	839,377	50.23%
10	Exposures in default	348,839	57,252	314,434	14,387	368,638	112.11%
11	Exposures associated with particularly high risk	1,322	1	1,322	0	1,982	150.00%
12	Covered bonds						
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings	46,712	0	46,712	0	48,481	103.79%
15	Equity	13,613	0	13,613	0	33,026	242.60%
16	Other items	26,436	0	26,436	0	26,436	100.00%
17	**TOTAL**	**43,313,740**	**5,630,072**	**45,901,263**	**1,003,278**	**13,854,424**	**29.54%**

11. Equity Exposures in the Banking Book

The Group holds equity exposures in the Banking Book, with stable character and with the objective of creating value. The holding of these positions, which include shares and venture capital funds participation units / restructured companies, complies with at least one of the following objectives:

- The development of companies or projects of strategic interest for the Group.
- Generating a return or opportunities for growth of the banking business.
- The development of companies with appreciation potential.
- The turnaround of viable companies under recovering processes, including namely shares received as payment or by converting credits into capital.

The equity exposures in the Banking Book are initially recognised at fair value, including gains and losses associated with the transactions, and are afterwards valued at their fair value based on the following hierarchy of criteria: market price listed in regulated and active market or, in its absence, based on external valuations made by independent entities, duly recognised, or based on the valuation measurement input from transactions deemed valid between reputable counterparties.

The Group maintains a monitoring process of these positions' fair value.

Changes in the fair value of these equities are registered against fair value changes until they are sold.

Impairment for equity instruments at fair value is not recognized through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value, according to the rules established in IFRS 9 for this type of assets. Dividends are recognized in the income statement when the right to receive is attributed.

Within the scope of the approval by Banco de Portugal for the use of IRB methodologies, the Group uses the simple risk weight method to compute own funds requirements for the equity portfolio in the Banking Book held by Group entities headquartered in Portugal and Poland. The own funds requirements for other operations and countries are determined using the standardised approach.

The simple risk weight method applies 290% and 370% weights to exposures in listed and unlisted shares, respectively, and may apply a lower weight (190%) to risk exposures resulting from shareholdings in unlisted companies included in portfolios that are sufficiently diversified. The significant exposures held over financial institutions and insurance companies that are not deducted to own funds are risk weighted at 250%.

It should also be noted that the Bank financial statements with reference to 31 of December 2023 include a global amount of 126 million euros booked as other provisions to contemplate potential future devaluations of restructuring funds.

The risk positions and risk weighted assets for equity exposures in the Banking Book are presented in the table below:

TABLE 61 – Equity Exposures

(Thousand euros)

	Risk positions		Risk weighted assets	
	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Venture capital funds	409,847	532,730	787,735	1,005,974
Financial participations (CRR 48)	332,621	264,985	831,553	662,462
Other equities	105,734	124,005	190,852	254,693
TOTAL	848,202	921,720	1,810,141	1,923,129

Note: Includes Venture capital funds which, under the Look-Through method, are treated by the standardised approach or by the simple risk weight.

12. Securitisation Operations

12.1. Description of the activities and operations

On 31 December 2023, BCP had five ongoing securitisation transactions originated in Portugal. Two are traditional structures (Magellan No.3 and No.4) and the other three are synthetic securitisation transactions (Caravela SME No.3, No.4 and No.5).

Since 1998, the Bank has carried out securitisation transactions supported on portfolios of different types of assets and envisaging different goals, based on market conditions and opportunities and on the Group's interests and needs at each moment.

It should be noted that, until 2007, all the transactions made were placed in the market with institutional investors, taking advantage of the conditions of a favourable market framework. These transactions - involving mortgage loans, car loans, consumer loans and companies' loans – were carried out with the purpose of obtaining additional funding for the Group's business and, under certain circumstances, to promote a more efficient management of the Bank's balance sheet, particularly its equity. The universe of investors that participated in these transactions has revealed to be diverse and complementary to the base of investors resulting from the Bank's direct funding transactions in the capital markets. In December 2023, two of these transactions were still outstanding.

After 2007 and until 2012, market conditions to place this kind of transactions deteriorated significantly or even ceased to exist during a long period. Consequently, the Bank began retaining in its books the totality of the notes issued within the scope of each securitisation transaction (from the senior tranche to the first loss tranche). To maximise liquidity, the Bank used the senior tranche of each transaction as eligible collateral for refinancing operations with the Eurosystem. Securitisations carried out in that context were fully redeemed as the Bank's liquidity position stabilized.

Taking advantage of improved market conditions, namely the appetite for risk originated in Portugal, the Bank carried out, in 2013 and 2014, two synthetic securitisations, which embodied the hedge of a significant portion of its short, medium and long-term corporate loan portfolio (Caravela SME No. 3) and of its leasing portfolio (Caravela SME No. 4). In December 2022, the Bank used once more this type of structure to hedge the credit risk associated to a portfolio of medium- and long-term loans, leasing contracts and commercial Paper Programmes granted to Portuguese corporates, by executing a new synthetic securitization (Caravela SME No. 5). These transactions were aimed at achieving an effective transfer of risk to specialised institutional investors, resulting in a reduction of the risk weighted assets associated with those portfolios.

During 2022 and 2023, the Group also took advantage of these techniques completing four synthetic securitizations in Poland (Jazon I, Jazon II, Medea and Argo). The first two (Jazon I and Jazon II) based in SME loan portfolios, while the last two (Medea and Argo) with recourse to leasing and personal loans Portfolios. It should be noted that Jazon I had the support of the European Investment Fund (EIF) who took the risk of the equity tranche trough a financial guarantee. The other transactions are based on structures similar to those executed by BCP, being the mezzanine tranche placed with the market through a Credit Linked Note (CLN) issued directly by the bank. The goal of these SRT transactions was to reduce the RWA of BM allowing an important impact on bank's capital ratios.

As an investor, the Group does not hold, and given its profile and investment policy is not expected to hold, any significant position in securitisation transactions. In any case, pursuant to article 449 (f) of the CRR, the Bank has a broad risk management and controlling operation, based on models established across a wide range of credit products, including monitoring credit and market risks of securitisation positions.

In this context and being a Bank with IRB methodology approved by the regulator for securitisation positions, the provisions of Part III, Title II, Chapter 5 are observed, with emphasis on the risk weights resulting from articles 259 and 263 of the CRR, thus sustaining an adequate level of own funds. On the other hand, the book value reflects at each moment the market risk component of the security, allowing an adequate assessment of the risk return profile of the underlying asset. Any changes in the risk of these positions are thus subject to rigorous monitoring with reflection not only on the level of own funds but also on the Bank's results. Such changes are also considered and monitored under stress testing scenarios.

Currently, under the terms of article 449 (g) of the CRR, given the low materiality of risks involved, there is no specific hedging or personal protection transaction to reduce the risk of securitization positions held. The specific need for hedging will always depend on the level of risk and of the amounts involved, as this analysis and follow-up is carried out on a case-by-case basis. The same would apply to eventual re-securitisation transactions.

It should also be referred that BCP as Originator also intervenes as Servicer of the securitized assets and, usually, as Transaction Manager.

The main features of the securitisation transactions of assets originated by BCP, namely in terms of its goal, form and level of involvement, the existence or not of a significant risk transfer in each transaction and of the securitised values and in debt, for active transactions as of 31 December 2023, are summarised in the next table:

TABLE 62 – Description of Securitisation Operations

	MAGELLAN No. 3
Identification of the securitisation operation	Magellan Mortgages No. 3 Limited
Initial objective of the securitisation operation	Securing funding and risk management [2]
Form of the securitisation operation	Traditional securitisation
	Credit lender
	Servicer of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	30 June 2005
Legal maturity	15 May 2058
Step-up clause (date)	15 August 2012
Revolving (years)	N.A
Securitised assets (in million euros)	1,500.0
Significant credit risk transfer [1]	No

	MAGELLAN No. 4
Identification of the securitisation operation	Magellan Mortgages No. 4 Limited
Initial objective of the securitisation operation	Securing funding and risk management
Form of the securitisation operation	Traditional securitisation
	Credit lender
	Servicer of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	13 July 2006
Legal maturity	20 July 2059
Step-up clause (date)	20 July 2015
Revolving (years)	N.A
Securitised assets (in million euros)	1,500.0
Significant credit risk transfer [1]	No

	CARAVELA SME No.3
Identification of the securitisation operation	Caravela SME No. 3
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Counterparty of the Credit Default Swap
Start date	28 June 2013
Legal maturity	25 March 2036
Step-up clause (date)	N.A.
Revolving (years)	4 years
Securitised assets (in million euros)	2,383.0
Significant credit risk transfer [1]	Yes

	CARAVELA SME No.4
Identification of the securitisation operation	Caravela SME No. 4
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Counterparty of the Credit Default Swap
Start date	5 June 2014
Legal maturity	25 September 2043
Step-up clause (date)	N.A.
Revolving (years)	5 years
Securitised assets (in million euros)	1,000.0
Significant credit risk transfer (1)	Yes

	CARAVELA SME No.5
Identification of the securitisation operation	Caravela SME No. 5
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Counterparty of the Credit Default Swap
Start date	20 December 2022
Legal maturity	26 September 2035
Step-up clause (date)	N.A.
Revolving (years)	9 months
Securitised assets (in million euros)	1,918.0
Significant credit risk transfer (1)	Yes

	Jazon I – Bank Millennium
Identification of the securitisation operation	Jazon I
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Beneficiary of the guarantee issued by the EIF
Start date	3 March 2022
Legal maturity	12 January 2033
Step-up clause (date)	N.A.
Revolving (years)	N.A.
Securitised assets (in million zlotys)	1,502.0
Significant credit risk transfer (1)	Yes

	Jazon II – Bank Millennium
Identification of the securitisation operation	Jazon II
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Issuer of the Credit Linked Notes
Start date	23 December 2022
Legal maturity	25 January 2040

Step-up clause (date)	N.A.
Revolving (years)	12 months
Securitised assets (in million zlotys)	2,715.1
Significant credit risk transfer [1]	Yes
	Medea – Bank Millennium
Identification of the securitisation operation	Medea
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Issuer of the Credit Linked Notes
Start date	12 July 2023
Legal maturity	20 October 2038
Step-up clause (date)	N.A.
Revolving (years)	12 months
Securitised assets (in million zlotys)	4,028.6
Significant credit risk transfer [1]	Yes
	Argo – Bank Millennium
Identification of the securitisation operation	Argo
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Servicer of the assigned credits
	Issuer of the Credit Linked Notes
Start date	11 December 2023
Legal maturity	25 August 2036
Step-up clause (date)	N.A.
Revolving (years)	9 months
Securitised assets (in million zlotys)	7,240.6
Significant credit risk transfer [1]	Yes

12.2. Group accounting policies

The Group fully consolidates Special Purpose Entities (SPE) resulting from securitisation operations originated in Group entities and resulting from credit assignments operations, when the relation with such entities indicates that the Group controls their activities, regardless of the shareholding owned by it. Besides these SPE resulting from securitisation operations and from credit assignments operations, no additional SPE's have been consolidated considering that they do not meet the criteria established on SIC[3] 12 as described below.

The assessment of the existence of control is made based on the criteria defined by SIC 12, analysed as follows:

- The SPE's activities are being mainly carried out in favour of the Group, according to its specific business needs, so that the Group benefits from the operation of the SPE;
- The Group has the power to decide to obtain most of the benefits of the SPE's activities, or, by establishing auto-pilot mechanisms, the entity delegated such decision-making powers.
- The Group has the right to obtain most of the benefits of the SPE's activities and is therefore exposed to the SPE's underlying risks.
- The Group holds most residual or property risks of the SPE or its assets, to benefit from its activities.

[3] SIC – Standard Interpretations Committee

To determine if an SPE is controlled, it is assessed if the Group is exposed to the risks and benefits of the activities of the SPE and if it has the decision-making powers in that SPE. The decision on whether an SPE must be consolidated by the Group requires the use of premises and estimates to verify the residual gains and losses and determine who holds most of those gains and losses. Other assumptions and estimates could result in differences in the consolidation perimeter of the Group, with a direct impact on results.

Within the scope of the application of such policy, the accounting consolidation perimeter included the SPE resulting from the traditional securitisation operation Magellan no. 3. On the other hand, the Group did not consolidate into its accounts the SPE that also resulted from the traditional securitisation operation Magellan no. 4. Regarding this SPE not recognised in the balance sheet, it was verified that the associated risks and benefits were substantially transferred, since the Group does not hold securities issued by the SPE in question with exposure to most residual risks, nor is it in any other manner exposed to the performance of the credit portfolios.

BCP has three outstanding transactions with similar characteristics which configure synthetic securitizations, based on Bank's loan portfolios, mainly to SMEs. Caravela SME No. 3, associated with a portfolio of medium and long-term and short-term loans, Caravela SME No.4, which involves a portfolio of leasing contracts and Caravela SME No.5, supported by a portfolio of medium and long-term loans, leasing contracts and commercial paper programmes.

In any of these transactions, the Bank has in place a Credit Default Swap (CDS) with an SPV, buying by this way protection for the mezzanine tranche. Since they are synthetic securitizations, within the scope of that same CDS, the risk of the respective portfolios was subdivided into three tranches: senior, mezzanine and equity. The entire mezzanine and part of the equity (20%) in the case of Caravela SME No. 3 and 4 and the entire mezzanine in the case of Caravela SME No. 5, were placed with the market through the issuance by the SPV of Credit Linked Notes (CLN) which were subscribed by investors. On the other hand, the Bank retained the risk of the senior tranche and the corresponding part of the related equity tranche (80% in the case of Caravela SME No. 3 and 4 and 100% in the case of Caravela SME No. 5). The proceeds from the issuance of the CLNs were used by the SPV in a deposit which collateralises all its liabilities towards the Bank under the CDS.

Regarding Magellan No.3, which was included in the consolidation perimeter, if it is determined that the control exercised by the Group over their activities has ceased, namely pursuant to the sale of the most subordinated securities issued by them, the SPE will no longer be consolidated. In this case, since the law determines that the management of loans granted remains within the Group, their registry in the off-balance sheet will be maintained.

In traditional securitisations, at the moment of the assignment of the assets associated with securitisation operations, the Group registers a gain or a loss in the income statement in case the SPE is not consolidated from the beginning, corresponding to the difference between the sale value of the assets and their accounting value. In case the SPE is consolidated, there are no gains or losses in the initial moment.

If while an operation is active, whose SPE is consolidated, the Group sells part or all the securities held, it will register a gain or loss that: (i) if the need to consolidate the SPE remains, it will be associated with the sale of the securities issued, being incorporated in liabilities as a premium or discount and accrued according to the effective rate until maturity or, (ii) if the SPE is not consolidated with due grounds, will result from the sale of the assets, which will be derecognised, and the sale will be recognised in the consolidated income statements.

Regarding securitization transactions carried out by Bank Millennium – Jazon I, Jazon II, Medea and Argo – the corresponding impacts are reflected in the consolidated perimeter of the Bank Millennium and, therefore, at the level of the BCP Group.

12.3. Own funds requirements

On 31 December 2023, the Group held securitisation positions both as an investor and as an originator entity. For some of the securitisation positions as an originator there was no significant credit risk transfer, according to the criteria defined in the CRR, articles 244 and 245, Section 2, Chapter 5, Title II, Part III and, therefore, the own funds requirements were determined as if these securitisations had not occurred.

The computation of the own fund's requirements of the securitisation operations by the end of both 2023 and 2022 was made according to Section 3, Chapter 5, Title II, Part III of the CRR.

For the securitisation positions held as an investor, with an external rating attributed by an ECAI, the External Ratings Based Approach – SEC-ERBA - was used, in accordance with article 263, Sub-Section3, Section 3, Chapter 5, Title II, Part III of the CRR and using the mapping between external ratings and credit quality grades that is defined in prudential regulations and Guidelines. The exposures without external rating were subject to a 1250% weight.

The ECAI used in 2023 to compute the own funds requirements for securitisation operations were Standard & Poor's, Moody's and Fitch Ratings.

For positions held as an originator entity in Portugal, the Internal Ratings Based Approach – SEC-IRBA - was used, in accordance with the CRR, articles 259 and 260, Subsection 3, Section 3, Chapter 5, Title II, Part III. For those positions originated in Poland, the Standardise Approach - SEC-SA – was used, as per CRR article 261, Subsection 3, Section 3, Chapter 5, Title II, Part III as well as the provisions of the article 244 (1), (b), Section 2, Chapter 5, Title II, Part III.

The risk weighted assets for securitisation operations, at the end of 2023 and 2022, are shown in next tables.

On 31 December 2023 there were no additional amounts of risk weighted exposures of securitisation of revolving exposures with early amortisation provisions.

TABLE 63 – TEMPLATE EU-SEC1 – Securitisation Exposures in the Non-Trading Book

(Thousand euros)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT											
1	**Total exposures**			26,291	0	5,202,233	5,202,233	5,202,233						100.5		100.5
2	Retail (total)			26,291	0	1,559,307	1,559,307	1,559,307						100.5		100.5
3	residential mortgage			26,291	0									100.5		100.5
4	credit card															
5	other retail exposures					1,559,307	1,559,307	1,559,307								
6	re-securitisation															
7	Wholesale (total)					3,642,926	3,642,926	3,642,926								
8	loans to corporates					3,249,679	3,249,679	3,249,679								
9	commercial mortgage															
10	lease and receivables					393,247	393,247	393,247								
11	other wholesale															
12	re-securitisation															

TABLE 64 –TEMPLATE EU-SEC3 – Securitisation Exposures n the Non-Trading Book and Associated Regulatory Capital Requirements - Institution Acting as Originator or as Sponsor

(Thousand euros)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		RW ≤ 20 %	RW > 20 % e até 50 %	RW > 50 % e até 100 %	RW > 100 % e até 1250 %	RW 1250 %/deduções	SEC-IRBA	SEC-ERBA (incluindo IAA)	SEC-SA	RW 1250 %/ deduções	SEC-IRBA	SEC-ERBA (incluindo IAA)	SEC-SA	RW 1250 % deduções	SEC-IRBA	SEC-ERBA (incluindo IAA)	SEC-SA	RW 1250 % deduções
1	**Total exposures**																	
2	Traditional transactions																	
3	Securitisation																	
4	Retail underlying																	
5	Of which STS																	
6	Wholesale																	
7	Of which STS																	
8	Re-securitisation																	
9	Synthetic transactions	3,580,393	1,540,185			81,655	2,268,321		1,374,605	81,655	274,532		551,453		274,532		551,453	
10	Securitisation	3,580,393	1,540,185			81,655	2,268,321		1,374,605	81,655	274,532		551,453		274,532		551,453	
11	Retail underlying		1,540,185			19,122			1,559,307	19,122			336,698				336,698	
12	Wholesale	3,580,393				62,533	2,268,321		1,374,605	62,533	274,532		214,755		274,532		214,755	
13	Re-securitisation																	

TABLE 65 – TEMPLATE EU-SEC4 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements - Institution Acting as Investor

(Thousand euros)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
1 **Total exposures**					101		101				1,256				101		
2 Traditional securitisation					101		101				1,256				101		
3 Securitisation					101		101				1,256				101		
4 Retail underlying					101		101				1,256				101		
5 Of which STS																	
6 Wholesale																	
7 Of which STS																	
8 Re-securitisation																	
9 Synthetic securitisation																	
10 Securitisation																	
11 Retail underlying																	
12 Wholesale																	
13 Re-securitisation																	

13. Market risks (trading book)

The Trading Book consist of positions held with the purpose of obtaining short-term gains, via sales or revaluations. These positions are actively managed and rigorously and frequently evaluated.

In a letter dated 30 April 2009, Banco de Portugal authorised the Group to use the internal models' approach to compute own funds requirements in terms of general market risk of the Trading Book.

This authorisation encompassed all the sub-portfolios of the Trading Book that are part of the perimeter centrally managed from Portugal, which includes all trading operations related to financial markets and products, namely those carried out by Banco Comercial Português, S.A.

Thus, as of 31 December 2023, own funds requirements for general market risks of the Trading Book were calculated in accordance with the internal models' approach for general risk, within the universe of entities centrally managed from Portugal. For the remaining entities, the own funds requirements were calculated in accordance with the standardised approach.

MARKET RISKS	
Generic risk over debt instruments and equity securities	Internal Model
FX risk	Internal Model
Commodities risk and specific risk over debt instruments and equity securities	Standardised Approach

The Bank uses a standardised approach for specific risk and does not have a Correlation Trading Portfolio (CTP). Hence, incremental risk capital charges, migration risk or specific risk measurement for CTP do not apply.

The RWA and own funds requirements for market risks, as of 31 December 2023 and calculated through the standardised approach are shown in the following tables.

TABLE 66 – TEMPLATE EU MR1 – Market Risk Under the Standardised Approach

(Thousand euros)

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	37,308
2	Equity risk (general and specific)	3,249
3	Foreign exchange risk	160,227
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	**Total**	**200,783**

13.1. Calculation methodologies

The calculation of own funds requirements for general market risk, using the standardised approach, was based on the following methodologies, according to the specific type of financial instrument:

- Debt instruments portfolio: capital requirements for general market risk were calculated according to the maturity-based method, in accordance with Article 339 of Section 2 of Chapter 2, Title IV, Part III of the CRR, and the treatment of positions referred to in Section 1 of the same chapter.
- Equity instruments: own funds requirements for general market risk were calculated in accordance with the methodology described in Section 3, Chapter 2, Title IV, Part III of the CRR.

Additionally, for the application purposes of the internal models' approach, the Group applies a VaR methodology to measure general market risk – including interest rate risk, foreign exchange risk, and equity risk – for all sub-portfolios covered by the previously mentioned authorisation for internal modelling.

The valuation procedures are established in terms of the potential negative impact of market conditions, in both normal and stressful circumstances, on the Trading Book of the Group's business units.

As already mentioned, with respect to risk measurement models used in the Group, the Bank is authorized to use the internal model's approach in assessing the general market risk capital requirements of the trading sub-portfolios that are part of Portugal's centrally managed perimeter (by Banco Comercial Português, S.A.). As of 31 December 2023, the capital requirements calculated by the internal model corresponded to 63% of the total requirements of the Group for market risk.

The methodology used to measure market risk is the Value-at-Risk (VaR), which indicates the maximum losses that can occur in the portfolios, with a certain level of confidence and time horizon. The VaR calculation considers a time horizon of ten business days and a significance level of 99%.

This methodology is widely used in the market and has the advantage of summarizing, in a single metric, the inherent risks of the trading activity, considering the relationships between all of them, providing an estimate of the Trading Book losses as a result of changes in the stock markets' prices, interest rates, FX rates and commodities' prices. Additionally, for some positions, other risks are considered, such as credit spread risk, base risk, volatility risk, and correlation risk.

The daily VaR is determined by calculating the impact, on the current value of the portfolio, of the historical changes of the last years' risk factors, with a daily update of the observation window. As of 31 December 2023, the Bank did not apply any weighting system to the historical variations. The holding period is modeled through multiplying the 1-day VaR by the square root of 10.

In accordance with the implemented methodology, the Bank carries out a total revaluation, using the logarithmic returns of the risk factors; for interest rates, the logarithmic returns of the discount factors are used.

As a complement, other metrics are used for the remaining types of risk, namely, a non-linear risk measure that incorporates the options' risk not covered in the VaR model, with a confidence interval of 99%, and a measure defined by the standard methodology in the VaR model for commodities' risk. These measures are integrated into the market risk indicator with the conservative assumption of perfect correlation between the different types of risk (worst-case scenario).

Regarding the capital requirements calculation, the VaR amount measured is increased by the amount measured for SVaR (stressed VaR). For both the VaR and the SVaR, pursuant to Article 366 of the CRR, a regulatory multiplier is additionally applied.

The SVaR calculation process consists of calculating historical VaR, with a confidence interval of 99%, based on the daily variations of market prices during a stress period of 12 consecutive months. The analysis to define the stress period is carried out weekly and may lead to a review of the period to be considered as the one that maximizes the VaR of the portfolio at the time of analysis. As of 31 December 2023, the stress period considered was the year ending on 29 September 2016.

The SVaR calculation is based on the same methodology and structure used for the VaR, the only difference being the historical period used. Regarding the process of determining the holding period, this also results from multiplying the 1-day VaR by the square root of 10.

The following tables provide quantitative data on the market risk measurement of the Trading Book using the internal model in place.

TABLE 67 – TEMPLATE EU MR2-A – Market Risk under the Internal Model Approach (IMA)

(Thousand euros)

		a	b
		RWAs	**Own funds requirements**
1	**VaR** (higher of values a and b)	134,996	10,800
(a)	Previous day's VaR (VaRt-1)		1,658
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		10,800
2	**SVaR** (higher of values a and b)	211,243	16,899
(a)	Latest available SVaR (SVaRt-1))		1,496
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		16,899
3	**IRC** (higher of values a and b)	0	0
(a)	Most recent IRC measure		
(b)	12 weeks average IRC measure		
4	**Comprehensive risk measure** (higher of values a, b and c)	0	0
(a)	Most recent risk measure of comprehensive risk measure		
(b)	12 weeks average of comprehensive risk measure		
(c)	Comprehensive risk measure Floor		
5	Other	0	0
6	**Total**	**346,239**	**27,699**

TABLE 68 – TEMPLATE EU MR2-B – RWA Flow Statements of Market Risk Exposures under the IMA

(Thousand euros)

		a	b	c	d	e	f	g
		VaR	**SVaR**	**IRC**	**Comprehensive risk measure**	**Other**	**Total RWAs**	**Total own funds requirements**
1	**RWAs at previous period end**	124,562	208,675				333,237	26,659
1a	Regulatory adjustment	-93,551	-173,249				266,799	21,344
1b	RWAs at the previous quarter-end (end of the day)	31,011	35,427				66,438	5,315
2	Movement in risk levels	-10,291	-16,731				-27,021	-2,162
3	Model updates/changes							
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements							
7	Other							
8a	RWAs at the end of the reporting period (end of the day)	20,720	18,696				39,417	3,153
8b	Regulatory adjustment	114,276	192,547				306,823	24,546
8	**RWAs at the end of the reporting period**	**134,996**	**211,243**				**346,239**	**27,699**

Own funds requirements for specific market risk are calculated in accordance with the standardised approach, including those of the trading areas for which Banco de Portugal authorised the use of the internal models' approach to calculate the general market risk, as previously mentioned.

These requirements were determined for all the positions of the Group's Trading Book, pursuant to Sub-Section 1, Section 2, Chapter 2, Title IV, Part III and article 342 of Section 3, Chapter 2, Title IV, Part III of the CRR, according to the type of financial instruments involved (debt or equity instruments, respectively).

TABLE 69 – TEMPLATE EU MR3 – IMA Values for Trading Portfolios

(Thousand euros)

		a
VaR (10 day 99%)		
1	Maximum value	3,837
2	Average value	1,429
3	Minimum value	488
4	Period end	1,322
SVaR (10 day 99%)		
5	Maximum value	6,490
6	Average value	3,383
7	Minimum value	869
8	Period end	943
IRC (99.9%)		
9	Maximum value	
10	Average value	
11	Minimum value	
12	Period end	
Comprehensive risk measure (99.9%)		
13	Maximum value	
14	Average value	
15	Minimum value	
16	Period end	

In 2023, the average value of stressed VaR, for the Trading Portfolio, was EUR 3,38 million. As of 31 December 2023, the value of this metric was EUR 0,94 million.

13.2. Stress tests on the trading book

Besides calculating VaR to identify the concentration of risks not captured by that metric and assess other possible losses, the Group continually tests a wide range of stress scenarios on the Trading Book, encompassing all portfolios, and analyses the results of these stress tests.

The table below summarises the results of these tests on the Group's global Trading Book as of 31 December 2023, indicating that exposure to various risk factors is limited. The main risk under standard scenarios tested, is an increase in interest rates, especially when accompanied by a decrease in the slope of the yield curve. Regarding non-standard scenarios, the main risk relates to the historical scenarios.

TABLE 70 – Stress Tests Over The Trading Book

(Thousand euros)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+ 100 bps	-2,193
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	- 25 bps	-14
4 combinations of the previous 2 scenarios	+ 100 bps & + 25 bps	-2,181
	+ 100 bps & - 25 bps	-2,206
Variation in the main stock market indices by +/- 30%	+30%	-2,069
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-429
Variation in swap spreads by +/- 20 bps	+20 bps	-49
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	-1,009
Significant vertices(1)	Undiversified VaR	-1,165
	Diversified VaR	-464
Historical scenarios(2)	15-Jul-11	-2,873
	27-Jan-12	-3,577

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

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

13.3. Valuation of financial instruments

Valuation of financial instruments is based on market prices whenever available or estimated through internal models based on cash-flow discounting techniques. The fair value obtained is influenced by cash flow characteristics and parameters such as discount rates used in the valuation models, which may have some degree of judgment.

The valuation of the financial assets and liabilities is subject to controls by a unit independent from its negotiation, as described in the Group's internal regulations, and the valuation models are reviewed by the Office for the Validation and Monitoring of Models (GAVM). Segregation between position-taking and position-valuation is also considered at the level of information technology systems that intervene in the overall process involving management, valuation, settlement and accounting of these transactions.

13.4. Backtesting of the internal models approach

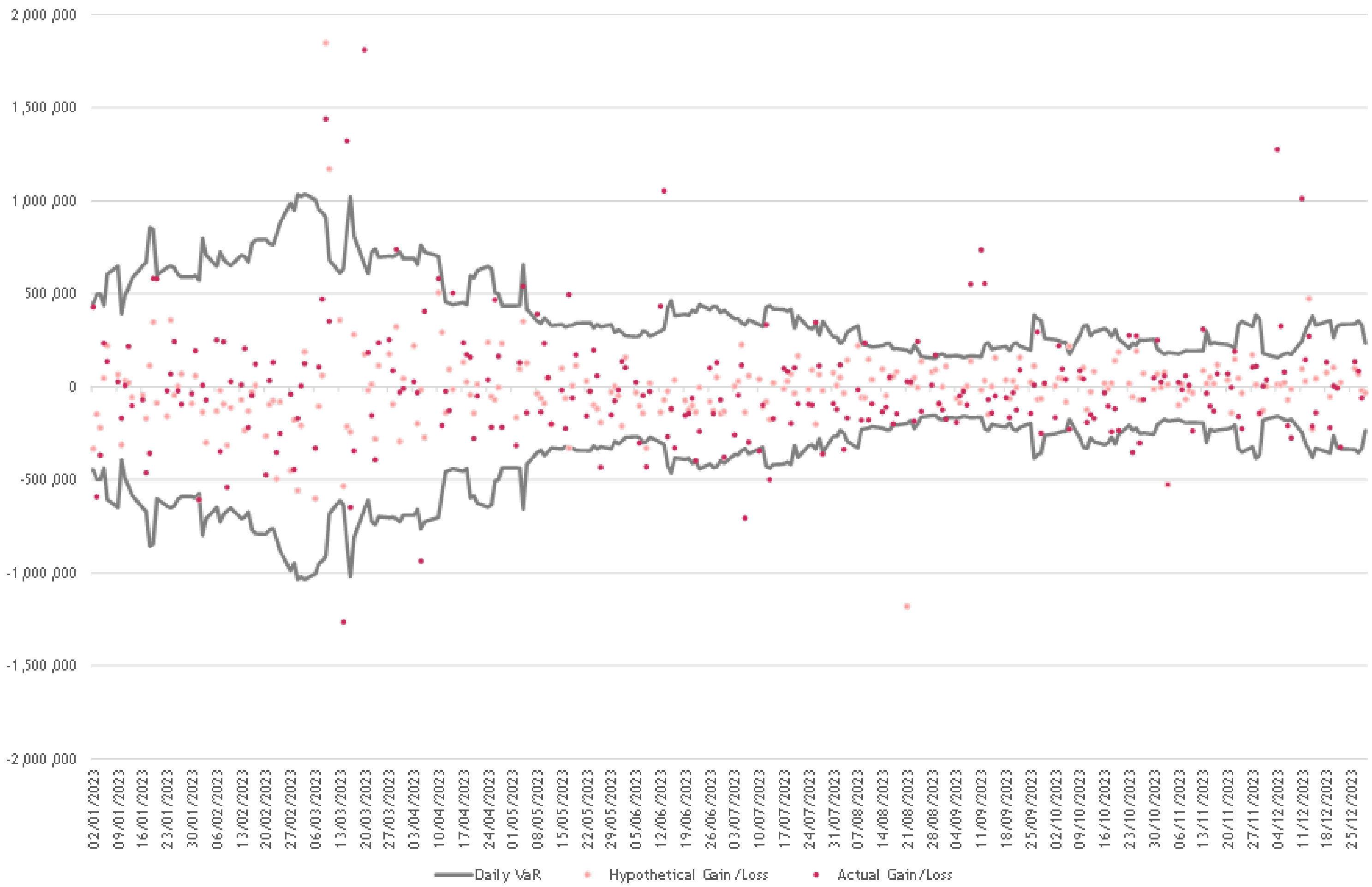
The Group conducts backtests of the internal models' approach results, comparing them to theoretical results obtained by the target portfolio of the calculation, unchanged between two consecutive working days and revaluated at market prices of the second day. Additionally, the Group has a complementary process to verify model results against actual results obtained, excluding the effects of operations carried out via intermediation.

The accuracy of the model used to estimate general market risk is monitored daily through the backtesting process, comparing the risk values computed on a given day (VaR) with the theoretical result of applying the following day's market rates to those exposures.

Graph 2 depicts the results of hypothetical and actual backtesting, for the Trading Book centrally managed from Portugal. In 2023, four negative excesses were observed over the hypothetical results predicted by the model, in 257 days of observations. Simultaneously, twenty overshootings on actual gains and losses in the portfolio were observed. The excesses were due to the increased volatility in the foreign exchange market, as well as in interest rate and equity markets.

GRAPH 3 – TEMPLATE EU MR4 – Comparison of VAR Estimates with Gains/Losses

(Euros)



14. Operational Risk

As of 31 December 2023, and 2022, the Group calculated the own funds requirements for operational risk in accordance with the standard approach, pursuant to the authorisation granted by Banco de Portugal, as previously mentioned.

The computation of the own funds requirements results from the application of a set of weights to the components of gross income that refer to the activity segments, according to the regulatory definitions.

The framework for this calculation is provided by Title III of Regulation (EU) 575/2013 (CRR), also considering additional clarifications received from Banco de Portugal, namely, with respect to the accounting items considered in the determination of the gross income.

14.1. Gross income

The gross income results from the sum of the net interest income, dividends received (except the income from financial assets with an "almost capital" nature – shareholders' advances), net commissions, profits and losses arising on financial transactions associated to trading operations and other operating income. From these last items, the following are excluded: those that result from the sale of shareholdings and other assets, those with reference to discontinued operations and those resulting from negative consolidation differences. The interest in arrears recovered and expenses, which, on a consolidated basis, is recorded in the reversions of impairment losses item, is also added to the gross income.

Yet, nor the commissions related to the insurance activity, nor the compensations received as a result of insurance contracts nor the revenues from the insurance activity are added to the value of the gross income. Finally, the other operating expenses cannot contribute to the reduction of the gross income value, with exception of the costs resulting from outsourcing provided by external entities to the Group or by entities that are not subject to the provisions of CRR.

The values thus obtained for the above-mentioned items are adjusted by the non-current amounts of the activity that are eventually still included in the gross income.

14.2. Operational risk – standard approach

The own funds requirements calculated in accordance with the standard approach are determined by the average, over the last three years, of the sum of the risk weighted gross income, calculated each year, relative to the activity segments and the risk weights that are defined in article 317 of CRR, whose scope corresponds in general terms to the following:

- Corporate Finance (subject to an 18% weight): underwriting activities and related services, investment analysis and other financial consulting activities.
- Trading and Sales (subject to an 18% weight): dealing on own account and intermediation activities in monetary and financial instrument markets.
- Retail Brokerage (subject to a 12% weight): placement of financial instruments without a firm underwriting and intermediation of orders relative to financial instruments, on behalf of private Customers and small businesses.
- Commercial Banking (subject to a 15% weight): taking deposits and credit and guarantee concession and undertaking other commitments to companies.
- Retail Banking (subject to a 12% weight): taking deposits and credit and guarantee concession and undertaking other commitments to private Customers and small businesses.
- Payment and Settlement (subject to an 18% weight): payment operations and issue and management of means of payment activities.
- Agency Services (subject to a 15% weight): services associated to the safekeeping and administration of financial instruments.
- Asset Management (subject to a 12% weight): investment fund and individual portfolio management activities.

The gross income by activity segments, on a consolidated basis, resulted from the aggregation of the values obtained for the perimeters of Portugal and of each one of the Group's foreign operations, determined based on homogeneous criteria and common to all geographies.

The gross income by activity segments for Portugal and Poland was calculated based on their financial statements, complemented with information collected from their management information systems, whereas for Mozambique, only accounting information was used. With respect to the subsidiary in Poland, the entire calculation process was conducted locally, taking into consideration that it is an operation with a diversified activity, which requires the contribution of own management information systems. On the other hand, Mozambique, with a standardised activity concentrated in the Retail segment, was treated centrally.

The gross income segmentation of the activity in Portugal and Poland was based on information by business segments, produced for the purposes of internal management and market disclosure. In a first phase, the business segments and operational risk segments that present the greatest perimeter similarities were identified. Subsequently, the necessary transfers between the various segments, of zero sum, were carried out, to achieve a perimeter in line with what is required for the purposes of operational risk, in each segment.

In addition, the calculation of the gross income by activity segments for Mozambique, was based on the financial statements, as previously mentioned. Bearing in mind that this subsidiary develops a retail activity, the gross income was allocated, in a first phase, to the Retail Banking segment, with exception of the values recorded in the profits and losses arising on financial transactions item, which, by its nature, are immediately placed in the Trading and Sales segment, and subsequently the transfers for achieving a segmentation in line with the defined perimeter for the gross income are carried out. On 31 December 2023, this calculation was carried out for the operation of Mozambique, in addition to Bank ActivoBank, which, although develops its activity in Portugal, verifies the same assumptions and, thus, follows the same methodology.

Having concluded these procedures and the consolidation of the Group's activities, the segmented gross income was obtained in conformity with the requirements defined for the purposes of operational risk, to which the calculation methodology and the previously mentioned weights were applied, and the respective capital requirements were obtained.

As of 31 December 2023, the Group reported around 388 million euros of own funds requirements for operational risk, having reported 334 million euros as of 31 December 2022.

TABLE 71 – TEMPLATE EU OR1 – Operational Risk Own Funds Requirements and Risk-Weighted Exposure Amounts

(Thousand euros)

	Banking activities	a	b	c	d	e
			Relevant indicator		Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	2,318,938	2,937,652	3,599,855	388,323	4,854,039
3	Subject to TSA:	2,318,938	2,937,652	3,599,855		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

14.3. Operational risk management

Operational risk management is based on an end-to-end process structure, defined for each of the Group's subsidiaries, and the responsibility for their management was given to process owners, who must: characterise operational losses captured within their processes; carry out the Risk Self-Assessment (RSA); identify and implement the appropriate measures to mitigate exposures, contributing to reinforce internal control; and monitor key risk indicators (KRI).

Risks self-assessment

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

R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Issues of workplace health & safety
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software problems
R8 Problems related to telecom services & lines
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Product flaws/errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business risks
R18 Project Risks
R19 Outsourcing related problems
R20 Other third parties' related problems

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

The 2023 RSA exercise for operational risk processes incorporated:

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

In 2023, the results of the RSA covering the operational processes of Portugal, Poland and Mozambique, for the 20 risk sub-types assessed, point to moderate operational risk levels. In Portugal, on a total of 2164 applicable risks, only 18 residual risks were classified as medium or high (score of 3 or 4, in a scale of 0 to 5, in which 0 = risk not applicable and 5 = catastrophic risk). In Poland and Mozambique, the number of medium/high residual risks was of, respectively, 52 (out of 1646 applicable risks) and 21 (out of 499 applicable risks).

Operational losses capture

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

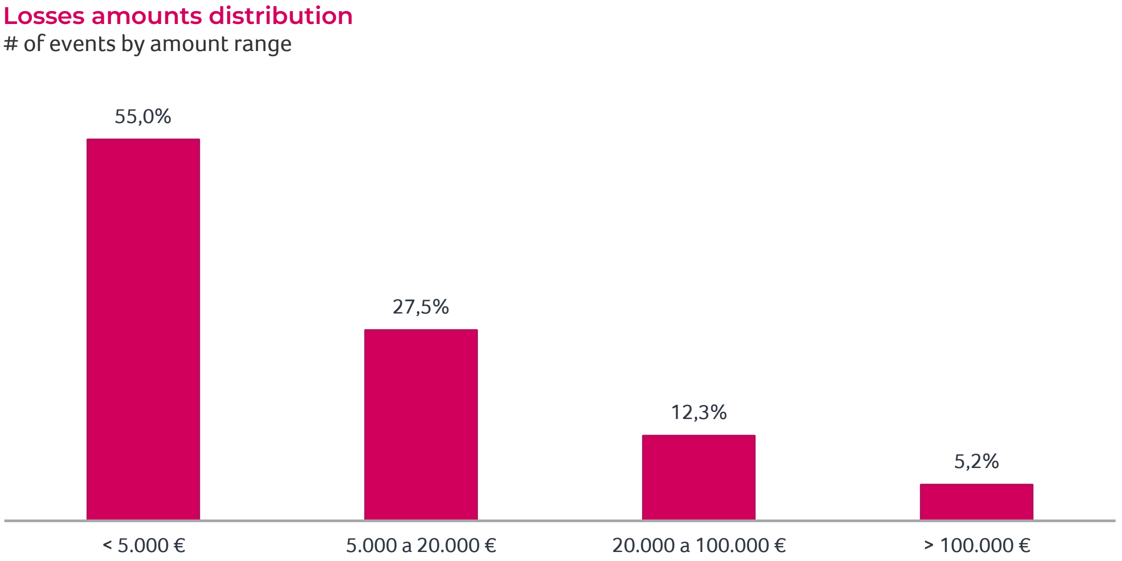
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

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

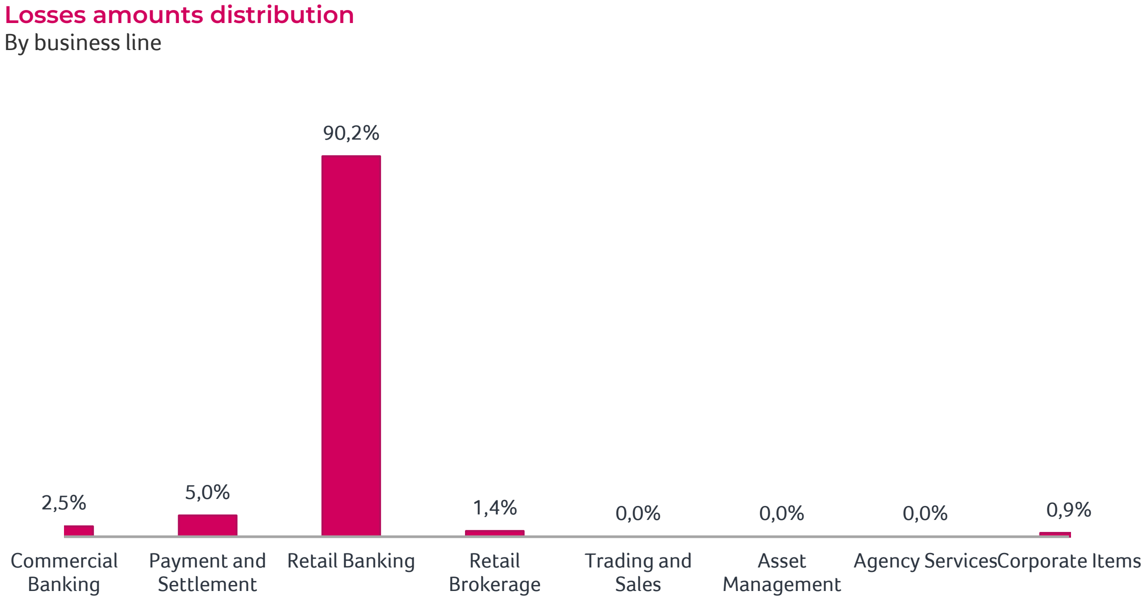
The following graphs present the profile of the losses captured in 2023:

GRAPH 4 – Loss Amount Distribution, by Cause

GRAPH 5 – Loss Amount Distribution, by Amount Range



GRAPH 6 – Loss Amount Distribution, by Business Line



Regarding the distribution of losses by cause, the weight of those relating to 'External risks' and 'People risks' totalled around 72.5%, corresponding essentially to external and internal fraud events, respectively. This distribution of losses does not include the accruals relating to legal cases of foreign currency mortgage loans from Bank Millennium (Poland), which are allocated to the year of registration of the global event in question (2022) and was influenced by a significant increase in losses due to external fraud in 2023, caused by events related to frauds in credit operations in Poland and Mozambique.

In what concerns the distribution of losses by amount range (in number of losses), there was no change on the typical profile of the distribution of operating losses in 2023.

Finally, regarding the distribution of losses by business line, the weight of losses for 'Retail banking' was much lower than in 2022 (which was of 90.2%), in contrast to the weight of 'Payments and settlements' and 'Trading and sales' which, together, reached a weight of around 21.3% (c. 5.0% in 2022). The increase in the weight of these segments was caused, mainly, by an event in Poland relating to a product with high FX risk that has been discontinued for some years.

Key risk indicators (KRI)

A set of KRI is used by the Group's various operations to monitor the processes risks. These KRI are management instruments represented by metrics that aim at the identification of changes in risk profiles and in controls effectiveness, so as to act preventively and avoid turning potential risk situations into actual losses. Within the process's management, a set of performance and control indicators is also used (Key Performance Indicators and Key Control Indicators) contributing to the detection of risks, even though it is more oriented towards the assessment of operating efficiency.

Scenario Analysis

The Scenario Analysis is an exercise realized every three years in which all the macro process owners participate, as well as the heads of selected Divisions, aiming at the impact assessment of extreme and relevant events - potential risks of high severity (low frequency/high impact) – even if this type of events has never occurred at the Bank. The results of this exercise are integrated in the losses estimation model that was developed for the ICAAP and this data is also used for risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

Business continuity management

At the beginning of 2023 in Portugal, the Bank began a project to renew and overhaul its Business Continuity Management System (SGCN), with the aim of simplifying and optimising its operating and governance models.

The initiatives developed required the necessary participation of the various areas of the Bank that play a relevant role in Business Continuity Management (BCM): information and communication technologies (IT Division), information security (Information Security Division), corporate and customer communications (Communication Division), operational risk (Risk Office) and other business and/or support areas. The following activities were completed as part of the project:

- The assessment of the SGCN's current level of maturity in relation to best practices and current regulations.

- Review of risk scenarios to be considered in business continuity planning.
- The redesign of the operating and governance models in line with the latest developments and threats identified.
- Definition of a new BIA (business impact analysis) methodology for analysing/assessing the severity of potential impacts and inclusion of an intermediate phase for assessing the impact of risk associated with critical resources (RIA – risks' impact analysis).
- The development of a 'proof of concept' to test the suitability of the ongoing reformulation, specifically in terms of the degree of scenarios considered and the priorities defined for recovery.
- The revision and creation of normative documents to support the SGCN.
- At the end of 2023, the following activities of this revamping were still in deployment:
- Definition and approval of the test plan (in accordance with the revised BCM definitions), aligned with the areas responsible for critical resources.
- Creation of training content and definition of a global training plan for employees, together with the Human Resources Department.
- Finalising the preparation and publication of business continuity plans associated with scenarios and the respective critical resources affected.

The revamping of the SGCN is expected to be concluded within the first half of 2024.

In Poland, as usual and along the established lines, business continuity management was assessed in the 1st half of 2024 by carrying out a business impact analysis (BIA) for the risks of 91 operational processes (including 2 new ones), the results of which were presented to Bank Millennium's Processes and Operational Risk Commission. This exercise resulted in no changes in the severity of the impacts analysed. In the first half of the year there was also an inspection visit by the Polish Central Securities Depository (KDPW), which resulted in a positive assessment of the Bank's alternative spaces for continuing its operations. In the last quarter of the year, tests and workshops were carried out on the backup facilities and infrastructure (equipped with 17 workstations, 2 hot desks and printers), which were completed with no remarks. In what concerns the remote-working tests (which covered entire units and not just their critical positions, in order to achieve results without any involuntary influence from those who remained at the office), these involved 293 employees from 72 units and were completed with a 96.93% level A assessment (without any restrictions in terms of the full execution of current activities) and a 3.07% level B (normal execution of activities, despite some minor limitations, relative to systems or equipment).

In Mozambique, in the first half of 2023, the business continuity team of Millennium bim was mainly involved in documentation management, pursuing the review the Business Recovery Plans of the organisational units involved in critical processes, in terms of human and technological resources. Regarding the equipment of alternative spaces, efforts were made to provide IT capabilities for those premises, along with the capacity to mobilise employees in up to 24 hours (as it existed before the pandemic), as a recognition of the need to proceed with integrated exercises, with evacuation drills and the provision of technological means, within the defined recovery period.

In the second half of the year, business continuity management at Millennium bim focussed on reviewing and validating the BIA of critical processes with the respective Process Owners, with a view to align process recovery requirements for the units involved in those processes. An analysis of cybersecurity was also carried out during the second half of 2023, to take specific preventive actions against this disruptive threat within the scope of the SGCN.

17 Millennium bim units were involved In the two recovery exercises carried out in 2023 (alternative location, each lasting 3 days), using alternative technological processing resources for the processing of Cards, POS and of the Accounting Control Centre team that manages the electronic currency interoperability process.

Insurance contracting

In addition, the Group maintains an insurance contracting policy as an instrument to mitigate potential financial impacts associated with the occurrence of operational risks, by transferring, partially or in full, the risks pertaining to assets, people or liabilities before third parties.

The proposals for new insurances are submitted by the process owners, within the scope of the operational risk management powers regarding their processes, or presented by the heads of areas or structure units, being analysed by the Compliance and Operational Risks Commission and subject to a decision by the EC.

15. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book (IRRBB) is the risk to earnings and capital in the banking book due to movements in interest rates. It involves the measurement and monitoring of the following interest rate risk subtypes:

Gap risk: the current or prospective risk to earnings, capital and liquidity arising from direct or indirect financial losses in the banking book due to movements in interest rates and mismatch between assets and liabilities, making the bank vulnerable to changes in the yield curve, under the current behavioural and prepayment customer and product profiles.

Behavioural and optional risk: the current or prospective risk to earnings, capital and liquidity arising from early unscheduled return of principal on interest rate sensitive asset and liabilities (e.g. changes in the behavioural profile of classes of customers and products, including embedded options).

Basis risk: the impact of relative changes in interest rates for assets and liabilities that are priced using different interest rate curves.

15.1. IRRBB measurement and monitoring

The Group measures interest rate sensitive balance sheet items to potential changes in interest rates both in terms of an Economic Value of Equity (EVE) and an Earnings at Risk (EaR) perspective.

Economic Value of Equity (EVE) perspective

The EVE perspective quantifies the potential for change in the price/value of interest sensitive assets, liabilities and off- balance sheet items, plus all the known and highly expected transactions in the pipeline. The EVE measure reflects changes in value over the remaining life of the assets, liabilities and off-balance sheet items, i.e. until positions have run off.

Earnings at Risk (EaR) perspective

The net interest income perspective (EaR or NII perspective) quantifies the short-term impact on income/cost of interest sensitive assets, liabilities and off-balance sheet items affecting the Net Interest Income of the Group, in a context of a static balance sheet approach. The NII perspective covers the short to medium term simulated impacts due to interest rate movements, in terms of profit and loss account. The EaR perspective incorporates the impact of fair valued (FV) items on earnings due to changes in interest rate movements.

The EVE is the result of the discounting process of the expected future cashflows of interest rate sensitive assets, liabilities, and off-balance sheet items according to the EBA Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/04). The monitoring of the interest rate risk takes into consideration the financial characteristics of the contracts available in the systems' databases and the respective expected cash flows are projected in accordance with their repricing dates.

In regards, to the EaR (NII & FV) measurement the Group employs a cash flow approach on a transactional basis, considering a principal and interest amounts, under a constant balance sheet assumption, according to which the total balance sheet size and shape is maintained by assuming that maturing assets/liabilities are replaced by identical through the measurements time horizon.

Both measurements, of EVE and EaR (NII) are based on the computation of the difference between a base scenario and a stressed scenario which results from a sudden or gradual interest rate movement, resulting to the IRRBB metrics and risk indicators of ΔEVE and ΔNII.

In respect to basis risk the Group monitors the interest rate sensitive balance sheet items to the repricing bucket of its underlying interest rate index, floating and administered, and capturing the risk of having unequal variations in different indices with the same repricing period.

15.2. Management model and mitigation strategies

The BCP Board of Directors has the overall responsibility for the risk management and control framework in BCP Group, including setting, approving and overseeing the effective implementation of a risk culture.

The Risk Assessment Committee (CAVR), by delegation from the Board of Directors, has the role to advise and support the Board of Directors regarding the Group's risk appetite and strategy, including the policies for identifying, managing and controlling the Bank's risk. The CAVR has the ultimate responsibility for approving the broad IRR management strategies as well as the overall policies with respect to IRR.

The Capital, Assets and Liabilities Management Committee (CALCO) is responsible for the management of the IRR exposure, thus is responsible for the strategies and approach to the Interest Rate Risk/Assets-Liabilities Management.

Risk Commission by delegation of the Group's Executive Committee, is responsible for the IRR/ALM control.

Group policies set out the concepts, principles, rules and the organizational model, governance, applicable to the interest rate risk management and control of the Banking Book (non-trading activities) of *Banco Comercial Português* (BCP) and at BCP Group level.

The Group has established a robust Interest Rate Risk Framework adopting best practices, aligned with regulatory requirements and guidelines in compliance with the limits setforth through the Risk Apettite Framework of the Group and respective RAS.

The Risk Office functions related with Interest Rate Risk in the banking book include measuring, monitoring and reporting of risk positions, sensitivity and stress tests; ensuring the adequacy of the risk transfer process; proposing the IRRBB limits for the Banking Book for the Group and each Entity to the Risk Commission; evaluating the implications on the IRRBB of the launching of new products; reporting the occurrence of any excesses over the approved limits.

The Studies, Planning and ALM Division (BCP's DEPALM) is responsible for the daily management of the ALM portfolio and for the implementation of the CALCO decisions regarding the management of the IRRBB in Portugal.

Mitigation techniques are employed to hedge the interest rate risk arising from banking book positions. Interest rate swaps are used to offset impact of changes in fair valued items such as fixed rate instruments. The same instruments are used to hedge against cash flow variability of the variable rate instruments, as a result of changes in interest rates. Both types of hedging strategies are carried out in the Group subject to approval in order to steer the sensitivity of interest rate changes of assets (e.g fixed and floating rate loans and securities) and liabilities (e.g non-maturity deposits and issued debt).

The Group assesses the effectiveness of hedging relationships, in terms of changes in fair value or cashflows of the hedging instrument relative to the changes in fair value or cash flows of hedged item regularly. Monitoring on the impact of hedging strategies on EVE and EaR is in place and performed monthly.

The Model's Validation Unit (GAVM) is responsible for the initial and subsequent validations of the internal behavioural models used for the IRRBB measurement and quantification and by providing an independent opinion on the evaluation methodologies applied for EVE and NII risk assessment.

Internal Audit (DAU) within the scope of supervising the existence of an adequate risk control organization, an effective risk management and internal control systems at the levels of BCP Group and of each Entity is responsible for reviewing the IRRBB identification, measurement, monitoring and control processes.

15.3. Interest rate shock and stress scenarios

The Group measures the main IRRBB measures, EVE and EaR (NII) with a series of internal and regulatory sensitivity scenarios/shocks using both parallel and non-parallel shifts of the interest rate curves, for all currencies, and analysing the results derived (ΔEVE and ΔNII).

The scenarios are designed based on the EBA guidelines EBA/GL/2018/02 but the scenarios are not limited to the regulatory requirements and further scenarios are performed according to the Group's expectations on the movements of interest rates that are deemed appropriate and necessary.

Below a description of the six regulatory stress scenarios (Supervisory Outlier Test) performed within the standard EVE outlier test performed on a regular basis:

(i) parallel shock up. Constant positive shock applied to the current yield curve throughout all tenors;

(ii) parallel shock down. Constant negative shock applied to the current yield curve throughout all tenors;

(iii) steepener shock (short rates down and long rates up). Captures rotations to the term structure of the interest rates curves, whereby both the long and short rates are shocked, and the shift in interest rates at each tenor is obtained through a predefined formula;

(iv) flattener shock (short rates up and long rates down). Captures rotations to the term structure of the interest rates curves, whereby both the long and short rates are shocked, and the shift in interest rates at each tenor is obtained through a predefined formula;

(v) short rates shock up and (vi) short rates shock down. Shocks that are greatest at the shortest tenor midpoint and diminish, gradually, towards zero at the tenor of the longest point in the term structure based on a prescribed scaling factor.

Additionally, the Group performes scenarios of a parallel shift to the yield curve of +/- 100bps and +/- 200bps.

In terms of EaR (NII), a set of scenarios of a parallel shift to the yield curve of +/- 100bps and +/- 200bps is performed on a regular basis, incorporating if applicable the impact of interest rate movements on fair value items.

Also, stress tests are carried out for all Group positions for which interest rate risk is a relevant component, by considering different macroeconomic scenarios that contemplate several variables of analysis.

The macroeconomic scenarios are designed based on the prevailing economic situation and on the impact that may result from changes in the main risk analysis variables - namely, on traded assets prices, interest rates, exchange rates, default probabilities and the recovery rates of non-performing exposures.

In accordance with article 448 of the Capital Requirements Regulation 2013/575/EU (CRR) and article 84 of the Capital Requirements Directive 2013/36/EU (CRD), the following table shows the impact of the Group's economic value of equity and net interest income for the banking book positions from interest rate changes between December 30, 2023, and September 30, 2023.

TABLE 72 – TEMPLATE EU IRRBB1 – Interest Rate Risks of Non-Trading Book Activities

(Thousand euros)

		a	b	c	d
Supervisory shock scenarios		Changes of the economic value of equity		Changes of the net interest income	
		Dec-23	Sep-23	Dec-23	Sep-23
1	Parallel up	108,097	68,076	263,357	259,130
2	Parallel down	-105,993	-75,147	-263,350	-259,115
3	Steepener	212,137	203,902		
4	Flattener	-227,743	-177,834		
5	Short rates up	-254,953	-151,839		
6	Short rates down	269,643	172,471		

The Bank's exposure to interest rate movements is in December higher than what was observed in September 2023. The Group's metric of Economic Value of Equity SOT-six regulatory scenarios (parallel and non-parallel), show a negative impact from interest rates short rates movements up from EUR and PLN denominated exposures.

The sensitivity to net interest income is calculated for an interest rate shock of +/-200 basis points in all currencies and following all methodologies and principles defined for internal metrics.

The maximum economic value of equity loss in December 2023 was -254,9 million euros corresponding to 3.86% of Tier 1 capital on a Group level as of reference date, whereas the one-year loss in net interest income was €-263.3 million as of December 2023 circa 3.99% of Tier 1 capital.

The impact of hedging activity on EVE sensitivity (parallel shock of +100bps) stood at -196.4 million euros and -43.1 million euros for cash flow hedging strategies (CFH) and fair value hedging strategies (FVH), respectively. The impact of hedging activity on the sensitivity of NII 12months projections under a parallel shock of +100bps stood at -73.3 million euros and 8.6 million euros for CFH and FVH, respectively.

For the purposes of prudency and completeness, the Group considers all currency exposures in the measurement of IRRBB. Reported values consider the aggregation of exposures for all currencies by summation of individual impacts.

15.4. Modelling assumptions

With respect to the key modelling assumptions used for the analysis of behavioural optionality the Group takes into consideration both the contractual and behavioural characteristics of the balance sheet's interest rate sensitive items according to regulatory requirements and best practices. Subject to behavioural optionality modelling are the following:

Non-maturity deposits

The Group has developed a model to estimate the term structure of the NMDs for the Retail and Corporate portfolio (BCP and ActivoBanco). Initially deposits are separated between the stable and non-stable part of each NMD category using observed volume changes over a time horizon of 10 years. Lastly, an econometric model estimates the NMD core portion, taking into account the relevant macroeconomic and financial variables considering a confidence level of 99%.

The total volume of non-maturity deposits amounted to 27.2 billion euros as of December 2023, of which 24.1 billion euros were considered as core non-maturity deposits. The proportion of stable non-core and non-stable components of non-maturity deposits are treated as a short-term liability. The average maturity considered for non-maturity deposits was 3.6 years constrained to a maximum of 5 years.

Loans subject to prepayment risk

The model perimeter of Portugal includes BCP and ActivoBanco of consumer loans in EUR currency, while models for mortgage and consumer loans have been developed in Poland. The conditional prepayment rate is estimated based on the elapsed maturity, the central tendency of the prepayment rate and the prepayment incentive related to the evolution of interest rates.

Non-maturity assets

In 2023 for items for which there are no defined repricing dates, the following assumptions of repricing terms were applied:

- *Nostro* and *Vostro* Accounts: assumption of repricing in 1 month;
- Demand deposits at central banks: assumption of repricing in 1 month;
- Roll over credit/Current accounts, Overdrafts, Credit cards and Factoring: assumption of repricing until 1Y and up to 5Y for fixed rate transactions. Floating rate transactions consider contractual repricing;
- Undrawn amount from fixed-rate credit lines: assumption of repricing within 1Y (1M 60%, 3M 30%, 6M 10%).

16. Credit Spread Risk in the Banking Book

Additionally, the Group assesses and monitors the credit spread risk of the non-trading book activities as per the Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk of institutions' non-trading book activities, as specified in EBA/GL/2022/14.

The credit spread risk in the banking book (CSRBB) measures the impact of the market credit spread and market liquidity spread changes on the economic value of equity and earnings at risk perspective (net interest income and market value changes).

The sensitivity is measured by the CS01 metric defined as the economic value sensitivity of a one basis point shock applied to the market credit/liquidity spreads. Furthermore, scenarios (widening and tightening) to the market credit/liquidity spreads are used to monitor the credit spread sensitive assets, liabilities and off -balance sheet items in terms of impact on value and earnings metrics.

17. Liquidity Risk

17.1. Liquidity risk management and assessment

Liquidity management

The liquidity management of the BCP Group is coordinated at the consolidated level, in accordance with the principles and methodologies defined at the Group level. The Consolidated Liquidity Plan, an integral part of the annual budget and planning process, is the main instrument used in pursuing this objective.

The Group's liquidity management policy aims to limit interdependence between the various entities that comprise it. Accordingly, each geography must maintain and guarantee autonomy regarding the management of its financing needs, maintaining its own liquidity buffers appropriate to the size and risk profile of the respective operation, so as not to depend on other entities of the Group.

In recent years, the Group's three main operations have been registering an evolution of the commercial gap showing a sustained growth of customer deposits, mainly retail and therefore of great stability. This trend, which was accentuated after the outbreak of the COVID19 pandemic and remained unchanged after the invasion of Ukraine (with a temporary exception during the first half of 2023 in Portugal, due to the migration of deposits to state saving products), involved a reduction in the use of market financing in liquid terms, which at the end of 2023 is limited mainly to market issues carried out in the scope of the regulatory MREL (Minimum Requirements for Own Funds and Eligible Liabilities) requirements.

Liquidity risk assessment

The Group's liquidity risk assessment is based on the calculation and analysis of the regulatory indicators defined by the Supervisory authorities, as well as other internal, short-term, and structural metrics, for which exposure limits are monitored and reviewed regularly and approved by the Risk Commission or by the BoD, in case of RAS metrics.

The Group's Risk Appetite Statement (RAS) defines, in a consolidated perspective, a set of short term and structural liquidity indicators and respective limits, which are then reflected in the Corporate RAS of each of the Group's main operations, to reinforce consistency in risk assessment and greater efficiency in centralized monitoring. Internal limits are typically more stringent than regulatory ones, ensuring prudent liquidity risk management.

The LCR (Liquidity Coverage Ratio), the indicators of loan to deposits and assets eligible for discount available on the ECB and other central banks vs clients' deposits and the evolution of wholesale funding are monitored at least weekly.

The main entities monitor short-term liquidity indicators daily according to a centrally defined methodology, an information which is gathered on a daily dashboard reported to the senior management of the Group.

Concomitantly, the Group's liquidity position is regularly analysed, identifying the factors that justify deviations from the consolidated Liquidity Plan and by entity. This analysis is submitted to CALCO, which, when applicable, decides the appropriate measures to maintain adequate financing conditions. The Risk Commission is responsible for the continuous assessment of the liquidity risk methodological framework and for approving and controlling limits for exposure to that same risk.

To avoid the appearance of a liquidity crisis or to act immediately if it materializes, the result of the Early Warning Signals system of the Liquidity Contingency Plan is reported weekly to the management bodies through a score that summarizes several indicators that monitor the evolution of liquidity risk factors.

The control of liquidity risk is further reinforced by periodic stress tests, carried out to assess the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil their short-term obligations in various crisis scenarios. These tests are also used to support the liquidity contingency plan and decision-making on the subject, including periodic measurement of capacity counterbalancing measures set out in the Recovery Plan.

17.2. Management model

The Group's liquidity management is coordinated at the level of the BCP Group under the responsibility of CALCO aiming to promote an efficient financing policy both from a short-term and structural perspective.

The BCP Group's Liquidity Plan, prepared on a consolidated basis for the Group and individually for the main entities, aims to ensure the alignment of the expected evolution of incoming and outgoing liquidity flows resulting from commercial and corporate objectives with prudent treasury management and maintenance of adequate liquidity levels, respecting the regulatory risk limits and those defined internally in the Group's RAS and in the RAS of the different geographies, thus ensuring the alignment in the monitoring of risk appetite in all entities of the BCP Group and along the main risk-taking dimensions.

Liquidity management is carried out by the subsidiaries autonomously, aiming at their self-sufficiency and guaranteeing independence in relation to the other units of the Group.

The mentioned liquidity risk management and assessment methodologies and the refinement of the government model dealt with succinctly in this section are continually reassessed in the Internal Liquidity Adequacy Assessment Process (ILAAP), which is materialized annually in a document prepared in accordance with the guidelines of the European Banking Authority and the European Central Bank, summed up in a document representing the Group's self-assessment of liquidity and risk management strategy and practices.

The ILAAP is, therefore, a key component of the Group's liquidity risk management framework, and consists of a coherent set of principles, policies, procedures, and structures in order to ensure that the Group adequately manages liquidity risk within the limits defined in RAs of the consolidated level and for each entity. The improvement opportunities identified at ILAAP give rise to detailed action plans, to guarantee a permanent adaptation of the liquidity risk management methodologies and governance to the challenges faced by the Group and the pursuit of best practices. ILAAP systematically deals with the main components of liquidity management and the respective risks according to the following structure:

Liquidity and funding risk management:

- Definition of a framework of procedures, responsibilities, methodologies, and rules used by the Group to approach liquidity and funding risk management.

Funding strategy:

- Assessment of the Group's policies and procedures regarding its ability to fund its liquidity needs.

Liquidity buffer and collateral management:

- Documentation of the Bank's practices concerning the management of assets that are either eligible as collateral in refinancing operations with central banks or eligible for the LCR buffer.

Cost benefit allocation mechanism:

- Assessment of the Bank's approach for liquidity transfer pricing.

Intraday liquidity risk management:

- Bank's methodology for managing intraday liquidity risk, as well as of the mechanism that allow to obtain supporting and root-cause information for registered incidents related to obligations that were not met in a timely manner.

Regulatory indicators monitoring:

- Alignment of the regulatory requirements defined by the supervision with the Group's current liquidity management requirements and monitoring of its adequacy, through internal limits developed from common and transversal concepts to the Group.

Liquidity stress testing:

- Execution of liquidity stress tests on a regular basis, with a periodical review of the methodologies.

Liquidity Contingency Plan:

- Presentation of the lines of responsibility for designing, monitoring and executing the Contingency Funding Plan along with the methodologies for the early detection of tension situations and an assessment of the feasibility of the measures of reinforcement of the counterbalancing capacity.

17.3. Regulatory requirements and ILAAP

In the scope of the new prudential information requirements, the BCP Group has been monitoring the application and compliance with the new regulatory framework requirements, not only through the participation on study exercises promoted by the Basel Committee (QIS – Quantitative Impact Study) and reporting exercises performed within the European supervision, through the SSM – Single Supervisory Mechanism (STE – short-term exercise), but also through the regular reports on liquidity (via COREP – the Common reporting Framework).

Within liquidity risk management one should point out:

The Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 from 2016 onwards, concerning the computation of the liquidity coverage requirement (LCR).

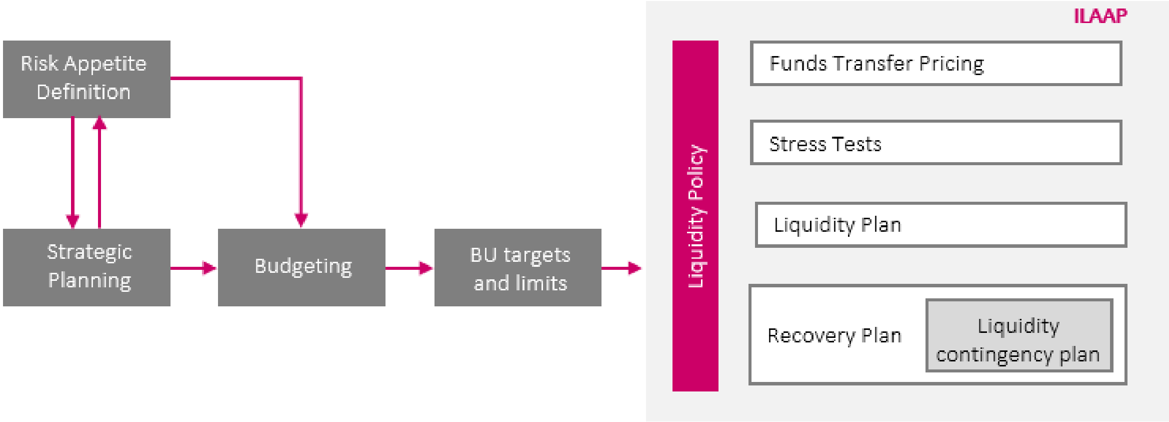
The Commission Delegated Regulation (EU) 2019/876 of 20 May 2019, concerning the computation of the net stable funding ratio (NSFR), implemented from June 2021 onwards.

Both indicators have a binding requirement of 100%.

The Supervisory Review and Evaluation Process (SREP), regarding the ILAAP, together with the Internal Capital Adequacy Assessment Process (ICAAP), are key evaluation instruments for risk management, and for determining internal liquidity and capital needs, respectively.

Within the scope of the ILAAP, the Bank analyses a vast set of qualitative and quantitative information, aiming at implementing the liquidity risk management framework for the Group suited to the respective profile and aligned with the European Banking Authority guidelines and with the Single Supervisory Mechanism expectations. The ILAAP methodology comprises the liquidity risk management that the Group has been developing over the last years. In this context, the ILAAP considers specific the features of the Group, such as business model, governance, implemented controls and its monitoring, dimension, complexity, market constraints, and local regulatory duties of each geography.

TABLE 73 – ILAAP Interconnection within the Planning Exercises of the Group

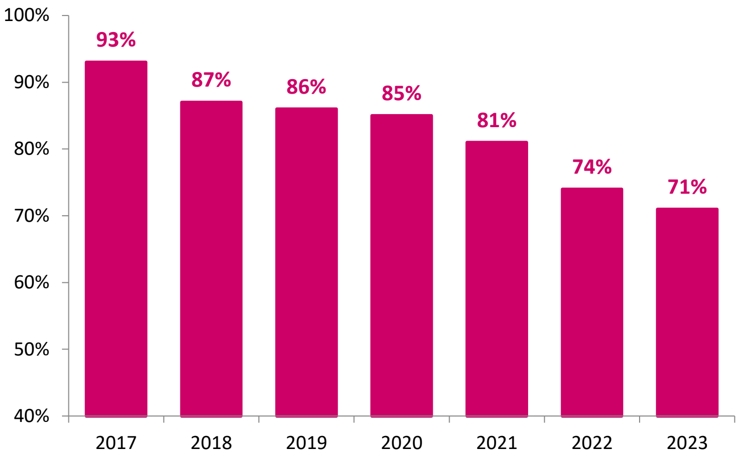


17.4. Balance sheet indicators

Throughout 2023, the Group's three operations - BCP, Bank Millennium e Millennium Bim - maintained robust liquidity positions, supported mainly by retail deposit bases with proven stability and which allowed all liquidity indicators, regulatory and internal, to be maintained comfortably above the minima required.

At the end of December 2023, consolidated customer deposits stood at 77.928 million euros, registering an increase of 2,7% compared to 31 December 2022, with total balance sheet customers funds reaching 79.215 million euros. Gross loans amounted to 56.814 million euros, a decrease of 1,6% compared to the end of 2022. Consequently, the transformation ratio evolved from 74% at the end of 2022 to 71% at the end of 2023, or 70% and 73%, considering total balance sheet customer funds.

GRAPH 7 – LTD Ratio Evolution (according to Instruction 16/2004 of Banco de Portugal)



In Portugal, after the significant migration of deposits to non-bank savings products that occurred mainly in the first quarter of 2023, the volume of customer resources showed stable behavior throughout the 2nd semester, allowing the Bank to defend its market share.

In what concerns the wholesale funding structure, BCP carried out in January 2023 the early repayment of the second tranche of the Targeted Longer-Term Refinancing Operation III (TLTRO III, "T LTRO III" in the English abbreviation, in the gross amount of 600 million euros), with no significant impact on the liquidity risk indicators.

In September 2023, after regaining investment grade status by the four main rating agencies, BCP returned to the market, placing an issue of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) under its Euro Note Program, in accordance with its Liquidity Plan for 2023. The issue, in the amount of 500 million euros, has a term of 3 years, with an option for early repayment by the Bank at the end of the second year, an issue price of 99.825% and a fixed interest rate of 5.625%, per year, during the first 2 years (corresponding to a spread of 1.90% over the 2-year mid-swaps rate). In the third year, the interest rate will result from the sum of the 3-month Euribor with a spread of 1.90%. The issue was placed among a very diversified base of institutional investors, with demand exceeding the transaction amount by more than 3 times. The high demand and profile of investors involved in the issue made it possible to narrow the spread by 30 basis points during the execution phase, also reflecting an excellent market response to the Bank's recent rating upgrades.

Throughout 2023, Bank Millennium showed significant growth of 11% in its retail deposit base. The operation's liquidity position was further reinforced by the placement on the market of a senior non-preferred issue of 500 million euros. Initially placed with an amount of 400 million euros, it was subsequently increased by an additional amount of 100 million euros. It has a maturity of four years and a remuneration of 9.875% and qualifies for MREL purposes, thus representing the fulfilment of another stage of the institution's recovery plan.

Millennium Bim continues to display a resilient liquidity position, supported by a robust buffer discountable at the respective central bank, despite the strong increase in minimum mandatory reserve rates in national and foreign currency imposed by the respective central bank in the first half of 2023.

The liquidity buffer available for discount with the ECB stood at 27.9 billion euros at the end of 2023, 1.4 billion euros higher than a year earlier, to which contributed the favourable evolution of cash flow from operations, the reduction in derivative margin accounts, the placement of the MTN issuance and the market price increase of assets integrated in the portfolio of assets discountable with the ECB, which offset the impacts in the opposite direction of the evolution of the commercial gap and the reversal of haircuts applicable to eligible assets at the values in force before the extraordinary measures taken by the ECB following the COVID-19 pandemic. At the end of 2023, the liquidity buffer comprised a long position of 2.1 billion euros on the ECB, slightly lower than that observed a year earlier (2.6 billion euros).

The evolution of the pool of monetary assets of the European Central Bank (after haircuts) and of the assets available for discount with other central banks (after haircuts) are detailed as follows:

TABLE 74 – Liquid Assets Integrated in Collateral Pool

(Thousand euros)

	Dec 23	Dec 22
European Central Bank	14,677,769	13,677,518
Other central banks	7,346,514	5,213,823
TOTAL	**22,024,283**	**18,891,341**

As of 31 December 2023

- The gross amount discounted with the ECB amounts was null (31 December 2022: 600 million euros).
- The amount discounted with the Banco de Mozambique amounts to 1.5 million euros (31 December 2022: 2.2 million euros).
- There are no discounted amounts with other central banks.

The evolution of the portfolio of eligible assets available for discount with the ECB (after haircuts), of the net funding at the ECB and of the liquidity buffer between 31/12/2022 and 31/12/2023 is analysed as follows:

TABLE 75 – Liquidity Buffer in the ECB

(Thousand euros)

	Dec 23	Dec 22
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	14,677,769	13,677,518
Outside the pool of ECB monetary policy	11,130,941	10,269,082
Total	**25,808,710**	**23,946,599**
Net borrowing at the ECB (ii)	(2,050,654)	(2,574,146)
LIQUIDITY BUFFER (iii)	**27,859,364**	**26,520,745**

i) Corresponds to the amount reported in COLMS (Banco de Portugal application).

ii) Includes as at 31 December 2023 the amount of deposits with the Banco de Portugal and other liquidity with the Eurosystem (Euros 2,050,654,000) in excess over the minimum cash reserves (Euros 499,338,000).

iii) Collateral eligible for ECB, after haircuts, less net funding at the ECB.

In consolidated terms, the refinancing risk of medium to long-term instruments will remain at very low levels in the coming three years.

17.5. Regulatory indicators

17.5.1. Liquidity coverage ratio

The regulatory Liquidity Coverage Ratio (LCR), an indicator of short-term liquidity risk, stood at 276% on a consolidated basis at the end of December 2023 (December 31, 2022: 212%), representing a surplus of 16 billion euros (compared to 10 billion euros on December 31, 2022), allowing for a significant margin to meet the minimum regulatory requirement of 100%.

During the year 2023, BCP Group experienced a notable 11% growth in its retail deposit base, considered stable by nature, generating a reduced level of 'outflows'. Additionally, the liquidity position of the operation was reinforced by the placement in the market of a 500 million euros non-preferred senior issuance. Initially launched with an amount of 400 million euros, this issuance was subsequently increased by an additional 100 million euros. The evolution of the funds raised significantly contributed to the strength of the indicator, through the enhancement of the liquidity buffer primarily composed of Level 1 assets, including the sovereign debt portfolio and deposits with central banks.

TABLE 76 – TEMPLATE EU LIQ1 – LCR Disclosure

(Thousand euros)

	Scope of consolidation: consolidated	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	T Dec 23	T-1 Sep 23	T-2 Jun 23	T-3 Mar 23	T Dec 23	T-1 Sep 23	T-2 Jun 23	T-3 Mar 23
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					21,094,737	20,940,215	21,544,996	22,561,065
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	60,754,236	60,260,623	59,789,099	59,209,281	2,923,028	2,972,853	3,016,110	3,040,694
3	Stable deposits	31,326,027	31,377,789	31,281,938	31,248,508	1,566,301	1,568,889	1,564,097	1,562,425
4	Less stable deposits	10,355,830	10,692,805	11,042,986	11,232,738	1,356,727	1,403,964	1,452,013	1,478,268
5	Unsecured wholesale funding	16,180,497	16,348,331	16,356,509	16,355,209	5,302,984	5,377,320	5,435,423	5,491,347
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,626,296	8,623,217	8,419,036	8,191,821	2,106,336	2,107,305	2,057,789	2,001,455
7	Non-operational deposits (all counterparties)	7,550,866	7,721,677	7,934,829	8,163,287	3,193,313	3,266,579	3,374,989	3,489,791
8	Unsecured debt	3,335	3,436	2,644	101	3,335	3,436	2,644	101
9	Secured wholesale funding					0	0	0	278
10	Additional requirements	12,387,392	12,232,103	12,040,696	11,877,335	1,825,152	1,810,809	1,796,755	1,733,966
11	Outflows related to derivative exposures and other collateral requirements	594,271	603,095	601,421	567,706	594,271	603,095	601,421	567,706
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	11,793,121	11,629,007	11,439,275	11,309,629	1,230,881	1,207,713	1,195,334	1,166,260
14	Other contractual funding obligations	955,028	961,150	986,443	1,044,349	955,028	961,150	986,443	1,044,349
15	Other contingent funding obligations	5,050,344	5,127,672	5,230,253	5,255,890	727,917	723,406	742,242	737,419
16	**TOTAL CASH OUTFLOWS**					11,734,110	11,845,538	11,976,973	12,048,053
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	140,858	40,761	19,745	18,482	0	0	0	0
18	Inflows from fully performing exposures	2,119,536	2,139,685	2,278,165	2,414,791	1,114,260	1,198,414	1,340,568	1,479,567
19	Other cash inflows	5,930,941	6,005,804	6,036,925	5,988,531	1,393,490	1,436,302	1,499,417	1,515,440
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	8,191,335	8,186,250	8,334,836	8,421,804	2,507,750	2,634,716	2,839,985	2,995,007
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	8,191,335	8,186,250	8,334,836	8,421,804	2,507,750	2,634,716	2,839,985	2,995,007
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					21,094,737	20,940,215	21,544,996	22,561,065
22	TOTAL NET CASH OUTFLOWS					9,226,361	9,210,822	9,136,987	9,053,046
23	**LIQUIDITY COVERAGE RATIO**					**229%**	**228%**	**237%**	**250%**

Liquidity concentration and funding resources

The financial sustainability of BCP Group's business model is primarily based on deposits from retail customers, which are characterized by high stability. These are complemented by deposits from corporate entities and financial institutions, which primarily serve operational functions. The concentration of major depositors has significantly decreased in recent years in the Group's main operations, currently presenting very favorable figures.

In addition to deposits, BCP Group also utilizes senior debt securities and subordinated issuances to strengthen regulatory capital and comply with MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements. These instruments contribute to increasing the level of diversification of wholesale funding sources, ensuring that the array of financial instruments does not exhibit significant concentrations of refinancing in the coming years.

Composition of the liquidity buffer

The Group liquidity buffer portfolio consists of deposits held with the central bank, government securities issued by European countries, and corporate bonds. The majority of this liquidity buffer consists of Level 1 assets, as defined by the Liquidity Coverage Ratio (LCR) rules, which are classified as High-Quality Liquid Assets (HQLA).

Additionally, BCP Group maintains a supplementary liquidity buffer composed of eligible assets with central banks that are not HQLA (such as retained mortgage obligations and credit lists). These assets are readily available for use as collateral to obtain additional financing from the European Central Bank (ECB) and are recognized in the repo market.

The Bank constantly monitors internal thresholds that exceed the regulatory requirement of the LCR, aiming to minimize operational risk and ensure that the liquidity buffer is adequate for prudent short-term liquidity management of the Group. This active monitoring ensures the Group's ability to meet its financial obligations in a robust and efficient manner.

Derivative exposures and potential collateral calls

Derivative transactions conducted by BCP Group are executed through collateral agreements, which ensure coverage of the credit risk associated with fluctuations in the market value of these transactions. The Group's entities also consider the liquidity risk associated, assessing the potential impacts of an adverse market scenario resulting in changes in the market values of derivatives. This scenario may generate additional liquidity needs due to collateral coverage or replacement.

In the context of the Liquidity Coverage Ratio (LCR), this additional liquidity requirement is calculated based on the historical observation of the most significant net variation of the collateral used (between amounts to be received and paid) over 30-day intervals throughout the past 24 months. This method aims to determine the potential additional liquidity need arising from collateral, thus enabling effective liquidity management during market volatility periods.

Currency mismatch in the LCR

The BCP Group monitors relevant currencies (where liabilities > 5% of total liabilities), related liquid buffer and net liquid cash outflows. Only EUR and PLN currencies has a significant amount of funding obtained, mostly due to the activity in Portugal and that registered by the subsidiary in Poland, resulted to be relevant at Group level. The LCR in EUR and PLN is significantly above the required 100%.

Description of the centralization degree of both liquidity management and interaction between Group's units:

The liquidity management within the Group is decentralized geographically, with each subsidiary responsible for managing and covering its own liquidity needs. These needs are predominantly met by local deposits and, complementarily, by market mechanisms available in each region.

BCP Group consolidates the individual liquidity plans of the main entities within the Group, ensuring alignment between the inflows and outflows of assets and liabilities resulting from commercial and corporate objectives. This is achieved through prudent treasury management, aligned with appropriate regulatory and internal liquidity indicators, including the maintenance of adequate liquidity buffers with central banks.

The evolution of each entity's liquidity position and funding is centrally monitored through operational, regulatory, and internal indicators. While entities operate autonomously in managing their liquidity needs, the Group implements internal mechanisms to maximize management efficiency on a consolidated basis, especially during periods of increased tension. This approach ensures effective management of financial resources throughout the Group, providing stability even in times of heightened stress.

17.5.2. Net stable funding ratio

From the perspective of structural liquidity, BCP Group continued to strengthen its stable funding base, with a significant portion comprised of customer deposits, complemented by medium and long-term instruments, primarily consisting of MREL issuances (Minimum Requirements for Own Funds and Eligible Liabilities).

The regulatory stable funding ratio (NSFR - Net Stable Funding Ratio; as per Article 428 of Regulation (EU) 2019/876) reached 167% in December 2023, compared to 154% in December 2022, significantly exceeding the regulatory minimum of 100%. These results reflect BCP Group ongoing commitment to maintaining a robust and sustainable funding structure.

TABLE 77 – TEMPLATE EU LIQ2 – Net Stable Funding Ratio

(Thousand euros)

		a	b	c	d	e
			Unweighted value by residual maturity			Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**6,048,962**	**-**	**-**	**1,332,560**	**7,381,522**
2	Own funds	6,048,962	-	-	1,332,560	7,381,522
3	Other capital instruments		-	-	-	-
4	Retail deposits		**55,855,500**	**5,758,626**	**1,168,726**	**58,896,997**
5	Stable deposits		41,864,901	3,646,243	774,842	44,010,429
6	Less stable deposits		13,990,599	2,112,383	393,884	14,886,567
7	Wholesale funding:		**25,193,525**	**480,309**	**2,818,426**	**15,383,716**
8	Operational deposits		9,053,619	95,471	40,603	4,615,148
9	Other wholesale funding		16,139,906	384,838	2,777,822	10,768,567
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	**2,123,530**	-	**2,455,798**	**2,455,798**
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		2,123,530	-	2,455,798	2,455,798
14	**Total available stable funding (ASF)**					**79,502,884**

		a	b	c	d	e
			Unweighted value by residual maturity			Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**1,139,833**
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		**357,629**	-	-	**178,814**
17	Performing loans and securities:		**9,703,647**	**3,465,887**	**44,716,652**	**38,910,383**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		266,560	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		465,584	248,814	788,813	959,779
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		8,041,035	2,362,463	16,416,784	18,577,896
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,531,862	767,405	3,167,562	3,263,932
22	Performing residential mortgages, of which:		661,340	688,682	24,896,063	16,884,180
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		658,745	685,931	24,795,754	16,796,157
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		269,127	165,927	2,614,992	2,488,528
25	Interdependent assets		-	-	-	-
26	Other assets:		**768,979**	**143,795**	**6,362,817**	**6,795,679**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	477,088	405,525
29	NSFR derivative assets		147,836			147,836
30	NSFR derivative liabilities before deduction of variation margin posted		274,586			13,729
31	All other assets not included in the above categories		346,556	143,795	5,885,729	6,228,589
32	Off-balance sheet items		**3,533,467**	**1,505,563**	**7,624,884**	**693,536**
33	**Total RSF**					**47,718,246**
34	**Net Stable Funding Ratio (%)**					**167%**

17.5.3. Encumbered and unencumbered assets

At the end of 2023, and according to the EBA methodology, the total encumbered assets represent 2% of the Group's total balance sheet assets. The encumbered Loans to customers represent 13% of the total encumbered assets, while Debt securities represents 78%.

The main sources of asset encumbrance stem from financing operations in Portugal, notably transactions with the European Investment Bank (EIB), collateralization of derivative operations and securitization programs. Collateralization of securitization operations in Poland and derivatives, as well as financing operations with the European Investment Bank and other commitments with the Deposit Guarantee Fund, are primarily supported by eligible sovereign debt held with central banks. On the other hand, securitization programs in Portugal are collateralised by certain Loans to Customers' portfolios.

On 31 December 2023, the Other assets includes unencumbered assets in the amount of 3,350 million euros related to Loans on demand, the amount of 54,467 million euros related to Loans and advances other than loans on demand (of which encumbered assets in the amount of 276 million euros) and the amount of 6,872 million euros, mostly unencumbered and related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31st December 2023, BCP Group has a Euros 12,5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 9,2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 10,9 billion portfolio of residential mortgages, as well as by a liquidity buffer of Euros 50 million, providing an overcollateralization of 18,8%, which is above the minimum of 14% currently required by rating agencies.

The new Portuguese covered bond legislation, under which the BCP Programme has been recently updated and authorised for the issuance of "Covered Bonds (Premium)" (label now born by all its outstanding covered bonds), affords covered bond holders a dual recourse, firstly over the issuer, secondly over the cover pool that may also include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer's insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer's creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, in the case of programmes issuing Covered Bonds (Premium), delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

TABLE 78 – TEMPLATE EU AE1 – Encumbered and Unencumbered Assets

(Thousand euros)

		Carrying amount of encumbered		Fair value of encumbered assets		Carrying amount of unencumbered		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	2,209,334	1,732,985			88,478,010	23,355,398		
030	Equity instruments	0	0	0	0	108,617	0	108,617	0
040	Debt securities	1,732,985	1,732,985	1,600,621	1,600,621	24,139,055	19,569,285	23,462,376	18,923,903
050	of which: covered bonds	0	0	0	0	49,735	0	49,735	0
060	of which: securitisations	0	0	0	0	7,329	3,348	7,329	3,348
070	of which: issued by general governments	1,693,088	1,693,088	1,561,888	1,561,888	17,567,226	17,177,757	16,922,286	16,543,663
080	of which: issued by financial corporations	0	0	0	0	1,704,878	259,885	1,713,561	259,586
090	of which: issued by non-financial corporations	39,897	39,897	38,734	38,734	2,939,512	491,430	2,952,759	491,430
120	Other assets	459,458	0			64,159,488	3,797,102		

TABLE 79 – TEMPLATE EU AE2 – Collateral Received and Own Debt Securities Issued

(Thousand euros)

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the reporting institution	0	0	253,362	139,971
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	139,971	139,971
170	of which: covered bonds	0	0	0	0
180	of which: securitisations	0	0	0	0
190	of which: issued by general governments	0	0	139,971	139,971
200	of which: issued by financial corporations	0	0	0	0
210	of which: issued by non-financial corporations	0	0	0	0
220	Loans and advances other than loans on demand	0	0	111,455	0
230	Other collateral received	0	0	0	0
240	Own debt securities issued other than own covered bonds or securitisations	0	0	0	0
241	Own covered bonds and asset-backed securities issued and not yet pledged			9,114,834	0
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	2,209,334	1,732,985		

TABLE 80 – TEMPLATE EU AE3 – Sources of Encumbrance

(Thousand euros)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	1,163,408	1,687,935

18. Remuneration Policy

18.1. General principles

The rules guiding remuneration policies at BCP Group, establishing a common framework defining the concepts, principles, rules and governance model for the preparation, approval, execution and monitoring of remuneration policies implemented in all entities of the Group, are clearly defined, approved by the Board of Directors, and published in a group code applicable to the entire Group.

In this context, the principle of alignment of the Remuneration Policy with the business strategy, objectives, values and long-term interests of the Group and each Group Entity is established and incorporates measures that avoid conflicts of interest and commercial practices misaligned with Customer needs as well as the promotion of sound and effective risk management that does not encourage the assumption of risks that exceed the risk level of the Bank defined in the RAS. It is up to the Group Entities to implement, for the different segments of the identified employees, specific remuneration policies and appropriate risk alignment mechanisms to ensure that the impact of the employee category identified in the risk profile of the institution is adequately aligned with its remuneration.

The Group Remuneration Policy considers a fixed component and a variable component. In the cases where variable remuneration is allocated, this assignment is based on the performance of the business units, the team, and the individual performance of each employee, and considers the risks assumed. In principle, the variable component of remuneration may not exceed the fixed component, but exceptions are allowed provided that they are justified and approved by the competent bodies.

The fixed remuneration of employees identified as Key Functions Holders incorporate their professional experience and organizational responsibility considering their academic level, their seniority, the level of knowledge and skills, their limitations and work experience, the business activity concerned and the level of remuneration in the geographical location.

The variable remuneration is aligned with the strategic plan and incorporated into the budget projections. The preliminary amount allocated for this purpose is explicitly approved in the annual budget by the Board of Directors, considering its impact on the capital and liquidity requirements of the Bank and of the Entity.

The amount of the variable remuneration allocated conforms adequately to changes in the performance of the employee, with situations where the performance and/or behavior of the employee lead to a sharp reduction of the variable remuneration, which may even be reduced to zero, being defined.

The Remuneration Policy considers, as a rule, 100% of the maximum ratio between the variable and fixed components of the remuneration. However, a maximum proportion above 100% may be approved by the General Shareholders' Meeting, when necessary, or by the Board of Directors, but may not exceed 200%.

In determining the remuneration policy, different categories of employees are considered, and specific schemes are defined for each category, namely distinguishing between executive and non-executive directors, the Chief Risk Officer, other members of the corporate bodies directly elected by the General Meeting of Shareholders, employees with key functions performing control functions of the Bank or not and, lastly, all the other employees. The policies defined for the above-mentioned categories are described in detail in Part D of the Corporate Governance Report, available on the Bank's website.

Employees involved in control functions are independent of the business units they supervise and are remunerated according to the execution of the goals that do not depend on the performance of the business areas they control.

The Remuneration Policy is designed in such a way that the adequate compensation of employees is not dependent on the allocation of variable remuneration, to avoid incentives to take excessive risks in the short term. For that purpose, there is no guaranteed variable remuneration.

All employees have access to the Remuneration Policy through the Bank's intranet.

18.2. Remuneration policies description

The Remuneration Policy for members of the management and Supervisory bodies defines an annual variable remuneration system, depending on the annual evaluation of the performance of each member of the Executive Committee which is carried out based on quantitative and qualitative criteria. Depending on this evaluation and on the annual fixed remuneration, and provided that a minimum level of performance of the Bank in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each member of the Executive Committee shall be determined. The payment of the amount of the variable remuneration is subject to a 5-year deferral period for 50% of its amount, and 50% of which is paid in the year following the financial year to which it relates. The amounts for the undeferred and deferred part are paid 50% in cash and 50% in BCP shares. The number of BCP shares assigned results from their valuation at a share-price value defined in accordance with the approved Remuneration policy.

In the Remuneration Policy for Employees, an annual variable compensation system is provided for employees not covered by the Commercial Incentive Systems, based on the evaluation of the performance of each employee supported on quantitative and qualitative criteria that is carried out annually. Depending on this evaluation and on the fixed reference remuneration for the function performed, and provided that a minimum level of performance of the Bank in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered Key Functions Holders, the payment of the amount of the variable remuneration assigned, as long as it exceeds a value determined in the Remuneration Policy or represents more than a third of the total annual remuneration, is subject to a 5-year deferral period for 40% of its amount, and 60% of which is paid in the year following the financial year to which it relates. The amounts for the undeferred and deferred part are paid 50% in cash and 50% in BCP shares. The number of BCP shares assigned and to be assigned results from its valuation at a share-price value defined in accordance with the approved Remuneration policy.

The Employees considered Key Function Holders are not covered by Commercial Incentive Systems.

As provided for in the approved Remuneration Policy and applicable legislation, the variable remuneration amounts attributed to the members of the Executive Committee and employees considered Key Functions Holders are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the persons concerned have had a direct participation.

For the members of the Executive Committee and Employees considered Key Functions Holders, a long-term variable remuneration system is also provided for, whereby they may receive a fully paid variable remuneration in BCP shares after the end of the evaluation period from 1 January 2022 to 31 December 2025, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the variable long-term remuneration allocated is subject to a 5-year deferral period for 50% of its amount, and 50% of which is paid in the year following the evaluation period to which it relates. The number of BCP shares assigned results from their valuation at a share-price value defined in accordance with the approved Remuneration policy.

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

18.3. Identification of key function holders

As defined in a Group Code applicable to the entire Group, annually are identified employees with key functions (Key Function Holders / KFH) through a self-assessment process carried out by BCP's Human Resources Division, in coordination with similar bodies in each Group Entity, in accordance with the Commission Delegated Regulation (EU) 604/2014. This exercise ensures the complete identification of all employees whose professional activities have a material impact on the Group's risk profile, at the individual and group level, and is supported on the qualitative and quantitative criteria mentioned below:

- First-line Managers and Executive Directors or equivalent of other Entities of the Group.
- Second-line Managers of the Risk Office, Compliance Office, and Internal Audit Division.
- Second-line Managers of the Treasury Division.
- Employees with delegated powers to approve credit transactions at a decision level immediately below those in which the intervention of the members of the Executing Commission is required.
- Members of the management committees, with the right to vote, not included in the above-mentioned groups.
- Employees with total remuneration of more than 500,000 euros or equivalent in the last financial year.
- Employees included in the set of 0.3% of employees with a higher total remuneration, in the previous financial year.
- Employees with a total remuneration, in the previous financial year, above the lowest total remuneration of a First-Line Manager, provided that their professional activities have a material impact on the Group's risk profile.

The annual self-assessment process at the level of the Group Entity is conducted during the third quarter of the year and the results submitted for approval by each Board of Directors of the Group Entities, and subsequently presented to BCP's Board of Directors, jointly with the opinion issued by the Committee for Nominations and Remunerations.

18.4. Remuneration policy governance

The Remuneration and Welfare Board (RWB), a body emanating from the General Meeting of Shareholders, is responsible for setting the remuneration of the members of the Bank's corporate bodies (Board of Directors, Board of the General Assembly and the Board for Strategy), to determine the pension supplements of the directors and, jointly with the Committee for Nominations and Remunerations, to make a proposal for the Remuneration Policy of the members of the BCP corporate bodies to be presented to the General Assembly.

The Board of Directors of BCP (Board of Directors) is responsible for the approval of the Remuneration Policy and the continuous monitoring and oversight of its implementation by delegation of the Remunerations and Welfare Board.

The Committee for Nominations and Remunerations (CNR) provides support and advice to the Board of Directors in the preparation of the remuneration policy, being responsible for the preparation, in matters within its competence, of the proposals to resolutions on remuneration to be taken by the General Meeting of Shareholders and the Board of Directors. The composition of the CNR and the number of annual meetings of this Committee are contained in mentioned Part D of the Corporate Governance Report.

In the case of BCP and the entities in Portugal, the Remuneration and Welfare Board oversees the preparation of remuneration policies and sets, under delegation of the General Meeting of Shareholders, the remuneration of the members of the Board of Directors, establishes the terms of the pension supplements for the management board and submits the Remuneration Policy for the Bank's management bodies to the annual General Meeting of Shareholders, jointly with the CNR.

The composition of the CNR and the number of annual meetings of this specialized committee of the Board of Directors are contained in Part D of the Corporate Governance report.

For the performance of its functions, namely in the supervision of the Remuneration Policies of the Subsidiaries, the CNR resorted to the advisory services of the Compliance Officer.

In 2023, the Bank's remuneration policies were revised, so that they framed legislative and regulatory changes with significant impact on the governance of publicly held companies and credit institutions, namely regarding remuneration policies and practices.

Decisions on the remuneration of the KFHs fall within the competence of the CNR by delegation of the Board of Directors, on a proposal by the Executive Committee (EC). The decisions relating to the remuneration of the other employees are a responsibility of the EC, in compliance of the Remuneration Policy approved by the Board of Directors.

Regarding the variable remuneration of the KFHs it is the ExCo's responsibility to make a proposal of the individual value to be attributed to each KFH, for approval of the CNR and referral of the overall amounts to the Board of Directors.

To perform its task, the CNR communicates with the Risk Assessment Committee and, if necessary, with the CEO, the CRO and the Company Secretary, and considers the contributions made by the relevant corporate functions, in particular the following:

- The Human Resources Division participates in the planning of the remuneration structure, remuneration levels and incentive schemes, considering strategic and budgetary goals, the profile of employees, retention strategies and market conditions.
- The Risk Office informs on the definition of appropriate and risk-adjusted performance metrics and possible impacts of variable compensation on the institution's culture and risk profile.
- The Compliance Office analyzes how the Remuneration Policyaffects compliance with legislation, regulation, internal policies, and risk culture.

The relevant performance metrics for the following year associated with the variable remuneration should preferably be adopted with the budgetary procedure and at the latest in the first quarter of each year.

The assessment of the performance of employees who are not members of the Boards of Directors, carried out by the Human Resources Division, should be approved by the Executive Committee by the end of the first quarter of the following year.

Decisions regarding the approval of remuneration policies of other Group Entities and regarding the remuneration of employees of other Group Entities that are Group KFHs require a prior opinion of BCP's CNR, and BCP's CEO and Executive Directors monitoring the Entity should, in principle, be members of the Entity's remuneration committee.

Each year, the CNR, after the opinion of the Risk Assessment Committee, based on the information and opinions of the Risk Office and of the Compliance Office, regarding the ex-post risk assessment, resolves on the possible application of measures to the deferred amounts of variable remuneration payable in that year.

18.5. Quantitative information

Quantitative information on the overall amount of remuneration awarded in 2023 and their breakdown by business areas and categories of employees is available in note 7 of the Annual Report and Financial Statements for 2023 and Part D of the Corporate Governance Report.

TABLE 81 – TEMPLATE EU REM1 – Remuneration Awarded for the Financial Year

(Euros)

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	14	6	51	38
2		Total fixed remuneration	2,254,376	3,812,645	8,311,548	4,006,705
3		Of which: cash-based	2,110,856	3,177,205	8,311,548	4,006,705
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	143,520	635,440	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	14	6	51	38
10		Total variable remuneration	-	1,845,724	1,703,600	506,368
11		Of which: cash-based	-	922,862	871,175	271,868
12		Of which: deferred	-	461,431	322,680	14,200
EU-13a		Of which: shares or equivalent ownership interests	-	922,862	832,425	234,500
EU-14a		Of which: deferred	-	461,431	314,523	14,200
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		2,254,376	5,658,369	10,015,148	4,513,073

TABLE 82 – TEMPLATE EU REM2 – Special Payments to Staff whose Professional Activities have a Material Impact on Institutions' Risk Profile (Identified Staff)

(Euros)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards -Total amount	0	0	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	0	0	5
7	Severance payments awarded during the financial year - Total amount	0	0	0	266,938
8	Of which paid during the financial year	0	0	0	266,938
9	Of which deferred	0	0	0	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
11	Of which highest payment that has been awarded to a single person	0	0	0	110,000

TABLE 83 – TEMPLATE EU REM3 – Deferred Remuneration

(Euros)

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	0	0	0	0	0	0	0	0
2	Cash-based	0	0	0	0	0	0	0	0
3	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
4	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
5	Other instruments	0	0	0	0	0	0	0	0
6	Other forms	0	0	0	0	0	0	0	0
7	MB Management function	2,540,443	440,669	2,099,773	0	0	0	440,669	309,296
8	Cash-based	986,937	131,373	855,564	0	0	0	131,373	0
9	Shares or equivalent ownership interests	1,553,506	309,296	1,244,210	0	0	0	309,296	309,296
10	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
11	Other instruments	0	0	0	0	0	0	0	0
12	Other forms	0	0	0	0	0	0	0	0
13	Other senior management	1,414,345	192,194	1,222,151	0	0	0	192,194	96,097
14	Cash-based	711,251	96,097	615,154	0	0	0	96,097	0
15	Shares or equivalent ownership interests	703,094	96,097	606,997	0	0	0	96,097	96,097
16	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
17	Other instruments	0	0	0	0	0	0	0	0
18	Other forms	0	0	0	0	0	0	0	0
19	Other identified staff	208,064	39,888	168,176	0	0	0	39,888	19,944
20	Cash-based	104,032	19,944	84,088	0	0	0	19,944	0
21	Shares or equivalent ownership interests	104,032	19,944	84,088	0	0	0	19,944	19,944
22	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
23	Other instruments	0	0	0	0	0	0	0	0
24	Other forms	0	0	0	0	0	0	0	0
25	Total amount	4,162,851	672,751	3,490,100	0	0	0	672,751	425,337

TABLE 84 – TEMPLATE EU REM4 – Remuneration of 1 Million EUR or more PER Year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	
x	To be extended as appropriate, if further payment bands are needed.	

TABLE 85 – TEMPLATE EU REM5 – Information on Remuneration of Staff whose Professional Activities have a Material Impact on Institutions' Risk Profile (Identified Staff)

(Euros)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										109
2	Of which: members of the MB	14	6	20							
3	Of which: other senior management				3	12	6	8	5	17	
4	Of which: other identified staff				0	3	2	0	22	11	
5	Total remuneration of identified staff	2,254,376	5,658,369	7,912,745	467,537	2,877,739	1,249,491	1,557,634	3,758,814	4,617,005	
6	Of which: variable remuneration	0	1,845,724	1,845,724	77,000	448,500	166,500	283,750	499,568	734,650	
7	Of which: fixed remuneration	2,254,376	3,812,645	6,067,021	390,537	2,429,239	1,082,991	1,273,884	3,259,246	3,882,355	

19. ESG Risk

The following sections have been prepared in accordance with Article 449a of the CRR, complying with the disclosure requirements set out in Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022.

19.1 Qualitative information on environmental risk

1. Strategy & business processes

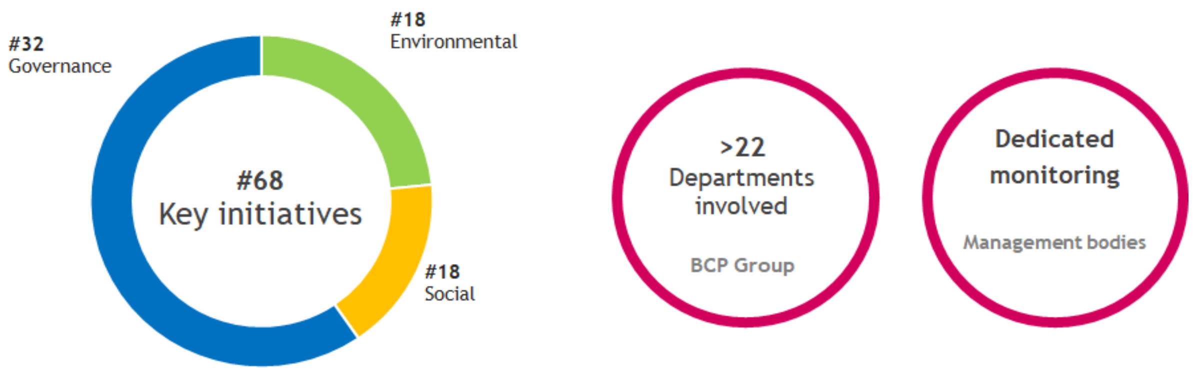
BCP Group is aware of the role of the financial sector and the responsibilities of banking institutions in responding to the challenges posed by the environmental and energy transition. On the one hand, those responsibilities advise the Group to make a direct contribution to those objectives through the efficiency of its activity and, on the other hand, through the demands placed on the financing and investment processes, which must promote mitigation and adaptation to climate change, as well as the preservation of biodiversity, in the geographies where the Group operates.

To this end, since 2010, BCP's management bodies have defined Sustainability Master Plans highlighting the priorities and the respective operational initiatives, in their own timetable and with a clear assignment of responsibility for their implementation and the achievement of the approved goals.

Regulatory developments of recent years and the publication of the European Central Bank's Expectations for the management of climate and environmental risks[4] have promoted the strengthening of the Group's sustainability strategy, embodied in the coverage of the new dimensions in terms of management, control and monitoring of climate and environmental risk factors (or, more generally, ESG risk factors).

The Bank’s 2024 Sustainability Master Plan includes 68 Group initiatives (Portugal, Poland and Mozambique). It incorporates guidelines and requirements resulting from prior year's results, stakeholders, compliance, strategy, and trends, presenting the following structure:

GRAPH 8 – Initiatives of the Sustainability Master Plan



In addition to the internal strategy, and as part of the commitment to responsible investment and awareness of the impacts of the Bank's activities on society and the planet, BCP has adhered to the following international commitments (which provide access to reference methodologies and practices for business management and climate and environmental risk factors):

- United Nations Environment Programme – Finance Initiative (UNEP-FI).
- UN Global Compact.
- Principles of Responsible Banking (PRB), which implies a commitment to a transformative dynamic in the financial sector that places Sustainability at the heart of its strategy.
- Task Force on Climate-related Financial Disclosures (TCFD).

[4]ECB - Guide on climate-related and environmental risks, Supervisory Expectations (November 2020).

Moreover, and based on the principles, good practices, and sustainable development goals, BCP has adopted and publicly supports the following initiatives, pacts, and manifestos:

- Principles of the UN Global Compact.
- Business Council Charter of Principles for Sustainable Development (BCSD Portugal).
- The CEO's Guide to Human Rights World Business Council for Sustainable Development (WBCSD).
- Letter of Commitment to Sustainable Finance promoted by the Portuguese Government.
- United Nations Global Compact Business Leaders' Declaration for Renewed Global Cooperation.
- Business Mobility Pact for the City of Lisbon.
- Lisbon Green Capital Europe 2020 Commitment.
- Womens's Empowerment Principles (WEP) do UN Global Compact.
- Manifestos: Towards COP26 (2021); Towards COP27 (2022).
- Agreement for Nature at COP15 (2022).

The following main aspects are part of this strategy:

Direct impact of the Bank's activities

Install LED lighting in all buildings and strengthen the availability of solar photovoltaic electricity generation equipment in buildings with adequate sun exposure and availability of coverage area; implement solutions that allow the reuse of water from the Group's facilities; eliminate the use of single-use plastics.

Indirect impact of the Bank's activities

Position in terms of the composition of the Bank's portfolios, promoting the presence of customers and operations with good environmental performance; adopt an internal green taxonomy, which guides business activities towards the financing of the environmental and energy transition; implement a responsible investment policy, guiding investment activities – positive impact logic/responsible investment and minimizing the impacts of ESG factors on risk.

The achievement of these objectives is guided by a formal policy framework, which include:

A Sustainability Policy aiming to present the implementation of measures that foster the fair and inclusive transition to a decarbonized economic development model, including the incorporation of the climate and environmental aspects into the Bank's risk models and the integration of ESG criteria into operations, products and services, as well as into the Bank's supply chain.

Principles of Responsible Financing, Excluded and Conditional Projects defining the exclusions of projects and the sectoral and project limitations to be considered in the decision to grant credit, integrating the environmental and social risks associated with certain sectors of activity, to safeguard the environmental and social impact on communities.

Guiding Principles of Sustainability for Suppliers establishing a set of applicable and enforceable action commitments in the contracting of third-party services, in accordance with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the Fundamental Principles and Rights at Work of the International Labour Organization (ILO), the UN Global Compact and the Charter of Principles of BCSD Portugal, to which BCP subscribes.

Principles of management and control of ESG risk factors, establishing the organisation, responsibilities, methodologies, and procedures necessary for the management of ESG risk factors in the BCP Group.

An Environmental Policy, promoting a culture of responsible consumption and investment, based on a logic of dematerialization of processes and preservation of natural resources.

2. Governance model

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

The frontline functions comprise all business areas, which interact with the Bank's customers, counterparties, and suppliers, collect the information and data that support the assessment of their risk profiles (and their operations) and structure business solutions with characteristics associated with ESG factors and the promotion of the control of their impacts on the Bank's risk profile.

Within the scope of the Committees of the Board of Directors (BoD), the **Corporate Governance, Ethics and Sustainability Committee** (CGSES) is the body responsible for recommending the adoption by the Board of Directors of policies in line with ethical and social responsibility principles and best practices in matters of corporate governance and sustainability, but also for monitoring the evolution of the Sustainability Master Plan and the Social Responsibility Plan and issue an opinion on the annual corporate governance and sustainability reports. The **Risk Assessment Committee** (CAvR) has in its competences and duties to advise the Board of Directors on the identification, management and control of ESG risk factors, while monitoring the risk appetite and underlying performance of the Group, as well as supervising the adequacy of the ESG internal control system, with a special focus on the effectiveness of the risk management system to deal with ESG risk drivers.

The **Executive Committee** is responsible for ensuring that ESG policies and strategies are followed, through the mobilization of resources and the execution of the necessary operational and business actions. The **Sustainability Commission** assists the Executive Committee in the integration of sustainability principles into decision-making and management processes and is responsible for evaluating and approving the initiatives of the Sustainability Master Plan, as well as changes and adaptations to the initiatives that are necessary for its implementation, and its monitoring.

Compensation and incentives

To ensure the alignment of incentives with the objectives of the BCP Group's ESG strategy, the Bank's remuneration policy was adjusted to include performance metrics linked to sustainability.

Thus, for the purpose of awarding variable remuneration, a Sustainability indicator – the degree of implementation of the Sustainability Master Plan – was integrated into the Remuneration Policies for Employees and members of the Executive Committee, which contributes, among others, to the definition of the degree of achievement of the Bank's overall objectives, a condition for determining the allocation of variable remuneration and the respective amount.

These metrics accumulate with the others, related to business, organization, and risk management, allowing BCP's sustainability performance to contribute, in a direct way, to the Bank's management objectives.

TABLE 86 – Governance Structure to Respond to ESG Issues

Ownership	Activities
Board of Directors	Overall responsible for the Group's ESG strategy, management and control framework in BCP Group, including setting, approving and overseeing the effective implementation of the ESG strategy and risk framework and respective implementation agenda, including the approval of: a) Risk Appetite Statement ESG metrics and tolerance levels. b) Group Sustainability Master Plan (SMP). c) Sustainability and ESG related corporate policies and principles. d) Group Annual Sustainability Report. e) Group risk disclosures for Pillar 3 purposes. f) Group annual C&E materiality assessment. g) The emissions' portfolio alignment and target-setting exercises. h) The transition plans.
Corporate Governance, Ethics and Sustainability Committee	Recommend the adoption by the Board of Directors of policies in accordance with ethical, sustainability and corporate social responsibility principles and best practices. Assist the BoD in evaluating and approving the Group's SMP, monitoring its progress and supervising the compliance with national and international, legal, and regulatory ESG requirements. Issue opinions on the annual corporate governance and sustainability reports.
Risk Assessment Committee	Advise the Board of Directors in terms of the identification, management and control of ESG risk factors. Monitor the Group's risk appetite and underlying performance. Supervise the adequacy of the ESG internal control system, with special focus on a) the effectiveness of the risk management system to deal with the ESG risk drivers; and b) dealing with any instance of reputational risk related to ESG to which the Group may be associated to (directly or indirectly).
Executive Committee	Define, implement and manage the ESG strategy and perform a first-level control of the overall sustainability framework by ensuring the required organizational structure and resources, methodological approaches and practices, from a business and a risk control perspective, including: a) Establishing the ESG commercial strategy, including the aspects from client engagement to product development. b) Defining the business and operational targets to ensure the Group's sustainability strategy is accomplished. c) Implementing the ESG organizational model. d) Defining the approaches and methodologies to identify, assess and manage the material ESG risk factors.

	e) Leading the Group's communication plans and statements on ESG, including the definition of frameworks and respective commitments signed/ to be signed by the Group. f) Approving the metrics (key performance indicators and key risk indicators) required for the ordinary management of the ESG topics and risk factors.
Sustainability Commission	Assists the ExCo in integrating the principles of Sustainability (Environmental, Social and Corporate Governance) in the decision and management processes of the Bank. Assess and approve the initiatives, changes or adaptions required to implement the relevant actions approved under the Group's SMP in force. Follow-up and monitor the ESG metrics, compliance with the respective timelines and the progress of the results achieved. Monitor the completion levels of the KPIs of the Strategic Plan in force.

3. Risk management

The BCP Group recognizes in its risk taxonomy that issues associated with the climate and environmental dimensions, as well as social and governance aspects, act as factors that impact traditional risk categories.

These risk factors are not considered in isolation; rather, they are elements that are likely to affect, positively or negatively, the financial performance and solvency of the Bank's customers and counterparties. Thus, the materialization of its impacts occurs through the traditional risk categories: credit, market, liquidity, operational and reputational.

In this context, with the aim of promoting the integration of ESG factors into risk management, the Bank has implemented a set of processes and methodologies to identify, assess, manage, and monitor its impact on global risk level, following the framework and policies already established for other financial and non-financial risks.

Identification of ESG risk factors

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

The materialisation of these risks stems primarily from the exposure of the Bank's portfolio to clients, counterparties and invested assets whose performance may be affected by or contribute to the negative impacts of climate change and other environmental factors.

These factors can generate negative financial impacts, which are identified and evaluated through key dimensions:

- Physical risk factors: These result from the physical effects of climate change and environmental degradation. They are categorized as acute risks, if they arise from extreme weather events, such as forest fires or floods; or chronic risks, if they arise from progressive changes in weather patterns or a gradual loss of ecosystems.
- Transition risk factors: these are the risks of any negative financial impact arising from the ongoing or future effort to transition to a low-carbon and environmentally sustainable economy. This may be due to, for example, technological changes, the impact of public policies or behavioural changes in the demand for goods or services (including banking ones).
- Risk factors related to biodiversity and nature: The degradation of natural capital, which in this context encompasses environmental risks, is another key component of a holistic approach to climate and environmental concerns. Natural capital refers to the world's stocks of natural assets that include geology, soil, air, water, and all living things, as well as the organisation and distribution of ecosystems. Natural capital degradation undermines nature's ability to provide ecosystem services (supply services, such as food, raw materials, and fresh water; maintenance and regulation services, such as climate, water and air quality regulation, pollination and pest and disease control; and cultural services, supporting recreation, mental and physical health, and spiritual and religious values) on which human society depends, economies and other species. The degradation of natural capital can have chronic and acute economic effects.

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

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

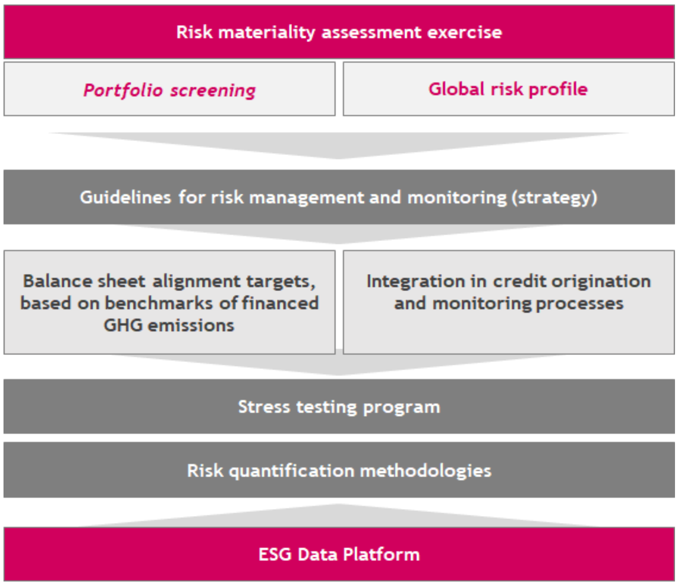
To assess the potential impact of these factors on the Bank's risk profile, a methodology was developed to assess the materiality of ESG risk factors. For more detailed information, please see the Sustainability Report 2023, page 184 and following, on the website of the Bank:

https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Pages/relatorios_anuais.aspx

TABLE 87 – ESG Risk Factors Management Model

The risk management model is based on the materiality assessment exercise, which periodically identifies the main risk factors and concludes on their relevance to the Group's activity. Using techniques with imminently quantitative design (e.g. *screening* of credit portfolios for transitional, physical and nature-related risk factors) or through qualitatively based analyses, the Group's overall ESG risk profile is assessed.

For risk factors that are assessed as material, risk monitoring metrics are established – where applicable, with inclusion in RAF/RAS.



The decarbonization targets will, in the first instance, force on the financing of the transition of the Bank's clients and, if this approach is not feasible, strategies for client engagement and, ultimately, for substitution or *phasing-out* of clients and exposures will be considered.

For a better assessment and quantification of ESG risk factors and whenever the perception of materiality of risks so justifies, risk quantification methodologies and stress tests are to be used with a focus on climate risk factors, allowing, in a scenario or sensitivity analysis approach, to simulate the impact of each risk factor and, where relevant, the assessment of the interdependence between these factors.

The use of risk assessment methodologies and stress tests results allows for enhanced monitoring of ESG risk factors. To this end, the ESG data platform, under development at BCP, focusing on information related to the European Union Taxonomy and ESG reporting, is decisive, by enabling the Bank to obtain a better understanding of the impacts of climate and environmental risk factors on its financing and investments portfolio.

Integration in credit origination and monitoring processes

BCP is implementing methodologies for analysing the ESG risk factors of its main large clients and operations which, prior to the decision of the operation, allow the susceptibility of a given company's financial or credit profile to ESG issues – ESG component, integrated in the financial rating of large companies.

For this purpose, based on relevant data, the Bank implemented evaluation/rating processes supporting the analysis and in the decision on whether and how to start, or maintain, a credit relationship with a business customer, namely regarding the assessment of ESG impacts on the risk of default of the company (or on the valuation of the collateral received).

Strategically and whenever applicable, BCP incorporates into the credit analysis and decision-making process its perspective on possible changes in the transition and physical risk profile of the sectors to which the Bank is exposed. In practice, where necessary, an additional level of conservatism can be introduced into credit policies (especially for long-term operations) and sectoral strategies. This may result, for example, in additional requirements on the price or profitability of operations, the application of covenants or even stricter acceptance criteria.

Cross-cutting integration into the traditional risk categories

The assessment of the materiality of ESG risk factors drives the integration of the impacts of ESG factors in the different risk typologies according to the internal taxonomy of risks. It is recognized that credit risk is the category inherently most exposed to the impacts of ESG factors:

- Regarding transition risk drivers, the corporate sectors are expected to face additional costs (e.g., from required technological shifts or even from operational expenses that may be led by administrative or fiscal policies) impacting their financial performance. In the case of households/ individuals, the impact is mostly driven by a) the energy costs a household may face as a function of the energy efficiency of their accommodation; b) income stress, considering that the individuals are employed in economic sectors that may face climate transition costs/ impacts.

- As for the physical risk drivers, the impacts can be twofold: a) they can result in a cost for the company – whether related to the revenue-loss that typically follows the disruption caused by an acute risk; or b) they can be a result of a damage to any physical asset – typically immovable property – that is securing the Bank's exposure.
- In terms of nature-related risk drivers, the expectation is for the impacts to go, for corporates only, through the same channels as for transition and physical risk drivers, resulting in new operational burden for companies as they may face higher costs or additional operational restrictions for the development of their ordinary business.

Also, impacts may result from any litigation costs that may be associated to negative externalities resulting from the companies' activity. The market, operational and liquidity risk categories are also subject to ESG risk factors, including:

- In terms of market risk, issuers' transition challenges or exposure of their activities to physical risk factors may be reflected in the prices of the equity and debt instruments they issue. Counterparties to the Group's portfolio that are most exposed to transition risks will face adaptation costs that impact their profitability, just as those most exposed to physical risks may suffer financial losses and market portfolio devaluations. In addition, the existence of situations that arise from the sensitivity of the issuer's public profile to ESG issues (e.g., sectors and companies that cause significant damage to environmental objectives) may expose the valuation of the instruments to increased volatility.
- At the operational risk level, physical risk factors may affect the bank directly and its business continuity, through the impact on Group buildings or any other business interruption related to the assets located in those buildings, namely staff and any other service facilities. In addition, counterparties to portfolios that are more exposed to physical risks may also suffer material damage and/or business interruptions.
- In terms of liquidity risk, acute events related to physical risks may lead to extraordinary withdrawals of funds from the Group's accounts. Transition risk factors can also promote lower liquidity levels and additional withdrawals by companies and individuals who, because of the costs of climate transition, have lower incomes or revenues.

Data availability

The existence of complete and detailed data is critical for the development of risk assessment exercises, quantification methodologies and operationalization of risk monitoring routines.

BCP is developing an ESG integrated data platform, both internal and from external sources / data providers, comprehensive and ambitious to meet the varied requirements of risk management and monitoring, reporting and business support. Among other things, it integrates data at the level of customers, operations, and collateral, both real data and estimates and *proxies* in case of absence or unavailability of information.

19.2 Qualitative information on social risk

Strategy & Business processes

BCP's strategy on social risk aims to promote a culture of social responsibility, developing actions for and with various *stakeholder groups* with the aim of directly or indirectly contributing to the social development of the geographies in which it operates. With regard to the Sustainable Development Goals (SDGs), with the greatest impact on the management of social issues and risks, the following were prioritized.

TABLE 88 – The Sustainable Development Goals (SDG), with the Greatest Impact on the Management of Social Issues and Risks

	Promote the financial literacy of the population, contributing to a more informed management of personal finances and promoting entrepreneurship. Of note is the promotion of financial literacy actions, namely, in Portugal, the digital literacy program in partnership with APB (Portuguese Banking Association) and, in Poland, the "Financial ABC" program of Bank Millennium.
	Protect labour rights and promote safe and secure working environments for all employees (internally). Of note are the initiatives of Medical Units and a staff of dedicated physicians in the facilities, with specialties such as Nutrition, Clinical Psychology and Physiotherapy.
	Contribute to the development of entities in the social economy sector through the provision of management training and ensure equal opportunities at work and reduce inequalities (internally). We highlight the training of managers of social entities within the scope of the GOS (Management of Social Organizations) training program by AESE and the initiatives to promote equal opportunities, namely participation in Inclusion Labs within the scope of the Inclusive Community Forum, support in the promotion of training "Winning in the World of Work", participation in the initiatives of IGen – Forum of Organizations for Equality and Equality and partnership with APSA - Portuguese Association of Asperger's Syndrome.

The Bank has made the following social commitments under the 2024 Sustainability Master Plan:

- Encourage the sustainable mobility of the Bank's employees.
- Develop regular social and/or environmental awareness actions among the Bank's employees.
- Maintain career development programs aimed at employees with more potential and talent and increase talent attraction, through the development of partnerships with educational institutions to develop or offer joint training programs to employees.
- Implement corporate volunteering initiatives within the scope of the social responsibility plan defined and approved for 2023/2024.
- Implement the Group's human rights management process and data dissemination, including identification of vulnerabilities and improvement actions.
- Review the Remote Work Policy and the Occupational Health and Safety Policy.
- Regularly develop social and/or environmental awareness activities for the Bank's Employees.
- Promote actions to raise awareness about Mental Health to employees and outsourcers.
- Implement corporate volunteering initiatives as part of the annual Corporate Social Responsibility plan.

Among the most relevant policies related to social aspects, the following stand out:

- Sustainability Policy;
- Human Rights Policy;
- Social Impact Policy;
- Diversity and Equal Opportunities Policy.
- Corporate Volunteering Policy.

All BCP Group's corporate policies and principles are available for consultation on the website:

Institutional/ Sustainability/ Main Corporate Policies and Principles

Governance

The Corporate Governance, Ethics and Sustainability Committee is responsible for evaluating the annual Corporate Social Responsibility Plan, and the Executive Committee is responsible for approving the general policies on conduct and social risks and supervising their application, which is supported by the Sustainability Commission.

It is incumbent upon Sustainability function to propose and execute global and coherent policies for sustainability and corporate social responsibility, promoting:

- Business development with the incorporation of environmental, social and governance principles.
- The sustainability of risk management.
- The enhancement of the institution's reputation and its ability to create social and environmental value; and
- Meeting the needs and expectations of stakeholders.

Risk management

Social factors can be defined as elements with a positive or negative impact on the financial performance or solvency of an entity, whether sovereign or individual. They are related to the rights, well-being and interests of people and communities and include factors such as human rights, (in)equality, health, diversity, inclusion, labour relations, occupational health and safety, human capital and communities.

Whenever it is concluded that they are relevant, these risk factors are analysed and monitored by the BCP Group's risk management system.

Information on Sustainability and its impact on the BCP Group's activity and society is detailed in the Sustainability Report, which can be consulted at:

Institutional/Sustainability/Non-Financial Information/Reporting Commitment

19.3 Qualitative information on governance risk

Governance risk factors at the level of BCP Group's clients and counterparties have long been subject to scrutiny and control.

Through compliance control processes, which include issues relating to the prevention of money laundering and terrorist financing; the prevention of conflict of interest; or the anti-bribery and anti-corruption, prior to the commencement of any business relationship or provision of services by the BCP Group, clients and counterparties are subject to screening and, when necessary, to an individualised analysis with a view to deciding whether to start or even maintain the relationship with the BCP Group.

Similar procedures are established at the level of suppliers and other third parties.

In addition, and regarding the assessment of the credit risk of large corporate clients, financial *ratings* include a component specifically dedicated to assessing the quality of the company's governance, management and organisation. This component, considered individually for each of the targeted companies and placed in the context of the company's sector and segment, determines that risk analysts consider:

- the proper organisation of the company and its management and governance bodies.
- The quality of its sectoral and peer-to-peer strategy and positioning.
- Transparency and quality of external provision of information.
- Management and control of conflicts of interest.

Finally, the ESG component that is part of the financial *rating* model of large companies introduced elements of additional analysis, to be verified by risk analysts based on the collection and verification of information at the company level, namely:

- Internal control system policies and practices.
- Transparency of governance;
- Independence of governing bodies;
- Shareholders' rights;
- Anti-corruption policies and initiatives.
- Quality of the remuneration policies of the governing bodies.

Compliance with these compliance control processes is guided by a formal policy framework, which include:

Policy for Preventing and Combating Money Laundering and Terrorist Financing (AML/CFT) defines the key principles and the Global Compliance Operating Model for the design and implementation of controls considered appropriate for the prevention of ML/TF, within the scope of the BCP Group.

Policy for the Prevention and Management of Conflicts of Interest defines the principles, governance model and fundamental processes adopted for the identification and management of situations of conflict of interest that occur within the scope of BCP or in any entity directly or indirectly controlled by it, integrating the Group.

Anti-Corruption and Anti-Bribery Policy reinforces BCP's commitment to proactively combat and prevent all forms of corruption and bribery, defining the principles and guidelines to prevent and manage these practices.

Privacy Policy ensures the security of personal data and the privacy of data subjects while respecting the regulations in force.

New Product Approval Policy establishes the approval rules for the launch of new products and services (applicable in Portugal) and for changing the characteristics of the products being marketed (creation, alteration, reintroduction or elimination of the offer), ensuring the protection of customers, the preservation of the Bank's soundness, and the mitigation of situations of possible conflicts of interest.

Remuneration and Promotions Policy defines the rules and principles underlying the management of the Bank's remuneration for employees and members of the management and supervisory bodies, promoting the transparency of remuneration policies regarding the integration of sustainability risks.

Principles of Responsible Financing: excluded and conditional projects define the exclusions of projects and the sectoral and project limitations to be considered in the decision to grant credit, namely in what concerns the environmental and social risks associated with these sectors of activity, to safeguard the environmental and social impact on communities.

Guiding Principles of Sustainability for Suppliers defines a set of action commitments applicable to the contracting of third-party services, in accordance with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the Fundamental Principles and Rights at Work of the International Labour Organization (ILO), the United Nations Global Compact and the Charter of Principles of BCSD Portugal, to which BCP subscribes.

Millennium bcp's Principles in Tax Issues establishes a set of action commitments, including the definition of the tax framework of the Group's companies and the activities carried out by them, monitoring, and implementing the changes that prove necessary.

All BCP Group's corporate policies and principles are available for consultation on the website:

Institutional/ Sustainability/ Main Corporate Policies and Principles

19.4. Quantitative information

The following tables show the available information on climate change transition risk, climate change physical risk and KPI GAR (Green Asset Ratio).

The Template 3 - Banking book - Climate change transition risk: Alignment metrics and Template 9 - Mitigating actions: BTAR are not yet available on the 31st of December 2023.

The Template 5 - Banking book - Climate change physical risk: Exposures subject to physical risk is presented by geographies: Portugal, Poland, Mozambique and Others, respecting the principle of country of address of the counterparty or asset, regardless of the Bank's operation to which it is assigned.

TABLE 89 – TEMPLATE 1 – Banking Book – Climate Change Transition Risk: Credit Quality of Exposures by Sector, Emissions and Residual Maturity

(Million euros, tons of CO2 equivalent)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
1	Exposures towards sectors that highly contribute to climate change*	15 224	0	12	2 717	308	-500	-128	-284	6 779 578	4 620 008	24,7%	11 565	2 051	1 553	55	4
2	A - Agriculture, forestry and fishing	425	0	0	144	7	-15	-6	-6	410 178	142 544	26,0%	285	89	51	0	5
3	B - Mining and quarrying	176	0	0	9	5	-6	-1	-5	118 654	58 787	59,6%	130	45	1	0	3
4	B.05 - Mining of coal and lignite	0	0	0	0	0	0	0	0	29	22	0,0%	0	0	0	0	1
5	B.06 - Extraction of crude petroleum and natural gas	0	0	0	0	0	0	0	0	1	0	0,0%	0	0	0	0	3
6	B.07 - Mining of metal ores	86	0	0	0	0	0	0	0	42 449	8 224	100,0%	86	0	0	0	0
7	B.08 - Other mining and quarrying	49	0	0	9	5	-6	-1	-5	49 904	34 787	41,3%	44	3	1	0	4
8	B.09 - Mining support service activities	41	0	0	0	0	0	0	0	26 271	15 754	0,0%	0	41	0	0	9
9	C - Manufacturing	3 984	0	0	669	91	-141	-32	-84	2 835 275	1 920 231	28,2%	3 473	416	87	9	3
10	C.10 - Manufacture of food products	636	0	0	99	20	-27	-4	-19	514 270	371 444	23,4%	575	50	12	0	2
11	C.11 - Manufacture of beverages	176	0	0	40	0	-5	-1	-2	51 479	33 983	22,1%	147	24	5	0	2
12	C.12 - Manufacture of tobacco products	3	0	0	1	0	0	0	0	741	538	0,0%	3	0	0	0	0
13	C.13 - Manufacture of textiles	228	0	0	71	4	-6	-3	-1	120 182	74 440	32,5%	193	23	12	0	3
14	C.14 - Manufacture of wearing apparel	143	0	0	38	4	-7	-2	-4	52 828	41 996	7,7%	133	6	3	1	3
15	C.15 - Manufacture of leather and related products	78	0	0	17	3	-3	-1	-2	28 487	25 267	5,1%	70	5	3	0	3
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	217	0	0	38	3	-5	-2	-2	148 324	126 765	17,8%	183	26	8	0	3
17	C.17 - Manufacture of pulp, paper and paperboard	156	0	0	13	1	-2	-1	-1	214 494	54 981	40,3%	141	15	1	0	1
18	C.18 - Printing and service activities related to printing	71	0	0	11	2	-3	-1	-1	15 834	12 241	3,8%	55	13	3	0	4
19	C.19 - Manufacture of coke oven products	13	0	0	2	0	0	0	0	48 083	43 417	24,5%	12	0	1	0	1
20	C.20 - Production of chemicals	110	0	0	10	5	-1	0	0	88 608	67 829	41,8%	100	9	1	0	2
21	C.21 - Manufacture of pharmaceutical preparations	66	0	0	15	0	-1	-1	0	5 738	3 670	44,1%	52	14	0	0	3
22	C.22 - Manufacture of rubber products	267	0	0	54	7	-9	-2	-5	346 541	292 423	25,6%	229	34	3	1	3
23	C.23 - Manufacture of other non-metallic mineral products	411	0	0	37	7	-11	-2	-6	307 931	109 608	59,4%	372	35	4	1	2
24	C.24 - Manufacture of basic metals	79	0	0	9	6	-10	0	-9	106 764	49 414	31,6%	74	4	0	1	3
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	630	0	0	98	19	-28	-6	-18	352 791	255 719	18,6%	532	76	19	1	3

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
26	C.26 - Manufacture of computer, electronic and optical products	34	0	0	3	0	-1	0	0	12 469	11 140	53,2%	32	2	0	0	2
27	C.27 - Manufacture of electrical equipment	74	0	0	5	0	-2	0	-1	83 301	77 108	24,0%	67	6	1	0	2
28	C.28 - Manufacture of machinery and equipment n.e.c.	171	0	0	20	0	-3	-1	-1	111 043	98 752	35,6%	155	14	2	0	3
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	91	0	0	22	2	-7	-1	-6	71 057	62 201	38,9%	81	9	0	1	3
30	C.30 - Manufacture of other transport equipment	43	0	0	11	2	-2	0	-1	37 221	28 751	33,6%	40	3	0	0	2
31	C.31 - Manufacture of furniture	135	0	0	30	3	-5	-2	-2	47 695	39 782	22,0%	105	25	4	1	3
32	C.32 - Other manufacturing	52	0	0	6	0	-1	0	0	15 158	9 448	14,8%	45	5	2	0	3
33	C.33 - Repair and installation of machinery and equipment	98	0	0	21	2	-3	-1	-1	54 235	29 315	27,1%	77	17	4	1	3
34	D - Electricity, gas, steam and air conditioning supply	872	0	7	28	0	-6	-4	0	299 553	148 495	66,7%	573	80	220	0	4
35	D35.1 - Electric power generation, transmission and distribution	850	0	7	27	0	-5	-4	0	293 397	145 764	68,7%	552	78	220	0	5
36	D35.11 - Production of electricity	801	0	7	24	0	-5	-4	0	262 998	128 436	67,4%	503	78	220	0	5
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	18	0	0	0	0	0	0	0	2 742	1 444	0,0%	18	0	0	0	3
38	D35.3 - Steam and air conditioning supply	3	0	0	0	0	0	0	0	3 415	1 287	1,2%	2	1	0	0	4
39	E - Water supply; sewerage, waste management, remediation activiti	219	0	5	52	1	-8	-6	-2	54 125	18 348	40,2%	137	50	31	0	5
40	F - Construction	1 377	0	0	319	52	-76	-14	-52	418 136	347 277	23,0%	1 043	129	203	1	4
41	F.41 - Construction of buildings	695	0	0	174	28	-45	-9	-31	217 613	197 812	11,7%	505	69	120	1	5
42	F.42 - Civil engineering	375	0	0	95	16	-21	-2	-16	71 459	37 818	61,1%	280	20	75	0	4
43	F.43 - Specialised construction activities	307	0	0	50	8	-10	-3	-5	129 065	111 647	2,1%	258	41	8	0	3
44	G - Wholesale and retail trade; repair of motor vehicles & motorcycle	3 614	0	0	474	58	-103	-25	-55	1 896 139	1 636 958	15,8%	3 101	364	144	4	3
45	H - Transportation and storage	1 367	0	0	160	29	-27	-6	-13	538 107	205 058	32,3%	1 186	172	8	1	3
46	H.49 - Land transport and transport via pipelines	895	0	0	119	27	-22	-5	-12	345 242	164 095	15,6%	786	104	4	0	3
47	H.50 - Water transport	37	0	0	1	0	-1	0	0	9 764	426	97,7%	7	30	0	0	8
48	H.51 - Air transport	5	0	0	3	0	0	0	0	100 599	295	86,5%	3	2	0	0	5
49	H.52 - Warehousing and support activities for transportation	408	0	0	28	1	-3	-1	-1	79 278	38 033	62,3%	371	34	3	0	3
50	H.53 - Postal and courier activities	21	0	0	9	0	0	0	0	3 224	2 208	45,1%	20	2	0	0	2
51	I - Accommodation and food service activities	1 267	0	0	482	42	-73	-21	-48	137 925	106 946	4,0%	464	298	467	38	9
52	L - Real estate activities	1 923	0	0	379	23	-45	-15	-19	71 485	35 363	22,1%	1 172	409	341	1	5
53	**Exposures towards sectors other than those that highly contribute to climate change***	4 762	0	179	451	79	-232	-19	-194				3 680	513	540	29	4
54	K - Financial and insurance activities	659	0	61	16	0	-2	-1	0				575	83	0	0	2
55	Exposures to other sectors (NACE codes J, M - U)	4 102	0	118	435	79	-229	-19	-193				3 104	430	540	29	0
56	TOTAL	19 986	0	191	3 168	387	-731	-148	-478	6 779 578	4 620 008	24,7%	15 244	2 564	2 093	84	8

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

TABLE 90 – TEMPLATE 2 – Banking Book – Climate Change Transition Risk: Loans Collateralised by Immovable Property – Energy Efficiency of the Collateral

(Million euros)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	Total gross carrying amount amount															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	30 764	20 149	6 544	2 541	265	116	338	947	785	1 726	1 715	953	422	0	24 216	96,8%
2	Of which Loans collateralised by commercial immovable property	3 172	1 128	1 434	208	0	0	0	1	0	0	0	1	0	0	3 169	87,3%
3	Of which Loans collateralised by residential immovable property	27 489	19 021	5 109	2 333	265	116	338	946	783	1 718	1 709	944	414	0	20 975	98,5%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	104	0	0	0	0	0	0	0	3	8	6	8	7	0	72	0,0%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	26 993	19 313	5 674	2 007	0	0	0								23 435	100,0%
6	**Total non-EU area**	405	35	15	0	0	0	0	0	0	0	0	0	0	0	405	12,5%
7	Of which Loans collateralised by commercial immovable property	116	35	15	0	0	0	0	0	0	0	0	0	0	0	116	43,5%
8	Of which Loans collateralised by residential immovable property	281	0	0	0	0	0	0	0	0	0	0	0	0	0	281	0,0%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	8	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0,0%
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	51	35	15	0	0	0	0								51	100,0%

TABLE 91 – TEMPLATE 4 – Banking Book – Climate Change Transition Risk: Exposures to Top 20 Carbon-Intensive Firms

(Million euros)

	a	b	c	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	0	0	0	0	0

*For counterparties among the top 20 carbon emitting companies in the world.

The Bank considered as the top 20 most polluting companies the ones identified as such by the Climate Accountability Institute (https://climateaccountability.org/carbon-majors-dataset-2020/), as per their most recent available data by March 2024, which refers to 2018.

TABLE 92 – TEMPLATE 5 – Climate Change Physical Risk–Exposures Subject to Physical Risk

(Million euros)

Geography: Portugal

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount (Mln EUR)													
	of which exposures sensitive to impact from climate change physical events													
Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	393	44	14	17	0	6	23	37	15	29	1	-2	-1	-0
2 B - Mining and quarrying	160	5	1	-	-	4	3	2	0	1	1	-0	-0	-0
3 C - Manufacturing	3 030	417	51	11	1	3	199	260	22	86	23	-28	-4	-21
4 D - Electricity, gas, steam and air conditioning supply	520	89	18	51	-	5	20	134	4	0	-	-0	-0	-
5 E - Water supply; sewerage, waste management and remediation activitie:	184	55	16	29	-	7	68	30	1	36	0	-5	-5	-0
6 F - Construction	1 138	146	11	3	0	2	29	117	14	20	0	-6	-1	-3
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2 358	271	33	20	1	3	139	175	10	53	5	-9	-3	-4
8 H - Transportation and storage	742	80	61	2	0	5	78	61	4	17	0	-2	-0	-0
9 L - Real estate activities	1 729	117	40	52	0	6	108	97	4	57	1	-4	-2	-0
10 Loans collateralised by residential immovable property	20 096	115	162	378	1 522	24	519	1 543	114	243	19	-17	-2	-13
11 Loans collateralised by commercial immovable property	2 675	69	83	107	5	9	67	178	18	72	9	-21	-2	-18
12 Repossessed collaterals	104	19	-	-	-	-	9	7	2	-	-	-10	-	-
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Geography: Poland

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events												
Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	21	0	0	-	-	4	0	0	-	-	0	-0	-	-0
2 B - Mining and quarrying	17	0	-	-	-	2	0	-	-	-	-	-0	-	-
3 C - Manufacturing	932	17	0	-	-	3	14	4	-	0	0	-0	-0	-0
4 D - Electricity, gas, steam and air conditioning supply	12	0	-	-	-	1	0	-	-	-	-	-0	-	-
5 E - Water supply; sewerage, waste management and remediation activitie:	30	0	-	-	-	2	0	0	-	-	0	-0	-	-0
6 F - Construction	238	3	1	-	-	3	1	3	-	1	0	-0	-0	-0
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1 210	3	0	0	-	3	1	2	-	0	0	-0	-0	-0
8 H - Transportation and storage	615	16	7	-	-	4	19	4	-	1	0	-0	-0	-0
9 L - Real estate activities	192	1	0	-	-	4	0	0	-	0	-	-0	-0	-
10 Loans collateralised by residential immovable property	7 393	2	5	29	52	21	53	35	-	5	1	-1	-0	-1
11 Loans collateralised by commercial immovable property	497	8	3	0	0	5	11	1	-	-	-	-0	-	-
12 Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Geography: Mozambique

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events												
Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	11	0	-	-	-	2	-	0	-	-	-	-	-	-
2 B - Mining and quarrying	0	-	-	-	-	-	-	-	-	-	-	-	-	-
3 C - Manufacturing	22	-	-	-	-	-	-	-	-	-	-	-	-	-
4 D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activitie:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 F - Construction	0	-	-	-	-	-	-	-	-	-	-	-	-	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	6	0	-	-	-	0	-	0	-	-	-	-	-	-
8 H - Transportation and storage	2	-	-	-	-	-	-	-	-	-	-	-	-	-
9 L - Real estate activities	1	0	-	-	-	-	-	0	-	-	-	-	-	-
10 Loans collateralised by residential immovable property	281	2	1	0	0	-	0	4	-	-	-	-	-	-
11 Loans collateralised by commercial immovable property	81	14	4	0	-	-	0	18	-	-	-	-	-	-
12 Repossessed collaterals	8	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Geography: Others

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events												
Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 C - Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 D - Electricity, gas, steam and air conditioning supply	340	-	-	-	-	-	-	-	-	-	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activitie:	5	-	-	-	-	-	-	-	-	-	-	-	-	-
6 F - Construction	1	-	-	-	-	-	-	-	-	-	-	-	-	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	40	-	-	-	-	-	-	-	-	-	-	-	-	-
8 H - Transportation and storage	8	-	-	-	-	-	-	-	-	-	-	-	-	-
9 L - Real estate activities	1	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Loans collateralised by commercial immovable property	35	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 93 – TEMPLATE 6 – Summary of Gar KPI

(Million Euros)

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)*
GAR stock	2,8%	0,0%	2,8%	61,1%
GAR flow	0,9%	0,0%	0,9%	-1,0%

* % of assets covered by the KPI over banks´ total assets

TABLE 94 – TEMPLATE 7 – Mitigating Actions: Assets for the Calculation of GAR

(Million Euros)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	GAR - Covered assets in both numerator and denominator				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	39 945	16 597	1 836	1 828	0	0	644	0	0	0	0	17 241	1 836	1 828	0	0
2	**Financial corporations**	3 973	498	158	158	0	0	0	0	0	0	0	498	158	158	0	0
3	Credit institutions	1 931	158	158	158	0	0	0	0	0	0	0	158	158	158	0	0
4	Loans and advances	740	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	1 091	158	158	158	0	0	0	0	0	0	0	158	158	158	0	0
6	Equity instruments	100	0	0		0	0	0	0		0	0	0	0		0	0
7	Other financial corporations	2 042	340	0	0	0	0	0	0	0	0	0	340	0	0	0	0
8	of which investment firms	694	198	0	0	0	0	0	0	0	0	0	198	0	0	0	0
9	Loans and advances	326	198	0	0	0	0	0	0	0	0	0	198	0	0	0	0
10	Debt securities, including UoP	200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	167	0	0		0	0	0	0		0	0	0	0		0	0
12	of which management companies	9	7	0	0	0	0	0	0	0	0	0	7	0	0	0	0
13	Loans and advances	8	7	0	0	0	0	0	0	0	0	0	7	0	0	0	0
14	Debt securities, including UoP	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0
16	of which insurance undertakings	145	5	0	0	0	0	0	0	0	0	0	6	0	0	0	0
17	Loans and advances	17	5	0	0	0	0	0	0	0	0	0	6	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	128	0	0		0	0	0	0		0	0	0	0		0	0

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		Total gross carrying amount		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	GAR - Covered assets in both numerator and denominator				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	429	203	8	0	0	0	1	0	0	0	0	204	8	0	0	0
21	Loans and advances	429	203	8	0	0	0	1	0	0	0	0	204	8	0	0	0
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0
24	**Households**	34 577	15 894	1 670	1 670	0	0						15 894	1 670	1 670	0	0
25	of which loans collateralised by residential immovable property	26 099	15 735	1 669	1 669	0	0						15 735	1 669	1 669	0	0
26	of which building renovation loans	0	0	0	0	0	0						0	0	0	0	0
27	of which motor vehicle loans	28	28	0	0	0	0						28	0	0	0	0
28	**Local governments financing**	966	2	0	0	0	0	643	0	0	0	0	645	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local governments financing	966	2	0	0	0	0	643	0	0	0	0	645	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	111	111	3	3	0	0	0	0	0	0	0	111	3	3	0	0
32	**TOTAL GAR ASSETS**	40 057	16 708	1 838	1 831	0	0	644	0	0	0	0	17 352	1 838	1 831	0	0
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	18 821															
34	Loans and advances	15 803															
35	Debt securities	3 007															
36	Equity instruments	11															

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	GAR - Covered assets in both numerator and denominator				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	736															
38	Loans and advances	714															
39	Debt securities	21															
40	Equity instruments	0															
41	Derivatives	41															
42	On demand interbank loans	337															
43	Cash and cash-related assets	689															
44	Other assets (e.g. Goodwill, commodities etc.)	4 825															
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	65 504															
	Other assets excluded from both the numerator and denominator for GAR-calculation																
46	Sovereigns	21 750															
47	Central banks exposure	6 313															
48	Trading book	823															
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	28 886															
50	**TOTAL ASSETS**	94 390															

TABLE 95 – TEMPLATE 8 – GAR (%)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	**GAR**	25%	3%	3%	0%	0%	1%	0%	0%	0%	0%	26%	3%	3%	0%	0%	61%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	42%	5%	5%	0%	0%	2%	0%	0%	0%	0%	43%	5%	5%	0%	0%	61%
3	Financial corporations	13%	4%	4%	0%	0%	0%	0%	0%	0%	0%	13%	4%	4%	0%	0%	6%
4	Credit institutions	8%	8%	8%	0%	0%	0%	0%	0%	0%	0%	8%	8%	8%	0%	0%	3%
5	Other financial corporations	17%	0%	0%	0%	0%	0%	0%	0%	0%	0%	17%	0%	0%	0%	0%	3%
6	of which investment firms	29%	0%	0%	0%	0%	0%	0%	0%	0%	0%	29%	0%	0%	0%	0%	1%
7	of which management companies	87%	0%	0%	0%	0%	0%	0%	0%	0%	0%	87%	0%	0%	0%	0%	0%
8	of which insurance undertakings	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	0%
9	Non-financial corporations subject to NFRD disclosure obligations	47%	2%	0%	0%	0%	0%	0%	0%	0%	0%	47%	2%	0%	0%	0%	1%
10	Households	46%	5%	5%	0%	0%						46%	5%	5%	0%	0%	53%
11	of which loans collateralised by residential immovable property	60%	6%	6%	0%	0%						60%	6%	6%	0%	0%	40%
12	of which building renovation loans	0%	0%	0%	0%	0%						0%	0%	0%	0%	0%	0%
13	of which motor vehicle loans	100%	0%	0%	0%	0%						100%	0%	0%	0%	0%	0%
14	Local government financing	0%	0%	0%	0%	0%						67%	0%	0%	0%	0%	1%
15	Housing financing	0%	0%	0%	0%	0%						0%	0%	0%	0%	0%	0%
16	Other local governments financing	0%	0%	0%	0%	0%	67%	0%	0%	0%	0%	67%	0%	0%	0%	0%	1%
17	Collateral obtained by taking possession: residential and commercial immovable properties	100%	2%	2%	0%	0%						100%	2%	2%	0%	0%	0%

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	**GAR**	-1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	-1%	1%	1%	0%	0%	-1%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	0%	29%
3	Financial corporations	6%	5%	5%	0%	0%	0%	0%	0%	0%	0%	6%	5%	5%	0%	0%	-29%
4	Credit institutions	12%	12%	12%	0%	0%	0%	0%	0%	0%	0%	12%	12%	12%	0%	0%	-40%
5	Other financial corporations	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%	11%
6	of which investment firms	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	10%
7	of which management companies	-71%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-71%	0%	0%	0%	0%	1%
8	of which insurance undertakings	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	-4%
9	Non-financial corporations subject to NFRD disclosure obligations	-6%	1%	0%	0%	0%	0%	0%	0%	0%	0%	-6%	1%	0%	0%	0%	43%
10	Households	-1%	1%	1%	0%	0%						-1%	1%	1%	0%	0%	3%
11	of which loans collateralised by residential immovable property	-1%	2%	2%	0%	0%						-1%	2%	2%	0%	0%	10%
12	of which building renovation loans	0%	0%	0%	0%	0%						0%	0%	0%	0%	0%	0%
13	of which motor vehicle loans	-1%	0%	0%	0%	0%						-1%	0%	0%	0%	0%	0%
14	Local government financing	0%	0%	0%	0%	0%						4%	0%	0%	0%	0%	12%
15	Housing financing	0%	0%	0%	0%	0%						0%	0%	0%	0%	0%	0%
16	Other local governments financing	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	4%	0%	0%	0%	0%	12%
17	Collateral obtained by taking possession: residential and commercial immovable properties	-66%	0%	1%	0%	0%						-66%	0%	1%	0%	0%	14%

TABLE 96 – TEMPLATE 10 – Other Climate Change Mitigating Actions that are Not Covered in the EU Taxonomy

(Million Euros)

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	0	-	-	-
2		Non-financial corporations	0	-	-	-
3		Of which Loans collateralised by commercial immovable property	0	-	-	-
4		Households	0	-	-	-
5		Of which Loans collateralised by residential immovable property	0	-	-	-
6		Of which building renovation loans	0	-	-	-
7		Other counterparties	0	-	-	-
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	16	Yes	No	These exposures correspond to project finance specifically directed towards financing various clean energy initiatives. These include projects related to energy production from biomass, solar, wind and hydroelectric sources. These exposures where not reported as aligned with the EU Taxonomy because i) the respective counterparties are not under NFRD, therefore no EU Taxonomy KPIs were available, and ii) evidence of the full compliance with all the applicable technical screening criteria was deemed insufficient. Nevertheless, these exposures support energy solutions whose contribution to climate risk mitigation is very clear.
9		Non-financial corporations	116	Yes	No	
10		Of which Loans collateralised by commercial immovable property	35	Yes	No	
11		Households	0	-	-	-
12		Of which Loans collateralised by residential immovable property	0	-	-	-
13		Of which building renovation loans	0	-	-	-
14		Other counterparties	0	-	-	-

APPENDIX I – Mapping of Quantitative Information

Templates from ITS 2020/04

EU CC1	Composition of regulatory own funds	Table 12
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Table 13
EU CCA	Main features of own funds instruments	Table 14
EU OV1	Overview of risk weighted exposure amounts	Table 10
EU KM1	Key metrics template	Table 1
EU INS1	Insurance participations	Not applicable
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable
EU LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Table 3
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Table 4
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Table 2
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Table 17
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Table 18
EU PV1	Prudent valuation adjustments (PVA)	Table 15
EU CCR1	Analysis of CCR exposure by approach	Table 53
EU CCR2	Transactions subject to own funds requirements for CVA risk	Table 54
EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Table 55
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Table 56
EU CCR5	Composition of collateral for CCR exposures	Table 57
EU CCR6	Credit derivatives exposures	Not applicable
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Not applicable
EU CCR8	Exposures to CCPs	Table 58
EU CR1	Performing and non-performing exposures and related provisions	Table 32
EU CR1-A	Maturity of exposures	Table 33

EU CR2	Changes in the stock of non-performing loans and advances	Not applicable
EU CR2A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Not applicable
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Table 59
EU CR4	Standardised approach -Credit risk exposure and CRM effects	Table 60
EU CR5	Standardised approach	Table 52
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Table 46
EU CR6-A	Scope of the use of IRB and SA approaches	Table 47
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Not applicable
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Table 48
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Table 51
CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Table 45
CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180 (1) CRR)	Not applicable
EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	Tables 49 and 50
EU-SEC1	Securitisation exposures in the non-trading book	Table 63
EU-SEC2	Securitisation exposures in the trading book	Not applicable
EU-SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Table 64
EU-SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Table 65
EU-SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Not applicable
EU CQ1	Credit quality of forborne exposures	Table 34
EU CQ2	Quality of forbearance	Not applicable
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Table 35
EU CQ4	Quality of non-performing exposures by geography	Table 36
EU CQ5	Credit quality of loans and advances by industry	Table 37
EU CQ6	Collateral valuation - loans and advances	Not applicable
EU CQ7	Collateral obtained by taking possession and execution processes	Table 38
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Table 39

EU MR1	Market risk under the standardised approach	Table 66
EU MR2-A	Market risk under the internal Model Approach (IMA)	Table 67
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Table 68
EU MR3	IMA values for trading portfolios	Table 69
EU MR4	Comparison of VaR estimates with gains / losses	Graph 3
EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	Table 22
EU LR2	Leverage ratio common disclosure	Table 23
EU LR3	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Table 24
EU LIQ1	Quantitative information of LCR	Table 76
EU LIQ2	Net Stable Funding Ratio	Table 77
EU AE1	Encumbered and unencumbered assets	Table 78
EU AE2	Collateral received and own debt securities issued	Table 79
EU AE3	Sources of encumbrance	Table 80
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Table 71
EU REM1	Remuneration awarded for the financial year	Table 81
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Table 82
EU REM3	Deferred remuneration	Table 83
EU REM4	Remuneration of 1 million EUR or more per year	Table 84
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Table 85
EU IRRBB1	Interest rate risks of non-trading book activities	Table 72

ITS 2022/01 on ESG factors

Template 1	Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions, and residual maturity	Table 89
Template 2	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	Table 90
Template 3	Banking book - Climate change transition risk: Alignment metrics	Not available
Template 4	Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	Table 91

Template 5	Banking book - Climate change physical risk: Exposures subject to physical risk	Table 92
Template 6	Summary of GAR KPIs	Table 93
Template 7	Mitigating actions: Assets for the calculation of GAR	Table 94
Template 8	Mitigation actions - GAR (%)	Table 95
Template 9	Mitigating actions: BTAR	Not available
Template 10	Other climate change mitigating actions that are not covered in the EU Taxonomy	Table 96

ITS on MREL and TLAC

EU KM2	Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	Table 25
EU TLAC1	Composition - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	Table 26
EU iLAC	Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	Table 27
EU TLAC2	Creditor ranking - Entity that is not a resolution entity	Table 30
EU TLAC3	Creditor ranking - resolution entity	Table 29

Other periodical regulatory disclosures

Minimum capital requirements from SREP	Table 8
Capital ratios and summary of the main aggregates	Table 9
Reconciliation between accounting and regulatory capital	Table 11
Off-balance sheet credit facilities	Table 42
Equity exposures in the Banking Book	Table 61
Stress tests over the Trading Book	Table 70
Liquid assets from the eligible collateral pools	Table 74
ECB liquidity buffer	Table 75
Uniform disclosure of IFRS 9 transitional arrangements	Table 16

APPENDIX II – Mapping of Qualitative Information

Article of CRR	Market Discipline Report 2023
431. Scope of disclosures requirements	Chapter 3
432. Non-material, proprietary or confidential information	Chapter 1
433. Frequency of disclosure	Chapter 1
434. Means of disclosure	Chapter 1
435. Risk management objectives and policies	Chapter 4
436. Scope of application of the requirements	Chapter 3
437. Disclosure of own funds and eligible liabilities	Chapter 5 and 7
438. Disclosure of own funds requirements and risk-weighted exposure amounts	Chapter 5
439. Exposure to counterparty credit risk	Chapters 8 and 9
440. Capital buffers	Chapter 5
441. Indicators of global systemic importance	Chapter 2
442. Credit risk and dilution risk	Chapters 8, 9 and 10
443. Unencumbered assets	Chapter 17
444. Use of the Standardised Approach	Chapter 10
445. Exposure to market risk	Chapter 13
446. Operational risk	Chapter 14
447. Disclosure of key metrics	Chapter 2
448. Exposure to interest rate risk on positions not included in the trading book	Chapter 15 and 16
449. Exposure to securitisation positions	Chapter 12
449a. Prudential disclosures on ESG risks	Chapter 19
450. Remuneration policy	Chapter 18
451. Leverage	Chapter 6
452. Use of the IRB Approach to credit risk	Chapter 8
453. Use of credit risk mitigation techniques	Chapter 10
454. Use of the Advanced Measurement Approaches to operational risk	n.a.
455. Use of Internal Market Risk Models	Chapter 13

APPENDIX III – List of The Acronyms and Technical Terms frequently used throughout the document

AC: Audit Committee

AML/CTF: Anti-Money Laundering and Counter-Terrorism Financing

BoD: Board of Directors

bps: Basis points (1 basis point = 0,01%)

CALCO: Capital Assets and Liabilities Committee

CCF: Credit Conversion Factors

CCP: Central Counterparty

CET1: Common Equity Tier 1

CRD IV: Directive 2013/36/EU of June 26 regarding access to credit institutions' activity and prudential supervision of credit institutions and investment companies, which alters Directive 2002/87/CE and revokes Directives 2006/48/CE and 2006/49/CE

CRM: Credit Risk Mitigation techniques

CRR: Regulation 575/2013/EU of June 26, related to prudential requirements for credit institutions and for investment companies, which changes Regulation (EU) no. 648/2012

CVA: Credit Valuation Adjustment

EAD: Exposure at Default

EBA: European Banking Authority

EC: Executive Committee of the BoD

ECAI: External Credit Assessment Institutions

ECB: European Central Bank

EMIR: European Market Infrastructure Regulation

IAS: International Accounting Standards

ICAAP: Internal Capital Adequacy Assessment Process

ICS: Internal Control System

IFRS 9: International Financial Reporting Standard 9 - Financial Instruments

ILAAP: Internal Liquidity Adequacy Assessment Process

IRB: Internal Ratings Based

KNF (*Komisdja Nadzoru Finansowego*): Polish financial Supervisory authority

KRI: Key Risk Indicators

LCR: Liquidity Coverage Ratio

LGD: Loss Given Default

O-SII: Other Systemically Important Institution

OTC: Over-the-Counter derivatives

NSFR: Net Stable Funding Ratio

NPA: Non-performing Assets

NPE: Non-performing Exposures

PD: Probability of Default

RAC: Risk Assessment Committee

RAF: Risk Appettite Framework, defined as the set of principles, policies, rules, limits and reports that support the Bank's risk management function

RAS: Risk Appettite Statement, declaration including a set of indicators of risk acceptance limits by the Bank

RC: Risk Commission

REPOS (*Repurchase agreements*): Financial instruments subject to repurchase agreements

RMS: Risk Management System

RSA: Risks Self-Assessment

RWEA: Risk Weighted: Risk Weighted Exposure Amounts

SIC 12: Standing Interpretations Committee (before March 2002); Interpretation that defines the criteria for SPE consolidation according to IAS 27

SFT: Securities Financing Transaction

SREP: Supervisory Review and Evaluation Process

SSM: Single Supervisory Mechanism

SPE: Special Purpose Entity

SVaR: Stressed Value at risk

VaR: Value at Risk

GHG: Green House Gas

Market Discipline Report 2023

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