

Banco Comercial Português, S.A.

Market Discipline Report 2024

Millennium
bcp

Market Discipline Report 2024

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

2024 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 euro

Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882



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Introduction

This document, “Market Discipline Report 2024”, is comprised within the requisites for the provision of information foreseen in Pillar III of the capital agreement complementing the information provided in the 2024 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 2024 Annual Report of the Bank.

The information presented refers to the end of the 2024 financial year.

1. Statement of Responsibility of the Board of Directors

I. This declaration of responsibility issued by the Board of Directors of Banco Comercial Português, S.A. relates to the 2024 Market Discipline Report, complying with the requirements described in CRD IV/CRR.

II. The 2024 Market Discipline Report was drawn up within the framework of Pillar III, in accordance with the regulations and legislation in force and in line with the practices of the main international banks.

III. Regulation (EU) no. 575/2013 and Directive 2013/36/EU, both dated 26 June (Capital Requirements Regulation / Capital Requirements Directive), establish the requirements and criteria for the disclosure of information and own funds, namely those set out in articles 431 to 455 of the CRR within the scope of Pillar III requirements, and this Directive has been transposed into national law by Decree-Law no. 157/2014 of October the 24th.

IV. As it is not provided for in the legal and regulatory provisions, this report has not been audited by the Bank's External Auditor. However, the report includes information from the audited Consolidated Financial Statements reported in the 2024 Annual Report, which was discussed and approved at the General Meeting of Shareholders held on May the 22nd, 2025.

V. Concerning the information presented in the Market Discipline Report 2024, 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 true and trustworthy.
- Ensures the quality of all the information disclosed, including the one referring to or with origin in entities included in the economic group of which the institution is a 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 main ratios and figures disclosed herein, namely those set out in Chapter 2.
- Informs that no information related to the one described in article 432(2) of the CRR has been omitted; and
- Commits to timely disclose any significant alterations that may occur in the course of the financial year subsequent to the one this report relates to.

Lisbon, 25th of June 2025

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
(Million euro)

		a	b	c	d	e
		Dec 24	Sep 24	Jun 24	Mar 24	Dec 23
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	6 563	6 434	6 440	6 164	6 157
2	Tier 1 capital	7 057	6 926	6 929	6 652	6 642
3	Total capital	8 266	8 148	8 183	7 920	7 906
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	40 128	39 718	39 728	39 146	39 751
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16,36%	16,20%	16,21%	15,75%	15,49%
6	Tier 1 ratio (%)	17,59%	17,44%	17,44%	16,99%	16,71%
7	Total capital ratio (%)	20,60%	20,51%	20,60%	20,23%	19,89%
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 (%)	0,04%	0,00%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,29%	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%	1,00%
11	Combined buffer requirement (%)	3,83%	3,50%	3,50%	3,50%	3,50%
EU 11a	Overall capital requirements (%)	14,33%	14,00%	14,00%	14,00%	14,00%
12	CET1 available after meeting the total SREP own funds requirements %	9,71%	9,56%	9,57%	9,12%	8,83%
Leverage ratio						
13	Leverage ratio total exposure measure	110 446	108 250	107 731	105 538	102 616
14	Leverage ratio	6,39%	6,40%	6,43%	6,30%	6,47%
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)	29 803	27 866	25 554	23 019	21 095
EU 16a	Cash outflows - Total weighted value	12 340	12 177	11 907	11 661	11 734
EU 16b	Cash inflows - Total weighted value	2 547	2 529	2 494	2 492	2 508
16	Total net cash outflows (adjusted value)	9 792	9 648	9 413	9 170	9 226
17	Liquidity coverage ratio (%)	304%	288%	271%	251%	229%
Net Stable Funding Ratio						
18	Total available stable funding	85 977	83 960	83 286	81 634	79 503
19	Total required stable funding	47 557	47 920	47 550	47 643	47 688
20	NSFR ratio (%)	181%	175%	175%	171%	167%

* 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 is a joint stock company with share capital open to public investment (public limited company), with registered office at Praça D. João I, 28, in Porto, registered at the Porto Commercial Registry Office under the single registry and tax number 501 525 882, 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 Tied Insurance Mediator under number 419527602/3.

On the 31st of December 2024, the Bank's share capital amounted to 3,000,000,000.00 euro, fully paid-up and represented by 15,113,989,952 shares with no par value. The shares are ordinary, book-entry and nominative, and 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 privately held company incorporated in Portugal by public deed on June the 25th 1985, the parent company of a group of companies that are in a control or group relationship with it, under the terms of article 21 of the Securities Code (hereinafter referred to as the "Group" or "BCP Group"), and is subject to the supervision of the European Central Bank on an individual or consolidated basis through the Single Supervisory Mechanism (SSM), in accordance with Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17) (SSM Framework Regulation).

The Bank's Articles of Association, Management Reports, and individual and consolidated Financial Statements, as well as the Corporate Governance and Sustainability Reports are available on the Bank's website, in Portuguese and English, at 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 2024, 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 2024 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
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Deducted	Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor 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
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-commerce
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 Telecommunication 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					(3)	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
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Deducted	Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor 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					(3)	Banking
Banque BCP, S.A.S.	Equity Method					(3)	Banking
Lubuskie Fabryki Mebli S.A.	Equity Method				(2)		Furniture manufacturer
SIBS, S.G.P.S., S.A.	Equity Method					(3)	Banking services
UNICRE - Instituição Financeira de Crédito, S.A.	Equity Method					(3)	Credit cards
Webspectator Corporation	Equity Method				(2)		Services de publicidade digital
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Equity Method					(3)	Holding company
Fidelidade Moçambique - Companhia de Seguros, S.A.	Equity Method					(3)	Insurance
Fundo Turismo Algarve, FCR	Equity Method				(1)		Venture capital fund
Fundo de Investimento imobiliário fechado Eurofundo (em liquidação)	Equity Method				(1)		Real estate investment fund
Lusofundo - Fundo de Investimento imobiliário fechado (em liquidação)	Equity Method				(1)		Real estate investment fund
TIICC S.A.R.L.	Equity Method				(2)		Services
Nexponor - Sociedade de Investimento Coletivo Imobiliário Fechado, S.A. (em liquidação)	Equity Method				(1)		Real-estate management
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 section "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 2024, the accounting values determined under the scope of regulatory consolidation are distributed according to the regulatory risk categories presented in Table 3 below:

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

(Million euro)

	a	b	c	d	e	f	g
	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	Carrying values of items 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	5 589	5 589	5 589				
Loans and advances to credit institutions repayable on demand	251	251	251				
Other loans and advances to credit institutions	798	796	739				
Loans and advances to customers and debt instruments at amortised cos	75 252	75 252	70 432		4 730		60
Securities and derivatives (*)	15 550	15 707	13 928	266	0	1 358	23
Non current assets held for sale	45	57	57				
Investment property	24	21	21				
Other tangible assets	619	560	560				
Goodwill and intangible assets	276	276	93				183
Current tax assets	21	21	21				
Deferred tax assets	2 253	2 247	1 898				349
Other assets	1 464	1 395	1 190				179
Total assets	102 144	102 173	94 780	266	4 730	1 358	795
LIABILITIES							
Resources from credit institutions	778	778					
Resources from customers	82 085	82 109					
Non subordinated debt securities issued	3 529	3 529		172			
Subordinated debt	1 427	1 427					
Financial liabilities held for trading	180	180				121	
Financial liabilities at fair value through profit or loss	3 249	3 249				1 292	
Hedging derivatives	39	39				1	
Non-current liabilities held for sale	0	0					
Provisions	1 086	1 084					
Current tax liabilities	136	136					
Deferred tax liabilities	7	7					
Other liabilities	1 436	1 455					
Total liabilities	93 951	93 992	0	172	0	1 414	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

(Million euro)

	a	b	c	d	e
	Total	Credit risk framework	Items subject to		Market risk framework
		CCR framework	Securitisation framework		
1 Assets carrying value amount under the scope of regulatory consolidation (as per template LI1) (a)	101 133	94 780	266	4 730	1 358
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	172		172		
3 Total net amount under the regulatory scope of consolidation	100 961	94 780	94	4 730	1 358
4 Off-balance-sheet amounts (b)	16 938	7 385			
5 Differences in valuations (c)	577		577		
6 Differences due to consideration of provisions (d)	972	972			
7 Differences due to the use of credit risk mitigation techniques (CRMs)	(142)	(118)		(24)	
8 Differences due to credit conversion factors	(9 553)				
9 Other differences	2 001	2 081		(80)	
10 Exposure amounts considered for regulatory purposes (e)	111 754	105 099	672	4 626	1 358

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 risk awareness, risk taking and management and implementation of controls appropriate to business processes and activities concerning profitability 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, 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 and internal self-assessment exercises. The rules that make up the internal regulatory framework are regularly 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 BCP Group's Risk Strategy, ensuring its alignment with the budgeting process and the approved Risk Appetite. The definition of the 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.

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

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

The Group RAS is composed by a broad set of indicators of primary importance and representative of the risks assessed as "material" in the formal process of identifying and quantifying risks, which is regularly reviewed. For each of the material risks, the Group selects at least one indicator for its monitoring within the scope of the RAS.

For each RAS indicator, two levels of limitation are established: an 'alert level', up to which the level of risk is still considered acceptable, but from which corrective measures must be considered to make the level of risk regress to a comfort level, and a 'level of excess', which may require the definition of action plans with measures aimed at reducing the level of risk within the established limits.

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

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

The delimitation of risk appetite, translated into the RAS, is one of the guiding vectors of the Group's "Risk Strategy", which is approved by BCP's Board of Directors, by proposal of the Executive Committee, after opinion of the Risk Assessment Committee. In fact, based on the conclusions of the risk identification and assessment process and the subsequent RAS update, the main lines of action to be developed are established to address the mitigation and/or control of all identified risks, which, as a whole, constitute the Group's Risk Strategy. The RAS and the Risk Strategy are inseparable elements to the control and mitigation of the risks classified within the scope of the risk identification process, while also making a relevant contribution to the Group's planning processes, whose projections must respect the risk limits defined in the RAS.

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, independent review body, plays a central role in the development of a risk 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 subsidiaries operating model with the organizational and managerial principles defined by the Bank, as the consolidating Entity.
- The adoption of sound sustainability principles, namely regarding Environmental, Social and Governance (ESG) factors, and its coherence with the Group's activity.
- The good image and reputation of the Bank towards its stakeholders.

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

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a 'checks and balances' system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their efficiency.

- A solid risk management system, aimed at the identification, evaluation, follow-up, and control of all risks which might influence the Group's activities.
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing, and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks.
- An effective monitoring and correction process, implemented with a view to ensure 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 systems and to its commissions, namely the Executive Committee, of the levels of risk assumed, their compliance with the Risk Appetite Framework and the effectiveness of the established internal control.

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, analysing, 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.

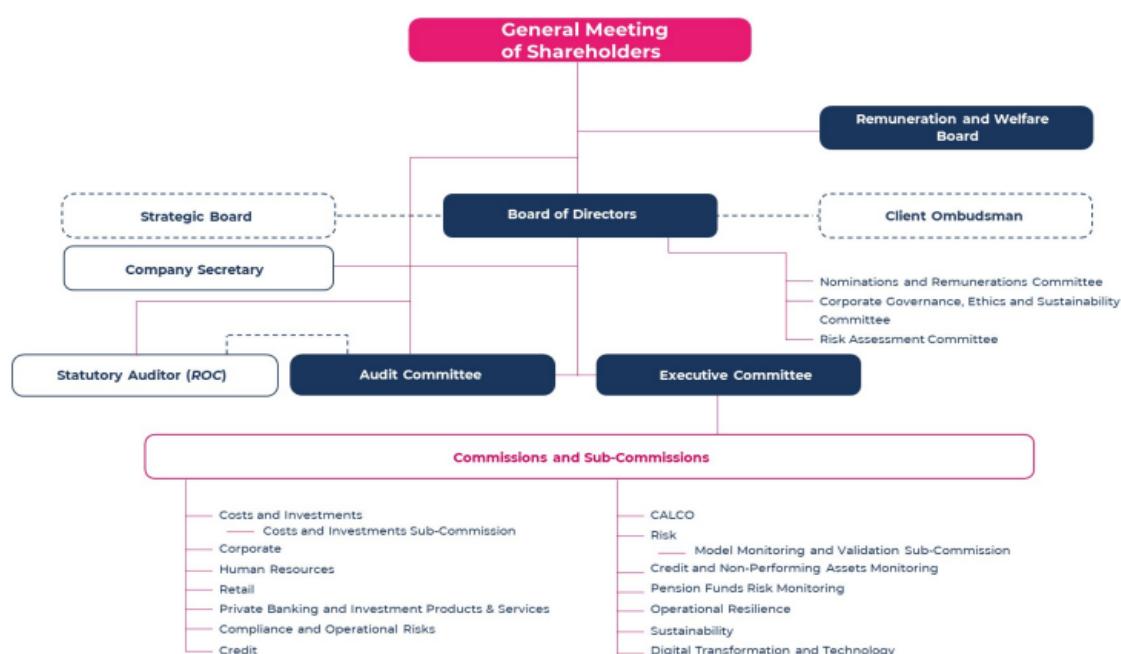
Both the risk management function and the compliance function intervene to ensure the improvement and strengthening of internal control and risk management systems interacting with the first line of defence whenever necessary.

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 table, referring to 31 December 2024, represents the governance of the Risk Management Structure (RMS), exercised through various organisational bodies and units with specific competences within the scope of risk management or its internal supervision.

TABLE 5 – RMS Governance Model



The creation of the Digital Transformation and Technology Commission was approved on 11 March 2025

Board of Directors

The highest body in the BCP Group's risk management structure is the Board of Directors (BoD) which, within the scope of the duties assigned to it by the Bank's Articles of Association and legal regulations, plays the leading role in the risk management and control structure. The Board of Directors is responsible for defining the Group's strategic guidelines, risk profile and appetite, global business objectives, promoting risk culture and strategy and approving group codes that establish risk policies, principles, rules, and limits. The Board of Directors monitors the evolution of risk metrics and indicators reflected in the RAS (including remedial measures in the event of breaches of limits), approves the conclusions of the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) and the performance of the Internal Control System.

The Bank has in place an internal Fit & Proper policy for selecting and assessing the suitability of members of the management and supervisory bodies and key function holders, drawn up in accordance with the applicable legislation, namely the Legal Framework for Credit Institutions and Financial Companies (LFCIFC), Banco de Portugal Notice no. 3/2020 and the European Banking Authority Guidelines on the internal governance of institutions (EBA/GL/2021/05, of 2 July) and on the assessment of the suitability of members of the management and supervisory bodies (EBA/GL/2021/06, of 2 July).

The internal policy for selecting and assessing the suitability of members of the management and supervisory bodies and key function holders emphasises the principles, internal competences and criteria for ensuring the assessment of that universe of people, ensuring that all members of the management and supervisory bodies and key function holders have, at all times, the necessary suitability and sufficient knowledge, skills and experience to carry out their respective duties, act with honesty, integrity and independence of mind and have the availability to dedicate themselves to the role.

The number of positions held by the executive and non-executive members of the Bank's management (Board of Directors) and supervisory (Audit Committee) bodies is in accordance with the provisions of Article 33 of the LFCIFC, and according to the assessments made, it was concluded that each member showed availability and dedicated the necessary time to their duties, in proportion to the importance of the matters to be dealt with, measured in the light of their interest to the Bank.

The identification of the positions held by the executive and non-executive members of the Management and Supervisory Bodies simultaneously in other companies, inside and outside the group, and other relevant activities, is indicated on page 752 and following of the 2024 Annual Report, available on the Bank's website.

From the point of view of the overall composition of the management body, the aforementioned Policy stipulates that the Board of Directors should include an appropriately broad diversity, namely in terms of knowledge, experience and gender, in compliance with the diversity policy in force, with a view to obtaining a variety of perspectives and experiences and favouring independence of opinion and sound decision-making.

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 has a Group Code 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, in order 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 August 01, 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 742 and following of the 2024 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>

Audit Committee

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

- Overseeing the management activity of the Bank.
- Monitoring the suitability and effectiveness of the Bank's organizational culture, governance models and internal control and risk management systems, including the prevention of money laundering and terrorist financing.
- Monitoring the accounting policies and processes adopted by the Bank, the financial reporting process and submit recommendations aimed at ensuring its integrity.
- Overseeing the performance of the Compliance and Internal Audit functions.

- Supervising and controlling the effectiveness of the risk management system, in conjunction with the Risk Assessment Committee; as well as the internal control system in its different aspects and also the internal audit system itself.
- Issuing an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests.
- Analysing the information received through the whistleblowing mechanism and the clients' claims.
- Monitor the activity of the External Auditor and periodically assess its independence and objectivity in the exercise of its activity.

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

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

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

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

Risk Assessment Committee

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

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

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

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

Committee for Corporate Governance, Ethics and Sustainability

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

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

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

Committee for Nominations and Remunerations

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

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

Other functions of this Committee:

- Evaluate the mechanisms and systems implemented to ensure that the remuneration system considers all types of risks and equity, and that the overall remuneration policy is coherent and promotes a sound and efficient risk management and is in line with the Bank's strategic business plan, objectives, corporate culture and values, risk culture and long-term interests.
- Monitor the existence and implementation of specific policies on recruitment and selection, evaluation of performance, promotion and management of careers, remuneration, training and development of competences, and promotion of gender equality and sustainability.

- Ensure and promote the evaluation process of candidates for members of the Bank's management and supervisory bodies and those responsible for internal control functions (Fit & Proper process) and approve the respective individual and collective final reports.
- Monitor the human resources and staff management policy.

Executive Committee

The Executive Committee (EC) is responsible for the daily management of the Bank aiming to pursue the corporate objectives in compliance with the risk limits approved and defined by the BoD. Particularly regarding the risk management function, the EC is responsible for:

- Implement the Bank's general business strategy and main policies, considering the Bank's long-term financial interests and solvency.
- Implement the global risk strategy approved by the BoD and ensure that management devotes sufficient time to risk issues.
- Ensuring an adequate and effective internal governance model and an internal control framework, including a clear organizational structure and independent internal risk management functions.
- Promote the risk culture across the BCP Group, addressing risk awareness and appropriate risk-taking behaviour.
- Promote a corporate culture and values that foster the ethical and responsible behaviour of employees.
- Promote the development, implementation, and maintenance of formal processes for obtaining, producing, and processing substantive information, appropriate to the size, nature, scope, and complexity of the activities carried out, as well as to the institution's risk appetite, which ensure its reliability, integrity, consistency, integrity, validity, timeliness, accessibility and granularity.
- The Executive Committee is supported, to carry out its responsibilities, by several management commissions in a wide range of dimensions: Business Activity; Credit Decisions; Risk and Compliance Management; Planning, Costs, and Investments; Capital Structure and Liquidity Management; Human Resources Management; Operational Resilience and Sustainability. These management commissions can benefit from the presence of one or more internal control function units (Risk Office, Compliance Office, and Internal Audit) which ensures timely detection of any potential internal control deficiencies.

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

Risk Commission

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

The Risk Commission monitors the compliance of the group's risk levels with the RAF and monitors the overall risk levels for the various types of risk, ensuring that the risk levels are compatible with the goals, available financial resources and strategies that have been approved for the development of the Group's activity. This Commission also validates the compliance of risk management with the applicable laws and regulations.

This Commission is also responsible for decisions on risk models and methodologies (PD, CCF, LGD, ICAAP, model validation, etc.) and for making decisions with impacts on RWA/Expected Loss (EL)/capital requirements (resulting from changes to parameters and/or prudential methodologies) or impairment increases due to changes in the assumptions of the respective model.

Operational risks are dealt with in detail in the Compliance and Operational Risks Commission and IT and Cyber security risks in the Operational Resilience Commission.

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 (e.g. PD, LGD, CCF, market risk, ICAAP) and informs the Risk Commission on their adequacy. Moreover, it presents the model's risk management results and suggests improvement measures to increase the model's performance and adequacy.

Credit and Non-Performing Assets Monitoring Commission

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

- Monitoring of the evolution of the credit exposure and the credit underwriting process.
- Monitoring the evolution of the credit portfolio's quality and of the main performance and risk indicators.
- Monitor the results achieved by the credit monitoring systems.
- Follow-up the counterparty risk and the largest exposures concentration risk.
- Monitoring the impairment evolution and the main cases of individual analysis.
- Assessment of the recovery procedures performance.
- Monitoring the divestment in the foreclosed assets portfolio.
- Follow-up the execution of operational initiatives to support the Non-Performing Assets (NPA) reduction plan.

Pension Funds Risk Monitoring Commission

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

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

Compliance and Operational Risks Commission

This Commission, appointed by the EC, has a set of attributions and responsibilities, with a view to ensuring that the Bank's activity and the entities of the BCP Group in each jurisdiction, is carried out within an appropriate framework of risk management culture and internal control, namely, to guarantee and monitor the adoption and compliance, by all the Group's Entities, with the internal and external rules that make up its activity of the relevant contractual commitments and ethical values of the organization, in order to contribute to the mitigation of compliance and operational risks, strengthening the internal control environment, mitigating or eliminating the imputation of sanctions or significant property or reputational damage.

The Commission's competences and monitoring tasks include:

- Monitoring compliance with the regulatory framework and the main deficiencies in preventing and combating money laundering and terrorist financing.
- Propose the adoption of the best technological solutions inherent to the Compliance Office activity.
- Monitoring and reporting on key interactions with Supervisors of the compliance function or legislative news.
- Evaluate the degree of implementation of the rules that regulate the Group's activity, appreciating and deciding on proposals for improvement and changes in the processes to strengthen the internal control environment.
- Promote the dissemination of a culture of operational risk management and compliance, issuing recommendations on procedures for its adoption.
- Assess and decide on proposals for improvement and changes to the processes to strengthen the internal control environment.
- Monitor the Outsourcing and IT risks and respective metrics, based on the conclusions of the monitoring reports, and prepare proposals to adapt them to the risk appetite defined.
- Assess and decide on proposed improvements to strengthen the internal control environment and mitigate operational risk, as well as on Outsourcing proposals and respective exit and improvement plans and changes to the Bank's process management.
- Analyse materially relevant events and assess the proposed mitigation measures with respect to operating losses.

Operational Resilience Commission

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

This Commission has the following capacities and responsibilities:

- Definition of guidelines and approval of security management policies of IT systems.
- Regular review of emerging threats and most relevant trends in terms of data security and information technology, with a particular focus on cybersecurity, and promotion and evaluation of new controls and protection solutions.
- Analysis of periodic reports of security incidents of information systems, governance and data quality and physical security, identifying measures for remediation and improvement.
- Monitoring of performance metrics of information security systems, physical security and protection and data quality.
- Monitoring the implementation of initiatives and projects in the areas of information security and information systems, governance and data quality, physical security, and business continuity (global and local).
- Review of security and business continuity assessment results, including internal and external audits and monitoring of improvement processes and closing associated recommendations.
- Approval of the annual plans for security assessment exercises, DRP (Disaster Recovery Plan) and business continuity (PCN), as well as the respective quantitative/qualitative evaluation and monitoring of any associated improvement initiatives.
- Articulation with subsidiaries about physical security policies, information security, business continuity and protection and data quality.

Sustainability Commission

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

It has the following attributions and responsibilities:

- To assist the EC in the integration of Sustainability principles (Environmental, Social and Corporate Governance) in the Bank's decision-making and management processes.
- Promote the adequacy of credit risk management processes and the offer of products and services to the evolution of the regulatory context within the scope of Sustainable Finance.
- To assess and approve the initiatives required to implement the actions defined to materialize the strategic axes of the SMP in force, as well as other changes or adaptations necessary to meet the defined objectives.
- To follow-up and monitor the progress of approved initiatives, compliance with the respective deadlines and budgets and the evolution of the results achieved, as well as the key performance indicators of the plan's dimensions.
- Develop communication actions necessary for the knowledge and dissemination, by the Bank and the market, of the performance in Sustainability matters.

CALCO

The Capital, Assets and Liabilities Management Commission is responsible for the management of the capital, for assets and liabilities management and for the definition of liquidity management strategies at the activity level in Portugal. Specifically, 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.
- 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 types of risk coverage classified as hedge accounting.
- 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 BCP, in accordance with the competences established by internal Credit Granting, Monitoring and Recovery' regulations. This commission may issue advisory opinions on credit proposals from the subsidiary companies of the Group entities.

Risk Office

The Risk Office (ROFF) is the structure unit responsible for the risk control function at Group level, promoting the overall alignment of concepts and procedures concerning risk monitoring and assessment. The ROFF is responsible for informing the Board of Directors, the Executive Committee, the Risk Assessment Committee, and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for

the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk.
- Promoting the revision of the Group's Risk Appetite and the risk identification process.
- Issuing opinions related with the Group Strategic Plan and compliance of the risk management decisions considering the approved RAS limits.
- Participate in the definition of the risk strategy and decisions related with risk management.
- Issuing opinions on the assumption of significant risks by the Bank and its subsidiaries, ensuring they are properly identified and adequately assessed.
- Assist the formulation and implementation of business strategy and internal governance and risk management structures regarding the climate, social and internal governance (ESG - Environmental, Social and Governance) dimension in the risk management framework.
- Ensure reporting obligations within the scope of ESG risk factors and sustainable financing.
- Coordinating the NPA (non-performing assets) Reduction Plan and of the ICAAP and ILAAP processes.
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk.
- Assist the integration of ESG data models into the Bank's IT platforms.
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations, and limits.
- Participating in the Internal Control System.
- Preparing information relative to risk management, including ESG risk factors for internal and market disclosure.
- Supporting the works of the following Commissions: Risk, Credit and Non-Performing Assets Monitoring, Pension Funds Risk Monitoring, and participating in the Credit Commission, CALCO, Operational Resilience, Compliance and Operational Risk and Sustainability.
- The Risk Officer is appointed by the BoD, and reports to the Group Chief Risk Officer, with a functional reporting duty to the Risk Assessment Committee.

Compliance Office

The Compliance Office (COFF) is the structure responsible for the Compliance Function in the Bank. 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:

- Ensure compliance with regulations and the organization's ethical values and fulfilling all the duties conferred on it by law, ensuring the existence of a culture of internal control, thereby helping to mitigate the risk of sanctions or significant damage to assets or reputation being attributed to Group Entities.
- Promote the development, approval, implementation, compliance verification, and periodic updating of the Code of Conduct, as well as any other procedural standards related to the prevention and combating of money laundering and terrorist financing (hereinafter "AML/CFT").
- Ensure compliance with the regulatory framework on the "AML/CFT".

- Cooperate with and monitor the activities carried out within the scope of preventing, detecting, and combating fraud, as well as supervising and implementing the governance processes on Group Entities related to the fraud risk management framework.
- Participate in the definition of policies and procedures related with Conflicts of Interest and transactions with Related Parties, following-up their implementation and effective application.
- Ensure the management and controls adequacy of the whistleblowing process, in support of the Audit Committee.
- Provide support to the International Entities in the development of their activities, seeking to normalise their action principles, systems, and processes, in compliance with local regulatory specifications.
- Ensure and monitor the application of the regulatory compliance programme relating to the Plan for the Prevention of Risks of Corruption and Related Offences.

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

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

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

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

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

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

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

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

The COFF is also responsible for coordinating the process of structuring, drafting and approving the annual self-assessment reports on the effectiveness of the organisational culture and the governance and internal control systems, both individual and consolidated,

and on the ML/FT prevention system to be submitted to the Banco de Portugal and the Securities Market Commission, under the terms of the respective Notices and Regulations, and as well for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

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

Audit Division

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

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

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

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

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 terms of 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 several blocs according to the risk's they are monitoring.

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, and to ActivoBank, 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 must 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 2024

In 2024, the Risk Management Function maintained the focus on the continuously improving of the Group's risk control framework, permanently monitoring the levels of risk to which the Bank is subject, ensuring compliance with regulatory and supervisory requirements, and keeping the internal regulatory framework for risk control up to date, including climate-related and environmental risk factors.

The most relevant activities developed during 2024 were, synthetically, as follows:

- Monitoring the level of compliance with the risk limits, particularly the RAS, at the consolidated level and of the main entities.
- Preparation of quarterly Risk Assessment Reports updating the perspectives for the evolution of the risks to which the Bank is subject in its activity and the risk strategy to address them.

- Adaptation of processes and procedures to accommodate the new methodologies for determining regulatory capital resulting from CCR3 (Capital Requirements Directive) and regulations/acts resulting from it.
- Completion of the annual ICAAP and ILAAP reports, and regular monitoring of the Group's capital and liquidity adequacy assessment processes.
- Continuous improvement of the internal governance, management, measurement, and control of risk at Group level, through the strengthening of credit risk monitoring and the inclusion of climate and environmental risk factors in the global risk management framework and monitoring of its implementation within the scope of the RAS.
- Close monitoring of the financial situation of clients, with the aim of identifying situations potentially affected by the macroeconomic context, anticipating possible difficulties in fulfilling their responsibilities.
- Maintenance of the process of assigning credit strategies to corporate segment costumers, with differentiated review periodicities depending on the level of risk associated with the assigned strategy.
- Implementation of the new Probability of Default (PD) models (Retail, Small/Mid/Large Corporate, Real Estate and Procedural Risk Degrees in Portugal) and the new Master Scale Rating (Portugal and Mozambique).
- Redevelopment and validation of behavioural models to support the process of monitoring interest rate risk in the banking book and strengthening the framework for controlling interest rate risk in the banking book (monitoring of basis risk and Credit Spread Risk).
- Redevelopment of application models for new Retail customers (Individuals and Small Businesses), an activity still in progress.
- Implementation of the new Early Warning Signals (EWS) model for the Corporate segment.
- Review, update and implementation of NPA/NPE reduction plan and exposure to corporate restructuring funds.
- Participation in the CDP – Carbon Disclosure Project and Corporate Sustainability Assessment (S&P Global) questionnaires.
- Climate and Environment materiality assessment update.
- Creation of a new structure unit to monitor sustainability / ESG issues (Studies, Sustainability and Supervision Office), and appointment of the ESG Officer.
- Development, approval, and disclosure of the Group's sectoral decarbonization targets (Portfolio Alignment / target setting).
- Carrying out the "Business environment analysis" to assess the short, medium, and long-term impact of the "Political, Economic, Societal, Technological, Legal and Environment" dimensions in the Bank's main risk categories.
- Conducting "Capability Assessment" and "Double materiality Assessment" exercises related to ESG factors.
- Participation in the ECB's questionnaire on Targeted Review on ALM Governance & Strategy.
- Preparation of the EBA Market Risk Benchmarking Exercise 2025.
- Participation in the Special Audit on Data Quality promoted by Banco de Portugal.
- Participation in Fit for 55, the EBA's climate stress test exercise.
- Consolidation of a liquidity management framework in the context of resolution planning.
- Participation in the annual liquidity exercise of the SSM/SRB.
- Conducting the annual Risk Self-Assessment exercise in operational processes (RSA);

- Monitoring and control activities of Outsourcing risk and Information and Communication Technology (ICT) risks.
- Participation in the alignment of the bank's processes with Regulation (EU) 2022/2554 (DORA - Digital Operational Resilience Act).
- Participation in the cybersecurity stress test exercise promoted by the European Central Bank and the Banco de Portugal and in the TIBER systemic test of the Banco de Portugal.
- Participation in the update of the Group's recovery plan for 2024.
- Participation in the preparation of the Strategic Plan for 2025-2028 and in the Plan and Budget for 2025/2027.
- Continuous updating of the regulations of the risk management function at Group level.
- Follow-up of several On-Site Inspections and Deep Dive exercises of the Supervisory Entities.

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

The most relevant activities and initiatives developed during 2024 were, as follows:

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

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

- Strengthening of automated control processes related to the screening of entities and transactions to ensure continuous and timely compliance with sanctions and embargoes imposed by various European and international bodies in a more demanding context.

- Reinforcement of the model of an integrated view of Customers in the business relationship with the Bank and the inherent risk factors, to strengthen effectiveness in the fulfilment of AML/CFT duties, mainly identification and diligence, control, examination and communication.
- Strengthening the AML/CFT risk control in the client onboarding process, across different segments, products, services, and jurisdictions involved in business relationships.
- Strengthening AML/CFT risk control in the context of periodic and extraordinary client reviews, across different segments, products, services, and the jurisdictions involved in business relationships.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.
- Reinforcement of controls over Correspondent Banks, ensuring a timely periodic review of their AML/CFT practices and policies according to their risk, the assessment of which now includes a set of new risk factors, in compliance with recent regulatory changes and restrictive measures.
- Continuing to strengthen, train and specialise the Compliance Office teams in the various dimensions of PBC/FT.

Still within the scope of AML/CFT activities, the publication of Banco de Portugal's Notice No. 03/2024 is particularly noteworthy. This regulation establishes the new annual reporting format for financial entities under its supervision. BCP adopted this new reporting model promptly and in a timely manner.

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 2024, promoting a culture of compliance was one of the Bank's important initiatives, both through the normal development of the Training Plan and through communication programmes close to all areas of the Bank, particularly the commercial networks, namely the "100% Compliance", "Expedients", "Know how to do", "Prevention is better" and "Compliance Cases" headings. 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. Additionally, it is worth mentioning the ongoing focus on monitoring the update of entity data, with awareness initiatives conducted through regular status updates to the network. Given its priority for the Bank, this topic remains a key area of attention.

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

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

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

- Continued efforts to adapt the Group's entities' response capacity to the challenges posed by compliance and regulatory issues, in particular by promoting training programmes for local compliance teams.
- Consolidation of control procedures, particularly on new business relationships and high-risk AML/CFT products.

- Monitoring and collaborating in the resolution of control deficiencies identified by external auditors.
- Collaboration in the implementation of new IT platforms to reinforce AML/CFT.

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

4.6.3. Credit Risk

The granting of credit is based on the previous Customers' risk classification Customers, on the analysis of the respective capacity for credit repayment 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.

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 considers the specific characteristics of the Customers, in terms of their respective risk profiles.

In 2024 the Bank proceeded with the implementation of the new Probability of Default (PD) models (Retail, Small/Mid/Large Corporate, Real Estate and Procedural Risk Degrees in Portugal) and the new Rating Master Scale (Portugal and Mozambique), increasing the level of discrimination of the rating models.

The assessments made by the rating systems and models above-referred are translated into the risk grades of the transversal Master Scale, with 18 grades in Portugal and Mozambique and 15 grades in Poland, corresponding to different levels of debtors' PD. Risk grades 123 to 125 in Portugal and 13 to 15 in Poland are called "procedural" and correspond to problematic credit. 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 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.

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.

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.

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

The importance of this approach is reinforced by the uncertainty that has marked the activity in recent years, where it stands out in the current context the potential impacts resulting from multiple geopolitical conflicts, instability in several relevant European countries, particularly with political uncertainties, a more modest level of economic growth and budgetary pressures, as well as the potential changes resulting from the scenario of possible international trade policies changes.

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 Credit Division in coordination with the Rating Division and the Specialized Recovery Division for the corporate segment and by the Credit Division and Retail Recovery Division for individuals and small businesses.
- 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:

- Client Assessment and presentation of Indicative Credit Strategy by the Rating Division (for customers with ratings assigned by corporate rating models).

- 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 because of the customer interaction process.
- 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 managing the client and Operations Division).
- Monitoring the Credit Strategy and the evolution of the customer's activity (Credit Division and the Areas managing the client).
- 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).
- 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 (periodically reviewed with the support of the Economic Studies Area and taking into consideration the attribution of a ESG rating regarding the clients with most relevant exposures).
- 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.

As part of this monitoring process and with an impact on other complementary procedures adopted, the Bank defines a list of sectors considered to be more vulnerable to the macroeconomic environment and climate impacts, which is reviewed periodically (at least annually), supporting a set of reports on the evolution of the risk profile of the exposures associated with these sectors.

Macroeconomic scenarios update

Taking into consideration the evolution of the economic context and outlook, involving a progressive normalization of inflation levels and interest rates, the macroeconomic scenarios used in the collective impairment analysis model in Portugal were updated in December 2024, 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 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 uncertainty that continues to prevail, associated with a context of multiple geopolitical conflicts, instability in several relevant European countries, constraints on economic growth and potential measures affecting international trade.

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

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

The application of overlay impairments and the respective methodology is approved by the Risk Committee.

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 2024 was approximately EUR 99.1 million in Portugal (EUR 99.0 million in December 2023), EUR 43.8 million in Poland (EUR 48.3 million in December 2023). There are no impairments on overlays in December 2024 in Mozambique (EUR 2.8 million in December 2023).

Government measures to mitigate the impacts on mortgage contracts and support in the access to financing for the purchase of own and permanent housing.

Decree-Law 20-B/2023

The Portuguese Government Decree-Law 20-B/2023, from 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.

As of 31 December 2024, the date on which the period for signing up at the request of customers ended, loans with subsidies already processed amounted to exposures of approximately EUR 479 million, with an average monthly subsidy of EUR 59.

Decree-Law 91/2023

Also, regarding the promotion of support measures for borrowers of mortgage loan contracts, it is worth noting the publication in Portugal of Decree-Law 91/2023, from 11 October 2023, which allows to fix the instalment over a period of 24 months, taking into account an interest rate benchmark defined in the decree-law.

By 31 March 2024, the date on which the period for signing up at the request of customers ended, the Bank had implemented this measure in what regards around 2,000 contracts.

Decree-Law 44/2024

With the aim to support the purchase of own permanent houses by young people up to the age of 35, Decree-Law no. 44/2024, was published by the Portuguese government on July 10, which involves the granting of a partial personal State guarantee to bank loans granted within this purpose and scope.

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

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

The definition of these management areas enables effective management separation between Trading and Banking Books, as well as a proper allocation of each operation to the most suitable management area, based on its context and strategy.

The Trading Book includes financial instruments, such as bonds, currency positions, equities, and derivatives that are actively traded in the market and are held with the objective of generating short-term gains. The Banking Book comprises all other positions held over longer periods or arising from traditional banking activities, including wholesale funding, investment portfolios, commercial activity, and structural positions.

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

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

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 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 10 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, without considering any kind of diversification between risk subtypes (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 back testing process, carried out daily through which the VaR indicators are compared with those that really occurred. The back testing 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 2024, 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 Polish Zloty and in Mozambique's Metical 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, aligned with the risk profile and 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 indicators¹ (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 three lines of defence corporate Governance model and is based on a structure of end-to-end processes, considering that a

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.

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).

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 risks self-assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic review of the processes' structure in each geography is ensured by their own structure units.

The objective of the 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 Audit Division (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 are 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 Operational Risk Area of ROFF ensures the following main activities:

- Plan and carry out the annual Self-Assessment exercise on operational risks (RSA) 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 Liquidity Risk Area of ROFF has the following responsibilities:

- Permanently monitor liquidity risk levels and promote the implementation of the respective control mechanisms.

- Prepare limit proposals in the scope of liquidity risk management.
- Coordinate the Group's ILAAP process.
- Proceed with the design and performance of liquidity stress tests.
- Propose, review and monitor 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 in order to maintain the benefits defined by the Fund. The responsibility for the regular monitoring of this risk and the follow-up of its management lies with the Pension Funds Risk Monitoring Commission.

In 2024, the BCP Group Pension Fund achieved a performance net of management fees of 1.22%.

The equity class contributed positively to this performance, namely through the appreciation of the international component, where there was an appreciation of 18.7%. The European component was negatively influenced by the position in EDP – Energias de Portugal SA, despite the reduction in the position throughout the year.

The bond component showed a negative performance in terms of public debt due to the rise in yields, although there was better profitability in southern European countries, namely Italy, Portugal, and Spain. In terms of the corporate fixed rate, we highlight the positive performance with appreciations of more than 4% due to the compression of spreads and the shorter duration.

The real estate investments component contributed positively to the overall performance, recording an appreciation of 6%, as well as the alternative investments component, where there was a positive performance of 4.7%.

As for the allocation, it should be noted that the fund maintained an overexposure in the share class throughout 2024, mainly through international equities, as well as a slight overexposure in fixed rates, namely in terms of duration. At the end of the year, the fund positioned itself more conservatively, reducing shareholder exposure to levels close to the minimum limit by countering a fixed rate, namely in public debt with a maturity of more than 10 years.

Considering the evolution of the reference rates, the discount rate for the clearance of the Fund's liabilities has been updated. Thus, the discount rate on December 31, 2023, was 3.53%, rose to 3.81% in June 2024, and decreased to 3.48% at the end of 2024.

As of 31 December 2024, the pension fund's liabilities coverage was over EUR 148 million, corresponding to 5% 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 2024, 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:

- Continued reinforcement, training, and specialization of resources assigned to the AML/CFT operational model, ensuring enhanced robustness and alignment with regulatory expectations.
- Strengthening of automated control processes related to entity and transaction screening, to ensure ongoing and timely compliance with sanctions and embargoes imposed by European and international bodies, in an increasingly demanding regulatory environment.
- Enhancement of AML/CFT risk controls at the onboarding stage, covering various customer segments, products, services, and jurisdictions involved in the business relationship.
- Reinforcement of AML/CFT risk controls in the context of periodic and ad-hoc customer reviews, ensuring a consistent evaluation across different segments, products, and geographies.
- Development of a more integrated customer risk view, improving the effectiveness of due diligence, monitoring, analysis, and reporting obligations.
- Continued development of automated solutions to promote alignment and cooperation between the first and second lines of defence in fulfilling AML/CFT duties.
- Strengthening of correspondent banking controls, ensuring timely periodic reviews of their AML/CFT policies and practices, based on a risk-based approach that now includes new risk factors, in line with regulatory updates and restrictive measures.
- Continued training and specialization of Compliance Office teams in all AML/CFT-related areas.

- Update of the Group Code of Conduct, with key changes including:
 - Introduction of a provision allowing for the acceptance of gifts or invitations based on institutional, commercial, or technological interests of the Group.
 - Update of procedures regarding the Employee Patron role, ensuring support for new employees during their first years in the Group.
- Execution of Compliance Training and Communication Plans targeting all employees and commercial structures of the Bank, with a strong focus on financial crime risks and broader regulatory compliance obligations.
- Reinforcement of the Bank's anti-corruption framework through the implementation of a dedicated Anti-Corruption and Related Offences Risk Prevention Plan for the Group entities in Portugal, defining the governance model, prevention mechanisms, training, culture, reporting channels, and monitoring system.

4.6.9. Environmental, Social and Governance Risks

BCP's management bodies have defined the Sustainability Master Plan (SMP), which outlines the Group's key priorities and commitments along with the corresponding operational initiatives. The plan was approved with the attribution of responsibilities to the various departments and entities within the Group. Aware of the potential impact of Environmental, Social and Governance (ESG) risk drivers on the planet and business activities, the Bank defined in its SMP a strategy to monitor and manage the Environmental, Social and Governance risk based on the implementation of several initiatives, such as:

TABLE 6 - BCP Group: 2025 Sustainability Master Plan

Governance	Social	Environment
<p>Inclusion of ESG criteria in the value chain management.</p> <p>Evolution of Sustainability report in accordance with CSRD/ESRS: 2024 Sustainability Report.</p> <p>Sustainability report in accordance with CSRD/ESRS: 2025 Sustainability Report.</p> <p>Preparation, drafting and approval of the 2026 SMP.</p> <p>Update and publication of Policies and Principles, in accordance with the regular review period every 2 years and guarantee that all material IRO (Impacts, Risks and Opportunities) have a management policy in place (ESRS 2 MDR-P).</p> <p>ESG Organisational Model to establish a regular process for assessing internal skills and capabilities regarding sustainability issues.</p>	<p>Preparation and execution of annual action plans for corporate social responsibility and establishment of an articulation model at the Group level.</p> <p>Monitoring of human rights management and disclosure process, including identification of vulnerabilities and improvement actions.</p>	<p>C&E materiality analysis: implementation of the annual update exercise.</p> <p>C&E materiality analysis: integration of results in the Risk Identification Process and in the Risk Appetite Framework.</p> <p>Monitoring and updating of the target setting and portfolio alignment goals in line with Pillar 3 and science-based requirements.</p> <p>Implementation and monitoring of the Bank's Transition Plan.</p> <p>ESG metrics for relevant portfolios and business lines, both at the consolidated and subsidiary levels.</p> <p>Taxonomy report.</p> <p>Integration of C&E factors in the ICAAP and stress tests.</p> <p>Implementation of an analysis report of the competitive business context and regulatory monitoring.</p>

BCP Group has been promoting responsible lending and good investment practices through its Principles for Responsible Financing and Investing. Transparency, openness, and trustworthiness are the cornerstones of responsible financing/ investing, both for the Bank and its stakeholders. The principles underpin the choices that BCP Group makes consistently and transparently on how, where, and with whom we should cooperate and finance. This Principles are regularly updated to help us and our clients to gradually enhance the implementation of key ESG standards.

The BCP Group's governance and organizational model for ESG risk drivers' management aims to ensure that the Bank holds the formal and procedural tools required to address the opportunities and risks when establishing the overall business strategy and risk management framework, as well as having in place the routines and means required to a proper oversight at both the Group and Entity levels.

BCP Group has been integrating environmental and social risk factors within the risk identification process and incorporating policies, standards, and procedures for their management. The Bank is exposed to typical financial sector risks, described in the BCP Risk Taxonomy, including financial risks (credit risk, market risk, and liquidity risk) and non-financial risks (Operational risk and Reputational risk). ESG risk factors manifest themselves through the BCP Risk Taxonomy. To promote the integration of ESG risk factors into risk management processes, the Bank has implemented a set of actions and methodologies to identify, assess, manage, and monitor its impact, financial and non-financial risks.

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 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 broadly and unambiguously in the market, which favors uniformity and transparency.

Finally, the Bank developed an integrated platform for ESG data, both from internal and 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 integrates data at customers, operations, and collaterals level, whether real or estimated, 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>

Governance model

The BCP Group's governance and organizational model for ESG risk drivers' management follows a structure based three lines of defence, under the leadership of the Board of Directors (BoD) and respective delegations to the specialized committees and the Executive Committee (EC) to ensure its proper evaluation and management. Furthermore, it also has the overall responsibility for the Group's ESG strategy, management, and control framework, including designing, assessing, and continuously adjusting the governance and organization framework. Specifically, the BoD approves the corporate policies and principles related to the management and disclosure of the ESG risks, namely, to define, promote and monitor the ESG strategy of the Group, including its integration within the business and support activities and risk management and control, as well as to ensure that adequate resources are allocated to the management of the ESG matters across the three lines of defence.

The EC is responsible for proposing to the BoD, through the Corporate Governance, Ethics and Sustainability Committee (CGSES) and/or the Risk Assessment Committee, several activities, such as, the BEAR, the C&E Materiality Assessment and the Double Materiality Assessment (DMA) for its overall implementation and management and for the compliance with the regulatory and supervisory guidelines, aiming to ensure that the ESG opportunities are duly explored, and the associated risks properly managed by the means of a seamless integration of the ESG principles in the Group's business planning and risk management framework.

The CGSES is responsible for oversight and the EC, assisted by their Human Resources and Sustainability Commissions, are responsible for managing issues related to the promotion of Human Rights, namely establishing, implementing and monitoring this Policy and others related to the topic (see section “Related internal policies” in the different geographies included in the operating perimeter of the BCP Group). Furthermore, the CGSES is also responsible to advise and assisting the BoD in the evaluation and approving the Group’s SMP, monitoring its progress and supervising the compliance with national and international, legal, and regulatory ESG requirements.

The Risk Assessment Committee has in its competences and duties to advise the BoD 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 Sustainability Commission, which emanates from the EC and is chaired by the Chief Executive Officer (CEO), is the body responsible for the appraisal, discussion, and monitoring of the implementation of the organization-wide sustainability strategy. It has the responsibility to support the EC in integrating ESG aspects into the Group’s business and risk management framework. This includes overseeing the implementation progress, ensuring compliance with deadlines, and validating the outcomes of each initiative. In Portugal, the role of the Sustainability Function it is ensured by the Risk Office and Economic Studies and Sustainability (GESS) divisions. More details about the governance structure can be found below:

TABLE 7 – Governance Structure to Address ESG Issues

Ownership	Activities
Board of Directors (BoD)	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: <ul style="list-style-type: none"> 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 Sustainability Report. e) Group’s risk ESG disclosures for Pillar 3 purposes. f) Group’s BEAR. g) Double Materiality Assessment (DMA). h) Group C&E Materiality Assessment. i) Portfolio alignment goals and target-setting exercises. j) Transition Plan.
Corporate Governance, Ethics and Sustainability Committee (CGESS)	Recommend the adoption by the BoD 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 (CAVR)	Advise the BoD concerning the identification, management, and control of ESG risk factors, while monitoring the Group’s risk appetite and underlying performance. It is also responsible for supervising the adequacy of the ESG internal control system, with special focus on:

	<ul style="list-style-type: none"> a) The effectiveness of the risk management system in dealing with the ESG risk drivers. b) Dealing with any instance of reputational risk related to ESG to which the Group may be associated (directly or indirectly). c) Approving the scenarios for C&E Materiality Assessment and C&E stress testing. d) Issuing an opinion on the materiality threshold used for the C&E Materiality Assessment.
Executive Committee (EC)	<p>Responsible for proposing the ESG Strategy, the BEAR, the C&E Materiality Assessment and the DMA to the BoD, through the CGSES or the CAVR as applicable, and for its overall implementation and management, as for the compliance with the regulatory and supervisory guidelines, aiming to ensure that the ESG opportunities are duly explored, and the associated risks properly managed by the means of a seamless integration of the ESG principles in the Group's business planning and risk management framework.</p> <p>It is also responsible for performing a first-level control of the overall sustainability framework, including:</p> <ul style="list-style-type: none"> a) Ensuring the existence of adequate organizational arrangements to perform the Sustainability Function, and the necessary human and technological resources for its functioning. b) Ensuring that the responsibilities of ESG management are clearly and formally integrated into the organizational structure, both in the business and the internal control functions. c) Approving the methodological approaches and practices, from a business and a risk control perspective, to assess and manage the material ESG risk factors. d) Establishing the ESG commercial strategy, including the aspects from client engagement to product development, and the definition of the business and operational targets to ensure the Group's sustainability strategy is accomplished. 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.
Sustainability Commission	<p>The BCP Group entities representing more than 1% of the assets of BCP Group shall have in place a Sustainability Commission, reporting to the EC, composed at least of the CEO, the CRO, the ESG Officer², the Risk Officer and the Compliance Officer.</p> <p>The local entities ensure that the BCP's ESG Officer, heads of the GESS and the Risk Office, are invitee members of the respective Sustainability Commission's meetings.</p> <p>The Sustainability Commission of each entity assists the respective EC in integrating the principles of sustainability / ESG approved by the management bodies. In the respective decision and management processes, being also responsible for assessing and approving the initiatives, changes or adaptations required to implement the relevant actions approved under the Group's SMP in force, compliance with the respective timelines and the progress of the results achieved, as well as the follow-up and monitoring of the approved ESG metrics.</p> <p>The Sustainability Commission monitors the completion levels of the sustainability related KPIs included in the SMP in force.</p>

² In BCP the ESG Officer is the CRO; in the subsidiaries may be the Head of the local Sustainability Department.

Additional information about the governance model is detailed in the Sustainability Report, which can be consulted at:

[Institutional/Sustainability/Non-Financial Information/Reporting Commitment](#)

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'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, of which 431 are also part of ongoing individual cases, 1,563 concluded settlements and 29 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 25 June 2024 an appeal hearing was held, at which the Bank filed a motion to amend the composition of the group and exclude those group members who had entered into an amicable settlement. The court required the plaintiffs' attorneys to take a written position on the current composition of the group. The date of the hearing will be set by the court ex officio.

The 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 2024 was CHF 1,197 million (EUR 1,275.8 million) [of which the outstanding amount of the loan agreements under the class action proceeding was CHF 86 million (EUR 91.7 million)].

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale S.A.

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,087 million (EUR 1,646 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard and the consideration of additional costs in the court verdicts.

In the twelve months of 2024, Bank Millennium created PLN 1,979.2 million (EUR 459.8 million) of provisions for own originated portfolio and PLN 199.9 million (EUR 46.4 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for own originated portfolio at the end of December 2024 was PLN 7,724.1 million (EUR 1,806.1 million), and for the former Euro Bank portfolio, PLN 739.6 million (EUR 172.9 million).

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.

Further detail is presented in note 57 of the 2024 Annual Report available on the website of the Bank:

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

4.7. Concise Risk Appetite 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, consubstantiated in the RAS.

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. For each of the selected indicators, 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. 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. In the end of 2024 the Bank reviewed the RAS, in order to close monitor the capital and liquidity levels and all the material risks identified in the risk identification process for 2025, namely credit risk, sovereign risk, market risks, interest rate risk, operational risk (including compliance, litigation and IT risks), business risk, reputational risk and pension fund risk.

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 BoD, involving the EC and RAC 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 EC, challenged by the RAC, and ratified by the BoD. In case a mitigation plan is approved, the results should be presented regularly for EC 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, the Group annually revises the Recovery Plan for its business and activities, which comprises a set of recovery options that can be implemented in a timely manner to respond to financial stress circumstances originating in different hypothetical shocks, of an idiosyncratic and/ or systemic order. This process is carried out in the scope of 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.

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.

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 compliance with the guidelines defined by EBA. This set of indicators is continuously monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which 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 early detection of the occurrence of possible stress, namely, liquidity crises. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis, and considers the performance of dry-run exercises, with the aim of testing parts of the Plan and raising the Bank's preparedness to implement it in a potential crisis scenario.

The Recovery Plan includes components of Bank Millennium's Recovery Plan (Poland) and information from Millennium bim's Recovery Plan (Mozambique). It is aligned with the definition of the business continuity framework and its respective plans (see the Operational Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations) and the results of 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 EC and the RAC. Together with the Risk Strategy and the budget, the outcome of the RIP is subject to discussion and approval by the BoD.

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 Group.

TABLE 8 – 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 a 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 (including all banking book loans and debt securities, irrespective of their accounting treatment).
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. 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.

Risk Name	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 or 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	Or “ <u>Business disruption and system failures</u> ”. 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

Continuity Risk	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, in particular 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 " <u>Clients, products & business practices</u> ". 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
Short Term Earnings 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 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.
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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 2024 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 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 9 – Calculation Methods and Scope of Application

	31 Dec. 24	31 Dec. 23
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 10 September 2024, 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 2024 would remain unchanged at 0% of the total risk exposure amount.

Likewise, from 1 October 2024, Banco de Portugal decided to apply to banking groups that use the internal ratings method a 4% sectoral systemic risk reserve, applicable to exposures to the retail portfolio of individuals secured by residential properties located in Portugal. This reserve aims to increase the resilience of the financial system in the event of a specific systemic risk materializing, providing sufficient resilience to absorb any losses in the underlying portfolio.

On the scope of the Supervisory Review and Evaluation Process the minimum Own Funds requirements for 2024 were as follows:

TABLE 10 – Minimum Capital Requirements from SREP

	Minimum Requirement Pillar 1	Additional Requirement Pillar 2	Capital Conservation Buffer	Other Systemically Important Institution Buffer	Institution Specific Countercyclical Capital Buffer	Systemic Risk Buffer	Total
CET1	4,500%	1,406%	2,500%	1,000%	0,037%	0,292%	9,736%
T1	6,000%	1,875%	2,500%	1,000%	0,037%	0,292%	11,704%
Total	8,000%	2,500%	2,500%	1,000%	0,037%	0,292%	14,329%

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

The consolidated capital ratios, as of 31 December 2024, 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 other charges 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 Supervisory Review and Evaluation Process (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.

With the IFRS 9 introduction the Group has decided to gradually recognise the impacts, according to art° 473°-A of 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.° 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 2024, 30 September 2024, and 31 December 2023 as well as the respective capital ratios are shown in the next table:

TABLE 11 – Capital Ratio and Summary of the Main Aggregates

(Million euro)

	Fully implemented			Phased-in		
	Dec 2024	Sep 2024	Dec 2023	Dec 2024	Sep 2024	Dec 2023
OWN FUNDS						
Tier I	7 034	6 922	6 608	7 057	6 926	6 642
of which: Common Equity Tier I	6 540	6 431	6 124	6 563	6 434	6 157
Tier II	1 233	1 227	1 295	1 209	1 222	1 264
Total capital	8 267	8 149	7 903	8 266	8 148	7 906
RWA						
Credit risk and counterparty credit risk	33 892	33 943	34 278	33 909	33 953	34 304
Market risk	853	866	547	853	866	547
Operational risk	5 313	4 854	4 854	5 313	4 854	4 854
Credit Valuation Adjustments (CVA)	53	45	46	53	45	46
Total	40 111	39 708	39 725	40 128	39 718	39 751
CAPITAL RATIOS						
Common Equity Tier I	16,3%	16,2%	15,4%	16,4%	16,2%	15,5%
Tier I	17,5%	17,4%	16,6%	17,6%	17,4%	16,7%
Total capital	20,6%	20,5%	19,9%	20,6%	20,5%	19,9%

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

The estimated CET1 ratio as at 31 December 2024 stood at 16.4% phased-in and 16.3% fully implemented, reflecting a change of +87 and +89 basis points, respectively, compared to the 15.5% and 15.4% phased-in and fully implemented ratios reported in the same period of 2023, comfortably above the minimum regulatory ratios defined within the scope of SREP for 31 December 2024 (CET1 9.74%, T1 11.70% and Total 14.33%) and in line with the medium-term solvability targets and with the 2025-2028 strategic plan. The organic growth of capital, due to the good performance of the recurring activity in Portugal and the careful and proactive management of capital, which includes the remuneration of shareholders, already including the share buyback operation authorized by the supervisor (200 million euro), more than offset the impacts related to the provision for legal risks, associated with foreign currency loans, at Bank Millennium.

The table below shows the BCP Group risk weighted assets as of 31/12/2024 and 30/09/2024.

TABLE 12 – Template EU OVI – Overview of Risk Weighted Exposure Amounts

(Million euro)

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		Dec 24	Sep 24	Dec 24
1	Credit risk (excluding CCR)	32 676	32 743	2 614
2	Of which the standardised approach	14 133	14 004	1 131
3	Of which the foundation IRB (FIRB) approach	544	613	44
4	Of which: slotting approach	544	613	44
EU 4a	Of which: equities under the simple riskweighted approach	862	955	69
5	Of which the advanced IRB (AIRB) approach	14 163	14 341	1 133
6	Counterparty credit risk - CCR	185	203	15
7	Of which the standardised approach	56	79	4
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	10	13	1
EU 8b	Of which credit valuation adjustment - CVA	53	45	4
9	Of which other CCR	67	66	5
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)	1 101	1 052	88
17	Of which SEC-IRBA approach	179	196	14
18	Of which SEC-ERBA (including IAA)	1	1	0
19	Of which SEC-SA approach	921	854	74
EU 19a	Of which 1250%/ deduction			
20	Position, foreign exchange and commodities risks (Market risk)	853	866	68
21	Of which the standardised approach	157	129	13
22	Of which IMA	696	737	56
EU 22a	Large exposures			
23	Operational risk	5 313	4 854	425
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	5 313	4 854	425
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2 224	2 144	178
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	40 128	39 718	3 210

The following table presents the full reconciliation of own funds items to audited financial statements as of 31 December 2024, according to the Commission Implementing Regulation (EU) No 1423/2013:

TABLE 13 – Reconciliation Between Accounting and Regulatory Capital
(Million euro)

	Dec 2024
1 Share capital	3 000
2 Own shares	
3 Share premium	16
4 Preference shares	
5 Other capital instruments	400
6 Reserves and retained earnings	2 772
7 Net income for the period attributable to Shareholders	906
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	7 095
8 Non-controlling interests (minority interests)	1 086
TOTAL EQUITY	8 181
9 Own shares of CET1 not eligible instruments	-1
10 Preference shares not eligible for CET1	
11 Other capital instruments not eligible for CET1	-400
12 Net profit for the year attributable to the Bank's shareholders not eligible for CET1	-660
13 Non-controlling interests not eligible for CET1	-535
14 Other regulatory adjustments	-22
Of which: Intangible assets	-138
Of which: Goodwill	-69
Of which: Deferred tax assets	-113
Of which: Other	297
COMMON EQUITY TIER 1 (CET1)	6 563
15 Subordinated debt	400
16 CET1 transferred adjustments	93
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)	7 057
19 Subordinated debt	992
# Non-controlling interests eligible for T2	219
22 Preference shares eligible for T2	56
22 Adjustments with impact in T2, including national filters	-59
23 Adjustments that are transferred for T1 for insufficient T2 instruments	
TIER 2 (T2)	1 209
OWN FUNDS	8 266

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 14 – Template EU CCI – Composition of Regulatory Own Funds at 31 December 2024

(Million euro)

		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	
	of which: Instrument type 1	3 000	37
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	1 621	41;43
3	Accumulated other comprehensive income (and other reserves)	1 151	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	-10	45
5	Minority interests (amount allowed in consolidated CET1)	561	45
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	247	44
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	6 586	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-12	
8	Intangible assets (net of related tax liability) (negative amount)	-206	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)	-113	20
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	611	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	0	43
15	Defined-benefit pension fund assets (negative amount)	-112	21
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-1	
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		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-80	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	-80	
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		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant)	-111	14, 20, 21
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-23	
29	Common Equity Tier 1 (CET1) capital	6 563	

		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	40
31	of which: classified as equity under applicable accounting standards	400	
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	93	45
35	of which: instruments issued by subsidiaries subject to phase out	0	45
36	Additional Tier 1 (AT1) capital before regulatory adjustments	493	
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		
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	493	
45	Tier 1 capital (T1 = CET1 + AT1)	7 057	

		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	992	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	219	26, 45
49	of which: instruments issued by subsidiaries subject to phase out	-2	
50	Credit risk adjustments	78	
51	Tier 2 (T2) capital before regulatory adjustments	1 290	
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		
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)	-59	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 adjustments to T2 capital	-22	
57	Total regulatory adjustments to Tier 2 (T2) capital	-81	
58	Tier 2 (T2) capital	1 209	
59	Total capital (TC = T1 + T2)	8 266	
60	Total risk exposure amount	40 128	

		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)	16,36%	
62	Tier 1 (as a percentage of total risk exposure amount)	17,59%	
63	Total capital (as a percentage of total risk exposure amount)	20,60%	
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)	9,74%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical buffer requirement	0,04%	
67	of which: systemic risk buffer requirement	0,29%	
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)	11,86%	
National minima (if different from Basel III)			
69	[non relevant in EU regulation]		
70	[non relevant in EU regulation]		
71	[non relevant in EU regulation]		
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)	43	
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)	334	
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)	555	

		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	177	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	78	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	109	
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		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

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 14 - "EU CCI- Composition of regulatory own funds".

TABLE 15 – Template EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements
(Million euro)

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to Template CC1
		Dec 24	Dec 24	
ASSETS				
1	Cash and deposits at Central Banks	5 589	5 589	
2	Loans and advances to credit institutions repayable on demand	251	251	
3	Financial assets at amortised cost			
4	Loans and advances to credit institutions	798	796	
5	Loans and advances to customers	53 907	53 907	
	Of which:			
	Subordinated loans		59	55
6	Debt instruments	21 345	21 345	
7	Financial assets at fair value through profit or loss			
8	Financial assets held for trading	1 676	1 676	
9	Financial assets not held for trading mandatorily at fair value through profit or loss	355	556	
10	Financial assets designated at fair value through profit or loss	121	121	
11	Financial assets at fair value through other comprehensive income	12 899	12 914	
12	Assets with repurchase agreement			
13	Hedging derivatives	69	69	
14	Investments in associated companies	429	370	
	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	8
15	Non-current assets held for sale	45	57	
16	Investment property	24	21	
17	Other tangible assets	619	560	
18	Goodwill and intangible assets	276	276	
	Of which:			
	Goodwill and intangible assets, excluding software classified as intangible assets not within the scope of article 13a of Regulation 241/2014		183	8
19	Current tax assets	21	21	
20	Deferred tax assets	2 253	2 247	
	Of which:			
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences		113	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		0	27a
21	Other assets	1 464	1 395	
	Of which:			
	Defined-benefit pension fund assets		112	15
	Single resolution fund		31	27a
Total Assets		102 144	102 173	

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to Template CCI
		Dec 24	Dec 24	
LIABILITIES				
22	Financial liabilities at amortised cost			
23	Resources from credit institutions	778	778	
24	Resources from customers	82 085	82 109	
25	Non subordinated debt securities issued	3 529	3 529	
26	Subordinated debt	1 427	1 427	
	Of which:			
	Capital instruments and the related share premium accounts		992	46
	Qualifying own funds instruments issued by subsidiaries and held by third parties		95	48, 49
27	Financial liabilities at fair value through profit or loss			
28	Financial liabilities held for trading	180	180	
29	Financial liabilities at fair value			
30	through profit or loss	3 249	3 249	
31	Hedging derivatives	39	39	
32	Non-current liabilities held for sale			
33	Provisions	1 086	1 084	
34	Current tax liabilities	136	136	
35	Deferred tax liabilities	7	7	
36	Other liabilities	1 436	1 455	
Total Liabilities		93 951	93 992	
EQUITY				
37	Share capital	3 000	3 000	1
38	Share premium	16	16	1
39	Preference shares			
40	Other equity instruments	400	400	31
41	Legal and statutory reserves	384	384	2,3
42	Treasury shares			1
43	Reserves and retained earnings	2 388	2 388	2,3,11,14
44	Net income for the year attributable to Shareholders	906	906	5a
		7 095	7 095	
45	Non-controlling interests	1 098	1 086	
	Of which:			
	Amount allowed in consolidated CET1		551	4, 5
	Amount allowed in consolidated AT1		93	34, 35
	Amount allowed in consolidated T2		123	48, 49
Total Equity		8 193	8 181	
Total Liabilities and Equity		102 144	102 173	

The following table shows the main features of own funds' instruments in December 2024.

TABLE 16 – 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	PTBCPKOM0004	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)	98	460	293	142	43	51	400	2 999
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
11 Original date of issuance	07 December 2017	27 September 2019	17 November 2021	5 December 2022	07 December 2017	30 January 2019	18 January 2024	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

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
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: 18 January 2029. 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 + 578 bps first 5 years; Refixing every 5 years. Until 18 January 2029: 8.125%	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

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible
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 instrument (signposting)	PTBCPWOM0034_FT-EMTN-Sr854_180109.pdf (millenniumbcp.pt)	PTBIT3OM0098_Final_Terms_OpTagus_MT N855.PDF (millenniumbcp.pt)	PTBCPGOM0067_MT N858_BCP_Signed_Final_Terms_10122021.pdf (millenniumbcp.pt)	PTBCPJOM0056_BC P-MTN-860.pdf (millenniumbcp.pt)	Seria-C-Warunki-Emisji-EBK-C-01122021.pdf (bankmillennium.pl)	NOTA_INFORMACYJ OFFERING NA_Millennium_seria W.pdf (gpwcatalyst.pl)	CIRCULAR DATED 16 JANUARY 2024 (millenniumbcp.pt)	N/A

(1) Amount included in the calculation of Bank's Own Funds (phased-in) as of 31 December 2024

(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 absolute 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 17 – Template EU PV1 – Prudent Valuation Adjustments (PVA)

(Million euro)

	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)								12		

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.

TABLE 18 – Uniform Disclosure of Transitional IFRS 9 Arrangements

(Million euro)

	Dec 24	Sep 24	Jun 24	Mar 24	Dec 23
AVAILABLE CAPITAL (AMOUNTS)					
1 Common Equity Tier 1 (CET1) capital	6 563	6 434	6 440	6 164	6 157
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6 540	6 431	6 435	6 154	6 124
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					
3 Tier 1 capital	7 057	6 926	6 929	6 652	6 642
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7 034	6 922	6 924	6 641	6 608
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 Total capital	8 266	8 148	8 183	7 920	7 906
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8 267	8 149	8 184	7 919	7 903
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					
RISK-WEIGHTED ASSETS (AMOUNTS)					
7 Total risk-weighted assets	40 128	39 718	39 728	39 146	39 751
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	40 111	39 708	39 717	39 134	39 725
CAPITAL RATIOS					
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	16,4%	16,2%	16,2%	15,7%	15,5%
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	16,3%	16,2%	16,2%	15,7%	15,4%
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					
11 Tier 1 (as a percentage of risk exposure amount)	17,6%	17,4%	17,4%	17,0%	16,7%
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,5%	17,4%	17,4%	17,0%	16,6%
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 Total capital (as a percentage of risk exposure amount)	20,6%	20,5%	20,6%	20,2%	19,9%
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,6%	20,5%	20,6%	20,2%	19,9%
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					
LEVERAGE RATIO					
15 Leverage ratio total exposure measure	110 446	108 250	107 731	105 538	102 616
16 Leverage ratio	6,39%	6,40%	6,43%	6,30%	6,47%
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,37%	6,39%	6,43%	6,29%	6,44%
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	6,39%	6,40%	6,43%	6,30%	6,47%

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%). As noted in section 5.1, Banco de Portugal decided that the percentage of countercyclical capital reserve to be in force in the 4th quarter of 2024 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 19 shows the geographic distribution of the credit risk positions relevant for calculating the cyclical reserve of own funds and in the table 20 the determination of the countercyclical reserve for capital requirements (cf. Delegated Regulation (EU) 2015/1555).

TABLE 19 – Template EU CCYB1 – Geographical Distribution of Credit Exposures Relevant for The Calculation of the Countercyclical Buffer

(Million euro)

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own fund requirements			Total	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	Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book				
010 Breakdown by country:													
MZ	701	181	0		0	882	60	0	0	60	747	3%	0%
PL	7 835	8 151	0		2 390	18 376	633	0	59	692	8 651	32%	0%
PT	1 331	39 181	1 476		2 316	44 304	1 277	0	29	1 306	16 321	60%	0%
020 Total	10 403	50 583	1 476		4 706	67 168	2 104	0	88	2 192	27 400		

TABLE 20 – Template EU CCYB2 - Amount of Institution-Specific Countercyclical Capital Buffer

(Million euro)

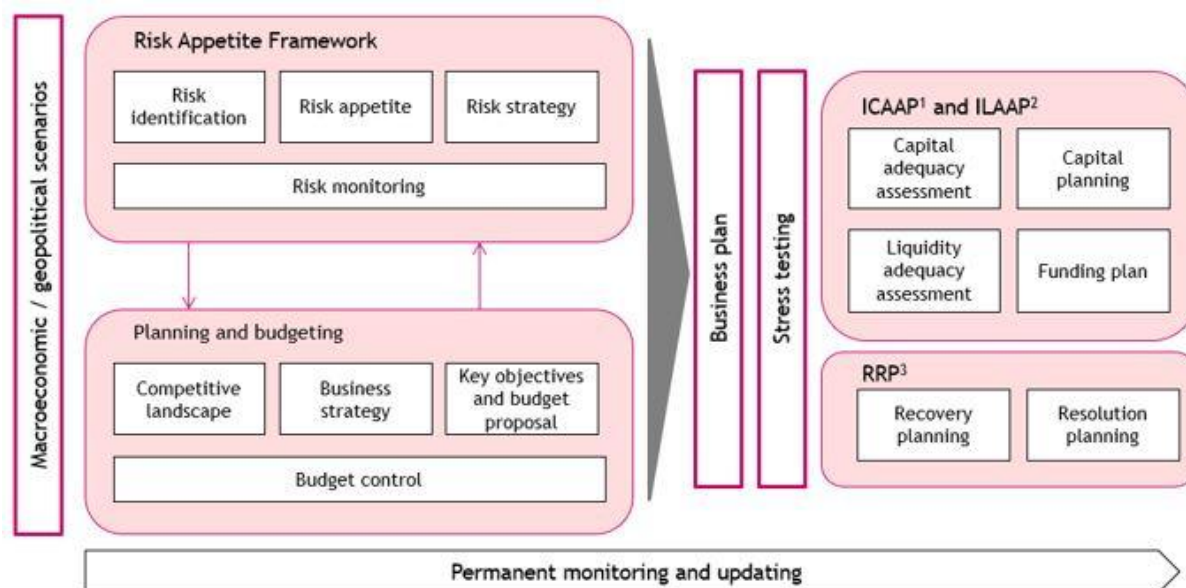
		a
1	Total risk exposure amount	40 128
2	Institution specific countercyclical capital buffer rate	0
3	Institution specific countercyclical capital buffer requirement	15

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 21 – 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 BoD and the EC - 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 the more than 60 different types of risks listed in the BCP Group's risk taxonomy 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 2024, the Group has considered the following risks (as materially relevant ones, after mitigation effects, or considered within the scope of Pillar I).

TABLE 22 – Material Risks

Risk category	Risk type
Credit Risk	Default risk
	Issuer risk
	Sovereign risk Securitisation risk
	Securitisation risk
Market risk	Traded market risk
Business risk	Economic risk
	Strategy risk
	IT strategy risk
	Participation risk
Operational risk	Process risk – External fraud risk
	ICT risk – Change risk
	ICT risk – Security risk
	ICT risk – Data integrity risk
	Legal and compliance risk – Financial crime risk
	Legal and compliance risk – Litigation risk (CHF loans)
IRRBB – Interest rate risk in the Banking book	Gap risk
Other risks	Pension fund risk

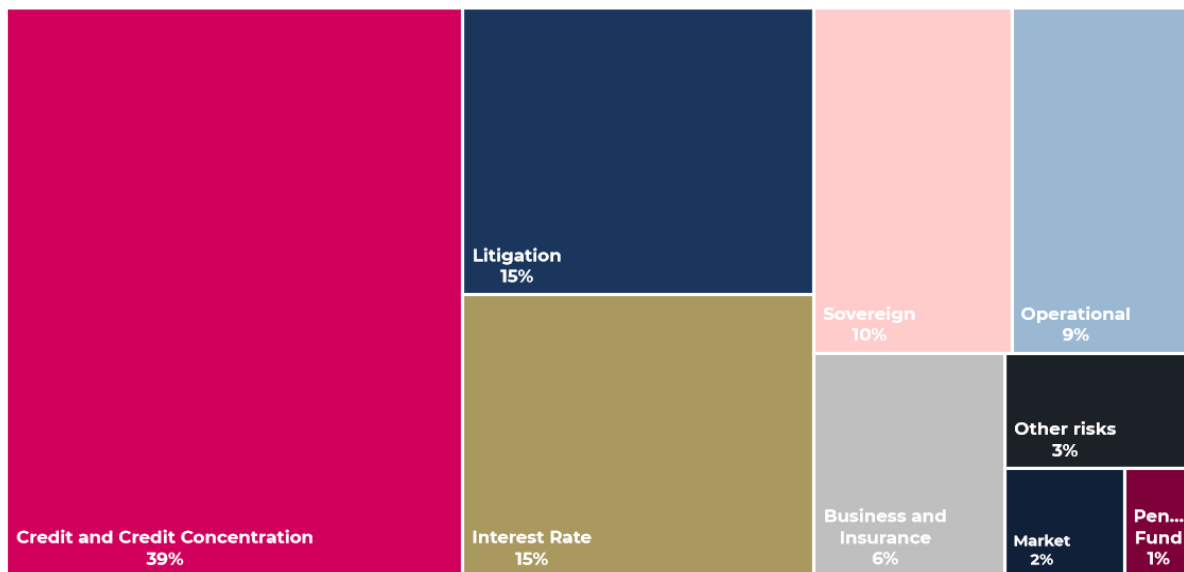
These risks are modelled or incorporated into the Group's stress testing methodology framework, producing estimated impacts on capital levels both through the impact on operating results or through changes in the risk-weighted assets (RWA) levels.

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 2024 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 in December 2024:

TABLE 23 – 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 39% of the internal capital needs. The litigation risk, arising from the Swiss Franc mortgage loan portfolio of Bank Millennium, and the interest rate risk in the banking book each represent 15% of the total internal capital requirements. Sovereign risk, which represents 10%, 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 phased-in or fully implemented) 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 RAS 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 2024.

TABLE 24 – Template EU LR1 - LRSUM: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures
(Million euro)

		a
		Applicable amount
1	Total assets as per published financial statements	102 144
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	29
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	228
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)	8 649
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	-604
13	Leverage ratio total exposure measure	110 446

TABLE 25 – Template EU LR2 – LRCOM: Leverage Ratio Common Disclosure
(Million euro)

		CRR leverage ratio exposures	
		a	b
		Dec 24	Jun 24
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	101 671	99 203
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)	-39	-30
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)	-565	-775
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	101 067	98 398
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	392	572
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	292	264
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	684	837
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	45	66
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	45	66
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	16 994	16 637
20	(Adjustments for conversion to credit equivalent amounts)	-8 345	-8 208
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	Off-balance sheet exposures	8 649	8 429

		CRR leverage ratio exposures	
		a	b
		Dec 24	Jun 24
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	7 057	6 929
24	Leverage ratio total exposure measure	110 446	107 729
Leverage ratio			
25	Leverage ratio	6,4%	6,4%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	6,4%	6,4%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6,4%	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%
Choice on transitional arrangements and relevant exposures			
EU-27	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional

		CRR leverage ratio exposures	
		a	b
		Dec 24	Jun 24
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	210	266
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	45	66
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)	110 610	107 930
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)	110 610	107 930
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)	0,0%	0,0%
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)	0,0%	0,0%

TABLE 26 – Template EU LR3-LRSPL – Split-up of on Balance Sheet Exposures (Excluding Derivatives, SFTS and Exempted Exposures)

(Million euro)

		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	101 671
EU-2	Trading book exposures	1 416
EU-3	Banking book exposures, of which:	100 255
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	33 879
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1 365
EU-7	Institutions	1 929
EU-8	Secured by mortgages of immovable properties	31 661
EU-9	Retail exposures	9 443
EU-10	Corporate	10 471
EU-11	Exposures in default	1 367
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	10 140

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 since 1 January 2024, which are clarified in Title II of Commission Implementing Regulation (EU) 2021/763.

On 22 July 2024, 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). MREs 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 of BCP, Banco ActivoBank, S.A. (“ActivoBank”) and all the subsidiary of the Bank apart from Bank Millennium and BIM and their respective subsidiaries, from July 2024 is of:

- 25.17% of the total risk exposure (“TREA”) (to which adds further a combined buffer requirement (“CBR”) – which includes, in addition to the capital conservation buffer (“CCB”) and the O-SII buffer, the Sector Systemic Risk buffer (“RRE”) as well as the Countercyclical Capital buffer (“CCyB”) - which in December 2024 was of 4.00%, thus corresponding to total requirements of 29.17%), and
- 6.67% 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.

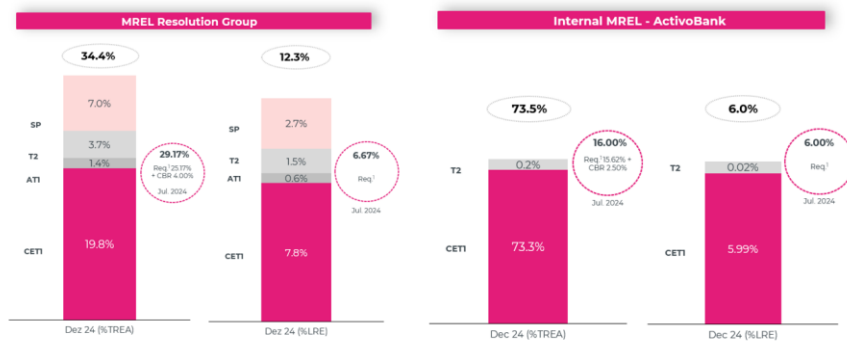
The Bank complies with the currently applicable MREL requirement, both as a percentage of TREA (also including the applicable CBR) and as a percentage of TEM.

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 internal MREL requirement of (i) 18.50% of TREA, including CBR currently of 2.50%, and (ii) 6.00% of leverage exposures.

ActivoBank currently comfortably complies with its internal MREL 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 2023 Resolution Planning Cycle

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 27 – Template EU KM2 – Key Metrics – MREL and, where applicable, G-SII Requirement for Own Funds and Eligible Liabilities

(Million euro)

BCP Resolution Group		a
		Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities, ratios and components		T
1	Own funds and eligible liabilities	9 126
EU-1a	Of which own funds and subordinated liabilities	7 126
2	Total risk exposure amount (TREA) of the resolution group	26 509
3	Own funds and eligible liabilities as a percentage of the TREA	34,43%
EU-3a	Of which own funds and subordinated liabilities	26,88%
4	Total exposure measure (TEM) of the resolution group	74 267
5	Own funds and eligible liabilities as percentage of the TEM	12,29%
EU-5a	Of which own funds or subordinated liabilities	9,59%
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	25,17%
EU-8	Of which to be met with own funds or subordinated liabilities	-
EU-9	MREL expressed as a percentage of the TEM	6,67%
EU-10	Of which to be met with own funds or subordinated liabilities	-

As of 31 December 2024, the MREL ratio was 34.43% as a percentage of TREA implying a surplus of 1,394 Million euro, above the bank's MREL requirement + CBR. As a percentage of the TEM, the MREL ratio was 12.29%

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 ActivoBank's own funds and eligible liabilities, their ranking in the creditor hierarchy and their maturities.

As of 31 December 2024, the BCP Resolution Group's available own funds and eligible liabilities amounted to 9,126 million euro, consisting of 7,057 million euro own funds and 69 Million euro subordinated liabilities and 2,000 million euro non-subordinated liabilities.

TABLE 28 – EU TLACI - Composition - MREL and, where applicable, G-SII Requirement for Own Funds and Eligible Liabilities

(Million euro)

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities and adjustments		
1	Common Equity Tier 1 capital (CET1)	5 651
2	Additional Tier 1 capital (AT1)	400
6	Tier 2 capital (T2)	1 006
11	Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	7 057
Own funds and eligible liabilities: Non-regulatory capital elements		
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	0
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	0
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)	0
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	69
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	2 000
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	0
14	Amount of non subordinated eligible liabilities instruments, where applicable after the application of Article 72b(3) of Regulation (EU) No 575/2013	2 000
17	Eligible liabilities items before adjustments	2 069
EU-17a	Of which subordinated liabilities items	69

		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	9 126
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	9 126
EU-22a	Of which: own funds and subordinated liabilities	7 126
Risk-weighted exposure amount and leverage exposure measure of the resolution group		
23	Total risk exposure amount (TREA)	26 509
24	Total exposure measure (TEM)	74 267
Ratio of own funds and eligible liabilities		
25	Own funds and eligible liabilities as a percentage of TREA	34,43%
EU-25a	Of which own funds and subordinated liabilities	26,88%
26	Own funds and eligible liabilities as a percentage of TEM	12,29%
EU-26a	Of which own funds and subordinated liabilities	9,59%
27	CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	9,26%
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 2024, ActivoBank has no MREL eligible liabilities in its balance sheet, therefore, its available own funds amounted to 284 Million euro, with an excess of CET 1 capital of 57.50% of TREA after meeting the entity's requirements.

TABLE 29 – 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

(Million euro)

		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)	283	
EU-4	Eligible Additional Tier 1 capital	0	
EU-5	Eligible Tier 2 capital	1	
EU-6	Eligible own funds	284	
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	284	
Total risk exposure amount and total exposure measure			
EU-10	Total risk exposure amount (TREA)	387	
EU-11	Total exposure measure (TEM)	4 735	
Ratio of own funds and eligible liabilities			
EU-12	Own funds and eligible liabilities as a percentage of the TREA	73,50%	
EU-13	of which permitted guarantees	0,00%	
EU-14	Own funds and eligible liabilities as a percentage of the TEM	6,00%	
EU-15	of which permitted guarantees	0,00%	
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	57,50%	
EU-17	Institution-specific combined buffer requirement		
Requirements			
EU-18	Requirement expressed as a percentage of the TREA	16,00%	
EU-19	of which part of the requirement that may be met with a guarantee	-	
EU-20	Requirement expressed as percentage of the TEM	6,00%	
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 2024, ActivoBank's MREL ratio was 73.50% as a percentage of TREA implying a surplus of 213 million euro above its MREL requirement plus CBR. As a percentage of TEM, the MREL ratio was 6.0046%

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 30 – 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 31 – EU TLAC3B: Creditor Ranking - Resolution Entity - BCP, SA

(Million euro)

		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	6 336	400	1 061	1	1 999	9 797
6	of which residual maturity ≥ 1 year < 2 years	0	0	0	0	500	500
7	of which residual maturity ≥ 2 year < 5 years	0	0	166	0	1 500	1 666
8	of which residual maturity ≥ 5 years < 10 years	0	0	895	0	0	895
9	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	0	0	0	0	0
10	of which perpetual securities	6 336	400	0	0	0	6 736

(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 of insolvency proceedings

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

TABLE 32 – EU TLAC2B: Creditor Ranking - Entity That is not a Resolution Entity - ActivoBank, SA
(Million euro)

		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	288	0	288
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	288	0	288

8. Credit Risk

8.1. Evolution and Breakdown of the Loan Portfolio

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

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

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

TABLE 33 – Evolution of the Group's Portfolio Subject to Credit Risk and Counterparty Credit Risk

(Million euro)

Geography	Dec. 24	Dec. 23	Change	
			Amount	%
Portugal	65,656	62,585	3,071	4.9%
Poland	30,549	26,730	3,819	14.3%
Mozambique	2,811	2,466	345	14.0%
TOTAL	99,016	91,781	7,235	7.9%

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, 2023, as a basis for comparison, the Group's loan portfolio, measured in euro (EUR), registered an increase of 7.9% during 2024, exceeding the 4.1% growth observed in 2023. This evolution is explained by growth across all geographies, with particular emphasis on the relative variation recorded in Poland.

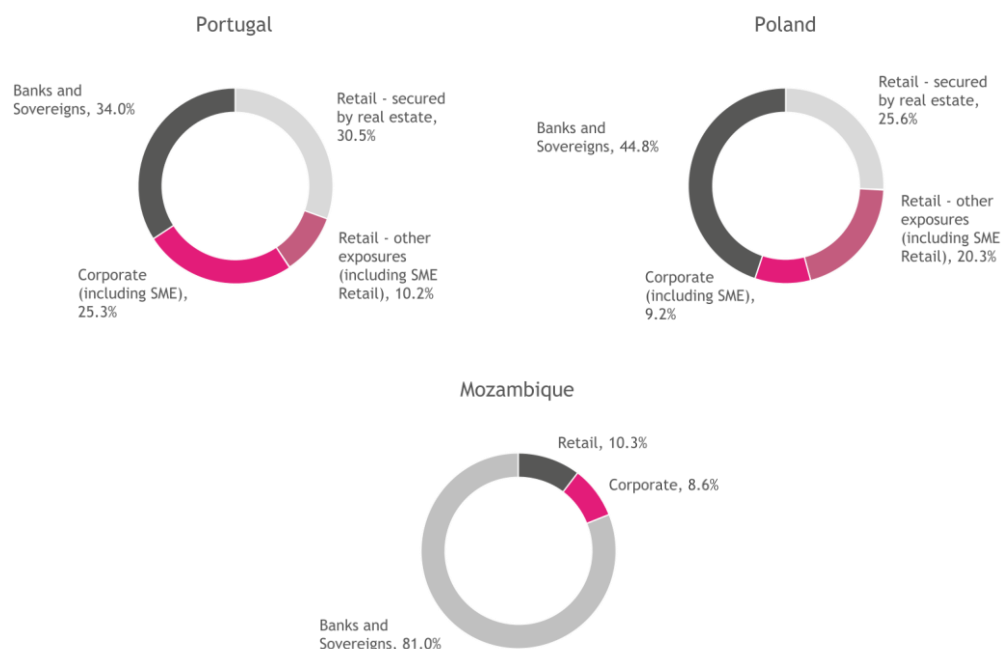
The increase in the portfolio in Portugal is associated with the growth in Sovereign and Institutional exposures and the retail portfolio, offsetting the decrease in the Corporate segments and deposits segments at Banco de Portugal. In addition to this factor, it is worth noting the decrease in the NPE portfolio in Portugal by EUR 134 million (circa 12.1% of reduction) during 2024.

In Poland's loan portfolio there was an increase of 14.3%, measured in euro, largely explained by the increase in Sovereign and Institutional exposures, which amounted to approximately EUR 2.8 billion, along with a growth in credit exposure to Corporate and Retail credit, which amounted to 1 billion euro.

Regarding Mozambique, there was a 14% increase in the loan portfolio, measured in euro, mainly due to the growth in exposure to the Banco de Mozambique.

The portfolio composition by risk classes is illustrated by the following graphs, on December 31, 2024.

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 40.7% of the total, 2/3 of which relates to exposures benefiting from mortgages. The Corporate segment has a weighting of around 25.3%, slightly lower than at the end of 2023, highlighting the increase in the weight of the Banks and Sovereigns segment, which recorded an increase in its representativity to a level close to 34%, from a weight of 30.8% on December 31, 2023.

In Poland we highlight the Retail segment, with a weight of 45.9%, observing a decrease in the weight of exposures collateralized by mortgage guarantee to 25.6%, observed mainly in the CHF loan portfolio, a slight increase in the representativeness of the Corporate segment and an increase in the Banks and Sovereigns component, ending 2024 with weightings of 9.2% and 44.8%, respectively.

Regarding Mozambique, the weight of the Banks and Sovereigns segment is significant, amounting to 81% of the portfolio. In turn, the Corporate and Retail segments assumed a representativity of 8.6% and 10.3%, respectively, with a 1.8 percentage point reduction in the weight of the Corporate segment and a 0.9 percentage point increase in the Retail segment.

The Bank has performed the regular update of the sectors considered to be the most vulnerable in Portugal, taking into account the evolution of the prevailing environment, characterized by multiple geopolitical conflicts, instability in several relevant European countries, namely with uncertainties from the political point of view, a more modest level of economic growth and budgetary pressures, as well as any changes resulting from the change of leadership in the United States, namely with regard to measures affecting international trade.

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)³.
- 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 125 on the internal rating master 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 euro, for retail obligors or above 500 euro 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%).

³ POCI (*Purchased or Originated Credit Impaired*): financial assets with objective evidence of impairment at the time of initial recognition.

- 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.
- 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 2024 and to meet the Supervisors' guidelines, namely regarding the identification and measurement of credit risk in the context of the uncertainty that continues to prevail, associated with a context of multiple geopolitical conflicts, instability in several relevant European countries, constraints on economic growth and potential measures affecting international trade, 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 uncollectibility 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 34 – Template EU CR1 – Performing and Non-Performing Exposures and Related Provisions
(Million euro)

	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								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						Accumulated partial write-off	
	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					On performing exposures	On non-performing exposures
005 Cash balances at central banks and other demand deposits	5 174	5 174	0	0	0	0	0	0	0	0	0	0	0	0	0
010 Loans and advances	54 371	47 479	6 885	1 820	0	1 797	-506	-241	-265	-982	0	-969	0	40 683	543
020 Central banks	273	273	0	0	0	0	0	0	0	0	0	0	0	0	0
030 General governments	949	684	265	0	0	0	-6	-2	-5	0	0	0	0	328	0
040 Credit institutions	529	529	0	0	0	0	0	0	0	0	0	0	0	45	0
050 Other financial corporations	1 002	985	17	12	0	12	-22	-20	-2	-12	0	-12	0	853	0
060 Non-financial corporations	16 018	13 416	2 600	787	0	781	-293	-148	-145	-504	0	-504	0	11 971	209
070 Of which: SMEs	12 267	10 038	2 227	649	0	646	-242	-115	-126	-412	0	-412	0	9 809	168
080 Households	35 600	31 592	4 003	1 021	0	1 003	-185	-70	-114	-466	0	-453	0	27 486	333
090 Debt Securities	34 679	34 204	68	6	0	6	-56	-55	-1	-4	0	-4	0	643	1
100 Central banks	2 032	2 032	0	0	0	0	0	0	0	0	0	0	0	0	0
110 General governments	27 248	27 215	0	0	0	0	-50	-50	0	0	0	0	0	144	0
120 Credit institutions	1 557	1 557	0	0	0	0	0	0	0	0	0	0	0	240	0
130 Other financial corporations	686	314	0	0	0	0	-1	-1	0	0	0	0	0	82	0
140 Non-financial corporations	3 155	3 087	68	6	0	6	-6	-5	-1	-4	0	-4	0	177	1
150 Off-balance sheet exposures	16 956	15 759	1 197	325	0	322	-29	-14	-15	-89	0	-89	0	3 683	118
160 Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170 General governments	105	104	0	0	0	0	0	0	0	0	0	0	0	28	0
180 Credit institutions	371	370	1	0	0	0	0	0	0	0	0	0	0	58	0
190 Other financial corporations	624	602	22	1	0	1	-1	0	0	0	0	0	0	117	0
200 Non-financial corporations	12 566	11 566	1 000	313	0	310	-19	-10	-9	-85	0	-85	0	3 442	116
210 Households	3 290	3 116	174	11	0	11	-9	-3	-6	-4	0	-4	0	37	2
220 Total	111 180	102 615	8 151	2 151	0	2 124	-591	-310	-281	-1 075	0	-1 062	0	45 009	661

Item 010: In what regards to Portugal, an amount involving EUR 3 billion of exposure is covered by State Guarantees/Mutual Guarantee, EIF and EIB (8,1% of the total) of which EUR 2,9 billion is related to guarantees for Non-Financial Corporations (covering 23,6% of NFC exposure). Guarantees represent EUR 2 billion (5,7% of the total) and an amount of EUR 2,3 billion was subject to securitisation (6,2% of the total) .

The table below provides the Group's original risk positions by residual maturity term at the end of 2024.

TABLE 35 – Template EU CR1-A – Maturity of Exposures

(Million euro)

	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	3 564	4 625	10 802	35 712	0	54 703
2 Debt securities	0	7 714	20 374	6 385	152	34 624
3 Total	3 564	12 339	31 176	42 096	152	89 328

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 36 – Template EU CQ1 – Credit Quality of Forborne Exposures

(Million euro)

		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	0
010	Loans and advances	768	751	751	742	-20	-439	876	195	
020	Central banks	0	0	0	0	0	0	0	0	0
030	General governments	70	0	0	0	-1	0	60	0	
040	Credit institutions	0	0	0	0	0	0	0	0	0
050	Other financial corporations	9	0	0	0	0	0	9	0	
060	Non-financial corporations	254	337	337	334	-10	-250	313	73	
070	Households	435	414	414	408	-9	-190	494	122	
080	Debt Securities	20	4	4	4	0	-3	20	1	
090	Loan commitments given	0	1	1	0	0	0	0	0	0
100	Total	788	756	756	747	-20	-443	895	195	

TABLE 37 – Template EU CQ3 – Credit Quality of Performing and Non-Performing Exposures by Past Due Days

(Million euro)

	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	5 174	5 174	0	0	0	0	0	0	0	0	0
010	Loans and advances	54 371	54 186	185	1 820	1 006	184	259	173	132	33	1 818
020	Central banks	273	273	0	0	0	0	0	0	0	0	0
030	General governments	949	947	2	0	0	0	0	0	0	0	0
040	Credit institutions	529	529	0	0	0	0	0	0	0	0	0
050	Other financial corporations	1 002	1 002	0	12	12	0	0	0	0	0	12
060	Non-financial corporations	16 018	15 987	31	787	474	84	113	65	36	9	785
070	Of which SMEs	12 267	12 236	31	649	371	75	98	62	34	4	649
080	Households	35 600	35 449	152	1 021	520	100	146	109	97	23	1 021
090	Debt securities	34 679	34 679	0	6	1	0	4	0	0	0	6
100	Central banks	2 032	2 032	0	0	0	0	0	0	0	0	0
110	General governments	27 248	27 248	0	0	0	0	0	0	0	0	0
120	Credit institutions	1 557	1 557	0	0	0	0	0	0	0	0	0
130	Other financial corporations	686	686	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	3 155	3 155	0	6	1	0	4	0	0	0	6
150	Off-balance-sheet exposures	16 956	0	0	325	0	0	0	0	0	0	325
160	Central banks	0	0	0	0	0	0	0	0	0	0	0
170	General governments	105	0	0	0	0	0	0	0	0	0	0
180	Credit institutions	371	0	0	0	0	0	0	0	0	0	0
190	Other financial corporations	624	0	0	1	0	0	0	0	0	0	1
200	Non-financial corporations	12 566	0	0	313	0	0	0	0	0	0	313
210	Households	3 290	0	0	11	0	0	0	0	0	0	11
220	Total	111 180	94 039	185	2 151	1 007	184	263	173	132	33	2 149

NPL ratio (Loans and Advances)**3,24%**

TABLE 38 – Template EU CQ4 – Template 5 – Quality of Non-Performing Exposures by Geography

(Million euro)

		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	90 876	1 826	1 824	90 468	-1 547		-1
020	Portugal	41 265	944	944	41 049	-868		0
030	Poland	28 385	816	814	28 383	-586		-1
040	Mozambique and others	21 226	66	66	21 036	-93		0
080	Off balance sheet exposures	17 281	325	325			-118	
090	Portugal	12 732	309	309			-104	
100	Poland	3 106	15	15			-12	
110	Mozambique and others	1 442	1	1			-2	
150	Total	108 157	2 151	2 149	90 468	-1 547	-118	-1

TABLE 39 – Template EU CQ5 – Credit Quality of Loans and Advances to Non-Financial Corporations by Industry
(Million euro)

	a	b	c	d	e	f
		Gross carrying amount				
		of which: non-		of which: loans and		Accumulated
		performing	of which defaulted	advances subject to	Accumulated	negative changes in
					impairment	fair value due to
						credit risk on non-
						performing
						exposures
010 Agriculture, forestry and fishing	403	18	18	403	-15	0
020 Mining and quarrying	102	4	4	102	-4	0
030 Manufacturing	3 366	180	180	3 366	-164	0
040 Electricity, gas, steam and air conditioning supply	233	0	0	233	-2	0
050 Water supply	189	1	1	189	-7	0
060 Construction	1 455	106	106	1 455	-98	0
070 Wholesale and retail trade	3 578	101	101	3 578	-92	0
080 Transport and storage	1 241	62	60	1 241	-34	0
090 Accommodation and food service activities	1 228	44	44	1 228	-42	0
100 Information and communication	385	12	12	385	-15	0
110 Financial and insurance activities	249	3	3	249	-3	0
120 Real estate activities	1 884	51	51	1 884	-46	0
130 Professional, scientific and technical activities	765	169	169	765	-156	0
140 Administrative and support service activities	499	22	22	499	-20	0
150 Public administration and defense, compulsory social security	0	0	0	0	0	0
160 Education	100	2	2	100	-2	0
170 Human health services and social work activities	270	3	3	270	-7	0
180 Arts, entertainment and recreation	168	3	3	168	-6	0
190 Other services	691	6	6	691	-83	0
200 Total	16 805	787	785	16 805	-797	0

TABLE 40 – Template EU CQ7 – Collateral Obtained by taking Possession and Execution Processes

(Million euro)

	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	289	-106
030 Residential immovable property	40	-11
040 Commercial Immovable property	116	-52
050 Movable property (auto, shipping, etc.)	19	-10
060 Equity and debt instruments	114	-34
070 Other collateral	0	0
080 Total	289	-106

TABLE 41 – Template EU CQ8 – Collateral Obtained by Taking Possession and Execution Processes – Vintage Breakdown

(Million euro)

		a	b	c	d	e	f	g	h	i	j	k	l
		Total collateral obtained by taking possession											
		Debt balance reduction				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	481	-121	289	-106	43	-10	19	-6	228	-91	76	-19
030	Residential immovable	40	-10	40	-11	4	0	3	-1	32	-9	12	-3
040	Commercial Immovable Property	170	-69	116	-52	20	0	15	-5	82	-47	26	-9
050	Movable property (auto,	19	-10	19	-10	19	-9	0	0	0	0	4	-1
060	Equity and debt instruments	252	-33	114	-34	0	0	0	0	113	-34	34	-6
070	Other	0	0	0	0	0	0	0	0	0	0	0	0
080	Total	481	-121	289	-106	43	-10	19	-6	228	-91	76	-19

8.5. Concentration Risk Management

The Group's policy relating to the identification, measurement, and evaluation of the concentration risk in credit risk is approved by the Bank's management body, applied to all Group entities, and is based on the following guidelines:

- The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customers' 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 customers' group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency). The identification of connected clients is an integral part of the credit granting and monitoring processes of each Entity, with the Risk Office monitoring the economic and customers' groups maintenance.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

- Exposures to Sovereigns.
- Exposures to Institutions (Banks/financial institutions).
- Single-name exposures (Large Corporate exposures).
- Geographic concentration (country risk).
- Exposure to sectors of activity.

These limits apply to the 'Net exposures' (*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The metrics regarding the concentration of exposure to Sovereigns and geographic concentration exclude the countries in which the Group has significant operations (Portugal, Poland, and Mozambique) and the respective Sovereigns

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

The concentration limits for corporate single-name exposures apply only to non-NPE positions, since the NPE (Non-performing exposures) positions are considered "always in excess" and it's framed by the actions covered by the NPE reduction Plan defined and executed at Group BCP level.

The limits in force as of 31 December 2024, for the exposure to Single name, in terms of the Net Exposure weight over the Consolidated Own Funds, are the following:

TABLE 42 – Limits for Single Name Concentration

Risk quality	Master Scale rating grades	Limit (million EUR)	%
1 st tier	101 – 105	572,9	7,00%
2 nd tier	106 – 108	368,3	4,50%
3 rd tier	109 – 111	211,8	2,60%
4 th tier	112 – 113	41,9	0,50%
5 th tier	114 – 115	19,4	0,20%

(*) Net exposure = EAD x LGD. EAD = Exposure at default; LGD = Loss given Default.

The limit for exposure to sectors of activity is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity.

As of 31 December 2024:

- There were no exposure excesses to Sovereigns, Institutions, or Sectors of activity.
- There was a specific excess of 1,3% net exposure to the Kingdom of Spain (Country risk).
- One Economic Group showed a net exposure above the established Single name limits for their respective risk grade. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.
- Moreover, the limit of 25% of consolidated Own Funds for the Group's exposure to leveraged transactions portfolio also did not register any excess.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers' exposures in the consumption of the respective concentration limits, which is used by the Credit Division and by the Commercial Networks within the scope of credit analysis for large clients with the purpose of ensuring that exposures are kept within the approved limits.

8.6. Own Funds Requirements for Credit Risk

8.6.1. Framework of the Approaches Used

On 31 December 2024, 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 2024, 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 2024 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 43 – Rating Master Scale and Relation Between External and Internal Grades

Rating Master Scale			
	Risk Grade	Mid-point PD	Risk Grade description
Non procedural	101	0.005%	Maximum security
	102	0.05%	Superior quality
	103	0.10%	Very high quality
	104	0.20%	High quality
	105	0.35%	Very good quality
	106	0.60%	Good quality
	107	0.95%	Good quality
	108	1.50%	Medium high quality
	109	2.25%	Medium quality
	110	3.30%	Medium low quality
	111	4.65%	Medium low quality
	112	6.40%	Low quality
	113	8.55%	Very low quality
	114	11.20%	Very low quality
	115	14.45%	Conditional access on credit
Procedural	123	45.00%	Weak signs of impairment
	124	79.00%	Strong signs of impairment
	125	100.00%	Default

Fitch	Standard & Poor's	Moody's	DBRS	Risk grade
AAA	AAA	Aaa	AAA	101
AA+	AA+	Aa1	AA (high)	102
AA	AA	Aa2	AA	102
AA-	AA-	Aa3	AA (low)	103
A+	A+	A1	A (high)	103
A	A	A2	A	104
A-	A-	A3	A (low)	105
BBB+	BBB+	Baa1	BBB (high)	105
BBB	BBB	Baa2	BBB	106
BBB-	BBB-	Baa3	BBB (low)	107
BB+	BB+	Ba1	BB (high)	108
BB	BB	Ba2	BB	109
BB-	BB-	Ba3	BB (low)	111
B+	B+	B1	B (high)	112
B	B	B2	B	114
Lower B	Lower B	Lower B2	Lower B	115

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 Models Monitoring and Validation Office (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 Models Monitoring and Validation Sub-Commission 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 Models Monitoring and Validation Sub-Commission 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 2024/2023, including cases in default (PD = 100%), were, respectively, the following:

- Average LGD: 28%/28%
- Average CCF: 58%/59%
- Average PD: 4,2%/4,6%

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 44 – Credit Facilities Outside of the Balance Sheet

(Million euro)

	Original exposure		Exposure at risk		Risk weighted assets		% RWA	
	Non-used	Used	Non-used	Used	Non-used	Used	Non-used	Used
Corporate	11 861	14 943	4 699	14 721	2 924	9 869	62%	67%
Large Corporate	7 916	8 393	3 238	8 302	2 105	6 281	65%	76%
Small and medium Corporate	3 775	5 787	1 379	5 670	745	2 960	54%	52%
Specialised lending	170	763	83	749	74	628	90%	84%
Equity	15	543	15	543	27	883	181%	163%

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 to four evaluation components, depending on the model, of which two are common: 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 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 45 – 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) + credit bureau component + behavioural component + 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 + credit bureau component + behavioural 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 + credit bureau component + behavioural 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 46 – 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 2024.

TABLE 47 – 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		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
CORPORATE	b	c	d	e	f	g	h
	0.00 to <0.15	148	0	0,00%	0,11%	0,08%	0,11%
	0.00 to <0.10	10	0	0,00%	0,06%	0,05%	0,00%
	0.10 to <0.15	138	0	0,00%	0,12%	0,10%	0,12%
	0.15 to <0.25	751	0	0,00%	0,24%	0,20%	0,00%
	0.25 to <0.50	1333	1	0,08%	0,41%	0,40%	0,08%
	0.50 to <0.75	1142	5	0,44%	0,69%	0,70%	0,22%
	0.75 to <2.50	2 028	9	0,44%	1,59%	1,80%	0,30%
	0.75 to <1.75	1 073	2	0,19%	1,44%	1,30%	0,23%
	1.75 to <2.5	955	7	0,73%	1,89%	2,30%	0,37%
	2.50 to <10.00	2 685	24	0,89%	3,97%	5,25%	0,72%
	2.5 to <5	1 081	7	0,65%	3,33%	3,70%	0,37%
	5 to <10	1 604	17	1,06%	6,60%	6,80%	0,94%
	10.00 to <100.00	2 554	77	3,02%	15,89%	28,75%	4,19%
	10 to <20	2 483	63	2,54%	14,39%	11,51%	2,75%
	20 to <30	0	0	0,00%	0,00%	0,00%	50,00%
	30.00 to <100.00	71	14	19,72%	37,14%	46,00%	28,48%
	100.00 (Default)	634	0	0%	100%	100%	0%

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
CORPORATE SME	b	c	d	e	f	g	h
	0.00 to <0.15	26	0	0,00%	0,10%	0,08%	0,00%
	0.00 to <0.10	4	0	0,00%	0,05%	0,05%	0,00%
	0.10 to <0.15	22	0	0,00%	0,10%	0,10%	0,00%
	0.15 to <0.25	266	0	0,00%	0,20%	0,20%	0,04%
	0.25 to <0.50	298	0	0,00%	0,35%	0,40%	0,00%
	0.50 to <0.75	272	0	0,00%	0,62%	0,70%	0,00%
	0.75 to <2.50	521	0	0,00%	1,48%	1,80%	0,10%
	0.75 to <1.75	289	0	0,00%	1,31%	1,30%	0,09%
	1.75 to <2.5	232	0	0,00%	2,20%	2,30%	0,11%
	2.50 to <10.00	669	1	0,15%	4,69%	5,26%	0,44%
	2.5 to <5	332	1	0,30%	3,41%	3,70%	0,30%
	5 to <10	337	0	0,00%	6,90%	6,83%	0,59%
	10.00 to <100.00	288	5	1,74%	20,98%	28,75%	3,98%
	10 to <20	283	5	1,77%	13,49%	11,50%	2,75%
	20 to <30	0	0	0,00%	22,58%	0,00%	0,00%
	30.00 to <100.00	5	0	0,00%	35,67%	46,00%	17,15%
	100.00 (Default)	40	0	0%	100%	100%	0%

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
SECURED BY REAL ESTATE SME	b	c	d	e	f	g	h
	0.00 to <0.15	372	0	0,00%	0,10%	0,08%	0,06%
	0.00 to <0.10	29	0	0,00%	0,08%	0,05%	0,21%
	0.10 to <0.15	343	0	0,00%	0,10%	0,10%	0,06%
	0.15 to <0.25	768	1	0,13%	0,20%	0,20%	0,14%
	0.25 to <0.50	1 016	2	0,20%	0,35%	0,40%	0,31%
	0.50 to <0.75	827	2	0,24%	0,60%	0,70%	0,25%
	0.75 to <2.50	902	6	0,67%	1,41%	1,80%	0,68%
	0.75 to <1.75	575	2	0,35%	1,16%	1,30%	0,52%
	1.75 to <2.5	327	4	1,22%	2,25%	2,30%	0,96%
	2.50 to <10.00	391	12	3,07%	5,07%	5,28%	2,02%
	2.5 to <5	206	7	3,40%	3,87%	3,70%	1,86%
	5 to <10	185	5	2,70%	7,27%	6,85%	2,13%
	10.00 to <100.00	666	39	5,86%	24,54%	28,77%	6,96%
	10 to <20	636	28	4,40%	11,46%	11,54%	5,29%
	20 to <30	0	0	0,00%	23,84%	0,00%	10,71%
	30.00 to <100.00	30	11	36,67%	53,62%	46,00%	34,22%
	100.00 (Default)	208	0	0%	100%	100%	0%

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
SECURED BY REAL ESTATE NON SME	b	c	d	e	f	g	h
	0.00 to <0.15	192 904	108	0,06%	0,08%	0,08%	0,11%
	0.00 to <0.10	90 545	58	0,06%	0,07%	0,05%	0,17%
	0.10 to <0.15	102 359	50	0,05%	0,10%	0,10%	0,07%
	0.15 to <0.25	56 441	70	0,12%	0,19%	0,20%	0,16%
	0.25 to <0.50	31 006	86	0,28%	0,35%	0,40%	0,32%
	0.50 to <0.75	20 130	72	0,36%	0,60%	0,70%	0,50%
	0.75 to <2.50	21 000	185	0,88%	1,37%	1,80%	1,15%
	0.75 to <1.75	12 604	89	0,71%	1,13%	1,30%	0,99%
	1.75 to <2.5	8 396	96	1,14%	2,13%	2,30%	1,38%
	2.50 to <10.00	18 167	289	1,59%	4,94%	5,28%	2,06%
	2.5 to <5	9 202	111	1,21%	3,64%	3,70%	1,57%
	5 to <10	8 965	178	1,99%	6,83%	6,86%	2,56%
	10.00 to <100.00	9 761	1 028	10,53%	23,46%	28,90%	9,77%
	10 to <20	8 219	414	5,04%	14,10%	11,80%	5,77%
	20 to <30	0	0	0,00%	23,26%	0,00%	19,24%
	30.00 to <100.00	1 542	614	39,82%	47,96%	46,00%	34,93%
	100.00 (Default)	5 197	0	0%	100%	100%	0%

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
QUALIFYING REVOLVING RETAIL EXPOSURES	b	c	d	e	f	g	h
	0.00 to <0.15	624 573	342	0,05%	0,07%	0,08%	0,08%
	0.00 to <0.10	414 503	226	0,05%	0,06%	0,05%	0,08%
	0.10 to <0.15	210 070	116	0,06%	0,10%	0,10%	0,08%
	0.15 to <0.25	261 008	305	0,12%	0,20%	0,20%	0,14%
	0.25 to <0.50	205 760	1162	0,56%	0,36%	0,40%	0,54%
	0.50 to <0.75	112 891	1178	1,04%	0,64%	0,70%	1,06%
	0.75 to <2.50	134 558	2 441	1,81%	1,53%	1,80%	1,91%
	0.75 to <1.75	79 059	1 249	1,58%	1,21%	1,30%	1,65%
	1.75 to <2.5	55 499	1 192	2,15%	2,25%	2,30%	2,27%
	2.50 to <10.00	95 540	3 372	3,53%	5,51%	5,31%	3,94%
	2.5 to <5	43 550	1 249	2,87%	3,82%	3,70%	3,08%
	5 to <10	51 990	2 123	4,08%	7,54%	6,91%	4,63%
	10.00 to <100.00	121 537	9 728	8,00%	23,88%	28,87%	11,81%
	10 to <20	116 218	6 744	5,80%	15,09%	11,74%	9,02%
	20 to <30	0	0	0,00%	26,10%	0,00%	33,18%
	30.00 to <100.00	5 319	2 984	56,10%	56,40%	46,00%	60,91%
	100.00 (Default)	26 265	0	0%	100%	100%	0%

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
OTHER RETAIL - SME	b	c	d	e	f	g	h
	0.00 to <0.15	4 288	1	0,02%	0,10%	0,08%	0,04%
	0.00 to <0.10	217	0	0,00%	0,05%	0,05%	0,03%
	0.10 to <0.15	4 071	1	0,02%	0,10%	0,10%	0,04%
	0.15 to <0.25	7 944	6	0,08%	0,20%	0,20%	0,17%
	0.25 to <0.50	9 316	22	0,24%	0,35%	0,40%	0,47%
	0.50 to <0.75	7 100	55	0,77%	0,60%	0,70%	0,75%
	0.75 to <2.50	7 180	141	1,96%	1,39%	1,80%	1,74%
	0.75 to <1.75	4 345	76	1,75%	1,16%	1,30%	1,38%
	1.75 to <2.5	2 835	65	2,29%	2,23%	2,30%	2,33%
	2.50 to <10.00	3 794	221	5,82%	4,92%	5,23%	4,31%
	2.5 to <5	2 119	96	4,53%	3,87%	3,70%	3,29%
	5 to <10	1 675	125	7,46%	7,07%	6,76%	5,30%
	10.00 to <100.00	12 612	690	5,47%	24,94%	28,78%	9,67%
	10 to <20	12 355	515	4,17%	11,20%	11,57%	8,03%
	20 to <30	0	0	0,00%	23,58%	0,00%	35,90%
	30.00 to <100.00	257	175	68,36%	64,27%	46,00%	52,89%
	100.00 (Default)	2 289	0	0%	100%	100%	0%

A-IRB

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
OTHER RETAIL - NON SME	b	c	d	e	f	g	h
	0.00 to <0.15	9 675	5	0,05%	0,09%	0,08%	0,10%
	0.00 to <0.10	1 552	0	0,00%	0,05%	0,05%	0,05%
	0.10 to <0.15	8 123	5	0,06%	0,10%	0,10%	0,11%
	0.15 to <0.25	41 881	125	0,30%	0,20%	0,20%	0,28%
	0.25 to <0.50	72 344	690	0,95%	0,35%	0,40%	0,87%
	0.50 to <0.75	37 203	634	1,70%	0,59%	0,70%	1,74%
	0.75 to <2.50	40 093	1 183	2,95%	1,41%	1,80%	3,12%
	0.75 to <1.75	25 765	663	2,57%	1,17%	1,30%	2,66%
	1.75 to <2.5	14 328	520	3,63%	2,20%	2,30%	3,91%
	2.50 to <10.00	20 526	1 179	5,74%	4,75%	5,24%	6,26%
	2.5 to <5	9 156	419	4,58%	3,68%	3,70%	4,85%
	5 to <10	11 370	760	6,68%	7,03%	6,79%	7,31%
	10.00 to <100.00	9 249	2 526	27,31%	29,31%	29,09%	26,73%
	10 to <20	7 827	1 502	19,19%	12,61%	12,19%	18,52%
	20 to <30	0	0	0,00%	25,33%	0,00%	52,05%
	30.00 to <100.00	1 422	1 024	72,01%	62,56%	46,00%	74,53%
	100.00 (Default)	4 346	0	0%	100%	100%	0%

The figures for the risk positions of portfolios treated by the IRB approach, with reference to 31 December 2024 are presented in the following tables, reflecting the different risk classes of the portfolios.

TABLE 48 – Template EU CR6 – IRB Approach – Credit Risk Exposures by Exposure Class And PD Range
(Million euro)

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	427	979	66%	1 072	0,11%	184	38,15%	2,18	289	27,0%	0	0
	0.00 to <0.10	0	112	128%	144	0,06%	9	36,94%	1,16	18	12,4%	0	0
	0.10 to <0.15	427	867	58%	929	0,12%	175	38,34%	2,34	272	29,3%	0	0
	0.15 to <0.25	1 084	1 280	63%	1 892	0,24%	229	34,92%	1,85	663	35,1%	2	-1
	0.25 to <0.50	458	388	55%	671	0,41%	243	38,41%	2,68	407	60,7%	1	-1
	0.50 to <0.75	762	728	50%	1 124	0,69%	339	38,04%	2,69	841	74,8%	3	-2
	0.75 to <2.50	821	744	57%	1 246	1,59%	532	33,93%	2,08	1 019	81,8%	7	-6
	0.75 to <1.75	626	368	56%	830	1,44%	356	31,38%	2,15	605	72,8%	4	-4
	1.75 to <2.5	195	376	59%	415	1,89%	176	39,02%	1,96	414	99,7%	3	-3
	2.50 to <10.00	1 041	557	46%	1 295	3,97%	504	30,58%	2,67	1 337	103,2%	16	-28
	2.5 to <5	849	411	46%	1 039	3,33%	348	30,67%	2,73	1 036	99,7%	11	-18
	5 to <10	192	145	44%	256	6,60%	156	30,24%	2,43	300	117,2%	5	-9
	10.00 to <100.00	287	200	48%	382	15,89%	316	31,00%	3,32	647	169,3%	20	-32
	10 to <20	266	187	49%	357	14,39%	261	30,62%	3,41	595	166,6%	16	-30
	20 to <30	0	0	0%	0	0,00%	7	0,00%	0,00	0	0,0%	0	0
	30.00 to <100.00	21	13	35%	25	37,14%	48	36,25%	1,99	53	208,0%	4	-3
	100.00 (Default)	240	62	29%	258	100,00%	51	66,46%	3,54	127	49,1%	235	-230
Subtotal Corporate		5 120	4 938	57%	7 941	5,1%	2 398	36,1%	2,38	5 331	67,1%	284	-301

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	72	239	67%	232	0,10%	1 348	42,69%	1,52	34	14,9%	0	0
	0.00 to <0.10	0	0	90%	0	0,05%	2	34,78%	1,08	0	5,9%	0	0
	0.10 to <0.15	72	238	67%	231	0,10%	1 346	42,70%	1,52	34	14,9%	0	0
	0.15 to <0.25	145	177	60%	252	0,20%	970	41,23%	2,11	63	24,9%	0	0
	0.25 to <0.50	225	174	59%	327	0,35%	1 009	38,51%	2,13	108	33,1%	0	-1
	0.50 to <0.75	231	134	59%	310	0,62%	774	34,91%	2,27	123	39,8%	1	-1
	0.75 to <2.50	827	496	56%	1 103	1,48%	2 368	34,79%	2,18	586	53,1%	6	-7
	0.75 to <1.75	663	412	56%	895	1,31%	1 660	33,89%	2,21	449	50,2%	4	-4
	1.75 to <2.5	165	84	53%	209	2,20%	708	38,63%	2,05	137	65,7%	2	-3
	2.50 to <10.00	1 289	621	48%	1 585	4,69%	2 496	30,71%	2,64	1 100	69,4%	24	-45
	2.5 to <5	789	440	49%	1 004	3,41%	1 497	30,62%	2,57	641	63,8%	11	-20
	5 to <10	500	181	45%	582	6,90%	999	30,85%	2,77	459	79,0%	13	-25
	10.00 to <100.00	413	194	52%	514	20,98%	2 145	33,60%	2,54	602	117,1%	38	-56
	10 to <20	241	134	56%	315	13,49%	1 328	32,65%	2,55	336	106,5%	14	-24
	20 to <30	40	5	50%	43	22,58%	195	31,27%	3,37	50	117,6%	3	-3
	30.00 to <100.00	132	56	43%	156	35,67%	622	36,14%	2,31	216	138,3%	21	-30
	100.00 (Default)	156	128	24%	188	100,00%	788	47,72%	3,24	236	125,6%	129	-153
Subtotal Corporate SME		3 359	2 163	53%	4 510	8,6%	11 898	34,8%	2,39	2 852	63,2%	198	-262

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	19	6	91%	24	0,10%	316	24,84%	0,00	1	4,6%	0	0
	0.00 to <0.10	1	2	102%	4	0,08%	39	46,71%	0,00	0	7,5%	0	0
	0.10 to <0.15	17	4	84%	21	0,10%	277	20,91%	0,00	1	4,1%	0	0
	0.15 to <0.25	121	7	67%	126	0,20%	1137	21,13%	0,00	9	7,1%	0	0
	0.25 to <0.50	137	3	67%	139	0,35%	1027	21,31%	0,00	15	10,7%	0	0
	0.50 to <0.75	82	6	79%	87	0,60%	560	21,42%	0,00	14	15,9%	0	0
	0.75 to <2.50	114	6	59%	118	1,41%	882	21,10%	0,00	32	27,0%	0	0
	0.75 to <1.75	88	5	56%	91	1,16%	697	21,10%	0,00	22	24,1%	0	0
	1.75 to <2.5	27	1	69%	27	2,25%	185	21,11%	0,00	10	36,9%	0	0
	2.50 to <10.00	64	3	75%	66	5,07%	526	21,02%	0,00	38	56,7%	1	0
	2.5 to <5	42	1	80%	43	3,87%	322	20,67%	0,00	21	48,9%	0	0
	5 to <10	22	1	69%	23	7,27%	204	21,65%	0,00	17	70,9%	0	0
	10.00 to <100.00	79	3	50%	81	24,54%	740	20,52%	0,00	78	95,7%	4	-1
	10 to <20	8	0	57%	8	11,46%	94	20,45%	0,00	7	81,4%	0	0
	20 to <30	66	3	49%	67	23,84%	605	20,29%	0,00	66	98,0%	3	-1
	30.00 to <100.00	5	0	59%	5	53,62%	41	23,45%	0,00	5	89,1%	1	0
	100.00 (Default)	22	1	38%	22	100,00%	263	31,12%	0,00	25	111,1%	6	-5
Subtotal Secured by Real Estate SME		639	36	69%	663	7,3%	5451	21,6%	0,00	211	31,7%	11	-8

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	13 732	101	71%	13 804	0,08%	218 676	22,95%	0,00	700	5,1%	3	-2
	0.00 to <0.10	6 959	32	78%	6 984	0,07%	135 252	30,26%	0,00	426	6,1%	2	-2
	0.10 to <0.15	6 774	68	68%	6 820	0,10%	83 424	15,46%	0,00	274	4,0%	1	-1
	0.15 to <0.25	4 239	37	64%	4 262	0,19%	52 496	19,62%	0,00	354	8,3%	2	-1
	0.25 to <0.50	2 245	19	67%	2 257	0,35%	26 807	20,19%	0,00	302	13,4%	2	-2
	0.50 to <0.75	1 647	15	53%	1 655	0,60%	19 576	19,82%	0,00	320	19,3%	2	-2
	0.75 to <2.50	2 259	12	74%	2 268	1,37%	27 653	19,80%	0,00	748	33,0%	7	-5
	0.75 to <1.75	1 711	10	73%	1 718	1,13%	20 427	19,23%	0,00	488	28,4%	4	-3
	1.75 to <2.5	548	2	78%	550	2,13%	7 226	21,57%	0,00	260	47,3%	3	-2
	2.50 to <10.00	1 055	4	71%	1 058	4,94%	13 711	20,04%	0,00	725	68,5%	11	-7
	2.5 to <5	626	3	68%	628	3,64%	8 080	19,66%	0,00	365	58,2%	5	-3
	5 to <10	429	1	78%	430	6,83%	5 631	20,59%	0,00	360	83,6%	6	-4
	10.00 to <100.00	618	1	50%	618	23,46%	8 168	17,84%	0,00	593	95,9%	27	-11
	10 to <20	446	1	49%	446	14,10%	5 831	17,45%	0,00	414	92,8%	11	-6
	20 to <30	2	0	0%	2	23,26%	56	15,67%	0,00	1	89,1%	0	0
	30.00 to <100.00	170	0	100%	170	47,96%	2 281	18,87%	0,00	178	104,3%	15	-5
	100.00 (Default)	422	1	43%	422	100,00%	6 203	43,89%	0,00	460	108,9%	149	-117
Subtotal Secured by Real Estate Non SME		26 216	189	68%	26 344	2,6%	373 290	21,8%	0,00	4 201	15,9%	202	-148

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	208	1 785	65%	1 360	0,07%	844 925	43,88%	0,00	30	2,2%	0	-1
	0.00 to <0.10	162	1 390	65%	1 061	0,06%	655 094	48,20%	0,00	24	2,3%	0	-1
	0.10 to <0.15	46	396	64%	299	0,10%	189 831	28,53%	0,00	6	1,9%	0	0
	0.15 to <0.25	91	272	65%	267	0,20%	156 291	46,10%	0,00	14	5,2%	0	-1
	0.25 to <0.50	100	199	66%	230	0,36%	130 393	46,81%	0,00	20	8,9%	0	-1
	0.50 to <0.75	108	138	65%	198	0,64%	111 063	48,01%	0,00	28	14,4%	1	-2
	0.75 to <2.50	228	166	67%	340	1,53%	206 291	48,14%	0,00	94	27,7%	3	-6
	0.75 to <1.75	151	128	66%	235	1,21%	144 345	44,63%	0,00	51	21,5%	1	-3
	1.75 to <2.5	77	38	72%	104	2,25%	61 946	56,07%	0,00	44	41,9%	1	-3
	2.50 to <10.00	165	55	73%	205	5,51%	180 065	57,61%	0,00	164	79,8%	7	-10
	2.5 to <5	87	34	73%	112	3,82%	88 929	52,12%	0,00	63	56,7%	2	-4
	5 to <10	77	22	72%	93	7,54%	91 136	64,22%	0,00	100	107,7%	5	-6
	10.00 to <100.00	88	26	60%	104	23,88%	90 220	59,43%	0,00	158	152,5%	15	-17
	10 to <20	60	24	61%	74	15,09%	67 471	60,14%	0,00	110	149,0%	7	-9
	20 to <30	9	2	64%	10	26,10%	7 761	43,97%	0,00	14	136,5%	1	-2
	30.00 to <100.00	19	1	39%	19	56,40%	14 988	65,04%	0,00	34	174,5%	7	-6
	100.00 (Default)	61	5	33%	63	100,00%	46 093	69,35%	0,00	58	92,3%	41	-36
Subtotal Qualifying Revolving Retail Exposures		1 049	2 647	65%	2 766	3,9%	1 765 341	47,3%	0,00	566	20,5%	68	-74

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	31	81	81%	96	0,10%	4 287	39,19%	0,00	8	7,8%	0	0
	0.00 to <0.10	1	7	119%	9	0,05%	120	36,48%	0,00	0	4,5%	0	0
	0.10 to <0.15	30	75	78%	88	0,10%	4 167	39,45%	0,00	7	8,1%	0	0
	0.15 to <0.25	214	123	61%	289	0,20%	12 192	30,09%	0,00	29	10,1%	0	-2
	0.25 to <0.50	212	90	53%	259	0,35%	10 121	28,70%	0,00	36	13,9%	0	-2
	0.50 to <0.75	105	48	55%	132	0,60%	5 209	28,55%	0,00	25	18,8%	0	-1
	0.75 to <2.50	165	51	62%	196	1,39%	7 341	28,40%	0,00	52	26,6%	1	-4
	0.75 to <1.75	130	39	61%	154	1,16%	5 743	28,21%	0,00	39	25,0%	1	-2
	1.75 to <2.5	35	11	64%	42	2,23%	1 598	29,08%	0,00	14	32,1%	0	-2
	2.50 to <10.00	93	26	62%	109	4,92%	4 388	27,31%	0,00	37	33,5%	2	-7
	2.5 to <5	62	19	61%	73	3,87%	2 546	27,00%	0,00	24	32,2%	1	-3
	5 to <10	31	7	63%	36	7,07%	1 842	27,95%	0,00	13	36,0%	1	-4
	10.00 to <100.00	98	42	52%	120	24,94%	15 381	28,57%	0,00	65	54,0%	9	-21
	10 to <20	11	3	54%	13	11,20%	1 655	29,74%	0,00	6	43,2%	0	-2
	20 to <30	79	37	52%	99	23,58%	13 142	27,72%	0,00	54	54,7%	7	-15
	30.00 to <100.00	8	1	31%	8	64,27%	584	37,04%	0,00	5	62,3%	2	-5
	100.00 (Default)	71	47	25%	82	100,00%	3 889	40,31%	0,00	93	112,9%	38	-47
Subtotal Other Retail SME		988	509	58%	1 284	9,6%	62 808	30,4%	0,00	344	26,8%	50	-86

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	188	40	84%	222	0,09%	13 651	17,75%	0,00	9	4,2%	0	0
	0.00 to <0.10	36	27	76%	57	0,05%	2 215	20,74%	0,00	2	3,3%	0	0
	0.10 to <0.15	152	12	102%	164	0,10%	11 436	16,71%	0,00	7	4,5%	0	0
	0.15 to <0.25	203	13	104%	217	0,20%	17 328	19,29%	0,00	18	8,5%	0	0
	0.25 to <0.50	281	5	105%	286	0,35%	29 447	24,29%	0,00	44	15,3%	0	-1
	0.50 to <0.75	379	5	133%	386	0,59%	39 354	24,60%	0,00	81	21,1%	1	-3
	0.75 to <2.50	741	10	84%	750	1,41%	88 776	25,92%	0,00	239	31,9%	3	-9
	0.75 to <1.75	567	9	86%	575	1,17%	67 361	25,71%	0,00	172	30,0%	2	-6
	1.75 to <2.5	174	1	67%	175	2,20%	21 415	26,60%	0,00	67	38,0%	1	-3
	2.50 to <10.00	293	1	34%	293	4,75%	39 172	27,45%	0,00	128	43,8%	4	-10
	2.5 to <5	199	1	36%	200	3,68%	26 502	27,10%	0,00	84	42,1%	2	-5
	5 to <10	93	0	31%	93	7,03%	12 670	28,19%	0,00	44	47,5%	2	-5
	10.00 to <100.00	130	1	49%	131	29,31%	19 354	30,43%	0,00	93	71,5%	13	-22
	10 to <20	43	1	52%	43	12,61%	5 640	26,38%	0,00	22	51,9%	1	-5
	20 to <30	59	0	35%	59	25,33%	9 516	32,11%	0,00	50	84,9%	5	-8
	30.00 to <100.00	29	0	39%	29	62,56%	4 198	33,10%	0,00	21	73,2%	6	-9
	100.00 (Default)	94	2	26%	95	100,00%	12 299	39,03%	0,00	44	46,3%	44	-46
Subtotal Other Retail Non SME		2 309	78	89%	2 379	6,80%	259 381	25,1%	0,00	658	27,6%	65	-91
Total (all exposures classes)		39 680	10 559	59%	45 887	4,20%	2 099 967	27,50%	0,65	14 163	30,9%	878	-969

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

TABLE 49 – Template EU CR6-A – Scope of the Use of IRB and SA Approaches

(Million euro)

	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	37 595	100%	0%	0%
1.1 Of which Regional governments or local authorities		1 244	100%	0%	0%
1.2 Of which Public sector entities		361	100%	0%	0%
2 Institutions	0	2 003	100%	0%	0%
3 Corporates	13 102	19 735	3,4%	20,7%	75,9%
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		138	0,0%	0,0%	100,0%
4 Retail	33 436	41 329	1,0%	14,1%	84,9%
4.1 of which Retail – Secured by real estate SMEs		280	0,5%	0,4%	99,1%
4.2 of which Retail – Secured by real estate non-SMEs		27 610	0,0%	4,7%	95,3%
4.3 of which Retail – Qualifying revolving		3 485	0%	0%	100%
4.4 of which Retail – Other SMEs		3 464	8,8%	21,8%	69,5%
4.5 of which Retail – Other non-SMEs		6 489	3,6%	59,6%	36,9%
5 Equity	759	818	7,2%	0%	92,8%
6 Other non-credit obligation assets	3 213	3 230	0,5%	0%	99,5%
7 Total	50 510	104 709	42,2%	8,8%	48,9%

TABLE 50 – Template EU CR7-A – IRB Approach – Disclosure of the Extent of the Use of CRM Techniques

(Million euro)

	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)										Unfunded credit Protection (UFCP)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
		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 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 (%)		
	a	b	c	d	e	f	g	h	i	j	k	l	m	n
1 Central governments and central banks														
2 Institutions														
3 Corporates	12 451	3,11%	32,36%	23,63%	0,00%	8,73%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	8 265	8 183
3,1 Of which Corporates – SMEs	4 510	3,80%	49,94%	35,30%	0,00%	14,64%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	2 881	2 852
3,2 Of which Corporates – Specialised lending														
3,3 Of which Corporates – Other	7 941	2,72%	22,38%	17,01%	0,00%	5,37%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	5 384	5 331
4 Retail	33 436	1,26%	78,57%	0,58%	0,00%	0,57%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	6 099	5 980
4,1 Of which Retail – Immovable property SMEs	663	0,66%	99,31%	75,42%	0,00%	23,90%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	215	211
4,2 Of which Retail – Immovable property non-SMEs	26 344	0,03%	97,23%	97,09%	0,00%	0,14%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	4 285	4 201
4,3 Of which Retail – Qualifying revolving	2 766	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	577	566
4,4 Of which Retail – Other SMEs	1 284	6,09%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	351	344
4,5 Of which Retail – Other non-SMEs	2 379	13,85%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	671	658
5 Total	45 887	1,76%	66,03%	63,24%	0,00%	2,79%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	14 364	14 163

TABLE 51 – Template EU CR10.1 – Specialised Lending

(Million euro)

Regulatory categories	Remaining maturity	Specialised lending : Project finance (Slotting approach)					
		On-balance sheet exposure	Off-balance sheet 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	438	53	90%	461	366	4
Category 3	Less than 2.5 years	0	0	115%	0	0	0
	Equal to or more than 2.5 years	225	42	115%	229	214	6
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	0	6	250%	1	3	0
Category 5	Less than 2.5 years	0	0	0%	0	0	0
	Equal to or more than 2.5 years	0	1	0%	0	0	0
Total	Less than 2.5 years	0	0		0	0	0
	Equal to or more than 2.5 years	663	103		692	583	10

TABLE 52 – Template EU CR10.5 – Equity Exposures Under the Simple Risk Weighted Approach

(Million euro)

	Equity exposures under the simple risk-weighted approach					
	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	a	b	c	d	e	f
Private equity exposures	406	0	190%	406	772	3
Exchange-traded equity exposures	0	0	290%	0	0	0
Other equity exposures	24	0	370%	24	90	1
Total	431	0		431	862	4

The following table shows the breakdown of RWA flows in the last quarter of 2024:

TABLE 53 – Template EU CR8 – RWEA Flow Statements of Credit Risk Exposures Under the IRB Approach

(Million euro)

	Risk weighted exposure amount
	a
1 Risk weighted exposure amount as at the end of the previous reporting period	17 046
2 Asset size (+/-)	71
3 Asset quality (+/-)	0
4 Model updates (+/-)	0
5 Methodology and policy (+/-)	0
6 Acquisitions and disposals (+/-)	0
7 Foreign exchange movements (+/-)	-78
8 Other (+/-)	-298
9 Risk weighted exposure amount as at the end of the reporting period	16 741

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 2024 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 54 – Template EU CR5 – Standardised Approach

(Million euro)

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	30 557	0	0	29	98	0	143	0	0	2 576	703	555	0	0	0	34 663	4 167
2 Regional government or local authorities	183	0	0	0	833	0	0	0	0	0	0	0	0	0	0	1 016	29
3 Public sector entities	0	0	0	0	0	0	327	0	0	0	4	0	0	0	0	331	31
4 Multilateral development banks	291	0	0	0	0	0	0	0	0	0	0	0	0	0	0	291	291
5 International organisations	4 235	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4 235	4 235
6 Institutions	0	22	0	0	799	0	943	0	0	3	3	0	0	0	0	1 770	79
7 Corporates	0	0	0	0	0	0	19	0	0	3 278	144	0	0	0	0	3 441	380
8 Retail	0	0	0	0	0	0	0	0	4 458	0	0	0	0	0	0	4 458	149
9 Secured by mortgages on immovable property	0	0	0	0	0	1 283	276	0	60	510	13	0	0	0	0	2 142	42
10 Exposures in default	0	0	0	0	0	0	0	0	0	219	44	0	0	0	0	262	9
11 Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	16	0	0	0	0	16	16
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	12	0	0	0	31	43	
15 Equity	0	0	0	0	0	0	0	0	0	1	0	14	0	0	0	16	
16 Other items	0	0	0	0	0	0	0	0	0	17	0	0	0	0	0	17	
17 TOTAL	35 265	22	0	29	1 731	1 283	1 710	0	4 517	6 604	938	570	0	0	31	52 700	9 427

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 is 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 Euro 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 techniques 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 2024, 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 55 – Template EU CCR1 – Analysis of CCR Exposure by Approach
(Million euro)

	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)	71	60		1.4	183	183	183	122
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)					45	1	1	0
5 VaR for SFTs								
6 Total					229	184	184	122

TABLE 56 – Template EU CCR2 – Transactions Subject to Own Funds Requirements for CVA Risk
(Million euro)

	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	103	53
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	103	53

TABLE 57 – Template EU CCR3 – Standardised Approach – CCR Exposures by Regulatory Exposure Class and Risk Weights
(Million euro)

Exposure classes		Risk weight											Total exposure value
		a	b	c	d	e	f	g	h	i	j	k	
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
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		488			15	88						590
7	Corporates									9			9
8	Retail												0
9	Institutions and corporates with a short-term credit assessment												0
10	Other items												0
11	Total exposure value	0	488	0	0	15	88	0	0	9	0	0	599

TABLE 58 – Template EU CCR4 – IRB Approach – CCR Exposures by Exposure Class and PD Scale

(Million euro)

	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	1	0,11%	8	53,65%	0	0	29,50%
	0.15 to <0.25	1	0,23%	31	28,86%	0	0	32,17%
	0.25 to <0.50	25	0,42%	24	37,94%	0	21	81,91%
	0.50 to <0.75	1	0,72%	41	33,60%	0	0	62,07%
	0.75 to <2.50	1	1,63%	37	41,04%	0	1	101,07%
	2.50 to <10.00	3	5,08%	33	37,57%	0	5	154,25%
	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 Corporate		32	0,94%	174	38,19%	0	28	87,01%
Total (all CCR relevant exposure classes)		32	0,94%	174	38,19%	0	28	87,01%

TABLE 59 – Template EU CCR5 – Composition of Collateral for CCR Exposures

(Million euro)

	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	113	0	253	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	45	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	113	0	253	0	0	45	0	0

TABLE 60 – Template EU CCR8 – Exposures to CCPS

(Million euro)

		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		10
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	488	10
3	(i) OTC derivatives	488	10
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	219	
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 2024, 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 loan's 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 107 or better on the Rating Master Scale.
- Personal guarantees when the persons are classified with rating 107 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 Commission) 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 euro.
- 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 valuers, 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 2024.

TABLE 61 – Template EU CR3 – CRM Techniques Overview: Disclosure of the use of Credit Risk Mitigation Techniques
(Million euro)

		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	20 140	41 226	34 908	6 318	0
2	Debt securities	34 041	643	107	536	
3	Total	54 181	41 869	35 015	6 854	0
4	Of which non-performing exposures	1 283	543	467	76	0
EU-5	Of which defaulted	1 281	543			

The next table 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 2024.

TABLE 62 – Template EU CR4 – Standardised Approach – Credit Risk Exposure and CRM Effects

(Million euro)

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	31 069	458	34 378	284	5 113	14,75%
2	Regional government or local authorities	1 228	75	999	16	167	16,40%
3	Public sector entities	322	57	322	9	169	51,14%
4	Multilateral development banks	291	0	291	0	0	0,00%
5	International organisations	4 235	0	4 235	0	0	0,00%
6	Institutions	1 929	383	1 714	56	639	36,09%
7	Corporates	3 479	4 054	3 032	409	3 282	95,39%
8	Retail	4 731	753	4 232	226	3 247	72,85%
9	Secured by mortgages on immovable property	2 093	370	2 023	119	1 115	52,06%
10	Exposures in default	299	68	247	16	284	108,32%
11	Exposures associated with particularly high risk	1	31	1	15	24	150,00%
12	Covered bonds						
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings	43	0	43	0	38	87,45%
15	Equity	16	0	16	0	37	237,67%
16	Other items	17	0	17	0	17	100,00%
17	TOTAL	49 752	6 250	51 548	1 151	14 133	26,82%

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 2024 include a global amount of 108 million euro 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 63 – Equity Exposures

(Million euro)

	Risk positions		Risk weighted assets	
	Dec 2024	Dec 2023	Dec 2024	Dec 2023
Venture capital funds	390	410	744	788
Financial participations (CRR 48)	334	333	836	832
Other equities	93	106	165	191
TOTAL	818	848	1745	1810

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

	Dec 2024			
	Carrying amount	Fair value	Gains/losses realized in 2024	Gains/losses not realized
Venture capital funds	545	545	3	
Financial participations (CRR 48)	358	699		
Other equities	93	93	-5	4
TOTAL	996	1 337	-2	4

The majority of Equity positions in the Banking Book is linked to participations (circa 53% of the total fair value) in entities related to the financial sector (e.g. Bancassurance partnerships, payment services entities and associated banks). Also relevant are the positions related with participations in corporate restructure funds treated as "Mandatory through Profit and Loss" (circa 42% of the total).

There are no listed equities positions in the portfolio.

TABLE 63.1 – Equity Instruments Through Other Comprehensive Income

(Million euro)

	Dec 2024		
	Carrying amount	Fair Value	Valuation adjustment
Quoted			
Unquoted	41	41	4
TOTAL	41	41	4

TABLE 63.2 – Equity Instruments Mandatory at Fair Value Through Profit And Loss

(Million euro)

	Dec 2024
	Fair Value
Quoted	
Investment funds	525
Unquoted	31
TOTAL	556

TABLE 63.3 – Equity Instruments as Investments
(Million euro)

	Dec 2024		
	Carrying Amount	Fair Value	Valuation adjustment
Quoted			
Unquoted	370	712	
TOTAL	370	712	

TABLE 63.4 – Equity Instruments as Non-Current Assets Held For Sale
(Million euro)

	Dec 2024		
	Carrying Amount	Fair Value	Valuation adjustment
Quoted			
Unquoted	28	28	
TOTAL	28	28	

12. Securitisation Operations

12.1. Description of the Activities and Operations

On 31 December 2024, BCP had six 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, No.5 and No. 6).

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 2024, 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). More recently, in February 2024, the bank completed another synthetic securitization transaction aimed at risk coverage for a significant portion of its short-term portfolio, including current accounts and confirming contracts (Caravela SME No. 6). 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, 2023 and 2024, the Group also took advantage of these techniques completing five synthetic securitizations in Poland (Jazon I, Jazon II, Medea, Argo and Athena). The first two (Jazon I and Jazon II) and the last one (Athena) based in SME loan portfolios, while the other two (Medea and Argo) with recourse to leasing and personal loans Portfolios. It should be noted that Jazon I and Athena had the support of the European Investment Fund (EIF) and European Bank for Reconstruction and Development (EBRD), respectively, who took the risk of the equity tranche through 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 2024, are summarised in the next table:

TABLE 64 – 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 euro)	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 euro)	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 euro)	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 euro)	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 euro)	1,918.0
Significant credit risk transfer (1)	Yes

CARAVELA SME No.6

Identification of the securitisation operation	Caravela SME No. 6
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 February 2024
Legal maturity	26 March 2028
Step-up clause (date)	N.A.
Revolving (years)	3 years
Securitised assets (in million euro)	850.0
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
Athena – Bank Millennium	
Identification of the securitisation operation	Athena
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 EBRD
Start date	23 December 2024
Legal maturity	29 August 2036
Step-up clause (date)	N.A.
Revolving (years)	12 months
Securitised assets (in million zlotys)	2,135.0
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 SIC⁴ 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.

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 four 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, Caravela SME No.5, supported by a portfolio of medium and long-term loans, leasing contracts and commercial paper programmes, and Caravela SME No.6, which involves a short-term portfolio including current accounts and confirming contracts.

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 and 6). 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.

⁴ SIC – Standard Interpretations Committee

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, Argo and Athena – 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 2024, 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 2024 and 2023 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-Section 3, 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 2024 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, both the Internal Ratings Based Approach – SEC-IRBA and the Standardise Approach – SEC-SA were used, in accordance with the CRR, articles 259 and 260, Subsection 3, Section 3, Chapter 5, Title II, Part III and CRR article 261, Subsection 3, Section 3, Chapter 5, Title II, Part III, respectively. 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 2024 and 2023, are shown in next tables.

On 31 December 2024 there were no additional amounts of risk weighted exposures of securitisation of revolving exposures with early amortisation provisions.

TABLE 65 – Template EU-SEC1 – Securitisation Exposures in the Non-Trading Book

(Million euro)

	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		Sub-total		Traditional		Sub-total		
	STS	Non-STS	STS	Non-STS	STS	Non-STS	STS	Non-STS	STS	Non-STS	STS	Non-STS	STS	Non-STS	
	of which SRT	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	of which SR	
1 Total exposures		24	0	4 706	4 706	4 706							0,1	0,1	
2 Retail (total)		24	0	1 400	1 400	1 400							0,1	0,1	
3 residential mortgage		24	0										0,1	0,1	
4 credit card															
5 other retail exposures				1 400	1 400	1 400									
6 re-securitisation															
7 Wholesale (total)				3 305	3 305	3 305									
8 loans to corporates				3 007	3 007	3 007									
9 commercial mortgage															
10 lease and receivables				298	298	298									
11 other wholesale															
12 re-securitisation															

TABLE 66 – Template EU-SEC3 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements - Institution Acting as Originator or as Sponsor

(Million euro)

	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	1 642	2 984			38	1 420		3 206	38	179		921		179		921	
2 Traditional transactions																	
3 Securitisation																	
4 Retail underlying																	
5 Of which STS																	
6 Wholesale																	
7 Of which STS																	
8 Re-securitisation																	
9 Synthetic transactions	1 642	2 984			38	1 420		3 206	38	179		921		179		921	
10 Securitisation	1 642	2 984			38	1 420		3 206	38	179		921		179		921	
11 Retail underlying		2 984			11			1 389	11			463				463	
12 Wholesale	1 642				27	1 420		1 817	27	179		458		179		458	
13 Re-securitisation																	

TABLE 67 – Template EU-SEC4 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements - Institution Acting as Investor

(Million euro)

	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					0		0				1				0		
2 Traditional securitisation					0		0				1				0		
3 Securitisation					0		0				1				0		
4 Retail underlying					0		0				1				0		
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 sale 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 2024, 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 2024 and calculated through the standardised approach are shown in the following tables.

TABLE 68 – Template EU MR1 – Market Risk Under the Standardised Approach

		a
		RWEAs
Outright products		
1	Interest rate risk (general and specific)	28
2	Equity risk (general and specific)	14
3	Foreign exchange risk	115
4	Commodity risk	
Options		
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	Total	157

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 2024, the capital requirements calculated by the internal model corresponded to 82% 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 10 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 because 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 2024, 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 2024, the stress period considered was the year ending on 16 April 2012.

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

TABLE 69 – Template EU MR2-A – Market Risk Under the Internal Model Approach (IMA)

(Million euro)

		a	b
		RWAs	Own funds requirements
1	VaR (higher of values a and b)	179	14
(a)	Previous day's VaR (VaRt-1)		1
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		14
2	SVaR (higher of values a and b)	517	41
(a)	Latest available SVaR (SVaRt-1)		5
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		41
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	696	56

TABLE 70 – Template EU MR2-B – RWA Flow Statements of Market Risk Exposures Under the IMA

(Million euro)

	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	138	599				737	59
1a Regulatory adjustment	-111	-486				597	48
1b RWAs at the previous quarter-end (end of the day)	27	113				139	11
2 Movement in risk levels	-9	-46				-54	-4
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)	18	67				85	7
8b Regulatory adjustment	160	450				611	49
8 RWAs at the end of the reporting period	179	517				696	56

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 71 – Template EU MR3 – IMA Values for Trading Portfolios
(Million euro)

		a
VaR (10 day 99%)		
1	Maximum value	6
2	Average value	2
3	Minimum value	1
4	Period end	2
SVaR (10 day 99%)		
5	Maximum value	10
6	Average value	7
7	Minimum value	2
8	Period end	5
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 2024, the average value of stressed VaR, for the Trading Portfolio, was EUR 7 million. As of 31 December 2024, the value of this metric was EUR 3 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 2024, indicating that exposure to various risk factors is limited. The main risk under standard scenarios tested, is an increase in interest rates, both when accompanied by a parallel movement or a change in the slope of the yield curve. Regarding non-standard scenarios, the main risk relates to the historical scenarios.

TABLE 72 – Stress Tests Over the Trading Book

(Million euro)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+ 100 bps	-3
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	+ 25 bps	0
4 combinations of the previous 2 scenarios	+ 100 bps & + 25 bps	-3
	+ 100 bps & - 25 bps	-3
Variation in the main stock market indices by +/- 30%	+30%	-1
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	0
Variation in swap spreads by +/- 20 bps	-20 bps	0
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	0
Significant vertices(1)	VaR w/o diversification	0
	VaR w/ diversification	-1
Historical scenarios(2)	15 July 2011	-1
	27 January 2012	-1

(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.

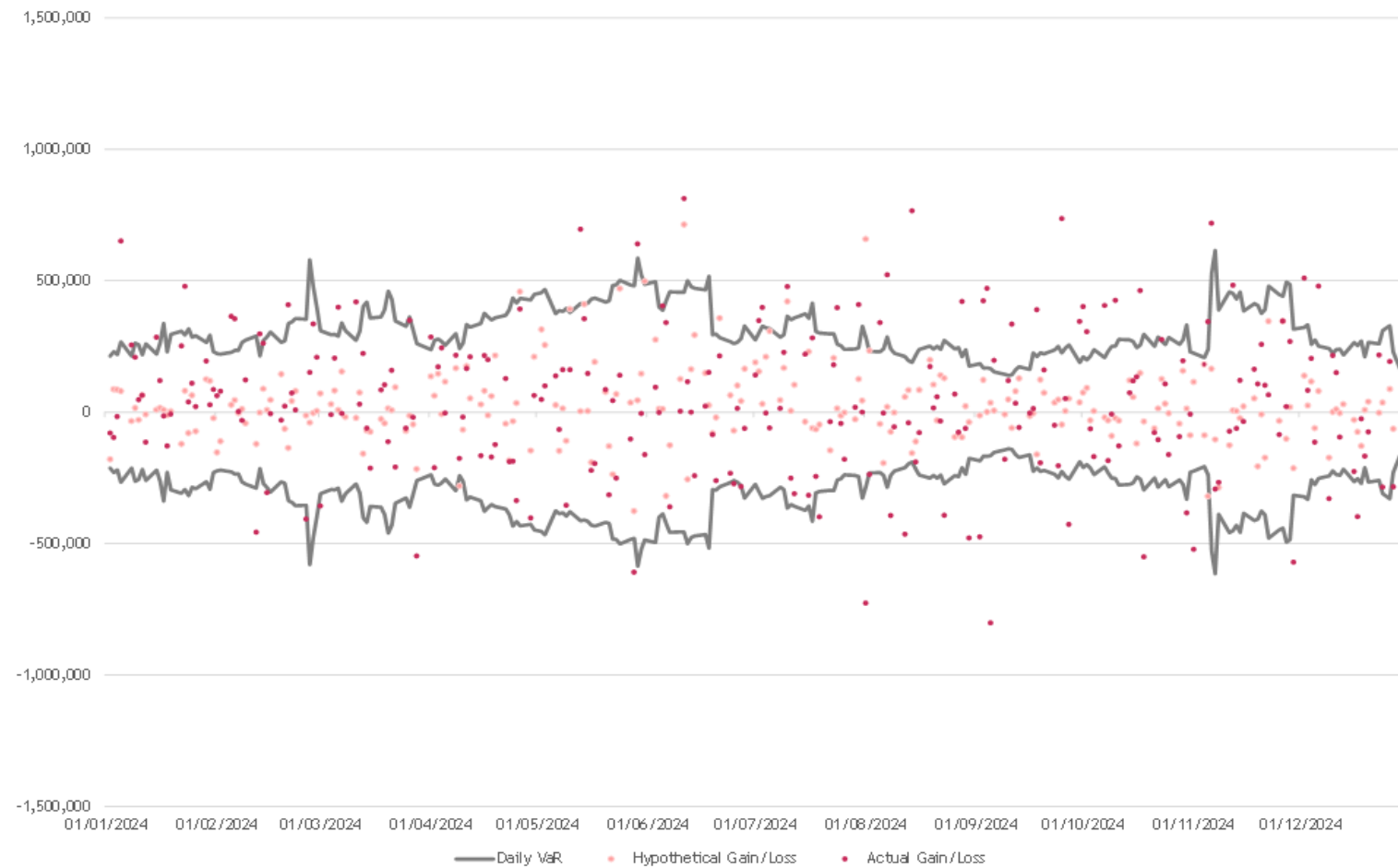
13.4. Backtesting of the Internal Models Approach

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 3 depicts the results of hypothetical and actual backtesting, for the Trading Book centrally managed from Portugal. In 2024, 2 negative excesses were observed over the hypothetical results predicted by the model, in 258 days of observations. Simultaneously, 28 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
(Euro)



14. Operational Risk

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

As of 31 December 2024, and 2023, 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 2024, 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 2024, the Group reported around 425 million euro of own funds requirements for operational risk, having reported 388 million euro as of 31 December 2023.

TABLE 73 – Template EU OR1 – Operational Risk Own Funds Requirements and Risk-Weighted Exposure Amounts

(Million euro)

Banking activities	a	b	c	d	e
	Year-3	Relevant indicator Year-2	Last year	Own funds requirements	Risk weighted exposure
1 Banking activities subject to basic indicator approach (BIA)					
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	2 938	3 600	3 561	425	5 313
3 Subject to TSA:	2 938	3 600	3 561		
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	R11 Monitoring and reporting errors
R2 Execution of unauthorised transactions	R12 Customer related errors
R3 Employee relations	R13 Product flaws/errors
R4 Issues of workplace health & safety	R14 External fraud and theft
R5 Discrimination over employees	R15 Property and disasters risks
R6 Loss of key staff	R16 Regulatory and tax risks
R7 Hardware and Software problems	R17 Inappropriate market and business risks
R8 Problems related to telecom services & lines	R18 Project Risks
R9 Systems security	R19 Outsourcing related problems
R10 Transaction, capture, execution & maintenance	R20 Other third parties' related problems

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

The 2024 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 and 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 2024, 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 2700 risks assessed, only 20 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 2000 risks assessed) and 27 (out of 647 risks assessed).

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.

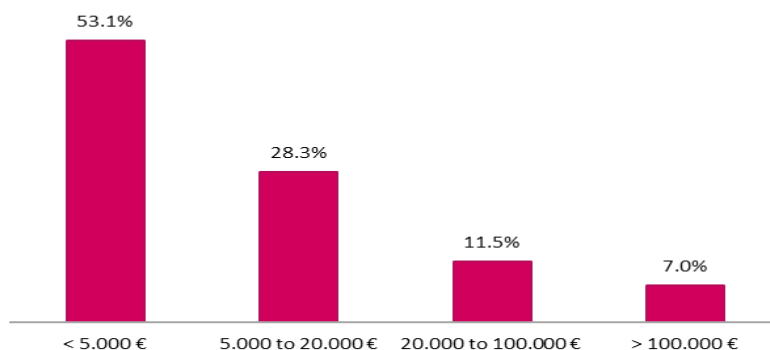
The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of the processes to which the losses are related, including the description of the respective cause-effect 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 2024:

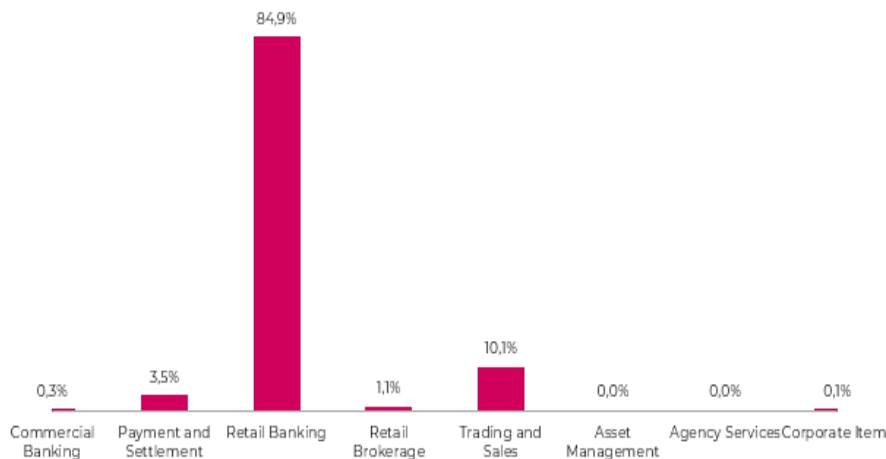
GRAPH 4 – Loss Amount Distribution, by Cause



GRAPH 5 – Loss Amount Distribution, by Amount Range



GRAPH 6 – Loss Amount Distribution, by Business Line



Regarding the distribution of losses by cause - which does not include the increments in losses registered in 2024 related to legal cases of mortgage credits in foreign currency of Bank Millennium (Poland) - it can be seen that the weight of losses related to 'External risks' and 'Risks of persons' (related, essentially, to external and internal fraud, respectively) reached around 40.2%, which compares favourably with the weight of these categories in 2023 (72.5%), a year particularly influenced by the weight of external fraud related to credit operations in Poland and Mozambique.

Regarding the distribution of losses by amount class (in number of losses), there was an increase in the weight of smaller events compared to 2023 (39.7% in 2023).

Finally, in relation to the distribution of losses by segment of banking activity, the weight of losses in 'Retail banking' increased from 2023 (which was of 69.9%). The weight of losses on the 'Trading and sales' segment also increased compared to 2023 (it was of 8.3% in that year), while the weight of losses in the 'Payments and settlements' and 'Intermediation in the retail portfolio' segments decreased compared to the previous year (13.0% and 7.5%, respectively).

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

In 2024, in Portugal, the Bank continued its project to renew and globally revamp its Business Continuity Management System (SGCN), with the aim of simplifying and optimizing its operational and governance models. The implementation of the initiatives planned within the project has been completed, which are now in their natural cycle of maintenance and continuous improvement. This includes the annual activities of reviewing

and updating the Business Impact Analysis (BIA) - focused on support processes and resources (people, technology and communications, service providers and suppliers -, of the Risks Impact Analysis (RIA and the identification of needs for elimination and/or mitigation of the risk associated with the recovery capacities and of the continuity strategies and solutions (and consequent updating of the Business Continuity Plans).

Also noteworthy are the following activities within the scope of the SGCN, in Portugal, developed in 2024: the incorporation of the lessons and implementation of the opportunities for improvement identified following the Cyber Resilience Stress Test (CRST) promoted by the European Central Bank in the first quarter of 2024, as well as the domestic equivalent exercise promoted by Banco de Portugal (under a systemic risk approach) and the integration of requirements of the Digital Operational Resilience Act (DORA), directly or indirectly related to Business Continuity Management.

Insurance Contracting

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

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

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 (RAC), 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 RAC 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 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 set forth through the Risk Appetite 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 Office for the Validation and Monitoring of Models (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 (Δ EVE and Δ NII).

The scenarios are designed based on the EBA guidelines and regulatory technical standards (EBA/GL/2022/14 and EBA/RTS/2022/10), 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 according to the shocks defined by currency (i.e for EUR currency by +200bps, for PLN by +250bps, etc);
- (ii) parallel shock down. Constant negative shock applied to the current yield curve throughout all tenors according to the shocks defined by currency (i.e for EUR currency by -200bps, for PLN by -250bps, etc);
- (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 according to the shocks defined by currency (i.e for EUR currency by -200bps, for PLN by -250bps, etc);
- (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 specific to each currency (i.e for EUR short rates up by 250bps and long rates down by 100bps, for PLN currency short rates up by 350bps and long rates down by 150bps, etc);
- (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 (i.e for EUR currency shocks of short rates up and down start at +250bps and -250bps respectively, for PLN currency the short rates up and down shocks are defined at +350bps and -350bps respectively, etc).

Additionally, the Group performs 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 31, 2024, and September 30, 2024.

TABLE 74 – Template EU IRRBB1 – Interest Rate Risks of Non-Trading Book Activities

(Million euro)

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	Dec 24	Sep 24	Dec 24	Sep 24
1 Parallel up	-328	-274	129	195
2 Parallel down	120	224	-129	-195
3 Steepener	505	396		
4 Flattener	-611	-449		
5 Short rates up	-672	-506		
6 Short rates down	597	495		

The Bank's exposure to interest rate movements as of December 2024 is higher than what was observed in September 2024. 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 2024 was -672.1 million euro corresponding to 9.55% of Tier 1 capital on a Group level as of reference date, whereas the one-year loss in net interest income was -128.7 million euro as of December 2024 circa 1.83% of Tier 1 capital.

The impact of hedging activity on EVE sensitivity (parallel shock of +100bps) stood at -144.6 million euro and 52.7 million euro 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 -57.9 million euro and 33.2 million euro for CFH and FVH, respectively.

For the purposes of prudence 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 ActivoBank). 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 28.3 billion euro as of December 2024, of which 18.4 billion euro 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 4.0 years constrained to a maximum of 5 years.

Term deposits

Term deposits early redemption risk refers to the potential impact on a bank's interest rate risk in the banking book (IRRBB) due to customers withdrawing fixed-term deposits before maturity. This risk arises when depositors, responding to changes in market interest rates, liquidity needs, or other financial incentives, redeem their deposits early, leading to cash flow mismatches and potential earnings volatility.

In compliance with the requirements set forth in the EBA guidelines EBA/GL2022/14, the Bank developed behavioural econometric models for term deposits for the perimeter of Portugal for both the Retail and Corporate segments.

Loans subject to prepayment risk

The model perimeter of Portugal includes BCP and ActivoBank of consumer and mortgage 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 2024 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 Credit Spread o1 metric (CSO1) 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 risk consists of the Group's potential inability to meet its financing repayment obligations without incurring significant losses, either due to onerous financing conditions (funding risk) or by selling assets at lower than market values (risk of market liquidity).

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 2024 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, 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 at 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).

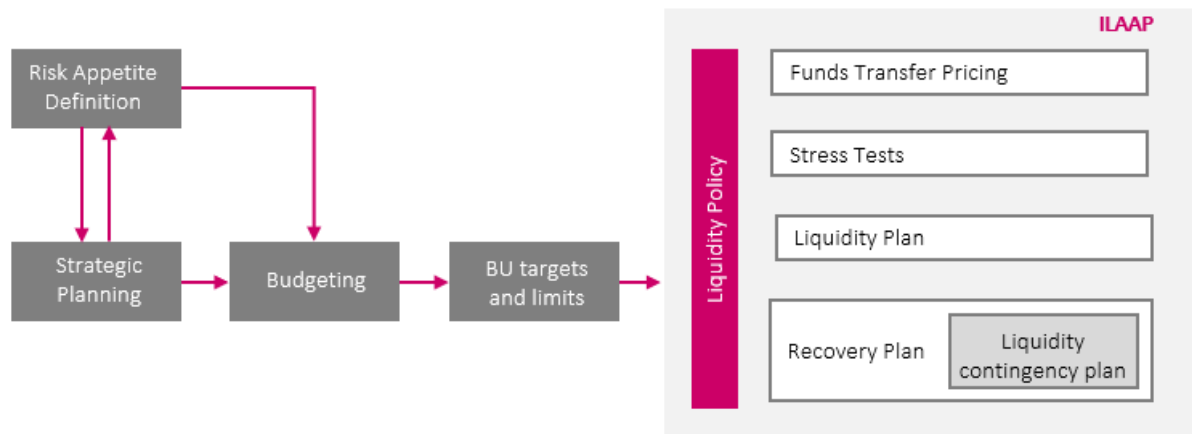
The Commission Delegated Regulation (EU) 2019/876 of 20 May 2019, concerning the computation of the net stable funding ratio (NSFR), implemented from June 2021 onwards.

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 75 – ILAAP Interconnection within the Planning Exercises of the Group

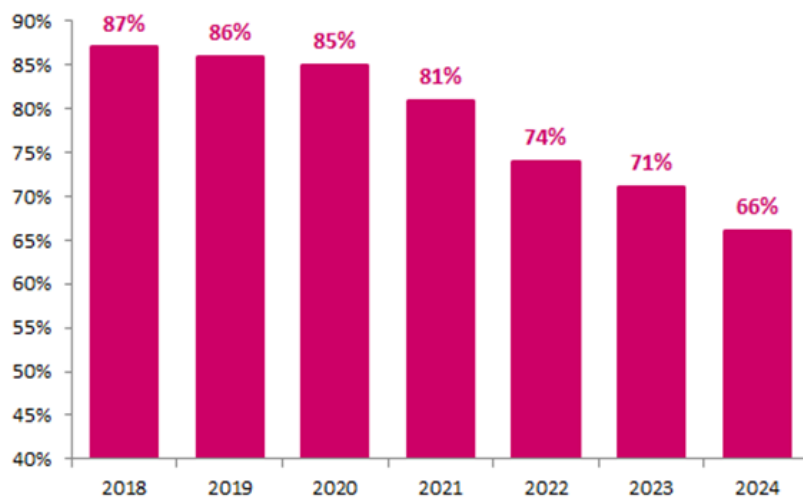


17.4. Balance Sheet Indicators

Throughout 2024, 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 2024, consolidated customer deposits stood at 84.042 million euro, registering an increase of 7,8% compared to 31 December 2023, with total balance sheet customers funds reaching 85.334 million euro. Gross loans amounted to 57.203 million euro, an increase of 0,7% compared to the end of 2023. Consequently, the transformation ratio evolved from 71% at the end of 2023 to 66% at the end of 2024.

GRAPH 7 – LTD Ratio Evolution (According to Instruction 16/2004 of Banco de Portugal)



The evolution described resulted in a significant reinforcement of liquidity buffers discountable at central banks in each of the operations, translated into an improvement in all liquidity risk indicators, regulatory and internal regulations, whether at a consolidated or local level.

As a result, at the end of the year and on a consolidated basis, the regulatory liquidity coverage ratio (LCR: Liquidity Coverage Ratio) reached 342%, vs. 276% in December 2023, allowing the minimum regulatory requirement of 100% to be met by a wide margin. The other short-term liquidity indicator included in the Group's Risk Appetite Statement (RAS), which represents the degree of coverage of customer deposits by the liquidity buffers available for discounting at European central banks, also showed a favorable evolution, from 44% to 51%.

From the perspective of structural liquidity, and as mentioned before, the Group continued to reinforce its stable funds base, characterized by the high weight of customer deposits in the funding structure, complemented by medium and long-term instruments, mainly made up of MREL issues (Minimum Requirements for Own Funds and Eligible Liabilities). The regulatory stable funding ratio (NSFR: Net Stable Funding Ratio) reached 181% in December 2024, vs 167% a year earlier, almost doubling the regulatory minimum of 100%. The ratio of loan to deposits, also an indicator of the RAS, evolved consistently towards greater conservatism, with a reduction from 70% to 65%.

Benefiting from two upgrades to its rating grade during 2024, BCP carried out the early redemption of two issuances replacing them by two operations in the same instrument, under advantageous cost conditions. Thus, the Bank issued 400 million euro of AT1 perpetual debt in January, replacing an issue of equal amount, and in October issued senior preferred notes worth 500 million euro, refinancing an issue of 350 million euro.

Throughout 2024, and in addition to strengthening its deposit base, Bank Millennium reinforced its liquidity position by placing on the market its inaugural issues of 300 million zlotys of covered bonds in June (followed by a second one of 500 million zlotys in November), and senior non-preferred green debt of 500 million euro in September, the latter qualifying for MREL purposes.

Millennium bim continues to exhibit a resilient liquidity position, supported by a sizeable buffer discountable at the respective central bank, despite the strong increase in minimum reserve requirements in national and foreign currency imposed by the monetary authority in the first half of 2023, partially reversed by the Banco de Moçambique in early 2025.

The liquidity buffer available for discounting at the ECB stood at 33.7 billion euro at the end of 2024, 5.9 billion euro higher than a year earlier, due to the favorable evolution of the commercial gap from a liquidity perspective, the reinforcement of credit portfolios eligible for discount at the ECB and the cash flow generated by the activity. At the end of 2024, the liquidity buffer comprises a long position of 2.8 billion euro with the ECB, higher than that observed a year earlier.

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 76 – Liquid Assets Integrated in Collateral Pool

(Million euro)

	Dec 24	Dec 23
European Central Bank	15 438	14 678
Other central banks	10 001	7 347
TOTAL	25 439	22 024

As of 31 December 2024

- The amount discounted with the Banco de Moçambique amounts to 0.8 million euro (31 December 2023: 1.5 million euro).
- 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 31/12/2023 and 31/12/2024 is analysed as follows:

TABLE 77 – Liquidity Buffer in the ECB

(Million euro)

	Dec 24	Dec 23
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	15 438	14 678
Outside the pool of ECB monetary policy	15 490	11 131
Total	30 927	25 809
Net borrowing at the ECB (ii)	(2 821)	(2 051)
LIQUIDITY BUFFER (iii)	33 748	27 859

(i) Corresponds to the amount reported in COLMS (Banco de Portugal application).

(ii) Includes as at 31 December 2024 the amount of deposits with the Banco de Portugal and other liquidity with the Eurosystem (2,821 million euro) in excess over the minimum cash reserves (526 million euro).

(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 342% on a consolidated basis at the end of December 2024 (December 31, 2023: 276%), representing a surplus of 23,714 million euro (compared to 16,275 million euro on December 31, 2023), allowing for a significant margin to meet the minimum regulatory requirement of 100%.

During the year 2024, BCP Group experienced a notable 7.7% growth on its 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 400 million euro of AT1 perpetual debt in January, replacing an issue of equal amount, and in October issued senior preferred notes worth 500 million euro, refinancing an issue of 350 million euro. 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 78 – Template EU LIQ1 – LCR Disclosure

(Million euro)

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 YYYY)	T	T-1	T-2	T-3	T	T-1	T-2	T-3
EU 1b	Number of data points used in the calculation of averages	Dec 24	Sep 24	Jun 24	Mar 24	Dec 24	Sep 24	Jun 24	Mar 24
		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					29 803	27 866	25 554	21 095
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	65 815	64 406	62 981	61 732	3 042	2 963	2 908	2 888
3	Stable deposits	33 318	32 416	31 784	31 439	1 666	1 621	1 589	1 572
4	Less stable deposits	10 496	10 264	10 099	10 068	1 376	1 342	1 319	1 316
5	Unsecured wholesale funding	17 050	16 923	16 675	16 194	5 603	5 572	5 456	5 290
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	9 504	9 306	9 155	8 837	2 320	2 271	2 234	2 157
7	Non-operational deposits (all counterparties)	7 546	7 616	7 519	7 354	3 283	3 300	3 220	3 130
8	Unsecured debt	0	0	1	3	0	0	1	3
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	13 078	12 935	12 732	12 535	1 812	1 841	1 825	1 828
11	Outflows related to derivative exposures and other collateral requirements	438	508	547	584	438	508	547	584
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	12 641	12 427	12 185	11 951	1 374	1 333	1 278	1 244
14	Other contractual funding obligations	936	909	895	891	936	909	895	891
15	Other contingent funding obligations	5 257	5 209	5 134	5 060	946	892	823	764
16	TOTAL CASH OUTFLOWS					12 340	12 177	11 907	11 661
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	50	144	175	166	0	0	0	0
18	Inflows from fully performing exposures	2 428	2 406	2 335	2 217	1 283	1 250	1 197	1 159
19	Other cash inflows	5 497	5 598	5 689	5 814	1 264	1 279	1 297	1 333
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	7 976	8 148	8 199	8 197	2 547	2 529	2 494	2 492
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	7 976	8 148	8 199	8 197	2 547	2 529	2 494	2 492
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					29 803	27 866	25 554	23 019
22	TOTAL NET CASH OUTFLOWS					9 792	9 648	9 413	9 170
23	LIQUIDITY COVERAGE RATIO					304%	288%	271%	251%

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 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 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 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 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.

The regulatory stable funding ratio (NSFR); as per Article 428 of Regulation (EU) 2019/876) reached 181% in December 2024, compared to 167% in December 2023, significantly exceeding the regulatory minimum of 100%. These results reflect BCP Group ongoing commitment to maintaining a robust and sustainable funding structure.

TABLE 79 – Template EU LIQ2 – Net Stable Funding Ratio

(Million euro)

		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	6 435	-	-	1 427	7 862
2	Own funds	6 435	-	-	1 427	7 862
3	Other capital instruments		-	-	0	0
4	Retail deposits		64 120	3 251	915	64 025
5	Stable deposits		47 762	1 747	773	47 806
6	Less stable deposits		16 358	1 504	143	16 219
7	Wholesale funding:		27 001	60	3 506	16 737
8	Operational deposits		10 008	20	3	5 017
9	Other wholesale funding		16 993	40	3 503	11 720
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	2 826	-	2 369	2 369
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		2 826	-	2 369	2 369
14	Total available stable funding (ASF)					85 977

		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)					1 020
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		252	-	-	126
17	Performing loans and securities:		9 303	3 389	45 640	39 464
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		45	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		698	88	701	814
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		7 651	2 386	16 388	18 562
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1 309	669	2 561	2 779
22	Performing residential mortgages, of which:		705	733	25 775	17 492
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		699	730	25 723	17 444
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		205	182	2 777	2 596
25	Interdependent assets		-	-	-	-
26	Other assets:		599	132	5 737	6 222
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	380	323
29	NSFR derivative assets		215			215
30	NSFR derivative liabilities before deduction of variation margin posted		174			9
31	All other assets not included in the above categories		210	132	5 357	5 676
32	Off-balance sheet items		3 498	2 196	7 595	726
33	Total RSF					47 557
34	Net Stable Funding Ratio (%)					181%

17.5.3. Encumbered and Unencumbered Assets

At the end of December 2024, and according to the EBA methodology, the total encumbered assets represent 2% of the Group's total balance sheet assets. Debt securities represent 73% of the total encumbered assets while encumbered Loans to customers represents 25%.

The main sources of asset encumbrance in Portugal stem from financing operations, notably transactions with the European Investment Bank (EIB), collateralization of derivative operations and securitization programs collateralised by certain Loans to Customers' portfolios. Collateralization of securitization operations in Poland, derivatives central counterparty clearing houses and other commitments with the Deposit Guarantee Fund, are primarily supported by eligible sovereign debt held with the central bank of Poland. In June 2024 and November 2024, two issues of Covered Bonds were carried out in Poland in the amount of PLN 300 million and PLN 500 million, respectively.

On 31st December 2024, the Other assets includes unencumbered assets in the amount of Euro 3,849 million related to Loans on demand, the amount of Euro 54,605 million related to Loans and advances other than loans on demand (of which encumbered assets in the amount of Euro 492 million) and the amount of Euro 6,248 million, mostly unencumbered and related to the Group's activity, namely: 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 2024, BCP has a Euro 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euro 9.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euro 10.93 billion portfolio of residential mortgages, as well as by a liquidity buffer of Euro 50 million, totalling an overcollateralization of 19.4%, which is above the minimum of 18.0% currently required by rating agencies. Currently, there is no source of encumbrance associated with the collateral of the mortgage bond program in Portugal.

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.

As regard Poland Covered Bonds, Millennium Bank Hipoteczny S.A. ("MBH") initiated operations on June 14, 2021, with an initial capital of PLN 120 million, fully subscribed by Bank Millennium S.A. The main objective of MBH is to provide stable and long-term mortgage loan financing via covered bonds secured by mortgage receivables. In 2024, MBH began issuing covered bonds, with the first series issued in June with a three-year maturity and a value of PLN 300 million, and the second series in November with a five-year maturity and a value of PLN 500 million. Both series were offered on the domestic market of institutional investors and have been listed on the domestic regulated market operated by the Warsaw Stock Exchange. As of December 2024, MBH's covered bonds have the highest possible AAA rating by Fitch Ratings.

MBH's covered bonds are secured by mortgage receivables under loans granted by the Bank. In 2024, four transfers of mortgage loans to MBH were completed, with preparatory work for further transfers ongoing. These loans meet specific criteria, including being in PLN, intended for housing purposes, having ownership titles with established mortgages in favor of Bank Millennium in the first place, no evidence of impairment, and loan values lower than the mortgage lending value.

TABLE 80 – Template EU AEI – Encumbered and Unencumbered Assets

(Million euro)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		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	1 948	1 421			97 772	33 002		
030	Equity instruments	0	0	0	0	313	0	313	0
040	Debt securities	1 421	1 421	1 378	1 378	33 381	28 720	33 001	28 336
050	of which: covered bonds	0	0	0	0	207	207	207	207
060	of which: securitisations	0	0	0	0	0	0	0	0
070	of which: issued by general governments	1 421	1 421	1 378	1 378	26 113	25 633	25 728	25 247
080	of which: issued by financial corporations	0	0	0	0	2 136	923	2 141	925
090	of which: issued by non-financial corporations	0	0	0	0	3 193	517	3 194	517
120	Other assets	689	0			64 488	4 464		

TABLE 81 – Template EU AE2 – Collateral Received and Own Debt Securities Issued

(Million euro)

		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	195	58
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	58	58
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	58	58
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	140	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			9 104	0
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	1 948	1 421		

TABLE 82 – Template EU AE3 – Sources of Encumbrance

(Million euro)

		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	927	1 104

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 and its structure.

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. For members whose variable remuneration is greater than two thirds of the annual fixed remuneration earned in the financial year to which it refers, 60% of the amount must be paid on a deferred basis. 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 euro 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 2024, 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 EC'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 Policy affects 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 2024 and their breakdown by business areas and categories of employees is available in note 7 of the Annual Report and Financial Statements for 2024 and Part D of the Corporate Governance Report.

TABLE 83 – Template EU REM1 – Remuneration Awarded for the Financial Year

(Thousand euro)

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1		Number of identified staff	13	6	51	40
2		Total fixed remuneration	2 337	4 011	8 285	3 910
3		Of which: cash-based	2 115	3 342	8 285	3 910
4		(Not applicable in the EU)	-	-	-	-
EU-4a	Fixed remuneration	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	222	668	-	-
8		(Not applicable in the EU)	-	-	-	-
9		Number of identified staff	13	6	51	40
10		Total variable remuneration	-	2 769	2 602	837
11		Of which: cash-based	-	1 384	1 510	711
12		Of which: deferred	-	692	437	50
EU-13a	Variable remuneration	Of which: shares or equivalent ownership interests	-	1 384	1 092	126
EU-14a		Of which: deferred	-	692	437	50
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)		2 337	6 779	10 886	4 746

TABLE 84 – Template EU REM2 – Special Payments to STAFF whose Professional Activities have a Material Impact on Institutions' Risk Profile (Identified STAFF)

(Thousand euro)

	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	1	4
7 Severance payments awarded during the financial year - Total amount	0	0	235	680
8 Of which paid during the financial year	0	0	235	680
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	381

TABLE 85 – Template EU REM3 – Deferred Remuneration

(Thousand euro)

	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	2 067	625	1 442	0	0	0	625	402
8 Cash-based	856	224	632	0	0	0	224	0
9 Shares or equivalent ownership interests	1 211	402	810	0	0	0	402	402
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	1 078	285	793	0	0	0	285	140
14 Cash-based	545	145	400	0	0	0	145	0
15 Shares or equivalent ownership interests	532	140	392	0	0	0	140	140
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	146	39	108	0	0	0	39	19
20 Cash-based	73	19	54	0	0	0	19	0
21 Shares or equivalent ownership interests	73	19	54	0	0	0	19	19
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	3 291	949	2 342	0	0	0	949	561

TABLE 86 – Template EU REM4 – Remuneration of 1 Million EUR or More Per Year

		a
		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	3
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 87 – Template EU REM5 – Information on Remuneration of STAFF whose Professional Activities have a Material Impact on Institutions' Risk Profile (Identified STAFF)

(Thousand euro)

	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										
2 Of which: members of the MB	13	6	19							
3 Of which: other senior management				3	15	5	8	5	15	
4 Of which: other identified staff				0	0	2	0	24	14	
5 Total remuneration of identified staff	2 337	6 779	9 116	713	2 662	1 974	1 693	3 674	4 916	0
6 Of which: variable remuneration	0	2 769	2 769	186	620	262	488	681	1 202	0
7 Of which: fixed remuneration	2 337	4 011	6 348	527	2 042	1 712	1 205	2 993	3 714	0

19. ESG Risk

19.1. Qualitative Information on Environmental and Social Risk

1. Strategy & Business Processes

Environmental and social risks are part of BCP's business strategy approved by the Strategic Plan. BCP has in place an ESG Group strategy to achieve real impact, primarily based on new regulations or demand from investors, customers, and society. Consumers are increasingly seeking out sustainable products and services. Employees are demanding more from companies and choosing their jobs based not only on a company's core values but also on its actual impact and results. Governments play an active role in steering the market through incentives, sanctions, and regulations.

Thus, the ESG Group's strategic ambition is presented according to the lines of actions defined in the Sustainability Master Plan (SMP), also influenced by the Double Materiality Assessment. The BCP Group sets the ambition of gradually implementing qualitative and quantitative criteria to integrate environmental and social business strategy into its business processes. This enables the Bank to prioritize lending/investing allocation at a portfolio level and to reduce interactions with clients that do not meet its environmental and social commitments and/or economic expectations, or that do not follow any transition pathway. Following the BCP's Principles for Responsible Finance/Investing, where Environmental and Social components are considered, BCP Group recognizes the existence of sectors and activities whose environmental and/or social impacts may not be aligned with the Group's commitments towards a sustainable future. Additionally, it also helps to screen all the current and new BCP clients across the operating context, geography, and sectors, that BCP has identified as excluded, restricted, conditioned, and sensitive, ranging from gradual divestment to outright disengagement. This is therefore fully integrated into our regular client and transaction reviews and also provides us with guidance for compliance with new directives and government decisions to combat Greenwashing and/or Social washing. This guidance is disclosed on the Bank's website.

Furthermore, those principles are regularly updated to help BCP and our clients enhance gradually the implementation of Environmental and Social standards to promote a culture of Environmental and Social responsibility, developing actions for and with various stakeholder groups with the aim of directly or indirectly contributing to the social and environmental development of the geographies in which BCP Group operates.

Concerning the Sustainable Development Goals (SDGs), with the greatest impact on the management of environmental and social issues and risks, the following were prioritized.

TABLE 88 – The Sustainable Development Goals (SDG), with the Greatest Impact on the Management of Social and Environmental Issues and Risks

	<p>Developing employees' personal and professional skills – Promote training and skills development activities for our employees (i.e., Millennium Academy, LEAD Development Program and Millennium Campus in Poland).</p> <p>Promote the financial literacy of the population, contributing to a more informed management of personal finances and promoting entrepreneurship. Noteworthy is the promotion of financial literacy actions, namely, in Portugal, the digital literacy program "Afinal de contas", "European Money Week and European Money Quiz" in partnership with APB (Portuguese Banking Association) and, in Poland, the "Financial ABC" program of Bank Millennium and Banking Olympics in Mozambique</p>
	<p>Ensure universal access to modern and affordable energy services - Affordable and Clean Energy refers to the provision of energy services that are accessible, affordable, reliable, and environmentally sustainable. It involves financing renewable energy infrastructure and equipment projects, and others that contribute to or enhance renewable energy consumption and ensuring universal access to electricity and modern energy sources while reducing reliance on fossil fuels and transitioning to renewable energy alternatives</p>
	<p>Promote financial inclusion products that support productive activities, job creation, and entrepreneurship, with job creation by offering microcredit and other initiatives.</p> <p>Protect labour rights and promote safe and secure working environments for all employees (internally) - by promoting a safe and secure workplace. 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.</p>
	<p>Contribute to the development of entities in the social economy sector by providing 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</p>
	<p>Contribute to limiting global warming to 2°C and increase the percentage of renewable energy in total fuel consumption – with the installation of two photovoltaic plants and starting to install micro photovoltaic in branches in Portugal and Poland, in 2025, all the electricity purchased will be 100% green.</p> <p>Calls for urgent action to combat climate change and its impacts. It is intrinsically linked to all 16 of the other Goals of the 2030 Agenda for Sustainable Development. To address climate change, countries adopted the Paris Agreement to limit global temperature rise to well below 2 degrees Celsius</p>

In addition to the internal ESG 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).
- 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).

Furthermore, the BCP Group ensures that its operations, as well as those of all parties to whom this Policy applies comply with the legislation of the regions in which it operates. The Group is also guided by the main guidelines, principles, and commitments on Human Rights, namely:

- International Labour Organization (ILO) Conventions on fundamental principles and rights at work.
- Principles of the United Nations Global Compact.
- Guidelines of the Organisation for Economic Co-operation and Development (OECD).
- Declaration of Business Leaders for Global Cooperation of the UN Global Compact.
- Guide of the CEO on Human Rights of the World Business Council for Sustainable Development.
- Charter of Principles of the Business Council for Sustainable Development (BCSD) Portugal.
- Women's Empowerment Principles (WEPs) of the United Nations.
- Principles for Responsible Banking (PRB) of the UNEP FI.

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](#)

Finally, as part of the BCP's Group ESG strategy, it was identified the lines of actions required to drive the Group and its clients' alignment with a comprehensive strategy to provide forward-looking views on medium/long-term ESG strategic goals, such as:

- Firstly, align BCP's balance sheet with the climate goals of the Paris Agreement (e.g., in line with the disclosure of alignment metrics under Pillar 3, BCP has identified a set of carbon-intensive sectors⁵ for which it had established sector-specific decarbonization targets. The Bank also assessed the gap between its current position and the 2030 targets established by the International Energy Agency (IEA), as presented in template (Table 91) of the quantitative information chapter.
- Secondly, actively support customers in their process of environmental and climate transition through the integration of the BCP Green Taxonomy finance portfolio framework in the BCP credit strategy, and,
- Thirdly, accelerate the transition to sustainable financial services within the BCP Group based on the latest ESG expertise and social practices, and to ensure that the sustainability lines of action are aligned with the Group's ambition and with its material impacts, risks, and opportunities.

2. Risk management

From a risk management and supervision perspective, environmental, social, and governance (ESG) risk factors are viewed as cross-dimensional risk factors that affect all areas of risk management. As such, the ESG risk factors have been included in the BCP Group risk framework, which is aligned with the Group's ESG Strategy, and mapped out as drivers of the traditional risk types (e.g., BCP Group Risk Taxonomy). While social and

⁵ These sectors include: Power, Fossil Fuel, Automotive, Aviation, Maritime Transport, Cement, Steel and Aluminum and Chemicals)

governance aspects are equally important, alongside regulatory requirements, the BCP Group is heavily focusing on tackling climate and environmental-related risk factors (transition, physical, and nature-related risks). BCP Group regularly updates the risk frameworks and policies, considering changes in the internal and external context and new regulatory requirements.

2.1. Identification of the C&E Risk Drivers

The first pillar of ESG, “Environmental”, is divided into climate and nature-related risk drivers.

Climate-related risk drivers encompass the financial vulnerabilities posed by the exposure of the Group to counterparties that may potentially contribute to or be affected by climate change, while nature-related risk drivers stem from counterparties’ dependencies and impacts on nature. These two types of drivers share common characteristics, yet they are interdependent.

The two dimensions of environmental risk drivers can be decomposed into “Physical” and “Transition”. The subsequent breakdown within both physical and transition factors is consistent across climate- and nature-related risk drivers.

	Environmental	
	Climate-related	Nature-related
Physical	Acute, Chronic	
Transition	Policy / Regulation, Market Sentiment, Technology	

2.1.1. Transition Risks Drivers

Transition risk arises from the adjustment process towards a low-carbon economy and from the misalignment of economic actors with actions aimed at preserving nature, which could prompt reassessment of the value of a large range of assets. Generically, this can be assessed through three underlying drivers:

Policy and regulation risk factors:

Policy and regulatory changes that reduce the adverse effects of climate change or promote adaption to climate change (e.g., carbon taxes, building energy efficiency standard, carbon footprint disclosures) and that protect, restore, and/or reduce negative impacts on nature (e.g., soil and water pollution regulation, establishment of protected areas, anti-deforestation legislation).

Technology risk factors:

Developments and improvements of technologies to support the transition to a low-carbon economic system (e.g., renewable energy, carbon capture and storage, market penetration of enabling tech) and with a reduced impact/dependency on nature (e.g., precision agriculture, biodegradable containers, advanced seafood cultivation).

Market Sentiment risk factors:

Changes in market supply and demand of certain products and services due to climate- and nature-related risks and opportunities (e.g., shift away from carbon-intensive and land- and water-intensive sectors by lenders, vendors, insurers, and investors).

2.1.2. Physical and Nature-related Risk Drivers

Physical risk drivers - arising when climate and natural systems are compromised - can be decomposed into acute and chronic hazards. Climate-related physical risk drivers derive from weather and climate-related events, while nature-related physical risk drivers stem from the degradation of nature, including its biodiversity, and the loss of ecosystem services, both potentially posing substantial financial and other risks for the Group:

- Acute: if they arise from climate and weather-related events and an acute destruction of the environment (heatwaves, floods, wildfires, and storms, including hurricanes, cyclones and typhoons, as well as extreme precipitation), or

- **Chronic:** if they arise from progressive shifts in climate and weather patterns, or a gradual loss of ecosystem services. (e.g., include rising sea levels, rising average temperatures, and ocean acidification)

Even though physical risk drivers have mainly been defined concerning climate change-driven risks, there are also relevant physical environmental-driven risks, such as environmental degradation in the form of water stress, biodiversity loss, depletion of natural resources and pollution, which may have detrimental impacts on economic activities, given their unavoidable reliance on the Earth's ecosystems' services. Particularly to the biodiversity and other nature-related risk factors, which in this context encapsulate the environmental-driven risks, is another key component of a holistic approach to C&E concerns. Biodiversity and other nature-related risk factors refer to the world's stocks of natural assets, which include geology, soil, air, water, and all living things, as well as the organization and distribution of ecosystems. Natural capital degradation can have chronic as well as acute economic effects, since:

- Economic activities are dependent upon the ecosystem services provided by nature and the environment, raising the prospect of physical risks with financial consequences if these services are undermined.
- Economic activities in turn have impacts on nature and could, therefore, face risks from the transition to a nature-positive global economy.

2.2. Transmission Channels

Both transition and physical risks can materialise via several transmission channels (at macroeconomic, regional/sectoral, and microeconomic levels), potentially impacting BCP's balance sheet through several risk types. Macroeconomic transmission channels are the mechanisms by which environmental risk drivers affect macroeconomic factors (for example, labour productivity and economic growth) and how these, in turn, may have an impact on macroeconomic variables such as risk-free interest rates, inflation, commodities, and foreign exchange rates. On the other hand, microeconomic transmission channels include the causal chains by which risk drivers affect financial institutions' counterparties (corporates, households, sovereigns, and financial institutions). A general overview of these transmission channels is provided in the table below.

Portfolio	Transition Risk	Physical Risk
Corporate and SME	<p>Depending on each company's transition plans, impacts can differ across and within sectors:</p> <ul style="list-style-type: none"> - Companies can be directly affected (e.g., loss of clients, increased costs and lower profitability, increased litigation costs, etc.), but also indirectly as their supply chain might be impacted by transition risk. - Failure to make a transition or making a transition at too slow pace can lead to a loss of business. Additional investments might be necessary, and costs may increase 	<p>Companies can be impacted by physical risk:</p> <ul style="list-style-type: none"> - Critical assets can be damaged/destroyed, or infrastructure can become unavailable due to, for instance, extreme weather events. This can translate into additional investments, relocations of production sites and capital depletion. - Physical risks can cause supply-side shocks when impacting transportation or primary resources, impacting the prices of affected products.
Households	<p>Households can face increased costs regarding utilities, medicines and/or food.</p> <p>Households may come under pressure to invest to lower their emissions due to energy performance regulation and to reduce freshwater use.</p> <p>As energy efficiency considerations are increasingly being factored into house prices, energy-inefficient houses may decrease in value or increase more slowly</p>	<p>Extreme weather events can damage real estate or other assets (such as vehicles). Even though this damage is mostly covered by insurance, the insurance premiums can also be expected to go up. Costs can increase, e.g., due to increased costs for cooling/heating, increased food costs, etc.</p> <p>Additional health expenditures may occur due to pollution, scarcity of freshwater, or other extreme weather events. In case of extreme pollution, mortality rates may increase.</p>

Sovereigns	Sovereigns can face lower tax revenues due to impaired corporates, reduced household income and an overall reduction in GDP. Also, higher government spending to address and/or compensate for negative environmental impacts can be expected. The impact on sovereigns follows the impacts on the underlying (general) economy and is not assumed to trigger default of developed countries. However, the potentially increased sovereign debt and sovereigns that are most vulnerable to transition and physical risks can, for example, run the risk of downgrades in sovereign ratings and hence sovereign bond valuations
Financial Institutions	The extent to which financial institutions may be impacted by transition and physical risks depends on their business (banking/(re)insurance) and portfolio characteristics.

2.3. Social Risk

The social risk factors are related to the rights, well-being, and interests of people and communities, including factors such as decent work, adequate living standards, inclusive and sustainable communities and societies, and human rights. Social factors can translate into risks for institutions when these factors have a negative or disruptive impact in the due course of the economic and financial activities of the Group's counterparties and/or invested assets, which might translate into a financial impact for the Bank.

The following social risk drivers can be identified:

- i. Environmental risks.
- ii. Changes in social policy; and
- iii. Changes in market sentiment regarding social factors.

Unlike environmental risk drivers, it is not conceptually straightforward to categorise the drivers of social risks as physical and transition risks. This is because social risk drivers are not driven by factors that can be labelled as physical and because, compared to environmental issues, the evolution of social norms, preferences, and policies is more challenging to predict and cannot simply be labeled as a "transition".

2.4. C&E Materiality Assessment and Business Environment Analysis Report (BEAR)

Proper identification of the relevant C&E risk drivers is a prerequisite for sound risk management. The BCP Group performs an annual risk identification process (RIP) to ensure that all potential risks are regularly identified and assessed according to the respective impact on the Group's capital, earnings, and liquidity. Moreover, the RIP is at the core of the ICAAP framework and is designed to ensure: (i) listing the most critical risks of the Bank's activity; (ii) evaluating the materiality of each risk and the extent to which the mitigation actions that are in place are adequate; and (iii) evaluating whether the Bank should capitalize against those risks.

Therefore, the BCP Group acknowledges that climate and environmental risks affect the traditional risk categories through the identification of the C&E risk factors and transmission channels for the relevant risk categories in the Group BCP Taxonomy (e.g., Credit, Market, Liquidity, Operational risk, and other risks). This process is established in the C&E Materiality Assessment exercise.

The C&E Materiality Assessment takes in consideration four different qualitative and quantitative approaches to evaluate the potential impact of C&E factors in traditional risk categories, depending on the type of exposure and C&E risk driver. Furthermore, it constitutes the basis for assessing the potential impact of C&E risk factors in the overall BCP Group's risk profile, informing risk and business management processes. Finally, the C&E Materiality Assessment process has been established to identify the exposure at risk to climate and environmental risks from:

- Different risk drivers of transition risk (policy and regulation, technological development, and consumer preferences), physical risk (split according to different chronic and acute environmental perils) and nature-related risk (Biodiversity, Pollution, Water Stress and Agroforestry)

- The impact of each C&E risk driver through risk-dependent transmission channels, assessed for each risk type (credit, market, operational, liquidity risk, reputational risk⁶)
- possible sources for C&E scenarios related to transition risk factors from the Network for Greening the Financial System (Transition Risk – Net zero 2050, Delayed Transition and Current Policies) and related to physical risk factors from the Intergovernmental Panel on Climate Change (Physical Risk – RCP4.5 and RCP8.5);
- the impact over different time horizons: short (one year), medium (two to five years), long-term (between five and ten years);
- the threshold for materiality that has been defined for each risk type (credit, market, operational and liquidity risk).

As a result, the conclusions of the C&E Materiality Assessment will inform the RIP process to ensure a thorough risk assessment, including the potential impact of C&E risk factors across all risk categories and types.

Finally, BCP also performs a comprehensive analysis of the C&E effects on the Group's business model in line with the strategic planning cycle through the so-called BEAR. The BEAR is a strategic tool that helps the Bank understanding how external and internal environmental factors influence its operations and performance. BEAR is used to examine aspects like economic trends, technological advancements, political and regulatory landscapes, competitive dynamics, and social and environmental changes that can influence the Bank's ability to meet its objectives. This analysis spotlights areas for improvement, market weak spots, and threats to the Bank, which can help derive strategies that explore strengths while eliminating weaknesses. The RIP incorporates the results of the C&E Materiality Assessment and will be informed by the BEAR overall discussions. Risk owners may leverage the BEAR to back up their views for the RIP's conclusions. To sum up, the C&E Risk Identification Framework will entrench the 3 pillars, presented below:

C&E Risk Identification Framework



2.5. RAS Metrics

The ESG RAS metrics are an integral part of Risk Appetite Framework (RAF). When integrating climate-related and other ESG risks into BCP's risk appetite process, the Bank focuses not only on short-term impacts but also on extended time horizons. The potential short, medium, and long-term impacts together with different climate scenarios, identified in the C&E Materiality Assessment provide valuable inputs for BCP's risk appetite discussions, allowing to identify early warning signals and threshold breaches, and consequently, enabling the Bank to define risk-mitigation actions promptly, such as making policy adjustments or setting additional targets and limits.

Currently, BCP has several C&E RAS metrics covering the transition, physical, and nature-related risks across several business lines and geographies. These metrics are outlined under the base scenario as described in the C&E Materiality Assessment, focusing on the Net Zero 2050 and RCP4.5 for the 2030-time horizon. The C&E RAS metrics are clearly defined and updated at least annually by the Board of Directors and translated into limits, which are monitored and reported regularly.

⁶ Through the C&E Materiality Assessment, the BCP Bank addressed the Reputational risk via the assessment of the reputational risk of our suppliers to evaluate the potential damage to the Bank's reputation in the market regarding Environmental and Social matters, to ensure its good image, and maintain Clients' trust. Furthermore, to characterize the reputational risk inherent to the Bank, an integrative assessment framework using the four ESG rating agencies was adopted.

2.6. ESG Metrics

As part of the BCP Risk Appetite process, a comprehensive set of ESG metrics has been defined and implemented to enhance the monitoring of C&E risk factors within the BCP Group. This initiative strengthens the Group's ability to identify and assess the impacts of C&E, Social and Governance risk factors and internal commitments across a significant portion of BCP's activities and portfolios.

BCP has developed several ESG metrics established to monitor the material traditional risks impacted by the transition, physical and nature-related risks identified in the C&E Materiality Assessment.

Additionally, other ESG metrics are established and inspired by internal ESG policies and commitments, and external reporting's, such as the Sustainability Report, the EU Taxonomy, and Pillar 3. These ESG metrics are considered when assessing the impact of ESG risk on BCP's risk profiles. Whenever feasible, early warning thresholds and targets shall be proposed and implemented for these metrics, along with potential follow-up actions.

2.7. Stress Testing Framework

BCP's stress testing framework is based on the application of a set of complementary methodologies ranging from stressed sensitivity analysis, reverse stress test exercises and/or more sophisticated methodologies supported by multiple scenario analysis.

To remain in sync with the constantly evolving business environment and the BCP Strategy, the Risk Office regularly assesses and updates its strategy, considering all relevant elements (e.g., BCP Group Risk Taxonomy), including the 'supervisory view' and upcoming regulatory changes. Thus, the Bank continuously adapts and further strengthens the ESG Risk Management Framework and its underlying risk management processes. The reference points are the C&E Materiality Assessment and the C&E Risk Appetite framework, which serve as anchors for the iterative, continuous ICAAP and ILAAP processes. These processes are based on elements such as risk appetite setting, forward-looking assessments based on different climate scenarios (Net-zero 2050, Delayed Transition and Current Policies, RCP4.5 and RCP8.5) and time horizons (current year, 2030 and 2040), monitoring, and response. The starting point is the ongoing identification of all material risks (e.g., ESG risks) to which the Bank is or may be exposed, ensuring they are managed appropriately and incorporated into the ICAAP/ILAAP risk identification process and capital planning.

The risk quantification methodologies of, at least, each of the risks classified as material according to the results of C&E Materiality Assessment, are being progressively adjusted through modelling the potential effects of the risk drivers associated to each C&E scenario on the relevant key variables/parameters used to assess the respective risk (e.g. aggravation of the key variables/parameters used to quantify credit risk, namely PD and LGD parameters, to capture the adverse impacts of a given C&E stressed scenario).

For assessing the adequacy of the economic capital of the Bank within the scope of the ICAAP it is assumed that extreme but plausible C&E scenarios (at least one physical and one transition related scenario) would be materialized at the reference date of the ICAAP cycle to enable the quantification of the estimated impact of C&E risk factors in the amount of capital requirements allocated to each material risk and, consequently, in the economic capital ratios.

3. Reporting

3.1. Internal reporting

The Board of Directors (BoD), Executive Committee (EC), and other management bodies are the primary recipients of the various outputs from the main risk management processes. As ESG risks are being integrated into all processes, they are addressed in several internal reports:

- The C&E Risk Appetite Statement (RAS) metrics are monitored and reported quarterly, both at the consolidated Group level and for each entity.

- Conclusions of the C&E Materiality Assessment are reported annually and embedded into the risk identification process (RIP) through the RAF – Risk Identification & Materiality Assessment process report at the consolidated level.
- Through the ESG Dashboard (presented to the Sustainability Commission), the progress of the ESG metrics is reported and monitored, aiming to track the implementation of BCP's sustainability strategy and adjust as necessary.
- Additional reports, such as Credit Risk Monitoring, Top Largest Economic Groups, and Leveraged Transactions, also monitor and report various ESG metrics, including the C&E RAS metrics, specifically for new production.
- Since ESG risks are already integrated into the ICAAP and ILAAP frameworks, they are thoroughly covered in the respective ICAAP/ILAAP reports.

3.2. External reporting

BCP's sustainability approach is documented through several externally published reports, each offering a distinct perspective. While many of these disclosures respond to evolving ESG-related regulatory requirements, they are complemented by a range of voluntarily published materials that reinforce the Bank's commitment to transparency and responsible practices:

- **Mandatory EBA Templates on Pillar 3 and STE/SREP Disclosures:** These reports focus on ESG risk disclosures required under regulatory frameworks. In the early stages of implementation, the required data is collected on a best-effort basis and also includes proxy estimations due to the limited availability of complete information. As a result, these quantitative disclosures should be interpreted cautiously and seen as part of a work-in-progress that will improve as more accurate and comprehensive data sources become accessible.
- **The BCP Sustainability Report,** published on an annual basis, is a comprehensive report on BCP's sustainability performance. The report details how BCP Bank addresses corporate sustainability and how it implements BCP's sustainability strategy and Sustainable Finance Programme. It also describes the policies and guidelines, the targets (including decarbonisation targets) the BCP Bank has set, and the main achievements.
- **The BCP Annual Report** includes a mandatory Sustainability Statement, which incorporates adaptation to the new European Union (EU) guidelines on non-financial reporting, namely the Corporate Sustainability Reporting Directive (CSRD) (EU 2022/2464), the European Sustainability Reporting Standards (ESRS) (EU Regulation 2023/2772), and other applicable regulations. This statement provides an overview of our sustainability strategy, sustainability governance, and how BCP Bank manages our material impacts, risks, and opportunities as identified through a dual materiality assessment. Additionally, it includes reports on eligibility and alignment with the EU taxonomy. This report also covers Human Rights reporting in accordance with the UN Guiding Principles Framework.
- In the 2024 edition of the CDP - Carbon Disclosure Project (Climate), the BCP Group remained, as it has been since 2021, in the 'Management' group, with a 'B' rating, after joining the 'Leadership' group in 2020 and obtaining an 'A-' rating. For CDP, the BCP Group is also one of the leaders in Supplier Engagement Rating (SER), in this case for the 2024 edition, in terms of Sustainability, maintaining, as in 2023, a 'B' rating, after having been part of the 'Supplier Engagement Rating Leaderboard' in 2022 with an 'A' rating. Also, in the context of the supply chain, in this case in the assessment of analyst Ecovadis, the Bank obtained a 'Bronze' rating, which ranks it among the 35% of companies with the best rating.

4. Integration in credit origination and monitoring processes

As the ESG risk drivers are integrated in the Group's risk management practices, the various intervenients in the credit risk process are required to identify clients and transactions that carry relevant risk from a climate, environmental and/or social perspective, and concomitantly incorporate this information in the credit granting and monitoring activities.

For that purpose, BCP is implementing a specific framework, leveraging on its internal ESG risk methodologies, processes, and assessments, to support credit decision analysis and decision-making process on whether and how to start, or maintain, a credit relationship with a business customer. Several components are considered within this assessment framework, namely:

- Sectoral climate and environmental risks classifications, according to C&E Materiality Assessment conclusions.
- ESG Ratings, based on exposure of economic sectors to environmental and social risks, as well company's specific information on environmental, social, governance, and disclosure factors – available for large corporate clients.
- Energy Performance Certificate (EPC) or other sustainability certifications for buildings, in case of a real estate-related transaction (or otherwise collateralized by immovable property).
- Client-specific information, such as: i) GHG emissions intensity and how it compares (e.g., percentual gap) with the portfolio alignment targets defined for the sector in which the borrower operates, to better understand the expected contribution of the client or the specific transaction under decision for the Group's Targets; ii) disclosure of mitigation factors, such as transition plan and policies/plans for nature protection; iii) existence of significant controversies regarding environmental and social conduct that could potentially harm the Group's reputation and/or influence the clients' financial capacity (e.g., litigation risk, potential liabilities associated with any ESG matter).

As a conclusion of this assessment, 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.

5. Data Availability

According to EBA guidelines on management of environmental, social and governance risks, institutions should implement "...sound information management systems to identify, collect, structure and analyse the data that is necessary to support the assessment, management and monitoring of ESG risks".

The existence of complete and reliable data is essential for conducting effective risk assessment exercises, developing quantification methodologies, and implementing consistent risk monitoring routines.

Recognizing the importance of meeting these guidelines and expectations, the BCP Group has implemented an ESG-integrated data platform. The platform ensures adequate data availability, reliability (quality, auditability, transparency), granularity, and timeliness, and includes aggregation capabilities and reporting procedures for both regular and ad hoc requests.

The platform integrates data from both internal and external sources, covering customer, operations, and collateral information. It includes both actual and estimated data, using proxies when specific information is unavailable or missing.

For ESG data collection from Clients, BCP established that each Group entity should develop and implement efficient procedures and questionnaires to gather essential ESG data. Institutions may also leverage external solutions available in the market, such as the SIBS ESG tool available for the Portuguese market: a systemic solution that BCP has joined in partnership with SIBS and other national banks, aimed at helping companies address ESG information challenges. It is an integrated platform that allows data provided by companies, once and in one place, to be centralized and shared directly with participating financial institutions. This solution offers companies four distinct questionnaires: i) ESG questionnaire, aligned with applicable international standards, that enables the collection of data related to environmental performance, socially responsible behavior, and corporate governance practices; ii) European taxonomy questionnaire, which enables companies to either upload their existing ESG reports, if already prepared, or to carry out the assessment directly on the platform, evaluating the degree of alignment of their activities with the

European Taxonomy; iii) physical risks questionnaire, that allows for the assessment of various acute and chronic physical risks to which a company is exposed, taking into account the location of its assets; and iv) CO2 calculator, that enables companies to estimate their greenhouse gas emissions for scope 1, 2 and 3.

19.2 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.

Governance risk factors stem from shortcomings in governance practices, including areas such as executive leadership, compensation, auditing, internal controls, tax practices, board independence, shareholder rights, and anti-corruption measures. It also involves how organizations integrate environmental and social considerations into their policies and procedures. Additionally, governance risk can be heightened by poor management of environmental and social issues or failure to comply with established corporate governance frameworks and standards.

The structure of BCP's ESG governance risk is based on various targets and internal controls that guide its actions both internally and externally. Through **BCP's Code of Conduct** and compliance and 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.

Governance factors, including significant controversies regarding governance conduct, are factored into ESG rating assignment, which in turn is included in the loan origination and monitoring framework, as described above in section 4 of this chapter - Integration in credit origination and monitoring processes.

Building on the legal framework, BCP defined internal rules from the **SMP framework** as an expression of its commitment to sustainable governance and the accompanying social and environmental responsibility. Adequate procedures for monitoring and controlling the execution of the different dimensions of the SMP and of the relevant ESG metrics are in place, including the regular report to the management bodies.

Moreover, consumers, investors and supervisory entities are becoming increasingly aware of Governance matters. Consequently, the Bank's association with third parties (suppliers, credit institutions) with poor ESG performance, or even those involved in ESG controversies, can have an indirect but significant impact on the Bank's reputation. It is therefore crucial to ensure thorough scrutiny of key counterparties to guarantee they are aligned with the BCP's ESG strategy and vision. Through the **C&E Materiality Assessment**, as discussed above, the BCP Bank assesses the Reputational Risk based on external ESG ratings for the biggest counterparties and suppliers. The ultimate goal is to evaluate the potential damage to the Bank's reputation in the market regarding Governance matters, to ensure its good image, and maintain Clients' trust.

As part of the credit risk assessment for large corporate clients, financial ratings include a component specifically dedicated to assessing the quality of the company's governance, management, and organizational structure. This component is assessed individually for each company and considered within the context of its industry and market segment. Risk analysts evaluate the following aspects:

- The organizational structure and the functioning of its management and governance bodies.
- The quality of its sectoral and peer-to-peer strategy and positioning.
- The transparency and reliability of externally disclosed information.
- How conflicts of interest are identified, managed, and controlled.

Also, the Governance component within the financial rating model for large companies has been enhanced with additional analytical elements. These are to be assessed by risk analysts through the collection and verification of company-specific information, including:

- 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.

Concerning credit risk policies dedicated to the principles of management and control of environmental, corporate, and governance risks (ESG Management and Control Principles) integrates sustainability principles into all stages of the credit granting and monitoring process, especially considering climate and environmental risks:

- The identification, management, and mitigation of the physical and transition risks that may directly affect customers' ability to pay and the security of the Group's assets.
- The implementation of adequate due diligence to understand Customers' vulnerabilities before granting credit.
- The consideration of ESG risk factors in credit analyses and assessments.
- The incorporation of a promotional pricing policy based on criteria established by BCP's Green Taxonomy.
- The internal ESG risk analysis process is part of the ordinary credit risk analysis process to which large companies are subject.

The implementation of these compliance control processes is also guided by a formal policy framework, which includes:

- **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 Policies** define 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.

- **Principles of Responsible Investment:** ESG financing and investing is recognized as a specific business management strategy under the umbrella of responsible banking, in which the Bank incorporates ESG considerations in the decisions related to long-term exposures and returns. To this end, ESG factors are evaluated both in terms of their risks and opportunities.
- **Sustainability Guidelines for Suppliers** defines a set of action commitments applicable to the contracting of third-party services, per 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** establish 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.

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 indicators linked to sustainability.

Thus, to award 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.

Alongside existing business, organization, and risk management-related indicators, these sustainability metrics enable BCP's performance in sustainability to directly support the Bank's overall management objectives.

All BCP Group's corporate policies and principles are available for consultation on the website: Main Corporate Policies and Principles - Millennium bcp; Articles of Association and other internal regulations of the Bank - Millennium bcp

19.3. Quantitative information

The following tables provide the available information on climate change transition risk, climate change alignment metrics, climate change physical risk, KPI GAR (Green Asset Ratio), and mitigating actions: BTAR (Banking Book Taxonomy Alignment Ratio).

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 euro, tons of CO2 equivalent)

Sector/subsector	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		
	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	Of which environmental ly 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*	14 920	0	175	2 208	572	-511	-115	-277	8 756 240	5 500 871	31,3%	11 201	2 290	1 366	62	4	
2 A - Agriculture, forestry and fishing	405	0	0	103	18	-15	-4	-8	260 910	120 618	29,7%	275	103	26	1	4	
3 B - Mining and quarrying	200	0	0	13	4	-4	0	-3	133 942	73 758	63,7%	154	46	1	0	3	
4 B.05 - Mining of coal and lignite	0	0	0	0	0	0	0	0	0	0	0,0%	0	0	0	0	0	
5 B.06 - Extraction of crude petroleum and natural gas	8	0	0	5	0	0	0	0	0	0	0,0%	8	0	0	0	3	
6 B.07 - Mining of metal ores	100	0	0	0	0	0	0	0	66 630	30 485	100,0%	100	0	0	0	0	
7 B.08 - Other mining and quarrying	52	0	0	8	4	-4	0	-3	44 295	30 631	43,8%	47	4	1	0	6	
8 B.09 - Mining support service activities	41	0	0	0	0	0	0	0	23 017	12 642	0,0%	0	41	0	0	8	
9 C - Manufacturing	3 879	0	0	589	184	-169	-46	-86	3 719 166	2 482 433	32,3%	3 367	420	83	9	3	
10 C.10 - Manufacture of food products	657	0	0	96	33	-57	-21	-16	465 503	337 785	26,9%	595	47	12	2	2	
11 C.11 - Manufacture of beverages	220	0	0	29	7	-4	-1	-2	56 851	33 655	34,6%	196	19	5	0	2	
12 C.12 - Manufacture of tobacco products	4	0	0	0	0	0	0	0	2 044	1 684	0,0%	4	0	0	0	0	
13 C.13 - Manufacture of textiles	200	0	0	65	8	-8	-5	-3	139 926	86 082	37,7%	170	20	9	1	3	
14 C.14 - Manufacture of wearing apparel	129	0	0	30	8	-7	-2	-4	52 792	35 086	11,6%	117	8	4	1	3	
15 C.15 - Manufacture of leather and related products	66	0	0	8	5	-3	0	-3	26 199	21 573	9,3%	60	3	3	1	4	
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	213	0	0	33	9	-6	-1	-4	133 088	107 363	26,5%	178	28	6	1	3	
17 C.17 - Manufacture of pulp, paper and paperboard	95	0	0	7	1	-1	0	0	136 463	33 264	27,0%	88	7	1	0	3	
18 C.18 - Printing and service activities related to printing	66	0	0	8	3	-2	0	-2	18 273	11 341	8,6%	50	14	3	0	4	
19 C.19 - Manufacture of coke oven products	14	0	0	3	0	0	0	0	16 338	10 249	23,5%	14	1	0	0	1	
20 C.20 - Production of chemicals	122	0	0	10	0	-1	0	0	662 946	465 926	61,0%	114	7	0	0	2	
21 C.21 - Manufacture of pharmaceutical preparations	84	0	0	8	2	-1	0	-1	9 460	4 350	67,6%	81	3	0	0	2	
22 C.22 - Manufacture of rubber products	268	0	0	48	11	-13	-2	-9	596 802	505 104	23,5%	207	57	4	0	3	
23 C.23 - Manufacture of other non-metallic mineral products	348	0	0	28	14	-12	-2	-8	342 992	108 865	57,0%	305	41	1	0	2	
24 C.24 - Manufacture of basic metals	74	0	0	14	8	-5	0	-4	130 287	48 561	41,5%	72	2	0	0	1	
25 C.25 - Manufacture of fabricated metal products, except machinery and eq	619	0	0	86	29	-19	-4	-10	365 750	212 980	24,0%	511	89	18	1	3	

	a	b	c				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 l): 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				
			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	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															
Sector/subsector																									
26	C.26 - Manufacture of computer, electronic and optical products	33	0	0	8	2	-2	0	-1	173 826	166 658	59,4%	28	5	0	0	2								
27	C.27 - Manufacture of electrical equipment	73	0	0	6	1	-1	0	0	79 758	63 784	15,3%	66	6	1	0	2								
28	C.28 - Manufacture of machinery and equipment n.e.c.	159	0	0	31	5	-4	-1	-2	92 910	79 900	37,5%	146	10	3	0	2								
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	109	0	0	20	23	-10	-1	-9	83 529	70 873	47,2%	92	17	1	0	2								
30	C.30 - Manufacture of other transport equipment	41	0	0	13	1	-1	0	-1	20 046	14 308	45,0%	37	3	0	0	2								
31	C.31 - Manufacture of furniture	130	0	0	18	8	-5	-1	-4	44 828	34 081	26,6%	109	14	6	1	4								
32	C.32 - Other manufacturing	52	0	0	9	1	-1	-1	0	14 817	7 675	22,8%	44	5	2	0	3								
33	C.33 - Repair and installation of machinery and equipment	101	0	0	13	5	-4	-1	-2	53 737	21 284	34,6%	82	15	4	1	3								
34	D - Electricity, gas, steam and air conditioning supply	536	0	158	40	0	-3	-1	0	305 126	157 346	77,7%	260	110	166	0	6								
35	D35.1 - Electric power generation, transmission and distribution	524	0	158	39	0	-3	-1	0	297 891	153 465	78,0%	251	108	166	0	6								
36	D35.11 - Production of electricity	451	0	114	35	0	-3	-1	0	280 849	145 758	78,7%	238	50	163	0	6								
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	8	0	0	0	0	0	0	0	3 849	2 551	86,1%	6	2	0	0	1								
38	D35.3 - Steam and air conditioning supply	3	0	0	0	0	0	0	0	3 387	1 329	14,5%	3	0	0	0	3								
39	E - Water supply; sewerage, waste management, remediation activities	224	0	10	50	1	-7	-5	0	167 327	27 228	54,7%	146	50	27	0	5								
40	F - Construction	1 464	0	0	210	106	-98	-9	-78	673 835	472 208	31,9%	1 185	130	147	3	4								
41	F.41 - Construction of buildings	697	0	0	68	59	-54	-3	-43	356 629	302 117	24,5%	575	55	66	1	4								
42	F.42 - Civil engineering	433	0	0	94	35	-35	-2	-31	110 234	39 958	61,9%	330	31	72	0	4								
43	F.43 - Specialised construction activities	334	0	0	47	12	-10	-4	-4	206 971	130 133	10,5%	280	44	9	1	4								
44	G - Wholesale and retail trade; repair of motor vehicles & motorcycles	3 755	0	6	442	101	-93	-21	-41	2 266 699	1 593 631	20,6%	3 115	483	150	8	3								
45	H - Transportation and storage	1 271	0	0	152	62	-34	-7	-17	817 850	367 003	35,1%	1 054	207	9	0	3								
46	H.49 - Land transport and transport via pipelines	898	0	0	124	57	-30	-6	-16	694 020	318 707	25,2%	755	138	5	0	3								
47	H.50 - Water transport	36	0	0	1	0	-1	0	0	8 253	343	98,2%	9	27	0	0	7								
48	H.51 - Air transport	3	0	0	2	0	0	0	0	689	352	81,6%	1	2	0	0	5								
49	H.52 - Warehousing and support activities for transportation	318	0	0	23	5	-3	-1	-1	108 952	46 283	55,9%	275	39	4	0	3								
50	H.53 - Postal and courier activities	15	0	0	1	1	0	0	0	5 936	1 317	23,6%	14	2	0	0	3								
51	I - Accommodation and food service activities	1 243	0	0	378	44	-42	-13	-23	299 596	163 786	12,7%	418	376	410	39	8								
52	L - Real estate activities	1 942	0	0	232	51	-46	-7	-21	111 789	42 860	40,7%	1 227	365	348	1	5								
53	Exposures towards sectors other than those that highly contribute to climate change*	4 236	0	36	462	220	-294	-30	-231				3 082	567	569	18	4								
54	K - Financial and insurance activities	276	0	11	9	3	-3	0	-2				192	78	6	0	2								
55	Exposures to other sectors (NACE codes J, M - U)	3 960	0	25	453	217	-291	-30	-229				2 889	489	563	18	0								
56	TOTAL	19 156	0	211	2 670	791	-806	-145	-507	8 756 240	5 500 871	31,3%	14 283	2 857	1 935	80	4								

* 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 euro)

	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/m ² 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/m ² of collateral) estimated	
1 Total EU area	29 653	15 654	5 337	1 950	825	334	293	1 078	2 043	3 259	2 639	1 406	550	16	18 662	83,2%
2 Of which Loans collateralised by commercial immovable property	3 417	825	1 316	289	2	0	0	0	1	6	1	1	0	0	3 407	86,3%
3 Of which Loans collateralised by residential immovable property	26 126	14 818	4 013	1 658	823	334	293	1 078	2 041	3 250	2 634	1 402	545	16	15 159	98,9%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	110	12	8	3	0	0	0	0	1	3	3	2	5	0	96	18,5%
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	18 253	11 887	4 895	1 464	4	2	0								15 522	100,0%
6 Total non-EU area	1 377	765	233	96	47	21	19	138	140	193	162	88	33	0	622	76,4%
7 Of which Loans collateralised by commercial immovable property	118	0	0	0	0	0	0	0	0	0	0	0	0	0	118	0,0%
8 Of which Loans collateralised by residential immovable property	1 213	765	233	96	47	21	19	138	140	193	162	88	33	0	459	96,4%
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	46	0	0	0	0	0	0	0	0	0	0	0	0	0	46	0,0%
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	507	470	37	0	0	0	0								476	100,0%

TABLE 91 – Template 3 – Banking Book – Climate Change Transition Risk: Alignment Metrics

(Million euro)

a	b	c	d	e	f	g
Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric**	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1 Power	35,11	862,09	132.6 gCO ₂ /kWh	2024	-40%	140.9 gCO ₂ /kWh
2 Fossil fuel combustion	06.10, 06.20, 08.92, 09.10, 19.20	403,62	65.0 kgCO ₂ /GJ	2024	21%	64.4 kgCO ₂ /GJ
3 Automotive	29,1	17,52	100.8 gCO ₂ /km	2024	39%	115.2 gCO ₂ /km
4 Aviation	51.10	3,09	122.4 gCO ₂ /km	2024	44%	120.4 gCO ₂ /km
5 Maritime transport	50,2	14,33	7.70 gCO ₂ /km	2024	58%	6.50 gCO ₂ /km
6 Cement, clinker and lime production	23,51	68,50	650.4 kgCO ₂ /t	2024	44%	620 kgCO ₂ /t
7.1 Steel	24,1	1,28	1.30 tCO ₂ /t	2024	18%	1.35 tCO ₂ /t
7.2 Aluminium	24,42	23,38	1.97 tCO ₂ /t	2024	11%	2.09 tCO ₂ /t
8 Chemicals	20,1	46,17	27.9 kgCO ₂ /GJ	2024	30%	26.3 kgCO ₂ /GJ

* PT distance to 2030 NZE2050 scenario in % (for each metric)

TABLE 92 – Template 4 – Banking Book – Climate Change Transition Risk: Exposures to Top 20 Carbon-Intensive Firms
(Million euro)

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

*For counterparties among the top 20 carbon emitting companies in the world

The Bank considered the top 20 most polluting companies, those 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 93 – Template 5 – Climate Change Physical Risk– Exposures Subject to Physical Risk
(Million euro)

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					Average weighted maturity	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	of which Stage 2 exposures							Of which non-performing exposures	of which Stage 2 exposures	Of which non-performing exposures			
1 A - Agriculture, forestry and fishing	377	37	14	8	0	5	14	33	12	17	2	-	2	-	1	-	1
2 B - Mining and quarrying	138	5	0	-	0	2	3	1	1	1	0	-	0	-	0	-	0
3 C - Manufacturing	2 886	313	36	12	3	3	75	265	24	56	14	-	15	-	3	-	10
4 D - Electricity, gas, steam and air conditioning supply	507	144	6	48	-	4	23	171	4	-	-	-	0	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activities	168	18	7	1	-	5	7	19	1	7	0	-	0	-	0	-	0
6 F - Construction	1 139	127	5	5	1	3	21	100	17	9	2	-	3	-	1	-	1
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2 406	214	34	19	1	3	86	161	22	36	7	-	7	-	2	-	4
8 H - Transportation and storage	599	62	36	3	0	5	36	61	4	8	1	-	2	-	0	-	0
9 L - Real estate activities	1 745	99	39	39	0	5	77	92	8	24	3	-	2	-	1	-	1
10 Loans collateralised by residential immovable property	19 515	25	92	368	1 610	24	471	1 518	105	236	25	-	5	-	1	-	3
11 Loans collateralised by commercial immovable property	2 797	59	119	112	2	9	76	206	9	42	14	-	13	-	1	-	11
12 Repossessed collaterals	110	5	-	-	-	-	1	3	0	-	-	-	1	-	-	-	-
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						Average weighted maturity	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									of which Stage 2 exposures	Of which non-performing exposures	
1 A - Agriculture, forestry and fishing	21	0	0	-	-		3	0	0	-	-	0	-	0	-
2 B - Mining and quarrying	21	-	-	-	-		-	-	-	-	-	-	-	-	-
3 C - Manufacturing	956	12	0	-	-		1	8	4	-	2	0	-	0	-
4 D - Electricity, gas, steam and air conditioning supply	19	-	-	-	-		-	-	-	-	-	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activities	56	0	-	-	-		3	0	0	-	-	0	-	0	-
6 F - Construction	324	5	1	-	-		3	2	3	-	2	0	-	0	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1 315	4	1	0	-		3	2	2	-	0	0	-	0	-
8 H - Transportation and storage	671	17	6	-	-		3	18	4	-	0	0	-	0	-
9 L - Real estate activities	194	1	0	-	-		3	1	0	-	0	-	-	0	-
10 Loans collateralised by residential immovable property	7 809	2	6	33	53		20	55	39	-	7	1	-	1	-
11 Loans collateralised by commercial immovable property	496	2	2	-	-		5	4	0	-	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	7	5	-	-	-	3	4	0	-	4	-	-	0	-	-
2 B - Mining and quarrying	0	0	-	-	-	3	-	0	-	0	-	-	0	-	-
3 C - Manufacturing	16	4	-	-	-	1	0	4	-	2	-	-	0	-	-
4 D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 F - Construction	0	0	-	-	-	3	0	0	-	0	-	-	0	-	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	13	12	-	-	-	1	2	10	-	2	-	-	0	-	-
8 H - Transportation and storage	1	1	-	-	-	0	0	1	-	-	-	-	0	-	-
9 L - Real estate activities	0	0	-	-	-	0	0	0	-	-	-	-	0	-	-
10 Loans collateralised by residential immovable property	16	1	1	1	0	7	0	3	-	0	1	-	0	-	0
11 Loans collateralised by commercial immovable property	123	17	4	-	-	4	7	15	-	5	2	-	0	-	0
12 Repossessed collaterals	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	1	-	-	-	-	-	-	-	-	-	-	-	-	-
2 B - Mining and quarrying	41	-	-	-	-	-	-	-	-	-	-	-	-	-
3 C - Manufacturing	22	-	-	-	-	-	-	-	-	-	-	-	-	-
4 D - Electricity, gas, steam and air conditioning supply	9	-	-	-	-	-	-	-	-	-	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 F - Construction	1	-	-	-	-	-	-	-	-	-	-	-	-	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	22	-	-	-	-	-	-	-	-	-	-	-	-	-
8 H - Transportation and storage	0	-	-	-	-	-	-	-	-	-	-	-	-	-
9 L - Real estate activities	2	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Loans collateralised by commercial immovable property	118	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: the methodology for assessing the impacts of physical risks on the loan portfolio is under development. Consequently, the values of the columns 'c' to 'o' are not available.

TABLE 94 – Template 6 – Summary of GAR KPIS

(Million Euro)

	KPI		Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation		
GAR stock	3,8%	0,0%	3,8%	61,6%
GAR flow	7,5%	0,0%	7,5%	28,2%

* % of assets covered by the KPI over banks' total assets

TABLE 95 – Template 7 – Mitigating Actions: Assets for the Calculation of GAR
(Million Euro)

		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	42 552	17 711	2 631	2 500	0	4	578	0	0	0	0	0	18 289	2 631	2 500	0	4
2	Financial corporations	3 616	707	196	196	0	0	0	0	0	0	0	0	707	196	196	0	0
3	Credit institutions	2 086	129	129	129	0	0	0	0	0	0	0	0	129	129	129	0	0
4	Loans and advances	529	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	1 557	129	129	129	0	0	0	0	0	0	0	0	129	129	129	0	0
6	Equity instruments	0	0	0		0	0	0	0			0	0	0	0		0	0
7	Other financial corporations	1 530	578	68	68	0	0	0	0	0	0	0	0	578	68	68	0	0
8	of which investment firms	498	218	0	0	0	0	0	0	0	0	0	0	218	0	0	0	0
9	Loans and advances	226	218	0	0	0	0	0	0	0	0	0	0	218	0	0	0	0
10	Debt securities, including UoP	227	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	45	0	0		0	0	0	0			0	0	0	0		0	0
12	of which management companies	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	21	0	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	41	4	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0
17	Loans and advances	8	4	0	0	0	0	0	0	0	0	0	0	4	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	0
19	Equity instruments	33	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															
	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
20 Non-financial corporations (subject to NFRD disclosure obligations)	1 369	365	141	11	0	4	205	0	0	0	0	570	141	11	0	4
21 Loans and advances	430	150	7	0	0	3	20	0	0	0	0	170	7	0	0	3
22 Debt securities, including UoP	939	215	134	10	0	0	185	0	0	0	0	400	134	10	0	0
23 Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0
24 Households	36 621	16 638	2 292	2 292	0	0						16 638	2 292	2 292	0	0
25 of which loans collateralised by residential immovable property	27 339	16 478	2 281	2 281	0	0						16 478	2 281	2 281	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	27	27	10	10	0	0						27	10	10	0	0
28 Local governments financing	945	2	1	1	0	0	373	0	0	0	0	375	1	1	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	945	2	1	1	0	0	373	0	0	0	0	375	1	1	0	0
31 Collateral obtained by taking possession: residential and commercial immovable properties	156	104	1	1	0	0	0	0	0	0	0	104	1	1	0	0
32 TOTAL GAR ASSETS	42 708	17 815	2 631	2 501	0	4	578	0	0	0	0	18 393	2 632	2 501	0	4
Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33 EU Non-financial corporations (not subject to NFRD disclosure obligations)	18 695															
34 Loans and advances	16 375															
35 Debt securities	2 222															
36 Equity instruments	98															

	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 towards taxonomy relevant sectors (Taxonomy-eligible)		
			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)		
			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 adaptation	Of which enabling	Of which specialised lending	Of which adaptation	Of which enabling		
GAR - Covered assets in both numerator and denominator																
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	383														
38	Loans and advances	375														
39	Debt securities	8														
40	Equity instruments	0														
41	Derivatives	69														
42	On demand interbank loans	251														
43	Cash and cash-related assets	666														
44	Other assets (e.g. Goodwill, commodities etc.)	6 589														
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	69 362														
Other assets excluded from both the numerator and denominator for GAR-calculation																
46	Sovereigns	27 253														
47	Central banks exposure	7 229														
48	Trading book	1 676														
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	36 157														
50	TOTAL ASSETS	105 519														

TABLE 96 – Template 8 – Mitigations Actions - GAR (%)

(Million Euro)

	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					
	Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
	Of which specialised lending					Of which specialised lending					Of which specialised lending					
	Of which transitional					Of which adaptation					Of which transitional/a					
	Of which enabling					Of which enabling					Of which enabling					
	% (compared to total covered assets in the denominator)										Proportion of total assets covered					
1 GAR	25,7%	3,8%	3,6%	0,0%	0,0%	0,8%	0,0%	0,0%	0,0%	0,0%	26,5%	3,8%	3,6%	0,0%	0,0%	61,6%
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	41,6%	6,2%	5,9%	0,0%	0,0%	1,4%	0,0%	0,0%	0,0%	0,0%	43,0%	6,2%	5,9%	0,0%	0,0%	61,3%
3 Financial corporations	19,5%	5,4%	5,4%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	19,5%	5,4%	5,4%	0,0%	0,0%	5,2%
4 Credit institutions	6,2%	6,2%	6,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	6,2%	6,2%	6,2%	0,0%	0,0%	3,0%
5 Other financial corporations	37,8%	4,4%	4,4%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	37,8%	4,4%	4,4%	0,0%	0,0%	2,2%
6 of which investment firms	43,8%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	43,8%	0,0%	0,0%	0,0%	0,0%	0,7%
7 of which management companies	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
8 of which insurance undertakings	10,0%	0,9%	0,9%	0,0%	0,0%	0,1%	0,0%	0,0%	0,0%	0,0%	10,1%	0,9%	0,9%	0,0%	0,0%	0,1%
9 Non-financial corporations subject to NFRD disclosure obligations	26,6%	10,3%	0,8%	0,0%	0,3%	15,0%	0,0%	0,0%	0,0%	0,0%	41,6%	10,3%	0,8%	0,0%	0,3%	2,0%
10 Households	45,4%	6,3%	6,3%	0,0%	0,0%						45,4%	6,3%	6,3%	0,0%	0,0%	52,8%
11 of which loans collateralised by residential immovable property	60,3%	8,3%	8,3%	0,0%	0,0%						60,3%	8,3%	8,3%	0,0%	0,0%	39,4%
12 of which building renovation loans	0,0%	0,0%	0,0%	0,0%	0,0%						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
13 of which motor vehicle loans	100,0%	38,3%	38,3%	0,0%	0,0%						100,0%	38,3%	38,3%	0,0%	0,0%	0,0%
14 Local government financing	0,2%	0,1%	0,1%	0,0%	0,0%						39,6%	0,1%	0,1%	0,0%	0,0%	1,4%
15 Housing financing	0,0%	0,0%	0,0%	0,0%	0,0%						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
16 Other local governments financing	0,2%	0,1%	0,1%	0,0%	0,0%	39,5%	0,0%	0,0%	0,0%	0,0%	39,6%	0,1%	0,1%	0,0%	0,0%	1,4%
17 Collateral obtained by taking possession: residential and commercial immovable properties	66,6%	0,5%	0,5%	0,0%	0,0%						66,6%	0,5%	0,5%	0,0%	0,0%	0,2%

	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/a adaptation	Of which enabling			
1 GAR	29,6%	7,5%	6,3%	0,0%	0,0%	2,6%	0,0%	0,0%	0,0%	0,0%	32,2%	7,5%	6,3%	0,0%	0,0%	28,2%
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	29,2%	7,5%	6,3%	0,0%	0,0%	2,6%	0,0%	0,0%	0,0%	0,0%	31,9%	7,5%	6,3%	0,0%	0,0%	28,1%
3 Financial corporations	6,7%	4,2%	4,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	6,7%	4,2%	4,2%	0,0%	0,0%	4,3%
4 Credit institutions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	3,4%
5 Other financial corporations	32,9%	20,5%	20,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	32,9%	20,5%	20,5%	0,0%	0,0%	0,9%
6 of which investment firms	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%
7 of which management companies	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
8 of which insurance undertakings	26,2%	17,5%	17,5%	0,0%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%	26,4%	17,5%	17,5%	0,0%	0,0%	0,0%
9 Non-financial corporations subject to NFRD disclosure obligations	21,0%	13,5%	0,0%	0,0%	0,1%	15,3%	0,0%	0,0%	0,0%	0,0%	36,3%	13,5%	0,0%	0,0%	0,1%	2,5%
10 Households	35,5%	7,6%	7,6%	0,0%	0,0%						35,5%	7,6%	7,6%	0,0%	0,0%	20,9%
11 of which loans collateralised by residential immovable property	69,5%	15,1%	15,1%	0,0%	0,0%						69,5%	15,1%	15,1%	0,0%	0,0%	10,5%
12 of which building renovation loans	0,0%	0,0%	0,0%	0,0%	0,0%						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
13 of which motor vehicle loans	100,0%	45,3%	45,3%	0,0%	0,0%						100,0%	45,3%	45,3%	0,0%	0,0%	0,0%
14 Local government financing	0,2%	0,0%	0,0%	0,0%	0,0%						88,0%	0,0%	0,0%	0,0%	0,0%	0,4%
15 Housing financing	0,0%	0,0%	0,0%	0,0%	0,0%						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
16 Other local governments financing	0,2%	0,0%	0,0%	0,0%	0,0%	87,8%	0,0%	0,0%	0,0%	0,0%	88,0%	0,0%	0,0%	0,0%	0,0%	0,4%
17 Collateral obtained by taking possession: residential and commercial immovable properties	100,0%	0,0%	0,0%	0,0%	0,0%						100,0%	0,0%	0,0%	0,0%	0,0%	0,1%

TABLE 98 – Template 9.2. – BTAR%

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Dec 2024: 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/a daptation	Of which enabling				
1	BTAR	44,1%	4,5%	4,3%	0,0%	0,0%	1,6%	0,0%	0,0%	0,0%	0,0%	45,7%	4,5%	4,3%	0,0%	0,0%	58,6%
2	GAR	25,7%	3,8%	3,6%	0,0%	0,0%	0,8%	0,0%	0,0%	0,0%	0,0%	26,5%	3,8%	3,6%	0,0%	0,0%	61,6%
3	EU Non-financial corporations not subject to NFRD disclosure obligations	50,2%	0,8%	0,8%	0,0%	0,0%	2,0%	0,0%	0,0%	0,0%	0,0%	52,2%	0,8%	0,8%	0,0%	0,0%	17,7%
4	of which loans collateralised by commercial immovable property	23,8%	2,0%	2,0%	0,0%	0,0%						23,8%	2,0%	2,0%	0,0%	0,0%	3,2%
5	of which building renovation loans	0,0%	0,0%	0,0%	0,0%	0,0%						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
5	Non-EU country counterparties not subject to NFRD disclosure obligations	11,7%	0,0%	0,0%	0,0%	0,0%	11,1%	0,0%	0,0%	0,0%	0,0%	22,9%	0,0%	0,0%	0,0%	0,0%	0,4%

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Dec 2024: 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/a daptation	Of which enabling				
1	BTAR	35,9%	5,2%	4,4%	0,0%	0,0%	2,3%	0,0%	0,0%	0,0%	0,0%	38,2%	5,2%	4,4%	0,0%	0,0%	44,6%
2	GAR	29,6%	7,5%	6,3%	0,0%	0,0%	2,6%	0,0%	0,0%	0,0%	0,0%	32,2%	7,5%	6,3%	0,0%	0,0%	28,2%
3	EU Non-financial corporations not subject to NFRD disclosure obligations	48,4%	1,3%	1,3%	0,0%	0,0%	2,0%	0,0%	0,0%	0,0%	0,0%	50,4%	1,3%	1,3%	0,0%	0,0%	15,7%
4	of which loans collateralised by commercial immovable property	78,7%	0,0%	0,0%	0,0%	0,0%						78,7%	0,0%	0,0%	0,0%	0,0%	1,7%
5	of which building renovation loans	0,0%	0,0%	0,0%	0,0%	0,0%						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
5	Non-EU country counterparties not subject to NFRD disclosure obligations	5,4%	0,0%	0,0%	0,0%	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%	5,6%	0,0%	0,0%	0,0%	0,0%	0,7%

TABLE 99 – Template 9.3. – Summarizing Table BTAR%

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
BTAR stock	4,5%	0,0%	4,5%	58,6%
BTAR flow	5,2%	0,0%	5,2%	44,6%

TABLE 100 – Template 10 – Other Climate Change Mitigating Actions that are not covered in the EU Taxonomy (Million Euro)

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	Financial corporations	-	-	-	-
2	Non-financial corporations	-	-	-	-
3	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Of which Loans collateralised by commercial immovable property	-	-	-
4		Households	-	-	-
5		Of which Loans collateralised by residential immovable property	-	-	-
6		Of which building renovation loans	-	-	-
7	Other counterparties	-	-	-	-
8	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	78	Yes	No	
10	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Of which Loans collateralised by commercial immovable property	33	Yes	No
11		Households	-	-	-
12		Of which Loans collateralised by residential immovable property	-	-	-
13		Of which building renovation loans	-	-	-
14	Other counterparties	-	-	-	-

APPENDIX I – Mapping of Quantitative Information

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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 ECAIs	Chapter 10
445. Exposure to market risk	Chapter 13
446. Operational risk	Chapter 14
447. Disclosure of key metrics	Chapter 2 and 11
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
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452. Use of the IRB Approach to credit risk	Chapter 8
453. Use of credit risk mitigation techniques	Chapter 10
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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
APB	Portuguese Bank Association
BCBS	Basel Committee on Banking Supervision
BEAR	Business Environment Analysis Report
BM	Basel III Monitoring
BoD	Board of Directors
bps	Basis points (1 basis point = 0,01%)
BRRD	Bank Recovery and Resolution Directive
BTAR	Banking Book Taxonomy Alignment Ratio
C&E	Climate-related and Environmental
CALCO	Capital Assets and Liabilities Committee
CCF	Credit Conversion Factors
CCP	Central Counterparty
CCR	Counterparty credit risk
CET1	Common Equity Tier 1
CGSES	Corporate Governance, Ethics and Sustainability Committee
CRD	Capital Requirements Directive
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	Capital Requirements Regulation - 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
DORA	Digital Operational Resilience Act
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
ESG	Environmental, Social and Governance
EU	European Union
FINREP	Financial Reporting
GAR	Green Asset Ratio
GL	Guidelines
GOS	Management of Social Organizations

IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICS	Internal Control System
ICT	Information and communication technology
IFRS 13	International Financial Reporting Standard 13 - Fair Value Measurement
IFRS 9	International Financial Reporting Standard 9 - Financial Instruments
ILAAP	Internal Liquidity Adequacy Assessment Process
ILO	International Labour Organizations
IRB	Internal ratings based
IRRBB	Interest Rate Risk in the Banking Book
ITS	Implementing technical standard
KNF	Komisja Nadzoru Finansowego: Polish financial Supervisory authority
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MiFIR	Markets in Financial Instruments Regulation
MREL	Minimum requirement for own funds and eligible liabilities
NFC	Non-financial corporations
NII	Net interest income
NPA	Non-performing Assets
NPE	Non-performing Exposures
NPL	Non-performing loan
NSFR	Net Stable Funding Ratio
OECD	Organisation for Economic Co-operation and Development
O-SII	Other Systemically Important Institution
OTC	Over-the-Counter derivatives
PD	Probability of Default
RAC	Risk Assessment Committee (CAVR)
RAF	Risk Assessment Framework, defined as the set of principles, policies, rules, limits and reports that support the Bank's risk management function
RAR	Risk Assessment Report
RAS	Risk Appetite 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
RIP	Risk Identification Process
RMS	Risk Management System
RSA	Risks Self-Assessment
RTS	Regulatory technical standard
RWEA	Risk Weighted: Risk Weighted Exposure Amounts
SFDR	Sustainable Finance Disclosure Regulation

SFT	Securities Financing Transaction
SIBS	Sociedade Interbancária de Serviços
SIC 12	Standing Interpretations Committee (before March 2002); Interpretation that defines the criteria for SPE consolidation according to IAS 27
SME	Small and medium-sized enterprise
SMP	Sustainability Master Plan
SPE	Special Purpose Entity
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRMR	Single Resolution Mechanism Regulation
SSM	Single Supervisory Mechanism
SVaR	Stressed Value at risk
TLAC	Total loss-absorbing capacity
VaR	Value at Risk

Market Discipline Report 2024

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