9M 2024
REPORT & ACCOUNTS

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

9M 2024 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

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

The H1 2024 Annual Report is a translation of the “Relatório e Contas dos primeiros nove meses de 2024” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

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

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

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

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

Nuno Amado
Chairman of the Board of Directors

Main highlights of the Results in 9M 2024

A Solid and Efficient Bank

Profitability

- Group's net income of EUR 714.1 million in the first nine months of 2024, 9.7% above the first nine months of 2023, with core operating profit reaching EUR 1,765.9 million.

- In Portugal, net income amounted to EUR 606.0 million in the first nine months of 2024, corresponding to an increase of 8.8% compared to the same period in 2023.

- Bank Millennium net income stood at EUR 127.0 million in the first nine months of 2024, despite charges of EUR 550,0[1] million related with CHF mortgage loan portfolio (out of which EUR 347.6 million in provisions) and costs related to the extension of credit holidays (mortgage in Zlotys) which totalled EUR 36.6[2] million.

- Millennium bim net income stood at EUR 63.6 million in the first nine months of the year.

Business model

- Solid capital ratios. CET1[3] ratio stood at 16.5% (official ratio, without the Q3'24 net income, of 16.2%) and total capital ratio[3] at 20.8% (official ratio, without the Q3'24 net income, of 20.5%), corresponding to increases of 152 bp and 134 bp, respectively, compared with the same period last year, reflecting the capacity to generate organic capital.

- Liquidity indicators[4] well above regulatory requirements: LCR at 314%, NSFR at 175% and LtD at 68%.

- Group's total Customer funds grew 9.1% year on year to EUR 100.8 billion.

- Reduction in non-performing assets compared to September 2023: EUR 92 million in NPE and EUR 60 million in foreclosed assets.

- Cost of risk[5] of the Group stood at 39 bp in the first nine months of 2024, which compares with 50 bp in the same period of last year.

- Customer base grew 4%, highlighting the increase in mobile Customers (11% from September 2023), which represent 71% of total active Customers at the end of September 2024.

1 Before taxes and non-controlling interests. Includes provisions for legal risk, costs with out-of-court settlements and legal advice. Does not include provisions for legal risk on CHF mortgages of Euro Bank (guaranteed by a third party). 2 Before taxes and non-controlling interests. Reduction of EUR 10 million compared to Q2´24 due to the revision of the estimated rate of adherence to the credit holidays. 3 Fully implemented ratio including unaudited net income of the first nine months of 2024. 4 Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD). 5 Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first nine months of 2024 stood at 49 bp.

Main highlights (1)

million EUR

	30 Sep. 24	30 Sep. 23 (restated 2)	Chg. 24/23
BALANCE SHEET			
Total assets	100,226	91,160	9.9%
Equity	8,038	6,839	17.5%
Loans to customers (net)	55,951	55,112	1.5%
Total customer funds	100,776	92,379	9.1%
Balance sheet customer funds	83,525	76,876	8.6%
Deposits and other resources from customers	82,239	75,534	8.9%
Loans to customers (net) / Deposits and other resources from customers (3)	68.0%	73.0%	
Loans to customers (net) / Balance sheet customer funds	67.0%	71.7%	
RESULTS			
Net interest income	2,111	2,117	(0.3%)
Net operating revenues	2,692	2,793	(3.6%)
Operating costs	947	855	10.8%
Operating costs excluding specific items (4)	944	842	12.0%
Results on modification	(62)	(15)	<-200%
Loan impairment charges (net of recoveries)	166	211	(21.3%)
Other impairment and provisions	461	602	(23.5%)
Income taxes	263	387	(32.2%)
Net income	714	651	9.7%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (3)	3.7%	4.1%	
Return on average assets (ROA)	1.1%	1.1%	
Income before tax and non-controlling interests / Average net assets (3)	1.4%	1.6%	
Return on equity (ROE)	14.9%	16.0%	
Return on tangible equity (ROTE)	15.4%	16.6%	
Income before tax and non-controlling interests / Average equity (3)	19.5%	24.5%	
Net interest margin	3.05%	3.39%	
Cost to core income (4)	34.8%	31.2%	
Cost to income (3)	35.2%	30.6%	
Cost to income (3)(4)	35.1%	31.6%	
Cost to income - Activity in Portugal (3)(4)	32.4%	30.3%	
Staff costs / Net operating revenues (3)(4)	19.3%	17.1%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.) (5)	39	50	
Non-Performing Exposures (loans to customers) / Loans to customers	3.4%	3.6%	
Total impairment (balance sheet) / NPE (loans to customers)	79.8%	76.6%	
Restructured loans / Loans to customers	2.8%	3.1%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	314%	244%	
Net Stable Funding Ratio (NSFR)	175%	160%	
CAPITAL (6)			
Common equity tier I phased-in ratio	16.5%	14.9%	
Common equity tier I fully implemented ratio	16.5%	14.9%	
Total ratio fully implemented	20.8%	19.4%	
BRANCHES			
Activity in Portugal	397	400	(0.7%)
International activity	805	811	(0.7%)
EMPLOYEES			
Activity in Portugal	6,275	6,275	0.0%
International activity (7)	9,441	9,458	(0.2%)

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter.
(2) On 1 January 2023, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49.9% owned by the Group and accounted for under the equity method, adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. During the first half of 2024, Mbcp Ageas reviewed the transition adjustments relating to the adoption of those IFRS, which resulted in a reduction in the amount of the participation by EUR 9 million against reserves.
The investments in Lusofundo – Fundo de Investimento Imobiliário Fechado (42.5%) and Fundo Especial de Investimento Imobiliário Eurofundo (35.1%), received at the end of 2022 as part of the sale process designated as project Crow (sale of hospitality assets and of all the units in two corporate restructuring funds), were reclassified to investments in associates with reference to the end of that year. The book value of shares in these two entities on 30 September 2024 totalled EUR 27 million (EUR 28 million on 30 September 2023), with the contribution of these entities to equity accounted earnings being not very expressive in the first nine months of 2024 (EUR -2 million in the first nine months of 2023, previously recognised in net trading income).
(3) According to Instruction from Banco de Portugal no. 16/2004, as the currently existing version.
(4) Excludes the impact of specific items: negative impact of EUR 3 million in the first nine months of 2024 and positive impact in the amount of EUR 115 million in the same period of 2023. In the first nine months of 2024, specific items include costs with employees terminations, namely indemnities and early retirements and income recognised after an agreement related to liabilities with former directors of the Bank. In the first nine months of 2023, specific items include income of EUR 127 million recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. and costs of EUR 12 million recognised as staff costs in the activity in Portugal [(i) costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022; (ii) costs with mortgage financing to former employees; (iii) costs with employees terminations and (iv) income recognised after an agreement related to liabilities with former directors of the Bank].
(5) Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first nine months of 2024 stood at 49 bp.
(6) Presented figures include unaudited accumulated net income of the respective periods.
(7) Of which, in Poland: 6,819 employees as at 30 September 2024 (corresponding to 6,696 FTE - Full-time equivalent) and 6,899 employees as at 30 September 2023 (corresponding to 6,776 FTE - Full-time equivalent).

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non-executive members, and with a majority of independent members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed on the plan with the EC, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A..

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of loans to the economy, with a market share of approximately 10% in business volume. The entity resulting from this merger ceased to be controlled by BCP.

In January 2017, BCP announced a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including the dividend ban, the risk of potential sale of core businesses and the tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of the CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above regulatory requirements.

On December 27, 2019, the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter, was signed, thus completing the incorporation process of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A..

On 27 August 2019, the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders representing 78.53% of its share capital, participated, approved the merger of Bank Millennium S.A. with Euro Bank S.A.. The completion of the integration of Eurobank S.A. into Bank Millennium S.A. took place in November, with the Bank resulting from the merger now operating under a single brand, a single operating system and a single legal entity.

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”). The sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”) to Union Bancaire Privée, UBP SA was completed on November 2, 2021. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

On 29 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

In the 1st half of 2023, Bank Millennium concluded the sale of 80% of Millennium Financial Services, as part of the strategic partnership in the bancassurance area.

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

In the 3rd quarter of 2024 Earnings Presentation, BCP and Bank Millennium presented their strategic plans for 2025-28.

Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors (BD), which includes an Executive Committee (EC) and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board (RWB) and a Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, elected at the General Meeting.

The BD is the governing body of the Bank with the broad powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the Bank's articles of association, the BD is made up of a minimum of 15 and a maximum of 19 members with and without executive functions, elected by the General Meeting of Shareholders for a period of four years, with re-election permitted. As of June 30, 2024, the Board of Directors was made up of 16 members, of which 14 were elected at the General Meeting of Shareholders held on May 4, 2022 and 2 were co-opted by the Board of Directors on October 11, 2022, having the co-option was ratified at the General Assembly held on December 20, 2022, after authorization for the exercise of functions by the ECB (on December 7).

Of the 16 members that make up the BD, 6 are executive and 10 are non-executive, with 5 qualified as independent.

The BD began its functions on September 5, 2022 and appointed an EC, composed of six of its members, with the Chief Executive Officer being appointed by the General Meeting, with the two co-opted members starting their duties on February 4, 2023. The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

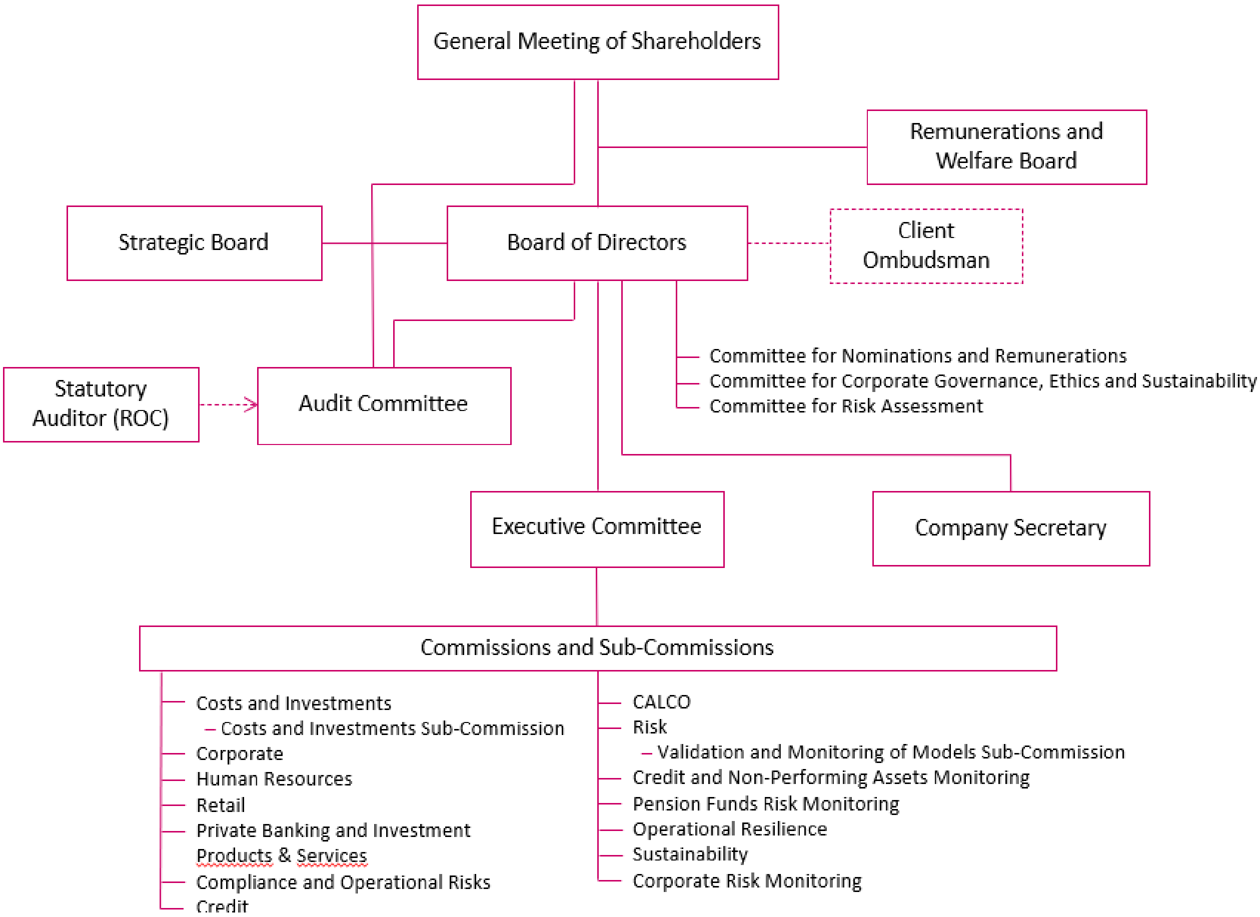
Banco Comercial Português, S.A. is in the process of identifying and selecting a new non-executive member to join the Board of Directors.

The supervision of the company is ensured by an Audit Committee (AudC), elected by the General Meeting of Shareholders, and composed of a minimum of 3 and a maximum of 5 members, elected together with the other administrators, and the lists proposed for the BD must detail the members who are intended to form part of the Audit Committee and indicate the respective President. AudC is made up of 3 non-executive directors, the majority of whom are independent members as well as its president and also includes an alternate member.

The Remunerations and Welfare Board (RWB) and the Strategic Council have the functions described in the By-Laws, with the latter Council being a non-permanent body.

The Company Secretary and the Alternate Secretary are appointed by the Bank's BD, and their term-of-office matches that of the BD that appointed them.

Corporate Governance Model



Identification and composition of the Corporate Bodies and Committees from the Board of Directors

The Board of Directors and its Committees currently have the following composition:

	Board of Directors (BD)	Executive Committee (EC)	Audit Committee (AudC)	Committee for Corporate Governance, Ethics and Sustainability (CCGES)	Committee for Nominations and Remunerations (CNR)	Risk Assessment Committee (RAC)
Nuno Manuel da Silva Amado (Chairman of BD and of CGSES)	●			●		
Jorge Manuel Baptista Magalhães Correia (Vice-Chairman of BD and Member of RWB)	●					
Valter Rui Dias de Barros (Vice-Chairman of BD)	●		●		●	
Miguel Maya Dias Pinheiro (Vice- Chairman of BD)	●	●				
Ana Paula Alcobia Gray	●					●
Cidália Maria da Mota Lopes (Chairman of AudC)	●		●			
Fernando da Costa Lima (Chairman of (RAC)	●		●			●
João Nuno de Oliveira Jorge Palma	●	●				
Lingzi Yuan (Smilla Yuan) (Chairman of CNR)	●				●	
José Miguel Bensliman Schorcht da Silva Pessanha	●	●				
Lingjiang Xu	●			●	●	
Maria José Henriques Barreto de Matos de Campos	●	●				
Miguel de Campos Pereira de Bragança	●	●				
Rui Manuel da Silva Teixeira	●	●				
Xiao Xu Gu (Julia Gu)*	●					
Altina de Fátima Sebastian Gonzalez **	●					●
José Pedro Rivera Ferreira Malaquias	●			●		

* Director resigned from her position on January 5, 2024, taking effect on February 29. ** Substitute member of the Audit Committee.

The Remuneration and Welfare Board is chaired by José António Figueiredo Almaça and composed of the two vice-chairmen Jorge Magalhães Correia e Valter Barros.

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

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

Chairman: Pedro Rebelo de Sousa

Vice-chairman: Octávio Castelo Paulo

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

Main events in 9M 2024

During the first nine months of 2024, in a context in which the risks associated with the international geopolitical situation have escalated and simultaneously there was a progressive normalisation in Portugal through the government action, with an impact on the decisions of companies and families, BCP stood out for its central role in proximity, trust and quality in the services provided to its Customers, continuing to decisively support families and companies.

On 20 September 2024, the Bank informed that the Competition, Regulation and Supervision Court made public its ruling on case no. 225/15.4YUSTR-W regarding the challenge of the fine levied in September 2019 by the Portuguese Competition Authority on a group of banks, including BCP, for alleged violation of competition legislation. The fine imposed by the Court on BCP amounted to EUR 60 million. As far as it is concerned, BCP disagrees with the framing and assessment made by the Court of the evidence that was produced during the trial hearings, as well as the evidence that is a part of this process. BCP will appeal the decision, as the decision is not yet final. In any event, the Bank does not anticipate that this court ruling will have a materially relevant impact on the Bank's respective financial statements and equity. The Bank reiterates that its understanding is that the information shared during the relevant period (2002-2013) among the banking institutions named in this process had neither the purpose of affecting nor any adverse effect on competition among those institutions, and that in the course of this judgment it was not proven that the exchange of information resulted in any negative financial impact on the Bank's customers.

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

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

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

- 25.17% of the total risk exposure amount ("TREA" or "Total Risk Exposure Amount") to which adds further a combined buffer requirement ("CBR" or "Combined Buffer Requirement") of 3.5%, thus corresponding to total requirements of 28.67%); and

- 6.67% of the leverage ratio exposure measure ("LRE" or "Leverage Ratio Exposure Measure").

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

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

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

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

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

Banco Comercial Português concluded on 22 May 2024 with 64.10% of the share capital represented, the Annual General Meeting of Shareholders, with emphasis on the following resolutions: Election of the Board of the General Meeting for the 2024/2027 four-year period; Approval of the management report, the balance sheet and the individual and consolidated financial statements for the 2023 financial year, the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report; Approval of the proposal for the appropriation of profit regarding the 2023 financial year; Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative; Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies; and Approval of the appointment of the Statutory Auditor and its alternate and the selection of the External Auditor for the four-year period 2024/2027.

On 22 May 2024, BCP informed that, at the General Shareholders' Meeting held on that date, it proceeded with the election of the Statutory Auditor, Effective and Alternate and the choice of the External Auditor for the four-year period 2024/2027, as follows:

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

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

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

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

On 11 January 2024, BCP informed that it has set the conditions for a new issue of Additional Tier 1, in the amount of EUR 400 million, with the option of early repayment by Millennium bcp from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78%. The operation, which generated strong market interest, followed a series of meetings involving more than 60 investors. Demand, in the final terms of the issue, reached an amount exceeding EUR 3 billion (more than 7 times the amount issued), with orders from more than 250 institutional investors.

On 11 January 2024, the EIB signs an agreement with Millennium bcp to provide EUR 400 million in new loans to Portuguese companies.

On 5 January 2024, BCP informed, under the terms and for the purposes of article 6 of CMVM Regulation No. 1/2023, that the Non-Executive Director Xiaoxu Gu (also known as Julia Gu) presented on that day its resignation to the position of non-executive member of the Board of Directors, effective from 29 February 2024. The Bank informed that it began the process of identifying and selecting a new non-executive member to join its Board of Directors in accordance with the applicable Bank's regulations. The conclusion of this process will be announced in due course and will not affect the regular functioning of the Board of Directors.

On 1 January 2024, BCP informed that it has decided to exercise its option to early redeem all its Additional Tier 1 notes “Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes” (ISIN: PTBCPFOM0043), issued on 31 January 2019, in accordance with Condition 9.2 of the terms and conditions of the Notes. The early redemption of the Notes took place on their first call date according with its terms and conditions, 31 January 2024, at their outstanding principal amount together with accrued interest.

AWARDS AND DISTINCTIONS

- Millennium bcp has been named the Best Consumer Digital Bank in Portugal for the fourth consecutive year at the World’s Best Digital Bank Awards 2024, organised by Global Finance magazine. Across all subcategories of these awards, Millennium bcp is also the Portuguese bank with the most accolades, including Best Information Security and Fraud Management, Best User Experience (UX) Design and Best Social Media Marketing and Services.
- Millennium bcp and ActivoBank were elected “Consumer Choice” in 2024. Millennium bcp was distinguished in the “Large Banks” and “Banking Apps” categories and ActivoBank in the “Digital Banking” category. It should be noted that Millennium bcp was distinguished as “Consumer's Choice” for the fourth consecutive year while ActivoBank has been in leadership for six years.

- Millennium bcp was distinguished with the 2024 Five Star Award in the Large Banks category.
- Millennium bcp considered the “Best Investment Bank in Portugal” in 2024 by Global Finance magazine.
- Millennium bcp was elected “Best Foreign Exchange Bank 2024 in Portugal” by Global Finance magazine.
- Millennium bcp considered as the “Best Bank (market leader) and with Best Service (best service) in the Trade Finance category in Portugal” by Euromoney magazine.
- Millennium bcp distinguished in the 13th Edition of the Euronext Lisbon Awards in the Local Market Member Category Equity and received in that same edition of the Euronext Lisbon Awards with two awards in the Growing Structured Finance category.
- Millennium bcp leads Inovadora COTEC for the 4th consecutive year.
- Millennium bcp won the APCC Best Contact Centers 2024 award in the category of Best Banking Contact Center in Portugal.
- Millennium bcp was distinguished in the ranking of Companies Committed to Youth, which aims to recognise the best companies in the Iberian Peninsula and Latin America that promote initiatives for the development of Young Talent. This initiative is the responsibility of the OIJ-International Youth Organisation and DCH-International Organisation for Human Capital Management.
- Bank Millennium was distinguished in several categories of the World’s Best Digital Bank Awards 2024, promoted by Global Finance magazine, including Best User Experience (UX) Design, Best Information Security and Fraud Management and Best in Transformation in Poland.
- Bank Millennium was considered the “Best Bank in Poland” in 2024 by Global Finance magazine.
- Bank Millennium was awarded Best Trade Finance Services in Poland by Global Finance magazine.
- Bank Millennium was distinguished as a Reliable Employer for the tenth consecutive time.
- Bank Millennium was awarded by the eleventh time as "Service Quality Star".
- Bank Millennium was distinguished in Global Finance’s “The Innovators 2024” awards.
- Bank Millennium was included in the list of the 10 best banks in Europe in terms of Customer experience. It was ranked on the top 10 of the report “The European Banking CX Index”, developed by market research company Forrester.
- Bank Millennium came in second place in the Multichannel Service Quality category in the Golden Banker 2024 ranking.
- Bank Millennium was distinguished by the Global Finance registry with the title "The Greatest innovation in Finance" in the Corporate Finance category.
- Bank Millennium achieved second place in the "Best Employers in Poland 2024" ranking, in the Banking and Financial Services category, by Forbes in collaboration with the company Statista.
- Bank Millennium stands out in the "ESG Responsible Management" ranking, having come in third place in the Governance section and in the TOP 10 of the general classification.
- The Millennium bim brand was considered by Mozambican consumers to be the best in the financial sector in the "Large Banks" category, within the scope of the first edition of the "Mozambican Consumer Choice" project, organised by Consumer Choice, in which Millennium bim was the only distinguished national bank.
- Millennium bim was distinguished as “Best Digital Bank” in Mozambique at the Euromoney Awards for Excellence 2024.
- Millennium bcp is “The Best Bank for Sustainable Finance in Portugal” according to Global Finance magazine.

SUBSEQUENT EVENTS

On 19 November 2024, the Bank informed that Moody’s rating agency on that day, upgraded the Bank's senior unsecured debt rating from Baa2 to Baa1 and affirmed deposits rating at A3, maintaining the rating assigned to deposits at the same level to that assigned to the Portuguese Republic. On the same date, Moody`s revised the Outlook on deposits from stable to positive. This upgrade of BCP's ratings by Moody’s reflects the improvement in asset-risk indicators as a result of a successful derisking strategy implemented in Portugal in recent years, its higher capital levels and the group’s improved bottom-line profitability, despite still being strained over the outlook period by sizable legal provisions associated to BCP's Polish subsidiary's legacy Swiss franc mortgage portfolio. In the scope of the review carried out by Moody’s, it was simultaneously communicated, the upgrade of the Baseline Credit Assessment (BCA) and Adjusted BCA from Ba1 to Baa3, the junior senior debt rating to (P)Baa3, the dated subordinated debt to (P)Ba1. BCP's BCA also reflects the Bank's sound funding and liquidity position. Furthermore, the Outlook on the long-term senior unsecured debt was placed on Stable and the Outlook on deposits was changed to positive.

On 14 October 2024, the Bank informed that it has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme. The issue, in the amount of EUR 500 million, has a tenor of 5 years, with the option of early redemption by the Bank at the end of year 4, an issue price of 99.660% and an annual interest rate of 3.125% during the first 4 years (corresponding to a spread of 0.85% over the 4-year mid-swap rate). The interest rate for the 5th year was set at 3-month Euribor plus a 0.85% spread. The issue was placed among a very diversified base of institutional investors, with demand exceeding the transaction amount by more than 3 times. The high level of demand and the profile of the investors involved in the issuance allowed for the narrowing of the spread by 30 bps during the execution phase. The result also reflects the excellent market response to the recent upgrades of the Bank's rating.

On 8 October 2024, the Bank informed that it has decided to exercise its option to early redeem all of its EUR350,000,000 Senior Preferred Fixed to Floating Rate Notes due October 2025 (ISIN: PTBCPBOM0062), issued on 25 October 2022 under the EUR25,000,000,000 Euro Note Programme (the "Notes"), in accordance with condition 6(d) of the terms and conditions of the Notes and the final terms of the Notes. The early redemption of the Notes shall take place on the optional redemption date set out in the final terms of the Notes, 25 October 2024, at their outstanding principal amount together with accrued interest.

On 4 October 2024, the Bank informed that S&P Global upgraded BCP's senior unsecured debt ratings from BBB- to BBB, keeping the positive Outlook. This upgrade reflects easing industry risks in the system and BCP's improved credit risk profile, both in absolute and relative terms. BCP has halved its NPE stock since end-2019, while posting solid profitability, enhancing its capitalisation, and maintaining ample liquidity and a balanced funding profile. S&P anticipates that BCP will continue benefiting from a strong earnings capacity, keeping high levels of efficiency and solid levels of capitalisation. The positive outlook reflects that S&P could raise its long-term rating on BCP over the next 18-24 months if it keeps growing and sustainably preserving its capitalisation.

On 3 October 2024, the Bank informed that Morningstar DBRS rating agency upgraded the Bank's deposits ratings from BBB (high) to A (low) and the senior unsecured debt ratings from BBB to BBB (high). The upgrade to BCP's credit ratings by Morningstar DBRS's reflects the Bank's earnings and internal capital generation, improved capitalisation levels and asset quality, reflecting the progress in reducing non-performing exposures (NPEs). The stable trend reflects the expectation that risks to the outlook are balanced. The Bank's provisions will likely remain elevated although decreasing, reflecting the legal and financial risks linked to legacy CHF-indexed mortgages in the Polish subsidiary, which are expected to gradually subside. The trend also reflects Morningstar DBRS expectation that the Bank will maintain healthy profitability levels and solid capital buffers.

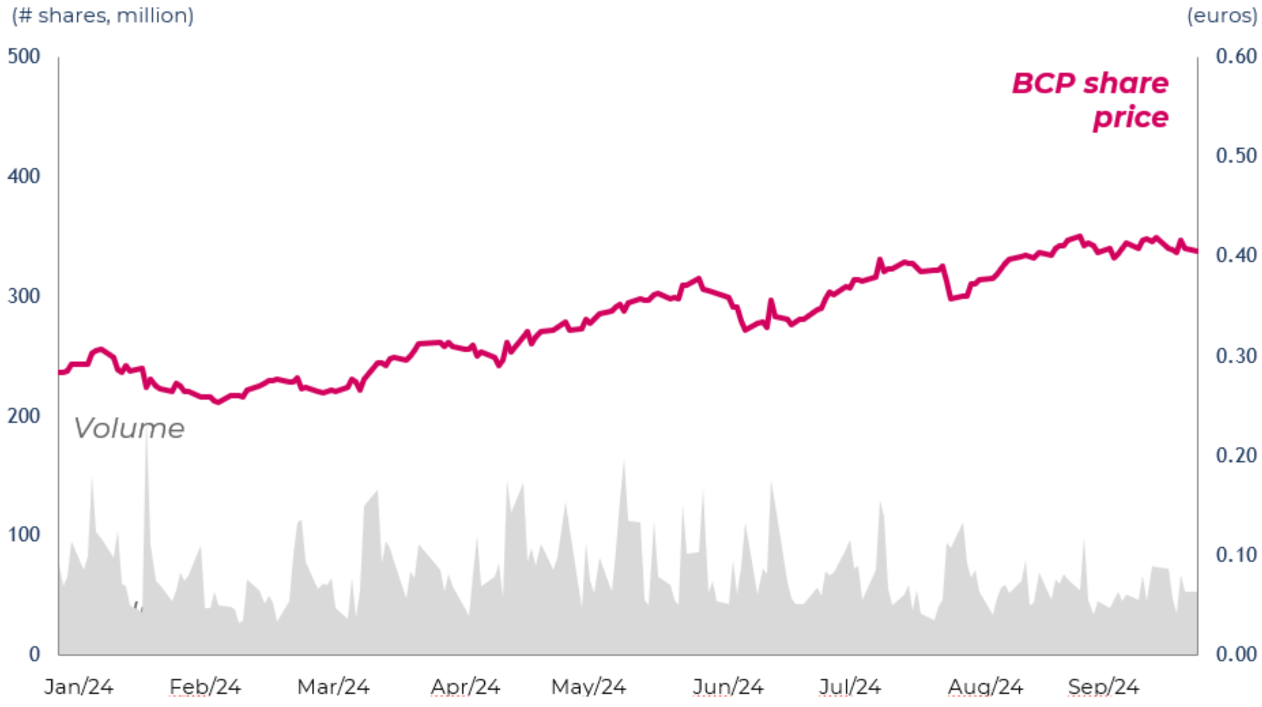
BCP Share

In the first nine months of 2024, BCP shares outperformed the European banking benchmark index (STOXX® Europe 600 Banks). During this period, BCP shares appreciated by 47.7%, surpassing the appreciation of the index, which stood at 20.3%.

Despite the worsening of the geopolitical context, the risks of a global economic slowdown and the downward trajectory of inflation motivated the main central banks to reduce their official rates. In September, the ECB carried out the second interest rate cut in 2024, reducing the deposit rate by 25bps to 3.5%. In October, the ECB cut interest rates again, currently standing at 3.25%. This year, the Federal Reserve began a cycle of lowering official rates in September, with a 50bp cut to 4.75-5.0%. On November 7th the US Federal Reserve cut rates again, currently standing between 4.50% and 4.75%. BCP's performance during the first nine months of 2024 was mainly related to improved profitability, particularly in the Portuguese operation. BCP's operational efficiency and strong organic capital generation (CET1 of 16.5% at the end of September) were also determinant factors for the positive performance of BCP shares in this period.

The results of BCP during 2024 were positively received by the market, having led to several upward revisions to the BCP’s shares recommendations and improvements in price targets.

At the end of September, buy recommendations represented 87% of the total (13 analysts), the neutral recommendation represented 13% of analysts (2 analysts) and there were no recommendations on that date of sale by analysts who follow BCP.The average price target for the BCP share was set at EUR 0.51, representing an increase of EUR 0.11 compared to the EUR 0.40 observed in December 2023 and EUR 0.33 compared to the average analyst price in December 2022.



Source: Euronext, Refinitiv

Economic environment

The International Monetary Fund (IMF) has maintained its forecast for global Gross Domestic Product (GDP) growth in 2024 at 3.2%. However, this forecast is associated with significant downside risks, mainly related to the worsening of geopolitical tensions.

The performance of financial markets was positive in the third quarter of the year, despite the higher volatility observed at the beginning of August. The return to a less risk-averse environment benefited from the reduction in the restrictiveness of monetary policy by the US Federal Reserve, which announced in September a 50 basis points (bps) interest rate cut, for the first time since 2020. In turn, the European Central Bank (ECB) announced an additional cut to its key interest rates, setting the deposit facility rate at 3.50%. Against this backdrop, the major global equity indices resumed an upward trajectory, reinforcing the gains recorded in the first half of the year. However, in the case of European equity markets, gains were more moderate, hampered by weak economic activity in Germany and political uncertainty in France. Regarding the public debt markets, there was a significant drop in yields on US government bonds, particularly for shorter maturities, while their German counterparts recorded smaller decreases. Additionally, there was an improvement in risk premia for peripheral countries, notably in Portugal, which contrasted with the deterioration observed in France. Additionally, there was an improvement in risk premia for peripheral countries, notably in Portugal, which contrasted with the deterioration observed in France. The more optimistic outlook in financial markets also led to a narrowing of corporate debt risk premia, which are at historically low levels. Market expectations that the cycle of reducing the restrictiveness of monetary policy in the euro area will continue in the coming quarters contributed to the downward trend in Euribor rates observed since the beginning of the year.

In the second quarter of 2024, the Portuguese GDP slowdown, on a quarterly basis, hindered by the negative contribution of net external demand, resulting from the increase in service imports, while domestic demand accelerated, benefiting from the dynamism of private consumption and increased investment. Against this backdrop, Banco de Portugal revised downwardly its GDP growth forecasts for 2024, from 2.0% to 1.6%. However, it is worth noting that this forecast envisages an acceleration of GDP at the end of the year, driven by the recovery of external demand, along with the prospects for investment expansion, on the back of the reduction in interest rates and the implementation of the Recovery and Resilience Plan, and the dynamism of private consumption, in a context of increased household disposable income, reflecting favourable labor market conditions and the positive effects of fiscal measures. These factors are expected to persist in 2025 and contribute to an acceleration of the GDP growth rate from 1.6% to 2.1%. Regarding inflation, despite the uneven path observed in recent months, in the third quarter the inflation rate decreased from 3.1% to 2.3%.

In Poland, GDP accelerated in the second quarter of 2024, year-on-year, from 2.0% to 3.2%, driven by the dynamism of domestic demand, mainly of the private consumption, which benefited from the downward trend in inflation in the first half of the year. In the coming quarters, economic activity is expected to remain robust, with the IMF forecasting a GDP growth rate of 3.0% over the year. In the third quarter, there was a resurgence of inflation, from 2.6% to 4.7%, resulting from wage increases, particularly in the public sector, and rising energy prices. For 2024, the IMF forecasts an inflation rate of 6.2%. In this context, the central bank of Poland kept the reference interest rate unchanged at 5.75%, and the Zloty appreciated slightly in the third quarter.

In Mozambique, GDP accelerated in the second quarter, from 3.2% to 4.5%, a trend expected to continue in the coming quarters, with the IMF projecting that GDP will growth 4.3% over the year. The inflation downward path led to a further reduction in the central bank's reference interest rate in September, from 14.5% to 13.5%. In this context, the Metical depreciated compared to the previous quarter.

In Angola, amid the persistence of inflationary pressures, with the inflation rate at 30.5% in August, the central bank maintained its reference interest rate at 19.5%. The Kwanza depreciated compared to the previous quarter.

Business Model

Nature of operations and main activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Mozambique, Angola (through its associate BMA) and China (Macao branch). All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, personal loans, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

In Portugal, Millennium bcp is focused on the retail and companies markets, providing services to its Customers in a segmented manner. The Bank makes products available to Customers through its network of branches, offering a wide range of products and services.

Distinctive factors of the business model

Largest private sector banking institution

BCP is the largest private banking institution in terms of business volume in Portugal, assuming a leading and prominent position in various financial products and services as well as different market segments, with its activity based on a modern branch network with wide coverage at a national level. In addition, the Bank has remote banking channels (banking service by telephone, Mobile Banking and Internet), which act as distribution points for its financial products and services.

The activity in the domestic market focuses on Retail Banking and Companies, which is segmented in order to best serve Customer needs, through a value proposition based on innovation and speed, targeting Mass-market Customers, and through the innovation and customized management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers. Retail Banking is also developed through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

At the end of September 2024, Millennium bcp continued to be the largest Portuguese privately-owned bank on business volumes and with a relevant position in the countries where it operates.

On 30 September 2024, operations in Portugal accounted for 66% of total assets, 67% of total loans to Customers (gross) and 69% of total customer funds. The Bank, in Portugal, had more than 2.7 million active Customers at the end of September 2024 and market shares of 16.6% of loans to Customers and 18.9% of customer deposits at the end of September 2024.

International presence as a platform for growth

At the end of September 2024, Millennium bcp had an international presence throughout the world through its banking operations, representative offices and/or commercial protocols, serving more than 6.9 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, a service quality and with high brand recognition.

In August 2024, Bank Millennium had a market share of 5.7% in loans to Customers and of 5.8% in deposits.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.2 million Active Customers and is the reference bank in this country, with market shares of 15.7% in loans and advances to Customers and of 22.2% in deposits, in the end of August 2024. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, strong penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

On 22 April 2016, the deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed. The bank resulting from the merger is an associate of Banco Comercial Português.

The Group also operates in the Far East since 1993. The activity of the existing branch in Macau was expanded in 2010, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

The Bank also has 6 representation offices (1 in the United Kingdom, 2 in Switzerland, 2 in Brazil and 1 in China, in Guangzhou) and 1 commercial protocol (France).

Closer to its Customers

At Group level, the Bank surpassed 6.9 million active Customers, with emphasis on mobile Customers which grew 11% (+470 thousand Customers), surpassing the threshold of 4.8 million Customers, representing a penetration rate 71% of active Customers (compared to 66% compared to the same period last year).

In Portugal, BCP has almost 2.8 million Active Customers, which clearly demonstrates the trust placed in the Bank, and with regard to mobile Customers, the growth trend continued, having increased by 14% (+211 thousand Customers) compared to September 2023. the Bank reached more than 1.7 million mobile Customers, representing 62% of the active Customer base in Portugal, which compares with 56% compared to the same period last year.

Based on its skills and quality of service, Customers continue to consistently reward the Bank, with BCP being selected as Consumer Choice for the 4th consecutive year, a distinction that makes it very proud, but which simultaneously challenges it. The Bank was also again distinguished with the 5 Star award among Large Banks and ActivoBank was distinguished with the 5 Star award in the Digital Banking category. In the business segment, Millennium bcp was distinguished as the "Main Bank for Companies" in the DATA E 2023 Study and was also considered by Portuguese Businessmen as the "Bank with the Most Suitable Products for Companies”, the "Most Innovative Bank”, " Overall Best for Business" and “Most Efficient”.

Growth based on digital/mobile banking

Since its incorporation, the Bank has been recognized by the innovation. The Bank was the first in Portugal to introduce specific innovative concepts and products, including direct marketing methods, branch formats based on Customer profiles, salary accounts, simplified branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

In the first nine months of 2024, it should be highlighted the strong growth in the number of transactions on mobile (in year-on-year terms):

- +24% in transactions (+36% P2P transfers; +28% national transfers; +10% payments);
- +45% in sales (+33% cards; +12% personal credit; +50% savings).

The number of digital interactions increased 14% year-on-year, from 451 million to 515 million.

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

Digital sales reinforced their weight in the number of operations, from 81% to 84%, with emphasis on the increase in sales made through the App.

App Millennium leads the ratings of technology platforms with scores very close to 5.

Business Model Sustainability

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

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

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

This alignment is central to Sustainability at Millennium bcp, and organizations in general, remaining a privileged means of determining the social and environmental impact of the activity carried out and the corporate performance expected of the company in these dimensions. The Bank is aware of the competitive advantage of incorporating environmental, social and corporate governance factors, opportunities, risks and impacts into decision-making processes and reflecting them in the offering of solutions, products and services, in line with what is recommended by the Strategic Plan "Excelling 24", document that summarizes Millennium bcp's vision and objectives for the three-year period 2021-2024.

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

Financial information

Results and Balance Sheet

PROFITABILITY ANALYSIS

NET INCOME

In the first nine months of 2024, the consolidated net income of Millennium bcp amounted to EUR 714 million, showing a 9.7% growth from the EUR 651 million achieved in the same period of the previous year.

This evolution benefited from the favourable performance of both the activity in Portugal and the international activity, corresponding to a return on equity (ROE) of 14.9% in the first nine months of 2024.

It should be noted that this performance compared to the same period of the previous year was strongly influenced by the extraordinary gain, recorded in the first quarter of that year in the amount of EUR 127[1] million resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., within the scope of the strategic partnership in the bancassurance business.

On the other hand, the growth of net income of the Group, in the period under review, benefited largely from the favourable evolution of impairments and provisions and, although less significant, also from the income from loan sales and from the growth in core income. These positive impacts were, however, offset by the increase in operating costs and in costs associated with foreign exchange mortgage portfolio in the Polish subsidiary (excluding provisions) and also by the recognition in the second quarter of 2024 of cost resulting from the extension of credit holidays, associated with mortgage loans denominated in Zlotys, also in the Polish subsidiary.

In this sense, it should be noted the strong contribution to the performance of net income of the Group from the reduction, in the amount of EUR 135[2] million (from EUR 483 million in the first nine months of 2023 to EUR 348 million in the same period of this year) in the additional provisions booked to face the legal risk implicit in foreign exchange mortgage portfolio in the Polish subsidiary.

Although the amount of these provisions was lower than the amount recognised in the first nine months of 2023, the remaining costs associated with foreign exchange mortgage portfolio have increased in the same period, leading to a reduction of the overall cost amount of only EUR 40[3] million (from EUR 590 million to EUR 550 million), which continue to heavily penalise the results of the Group.

On the other hand, the favourable performance of net income of the Group also benefited from the reduction in loans impairment charges (net of recoveries), which, in consolidated terms, decreased EUR 45 million (-21.3%), totalling EUR 166 million at the end of September 2024, benefiting from the reversal of impairments in the second quarter of the year in the activity in Portugal.

Net income of the Group was also positively influenced, although in a less expressive way, by the core income evolution, from EUR 2,696 million to EUR 2,713 million (+0.6%) mainly reflecting the performance of net commissions, which grew by 4.0% compared to the first nine months of 2023, totalling EUR 602 million at the end of September 2024. Both in the activity in Portugal and in the international activity, net commissions reached a higher level than a year earlier, with the growth in the activity in Portugal being determined by the increase in commissions related to the bancassurance activity following the update of the insurance distribution fees. Net interest income of the Group, in turn, was in line (-0.3%) with the amount recorded in the same period of the previous year, rising to EUR 2,111 million at the end of September 2024. This evolution was due, however, to different dynamics, since the impact of the increase in the contribution of the international activity was fully offset by the reduction in the activity in Portugal.

[1] Before taxes and non-controlling interests. In addition to this gain, an additional gain of EUR 12 million was also recognised in the fourth quarter of the previous year, associated with this operation.
[2] Net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party recognised in other net operating income. Before taxes and non-controlling interests.
[3] Before taxes and non-controlling interests.

The positive impacts mentioned above were offset by the increase in operating costs, mainly regarding international activity. In fact, despite the disciplined management of costs by the Group, operating costs were 10.8% above the EUR 855 million recorded a year earlier, amounting to EUR 947 million at the end of September 2024. Both staff costs and other administrative costs were higher than in the first nine months of 2023, in the activity in Portugal and mainly in the international activity. Regarding amortisations and depreciations, although they were also higher than the amount recorded in the same period of the previous year, reflecting the performance of the international activity, their impact on the evolution of operating costs was not significant.

The performance of net income of the Group continues to be influenced by extraordinary effects associated with the Polish subsidiary, such as the upfront recognition of the costs arising from the moratoriums program (credit holidays). In fact, following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of an act on changes to the act on support for mortgage borrowers who are in challenging financial situation and the act on crowdfunding for business ventures and assistance to borrowers, introducing, among others, an extension of credit holidays for Zlotys mortgage borrowers by four more months in 2024, Bank Millennium had recorded in the second quarter of 2024 the estimated total cost resulting from the act in the amount of EUR 47 million, recognised as results on modification. In the third quarter of the year, taking into account the participation of eligible mortgage borrowers in credit holidays, Bank Millennium lowered the estimated impact it had recognised, from a cost of EUR 47 million in the first half of the year to a cost of EUR 37 million at the end of September.

Influenced by the aforementioned increase in operating costs, core operating profit of the Group amounted to EUR 1,766 million, in the first nine months of 2024, standing 4.1% below the EUR 1,841 million achieved in the same period of the previous year.

The previous analysis does not exclude the impact of specific items considered in each period. In the first nine months of 2024, specific items had a negative impact of EUR 3 million (before taxes), recognised in staff costs in the activity in Portugal, while, in the same period of 2023, the impact was positive, in the amount of EUR 115 million (before taxes and non-controlling interests), including income of EUR 127 million recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (EUR 118 million recognised as net trading income and EUR 9 million recognised as other net operating income) and costs of EUR 12 million recognised as staff costs in the activity in Portugal.

Excluding specific items in both periods, core operating profit of the Group amounted to EUR 1,769 million, 4.6% below the EUR 1,854 million accounted for in the first nine months of the previous year.

In the activity in Portugal, net income, in the first nine months of 2024 amounted to EUR 606 million, growing 8.8% from the EUR 557 million achieved in the same period of the previous year.

This evolution was largely due to the reduction in impairments and provisions with the reversal of impairments in the second quarter of 2024 and the improvement in the risk profile of the credit portfolio allowing a reduction of 38.2% (EUR -60 million) in loans impairment (net of recoveries), to EUR 97 million, at the end of September of the current year. Other impairments and provisions, in turn, showed a reduction of 11.0% (EUR -8 million) in the same period, standing at EUR 66 million at the end of September 2024.

The performance of the activity in Portugal also benefited from the favourable evolution of net trading income, from a negative amount of EUR 16 million to a EUR 28 million income, mainly reflecting the income recognised from loan sales in the first nine months of 2024, contrasting with the costs recorded in the same period of the previous year.

The reduction, in the amount of EUR 32 million, of the costs associated with mandatory contributions borne by the Bank also contributed to the favourable evolution of the net income of the activity in Portugal compared to the first nine months of 2023. This reduction was due, on the one hand, to the fact that no contribution to the Single Resolution Fund was collected as the fund had reached its target level and, on the other, to the reduction of the Bank's liabilities that took place at the end of 2022, with an impact on the calculation of the amount of contributions payable in the current year. Gains recognised with the sale of non-current assets held for sale, although to a lesser extent, were also higher than the amount recognised in the first nine months of 2023, thus contributing to the favourable performance of the activity in Portugal.

Conversely, net income of the activity in Portugal was influenced by the reduction in core income, which evolved from EUR 1,518 million at the end of September 2023 to EUR 1,438 million at the end of September of the current year, mainly reflecting the decrease of 8.6% (EUR -94 million) in net interest income, to EUR 1,003 million, in the first nine months of 2024. Net commissions, in turn, totalled EUR 435 million in the first nine months of the current year, growing 3.6% (EUR +15 million) in the same period, reflecting the increase in commissions related to the bancassurance activity.

The performance of net income in the activity in Portugal was also influenced, albeit to a lesser extent, by the increase of 5.0% (EUR +23 million) recorded in operating costs, which totalled EUR 483 million at the end of September 2024. The evolution of operating costs was due to the increase in both staff costs and other administrative costs, while amortisations and depreciations, in turn, remained in line with the amount recorded a year earlier.

The impact of the evolution of core income together with operating costs in the activity in Portugal resulted in a reduction of 9.7% in core operating profit last year, from EUR 1,058 million in the first nine months of 2023, to EUR 955 million in the same period of the current year.

Excluding the specific items mentioned above, core operating profit in the activity in Portugal decreased by 10.5% from EUR 1,070 million to EUR 958 million at the end of September 2024.

In the international activity, net income of the first nine months of 2024 stood at EUR 108 million, improving 15.1% from the EUR 94 million recorded in the same period of the previous year.

This evolution was determined by the performance of Bank Millennium, whose net income amounted to EUR 127 million in the first nine months of 2024, which compares to EUR 101 million in the same period of the previous year, with this subsidiary presenting the eighth quarter in a row with positive results. Millennium bim in Mozambique, in turn, showed a net income of EUR 64 million, 5.4% below the amount recorded at the end of September of the previous year.

The performance of the Polish subsidiary was influenced, on one hand by the reduction in the additional provisions booked to face the legal risk implicit in foreign exchange mortgage portfolio and by the increase in core income and, on the other, by the increase in other costs associated with the portfolio of foreign exchange mortgage loans (excluding provisions), by the increase in operating costs, by the estimated cost of credit holidays and by the increase in costs associated with mandatory contributions. Compared with the same period of 2023, this performance was also influenced by the recognition, in the first half of that year, of the extraordinary gain resulted from the sale of 80% of the shares of Millennium Financial Services sp. z o.o.

The performance of Millennium bim in Mozambique, in turn, mainly reflects the increase in provisions to face contingencies of local activity and the increase in operating costs benefiting, on the other hand, from the reduction in loans impairments (net of recoveries) resulting from the improvement in the risk profile of the credit portfolio.

Despite its smaller relative weight within the scope of this analysis, it is worth mentioning the increase of the contribution of the Angolan operation through the appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings.

Reflecting the aforementioned performance in each of the geographies, core operating profit of international activity grew by 3.5%, from EUR 784 million in the first nine months of 2023 to EUR 811 million in the same period of 2024, benefiting from the increase in core income, despite the increase in operating costs.

NET INTEREST INCOME

In the first nine months of 2024, net interest income of the Group reached EUR 2,111 million, in line (-0.3%) with the amount posted in the same period of the previous year, with the reduction recorded in the activity in Portugal being almost offset by the increase in the international activity.

In fact, in the activity in Portugal, net interest income totalled EUR 1,003 million, standing 8.6% below the EUR 1,098 million recorded in the first nine months of 2023.

This performance reflects, in a large extent, the increase in costs associated with the remuneration of the deposit portfolio, mainly due to the evolution of interest rates in the last year, but also influenced, albeit to a lesser extent, by the increase in the average balance of interest-bearing deposits compared to the first nine months of 2023. On the other hand, the increases in interest rates resulted in an increase in the income generated by the customer loan portfolio, despite the decrease in the average balance of the portfolio recorded in the period under review.

The evolution of net interest income in the last year also benefited from the positive impact resulting from the active management of the securities portfolio, with particular emphasis on the increased contribution of the income generated by the sovereign debt portfolio, reflecting on the one hand, the evolution of interest rates and on the other, the increased size and turnover of the portfolio.

Although on a smaller scale, reference should also be made to the impact on the domestic net interest income of the increase, compared to the first nine months of 2023, of the costs incurred with issued debt and subordinated debt, arising not only from the increase in interest rates, but also from the impact of one issue of senior preferred debt securities, in the amount of EUR 500 million, launched in September 2023. This issue, under the Bank's Euro Note Programme, increase the capacity to meet the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

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

In the international activity, net interest income amounted to EUR 1,107 million in the first nine months of 2024, showing a growth of 8.6% from the EUR 1,020 million accounted in the same period of the previous year.

This evolution was mainly due to the performance of the Polish subsidiary, associated with the higher income generated by the securities portfolio and also the lower cost borne with customer deposits. Despite its limited impact within the scope of this analysis, it is important to mention the reduction in net interest income of the subsidiary in Mozambique influenced by the significant increases in the local requirement for non-remunerated cash reserves to be maintained with the central bank, in February and May of 2023.

In consolidated terms, net interest margin went from 3.39% in the first nine months of 2023 to 3.05% in the same period of the current year, reflecting both the performance of the activity in Portugal and of the international activity.

In fact, in the activity in Portugal, net interest margin evolved from 2.59% to 2.24% in the same period, mainly influenced by the increase in interest rates underlying interest-bearing deposits.

Net interest margin in the international activity, in turn, went from 5.06% in the first nine months of 2023 to 4.55% in the first nine months of 2024, a period in which the central bank of Poland kept interest rates unchanged, after the first cuts in September and October 2023. The increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank of Mozambique also contributed unfavourably to this evolution.

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

EQUITY ACCOUNTED EARNINGS AND DIVIDENDS FROM EQUITY INSTRUMENTS

Equity accounted earnings together with dividends from equity instruments, which comprise dividends and equity income received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totalled EUR 45 million in the first nine months of 2024, that compares to EUR 47 million recorded in the same period of the previous year.

This evolution was mainly due the reduction in the amount of EUR 2 million (-4.2%) recorded in equity accounted earnings, to EUR 44 million at the end of September 2024. Dividends from equity instruments, in turn, amounted to EUR 1 million, standing below the amount posted a year before.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments totalled EUR 40 million corresponding to a decrease of EUR 3 million compared to the amount recorded in the first nine months of 2023. This performance was determined by the reduction in equity accounted earnings, largely influenced by the impact of the update of the insurance distribution fees regarding the placement of insurance products through the Bank's distribution networks.

Conversely, in the international activity, equity accounted earnings together with dividends from equity instruments recorded an increase of EUR 1 million, totalling EUR 4 million at the end of September of the current year. This increase was determined by the evolution of the appropriation of the results generated by Banco Millennium Atlântico in Angola recognised as equity accounted earnings.

NET COMMISSIONS

In the first nine months of 2024, net commissions totalled EUR 602 million, showing a growth of 4.0% compared to the EUR 578 million recorded in the same period of the previous year. This evolution reflects the favourable performance of both the activity in Portugal and the international activity, in the first case resulting from the bancassurance activity, which incorporate commissions obtained from placing insurance products through the Bank's distribution networks.

In consolidated terms, the favourable performance of net commissions was due to the growth of both banking commissions (+2.4%; EUR +12 million) and market related commissions (+14.3%; EUR +11 million), each of the aggregates amounting to EUR 512 million and EUR 90 million, respectively, at the end of September 2024.

NET COMMISSIONS

million EUR

	9M24	9M23	Chg. 24/23
BANKING COMMISSIONS	**512**	**500**	**2.4 %**
Cards and transfers	193	188	2.6 %
Credit and guarantees	93	95	(2.5 %)
Bancassurance	104	91	14.5 %
Management and maintenance of accounts	120	119	0.3 %
Other commissions	2	6	(64.4 %)
MARKET RELATED COMMISSIONS	**90**	**79**	**14.3 %**
Securities	32	27	17.9 %
Asset management and distribution	58	52	12.4 %
	602	**578**	**4.0 %**
Of which:			
Activity in Portugal	435	420	3.6 %
International activity	167	159	5.2 %

In the activity in Portugal, net commissions grew by 3.6% compared to the EUR 420 million recorded in the first nine months of 2023, amounting to EUR 435 million in the same period of the current year.

Also in this case, both commissions related to the banking business, which totalled EUR 365 million at the end of September 2024, and commissions related to the markets which amounted to EUR 70 million on the same date, evolved favourably, showing growths of 2.6% (EUR +9 million) and 9.1% (EUR +6 million) respectively compared to the amount recorded a year earlier.

The performance of net commissions related to the banking business in the activity in Portugal was determined by the growth of commissions associated with the bancassurance activity, arising from the insurance distribution fees update. Commissions related to cards and transfers, commissions associated with credit and guarantees and other banking commissions, in turn, were at a lower level compared to those achieved a year earlier, reflecting, among other causes, the lower production in loans to companies and the legal restrictions imposed in the meantime. Commissions associated with the management and maintenance of accounts remained in line with the amount posted a year earlier.

Regarding commissions related to the markets in the activity in Portugal, both commissions related to securities and commissions arising from asset management and distribution reached a higher level than at the end of September 2023, with the growth of the former contributing more significantly to the performance of this aggregate.

In the international activity, net commissions amounted to EUR 167 million at the end of September of the current year, increasing by 5.2% from the EUR 159 million recorded in the same period of the previous year, with this evolution being determined by the performance of the Polish subsidiary.

Commissions related to banking business in the international activity stood 2.0% above the amount recorded in the same period of the previous year, totalling EUR 147 million at the end of September 2024. This evolution resulted from different dynamics with regard to the several types of commissions that make up these items, with the increases in commissions related to cards and transfers being partially offset by the reduction recorded in bancassurance commissions, reflecting the impact of the sale of 80% of the shares of Millennium Financial Services sp. z o.o., as part of the strategic partnership in this business area. Other banking commissions did not change materially in the period under review.

With regard to commissions related to financial markets, in the international activity, there was an increase of 37.9%, to EUR 20 million at the end of September 2024, determined by the performance of commissions associated with asset management and distribution, since the growth in commissions associated with securities transactions, although relevant, had a small impact on the scope of this analysis.

NET TRADING INCOME

In the first nine months of 2024, net trading income totalled EUR 29 million, well below the EUR 106 million achieved in the same period of the previous year. This performance was strongly influenced by the recognition, in the first quarter of 2023, of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business, which, as previously mentioned, totalled EUR 118 million under this heading.

In the activity in Portugal, net trading income evolved favourably from the negative amount of EUR 16 million posted a year earlier to an income of EUR 28 million at the end of September 2024, largely due to the income recognised from the loan sale, in contrast to the costs recorded in the first nine months of 2023.

In the international activity, the evolution of net trading income, from gains of EUR 122 million to a marginal income of EUR 1 million at the end of September of the current year, was determined by the already mentioned gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the first quarter of 2023, considered as a specific items.

The performance of this item was also influenced by the increase in costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, that went from EUR 43 million to EUR 67 million.

OTHER NET OPERATING INCOME

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

In the first nine months of 2024, other net operating income totalled a negative amount of EUR 94 million, that compares to the also negative amount of EUR 56 million recorded in the same period of the previous year, with the impact of the favourable performance of the activity in Portugal being fully offset by the unfavourable evolution recorded in the international activity.

In fact, in the activity in Portugal, other net operating income improved significantly, evolving from a negative amount of EUR 67 million in the first nine months of 2023 to an also negative amount of EUR 24 million at the end of September 2024. In this evolution, the overall reduction in the costs with mandatory contributions stands out, with the gains recognised with the sale of non-current assets held for sale also considerably higher compared to the amount recognised a year earlier.

The overall amount of mandatory contributions, decreased from EUR 73 million to EUR 40 million, corresponding to a 44.7% reduction. This evolution stems largely from the fact that the Single Resolution Board determined that in 2024, as the Single Resolution Fund had reached its target level, no ex-ante contributions would be levied, contrasting with EUR 18 million recorded in the first nine months of 2023. On the other hand, the liabilities reduction, after the repayment of the financing obtained from the European Central Bank (ECB) at the end of 2022, only produced its favourable impact in full on the cost borne with mandatory contributions this year, since both the contributions for the National Resolution Fund (NRF) and the cost incurred with the contribution on the banking sector and the additional solidarity contribution on the banking sector consider the average values of the balance sheet of the previous year to which the contribution relates, considering end-of-month observations.

Thus, despite the slight increase in the contribution rate (from 0.029% to 0.032%), the contribution to the NRF decreased by around 30%, from EUR 9 million in the first nine months of 2023 to EUR 6 million in the first nine months of 2024, while the cost incurred with the contribution on the banking sector decreased from EUR 38 million to EUR 28 million in the same period. The additional solidarity contribution on the banking sector amounted to EUR 5 million, compared to EUR 7 million till September of the previous year. The contribution to the deposit guarantee fund, in turn, despite being higher than a year before, recorded a non-material impact in the scope of this analysis. Management Committee of the Deposit Guarantee Fund ("Fundo de Garantia de Depósitos") has requested the settlement in 2024 of 50% of the irrevocable commitments assumed by the Bank, the total amount of which amounted to EUR 95.2 million. It is not expected that the settlement of that amount in the current year will have a material impact on the results of the year, as it will be covered by provisions booked for contingencies.

In the international activity, other net operating income evolved from an income of EUR 10 million recognised in the first nine months of 2023 to a negative amount of EUR 70 million at the end of September 2024. This performance was determined by the impacts associated to foreign exchange mortgage loan portfolio and by the increase in the costs associated with mandatory contributions, both in the Polish subsidiary.

The impacts associated with foreign exchange mortgage loan portfolio, as far as this item is concerned went from an income of EUR 9 million to costs of EUR 31 million, reflecting the increase arising from court costs related to the counterclaims filed by Bank Millennium for reimbursement of the amounts owed by customers. The costs associated with mandatory contributions borne by the Polish subsidiary, in turn, increased from EUR 13 million to EUR 45 million, mainly due to the special tax on the Polish banking sector, the payment of which was suspended in the previous year, following the activation of the Bank Millennium Recovery Plan at the beginning of the second half of 2022. Last June, Bank Millennium completed the implementation of the aforementioned Recovery Plan, thus being again subject to the payment of the special tax on the banking sector in 2024. The contribution to the resolution fund was also higher compared to the amount recognised in the first nine months of 2023, although with a less significant impact.

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

OPERATING COSTS

In the first nine months of 2024, operating costs totalled EUR 947 million, standing 10.8% above the EUR 855 million recorded in the same period of the previous year, mainly reflecting the performance of the international activity, mainly the Polish subsidiary.

In fact, despite the disciplined management of costs followed by the Group, operating costs in the international activity increased 17.4% from the EUR 395 million recorded in the first nine months of 2023, totalling EUR 463 million at the end of September 2024, while in the activity in Portugal, the increase in operating costs was of 5.0%, in the same period, from EUR 460 million to EUR 483 million.

OPERATING COSTS

million EUR

	9M24	9M23	Chg. 24/23
Staff costs	523	468	11.7 %
Other administrative costs	317	283	11.7 %
Amortisations and depreciations	107	103	4.0 %
	947	**855**	**10.8 %**
Of which:			
Activity in Portugal	483	460	5.0 %
International activity	463	395	17.4 %

The amounts presented do not exclude the specific items considered in each period in staff costs in the activity in Portugal (negative impact of EUR 3 million in the first nine months of 2024 and an also negative impact of EUR 12 million, in the same period of 2023).

Excluding specific items, operating costs of the Group amounted to EUR 944 million, standing 12.0% above the EUR 842 million accounted in the same period of the previous year. This performance was mainly due to the increase in staff costs (+14.1%, EUR +64 million) but also in other administrative costs (+11.7%, EUR +33 million), in both cases more significant in the international activity. Amortisations and depreciations, in turn, were also above the amount recorded a year earlier, although its impact, mainly due to the performance of the international activity, was not very significant in the evolution of operating costs of the Group in this period (+4.0%, EUR +4 million).

Excluding the specific items mentioned above and also excluding the positive impact of EUR 127 million, recognised in the first nine months of 2023, in the international activity, associated with the sale of 80% of the shares in Millennium Financial Services sp. z o.o. also considered specific items, cost to income ratio evolved from 31.6% to 35.1% and cost to core income ratio from 31.2% to 34.8% in the last year.

Cost to income and cost to core income stated ratios evolved, respectively, from 30.6% to 35.2% and from 31.7% to 34.9%.

In the activity in Portugal, operating costs totalled EUR 483 million in the first nine months of 2024, standing 5.0% above the EUR 460 million posted in the same period of the previous year. Excluding the specific items already mentioned the increase was of 7.3%, from EUR 448 million to EUR 480 million.

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

In the period under review, cost to income and cost to core income ratios in the activity in Portugal, excluding the impact of specific items, evolved from 30.3% to 32.4% and from 29.5% to 33.4%, respectively. Cost to income and cost to core income stated ratios, in turn, stood at 32.6% and 33.6% in the first nine months of 2024, levels that compare respectively with 31.1% and 30.3% in the same period of the previous year.

In the international activity, operating costs totalled EUR 463 million at the end of September 2024, standing 17.4% above the EUR 395 million accounted in the same period of the previous year, mainly due to the performance of the Polish subsidiary.

The evolution of operating costs in the international activity, determined by the contribution of the Polish subsidiary, was mainly due to the increase in staff costs, but also in other administrative costs and with less expression in amortisations and depreciations. In addition to the inflation levels, especially over the previous year, it is also important to mention the impact that the characteristics of the labour market in Poland, with very low unemployment rates and significant increases in the minimum wage, had in operating costs of the Polish subsidiary.

In the international activity cost to income ratio evolved from 30.0% (33.2%, excluding the already mentioned positive impact, of specific items) in the first nine months of 2023 to 38.3% in the same period of 2024, while cost to core income ratio in turn, went from 33.5% to 36.4% in the same period.

STAFF COSTS

In the first nine months of 2024, staff costs totalled EUR 523 million, standing 11.7% above the EUR 468 million accounted in the same period of the previous year.

These amounts include the impact of specific items[4] recognised in each period. Excluding this impact, staff costs of the Group increased 14.1% from the EUR 456 million accounted for in the first nine months of 2023, amounting to EUR 520 million at the end of September of the current year.

In the activity in Portugal, staff costs stated amounted to EUR 278 million in the first nine months of 2024, standing 5.0% above the EUR 264 million recorded in the same period of the previous year. Not considering the impact of specific items, there was a 9.1% increase, from EUR 252 million to EUR 275 million.

After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal has remained stable, standing at 6,275 employees at the end of September 2024. Although the number of employees in the activity in Portugal remains the same as it was at the end of September 2023, the Bank continues to acquire the required capabilities to meet current needs namely by hiring new employees with specific skills, namely on digital, new technologies and internal control areas.

In the international activity, staff costs amounted to EUR 245 million at the end of September 2024, standing 20.3% above the EUR 204 million recorded a year before.

The Polish subsidiary was mainly responsible for this evolution that continued to be determined by the strong pressure on basic wages, resulting both from levels of inflation observed in the country and minimum wage increases, and from the characteristics of the Polish labour market, in particular from the very low unemployment rates in the country. Conversely, it is worth mentioning the reduction in the total number of employees, which in the last year went from 6,899 employees (6,776 FTE - full-time equivalent) at the end of September 2023 to 6,819 employees (6,696 FTE - full-time equivalent) on 30 September 2024.

The operation in Mozambique, in turn, although with a less significant impact, also contributed to the growth in staff costs in the international activity in the last year due to the joint effect of the salary update and the increase in its headcount, from 2,559 employees on 30 September 2023 to 2,622 employees at the end of September 2024.

The headcount of the international activity, on 30 September 2024, was composed of 9,441 employees, compared to 9,458 employees at the end of September 2023.

OTHER ADMINISTRATIVE COSTS

In the first nine months of 2024, other administrative costs totalled EUR 317 million, standing 11.7% above the EUR 283 million recorded in the same period of the previous year, notwithstanding the disciplined management of costs followed by the Group.

In the activity in Portugal, other administrative costs amounted to EUR 151 million, representing a 7.3% increase from the EUR 141 million recorded in the first nine months of 2023.

In spite of the disciplined cost management, this performance, largely reflects the increase in costs associated with other specialised services, as well as outsourcing and independent labour costs, particularly those related to banking operations. Costs related to rents and leases, advertising, maintenance and related services and communications, among others with a less significant impact on the evolution of other administrative costs in the activity in Portugal, were also higher compared to the amount recorded in the first nine months of 2023. Conversely, the reduction in costs associated with advisory services and water, electricity and fuel compared to the amounts recorded in the first nine months of the previous year stands out.

[4] In the first nine months of 2024, specific items, related to staff costs, had a negative impact of EUR 3 million, including costs with employment terminations, namely indemnities and early retirements, and an income recognised after an agreement related to liabilities with former directors of the Bank. In the first nine months of 2023, the impact was also negative in the amount of EUR 12 million, including costs related to the compensation for the temporary reduction in employees remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022 by the Bank's employees, costs with mortgage financing to former employees, costs with employees terminations and income recognised after an agreement related to liabilities with former directors of the Bank.

In the international activity, other administrative costs amounted to EUR 166 million at the end of September 2024, standing 16.1% above the EUR 143 million posted in the same period of the previous year, mainly reflecting the increase recorded in the Polish subsidiary.

The performance of other administrative costs in the Polish subsidiary was influenced by the high inflation recorded throughout 2023 and the increase in legal advice costs associated with foreign exchange mortgage loans portfolio.

Both in the activity in Portugal and in the international activity, the evolution of most of the items of other administrative costs, also benefited from the positive impact arising from the resizing of the branch network which, in the activity in Portugal, evolved from 400 branches to 397 branches, while in the Polish subsidiary decreased from 615 branches to 610 branches in the last year. The subsidiary in Mozambique, in turn, as at 30 September 2024 had 195 branches, one less than at the end of September of the previous year.

AMORTISATIONS AND DEPRECIATIONS

Amortisations and depreciations amounted to EUR 107 million in the first nine months of 2024, standing 4.0% above the EUR 103 million recorded in the same period of the previous year, mainly reflecting the performance of the international activity, namely of the Polish subsidiary.

In the activity in Portugal, amortisations and depreciations remained in line (-0.6%) with the amount recorded in the first nine months of 2023, totalling EUR 55 million at the end of September of the current year, despite the increased investment made in hardware and software, given the Bank's commitment to the digital transformation process.

In the international activity, amortisations and depreciations amounted to EUR 53 million in the first nine months of 2024, standing 9.2% above the EUR 48 million recorded in the same period of the previous year, reflecting, as already mentioned, mainly the performance of the Polish subsidiary.

RESULTS ON MODIFICATION

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

In the first nine months of 2024, results on modification totalled a negative amount of EUR 62 million, which compares with an also negative amount of EUR 15 million recorded in the same period of 2023. This evolution mainly reflects the recognition, in the first nine months of the current year, of costs arising from the aforementioned moratorium program (credit holidays) in the amount of EUR 37 million, non-existent in the same period of the previous year.

In fact, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an act of 12 April 2024 on changes to the act on support for mortgage borrowers who are in challenging financial situation and the act on crowdfunding for business ventures and assistance to borrowers, introducing, among others, an extension of credit holidays for Zloty mortgage borrowers by four more months in 2024, Bank Millennium estimated the preliminary impact of the implementation of this act on the results of the Group, recognising, in the first half of 2024 a cost with credit holidays in the amount of EUR 47 million. In the third quarter of the year, taking into account the participation of borrowers with mortgage eligible for credit holidays, Bank Millennium reduced the estimated impact it had recognised, from a cost of EUR 47 million in the first half of the year to a cost of EUR 37 million at the end of September.

The evolution of results on modification in the last year was also influenced, albeit to a lesser extent, by the increase in costs associated with contractual modifications negotiated with customers with foreign exchange mortgage loans, in the Polish subsidiary, from EUR 9 million recognised in the first nine months of 2023 to EUR 19 million in the same period of 2024.

IMPAIRMENT FOR LOAN LOSSES

In the first nine months of 2024, impairment for loan losses (net of recoveries) totalled EUR 166 million, showing a reduction of 21.3% compared to the EUR 211 million accounted for in the same period of the previous year, mainly reflecting the favourable evolution recorded in the activity in Portugal, the impact of which was partially offset by the increase in the international activity.

In fact, in the activity in Portugal, loans impairment charges (net of recoveries) stood 38.2% below the EUR 158 million recognised in the first nine months of 2023, amounting to EUR 97 million at the end of September 2024. This reduction largely reflects the reversal of impairments in the second quarter of the current year.

In the international activity, impairment charges (net of recoveries) stood 28.4% above the EUR 54 million recognised in the first nine months of 2023, standing at EUR 69 million at the end of September 2024. This performance mainly reflects the higher level of provisioning required by the Polish subsidiary, partially offset by the reduction in impairment charges recorded in the Mozambican subsidiary.

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

Benefiting from the reduction in loan impairment, including the impact of certain impairments reversal in the second quarter of the year, the cost of risk (net of recoveries) of the Group, improved significantly, from 50 basis points in the first nine months of 2023 to 39 basis points in the same period of 2024. Excluding this impact, the cost of risk in the first nine months of 2024 stood at 49 basis points, slightly below the first nine months of 2023.

In the activity in Portugal, strongly influenced by the aforementioned reversal of impairments in the second quarter of the year, cost of risk (net of recoveries) decreased from 53 basis points to 34 basis points. Excluding this reversal, the cost of risk in the activity in Portugal stood at 50 basis points, in the first nine months of 2024.

In the international activity, the cost of risk (net of recoveries) went from 42 basis points to 49 basis points in the same period.

OTHER IMPAIRMENTS AND PROVISIONS

At the end of September of 2024, other impairment and provisions totalled EUR 461 million, which represents a reduction of 23.5% compared to EUR 602 million recorded in the same period of the previous year. This evolution was determined by the lower reinforcement of the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, which amounted to EUR 385 million in the current year vs EUR 517 million recognised in the first nine months of 2023.

In the activity in Portugal, other impairments and provisions also contributed to the favourable performance of this item in consolidated terms, as there was a reduction of 11.0% over the last year, from EUR 74 million to EUR 66 million, mainly reflecting the reduction in provisions namely for guarantees and other commitments and for other risks.

In the international activity, the reduction in other impairments and provisions was 25.3%, with total amount evolving from EUR 528 million in the first nine months of the previous year to EUR 395 million in the same period of the current year, mainly justified by the fact that the provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans was EUR 132 million lower than the amount recognised in the first nine months of 2023.

INCOME TAX

Income tax (current and deferred) amounted to EUR 263 million in the first nine months of 2024, which compares to EUR 387 million posted in the same period of the previous year.

Taxes recognised in the first nine months of 2024 include current tax of EUR 105 million (EUR 173 million in the first nine months of 2023) and deferred tax of EUR 158 million (EUR 215 million in the first nine months of 2023).

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

The evolution of deferred tax assets was influenced, in Portugal, by the reduction of deferred tax assets covered by Special Framework applicable to Deferred Tax Assets ("REAID") given the evolution of the taxable income and, regarding the Polish subsidiary, by the decision of the Supreme Administrative Court (NSA) from 6 December 2023. In fact, the NSA issued a judgment on the rules for recognising the effects in CIT of cancellations of mortgage loans indexed to foreign currencies and foreign currency loans (in particular in Swiss francs) adjudicated by common courts. According to the NSA, the Bank should recognise the tax consequences not by recognising the resulting losses as tax-deductible costs, but by adjusting the revenues from the above-mentioned loans (FX gains, interest, commissions and fees) previously taxed with CIT, taking into account the rules of limitation of tax liabilities.

As a result of the analysis of the NSA's judgment, the Bank recognised in the first nine months of 2024 a deferred tax asset in the amount of PLN 222 million (EUR 51 million) based on estimates of future adjustments of interest income, FX gains, commissions and fees earned on mortgage loans indexed to Swiss francs and foreign currency loans in this currency which are the subject of court disputes for their cancellation.

BALANCE SHEET

TOTAL ASSETS

Millennium bcp's consolidated balance sheet total assets amounted to EUR 100,226 million as of 30 September 2024, showing a growth of 9.9% compared to the EUR 91,160 million recorded on the same date of the previous year, driven by the increase both recorded in the international activity and in the activity in Portugal.

In the activity in Portugal, total assets stood at EUR 65,699 million on 30 September 2024, increasing by 6.7% compared to the EUR 61,580 million recorded on 30 September 2023. This evolution is mostly explained by the reinforcement of the securities portfolio, in particular the public debt portfolio, arising from liquidity resulting from the increase in balance sheet customer funds and, to a lesser extent, by the increase of loans and advances to credit institutions. Conversely, reductions were observed in loans to customers portfolio (net of impairment), deferred tax assets and other assets.

In the international activity, total assets amounted to EUR 34,527 million as at 30 September 2024, showing a growth of 16.7% compared to the EUR 29,580 million recorded on the same date in the previous year. This evolution mainly reflects the increase in the total assets of the Polish subsidiary, driven mainly by the increases observed in the securities portfolio (mainly in local public debt) and in loans to customers portfolio (net of impairment). The total assets of the subsidiary in Mozambique also recorded an increase, mainly due to the increase observed in deposits and loans and advances to central banks. The investment of the liquidity deriving from the increase in balance sheet customer funds explains the most significant changes in the balance sheet reported by both subsidiaries.

LOANS TO CUSTOMERS

Millennium bcp's consolidated customer loan portfolio (gross loans, that is, before impairment and fair value adjustments), as defined in the glossary, amounted to EUR 57,494 million as of 30 September 2024, standing 1.5% higher than the EUR 56,665 million recorded at the end of the first nine months of the previous year. This evolution reflects the increase recorded in the international activity, although the reduction observed in the activity in Portugal had partially mitigated the aforementioned increase. By segments, there was an increase in loans to individuals (driven by the positive evolution of both mortgage loans and personal loans) and a reduction in loans to companies.

In the activity in Portugal, loans to customers (before impairment) amounted to EUR 38,579 million as of 30 September 2024, standing 2.1% below the EUR 39,400 million recorded at the end of the first nine months of 2023. This evolution was determined by the lower level of performing loans (EUR -673 million) and by a reduction in non-performing exposures (NPE) (EUR -147 million).

Loans to individuals in the activity in Portugal amounted to EUR 21,740 million on 30 September 2024, above the EUR 21,065 million recorded at the end of the first nine months of the previous year, due to good performance of both mortgage loans and personal loans (EUR +417 million and EUR +258 million, respectively).

Loans to companies in the activity in Portugal stood at EUR 16,839 million on 30 September 2024, decreasing by 8.2% compared to the same date of the previous year (EUR 18,335 million at the end of the first nine months of 2023), due to lower demand for credit influenced by monetary policy, reduction of NPE in this segment and repayment of Covid facilities.

In the international activity, loans to customers (gross) amounted to EUR 18,915 million as of 30 September 2024, standing 9.6% above the EUR 17,265 million recorded on the same date in the previous year, mainly due to the increase in loans in the Polish subsidiary (driven mainly by the favourable evolution of the Zloty and also by an increase in loans in local currency), although the reduction recorded in the Mozambican subsidiary had slightly attenuated the aforesaid increase.

Loans to individuals in the international activity rose from EUR 12,837 million on 30 September 2023 to EUR 14,231 million at the end of the first nine months of 2024, with this increase being driven mainly by the dynamism of personal loans (EUR +737 million mainly due to the growth recorded in the Polish subsidiary, justified by the increase in loans in local currency and the appreciation of the Zloty) and by the positive evolution of mortgage loans (EUR +657 million, justified essentially by the appreciation of the Zloty in the Polish subsidiary).

Regarding the mortgage loan portfolio in foreign currency in the Polish subsidiary, the agreements signed with customers together with the reinforcement of provisions to face the legal risk contributed to the reduction of the portfolio by EUR 408 million (30 September 2024: EUR 454 million, 30 September 2023: EUR 862 million), representing 2.5% of the loans to customers of Bank Millennium (5.2% at the same date of the previous year) and less than 1% of the consolidated loans to customers. The amount of the mortgage loan portfolio in foreign currency excluding the portion relating to Euro Bank S.A.[5] decreased by EUR 367 million (30 September 2024: EUR 400 million, 30 September 2023: EUR 767 million), representing 2.2% of the loans to customers of Bank Millennium (4.6% at the same date of the previous year) and also less than 1% of the consolidated loans to customers.

Loans to companies in the international activity increased by 5.8% compared to the EUR 4,428 million recorded on 30 September 2023, standing at EUR 4,684 million at the end of the first nine months of 2024. By geographies, there was an increase in the Polish subsidiary influenced by the aforementioned appreciation of the Zloty and a reduction in loans to companies in the Mozambican subsidiary.

LOANS TO CUSTOMERS (GROSS)

million EUR

	30 Sep. 24	30 Sep. 23	Chg. 24/23
INDIVIDUALS	**35,971**	**33,902**	**6.1 %**
Mortgage loans	28,604	27,531	3.9 %
Personal loans	7,367	6,372	15.6 %
COMPANIES	**21,523**	**22,763**	**(5.4 %)**
Services	7,422	8,097	(8.3 %)
Commerce	3,839	3,831	0.2 %
Construction	1,526	1,507	1.3 %
Others	8,737	9,328	(6.3 %)
	57,494	**56,665**	**1.5 %**
Of which:			
Activity in Portugal	38,579	39,400	(2.1 %)
International activity	18,915	17,265	9.6 %

QUALITY OF CREDIT PORTFOLIO

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

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

The NPE stock, in consolidated terms, decreased to EUR 1,934 million on 30 September 2024, showing a reduction of EUR 92 million compared to the end of the first nine months of 2023, with the NPE ratio as a percentage of the total credit portfolio decreasing from 3.6% to 3.4%. In the activity in Portugal, the NPE stock totalled EUR 1,045 million at the end of September 2024, with a reduction of EUR 147 million being

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

recorded compared to the same date of the previous year, with the NPE ratio as a percentage of the total credit portfolio evolving from 3.0% to 2.7%.

The ratio between total impairment and NPL stock for more than 90 days, in consolidated terms, stood at 186.8% on 30 September 2024, below the ratio observed at the end of the first nine months of 2023 (195.7%). The ratio between total impairment and NPE stock has recorded an improvement both in consolidated terms (79.8% at the end of the first nine months of the current year vis-à-vis 76.6% recorded on 30 September 2023) and also in the activity in Portugal (86.7% on 30 September 2024 vis-à-vis 81.0% on 30 September 2023). Additionally, on 30 September 2024, the ratio between impairments allocated to NPE and NPE stock stood at 53.8% in consolidated terms (51.1% in the same date of the previous year) and at 55.1% in the activity in Portugal (52.0% in the same date of the previous year).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 24	30 Sep. 23	Chg. 24/23	30 Sep. 24	30 Sep. 23	Chg. 24/23
STOCK (M€)						
Loans to customers (gross)	57,494	56,665	1.5 %	38,579	39,400	(2.1 %)
Overdue loans > 90 days	522	529	(1.2 %)	213	220	(2.9 %)
Overdue loans	638	629	1.5 %	232	230	0.7 %
Restructured loans	1,609	1,775	(9.3 %)	1,056	1,235	(14.5 %)
NPL > 90 days	826	793	4.1 %	406	394	3.2 %
NPE	1,934	2,026	(4.6 %)	1,045	1,192	(12.3 %)
Total loans impairment (Balance sheet)	1,543	1,553	(0.6 %)	907	966	(6.1 %)
Impairments allocated to NPE (Balance sheet)	1,040	1,035	0.5 %	576	620	(7.1 %)
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9%	0.9%		0.6%	0.6%	
Overdue loans / Loans to customers (gross)	1.1%	1.1%		0.6%	0.6%	
Restructured loans / Loans to customers (gross)	2.8%	3.1%		2.7%	3.1%	
NPL > 90 days / Loans to customers (gross)	1.4%	1.4%		1.1%	1.0%	
NPE / Loans to customers (gross)	3.4%	3.6%		2.7%	3.0%	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.0%	2.3%		1.8%	2.2%	
COVERAGE BY IMPAIRMENTS						
Total impairment / Overdue loans by more than 90 days	295.5%	293.8%		425.2%	440.0%	
Total impairment / Overdue loans	241.7%	246.9%		390.9%	419.2%	
Total impairment / NPL > 90 days	186.8%	195.7%		223.1%	245.4%	
Total impairment / NPE	79.8%	76.6%		86.7%	81.0%	
Impairments allocated to NPE / NPE	53.8%	51.1%		55.1%	52.0%	

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

CUSTOMER FUNDS

On 30 September 2024, Millennium bcp's consolidated total customer funds, as defined in the glossary, amounted to EUR 100,776 million, showing an increase of 9.1% compared to the EUR 92,379 million obtained on the same date of the previous year, benefiting from the increase in the international activity (EUR +4,486 million) and also from the growth recorded in the activity in Portugal (EUR +3,912 million). During this period, there was a more significant increase in the balance sheet customer funds and also a growth in off-balance sheet customer funds.

Consolidated balance sheet customer funds, which comprise deposits and other resources from customers and debt securities placed with customers, amounted to EUR 83,525 million on 30 September 2024, standing above the EUR 76,876 million reached at the end of the first nine months of the previous year. This evolution is due to the increases recorded both in the international activity and in the activity in Portugal (EUR +3,648 million and EUR +3,001 million, respectively).

On 30 September 2024, consolidated off-balance sheet customer funds, which include assets under management, assets placed with customers and insurance products (savings and investment) amounted to EUR 17,251 million, showing a growth of EUR 1,748 million compared to the figure posted in the same date a year ago. Off-balance sheet customer funds increased both in the activity in Portugal and in the international activity (EUR +911 million and EUR +837 million, respectively).

In the activity in Portugal, total customer funds reached EUR 69,551 million on 30 September 2024, which compares with the EUR 65,639 million recorded on the same date in the previous year, with this evolution being justified, to a large extent, by the growth of EUR 3,001 million recorded in balance sheet customer funds, totalling EUR 54,743 million at the end of September of the current year. This evolution was determined by the increase in deposits and other resources from customers (EUR +3,057 million).

Off-balance sheet customer funds in the activity in Portugal recorded a growth of 6.6% compared to the same date of the previous year (EUR +911 million), standing at EUR 14,808 million on 30 September 2024, with a more significant increase in assets placed with customers and also an increase in assets under management, the impact of which was partially offset by the decrease observed in insurance products (savings and investment).

In the international activity, total customer funds recorded an increase compared to the EUR 26,740 million recorded on 30 September 2023, standing at EUR 31,225 million at the end of the first nine months of 2024, mainly reflecting the positive contribution of the Polish subsidiary. Additionally, the subsidiary in Mozambique also contributed to the aforementioned increase, although the growth recorded was less significant.

Balance sheet customer funds in the international activity, entirely made up of deposits and other resources from customers, stood at EUR 28,783 million on 30 September 2024, representing a growth of 14.5% compared to the amount of EUR 25,134 million recorded at the end of the first nine months of 2023, benefiting above all from the increasing volumes of deposits in the Polish subsidiary (influenced by the favourable evolution of the Zloty and by the increase in resources in local currency) and also from a less significant increase recorded in the Mozambican subsidiary.

Off-balance sheet customer funds in the international activity posted an increase higher than 50% (EUR +837 million) compared to the same date of the last year, standing at EUR 2,443 million on 30 September 2024, driven mainly by the increase recorded in assets under management and also by a smaller increase observed in assets placed with customers. Insurance products (savings and investment) did not change significantly compared to the amount observed on the same date in the previous year.

On 30 September 2024, balance sheet customer funds, on a consolidated basis, represented 82.9% of total customer funds, with deposits and other resources from customers representing 81.6% of total customer funds, with both percentages remaining stable compared to those recorded on the same date of the previous year.

The loans to deposits ratio, which results from the quotient between loans to customers (net) and deposits and other resources from customers, stood at 68.0% as of 30 September 2024 (-4,9 pp compared the same date of the prior year). The aforementioned indicator, considering balance sheet customer funds, stood at 67.0% (-4,7 pp compared to the same date of the previous year).

TOTAL CUSTOMER FUNDS

million EUR

	30 Sep. 24	30 Sep. 23	Chg. 24/23
BALANCE SHEET CUSTOMER FUNDS	**83,525**	**76,876**	**8.6%**
Deposits and other resources from customers	82,239	75,534	8.9 %
Debt securities	1,286	1,343	(4.2 %)
OFF-BALANCE SHEET CUSTOMER FUNDS	**17,251**	**15,502**	**11.3%**
Assets under management	6,095	5,240	16.3 %
Assets placed with customers	6,740	5,519	22.1 %
Insurance products (savings and investment)	4,416	4,743	(6.9%)
	100,776	**92,379**	**9.1%**
Of which:			
Activity in Portugal	69,551	65,639	6.0 %
International activity	31,225	26,740	16.8 %

SECURITIES PORTFOLIO

Millennium bcp's consolidated securities portfolio, as defined in the glossary, amounted to EUR 32,685 million on 30 September 2024, showing a significant increase of 32.3% compared to the EUR 24,697 million recorded on the same date of the previous year, arising from liquidity resulting from the increase in balance sheet customer funds, representing 32.6% of total consolidated assets at the end of the first nine months of 2024, above the percentage of 27.1% recorded at the same date of the previous year.

The portfolio allocated to the activity in Portugal increased from EUR 15,611 million at the end of September 2023 to EUR 20,754 million at the end of September 2024, with this increment being driven mainly by increase in public debt of other euro zone countries (namely Belgian, Italian, German, French and Spanish public debt), in Portuguese public debt and also in American public debt.

The securities portfolio allocated to the international activity rose from EUR 9,086 million at the end of the first nine months of 2023 to EUR 11,930 million on 30 September 2024, driven mainly by the activity in the Polish subsidiary, following the reinforcement of investment in local public debt and also public debt from euro zone countries.

Business Areas

Activity per Segments

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking and Private Banking business.

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies and Corporate	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking (*) Interfundos (*) Specialized Credit and Real Estate Division (*) Treasury and Markets International Division (*)
Private Banking	Private Banking Network of Millennium bcp (Portugal)
International Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (**)
Other	Comprises the activity carried out by Banco Comercial Português, S.A. not included in the commercial business in Portugal which corresponds to the segments identified above, including the activity carried out by Macao branch. Also includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) Units all together that serve mainly customers in the Companies & Corporate segment, but also customers in other segments, in which the corresponding income is recognized. The operating costs of those units are attributed to the Other segment.
(**) Consolidated by the equity method.

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

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

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

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

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

RETAIL

million EUR

RETAIL BANKING in Portugal	Sep 30, 2024	Sep 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	871	643	35.3%
Other net income	357	337	6.0%
	1228	980	25.2%
Operating costs	244	264	-7.8%
Impairment and provision	39	33	16.7%
Income before tax	945	683	38.4%
Income taxes	296	214	38.4%
Income after tax	649	469	38.4%
SUMMARY OF INDICATORS			
Allocated capital	976	979	-0.3%
Return on allocated capital	88.9%	64.1%	
Risk weighted assets	7,426	7,200	3.1%
Cost to income ratio	19.8%	26.9%	
Loans to Customers (net of impairment charges)	26,337	25,919	1.6%
Balance sheet Customer funds	40,380	38,637	4.5%

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

Financial performance

As at 30 September 2024, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled EUR 649 million, showing a 38.4% increase compared to EUR 469 million in the same period of 2023, reflecting higher net interest income. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached EUR 871 million as at 30 September 2024, increasing 35.3% compared to the same period of the previous year (EUR 643 million), mainly benefiting from the net interest income arising from the deposit portfolio, reflecting the impact of the higher income arising from the internal placements of the excess liquidity following the normalization of interest rates.
- Other net income reached EUR 357 million on September 30, 2024, increasing 6.0% compared with the same period of 2023. This performance reflects essentially the higher level of commissions, mostly from bancassurance and investment funds.
- Operating costs were 7.8% lower than the amounts recognized in the first nine months of 2023.
- Impairment charges amounted to EUR 39 million at the end of September 2024, remaining at a low level relative to the loan portfolio size of this segment, despite the increase compared to the amount of EUR 33 euros recorded in the same period of the previous year.
- In September 2024, loans to customers (net) totalled EUR 26,337 million, increasing 1.6% from September 2023 (EUR 25,919 million), mainly from the increase in mortgage loans, while balance sheet customer funds increased by 4.5% in the same period, amounting to EUR 40,380 million in September 2024 (EUR 38,637 million in September of the previous year), mainly explained by the increase in customer deposits.

COMPANIES AND CORPORATE

million EUR

COMPANIES AND CORPORATE in Portugal	Sep 30, 2024	Sep 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	207	146	42.3%
Other net income	119	113	5.5%
	326	259	26.2%
Operating costs	46	46	-0.2%
Impairment and provision	104	122	-14.1%
Income before tax	176	91	93.9%
Income taxes	55	29	93.9%
Income after tax	121	62	93.9%
SUMMARY OF INDICATORS			
Allocated capital	1,413	1,291	9.5%
Return on allocated capital	11.4%	6.4%	
Risk weighted assets	11,077	11,631	-4.8%
Cost to income ratio	14.1%	17.9%	
Loans to Customers (net of impairment charges)	10,374	11,559	-10.3%
Balance sheet Customer funds	9,450	9,786	-3.4%

Notes:

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

Financial performance

Companies and Corporate segment in Portugal income after tax of EUR 121 million in September 2024, compared favourably to an amount of EUR 62 million presented in September 2023. This evolution results mostly from an higher net interest income and a lower level of impairment. As at 30 September 2024 the performance of this segment is explained by the following changes:

- Net interest income stood at EUR 207 million as at 30 September 2024, 42.3% above the amount attained as at 30 September 2023 (EUR 146 million), sustained by the improvement from the margin on deposits, with higher income arising from the internal placements of the excess liquidity following the normalization of interest rates, and from the margin on loan portfolio.
- Other net income reached EUR 119 million in September 2024, being 5.5% higher compared to the amount achieved in the same period of 2023, reflecting mostly the impact from commissions.
- Operating costs totalled EUR 46 million, both by the end of September 2024 and by the same period of the previous year.
- Impairments charges recorded EUR 104 million in September 2024, comparing favourably to EUR 122 million in September 2023.
- In September 2024, loans to customers (net) totalled EUR 10,374 million, decreasing 10.3% from September 2023 (EUR 11,559 million), influenced by the environment of lower demand for credit due to higher interest rates and delays in investment projects and, also, by the repayment program of Covid lines, as the Bank has an outsized market share in granting this financing. Balance sheet customer funds reached EUR 9,450 million, 3.4% below the amount recorded in September 2023, particularly from the reduction of the client's deposits base.

PRIVATE BANKING

million EUR

PRIVATE BANKING in Portugal	Sep 30, 2024	Sep 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	37	27	39.1%
Other net income	26	24	8.8%
	63	51	24.5%
Operating costs	12	11	2.8%
Impairment and provision	0	1	
Income before tax	51	39	32.0%
Income taxes	16	12	32.0%
Income after tax	35	27	32.0%
SUMMARY OF INDICATORS			
Allocated capital	26	23	12.2%
Return on allocated capital	>100%	>100%	
Risk weighted assets	204	205	-0.1%
Cost to income ratio	18.5%	22.4%	
Loans to Customers (net of impairment charges)	351	350	0.2%
Balance sheet Customer funds	3,368	2,581	30.5%

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

Financial performance

Income after tax from Private Banking business in Portugal totalled EUR 35 million as at 30 September 2024, showing an increase of 32.0% compared to the net profit reached as at 30 September 2023 (EUR 27 million). Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at EUR 63 million as at 30 September 2024, 24.5% above the amount recorded in September 2023 (EUR 51 million), driven by the growth shown in net interest income. Net interest income totalled EUR 37 million as at 30 September 2024, comparing favourably to 27 million euros reached in September 2023, benefiting from deposits, both from the margin obtained and from the volume growth. Other net income amounted to EUR 26 million in September 2024, reflecting an increase of 8.8% compared to the amount shown in the same period of the previous year, reflecting higher commissions from distribution of third-party investment funds and from exchange and brokerage transactions.
- Operating costs amounted to EUR 12 million, 2.8% above the amounts recognized in September 2023.
- The impairment and provision charges had a residual impact on the income statement in both periods.
- Loans to customers (net) amounted to EUR 351 million in September 2024, in line when compared to the figures accounted in September of the previous year, while balance sheet customer funds corresponded to EUR 3,368 million euros in September 2024, 30.5% above the level achieved in September 2023, following both the integration of customers from the Retail segment and the increase of interest rates, which resulted in the improvement of deposits remuneration.

INTERNATIONAL BUSINESS AND OTHERS

million EUR

Poland	Sep 30, 2024	Sep 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	956	868	10.2 %
Other net income	55	248	-77.9 %
	1,011	1,116	-9.4 %
Operating costs	366	303	20.9 %
Result on modification	-62	-15	>200%
Impairment and provision	452	567	-20.4 %
Income before tax	131	231	-43.2 %
Income taxes	4	130	-97.0 %
Income after income tax	127	101	26.2 %
BALANCE SHEET			
Loans to Customers (net of impairment charges)	17,641	16,013	10.2%
Balance sheet Customer funds	26,619	23,068	15.4%

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

million EUR

Mozambique	Sep 30, 2024	Sep 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	151	152	-0.5%
Other net income	45	45	-0.6%
	196	197	-0.6%
Operating costs	97	92	6.2%
Impairment and provision	12	11	9.8%
Income before tax	87	94	-8.4%
Income taxes	23	27	-14.6%
Income after income tax	64	67	-5.4%
BALANCE SHEET			
Loans to Customers (net of impairment charges)	637	665	-4.2%
Balance sheet Customer funds	2,164	2,066	4.7%

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

million EUR

INTERNATIONAL BUSINESS	Sep 30, 2024	Sep 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	1,107	1,020	8.6 %
Other net income (*)	102	294	-65.4 %
	1,209	1,314	-8.0 %
Operating costs	463	395	17.4 %
Result on modification	-62	-15	>200%
Impairment and provision	464	582	-20.3 %
Income before tax	220	322	-32.0 %
Income taxes	27	157	-82.8 %
Income after income tax	193	165	16.5 %
SUMMARY OF INDICATORS			
Allocated capital (**)	2,230	1,893	17.8 %
Return on allocated capital	11.5%	11.7%	
Risk weighted assets	15,407	14,078	9.4%
Cost to income ratio	38.3%	30.0%	
Loans to Customers (net of impairment charges)	18,279	16,678	9.6%
Balance sheet Customer funds	28,783	25,134	14.5%

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

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

Financial performance

Income after tax from International Business, computed in accordance with the geographic perspective, was EUR 193 million in September 2024, comparing favourably with an amount of EUR 165 million achieved by the end of September 2023. This favourable evolution of 16.5% is mostly explained by the fact that the favourable performance from lower level of impairment and provision, the positive performance of net interest income and tax shield on costs with foreign exchange mortgages in the Polish subsidiary, have more than offset the unfavourable performance from other net income, from operating costs and by the recognition of costs arising from the moratorium program (credit holidays) booked in 2024.

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

- Net interest income stood at EUR 1,107 million in September 2024, which compares to EUR 1.020 million achieved in September 2023. Excluding the impact arising from foreign exchange effects, it would have increased 3.0%, reflecting mainly the performance of the Polish subsidiary, being partially offset by the reduction in net interest income of the subsidiary in Mozambique, constrained by a significant increase in the minimum level of non-remunerated cash reserves at the central bank.
- Other net income attained EUR 102 million in September 2024, decreasing significantly when compared to the EUR 294 million recorded in the same period of the previous year, determined by the performance of the Polish subsidiary, due to the recognition in the same period of the previous year of the gain obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, to the impact associated to foreign exchange mortgage loan portfolio and to the increase in the costs associated with mandatory contributions.
- Operating costs amounted to EUR 463 million as at 30 September 2024, 17.4% up from the end of September 2023. Excluding foreign exchange effects, operating costs would have increased 11.9%, mainly reflecting the impact of the subsidiary in Poland, due to the strong pressure on basic wages, influenced by the inflation indicators and minimum wage increases, and to the increase in legal advice costs associated with foreign exchange mortgage loans portfolio. In the subsidiary in Mozambique, the increase mostly resulted from staff costs, both from higher headcount and salary adjustments.

- Results on modification totalled a negative amount of EUR 62 million by the end of September of 2024, which compares with an also negative amount of EUR 15 million recorded in the same period of the previous year. This performance reflects the recognition of costs arising from the moratorium program (credit holidays) booked in 2024. In both periods, this item also includes the amounts associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans.
- Impairment and provision charges at the end of September of 2024 presented a 20.3% drop compared to the figures reported by the end of September of 2023. This decrease corresponds essentially to a lower provision booked by the Polish subsidiary to address the foreign exchange mortgage legal risk.
- Loans to customers (net) stood at EUR 18,279 million in September 2024, 9,6% up from the amount attained in September 2023 (EUR 16,768 million). Excluding foreign exchange effects, the loan portfolio increased 2.1%, influenced by the evolution of the Polish subsidiary. The Foreign business' balance sheet customer funds increased 14.5% from EUR 25,134 million reported in September 2023 to 28,783 million euros in September 2024. Excluding the foreign exchange effects, balance sheet customer funds increased 7.2%, mainly driven by the performance of the subsidiary in Poland.

Liquidity Management

Until September 2024, the Group's balance sheet customer funds grew by 8.6% on an annual basis, well above the growth rate observed in 2023 (as at 31 December 2023, growth compared to the end of 2022 was 2.5%). This evolution was mainly due to the strong growth in customer deposits observed at Bank Millennium. In Portugal, the growth in deposits allowed the Bank to effectively defend its market share, which, according to data available until June 2024, has stabilised in relation to the previous year.

The robust growth of the deposit base, combined with a moderated growth in the consolidated credit portfolio, the inaugural issues of covered bonds and senior non-preferred green debt carried out by the Polish subsidiary and the Group's overall profitability, resulted in the reinforcement of the consolidated liquidity position compared to the previous year, reflected in the evolution of regulatory and internal risk indicators of liquidity defined within the scope of the Group's risk appetite statement.

Thus, the LCR, a regulatory standard that assesses short-term liquidity risk, grew in consolidated terms from 244% on 30 September 2023 to 314% on 30 September 2024 (of which 38 pp in the first nine months of 2024).

The structural liquidity risk indicator, the NSFR, grew from 160% on 30 September 2023 to 175% on 30 September 2024 (of which 9 pp in the first nine months of 2024).

With regard to the long-term component of its wholesale financing structure, and after regaining investment grade status by the four main rating agencies, BCP issued in September 2023 EUR 500 million of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities). In the first quarter of 2024, and fulfilling an objective defined in the Liquidity Plan, the Bank refinanced an Additional Tier 1 (AT1) issue of EUR 400 million in January 2019, through a new issue of the same instrument and amount, under more favourable interest rate conditions (8.125% vs. 9.25%).

The favourable evolution of BCP's commercial gap from a liquidity perspective and the overall profitability of the operation contributed, among other less relevant factors, to the growth of EUR 4.0 billion in the buffer of liquidity at the ECB, to EUR 29.4 billion.

In September 2024, Bank Millennium successfully carried out its inaugural issuance of senior non-preferred green debt, with a term of five years and a nominal value of EUR 500 million. In June 2024, the Polish subsidiary had carried out its first issue of covered bonds, worth PLN 300 million, with a term of three years. As a result of the growth in the deposit base and issues placed on the market, Bank Millennium significantly reinforced its liquidity position, reflected in regulatory indicators well above the minimum requirements.

In the last twelve months, Millennium bim reinforced its liquidity position, with the discountable buffer at the respective central bank and liquidity indicators benefiting from significant growth in the customer deposit base.

Capital

The estimated CET1 ratio as at 30 September 2024 stood at 16.5% both phased-in and fully implemented, reflecting a change of +155 and +152 basis points, respectively compared to the 14.9% phased-in and fully implemented ratios reported on the same date in 2023, comfortably above the minimum regulatory ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2024 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability targets.

The evolution of capital ratios in the period continued to be significantly conditioned by the impacts on Bank Millennium, related to the increase in provisions for legal risks associated with loans in foreign currency. These effects were, however, more than offset by the positive performance of the recurrent activity in Portugal and by the careful and proactive management of capital, which includes shareholder remuneration, in line with the bank's medium-term objectives.

SOLVENCY RATIOS

million EUR

	30 Sep. 24		30 Sep. 23	
	FULLY	PHASED	FULLY	PHASED
Own funds				
Common Equity Tier 1 (CET1)	6,539	6,542	5,936	5,928
Tier 1	7,030	7,033	6,427	6,418
Total Capital	**8,257**	**8,256**	**7,723**	**7,731**
Risk weighted assets	**39,708**	**39,718**	**39,711**	**39,735**
Solvency ratios				
CET1	16.5%	16.5%	14.9%	14.9%
Tier 1	17.7%	17.7%	16.2%	16.2%
Total capital	20.8%	20.8%	19.4%	19.5%

Note: The capital ratios as of 30 September 2024 are estimated including the positive accumulated net income.

According to the transitional provisions in force, capital ratios, not including the unaudited positive third quarter net income, are the following:

SOLVENCY RATIOS

million EUR

	30 Sep. 24	30 Sep. 23
	PHASED	PHASED
Own funds		
Common Equity Tier 1 (CET1)	6,434	5,762
Tier 1	6,926	6,252
Total Capital	**8,148**	**7,529**
Risk weighted assets	**39,718**	**39,689**
Solvency ratios		
CET1	16.2%	14.5%
Tier 1	17.4%	15.8%
Total capital	20.5%	19.0%

Deliver More Value - Strategic Plan 2025-28

"Deliver more value 28" sets a new bar for Millennium bcp's aspirations towards customers, people and shareholders. Millennium bcp is starting this cycle from a strengthened position that allows the Bank to confidently aim for a compelling profitability level (ROE >13.5%) and a material distribution to shareholders (up to 75%[6]), while preserving a robust capital position (>13.5% CET1).

The Strategic Cycle now ending consolidated an unrivaled path of transformation that led to early achievement of the ambitious financial targets set forth, cementing the group's competitive position in its markets, across most segments, excelling in profitability (ROE of 15.3% in 2023) and balance sheet robustness (CET1 of 16.5%[7] in 9M2024). Ultimately, these results are reflected in the upward trajectory in share price (+229%, September 2024 vs. December 2020) and investment grade ratings (3-4 notches since 2018). Millennium bcp has done so strengthening its leadership in customer centricity, while solidifying its technology foundations.

In Portugal, the bank was successful in significantly boosting revenues (+50% vs. 2021), exploring previous strides in technology to increase digital and mobile adoption. In Poland, the Bank completed the recovery plan and restored profitability, despite sizeable recognition of FX mortgage provisions, while maintaining a stable performance in Mozambique in a challenging environment.

Millennium bcp has consistently grown business volumes as a group (+4% CAGR since 2018) and in each business unit, with particular emphasis in Poland, notwithstanding the 65% reduction of NPEs since 2018. This evolution allowed Millennium bcp to consolidate a competitive position across most of the segments, in markets that offer a structural advantage in the upcoming cycle with GDP growth above EU-27 average, sizeable EU funding packages for Portugal and Poland, and substantial investments in large projects for Mozambique.

Looking to the future, the Bank is well-positioned to navigate 3 main trends: (i) the likely downward trajectory of interest rates and its implications to profitability, (ii) the evolving customer behaviour with increased demand for innovation and personalization in the rise of AI, and (iii) the growing cybersecurity risks with increasing sophistication of attacks and an evolving regulatory context (e.g., DORA).

In this context, Millennium bcp is launching a new Strategic Plan for 2028, "Deliver more value 28". In this plan, the Bank aspires to deliver more value to all stakeholders: for customers with a leading position in experience across markets, for talent with a satisfaction of >75/100 and >25% share of people promoted per year, and for shareholders with tangible returns and distribution. This will require an evolution of priorities (i) seeking growth options in attractive value pools with right-to-win, increasing portfolio balance towards the SME segment, (ii)innovating selectively in adjacencies, and (iii) strengthening credit risk capabilities.

In Portugal, Millennium bcp aspires to be the relationship bank with the best experience, human and digital enabled, for families and companies, ambitioning to capture 150-200k new active customers and +€4bn credit to companies (stock) by 2028. ActivoBank aims to lead customer acquisition in A/B digital first arena, with distinctive digital daily banking and value for money proposition, reaching 700k active customers in 2028.

In Poland, Bank Millennium aims to be the reference bank in acquisition and development of primary relationships with SMEs and individuals, embracing innovation and delivering top-quality services, reaching 3.7mn active customers, growing corporate lending stock at 14% p.a., and increasing the share of primary retail clients to 70%.

In Mozambique, Millennium bim will be focused on reinforcing its position as the main bank for families and companies and the reference bank for international investors in Mozambique's economy, with strong risk controls, targeting 1.7mn active customers and circa of 20% market share inlending to companies and individuals.

These priorities will enable Millennium bcp to deliver more value, visible in the main targets set for 2028. As a group, the bank aspires to deliver a healthy organic growth, achieving business volumes in excess of €190bn, more than 8mn active customers of which mobile more than 80%, maintain an execution discipline reflected in a cost-to-income below 40% and cost of risk of below 50bps, reinforcing the ESG commitment aiming for a top

[6] Of cumulative net income of €4.0-4.5bn in 2025-28 subject to supervisory approval and achievement of Plan's relevant capital and business targets in Portugal and in the international area and fulfillment of CET1 target. Including payout and share buyback, 2025 through 2028.
[7] Official ratio, without the Q3'24 net income, of 16.2%.

quartile position in S&P Global CSA rating, ultimately achieving returns with an RoE above 13.5%, keeping a sizeable capital buffer with a CET1 ratio of above 13.5% and shareholder distribution of up to 75%[8] of the cumulative net income of €4.0-4.5bn in 2025-28.

Main targets for strategic cycle 2025-28

Millennium bcp consolidated

	Metrics	2028
Healthy organic growth	**Business volumes** Portugal	**>€190bn** >€120bn
	Number of customers Portugal	**>8mn** >3mn
	Mobile customers Portugal	**>80%** >75%
Execution discipline	**Cost-to-income** Portugal	**<40%** <37%
	Cost of risk Portugal	**<50bps** <45 bps
ESG commitment	**S&P Global CSA** (percentile)	**Top quartile**
Robust capital	**CETI ratio**	**>13.5%**
Superior returns	**RoE**	**>13.5%**
	Shareholder distribution	**Up to 75%** of cumulative net income of €4.0-4.5bn in 2025-28[9] subject to supervisory approval and achievement of Plan's relevant capital and business targets in Portugal and in the international area and fulfillment of CETI target

[8] Subject to supervisory approval and achievement of Plan's relevant capital and business targets in Portugal and in the international area and fulfillment of CET1 target. Including payout and share buyback, 2025 through 2028.

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Interest and similar income	3,558,274	3,190,572
Interest and similar expense	(1,447,511)	(1,073,111)
NET INTEREST INCOME	2,110,763	2,117,461
Dividends from equity instruments	822	1,216
Net fees and commissions income	601,769	578,458
Gains/(losses) on financial operations at fair value through profit or loss	(17,626)	(13,446)
Foreign exchange gains/(losses)	7,673	21,043
Gains/(losses) on hedge accounting	4,283	(854)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	34,921	99,565
Other operating income/(losses)	(111,677)	(71,709)
TOTAL OPERATING INCOME	2,630,928	2,731,734
Staff costs	522,655	467,976
Other administrative costs	316,610	283,399
Amortisations and depreciations	107,335	103,240
TOTAL OPERATING EXPENSES	946,600	854,615
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,684,328	1,877,119
Results on modification	(62,440)	(14,829)
Impairment of financial assets at amortised cost	(166,068)	(212,653)
Impairment of financial assets at fair value through other comprehensive income	(4,426)	894
Impairment of other assets	(30,435)	(20,704)
Other provisions	(426,441)	(581,395)
NET OPERATING INCOME	994,518	1,048,432
Share of profit of associates accounted for using the equity method	43,784	45,702
Gains/(losses) on disposal of subsidiaries and other assets	17,490	15,215
NET INCOME BEFORE INCOME TAXES	1,055,792	1,109,349
Income taxes		
Current	(105,138)	(172,695)
Deferred	(157,669)	(214,684)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	792,985	721,970
Net income from discontinued or discontinuing operations	322	(9)
NET INCOME AFTER INCOME TAXES	793,307	721,961
Net income for the period attributable to:		
Bank's Shareholders	714,097	650,715
Non-controlling interests	79,210	71,246
NET INCOME FOR THE PERIOD	793,307	721,961
Earnings per share (in Euros)		
Basic	0.061	0.055
Diluted	0.061	0.055

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2024 AND 31 DECEMBER 2023

(Thousands of euros)

	30 September 2024	31 December 2023 (restated)
ASSETS		
Cash and deposits at Central Banks	4,305,450	4,545,526
Loans and advances to credit institutions repayable on demand	231,320	337,687
Financial assets at amortised cost		
Loans and advances to credit institutions	1,272,231	908,477
Loans and advances to customers	53,937,018	53,305,159
Debt securities	20,090,517	17,579,136
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,797,743	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	377,155	440,007
Financial assets designated at fair value through profit or loss	34,667	32,004
Financial assets at fair value through other comprehensive income	12,800,895	10,834,291
Hedging derivatives	38,879	40,628
Investments in associates	441,489	374,414
Non-current assets held for sale	42,848	80,317
Investment property	38,503	39,100
Other tangible assets	585,727	606,447
Goodwill and intangible assets	248,305	223,105
Current tax assets	10,216	20,469
Deferred tax assets	2,289,204	2,554,331
Other assets	1,684,089	1,626,684
TOTAL ASSETS	100,226,256	94,370,686
LIABILITIES		
Financial liabilities at amortised cost		
Deposits from credit institutions and other funds	972,390	829,126
Deposits from customers and other funds	80,059,041	75,606,813
Non subordinated debt securities issued	3,294,498	2,712,682
Subordinated debt	1,418,557	1,397,425
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	201,851	207,387
Financial liabilities at fair value through profit or loss	3,466,327	3,608,487
Hedging derivatives	41,968	67,825
Provisions	1,110,581	753,103
Current tax liabilities	107,605	197,085
Deferred tax liabilities	6,522	8,795
Other liabilities	1,508,875	1,691,552
TOTAL LIABILITIES	92,188,215	87,080,280
EQUITY		
Share capital	3,000,000	3,000,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	384,402	316,375
Reserves and retained earnings	2,451,351	1,714,083
Net income for the period attributable to Bank's Shareholders	714,097	856,050
Non-controlling interests	1,071,720	987,427
TOTAL EQUITY	8,038,041	7,290,406
TOTAL LIABILITIES AND EQUITY	100,226,256	94,370,686

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

million EUR

	Group			Activity in Portugal			International activity		
	Sep. 24	Sep. 23 (restated)	Chg. 24/23	Sep. 24	Sep. 23 (restated)	Chg. 24/23	Sep. 24	Sep. 23	Chg. 24/23
INCOME STATEMENT									
Net interest income	2,110.8	2,117.5	(0.3 %)	1,003.4	1,097.7	(8.6 %)	1,107.3	1,019.7	8.6 %
Dividends from equity instruments	0.8	1.2	(32.4 %)	0.0	0.5	(100.0 %)	0.8	0.7	14.8 %
Net fees and commission income	601.8	578.5	4.0 %	434.9	419.8	3.6 %	166.9	158.6	5.2 %
Net trading income	29.3	106.3	(72.5 %)	28.4	(16.0)	>200%	0.9	122.3	(99.3 %)
Other net operating income	(94.2)	(56.5)	(66.7 %)	(23.9)	(66.7)	64.2 %	(70.3)	10.2	<-200%
Equity accounted earnings	43.8	45.7	(4.2 %)	40.3	43.3	(6.9 %)	3.4	2.4	44.7 %
Net operating revenues	2,692.2	2,792.7	(3.6 %)	1,483.1	1,478.7	0.3 %	1,209.1	1,313.9	(8.0 %)
Staff costs	522.7	468.0	11.7 %	277.5	264.2	5.0 %	245.1	203.8	20.3 %
Other administrative costs	316.6	283.4	11.7 %	150.8	140.6	7.3 %	165.8	142.8	16.1 %
Amortisations and depreciations	107.3	103.2	4.0 %	54.8	55.1	(0.6 %)	52.6	48.1	9.2 %
Operating costs	946.6	854.6	10.8 %	483.2	460.0	5.0 %	463.4	394.6	17.4 %
Operating costs excluding specific items	943.9	842.4	12.0 %	480.4	447.8	7.3 %	463.4	394.6	17.4 %
Profit before impairment and provisions	1,745.6	1,938.0	(9.9 %)	1,000.0	1,018.7	(1.8 %)	745.6	919.3	(18.9 %)
Results on modification	(62.4)	(14.8)	<-200%	0.0	0.0	0.0 %	(62.4)	(14.8)	<-200%
Loans impairment (net of recoveries)	166.5	211.4	(21.3 %)	97.5	157.7	(38.2 %)	69.0	53.7	28.4 %
Other impairment and provisions	460.9	602.4	(23.5 %)	66.1	74.2	(11.0 %)	394.8	528.2	(25.3 %)
Profit before income tax	1,055.8	1,109.3	(4.8 %)	836.4	786.8	6.3 %	219.4	322.6	(32.0 %)
Income taxes	262.8	387.4	(32.2 %)	235.8	230.2	2.4 %	27.1	157.2	(82.8 %)
Current	105.1	172.7	(39.1 %)	10.4	10.3	0.0 %	94.8	162.3	(41.6 %)
Deferred	157.7	214.7	(26.6 %)	225.4	219.9	2.5 %	(67.7)	(5.2)	<-200%
Income after income tax from continuing operations	793.0	722.0	9.8 %	600.6	556.6	7.9 %	192.3	165.4	16.3 %
Income arising from discontinued operations	0.3	0.0	>200%	0.0	0.0	100.0 %	0.3	0.0	0.0 %
Non-controlling interests	79.2	71.2	11.2 %	(5.4)	(0.2)	<-200%	84.6	71.5	18.3 %
Net income	714.1	650.7	9.7 %	606.0	556.8	8.8 %	108.1	93.9	15.1 %
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	100,226	91,160	9.9 %	65,699	61,580	6.7 %	34,527	29,580	16.7 %
Total customer funds	100,776	92,379	9.1 %	69,551	65,639	6.0 %	31,225	26,740	16.8 %
Balance sheet customer funds	83,525	76,876	8.6 %	54,743	51,742	5.8 %	28,783	25,134	14.5 %
Deposits and other resources from customers	82,239	75,534	8.9 %	53,457	50,399	6.1 %	28,783	25,134	14.5 %
Debt securities	1,286	1,343	(4.2 %)	1,286	1,343	(4.2 %)	0	0	0.0 %
Off-balance sheet customer funds	17,251	15,502	11.3 %	14,808	13,897	6.6 %	2,443	1,605	52.2 %
Assets under management	6,095	5,240	16.3 %	4,416	4,205	5.0 %	1,679	1,035	62.2 %
Assets placed with customers	6,740	5,519	22.1 %	6,193	5,182	19.5 %	546	338	61.7 %
Insurance products (savings and investment)	4,416	4,743	(6.9 %)	4,199	4,510	(6.9 %)	217	233	(6.7 %)
Loans to customers (gross)	57,494	56,665	1.5 %	38,579	39,400	(2.1 %)	18,915	17,265	9.6 %
Individuals	35,971	33,902	6.1 %	21,740	21,065	3.2 %	14,231	12,837	10.9 %
Mortgage	28,604	27,531	3.9 %	19,238	18,821	2.2 %	9,366	8,709	7.5 %
Personal Loans	7,367	6,372	15.6 %	2,502	2,244	11.5 %	4,865	4,128	17.8 %
Companies	21,523	22,763	(5.4 %)	16,839	18,335	(8.2 %)	4,684	4,428	5.8 %
CREDIT QUALITY									
Total overdue loans	638	629	1.5 %	232	230	0.7 %	406	398	2.0 %
Overdue loans by more than 90 days	522	529	(1.2 %)	213	220	(2.9 %)	309	309	0.0 %
Overdue loans by more than 90 days / Loans to customers	0.9 %	0.9 %		0.6 %	0.6 %		1.6 %	1.8 %	
Total impairment (balance sheet)	1,543	1,553	(0.6 %)	907	966	(6.1 %)	637	587	8.5 %
Total impairment (balance sheet) / Loans to customers	2.7 %	2.7 %		2.4 %	2.5 %		3.4 %	3.4 %	
Total impairment (balance sheet) /Overdue loans by more than 90 days	295.5 %	293.8 %		425.2 %	440.0 %		206.1 %	189.9 %	
Non-Performing Exposures (NPE)	1,934	2,026	(4.6 %)	1,045	1,192	(12.3 %)	888	834	6.6 %
NPE / Loans to customers	3.4 %	3.6 %		2.7 %	3.0 %		4.7 %	4.8 %	
Total impairment (balance sheet) / NPE	79.8 %	76.6 %		86.7 %	81.0 %		71.6 %	70.4 %	
Restructured loans	1,609	1,775	(9.3 %)	1,056	1,235	(14.5 %)	553	540	2.5 %
Restructured loans / Loans to customers	2.8 %	3.1 %		2.7 %	3.1 %		2.9 %	3.1 %	
Cost of risk (net of recoveries, in b.p.)	39	50		34	53		49	42	

Alternative performance measures

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

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

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

million EUR

	30 Sep. 24	30 Sep. 23
Loans to customers (net) (1)	55,951	55,112
Balance sheet customer funds (2)	83,525	76,876
(1) / (2)	**67.0%**	**71.7%**

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

million EUR

	9M24	9M23 (restated)
Net income (1)	714	651
Non-controlling interests (2)	79	71
Average total assets (3)	98,427	90,449
[(1) + (2), annualised] / (3)	**1.1%**	**1.1%**

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

million EUR

	9M24	9M23 (restated)
Net income (1)	714	651
Coupons on AT1 Instruments (2)	26	28
Average equity (3)	6,193	5,199
[(1)-(2), annualised] / (3)	**14.9%**	**16.0%**

4) Return on tangible equity (ROTE)

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

million EUR

	9M24	9M23 (restated)
Net income (1)	714	651
Coupons on AT1 Instruments (2)	26	28
Goodwill impairment (3)	0	0
Adjusted net income (4)=[(1)-(2)+(3)]	689	623
Average equity excluding goodwill and intangible assets (5)	5,962	5,014
[(4), annualised] / (5)	**15.4%**	**16.6%**

5) Cost to income*

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group (excluding specific items), evaluating the volume of operating costs to generate net operating revenues.

million EUR

	9M24	9M23
Operating costs (1)	947	855
of which: specific items (2)	3	12
Net operating revenues (3)	2,692	2,793
of which: specific items (4)	0	127
[(1) - (2)] / [(3) - (4)]	**35.1%**	**31.6%**

* Excluding specific items: In the first nine months of 2024, specific items had a negative impact of EUR 3 million, recognised in staff costs in the activity in Portugal. In the first nine months of 2023, the impact was positive, in the amount of EUR 115 million, including income of EUR 127 million recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (EUR 118 million recognised as net trading income and EUR 9 million recognised as other net operating income) and costs of EUR 12 million recognised as staff costs in the activity in Portugal.

6) Cost of risk, net of recoveries (expressed in basis points, annualised) *

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges recognised in the period (net of reversals and recoveries of credit and interest) and the stock of loans to customers at the end of that period.

million EUR

	9M24	9M23
Loans to customers at amortised cost, before impairment (1)	57,491	56,654
Loan impairment charges (net of recoveries) (2)	166	211
[(2), annualised] / (1)	**39**	**50**

* Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first nine months of 2024 stood at 49 bp.

7) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

million EUR

	30 Sep. 24	30 Sep. 23
Non-Performing Exposures (1)	1,934	2,026
Loans to customers (gross) (2)	57,494	56,665
(1) / (2)	**3.4%**	**3.6%**

8) Total impairment / Non-performing exposures (NPE)

Relevance of the indicator: it allows the assessment of the relationship between the total balance sheet impairment recognised by the Group and the NPE portfolio.

million EUR

	30 Sep. 24	30 Sep. 23
Non-Performing Exposures (1)	1,934	2,026
Total loans impairment (balance sheet) (2)	1,543	1,553
(2) / (1)	**79.8%**	**76.6%**

9) Impairments allocated to NPE / Non-performing exposures (NPE)

Relevance of the indicator: it allows the assessment of the relationship between the impairments allocated to NPE recognised by the Group and the NPE portfolio.

million EUR

	30 Sep. 24	30 Sep. 23
Non-Performing Exposures (1)	1,934	2,026
Impairments allocated to NPE (balance sheet) (2)	1,040	1,035
(2) / (1)	**53.8%**	**51.1%**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loan to Deposits ratio (LTD) (Instruction from Banco de Portugal no. 16/2004) – loans to customers (net) divided by deposits and other resources from customers.

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

Net commissions - net fees and commissions income.

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

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

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

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

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

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

Operating costs - staff costs, other administrative costs and amortisations and depreciations.

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

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

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

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

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

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

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

Return on average assets (Instruction from Banco de Portugal no. 16/2004) – net income (before tax and non-controlling interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	Notes	30 September 2024	30 September 2023 (restated)
Interest and similar income	2	3,558,274	3,190,572
Interest and similar expense	2	(1,447,511)	(1,073,111)
NET INTEREST INCOME		2,110,763	2,117,461
Dividends from equity instruments	3	822	1,216
Net fees and commissions income	4	601,769	578,458
Gains/(losses) on financial operations at fair value through profit or loss	5	(17,626)	(13,446)
Foreign exchange gains/(losses)	5	7,673	21,043
Gains/(losses) on hedge accounting	5	4,283	(854)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	34,921	99,565
Other operating income/(losses)	6	(111,677)	(71,709)
TOTAL OPERATING INCOME		2,630,928	2,731,734
Staff costs	7	522,655	467,976
Other administrative costs	8	316,610	283,399
Amortisations and depreciations	9	107,335	103,240
TOTAL OPERATING EXPENSES		946,600	854,615
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,684,328	1,877,119
Results on modification	10	(62,440)	(14,829)
Impairment of financial assets at amortised cost	11	(166,068)	(212,653)
Impairment of financial assets at fair value through other comprehensive income	12	(4,426)	894
Impairment of other assets	13	(30,435)	(20,704)
Other provisions	14	(426,441)	(581,395)
NET OPERATING INCOME		994,518	1,048,432
Share of profit of associates accounted for using the equity method	15	43,784	45,702
Gains/(losses) on disposal of subsidiaries and other assets	16	17,490	15,215
NET INCOME BEFORE INCOME TAXES		1,055,792	1,109,349
Income taxes			
Current	31	(105,138)	(172,695)
Deferred	31	(157,669)	(214,684)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		792,985	721,970
Net income from discontinued or discontinuing operations	17	322	(9)
NET INCOME AFTER INCOME TAXES		793,307	721,961
Net income for the period attributable to:			
Bank's Shareholders		714,097	650,715
Non-controlling interests	44	79,210	71,246
NET INCOME FOR THE PERIOD		793,307	721,961
Earnings per share (in Euros)			
Basic	18	0.061	0.055
Diluted	18	0.061	0.055

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	3rd Quarter 2024	3rd Quarter 2023 (restated)
Interest and similar income	1,170,795	1,151,766
Interest and similar expense	(457,580)	(408,665)
NET INTEREST INCOME	713,215	743,101
Dividends from equity instruments	36	41
Net fees and commissions income	205,733	191,410
Gains/(losses) on financial operations at fair value through profit or loss	4,613	(21,135)
Foreign exchange gains/(losses)	(9,991)	10,399
Gains/(losses) on hedge accounting	3,742	(1,677)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	36,250	(7,521)
Other operating income/(losses)	(27,379)	13,798
TOTAL OPERATING INCOME	926,219	928,416
Staff costs	182,933	160,005
Other administrative costs	108,055	98,482
Amortisations and depreciations	36,168	34,627
TOTAL OPERATING EXPENSES	327,156	293,114
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	599,063	635,302
Results on modification	(1,464)	(3,232)
Impairment of financial assets at amortised cost	(68,966)	(66,294)
Impairment of financial assets at fair value through other comprehensive income	678	780
Impairment of other assets	(19,884)	(6,611)
Other provisions	(149,297)	(193,270)
NET OPERATING INCOME	360,130	366,675
Share of profit of associates accounted for using the equity method	12,225	18,041
Gains/(losses) on disposal of subsidiaries and other assets	3,577	1,893
NET INCOME BEFORE INCOME TAXES	375,932	386,609
Income taxes		
Current	(33,873)	(46,221)
Deferred	(91,160)	(95,159)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	250,899	245,229
Net income from discontinued or discontinuing operations	322	—
NET INCOME AFTER INCOME TAXES	251,221	245,229
Net income for the period attributable to:		
Bank's Shareholders	228,815	227,466
Non-controlling interests	22,406	17,763
NET INCOME FOR THE PERIOD	251,221	245,229

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	30 September 2024				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	792,985	322	793,307	714,097	79,210
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	94,937	—	94,937	69,165	25,772
Reclassification of gains / (losses) to profit or loss (note 5)	(1,196)	—	(1,196)	(1,162)	(34)
Cash flows hedging					
Gains / (losses) for the period	299,992	—	299,992	297,084	2,908
Other comprehensive income from investments in associates and others	10,565	—	10,565	10,558	7
Exchange differences arising on consolidation	12,063	—	12,063	1,280	10,783
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	1,712	—	1,712	1,712	—
Fiscal impact	(116,604)	—	(116,604)	(111,053)	(5,551)
	301,469	—	301,469	267,584	33,885
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period					
Subsidiaries	655	—	655	439	216
Associates	4,674	—	4,674	4,674	—
	5,329	—	5,329	5,113	216
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	2,323	—	2,323	2,323	—
Actuarial gains / (losses) for the period					
BCP Group Pension Fund	(47,407)	—	(47,407)	(47,407)	—
Pension Funds of foreign subsidiaries and associates	(3,104)	—	(3,104)	(2,826)	(278)
Fiscal impact	8,534	—	8,534	8,543	(9)
	(34,325)	—	(34,325)	(34,254)	(71)
Other comprehensive income / (loss) for the period	267,144	—	267,144	233,330	33,814
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,060,129	322	1,060,451	947,427	113,024

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 September 2023 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	721,970	(9)	721,961	650,715	71,246
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	159,282	—	159,282	99,130	60,152
Reclassification of gains / (losses) to profit or loss (note 5)	9,431	—	9,431	8,088	1,343
Cash flows hedging					
Gains / (losses) for the period	192,375	—	192,375	163,393	28,982
Other comprehensive income from investments in associates and others	(9,620)	—	(9,620)	(9,620)	—
Exchange differences arising on consolidation	(11,143)	—	(11,143)	(21,514)	10,371
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	7,705	—	7,705	7,705	—
Fiscal impact	(90,391)	—	(90,391)	(73,229)	(17,162)
	257,639	—	257,639	173,953	83,686
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period					
Subsidiaries	6,337	—	6,337	6,429	(92)
Associates	538	—	538	538	—
	6,875	—	6,875	6,967	(92)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(5,968)	—	(5,968)	(5,968)	—
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(37,696)	—	(37,696)	(37,696)	—
Pension Funds of foreign subsidiaries and associates	3,898	—	3,898	3,859	39
Fiscal impact	16,022	—	16,022	16,035	(13)
	(16,869)	—	(16,869)	(16,803)	(66)
Other comprehensive income / (loss) for the period	240,770	—	240,770	157,150	83,620
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	962,740	(9)	962,731	807,865	154,866

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	3rd Quarter 2024				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	250,899	322	251,221	228,815	22,406
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	67,115	—	67,115	52,393	14,722
Reclassification of gains / (losses) to profit or loss	(503)	—	(503)	(493)	(10)
Cash flows hedging					
Gains/(losses) for the period	204,879	—	204,879	203,883	996
Other comprehensive income from investments in associates and others	(2,795)	—	(2,795)	(2,793)	(2)
Exchange differences arising on consolidation	(19,506)	—	(19,506)	(17,241)	(2,265)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	1,670	—	1,670	1,670	—
Fiscal impact	(81,223)	—	(81,223)	(78,197)	(3,026)
	169,637	—	169,637	159,222	10,415
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period					
Subsidiaries	539	—	539	350	189
Associates	45	—	45	45	—
	584	—	584	395	189
Changes in own credit risk of financial liabilities at fair value through profit or loss	69	—	69	69	—
Fiscal impact	(2,420)	—	(2,420)	(2,416)	(4)
	(1,767)	—	(1,767)	(1,952)	185
Other comprehensive income/(loss) for the period	167,870	—	167,870	157,270	10,600
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	418,769	322	419,091	386,085	33,006

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	3rd Quarter 2023 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	245,229	—	245,229	227,466	17,763
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	32,033	—	32,033	12,131	19,902
Reclassification of gains / (losses) to profit or loss	3,221	—	3,221	3,205	16
Cash flows hedging					
Gains/(losses) for the period	77,088	—	77,088	68,970	8,118
Other comprehensive income from investments in associates and others	2,898	—	2,898	2,896	2
Exchange differences arising on consolidation	(46,412)	—	(46,412)	(19,876)	(26,536)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(304)	—	(304)	(304)	—
Fiscal impact	(28,486)	—	(28,486)	(23,157)	(5,329)
	40,038	—	40,038	43,865	(3,827)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Subsidiaries	(303)	—	(303)	(151)	(152)
Associates	42	—	42	42	—
	(261)	—	(261)	(109)	(152)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(7,202)	—	(7,202)	(7,202)	—
Actuarial gains/(losses) for the period					
Pension Funds of foreign subsidiaries and associates	78	—	78	39	39
Fiscal impact	2,456	—	2,456	2,443	13
	(4,929)	—	(4,929)	(4,829)	(100)
Other comprehensive income/(loss) for the period	35,109	—	35,109	39,036	(3,927)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	280,338	—	280,338	266,502	13,836

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2024 AND 31 DECEMBER 2023

(Thousands of euros)

	Notes	30 September 2024	31 December 2023 (restated)
ASSETS			
Cash and deposits at Central Banks	19	4,305,450	4,545,526
Loans and advances to credit institutions repayable on demand	20	231,320	337,687
Financial assets at amortised cost			
Loans and advances to credit institutions	21	1,272,231	908,477
Loans and advances to customers	22	53,937,018	53,305,159
Debt securities	23	20,090,517	17,579,136
Financial assets at fair value through profit or loss			
Financial assets held for trading	24	1,797,743	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	24	377,155	440,007
Financial assets designated at fair value through profit or loss	24	34,667	32,004
Financial assets at fair value through other comprehensive income	24	12,800,895	10,834,291
Hedging derivatives	25	38,879	40,628
Investments in associates	26	441,489	374,414
Non-current assets held for sale	27	42,848	80,317
Investment property	28	38,503	39,100
Other tangible assets	29	585,727	606,447
Goodwill and intangible assets	30	248,305	223,105
Current tax assets	31	10,216	20,469
Deferred tax assets	31	2,289,204	2,554,331
Other assets	32	1,684,089	1,626,684
TOTAL ASSETS		100,226,256	94,370,686
LIABILITIES			
Financial liabilities at amortised cost			
Deposits from credit institutions and other funds	33	972,390	829,126
Deposits from customers and other funds	34	80,059,041	75,606,813
Non subordinated debt securities issued	35	3,294,498	2,712,682
Subordinated debt	36	1,418,557	1,397,425
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	201,851	207,387
Financial liabilities at fair value through profit or loss	38	3,466,327	3,608,487
Hedging derivatives	25	41,968	67,825
Provisions	39	1,110,581	753,103
Current tax liabilities	31	107,605	197,085
Deferred tax liabilities	31	6,522	8,795
Other liabilities	40	1,508,875	1,691,552
TOTAL LIABILITIES		92,188,215	87,080,280
EQUITY			
Share capital	41	3,000,000	3,000,000
Share premium	41	16,471	16,471
Other equity instruments	41	400,000	400,000
Legal and statutory reserves	42	384,402	316,375
Reserves and retained earnings	43	2,451,351	1,714,083
Net income for the period attributable to Bank's Shareholders		714,097	856,050
Non-controlling interests	44	1,071,720	987,427
TOTAL EQUITY		8,038,041	7,290,406
TOTAL LIABILITIES AND EQUITY		100,226,256	94,370,686

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	30 September 2024	30 September 2023
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	2,697,346	2,588,164
Commissions received	807,230	740,565
Fees received from services rendered	92,049	85,974
Interests paid	(1,322,725)	(931,536)
Commissions paid	(155,495)	(151,456)
Recoveries on loans previously written off	60,506	14,525
Payments (cash) to suppliers and employees (*)	(1,066,212)	(897,795)
Income taxes (paid) / received	(172,246)	(47,270)
	940,453	1,401,171
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(297,426)	(392,644)
Deposits held with purpose of monetary control	(68,581)	241,083
Loans and advances to customers receivable / (granted)	(889,746)	1,132,064
Short term trading securities	(982,110)	(188,953)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	78,188	(47,618)
Deposits from credit institutions with agreed maturity date	62,003	(187,565)
Loans and advances to customers repayable on demand	1,195,535	(3,652,400)
Deposits from customers with agreed maturity date	3,019,853	3,179,202
	3,058,169	1,484,340
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control	—	108,204
Dividends received	54,876	9,937
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	719,448	391,589
Sale of financial assets at fair value through other comprehensive income and at amortised cost	1,856,005	1,673,009
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(118,516,407)	(87,372,907)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	112,492,073	80,404,763
Acquisition of tangible and intangible assets	(87,093)	(73,104)
Sale of tangible and intangible assets	2,993	5,666
Decrease / (increase) in other sundry assets	(37,521)	145,305
	(3,515,626)	(4,707,538)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of debt securities	618,928	567,053
Reimbursement of debt securities	(268,827)	(136,400)
Issuance of commercial paper and other securities	48,333	33,797
Reimbursement of commercial paper and other securities	(4,272)	(16,190)
Issuance of Perpetual Subordinated Bonds in January 2024, net of expenses (Additional Tier 1)	397,600	—
Reimbursement of Perpetual Subordinated Bonds issued in January 2019, net of expenses (Additional Tier 1)	(400,000)	—
Dividends paid to Bank's shareholders	(256,938)	—
Dividends paid to non-controlling interests	(28,727)	(23,719)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(25,500)	(27,750)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	18,354	315,870
	98,951	712,661
Exchange differences effect on cash and equivalents	12,063	(11,143)
Net changes in cash and equivalents	(346,443)	(2,521,680)
Cash (note 19)	688,501	593,033
Deposits at Central Banks (note 19)	3,857,025	5,428,968
Loans and advances to credit institutions repayable on demand (note 20)	337,687	213,460
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,883,213	6,235,461
Cash (note 19)	575,367	558,445
Deposits at Central Banks (note 19)	3,730,083	2,967,370
Loans and advances to credit institutions repayable on demand (note 20)	231,320	187,966
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	4,536,770	3,713,781

(*) As at 30 September 2024, this balance includes the amount of EUR 208,000 (30 September 2023: EUR 577,000) related to short-term lease contracts and the amount of EUR 1,843,000 (30 September 2023: EUR 2,840,000) related to lease contracts of low value assets.

(**) As at 30 September 2024, this balance includes the amount of EUR 42,956,000 (30 September 2023: EUR 41,132,000) corresponding to principal payments on lease liabilities.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024 AND 2023

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Non-controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2022 (RESTATED)	3,000,000	16,471	400,000	268,534	1,272,262	197,386	782,114	5,936,767
Effect of the revision of Millenniumbcp Ageas' equity for the financial year 2022, associated with the application of IFRS9 and IFRS 17 (note 43)	—	—	—	—	(9,092)	—	—	(9,092)
BALANCE AS AT 1 JANUARY 2023	3,000,000	16,471	400,000	268,534	1,263,170	197,386	782,114	5,927,675
Net income for the period	—	—	—	—	—	650,715	71,246	721,961
Other comprehensive income	—	—	—	—	157,150	—	83,620	240,770
TOTAL COMPREHENSIVE INCOME	—	—	—	—	157,150	650,715	154,866	962,731
Results application:								
Legal reserve	—	—	—	47,841	(47,841)	—	—	—
Transfers for reserves and retained earnings	—	—	—	—	197,386	(197,386)	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(27,750)	—	—	(27,750)
Dividends (a)	—	—	—	—	—	—	(23,719)	(23,719)
Other reserves	—	—	—	—	(94)	—	(22)	(116)
BALANCE AS AT 30 SEPTEMBER 2023 (RESTATED)	3,000,000	16,471	400,000	316,375	1,542,021	650,715	913,239	6,838,821
Net income for the period	—	—	—	—	—	205,335	20,313	225,648
Other comprehensive income	—	—	—	—	181,297	—	53,893	235,190
TOTAL COMPREHENSIVE INCOME	—	—	—	—	181,297	205,335	74,206	460,838
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(9,250)	—	—	(9,250)
Other reserves	—	—	—	—	15	—	(18)	(3)
BALANCE AS AT 31 DECEMBER 2023 (RESTATED)	3,000,000	16,471	400,000	316,375	1,714,083	856,050	987,427	7,290,406
Net income for the period	—	—	—	—	—	714,097	79,210	793,307
Other comprehensive income	—	—	—	—	233,330	—	33,814	267,144
TOTAL COMPREHENSIVE INCOME	—	—	—	—	233,330	714,097	113,024	1,060,451
Results application:								
Legal reserve (note 42)	—	—	—	68,027	(68,027)	—	—	—
Transfers for reserves and retained earnings	—	—	—	—	856,050	(856,050)	—	—
Dividends paid					(256,938)	—	—	(256,938)
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(25,500)	—	—	(25,500)
Early repayment of the Perpetual Subordinated Bonds AT1 issued in January 2019 (note 41)	—	—	(400,000)	—	—	—	—	(400,000)
Perpetual Subordinated Bonds AT1 issued in January 2024 (note 41)	—	—	400,000	—	—	—	—	400,000
Costs with the Perpetual Subordinated Bonds AT1 issue (January 2024)	—	—	—	—	(2,400)	—	—	(2,400)
Taxes on Costs with the new AT1 issue (January 2024)	—	—	—	—	751	—	—	751
Dividends (a)	—	—	—	—	—	—	(28,727)	(28,727)
Other reserves	—	—	—	—	2	—	(4)	(2)
BALANCE AS AT 30 SEPTEMBER 2024	3,000,000	16,471	400,000	384,402	2,451,351	714,097	1,071,720	8,038,041

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the nine-months ended 30 September 2024 and 2023.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 19 November 2024 by the Bank's Board of Directors and are presented in thousands of euro, rounded to the nearest thousand.

All the references in this document related to any normative always report to the respective current version.

The interim condensed consolidated financial statements for the nine-month period ended on 30 September 2024 were prepared for the purpose of recognition and measurement, in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2023.

These interim condensed consolidated financial statements are a translation of the financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2024. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

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

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

As disclosed in note 43 – Reserves and retained earnings, on 1 January 2023, the Group made a correction to the item Reserves and retained earnings in the amount of EUR 9,092,000, correcting the transition adjustments related to IFRS 17 and IFRS 9 of its shareholding in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The Group also verified compliance with the requirements that determined the acquisition of significant influence in Lusofundo - Fundo de Investimento Imobiliário Fechado and Fundo Especial de Investimento Imobiliário Fechado Eurofundo in the amount of EUR 18,780,000 and EUR 8,467,000, respectively, being recognised under the item of Investments in associates (note 26) against the item of Financial assets at fair value through profit and loss (note 24). This accounting reclassification also led to the reclassification of the respective results in the first nine months of 2023 in the amount of EUR 1,776,000 and EUR 104,000 respectively.

B. Basis of consolidation

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

The interim condensed consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to variable returns from its involvement with the entity and can take possession of these results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired is recorded against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associates are recorded by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

-representation on the Board of Directors or equivalent governing body of the investee;
-participation in policy-making processes, including participation in decisions about dividends or other distributions;
-material transactions between the Group and the investee;
-interchange of the management team;
-provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associates accounted on an equity basis. When the Group’s share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, with exception of the part in which the Group incurs in a legal obligation to assume these losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are recorded directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation, however, it is subject to impairment tests. Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising from an acquisition is recognised directly in the income statement of the period in which the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimation of the contingent purchase price, being the difference recorded in the income statement or in equity, when applicable.

According to IFRS 3 – Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognised previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognised at that date.

During this period, the Group should also recognise additional assets and liabilities in the case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of those assets and liabilities at that time.

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher of the asset value in use and the market value after deducting selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

The acquisition of non-controlling interests that do not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, no additional goodwill resulting from this transaction is recognised. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests that do not impact the control position of a subsidiary are always recognised against reserves.

B5. Loss of control

The gains or losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euro at the official exchange rate on the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, exchange differences, between the conversion to euro of the equity at the beginning of the year and its value in euro at the exchange rate on the balance sheet date in which the consolidated accounts are reported, are recognised against "Reserves - exchange differences". The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to euro at an approximate rate of the rates on the dates of the transactions, using a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to euro of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies". The exchange rates used by the Group are detailed in note 53.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves are transferred to profit and loss, as part of the gains or loss arising from the disposal.

The Group applies IAS 29 – Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation. In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2021. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution if it is earlier.

When the classification as a hyperinflationary economy is applied to associates, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recognised against the item "Reserves and retained earnings".

In accordance with the requirements provided in IAS 29, Angola was considered as a hyperinflationary economy until 31 December 2018. This classification is no longer applicable as of 1 January 2019.

B7. Transactions eliminated on consolidation

The balances and transactions between Group's companies, as well as any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in these entities.

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

- “Financial assets at amortised cost”;
- “Financial assets at fair value through other comprehensive income”; or,
- “Financial assets at fair value through profit or loss”.

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management bodies;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, for the credit risk associated with the amount owed over a given period and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), as well as for a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and,
- the prepaid fair value is insignificant at initial recognition.

C1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised cost" category includes loans and advances to credit institutions, loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are recorded in "Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss".

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement item designated "Gains or losses on derecognition of financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject from their initial recognition to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against “Other comprehensive income”, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are recognised against “Other comprehensive income”. Dividends are recognised in the income statement when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recognised in “Fair value changes” are transferred to “Retained earnings” at the time of their derecognition.

C1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that will otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

The Group classified "Financial assets at fair value through profit and loss" in the following items:

a) “Financial assets held for trading”

These financial assets are acquired with the purpose of short-term selling; at the initial recognition, they are part of a portfolio of identified financial instruments and for which there is evidence of profit-taking in the short-term; or they can be defined as derivatives (except for hedging derivatives).

b) “Financial assets not held for trading mandatorily at fair value through profit or loss”

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) “Financial assets designated at fair value through profit or loss” (Fair Value Option)

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, except the accrual of interest from trading derivatives that are recognised in “Gains/(losses) on financial operations at fair value through profit or loss”. Dividends are recognised in profit and loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with negative fair value are included in "Financial liabilities held for trading".

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification and any gains, losses (including the ones related to impairment) or interest previously recognised should not be restated.

The reclassification of investments in equity instruments measured at fair value through other comprehensive income is not allowed, nor of financial instruments designated at fair value through profit or loss.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or,
- it transfers the financial asset as set out in notes ii) and iii) below and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset; or,
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions presented in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay these cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all the following three conditions are met:

- the Group does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
- the Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 – Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Group transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;

b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group retained or not control (see note iv) above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous section, and considering that contract modification processes may lead, in some circumstances, to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification), the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification of the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- Creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal value higher than 90% of the nominal amount of the new instrument;

- Double extension of the residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of the modification;

- Increase of on balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);

- Change in qualitative features, namely:

  i) Change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or the relevant monetary authorities;

  ii) Exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;

  iii) Transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

  iv) Deletion or addition to the debt instrument of features of the "Pay If You Can" type or dependent on the financial performance of the debt instrument.

In the case of a restructuring due to financial difficulties of the debtor, only the criteria set out in items ii, iii and iv of the above paragraphs should be checked (the other criteria listed in this paragraph are not relevant in such situations).

Under the regulatory changes that occurred in Poland and the negotiations with customers holding mortgage loans in foreign currency described in note 57, and which correspond to contractual modifications made in accordance with IFRS 9, when the cash flows resulting from the agreement are subject to modification and a given asset is not derecognised, Bank Millennium adjusts the gross book value of the financial asset and recognises the profit or loss due to the modification in the Income Statement - Results on modification. The adjustment to the gross carrying amount of a financial asset is the difference between the discounted cash flows before and after contract modification.

Loans written-off

The Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. Loans written-off are recognised in off-balance sheet accounts.

C1.4. Purchased or originated credit-impaired assets

Purchased or originated credit-impaired (POCI) assets are assets that present objective evidence of credit impairment in the moment of their initial recognition. An asset is credit-impaired if one or more events have occurred with a negative impact on the estimated future cash flows of the asset.

The two events that lead to the origin of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

At initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balance) is accounted for at fair value and it's equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recognised in the following accounting items:

C1.5.1.1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment of financial assets at amortised cost" (in the income statement).

C1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk since the initial recognition		
	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers' behaviour towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

All customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than EUR 100 (retail) or more than EUR 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default.

The existence of a material payment delay gives rise to the default setting of all holders of the operation (or operations).

b) Signs of low probability of payment:

i. Credit restructuring due to financial difficulties with loss of value;
ii. Delay after restructuring due to financial difficulties;
iii. Recurrence of restructuring due to financial difficulties;
iv. Credit with signs of impairment (or stage 3 of IFRS 9);
v. Insolvency or equivalent proceedings;
vi. Litigation;
vii. Guarantees of operations in default;
viii. Credit sales with losses;
ix. Credit fraud;
x. Unpaid credit status;
xi. Breach of covenants in a credit agreement;
xii. Spread of default in an economic group;
xiii. Cross default in BCP Group.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Customers who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency, if the total exposure of the group members in these situations exceeds EUR 1 million
	Customers integrated into groups with an exposure over EUR 5 million, if they have a risk grade 125
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over EUR 5 million, if a group member has a risk grade 124
	Groups or customers with an exposure over EUR 5 million, if a member of the group has a restructured loan and a risk grade 123
	Groups or customers with an exposure over EUR 10 million, if at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds EUR 25 million

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure over EUR 500,000, while customers with exposure below this limit are not considered for the purpose of determining the exposure referred to in the previous point.

3. Other customers that do not meet the criteria defined in 1 will also be subject to individual analysis, if under the following conditions:

- they have impairment as a result of the latest individual analysis;
- are classified in stage 2 as a result of the latest revision of the questionnaire analysing the signs of financial difficulties;
- according to recent information, they show a significant deterioration in risk levels; or,
- are a Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- for customers that are not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in stage 2 given the occurrence of a significant increase in credit risk, considering for this purpose a set of predetermined signs;
- for customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. For the situations identified in the first paragraph of point 4 above, involving corporate customers, the analysis is the responsibility of the Rating Division, and the responsibility of the Credit Division for the remaining customers.
6. For the situations identified in the second paragraph of point 4 above, the individual analysis to determine the loss is the responsibility of the customer's management divisions and of the Credit Division, the latter with regard to the customers managed by the Commercial Networks.

The assessment of existence of impairment losses in individual terms is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Group assessed at each balance sheet date the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

- total exposure of each customer towards the Group and the existence of overdue loans;
- viability of the customer’s business and its capacity to generate enough cash flows to service debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- the customer’s available assets in liquidation or insolvency situations;
- the existence of preferential creditors;
- the amount and expected recovery term.

7. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

8. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.

9. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.

10. The macroeconomic adjustment set out in point 9 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

- for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
- for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index indicates significant changes ahead for the current valuation values.

11. It is the responsibility of the units referred to in points 5 and 6 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

12. For the purposes of the preceding paragraphs, the Bank's Economic Studies Area shall disclose the macroeconomic data that allow the estimations to be made.

13. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

14. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- recovery of debt related to geographies in which there is strong political instability;
- recovery of non-real estate collateral for which there is no evidence of market liquidity;
- recovery of related collateral or government guarantees in a currency other than the country's own;
- recovery of debt related to debtors for whom there is a strong negative public exposure.

15. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, as well as for the final decision on the customer's impairment.

16. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12-month equivalent to the risk grade 115 of the Master Scale.

17. The individual impairment analysis must be carried out annually and may be lower for customers who fall into certain situations of possible increased risk. In case significant signs of deterioration or improvement in the customer’s economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review of the expected impairment of this customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated 'low default': Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;

b) Segments not 'low default': - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ('SME Retail'); and Others - Corporate: Small and medium enterprises - Corporate ('Large SME'); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year.

Expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Group expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and,
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD associated with each exposure.

The Group collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if an exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and/or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortisations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, except for financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of product applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters for the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

In particular, the PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values for a set of macroeconomic variables, based on three scenarios (Central, Upside and Downside Scenario) prepared by the Bank's Economic Studies area. These scenarios, which are used across the Bank for various purposes besides calculating impairment, consider existing projections by reference entities.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- “Financial liabilities at amortised cost”;
- “Financial liabilities at fair value through profit or loss”.

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) “Financial liabilities held for trading”

In this balance the issued liabilities are classified with the purpose of repurchasing in the near term, those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) “Financial liabilities designated at fair value through profit or loss”

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes Deposits from credit institutions and other funds and Deposits from customers and other funds, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. Interest on financial liabilities at amortised cost are recognised in "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when these are cancelled or extinct.

C3. Interest recognition

Income and expense related to interest from financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e., for financial assets entering stage 3, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

For purchased or originated credit-impaired assets (POCI), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39.

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed in a continuous basis and highly effective throughout the reporting period; and,
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

C4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual term of the hedged item.

C4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- deferred over the residual period of the hedged instrument; or,
- recognised immediately in results if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable, and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

C4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

As at 30 September 2024, Banco Comercial Português has in Portugal two residential mortgage credit securitization operations, Magellan Mortgages no.3 and no.4, in which the respective portfolios were derecognised from the Bank's individual balance sheet, as the risks and rewards related to the residual portions of the referred transactions, were transferred to institutional investors.

By purchasing a part or all of the most subordinated residual portion, the Group maintained control of the assets and liabilities of Magellan Mortgages no.3, this Special Purpose Entity (SPE) being consolidated in the Group's financial statements, in accordance with the accounting policy referred to in note 1 B.

The two operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Securitisation Fund, which has financed this purchase through the sale of securitisation units to an Irish-SPE. At the same time, this Special Purpose Entity (SPE) issued and sold in capital markets the different tranches of bonds.

D2. Synthetic securitizations

As at 30 September 2024, Banco Comercial Português has in Portugal four synthetic securitization operations, with similar characteristics, with reference to credit portfolios granted by the Bank mainly to Small and Medium Enterprises (SMEs).

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loan portfolio of current accounts and authorized overdrafts.

Caravela SME no.4, initiated on 5 June 2014, has a reference portfolio of vehicle, real estate and equipment leasing.

Caravela SME no.5, initiated on 20 December 2022, is supported on a credit portfolio of medium-and-long-term loans, leasing contracts and commercial paper programmes.

Caravela SME no.6, initiated on 28 February 2024, is supported on a credit portfolio of short-term exposures to Corporate customers, in the form of current accounts overdrafts, authorised overdrafts and confirming agreements.

In any of these operations, the Bank contracted a Credit Default Swap (CDS) from a Special Purpose Entity (SPE), buying, this way, protection over the total referenced portfolio. As in all synthetic securitizations, under CDS, the risk of the respective portfolios was divided in 3 tranches: senior, mezzanine and equity.

In the case of both Caravela no.3 and no.4, the mezzanine and part of the equity (20%) were placed in the market through the issuance of Credit Linked Notes (CLNs) by the above mentioned SPE which were subscribed by investors, while the Group retained the senior risk and the remaining part of the equity (80%). In the case of Caravela, SME no. 5 and no.6, only the full amount of the mezzanine was placed in the market, while the Group retained the risk of the full amount of the senior and equity tranches.

Note that in all the above-mentioned synthetic transactions, the product of the CLNs issue was invested by the SPE in a deposit, which fully collateralizes the responsibilities in the presence of its creditors including BCP in accordance with the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if: i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and, ii) the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

F2. Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised in the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and other funds and deposits from credit institutions and other funds. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when the intention is to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale qualifies for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

If the requirements set out in IFRS 5 for these assets are not met, the balance sheet value and respective impairment are reflected in the caption "Other assets". In 2023, a group of properties was reclassified, as described in notes 27 and 32.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of their sale.

G1. Non-operating real estate (INAE)

The Group also classifies as non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs, or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortisation. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the Comissão do Mercado de Valores Mobiliários (CMVM).

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate like INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Group may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

This standard establishes the requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee’s perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16 and shall recognise the lease payments associated with these leases as an expense.

The Group chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset’s value is below EUR 5,000. Additionally, this standard was not applied to leases of intangible assets.

Lease definition

The lease definition focuses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e., the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Group recognises for all leases, except for those with a term under 12 months or for leases of low-value assets:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For term contracts, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed using the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, the particular clauses of the contracts are considered, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in -substance fixed payments and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group's financial statements, namely:

- in the consolidated income statement:

  (i) recording in "Interest Income" the interest expenses related to lease liabilities;

  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,

  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.

- in the consolidated balance sheet:

  (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;

  (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,

  (iii) recording in "Other liabilities" the amount of recognised lease liabilities.

- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the consolidated statement of cash flows.

Impact from the lessor's perspective

In accordance with IFRS 16, paragraph 62, lessors shall classify leases as finance or operational leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards inherent to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards inherent to ownership of an underlying asset.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease's lessor, simultaneously lessee regarding the original lease, shall recognise an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

In case the primary lease is short-term, then the sublease should be classified as an operating lease.

I. Recognition of income from services and commissions

In accordance with IFRS 15, the Group recognises revenue associated with services and commissions when (or as) a performance obligation is satisfied when transferring a service, based on the transaction price associated with this performance obligation. In this context, the Group takes the following steps to recognise revenue associated with services and commissions:

- Recognition (satisfaction of the performance obligation): (i) identification of the contract associated with the service provided and whether it should be covered by IFRS 15; (ii) identification of performance obligations associated with each contract; (iii) definition of the criteria for the fulfilment of performance obligations, also considering the contractual terms established with the counterparty. According to this definition, a service is transferred when the customer obtains the benefits and control associated with the service provided. In this context, the Group also identifies whether performance obligations are met over time ("over time") or at an exact moment ("point in time"), with revenue being recognised accordingly.

- Measurement (price to be recognised associated with each performance obligation): (i) determine the transaction price associated with the service provided, considering the contractual terms established with the counterparty and its usual commercial practices. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to the customer, excluding amounts collected on behalf of third parties. The Group includes in the transaction price part or all of the estimated amount of the variable consideration associated with a performance obligation, only to the extent that it is highly probable that a significant reversal in the amount of the accrued revenue recognised will not occur when the uncertainty associated with that variable consideration is subsequently resolved; and (ii) allocate the transaction price to each of the performance obligations identified under the contract established with the customer.

It should be noted that when services or commissions are an integral part of the effective interest rate of a financial instrument, income resulting from services and commissions is recorded in net interest income (Note C.3).

J. Gains/(losses) on financial operations at fair value through profit or loss, Foreign exchange gains/(losses), Gains/(losses) on hedge accounting and Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss

These balances include gains and losses on financial assets and liabilities at fair value through profit and loss, i.e., fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses on sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the foreign exchange gains or losses.

K. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

L. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred, under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

M. Investment properties

Real estate properties owned by the Group are recognised as 'Investment properties' considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, as "Other operating income/ (losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

N. Intangible assets

N1. Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

N2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight-line basis by an estimated lifetime of 6 years. The Group does not capitalise internal costs arising from software development.

O. Cash and cash equivalents

For the purposes of the cash flow statement, the item "Cash and cash equivalents" comprises balances with a maturity of less than three months from the date of acquisition, where the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions" are included.

P. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassification of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified; and, iii) the reason for the reclassification.

Q. Foreign currency transactions

Transactions in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

R. Employee benefits

R1. Defined benefit plans

The Group has the responsibility to pay its employees' retirement pensions, invalidity pensions and survivor's pensions for their death, in accordance with the terms of the two collective labour agreements approved. These benefits are provided for in the pension plans 'Plano ACT' and 'Plano ACTQ' of the Banco Comercial Português Group Pension Fund.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). Under the scope of its management and human resources, the Group had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from the referred Decree-Law no. 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

Until 2011, in addition to the benefits provided for in the two plans above-mentioned, the Group had assumed the responsibility, if certain conditions of profitability were verified in each year, of assigning retirement supplements to the Group's employees hired up to 21 September 2006 (Complementary Plan). The Group, at the end of 2012, determined the extinction (cut) of the old-age benefit of the Complementary Plan. On 14 December 2012, Instituto de Seguros de Portugal (ISP) formally approved this change to the Group's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Group also proceeded to the settlement of the respective liability.

From 1 January 2011, Bank employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits that concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employee, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, an agreement was established between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements, namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and four unions from the two union federations of the unions that represent the Group's employees, which introduced changes in the Social Security clause and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT was published by the Ministry of Labour in the Bulletin of Labour and Employment on 15 February 2017 and the effects were recorded in the financial statements of 31 December 2016, for employees associated with these four unions.

The negotiation with Sindicato dos Bancários do Norte (SBN), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for SBN associate employees.

The most relevant changes in the ACT were the change in the retirement age (presumed disability) from 65 years to 66 years and two months in 2016 and the subsequent update of an additional month in each year, which cannot, in any case, be higher than the one in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to SAMS and, lastly, the introduction of a new benefit called the End of Career Premium, which replaces the Seniority Premium.

These changes were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF - Portuguese Insurance and Pension Funds Supervision Authority), the BCP Group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits, as well as to transfer to the pension fund the responsibilities that were directly chargeable to the company (extra-fund liabilities). The pension fund has a part exclusively for the financing of these liabilities which, in the scope of the fund, is called Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

The Group’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis on 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Group’s net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, using a discount rate determined by reference to interest rates of high- quality corporate bonds that have maturity dates approximating the terms of the Group’s obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income/cost of interest with the pension plan is calculated by the Group, multiplying the net asset/liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities. On this basis, the income/cost net of interest includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experienced gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income/cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and, (v) the effects of any settlement or curtailment occurred during the period. The net income/cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post-retirement health care benefits and benefits for the spouse and descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each company of the Group, according to a specific contribution plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

R2. Revision of the salary tables for employees in service and pensions in payment

In 2024, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

At the same time, negotiations continue to take place with all unions that subscribed the Group's Collective Labor Agreements, to review the salary tables and remaining pecuniary clauses relating to the year 2024, with the exception of the “Sindicato Nacional dos Quadros e Técnicos Bancários (SNQTB)”, with which it was agreed on September 18, 2024, an increase of 3.00% for salary tables and other pecuniary clauses relating to the year 2024, and an increase of 5.88% for the daily lunch allowance, which increase from 12.75 euros to 13.50 euros per day.

R3. Defined contribution plan

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

As at 30 September 2024, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português. As in the year 2023 the indicated requirements were fulfilled a provision for the annual contribution, which was carried out in May 2024, was recorded in the 2023 costs.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, by the Group and by the employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

R4. Variable remuneration paid to employees

In the remuneration policy for employees in force it is foreseen an annual variable remuneration system for employees not covered by commercial incentive systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

R5. Share-based compensation plan

As at 30 September 2024, a variable compensation plan with BCP shares is in force for the members of the Executive Committee and for the employees considered Key Function Holders (includes Key Management Members), resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the Employees, both approved for the financial year of 2024 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

Key Function Holders include Key Management Members, which are the first line directors who report directly to the Board of Directors and the remaining employees whose professional activities have a significant impact on the Bank's risk profile.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is decided by the Remuneration and Welfare Board. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 50% of its value, being 50% of its value paid in the year following the financial year in question. For the members with variable remuneration awarded greater than two thirds of the fixed annual remuneration earned in the financial year in question, 60% of the amount must be deferred. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is decided by the Executive Committee. For Employees considered as Key Function Holders (KFH), the payment of the amount of the variable remuneration to be attributed to each Employee is decided by the Nominations and Remunerations Committee, and its payment subject to a deferral period of 5 years for 40% of its value, with 60% of its value paid in the year following the financial year in question. For the KFH with variable remuneration awarded greater than two thirds of the fixed annual remuneration earned in the financial year in question, 60% of the amount must be deferred. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy. As provided for in the Remuneration Policy for Employees, if the amount of the annual variable remuneration awarded to a Key Function Holder is less than EUR 50,000 and does not represent more than one third of the total annual remuneration of the Key Function Holder the payment of the annual variable remuneration will be 100% in cash and there will be no deferral.

Employees considered as Key Function Holders are not covered by Commercial Incentives Systems.

For the remaining Employees not covered by Commercial Incentive Systems, the payment of the variable remuneration amount awarded is fully paid in cash in the following year to which it relates.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees Key Function Holders are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the people covered have had a direct participation.

For the members of the Executive Committee and to the employees considered as Key Function Holders, a long-term variable remuneration (LTVR) system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2022 until 31 December 2025 (from 1 January 2023 until 31 December 2025 to the Employees Key Function Holders), provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 5 years for 50% of its value, being 50% of its value paid in the year following the assessment period to which it relates. If the LTVR of each member of the Executive Committee or KFH, equal to or greater than two thirds of the annual fixed remunerations due in the LTVR valuation period, the deferred amount will correspond to 60%. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Key Function Holders, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to the Key Function Holders, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees Key Function Holders are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the people covered have had a direct participation.

S. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax recorded in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax purposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

The item "Deferred tax assets" includes amounts associated with credit impairments not accepted for tax purposes whose credits have been written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the deductible temporary differences for tax purposes (including reportable tax losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on the same taxable entity.

The Group complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred any material impact on the Bank's financial statements resulting from its application.

In 2016, the Banco Comercial Português adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of corporate income (IRC) taxation, with BCP being the dominant entity. In the financial years of 2024 and 2023, RETGS application was maintained. The group's taxable profit is calculated by the algebraic sum of taxable profits and individual tax losses of the companies that integrate it.

T. Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance; and, (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies and Corporate;
- Private Banking;
- Other.

The Other segment (Portugal activity) includes activities that are not allocated to remaining segments, namely centralized management of financial investments, corporate activities, and insurance activity.

International activity:

- Poland;
- Mozambique;
- Other.

The contribution from the shareholding in the associate in Angola is included in the "Other" segment (Internacional activity).

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle; and, (iii) a reliable estimation can be made of the amount of the obligation.

Additionally, when fundamental reorganizations occur that have a material effect on the nature and focus of the company's operations, and the criteria for recognition of provisions referred to above are met, provisions are recognised for restructuring costs.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were initially created, or in the case that these obligations cease to exist.

U2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

U3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits are not remote. The Group records a contingent liability when:

i) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events that are not wholly within the control of the Group; or,
ii) it is a present obligation that arises from past events but is not recognised because:
   a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
   b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

V. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed because of an issue with premium or discount or other event that changed the potential number of ordinary shares or because of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

W. Insurance contracts

W1. Classification

IFRS 17 is the new accounting standard for insurance contracts, reinsurance contracts and for Investment contracts with discretionary participation features, covering aspects such as recognition and measurement, presentation and disclosure of information, replacing IFRS 4 – Insurance contracts.

The Group issues contracts that include insurance risk, financial risk or a combination of both insurance and financial risk. A contract, in which the Group accepts a significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

W2. Recognition and measurement

IFRS 17 defines new principles for recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and Investment contracts with discretionary participation features. The references below apply to these three types of contracts.

In terms of recognition and measurement, insurance contracts are divided into portfolios, annual cohorts and groups of contracts. In the initial recognition, contracts that have similar risk and can be managed together, must be identified, grouping them into portfolios. For measurement purposes, these portfolios are further subdivided into annual cohorts, according to the issuance year. Each of the cohorts, according to the expected future return, is then divided into the following groups: i) contracts that are onerous at initial recognition; ii) contracts that do not present a significant possibility of subsequently becoming onerous; and iii) remaining contracts in the portfolio.

The liability of an insurance contract begins when one of the following conditions is met: i) beginning of the coverage period of the contract, ii) date on which the first payment is made by the insured and this becomes due or iii) in the case of an onerous contract, when it becomes onerous.

IFRS 17 defines 3 measurement models of the insurance liabilities: GMM (General Measurement Model) as a general modal, VFA (Variable Fee Approach) to be applied for investment contracts, which does not include a transfer of significant insurance risk and PAA (Premium Allocation Approach), which can be applied for short term contracts (less than 1 year).

The measurement of the value of a contract is the sum of (except where contracts are being measured using the premium allocation approach): (i) the present value of future cash flows; (ii) a non-financial risk adjustment; and the amount of future profit that is estimated that this contract will generate the Contractual Service Margin (CSM), unless the contract group is onerous. In this case, the estimated loss is recognised immediately.

The liability for future services in contracts measured using the premium allocation approach is based on premiums received, less amounts recognised in profit or loss already incurred in the period.

In terms of the discount rate for determining future cash flows, it should: (i) reflect the time value of money; ii) be consistent with similar ones applied in the market for situations with similar characteristics and iii) exclude the effect of factors that do not affect the future cash flows of the insurance contract.

In the subsequent valuation, the Statement of Financial Position shall include liabilities for insurance contracts, divided into i) liabilities for future services and ii) liabilities for past services. In terms of the Income Statement, it should include: i) income from insurance contracts, ii) expenses from insurance contracts and iii) losses from the financial component of insurance contracts.

W3. Presentation and disclosures

In the Statement of Financial Position should appear in disaggregated form i) insurance contract assets, ii) reinsurance ceded contract assets iii) insurance contracts liabilities and iv) reinsurance ceded contract liabilities.

In terms of the Income Statement, it should be evidenced i) insurance revenue, ii) insurance service expense and iii) Insurance finance result, as well as iv) the net result arising from reinsurance contracts.

Together with the Financial Statements, the standard provides for additional qualitative and quantitative disclosures of i) amounts recognised in the financial statements that fall within the scope of IFRS 17; ii) significant judgments and changes to those judgments made with the application of IFRS 17 and iii) nature and extent of the risks inherent in contracts that fall within the scope of IFRS 17.

For risks falling within the scope of IFRS 17, the entity shall analyse: (i) concentration risk, (ii) sensitivity analysis to the most significant risks, (iii) claims development, (iv) credit risk and (v) liquidity risk.

X. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance and Pension Funds Supervisory Authority (ASF - Autoridade de Supervisão de Seguros e Fundos de Pensões) for the practice of the activity of insurance mediation, in the category of tied Insurance Intermediary, in accordance with article 8(a)(i) of Decree-Law no. 144/2006, of 31 July, developing the activity of insurance intermediation in the life and non-life branches.

Within the scope of insurance mediation services, these Banks sell insurance contracts. As remuneration for the services provided of insurance mediation, they receive commissions for the mediation of insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurers.

Commissions received by insurance mediation services are recognised in accordance with the accrual principle, so that commissions received at a time other than the period to which it relates are recorded as receivables under "Other assets". Commissions received for insurance mediation services are recognised in accordance with the policy described in note I. Recognition of income from services and commissions.

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the consolidated financial statements, considering the context of uncertainty that results from the current economic scope and the geopolitical conflict in Eastern Europe. The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section to improve understanding of how they affect the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, under advice of the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimations would be more appropriate.

Y1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and if it can take possession of these results through the power it holds *(de facto control)*. The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimations and assumptions to determine at what extent the Group is exposed to the variable returns and its ability to use its power to affect these returns. Different estimations and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Y2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's assets is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Y3. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

Regarding the activity in Portugal, the Law No. 98/2019, of 4 September established the tax regime for credit impairments and provisions for guarantees for tax periods beginning on or after 1 January 2019, providing for approximation between the accounting and tax rules for the purposes of deductibility of expenses with the reinforcement of credit impairments. The rules in force until 2018 could continue to be applied until the end of the 2023 financial year, unless the option to apply the new regime was exercised in advance.

In 2022, the Banco Comercial Português, S.A. and the Banco ActivoBank, S.A. exercised the option to apply the new regime, under the terms of which the impairment losses for credit risk relating to exposures analysed on an individual or on a collective basis recognised in accordance with the applicable accounting standards and regulations are fully deductible for the purposes of determining taxable profit, with the exceptions provided for in the Corporate Income Tax Code. The exceptions apply to impairment losses relating to credits and other rights over natural or legal persons who hold, directly or indirectly, more than 10 % of the Bank's capital, over members of its corporate bodies, over companies in which the Bank holds, directly or indirectly, more than 10 % of the capital or over entities with which it is in a situation of special relations.

The Impairment losses and other value corrections for specific credit risk recorded until 31 December 2021 and still not accepted for tax purposes are only deductible up to the amount that, in each tax period, corresponds to the application of the mandatory minimum limits set out in Notice of Bank of Portugal No. 3/95, as amended before its repeal by Notice of Bank of Portugal No. 5/2015, and, between other conditions, provided that they are not credits covered by real estate rights.

Following the amendments provided for in Law No. 24-D/2022, of 30 December, within the scope of the State Budget for 2023, the time limit applicable to the carrying forward of tax losses in Portugal was eliminated. This amendment applies to tax losses calculated in tax periods beginning on or after 1 January 2023, as well as to tax losses calculated in tax periods prior to 1 January 2023 and whose deduction period is still in progress on that date. Thus, tax losses calculated in 2014 and subsequent years may be deducted from future taxable income. The deduction limit for tax losses went from 70% to 65%, being increased by ten percentage points when the difference results from the deduction of tax losses calculated in the 2020 and 2021 tax periods, under the terms of the special regime provided for in Law n. 27-A/2020, of 24 July.

In the projections of future taxable income, namely for purposes of the analysis of the recoverability of deferred taxes assets carried out with reference to 31 December 2023, the approximation between the accounting and tax rules provided for in the aforementioned Law n.º 98/2019, of 4 September, taking into account the option for applying the new regime exercised in 2022, as well as the changes in terms of the elimination of the time limit on the use of tax losses provided for in said Law no. 24-D/2022, of 30 December.

The taxable profit or tax loss calculated by the Bank or its subsidiaries residing in Portugal can be corrected by the Portuguese tax administration within a period of four years, except in the case of any tax losses deduction has been made or tax credit has been used, in which the expiry period is the exercise of that right. The Bank recorded provisions, current tax liabilities or deferred taxes liabilities in the amount it considers appropriate to cover tax corrections or tax losses incurred, as well as contingencies relating to years not yet reviewed by the tax authorities.

Y4. Valuation of real estate recorded in Non-current assets held for sale and in Other assets

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

Y5. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimations, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

The discount rate used to update the Bank's pension fund liabilities, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis carried out on a set of available information, which includes, among other elements, the market references for this indicator published by internationally recognised specialized entities and which are based, as defined by IAS 19, on market yields of a universe of high quality bond issues (low risk), different maturities, called in euro and relating to a diverse and representative range of issuers (non-sovereign).

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the testing of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, must be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for these assets. This monitoring is part of a process of continuous evaluation by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

Y6.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimations regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in Stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in Stages 2 and 3. An asset is classified in Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

In order to comply with the Supervisors' guidelines, namely regarding to the identification and measurement of credit risk in the context of uncertainty associated with the current geopolitical crises, the constraints that still exist with regard to economic growth, inflationary pressures and higher interest rate levels, the Group proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays).

The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product/market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses and corresponds to an estimation of the probability of default in each period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Y6.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the uncertainty associated with the current macroeconomic framework, the calculation of fair value adjustments was revised considering liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

Y7. Provisions for legal risk related to foreign currency-indexed mortgage loans (mostly to Swiss franc)

The Group creates provisions for legal contingencies related foreign currency-indexed mortgage loans, mostly to Swiss franc granted by Bank Millennium, S.A.

The assumptions used by Bank Millennium are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by Bank Millennium is based on the following parameters: (i) the number of ongoing cases (including class action agreements) and potential future lawsuits that may be filed within the specified (three-year) time horizon; (ii) the currently estimated amount of Bank Millennium's potential loss in the event of a specific court judgment; (iii) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank Millennium is a party and legal opinions obtained; (iv) customer behaviours monitoring as regards the number of future court cases (v) estimates involved with amicable settlements with customers, concluded in court or out of court.

The evolution of responsibilities with legal contingencies related to mortgage loans indexed to the Swiss franc and the amount of the Bank Millennium's actual losses depend, namely, on the number of ongoing and potential lawsuits, as well as on the final court decisions about each case and amicable settlement with customers, concluded in court or out of court.

Z. Subsequent events

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	80,256	74,792
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	62,445	48,025
Loans and advances to customers	2,362,429	2,422,854
Debt securities	462,211	348,544
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	38,491	34,464
Financial assets not held for trading mandatorily at fair value through profit or loss	636	1,887
Financial assets designated at fair value through profit or loss	709	227
Interest on financial assets at fair value through other comprehensive income	377,152	192,795
Interest on hedging derivatives	160,481	54,462
Interest on other assets	13,464	12,522
	3,558,274	3,190,572
Interest and similar expense		
Interest on financial liabilities at amortised cost		
Deposits from credit institutions and other funds	(37,307)	(36,414)
Deposits from customers and other funds	(890,106)	(624,550)
Non subordinated debt securities issued	(131,073)	(51,200)
Subordinated debt	(61,957)	(62,955)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives	(36,061)	(22,826)
Financial liabilities at fair value through profit or loss		
Deposits from customers and other funds	(8,302)	—
Non subordinated debt securities issued	(271)	(412)
Interest on hedging derivatives	(273,087)	(265,890)
Interest on leasing	(9,135)	(8,754)
Interest on other liabilities	(212)	(110)
	(1,447,511)	(1,073,111)
	2,110,763	2,117,461

The balance Interest and similar income - Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of EUR 75,554,000 (30 September 2023: EUR 40,877,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. The balance also includes the amount of EUR 60,547,000 (30 September 2023: EUR 61,620,000) related to interest income arising from customers classified in stage 3.

The balance Interest and similar income includes the following amounts related to hedge breakages: Interest on financial assets at amortised cost - Loans and advances to customers, negative interest of EUR 235,749,000 (30 September 2023: positive interests of EUR 13,899,000), Interest on financial assets at amortised cost - Debt securities, positive interests of EUR 48,699,000 (30 September 2023: positive interests of EUR 47,796,000), Interest on financial assets at fair value through other comprehensive income, positive interests of EUR 794,000 (30 September 2023: positive interests of EUR 3,849,000), Interest on financial liabilities at amortised cost - Deposits from customers and other funds, positive interests of EUR 408,000 (30 September 2023: EUR 0).

The increase recorded in the balance Interest on financial assets at fair value through other comprehensive income mainly reflects the impact of the increase in the balance of the securities portfolio, resulting from the increase in liquidity investments in public debt securities at both BCP and Bank Millennium S.A.

The evolution of the balance Interest on Deposits from customers and other funds, compared to the nine-months ended 30 September 2023, mainly reflects the contribution of the activity in Portugal, mainly influenced by the increases in interest rates in the last year, but also, although less significantly, by the increase in the balance of interest-bearing deposits in that period.

The balances Interest and similar expense - Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of EUR 2,586,000 and EUR 606,000, respectively (30 September 2023: EUR 2,202,000 and EUR 500,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Dividends from financial assets through other comprehensive income	822	1,216
	822	1,216

The balances Dividends from financial assets through other comprehensive income include dividends from shares and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Fees and commissions received		
Banking services provided	384,129	362,398
Management and maintenance of accounts	127,524	126,558
Bancassurance	105,933	92,819
Securities operations	55,199	49,451
From guarantees granted	35,256	36,781
From commitments to third parties	3,885	3,939
Management and intervention commissions	18,511	17,837
Other commissions	16,615	16,049
	747,052	705,832
Fees and commissions paid		
Banking services provided by third parties	(110,662)	(96,507)
Securities operations	(6,426)	(5,966)
From guarantees received	(4,624)	(6,349)
Other commissions	(23,571)	(18,552)
	(145,283)	(127,374)
	601,769	578,458

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	139,728	80,589
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	4,202	3,628
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(161,556)	(97,663)
	(17,626)	(13,446)
Foreign exchange gains/(losses)	7,673	21,043
Gains/(losses) on hedge accounting	4,283	(854)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	34,921	99,565
	29,251	106,308

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

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	10,727	8,399
Equity instruments	25,024	10,402
Derivative financial instruments	456,179	206,364
Other operations	808	956
	492,738	226,121
Losses		
Debt securities portfolio	(5,556)	(7,222)
Equity instruments	(22,366)	(9,407)
Derivative financial instruments	(324,763)	(128,326)
Other operations	(325)	(577)
	(353,010)	(145,532)
	139,728	80,589

(continues)

(continued)

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	1,431	2,725
Debt securities portfolio	21,085	44,455
Equity instruments	18,105	953
	40,621	48,133
Losses		
Loans and advances to customers	(694)	(2,784)
Debt securities portfolio	(25,186)	(37,000)
Equity instruments	(10,539)	(4,721)
	(36,419)	(44,505)
	4,202	3,628
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Debt securities portfolio	316	—
Deposits from customers and other funds	25,520	14,020
Debt securities issued		
Certificates and structured securities issued	45,001	66,412
Other debt securities issued	39	163
	70,876	80,595
Losses		
Debt securities portfolio	(388)	(233)
Deposits from customers and other funds	(35,710)	(5,647)
Debt securities issued		
Certificates and structured securities issued	(188,900)	(165,177)
Other debt securities issued	(7,434)	(7,201)
	(232,432)	(178,258)
	(161,556)	(97,663)

The balances Gains / (losses) on financial assets and liabilities designated at fair value through profit or loss - Gains/(Losses) - Certificates and structured securities issued record the valuations and devaluations of certificates issued by the Group. These liabilities are covered by futures, which valuation and devaluation are recorded in Gains / (losses) on financial assets held for trading - Gains/(Losses) - Derivative financial instruments.

The balances Foreign exchange gains/(losses), Gains/(losses) on hedge accounting and Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss, are presented as follows:

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Foreign exchange gains/(losses)		
Gains	2,205,276	2,772,240
Losses	(2,197,603)	(2,751,197)
	7,673	21,043
Gains/(losses) on hedge accounting		
Gains		
Hedging derivatives	367,842	128,097
Hedged items	265,718	25,110
	633,560	153,207
Losses		
Hedging derivatives	(331,800)	(103,824)
Hedged items	(297,477)	(50,237)
	(629,277)	(154,061)
	4,283	(854)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
Gains		
Credit sales	38,041	380
Debt securities portfolio at amortized cost	—	357
Debt securities portfolio at fair value through other comprehensive income	2,656	1,947
Debt securities issued	1,563	1,164
Others	1,768	123,044
	44,028	126,892
Losses		
Credit sales	(4,296)	(14,887)
Debt securities portfolio at fair value through other comprehensive income	(1,460)	(11,378)
Debt securities issued	(1,144)	(720)
Others	(2,207)	(342)
	(9,107)	(27,327)
	34,921	99,565

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	30 September 2024	30 September 2023
Operating income		
Gains on leasing operations	7,137	2,847
Income from services provided	24,015	22,475
Rents	1,498	1,370
Sales of cheques and others	5,504	6,379
Other operating income	56,984	52,249
	95,138	85,320
Operating costs		
Donations and contributions	(3,443)	(3,283)
Contribution on the Banking Sector	(32,997)	(44,807)
Contributions to Resolution Funds	(20,629)	(22,610)
Contribution to the Single Resolution Fund	—	(17,729)
Contributions to the Deposit Guarantee Fund	(826)	(639)
Special tax on the polish banking sector	(31,023)	—
Taxes	(11,813)	(12,849)
Losses on financial leasing operations	(47)	(25)
Other operating costs	(106,037)	(55,087)
	(206,815)	(157,029)
	(111,677)	(71,709)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Remunerations	422,112	386,468
Mandatory social security charges	83,976	66,411
Voluntary social security charges	10,884	11,852
Other staff costs	5,683	3,245
	522,655	467,976

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Water, electricity and fuel	10,796	13,204
Credit cards and mortgage	7,513	3,832
Communications	20,735	18,729
Maintenance and related services	14,368	13,228
Legal expenses	4,086	3,778
Travel, hotel and representation costs	6,751	4,986
Advisory services	34,319	27,657
Training costs	1,112	631
Information technology services	20,033	20,115
Consumables	6,282	5,340
Outsourcing and independent labour	84,632	80,679
Advertising	23,398	18,796
Rents and leases	22,384	20,769
Insurance	4,149	3,655
Transportation	8,660	8,257
Other specialised services	26,340	22,158
Other supplies and services	21,052	17,585
	316,610	283,399

The balance Rents and leases includes the amount of EUR 208,000 (30 September 2023: EUR 577,000) related to short-term lease contracts and the amount of EUR 1,843,000 (30 September 2023: EUR 2,840,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Amortisations of intangible assets (note 30):		
Software	26,529	25,835
Other intangible assets	4,683	3,818
	31,212	29,653
Depreciations of other tangible assets (note 29):		
Properties	11,148	10,738
Equipment		
Computers	13,378	13,491
Security equipment	792	718
Installations	2,462	2,353
Machinery	1,267	1,227
Furniture	1,866	1,899
Motor vehicles	4,181	3,683
Other equipment	1,496	1,191
Right-of-use		
Real estate	39,533	38,287
	76,123	73,587
	107,335	103,240

10. Results on modification

The Group has accounted for in this balance the negative amount of EUR 25.888.000 (30 September 2023: negative amount of EUR 14,829,000) relating to contractual modifications made in accordance with IFRS 9, namely those negotiated with customers holding foreign currency-indexed mortgage loans in Poland, described in note 52, which amounted, in the nine months period ended 30 September 2024, to EUR 19,485,000 (30 September 2023: EUR 8,965,000).

As described in note 47, following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and aid borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency for a period of up to four months (suspension of repayments up to 4 monthly instalments) in 2024 ("credit holidays"), the Bank Millennium Group in the first half of 2024, recorded one-off costs related to credit holidays, initially estimated at EUR 46,633,000 (PLN 201,046,000). In September 2024, following a verification of the estimated participation of eligible mortgage borrowers, the estimated cost of credit holidays was lowered to the level of EUR 36,552,000 (PLN 157,306,000).

The adjustment was calculated and recognized in accordance with IFRS 9, as a reduction of the gross value of mortgage loans in zlotys against "Results on modification" item. The amount of the adjustment was initially calculated as the difference between the gross value of the loan portfolio as at the calculation date and the current value of estimated cash flows under loan agreements, taking into account the assumption that 26.4% of the percentage of capital of eligible loans would suspend repayment instalments.

11. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Loans and advances to credit institutions (note 21)		
Charge for the period	293	210
Reversals for the period	(233)	(676)
	60	(466)
Loans and advances to customers (note 22)		
Charge for the period	617,407	610,321
Reversals for the period	(387,729)	(387,489)
Recoveries of loans and interest charged-off	(60,506)	(14,525)
	169,172	208,307
Debt securities (note 23)		
Associated to credit operations		
Charge for the period	–	3,101
Reversals for the period	(2,700)	–
	(2,700)	3,101
Not associated to credit operations		
Charge for the period	2,131	2,242
Reversals for the period	(2,595)	(531)
	(464)	1,711
	(3,164)	4,812
	166,068	212,653

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

The detail of this balance is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Impairment of financial assets at fair value through other comprehensive income (note 24)		
Charge for the period	4,426	425
Reversals for the period	–	(1,319)
	4,426	(894)

13. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Impairment of non-current assets held for sale (note 27)		
Charge for the period	2,563	6,303
Reversals for the period	(283)	(2,830)
	2,280	3,473
Impairment of other assets (note 32)		
Charge for the period	14,426	14,352
Reversals for the period	(3,819)	(5,736)
	10,607	8,616
Impairment of real estate and other assets arising from recovered loans (note 32)		
Charge for the period	18,001	8,749
Reversals for the period	(453)	(134)
	17,548	8,615
	30,435	20,704

14. Other provisions

This balance is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Provision for guarantees and other commitments (note 39)		
Charge for the period	22,267	29,676
Reversals for the period	(30,198)	(24,911)
	(7,931)	4,765
Other provisions for liabilities and charges (note 39)		
Charge for the period	436,276	579,224
Reversals for the period	(1,904)	(2,594)
	434,372	576,630
	426,441	581,395

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 52, which, in the nine months period ended 30 September 2024, amounted to EUR 384,883,000 (30 September 2023: EUR 516,528,000).

15. Share of profit of associates accounted for using the equity method

The main contributions of the investments accounted for using the equity method are analysed as follows:

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Banco Millennium Atlântico, S.A. (note 26)		
Appropriation relating to the current period	2,154	1,195
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (a)	(135)	(230)
	2,019	965
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	23,374	30,810
Unicre - Instituição Financeira de Crédito, S.A.	3,298	4,376
SIBS, S.G.P.S, S.A.	11,016	7,749
Banque BCP, S.A.S.	2,291	2,273
Fidelidade Moçambique - Companhia de Seguros S.A.	1,418	1,409
Other companies	368	(1,880)
	41,765	44,737
	43,784	45,702

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

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

This balance is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Gains /(Losses) on disposal of investments	(56)	9,454
Gains /(Losses) on disposal of other assets	17,546	5,761
	17,490	15,215

Due to the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland at the beginning of 2023, and consequently loss of control over the company, the Group measured its remaining non-controlling stake (20%) at fair value, recording a gain of EUR 9,462,000 in first nine months of 2023 as Gains /(Losses) on disposal of investments.

The balance Gains /(Losses) on disposal of other assets includes essentially gains on disposal of assets held by the Group and classified as non-current assets held for sale and as other assets, which corresponds to a gain of EUR 15,830,000 (30 September 2023: gain of EUR 3,100,000).

17. Net income from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2024	30 September 2023
Fidelidade Moçambique - Companhia de Seguros S.A.		
Correction of gains on disposal of the investment held	322	—
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.		
Losses (expenses)	—	(9)
	322	(9)

18. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2024	30 September 2023
Continuing operations		
Net income from continuing operations	792,985	721,970
Non-controlling interests	(79,210)	(71,246)
Appropriated net income from continuing operations	713,775	650,724
Interests on perpetual subordinated bonds (Additional Tier 1)	(25,500)	(27,750)
Adjusted net income from continuing operations	688,275	622,974
Discontinued or discontinuing operations (note 17)		
Net income from discontinued or discontinuing operations	322	(9)
Adjusted net income	688,597	622,965
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (EUR):		
from continuing operations	0.061	0.055
from discontinued or discontinuing operations	0.000	0.000
	0.061	0.055
Diluted earnings per share (EUR):		
from continuing operations	0.061	0.055
from discontinued or discontinuing operations	0.000	0.000
	0.061	0.055

As at 30 September 2024, the Bank's share capital amounts to EUR 3,000,000,000 (30 September 2023: EUR 3,000,000,000) and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 30 September 2024 and 2023, so the diluted result is equivalent to the basic result.

19. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Cash	575,367	688,501
Central Banks		
Bank of Portugal	1,428,661	2,134,395
Central Banks abroad	2,301,422	1,722,630
	4,305,450	4,545,526

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establish the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In addition, from the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to an estimated maximum of 6 times of the reserves, is remunerated at the Central Bank's lending rate instead of the deposit rate.

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Credit institutions in Portugal	3,503	1,285
Credit institutions abroad	133,099	260,227
Amounts due for collection	94,718	76,175
	231,320	337,687

The balance Amounts due for collection represents, essentially, cheques due for collection on other financial institutions. These balances were settled in the first days of the following month.

21. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Loans and advances to Central Banks		
Central Banks abroad	253,231	184,650
	253,231	184,650
Loans and advances to credit institutions in Portugal		
Term deposits	118,344	(23)
Term deposits to collateralise CIRS and IRS operations (*)	—	330
Other	460	10,175
	118,804	10,482
Loans and advances to credit institutions abroad		
Very short-term deposits	260,090	—
Term deposits	545,162	371,647
Term deposits to collateralise CIRS and IRS operations (*)	31,292	58,446
Other	63,909	283,476
	900,453	713,569
	1,272,488	908,701
Impairment for loans and advances to credit institutions	(257)	(224)
	1,272,231	908,477

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

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

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	224	862
Transfers	(27)	28
Charge for the period (note 11)	293	92
Reversals for the period (note 11)	(233)	(762)
Exchange rate differences	—	4
Balance at the end of the period	257	224

22. Loans and advances to customers

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

(Thousands of euros)

	30 September 2024	31 December 2023
Mortgage loans	29,411,133	28,622,845
Loans	16,332,432	16,520,496
Finance leases	4,301,604	4,195,116
Factoring operations	2,510,441	2,909,570
Current account credits	883,429	847,455
Overdrafts	1,263,269	1,019,668
Discounted bills	138,623	156,603
	54,840,931	54,271,753
Overdue loans - less than 90 days	116,177	110,996
Overdue loans - Over 90 days	514,528	505,060
	55,471,636	54,887,809
Loans impairment	(1,534,618)	(1,582,650)
	53,937,018	53,305,159

The balance Loans and advances to customers, as at 30 September 2024, is analysed as follows:

(Thousands of euros)

	30 September 2024				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	554,101	—	554,101	(368)	553,733
Asset-backed loans	32,089,954	89,102	32,179,056	(528,680)	31,650,376
Other guaranteed loans	4,298,916	74,538	4,373,454	(177,040)	4,196,414
Unsecured loans	8,897,288	292,408	9,189,696	(655,871)	8,533,825
Foreign loans	2,188,627	12,095	2,200,722	(22,381)	2,178,341
Factoring operations	2,510,441	53,122	2,563,563	(63,530)	2,500,033
Finance leases	4,301,604	109,440	4,411,044	(86,748)	4,324,296
	54,840,931	630,705	55,471,636	(1,534,618)	53,937,018

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

(Thousands of euros)

	31 December 2023				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	538,721	40	538,761	(1,261)	537,500
Asset-backed loans	31,799,089	111,046	31,910,135	(564,616)	31,345,519
Other guaranteed loans	4,716,031	71,101	4,787,132	(183,142)	4,603,990
Unsecured loans	8,039,408	308,262	8,347,670	(612,363)	7,735,307
Foreign loans	2,073,818	13,816	2,087,634	(51,924)	2,035,710
Factoring operations	2,909,570	22,103	2,931,673	(59,231)	2,872,442
Finance leases	4,195,116	89,688	4,284,804	(110,113)	4,174,691
	54,271,753	616,056	54,887,809	(1,582,650)	53,305,159

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The analysis of loans and advances to customers, as at 30 September 2024, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2024					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	419,496	10,986	430,482	(16,242)	414,240	0.78 %
Fisheries	23,014	35	23,049	(837)	22,212	0.04 %
Mining	49,165	3,422	52,587	(4,581)	48,006	0.10 %
Food, beverage and tobacco	750,414	9,778	760,192	(29,458)	730,734	1.37 %
Textiles	371,623	11,303	382,926	(52,555)	330,371	0.69 %
Wood and cork	214,210	4,049	218,259	(6,042)	212,217	0.39 %
Paper, printing and publishing	128,421	1,546	129,967	(3,639)	126,328	0.23 %
Chemicals	684,692	7,451	692,143	(26,924)	665,219	1.25 %
Machinery, equipment and basic metallurgical	1,325,541	25,170	1,350,711	(54,367)	1,296,344	2.44 %
Electricity and gas	260,169	582	260,751	(4,202)	256,549	0.47 %
Water	199,685	552	200,237	(7,060)	193,177	0.36 %
Construction	1,489,806	26,176	1,515,982	(95,909)	1,420,073	2.73 %
Retail business	1,673,312	18,980	1,692,292	(37,159)	1,655,133	3.05 %
Wholesale business	2,003,121	33,199	2,036,320	(49,926)	1,986,394	3.67 %
Restaurants and hotels	1,253,763	11,862	1,265,625	(44,902)	1,220,723	2.28 %
Transports	1,260,479	18,228	1,278,707	(34,115)	1,244,592	2.31 %
Post offices	18,243	427	18,670	(697)	17,973	0.03 %
Telecommunications	323,690	4,752	328,442	(9,188)	319,254	0.59 %
Services						
Financial intermediation	1,371,785	1,799	1,373,584	(44,681)	1,328,903	2.48 %
Real estate activities	2,119,033	21,838	2,140,871	(44,067)	2,096,804	3.86 %
Consulting, scientific and technical activities	919,445	10,560	930,005	(158,663)	771,342	1.68 %
Administrative and support services activities	518,418	5,174	523,592	(18,836)	504,756	0.94 %
Public sector	520,674	7,045	527,719	(2,014)	525,705	0.95 %
Education	112,854	662	113,516	(2,089)	111,427	0.21 %
Health and collective service activities	375,136	1,828	376,964	(8,590)	368,374	0.68 %
Artistic, sports and recreational activities	180,175	890	181,065	(5,528)	175,537	0.33 %
Other services	250,930	4,164	255,094	(97,953)	157,141	0.46 %
Consumer loans	7,103,547	259,519	7,363,066	(456,389)	6,906,677	13.27 %
Mortgage credit	28,488,201	116,089	28,604,290	(201,121)	28,403,169	51.57 %
Other domestic activities	1,559	192	1,751	(134)	1,617	0.00 %
Other international activities	430,330	12,447	442,777	(16,750)	426,027	0.80 %
	54,840,931	630,705	55,471,636	(1,534,618)	53,937,018	100 %

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

(Thousands of euros)

	31 December 2023					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	433,118	5,320	438,438	(12,157)	426,281	0.80 %
Fisheries	23,941	3,237	27,178	(3,835)	23,343	0.05 %
Mining	64,315	1,603	65,918	(6,510)	59,408	0.12 %
Food, beverage and tobacco	721,867	6,374	728,241	(33,043)	695,198	1.33 %
Textiles	412,927	11,034	423,961	(54,906)	369,055	0.77 %
Wood and cork	239,794	2,606	242,400	(5,411)	236,989	0.44 %
Paper, printing and publishing	120,862	703	121,565	(4,018)	117,547	0.22 %
Chemicals	702,032	15,497	717,529	(30,817)	686,712	1.31 %
Machinery, equipment and basic metallurgical	1,347,043	27,219	1,374,262	(61,863)	1,312,399	2.50 %
Electricity and gas	234,740	255	234,995	(7,500)	227,495	0.43 %
Water	190,356	608	190,964	(8,609)	182,355	0.35 %
Construction	1,465,696	23,140	1,488,836	(80,773)	1,408,063	2.71 %
Retail business	1,697,573	18,103	1,715,676	(38,154)	1,677,522	3.13 %
Wholesale business	2,001,101	24,270	2,025,371	(72,776)	1,952,595	3.69 %
Restaurants and hotels	1,358,246	16,267	1,374,513	(76,772)	1,297,741	2.50 %
Transports	1,305,519	13,925	1,319,444	(29,283)	1,290,161	2.40 %
Post offices	24,654	319	24,973	(571)	24,402	0.05 %
Telecommunications	355,653	4,045	359,698	(7,521)	352,177	0.66 %
Services						
Financial intermediation	1,456,457	476	1,456,933	(40,634)	1,416,299	2.65 %
Real estate activities	1,987,406	14,870	2,002,276	(53,201)	1,949,075	3.65 %
Consulting, scientific and technical activities	1,009,028	29,952	1,038,980	(156,822)	882,158	1.89 %
Administrative and support services activities	490,512	5,048	495,560	(22,072)	473,488	0.90 %
Public sector	631,184	40	631,224	(2,956)	628,268	1.15 %
Education	107,963	969	108,932	(2,286)	106,646	0.20 %
Health and collective service activities	356,644	1,856	358,500	(9,471)	349,029	0.65 %
Artistic, sports and recreational activities	221,300	901	222,201	(32,350)	189,851	0.41 %
Other services	258,037	3,808	261,845	(72,074)	189,771	0.48 %
Consumer loans	6,566,398	256,681	6,823,079	(428,213)	6,394,866	12.43 %
Mortgage credit	27,868,097	112,639	27,980,736	(202,120)	27,778,616	50.98 %
Other domestic activities	1,501	197	1,698	(152)	1,546	0.00 %
Other international activities	617,789	14,094	631,883	(25,780)	606,103	1.15 %
	54,271,753	616,056	54,887,809	(1,582,650)	53,305,159	100 %

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and which arise to the marking of operations as being restructured due to financial difficulties of customers. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit and imply an extension of maturities or changes in interest rate. The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2024			31 December 2023		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	19,228	(2,081)	17,147	21,199	(1,928)	19,271
Fisheries	500	(22)	478	3,381	(2,708)	673
Mining	1,666	(511)	1,155	5,919	(3,246)	2,673
Food, beverage and tobacco	10,615	(6,845)	3,770	18,625	(7,781)	10,844
Textiles	7,999	(1,593)	6,406	7,766	(1,948)	5,818
Wood and cork	3,714	(439)	3,275	3,670	(428)	3,242
Paper, printing and publishing	4,195	(1,591)	2,604	6,563	(1,868)	4,695
Chemicals	19,795	(7,334)	12,461	22,807	(6,719)	16,088
Machinery, equipment and basic metallurgical	17,570	(5,149)	12,421	35,284	(14,955)	20,329
Electricity and gas	23,478	(334)	23,144	951	(6)	945
Water	322	53	375	1,749	(934)	815
Construction	59,674	(43,232)	16,442	141,642	(27,956)	113,686
Retail business	16,738	(2,770)	13,968	22,524	(4,587)	17,937
Wholesale business	34,514	(8,499)	26,015	25,671	(6,607)	19,064
Restaurants and hotels	123,480	(10,062)	113,418	63,536	(21,319)	42,217
Transports	5,215	(2,574)	2,641	4,666	(1,513)	3,153
Post offices	57	(17)	40	100	(40)	60
Telecommunications	2,750	(1,001)	1,749	1,861	(404)	1,457
Services						
Financial intermediation	24,614	(14,174)	10,440	24,992	(2,430)	22,562
Real estate activities	60,772	(15,256)	45,516	74,959	(14,492)	60,467
Consulting, scientific and technical activities	164,773	(132,015)	32,758	192,379	(130,306)	62,073
Administrative and support services activities	24,882	(8,937)	15,945	28,633	(10,843)	17,790
Public sector	60,330	(391)	59,939	60,886	(464)	60,422
Education	1,698	(54)	1,644	2,089	(234)	1,855
Health and collective service activities	8,030	(331)	7,699	9,543	(1,352)	8,191
Artistic, sports and recreational activities	7,964	(2,096)	5,868	38,720	(27,782)	10,938
Other services	9,661	(1,524)	8,137	8,596	(1,801)	6,795
Consumer loans	266,109	(120,436)	145,673	276,092	(115,154)	160,938
Mortgage credit	603,456	(76,681)	526,775	623,740	(71,001)	552,739
Other domestic activities	3	—	3	3	—	3
Other international activities	739	(673)	66	705	(621)	84
	1,584,541	(466,569)	1,117,972	1,729,251	(481,427)	1,247,824

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

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	1,582,650	1,502,373
Charge for the period in net income interest	5,417	3,545
Transfers resulting from changes in the Group's structure	—	411
Other transfers	(1,772)	(1,054)
Impairment charge for the period (note 11)	617,407	805,500
Reversals for the period (note 11)	(387,729)	(511,733)
Loans charged-off		
Write-offs	(65,240)	(192,473)
Credit assignments	(222,821)	(62,044)
Exchange rate differences	6,706	38,125
Balance at the end of the period	1,534,618	1,582,650

According to note 39, regarding the proceedings related to foreign currency-indexed mortgage loans of Bank Millennium the amount of EUR 1,339,077,000 has been written-off from the gross carrying amount of loans portfolio (31 December 2023: EUR 1,500,209,000).

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

(Thousands of euros)

	30 September 2024	31 December 2023
Agriculture and forestry	147	1,046
Fisheries	1	—
Mining	138	—
Food, beverage and tobacco	73	3,799
Textiles	333	1,141
Wood and cork	127	567
Paper, printing and publishing	74	103
Chemicals	330	1,058
Machinery, equipment and basic metallurgical	823	6,091
Electricity and gas	2	377
Water	23	51
Construction	3,147	3,100
Retail business	741	1,714
Wholesale business	2,628	3,338
Restaurants and hotels	5,779	891
Transports	2,133	475
Post offices	38	134
Telecommunications	1,041	234
Services		
Financial intermediation	(18,003)	20,210
Real estate activities	721	208
Consulting, scientific and technical activities	23,656	5,975
Administrative and support services activities	(34,271)	35,569
Education	185	10
Health and collective service activities	150	173
Artistic, sports and recreational activities	5,501	222
Other services	4,452	268
Consumer loans	49,085	64,537
Mortgage credit	2,499	1,968
Other domestic activities	384	761
Other international activities	13,303	38,453
	65,240	192,473

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

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

(Thousands of euros)

	30 September 2024	30 September 2023
Agriculture and forestry	3	—
Food, beverage and tobacco	594	18
Textiles	20	21
Wood and cork	43	33
Chemicals	562	20
Machinery, equipment and basic metallurgical	47	14
Construction	221	628
Retail business	773	1,105
Wholesale business	1,306	1,376
Restaurants and hotels	38	17
Transports	737	269
Telecommunications	5	—
Services		
Financial intermediation	68	617
Real estate activities	86	92
Consulting, scientific and technical activities	29	329
Administrative and support services activities	15	30
Education	—	1
Health and collective service activities	30	1
Artistic, sports and recreational activities	1	20
Other services	503	1,206
Consumer loans	7,964	8,066
Mortgage credit	601	524
Other domestic activities	17	15
Other international activities	46,842	123
	60,506	14,525

23. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	105,947	115,629
Commercial paper	1,885,949	1,762,453
Foreign issuers		
Commercial paper	22,630	38,900
	2,014,526	1,916,982
Overdue securities - over 90 days	4,449	40
	2,018,975	1,917,022
Impairment	(6,015)	(8,668)
	2,012,960	1,908,354
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,583,394	3,552,807
Foreign issuers	13,283,050	11,237,924
Bonds issued by public companies and other entities		
Portuguese issuers	695,568	459,392
Foreign issuers	532,685	395,102
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	—	42,277
	18,094,697	15,687,502
Impairment	(17,140)	(16,720)
	18,077,557	15,670,782
	20,090,517	17,579,136

(*) Includes the negative amount of EUR 306,390,000 (31 December 2023: negative amount of EUR 356,628,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 30 September 2024 amounts to EUR 10,735,561,000 (31 December 2023: EUR 9,905,849,000).

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

(Thousands of euros)

	30 September 2024	31 December 2023
Debt securities held associated with credit operations		
Agriculture and forestry	8,499	2,479
Mining	100,248	85,939
Food, beverage and tobacco	106,581	102,720
Textiles	32,956	45,203
Wood and cork	24,584	23,720
Paper, printing and publishing	9,701	9,206
Chemicals	235,778	215,972
Machinery, equipment and basic metallurgical	63,743	42,787
Electricity and gas	216,765	211,183
Water	32,032	31,955
Construction	9,979	10,633
Retail business	65,158	28,973
Wholesale business	44,274	64,044
Restaurants and hotels	8,954	8,857
Transports	29,148	33,392
Telecommunications	4,072	4,018
Services		
Financial intermediation	125,509	114,283
Real estate activities	54,533	55,566
Consulting, scientific and technical activities	772,688	751,610
Administrative and support services activities	31,273	11,217
Health and collective service activities	4,968	4,974
Artistic, sports and recreational activities	6,883	7,058
Other services	2,004	3,665
Other international activities	22,630	38,900
	2,012,960	1,908,354
Debt securities held not associated with credit operations		
Machinery, equipment and basic metallurgical	23,617	11,977
Electricity and gas	108,391	99,846
Wholesale business	101,347	—
Services		
Financial intermediation	532,685	437,378
Consulting, scientific and technical activities	460,086	346,117
	1,226,126	895,318
Government and Public securities	16,851,431	14,775,464
	18,077,557	15,670,782
	20,090,517	17,579,136

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

(Thousands of euros)

	30 September 2024			31 December 2023		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Debt securities held associated with credit operations						
Food, beverage and tobacco	9,329	(263)	9,066	7,711	(126)	7,585
Chemicals	4,449	(1,304)	3,145	–	–	–
Services						
Administrative and support services activities	10,344	(53)	10,291	10,311	(90)	10,221
	24,122	(1,620)	22,502	18,022	(216)	17,806

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

(Thousands of euros)

	30 September 2024	31 December 2023
Debt securities held associated with credit operations		
Balance as at 1 January	8,668	4,676
Charge for the period in net income interest	47	2
Charge for the period (note 11)	–	3,991
Reversals for the period (note 11)	(2,700)	–
Exchange rate differences	–	(1)
Balance at the end of the period	6,015	8,668
Debt securities held not associated with credit operations		
Balance as at 1 January	16,720	9,563
Other transfers	884	–
Charge for the period (note 11)	2,131	9,323
Reversals for the period (note 11)	(2,595)	(688)
Amounts charged-off	–	(1,282)
Exchange rate differences	–	(196)
Balance at the end of the period	17,140	16,720

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

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

(Thousands of euros)

	30 September 2024	31 December 2023 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,317,331	355,526
Equity instruments	78,224	53,432
Trading derivatives	402,188	413,946
	1,797,743	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	1,104	4,454
Debt instruments	243,568	253,311
Equity instruments	132,483	182,242
	377,155	440,007
Financial assets designated at fair value through profit or loss		
Debt instruments	34,667	32,004
	34,667	32,004
Financial assets at fair value through other comprehensive income		
Debt instruments	12,776,201	10,809,872
Equity instruments	24,694	24,419
	12,800,895	10,834,291
	15,010,460	12,129,206

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 September 2024, is analysed as follows:

(Thousands of euros)

	30 September 2024				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	24,745	—	34,667	2,070,515	2,129,927
Foreign issuers	76,546	—	—	6,717,351	6,793,897
Bonds issued by public companies and other entities					
Portuguese issuers	—	51	—	619,809	619,860
Foreign issuers	60	—	—	1,287,757	1,287,817
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	946,565	—	—	—	946,565
Foreign issuers	269,415	—	—	2,080,769	2,350,184
Shares of foreign companies (a)	—	12,391	—	—	12,391
Investment fund units (b)	—	231,126	—	—	231,126
	1,317,331	243,568	34,667	12,776,201	14,371,767
Equity instruments					
Shares					
Portuguese companies	—	—	—	15,626	15,626
Foreign companies	24	20,853	—	9,068	29,945
Investment fund units (c)	—	111,630	—	—	111,630
Other securities (d)	78,200	—	—	—	78,200
	78,224	132,483	—	24,694	235,401
Trading derivatives	402,188	—	—	—	402,188
	1,797,743	376,051	34,667	12,800,895	15,009,356

(a) These shares are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.
(b) These investment fund units are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.
(c) These investment fund units were considered as equity instruments in accordance with the terms provided in IAS 32.
(d) Includes the amount of EUR 77,838,000 in Exchange Traded Funds (ETFs).

The balance Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of EUR 60,000 (31 December 2023: EUR 66,000).

In accordance with the accounting policy C1.1.3 regarding the classification of financial assets, the securities accounted for in Financial assets designated at fair value through profit or loss are covered by the "Treasury Bond Certificates October 2025" issued by Banco Comercial Português, S.A. which are recorded in Financial liabilities designated at fair value through profit or loss (note 38).

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	20,312	–	32,004	1,950,559	2,002,875
Foreign issuers	25,452	–	–	3,435,176	3,460,628
Bonds issued by public companies and other entities					
Portuguese issuers	–	50	–	403,971	404,021
Foreign issuers	10,395	–	–	1,120,454	1,130,849
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	103,661	–	–	–	103,661
Foreign issuers	192,741	–	–	3,899,712	4,092,453
Shares of foreign companies (a)	–	23,498	–	–	23,498
Investment fund units (b)	–	229,763	–	–	229,763
Commercial paper	2,965	–	–	–	2,965
	355,526	253,311	32,004	10,809,872	11,450,713
Equity instruments					
Shares					
Portuguese companies	142	–	–	16,352	16,494
Foreign companies	28	15,335	–	8,067	23,430
Investment fund units (c)	–	166,907	–	–	166,907
Other securities (d)	53,262	–	–	–	53,262
	53,432	182,242	–	24,419	260,093
Trading derivatives	413,946	–	–	–	413,946
	822,904	435,553	32,004	10,834,291	12,124,752

(a) These shares are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.
(b) These investment fund units are considered debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.
(c) These investment fund units were considered as equity instruments in accordance with the terms provided in IAS 32.
(d) Includes the amount of EUR 52,854,000 in Exchange Traded Funds (ETFs).

The changes occurred in impairment of financial assets at fair value through other comprehensive income, are analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	1,150	1,067
Transfers to fair value changes (note 43)	(4,425)	(1,322)
Impairment through profit and loss (note 12)	4,426	2,641
Reversals through profit and loss (note 12)	—	(1,319)
Exchange rate differences	15	83
Balance at the end of the period	1,166	1,150

The accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to EUR 10,726,000 and is recognised against Fair value reserves (31 December 2023: EUR 6,432,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 30 September 2024, is analysed as follows:

(Thousands of euros)

	30 September 2024			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,161,933	(67,077)	(24,341)	2,070,515
Foreign issuers	6,686,477	10,001	20,873	6,717,351
Bonds issued by public companies and other entities				
Portuguese issuers	618,691	(3)	1,121	619,809
Foreign issuers	1,317,124	(23,734)	(5,633)	1,287,757
Treasury bills (Public Issuers and Central Banks)				
Foreign issuers	2,080,112	—	657	2,080,769
	12,864,337	(80,813)	(7,323)	12,776,201
Equity instruments				
Shares				
Portuguese companies	22,652	—	(7,026)	15,626
Foreign companies	5,118	—	3,950	9,068
	27,770	—	(3,076)	24,694
	12,892,107	(80,813)	(10,399)	12,800,895

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,071,760	(78,556)	(42,645)	1,950,559
Foreign issuers	3,452,443	6,501	(23,768)	3,435,176
Bonds issued by public companies and other entities				
Portuguese issuers	412,309	(9,040)	702	403,971
Foreign issuers	1,182,733	(49,114)	(13,165)	1,120,454
Treasury bills (Public Issuers and Central Banks)				
Foreign issuers	3,896,162	—	3,550	3,899,712
	11,015,407	(130,209)	(75,326)	10,809,872
Equity instruments				
Shares				
Portuguese companies	23,253	—	(6,901)	16,352
Foreign companies	4,913	—	3,154	8,067
	28,166	—	(3,747)	24,419
	11,043,573	(130,209)	(79,073)	10,834,291

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Unsecured loans	418	2,688
Overdue loans - less than 90 days	42	106
Overdue loans - Over 90 days	644	1,660
	1,104	4,454

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 September 2024, is as follows:

(Thousands of euros)

	30 September 2024			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	6	—	6
Paper, printing and publishing	49,080	—	—	49,080
Chemicals	—	6	—	6
Machinery, equipment and basic metallurgical	—	2	—	2
Electricity and gas	151,962	—	—	151,962
Water	10,091	—	—	10,091
Construction	—	2	—	2
Wholesale business	7,427	458	—	7,885
Transports	36,120	—	—	36,120
Telecommunications	41,584	4,413	—	45,997
Services				
Financial intermediation	2,478,881	46,984	420,464	2,946,329
Real estate activities	—	—	131	131
Consulting, scientific and technical activities	134,369	169	—	134,538
Administrative and support services activities	24,562	5,895	—	30,457
Public sector	46,606	—	361	46,967
Health and collective service activities	10,484	—	—	10,484
Other services	—	26	—	26
Other international activities	—	1	—	1
	2,991,166	57,962	420,956	3,470,084
Government and Public securities	11,137,084	—	—	11,137,084
	14,128,250	57,962	420,956	14,607,168

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2023, is as follows:

(Thousands of euros)

	31 December 2023 (restated)			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	6	—	6
Paper, printing and publishing	47,416	—	—	47,416
Chemicals	7,952	2	—	7,954
Machinery, equipment and basic metallurgical	2,477	8	—	2,485
Electricity and gas	70,806	—	—	70,806
Water	5,025	—	—	5,025
Construction	—	145	—	145
Wholesale business	7,067	238	—	7,305
Transports	43,767	—	—	43,767
Telecommunications	39,126	4,553	—	43,679
Services				
Financial intermediation	3,510,636	52,163	449,524	4,012,323
Consulting, scientific and technical activities	111,525	131	—	111,656
Administrative and support services activities	24,216	6,149	—	30,365
Public sector	10,645	—	408	11,053
Other services	—	26	—	26
Other international activities	—	1	—	1
	3,880,658	63,422	449,932	4,394,012
Government and Public securities	7,316,794	—	—	7,316,794
	11,197,452	63,422	449,932	11,710,806

25. Hedging derivatives

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

(Thousands of euros)

	30 September 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Swaps	38,879	41,968	40,628	67,825

26. Investments in associates

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023 (restated)
Portuguese credit institutions	47,286	51,793
Foreign credit institutions	117,683	128,467
Other Portuguese companies	276,511	197,467
Other foreign companies	42,334	43,042
	483,814	420,769
Impairment	(42,325)	(46,355)
	441,489	374,414

The balance Investments in associates, as at 30 September 2024, is analysed as follows:

(Thousands of euros)

	30 September 2024		
	Global value of investment	Impairment of investments in associates	Book value of investment
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	105,078	—	105,078
Banco Millennium Atlântico, S.A.	64,520	(24,314)	40,206
Banque BCP, S.A.S.	53,163	—	53,163
SIBS, S.G.P.S, S.A.	70,427	—	70,427
Unicre - Instituição Financeira de Crédito, S.A.	47,286	—	47,286
Fidelidade Moçambique - Companhia de Seguros S.A.	13,204	—	13,204
Lusofundo - Fundo de Investimento Imobiliário Fechado	19,331	—	19,331
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	7,286	—	7,286
Fundo Turismo Algarve FCR	74,389	—	74,389
Europa Millennium Financial Services Sp. z o.o.	11,119	—	11,119
Webspectator Corporation	18,011	(18,011)	—
	483,814	(42,325)	441,489

These investments correspond to unquoted companies. According to the accounting policy described in note 1 B, these investments are measured at the equity method.

The balance Investments in associates, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)		
	Global value of investment	Impairment of investments in associates	Book value of investment
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	105,675	—	105,675
Banco Millennium Atlântico, S.A.	75,430	(28,344)	47,086
Banque BCP, S.A.S.	53,037	—	53,037
SIBS, S.G.P.S, S.A.	64,545	—	64,545
Unicre - Instituição Financeira de Crédito, S.A.	51,793	—	51,793
Fidelidade Moçambique - Companhia de Seguros S.A.	12,942	—	12,942
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,780	—	18,780
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	8,467	—	8,467
Europa Millennium Financial Services Sp. z o.o.	12,089	—	12,089
Webspectator Corporation	18,011	(18,011)	—
	420,769	(46,355)	374,414

Lusofundo - Fundo de Investimento Imobiliário Fechado and Fundo Especial de Investimento Imobiliário Fechado Eurofundo are now considered as associates (previously recorded in Financial assets not held for trading mandatorily at fair value through profit or loss), and on 31 December 2023 the balance of this item was restated, in the amount of EUR 18,780,000 related to Lusofundo - Fundo de Investimento Imobiliário Fechado and EUR 8,467,000 of Fundo Especial de Investimento Imobiliário Fechado Eurofundo.

The Group's companies included in the consolidation perimeter are presented in note 53, as well as the main indicators of the most relevant ones.

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

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	46,355	66,263
Exchange rate differences	(4,030)	(19,908)
Balance at the end of the period	42,325	46,355

27. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024			31 December 2023		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	29,216	(7,699)	21,517	87,735	(39,327)	48,408
Assets belong to investments funds and real estate companies	6,220	(2,030)	4,190	19,854	(6,149)	13,705
Assets for own use (closed branches)	2,495	(978)	1,517	3,472	(1,671)	1,801
Equipment and other	5,587	(598)	4,989	5,006	(696)	4,310
Other assets (*)	16,363	(5,728)	10,635	16,446	(4,353)	12,093
	59,881	(17,033)	42,848	132,513	(52,196)	80,317

(*) includes Shares, Price Deposit and Property Adjudication Proposals

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 G.

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership.

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

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

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	52,196	149,565
Transfer to other assets	—	(51,802)
Other transfers	2,820	(21,143)
Charge for the period (note 13)	2,563	12,899
Reversals for the period (note 13)	(283)	(1,656)
Amounts charged-off	(40,250)	(35,249)
Exchange rate differences	(13)	(418)
Balance at the end of the period	17,033	52,196

28. Investment property

The balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N, based on independent assessments and compliance with legal requirements.

29. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Real estate	668,301	669,847
Equipment		
Computer equipment	305,210	346,220
Security equipment	63,257	67,587
Facilities	135,413	151,649
Machinery	46,224	49,712
Furniture	76,107	84,154
Motor vehicles	37,280	35,839
Other equipment	32,854	31,842
Right of use		
Real estate	413,239	390,625
Assets under construction	13,937	20,563
Other tangible assets	15	36
	1,791,837	1,848,074
Accumulated depreciation		
Relative to the current period (note 9)	(76,123)	(98,282)
Relative to the previous periods	(1,129,987)	(1,143,345)
	(1,206,110)	(1,241,627)
	585,727	606,447

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

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

The changes occurred in Other tangible assets during the nine months periods ended 30 September 2024, are analysed as follows:

(Thousands of euros)

	2024					
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	Balance as at 30 September
Real estate	669,847	82	(4,023)	1,990	405	668,301
Equipment:						
Computer equipment	346,220	9,842	(60,072)	9,022	198	305,210
Security equipment	67,587	318	(5,123)	543	(68)	63,257
Facilities	151,649	548	(17,994)	1,368	(158)	135,413
Machinery	49,712	356	(5,103)	961	298	46,224
Furniture	84,154	403	(9,099)	721	(72)	76,107
Motor vehicles	35,839	6,681	(5,301)	—	61	37,280
Other equipment	31,842	13	(710)	1,292	417	32,854
Right of use						
Real estate	390,625	26,471	(5,472)	—	1,615	413,239
Assets under construction	20,563	13,274	(359)	(19,689)	148	13,937
Other tangible assets	36	—	(21)	—	—	15
	1,848,074	57,988	(113,277)	(3,792)	2,844	1,791,837
Accumulated depreciation						
Real estate	(410,455)	(11,148)	3,832	2,336	(555)	(415,990)
Equipment:						
Computer equipment	(294,471)	(13,378)	59,938	(116)	(89)	(248,116)
Security equipment	(63,599)	(792)	5,115	—	47	(59,229)
Facilities	(134,380)	(2,462)	17,952	43	102	(118,745)
Machinery	(42,015)	(1,267)	5,098	(441)	(230)	(38,855)
Furniture	(79,822)	(1,866)	9,070	460	50	(72,108)
Motor vehicles	(19,188)	(4,181)	4,429	(3)	(15)	(18,958)
Other equipment	(25,101)	(1,496)	702	(1)	(324)	(26,220)
Right of use						
Real estate	(172,560)	(39,533)	5,083	4	(868)	(207,874)
Other tangible assets	(36)	—	21	—	—	(15)
	(1,241,627)	(76,123)	111,240	2,282	(1,882)	(1,206,110)
	606,447	(18,135)	(2,037)	(1,510)	962	585,727

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

(Thousands of euros)

	2023					
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	Balance as at 31 December
Real estate	670,000	3,552	(13,520)	6,778	3,037	669,847
Equipment:						
Computer equipment	334,864	13,297	(10,799)	7,318	1,540	346,220
Security equipment	67,687	459	(548)	183	(194)	67,587
Facilities	149,986	916	(1,691)	2,944	(506)	151,649
Machinery	47,283	115	(605)	1,388	1,531	49,712
Furniture	84,516	494	(1,467)	803	(192)	84,154
Motor vehicles	32,529	7,649	(5,407)	561	507	35,839
Other equipment	28,224	22	(859)	2,436	2,019	31,842
Right of use						
Real estate	366,363	138,697	(122,744)	–	8,309	390,625
Vehicles and equipment	431	–	(444)	–	13	–
Assets under construction	21,279	23,188	(571)	(24,351)	1,018	20,563
Other tangible assets	39	–	–	–	(3)	36
	1,803,201	188,389	(158,655)	(1,940)	17,079	1,848,074
Accumulated depreciation						
Real estate	(406,065)	(14,324)	12,459	779	(3,304)	(410,455)
Equipment:						
Computer equipment	(286,978)	(17,738)	10,729	141	(625)	(294,471)
Security equipment	(63,350)	(958)	537	27	145	(63,599)
Facilities	(133,154)	(3,167)	1,582	37	322	(134,380)
Machinery	(39,524)	(1,649)	517	(199)	(1,160)	(42,015)
Furniture	(79,007)	(2,540)	1,428	148	149	(79,822)
Motor vehicles	(18,457)	(5,054)	4,594	(37)	(234)	(19,188)
Other equipment	(22,660)	(1,662)	806	(21)	(1,564)	(25,101)
Right of use						
Real estate	(178,839)	(51,190)	61,845	(1)	(4,375)	(172,560)
Vehicles and equipment	(431)	–	444	–	(13)	–
Other tangible assets	(39)	–	–	–	3	(36)
	(1,228,504)	(98,282)	94,941	874	(10,656)	(1,241,627)
	574,697	90,107	(63,714)	(1,066)	6,423	606,447

30. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	112,237	110,640
Euro Bank, S.A. (Poland)	44,869	44,231
Others	10,170	10,172
	167,276	165,043
Impairment		
Bank Millennium, S.A. (Poland)	(112,237)	(110,640)
Others	(9,880)	(9,880)
	(122,117)	(120,520)
	45,159	44,523
Intangible assets		
Software	323,463	309,776
Other intangible assets	48,392	80,598
	371,855	390,374
Accumulated amortisation		
Charge for the period (note 9)	(31,212)	(39,217)
Charge for the previous periods	(137,497)	(172,575)
	(168,709)	(211,792)
	203,146	178,582
	248,305	223,105

The changes occurred in Goodwill and intangible assets, during the nine months periods ended 30 September 2024, are analysed as follows:

(Thousands of euros)

	2024					
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	Balance as at 30 September
Goodwill - Differences arising on consolidation	165,043	–	–	–	2,233	167,276
Impairment for goodwill	(120,520)	–	–	–	(1,597)	(122,117)
	44,523	–	–	–	636	45,159
Intangible assets						
Software	309,776	55,468	(27,670)	(15,407)	1,296	323,463
Other intangible assets	80,598	108	(48,796)	15,490	992	48,392
	390,374	55,576	(76,466)	83	2,288	371,855
Accumulated depreciation						
Software	(138,508)	(26,529)	26,919	276	(587)	(138,429)
Other intangible assets	(73,284)	(4,683)	48,796	(276)	(833)	(30,280)
	(211,792)	(31,212)	75,715	–	(1,420)	(168,709)
	178,582	24,364	(751)	83	868	203,146
	223,105	24,364	(751)	83	1,504	248,305

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

(Thousands of euros)

	2023					
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	Balance as at 31 December
Goodwill - Differences arising on consolidation	153,875	–	–	–	11,168	165,043
Impairment for goodwill	(112,535)	–	–	–	(7,985)	(120,520)
	41,340	–	–	–	3,183	44,523
Intangible assets						
Software	277,205	75,177	(47,120)	(2,396)	6,910	309,776
Other intangible assets	73,607	14	(1,154)	2,403	5,728	80,598
	350,812	75,191	(48,274)	7	12,638	390,374
Accumulated depreciation						
Software	(146,799)	(33,928)	45,427	217	(3,425)	(138,508)
Other intangible assets	(62,666)	(5,289)	–	(216)	(5,113)	(73,284)
	(209,465)	(39,217)	45,427	1	(8,538)	(211,792)
	141,347	35,974	(2,847)	8	4,100	178,582
	182,687	35,974	(2,847)	8	7,283	223,105

31. Income tax

Income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	30 September 2024			31 December 2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	833,915	—	833,915	862,261	—	862,261
Employee benefits	575,890	—	575,890	732,273	—	732,273
	1,409,805	—	1,409,805	1,594,534	—	1,594,534
Deferred taxes depending on the future profits						
Impairment losses (b)	487,488	—	487,488	419,544	—	419,544
Tax losses carried forward	157,231	—	157,231	167,995	—	167,995
Employee benefits	57,263	(96,222)	(38,959)	103,938	(141,506)	(37,568)
Financial assets at fair value through other comprehensive income	402,950	(104,335)	298,615	500,202	(82,879)	417,323
Derivatives	—	(7,793)	(7,793)	—	(7,750)	(7,750)
Intangible assets	1,029	—	1,029	968	—	968
Other tangible assets	9,451	(3,157)	6,294	9,401	(3,268)	6,133
Others	104,853	(135,881)	(31,028)	92,615	(108,258)	(15,643)
	1,220,265	(347,388)	872,877	1,294,663	(343,661)	951,002
Total deferred taxes	2,630,070	(347,388)	2,282,682	2,889,197	(343,661)	2,545,536
Offset between deferred tax assets and deferred tax liabilities	(340,866)	340,866	—	(334,866)	334,866	—
Net deferred taxes	2,289,204	(6,522)	2,282,682	2,554,331	(8,795)	2,545,536
Current taxes (c)	10,216	(107,605)	—	20,469	(197,085)	—

(a) Special Regime applicable to deferred tax assets.
(b) The amounts for 2024 and 2023 include deferred tax assets related with credit impairments losses not deducted for tax purposes of which credits were written-off, according to the expectation that the use of such impairments will be deductible in the tax periods in which the legal conditions required for their tax deductibility are met.
(c) The amounts of current taxes assets and liabilities refer exclusively to income taxes levied on the various BCP Group companies.

Special regime applicable to deferred tax assets

At the Extraordinary General Meeting of 15 October 2014 of Banco Comercial Português, S.A. and at the General Meeting of 5 November 2014 of Bank ActivoBank, S.A., the adhesion of these Banks to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from the non-deduction of expenses and negative equity variations related to impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the tax periods commencing on or after 1 January 2016, nor to deferred tax assets associated with them.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the Corporate income tax Code and in relevant separate tax legislation, up to the limit of the taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted due to this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to EUR 1,210,722,000 (31 December 2023: EUR 1,387,878,000), of which EUR 819,943,000 relate to impairment losses on credits (31 December 2023: EUR 848,120,000) and EUR 390,779,000 relate to post-employment or long-term employee benefits (31 December 2023: EUR 539,758,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In case of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity, a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights of equivalent value attributable to the State are also constituted. These rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State. Since neither Banco Comercial Português nor Banco ActivoBank recorded negative net results in the years 2015 to 2023, there was no conversion of deferred taxes assets into tax credits, under the terms provided for in the Special Regime.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the tax rates enacted or substantively enacted at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other, and the deferred tax assets and liabilities related to income taxes levied by the same tax authority over the same taxable entity.

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

	30 September 2024	31 December 2023
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21%, in 30 September 2024 and 31 December 2023.

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.3%. The income tax rate in the other main countries where the Group operates is 19% in Poland and 32% in Mozambique.

Following the amendments provided for in Law No. 24-D/2022, of 30 December, within the scope of the State Budget for 2023, the time limit applicable to the carrying forward of tax losses in Portugal was eliminated. This amendment applies to tax losses assessed in tax periods beginning on or after 1 January 2023, as well as to tax losses calculated in tax periods prior to 1 January 2023 and whose deduction period is still in progress on that date. Thus, tax losses calculated in 2014 and subsequent years may be deducted from future taxable income. The deduction limit for tax losses reduced from 70% to 65%, being increased by ten percentage points when the difference results from the deduction of tax losses calculated in the 2020 and 2021 tax periods, under the terms of the special regime provided for in Law n. 27-A/2020, of 24 July.

The reporting period for tax losses carried forward in Poland and in Mozambique is 5 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under corporate income tax (IRC), in which it's the dominant company. The remaining companies covered by the RETGS are Banco ActivoBank, S.A., Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., BCP África, S.G.P.S. Lda., Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal Lda. and Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A., and, from 2024, Imoserit, S.A. In 2024 and 2023, the application of RETGS was maintained.

Regarding the activity in Portugal, Law No. 98/2019, of 4 September, established the tax regime for credit impairments losses and provisions for guarantees for tax periods beginning on or after 1 January 2019, providing for the approximation between the accounting and tax rules in what concerns the deductibility of credit impairment losses. The rules in force until 2018 could continue to be applied until the end of the 2023 financial year, unless the option to apply the new regime was exercised in advance.

In 2022, the Banco Comercial Português, S.A. and the Banco ActivoBank, S.A. exercised the option to apply the new regime, under the terms of which impairment losses for credit risk relating to exposures analysed on an individual or on a collective basis recognised in accordance with the applicable accounting standards and regulations are fully deductible for tax purposes, with the exceptions provided for in the Corporate Income Tax Code. The exceptions apply to impairment losses related to credits and other rights over natural or legal persons who hold, directly or indirectly, more than 10% of the Bank's share capital, over members of its corporate bodies, over companies in which the Bank holds, directly or indirectly, more than 10% of the share capital or over related parties.

Impairment losses and other value corrections for specific credit risk recorded until 31 December 2021 and still not deducted for tax purposes are only deductible up to the amount that, in each tax period, corresponds to the application of the mandatory minimum limits set out in Notice of Bank of Portugal No. 3/95, as amended before its repeal by Notice of Bank of Portugal No. 5/2015 and, between other conditions, provided that they are not claims covered by real estate rights.

The Group complies with the guidelines of IFRIC 23 - Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, with no material impact on its financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

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

The assessment of the recoverability of deferred tax assets is based on the projected results for the period from 2024 to 2030, as longer projection periods have higher underlying factors of uncertainty. The projected pre-tax results for the years 2024, 2025 and 2026 are consistent with the budget approved by the Bank's Board of Directors in November 2023, which incorporates the priorities stemming from the 2021-2024 Strategic Plan, in a framework where the financial targets set therein for 2024 have been achieved or exceeded in 2023, adjusted with the impact of a new issue of additional Tier 1 securities in the amount of EUR 400 million, with an option for early repayment from the end of the 5th year and with an annual interest rate of 8.125%. In the earnings projection for the years 2027, 2028, 2029 and 2030, a standard nominal growth rate of 2% was considered.

The projections incorporate the impact of the stabilization of interest rates at a lower level than the current one, preserving profitability levels in line with those targets and reflecting the commercial positioning and the desired capture of efficiency gains, enshrined in the 2021-2024 Strategic Plan approved by the governing bodies, highlighting:

- after reflecting the impacts of the normalization of interest rates, the net interest income benefits from the recovery of volumes in deposits and loans to customers, where the Bank continues to privilege priority segments associated with the relationship and knowledge of its customers and transactionality;

- increase in commission income based on an efficient and judicious management of commissions and price lists;

- cost of risk still showing improvement, although gradually less significant, as this indicator converges to levels in line with the Bank's current activity, with a lower impact from the historical portfolios of NPEs, foreclosed assets and FRE (Corporate Restructuring Funds), after the reduction of these exposures achieved over the last years;

- preservation of high levels of efficiency based on continued cost discipline and increased use of technology.

To estimate taxable net income for the periods of 2025 to 2030, the following main assumptions were considered:

- the rules of the new tax regime of credit impairment were applied. In the application of these rules, the following assumptions were considered, in general terms:

  a) the impairment losses for credit risk related to exposures analysed on an individual or collective basis, recognised in accordance with the applicable accounting and regulatory standards, were considered deductible for tax purposes;

  b) impairment reversals created up to 31 December 2021 not accepted for tax purposes were estimated based on the Non-Performing Assets Reduction Plan 2024-2025 submitted to the supervisory authority in March 2023, and also on the basis of the average percentage of reversal observed in the last years from 2016 to 2023;

  c) the referred average percentages were calculated separately, depending on whether or not there was a mortgage guarantee, the eligibility for purposes of the special regime applicable to deferred tax assets and according to the customers' classification as Non-Performing Exposures (NPE).

- The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Impairment reversals of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate assets. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2023. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the based on the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2023, compared to the amounts of reinforcements net of impairment recorded in those years;

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the pension fund actuary;

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the regulations of the funds in question in relation to the period foreseen for the respective liquidation.

According to the estimate of future taxable income, the deferred taxes assets recorded as at 31 December 2023 are adequate under the IAS 12 requirements. With reference to 30 September 2024, this analysis and conclusions remain valid.

In accordance with these assessments, the amount of unrecognised deferred tax related to temporary differences and to tax losses is as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Temporary differences	20,591	40,976
Tax losses carried forward		
2014	161,906	161,906
2015	2	2
2016	277,636	282,498
2017	2,773	2,773
2018	118,295	118,295
2019	28,920	24,192
2020	15,091	15,213
2021	193,132	193,878
2022	19,248	19,469
2023	3,918	2,402
2024	13,815	—
Total	834,736	820,628

The amount of unrecognised deferred taxes relating to tax losses by year of expiry is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
2024	48	206
2025	13,500	13,623
2026	130	129
2027	10,706	12,051
2028	933	2,293
2029	8,780	—
No expiry date	800,639	792,326
Total	834,736	820,628

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2024, is analysed as follows:

(Thousands of euros)

	30 September 2024		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(28,346)	—	—
Employee benefits	(155,876)	(507)	—
	(184,222)	(507)	—
Deferred taxes depending on the future profits			
Impairment losses	66,557	(1,334)	2,721
Tax losses carried forward (a)	(19,468)	8,582	122
Employee benefits	(2,770)	1,300	79
Financial assets at fair value through other comprehensive income	—	(112,965)	(5,743)
Derivatives	69	—	(112)
Intangible assets	47	—	14
Other tangible assets	166	—	(5)
Others	(18,048)	(2,395)	5,058
	26,553	(106,812)	2,134
	(157,669)	(107,319)	2,134
Current taxes			
Current period	(114,973)	(751)	—
Correction of previous periods	9,835	—	—
	(105,138)	(751)	—
	(262,807)	(108,070)	2,134

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2023, is analysed as follows:

(Thousands of euros)

	30 September 2023		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(120,954)	—	—
Employee benefits	(79,889)	(20,332)	—
	(200,843)	(20,332)	—
Deferred taxes depending on the future profits			
Impairment losses	6,243	(1,310)	1,601
Tax losses carried forward (a)	(3,698)	—	219
Employee benefits	(28,261)	32,680	56
Financial assets at fair value through other comprehensive income	—	(86,135)	16,222
Derivatives	—	—	356
Intangible assets	(116)	—	16
Other tangible assets	641	—	(8)
Others	11,350	745	(15,070)
	(13,841)	(54,020)	3,392
	(214,684)	(74,352)	3,392
Current taxes			
Current period	(173,001)	(17)	—
Correction of previous periods	306	—	—
	(172,695)	(17)	—
	(387,379)	(74,369)	3,392

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

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

(Thousands of euros)

	30 September 2024	30 September 2023
Net income before income taxes	1,055,792	1,109,349
Current tax rate (%)	31.5%	31.5%
Tax at the applicable tax rate	(332,574)	(349,445)
Non-deductible impairment and provisions (a)	(36,203)	(104,268)
Mandatory contributions on the banking sector (b)	(18,975)	(16,739)
Results of companies accounted by the equity method	13,799	14,995
Interests on other equity instruments (c)	8,033	8,741
Effect of the tax rate difference (d)	28,824	43,730
Effect of recognition/derecognition net of deferred taxes (e)	63,913	14,650
Non-deductible costs and other corrections	(1,961)	137
Correction of previous periods (f)	7,230	1,368
Impact of special tax regime for groups of companies	5,610	—
Autonomous tax	(503)	(548)
Total	(262,807)	(387,379)
Effective rate (%)	24.9%	34.9%

(a) In 2024 includes the negative amount of EUR 35,745,000 (2023: negative EUR 88,273,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by Bank Millennium.
(b) Refers to mandatory contributions on the banking sector in Portugal and in Poland.
(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 31 January 2019 and 18 January 2024.
(d) In 2024 this balance includes the amount of EUR 14,076,000 (2023: EUR 14,361,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities and the amount of EUR 16,374,000 (2023: EUR 28,849,000) related to the effect of the difference in the tax rate on taxable profits in Poland, which is 19%, on a net income before income tax.
(e) In 2024, with regard to the activity in Portugal, includes the amount of EUR 21,504,000 related to the additional recognition of deferred tax assets related to credit impairments not tax deducted in previous years. In Poland, on 6 December 2023, the Polish Supreme Administrative Court confirmed that the costs incurred for the cancellation of foreign currency-indexed mortgage loans and mortgage loans contracts granted in foreign currency (in particular in Swiss francs) following court decisions are not deductible for tax purposes, establishing, however, the possibility of recovering the current tax paid in relation to the income (interest, commissions and foreign exchange gains) obtained with such contracts in the last five years prior to the cancellation. As a result of this decision, a deferred tax asset in the amount of EUR 51,482,000 was recognised during the nine months periods ended 30 September 2024 related to income taxes amounts to be recovered in the future in relation to probable cancellations of credit contracts granted that currently have ongoing legal actions associated with them and whose outcome may turn out to be unfavourable.
(f) In 2024, it includes the amount of EUR 2,398,000 relating to the excess of the current tax estimate for the financial year 2023 and the amount of EUR 1,797,000 of current tax recovered in relation to the financial years 2020-2022, in both cases as a result of the aforementioned decision of 6 December 2023 of the Polish Supreme Administrative Court.

Directive (EU) 2022/2523 of the Council, of 15 December 2022 – Minimum level of taxation of 15% per jurisdiction

Under Pillar 2 of the Base Erosion and Profit Shifting 2.0 ("BEPS 2.0") project of the Organisation for Economic Co-operation and Development ("OECD"), enshrined in Council Directive (EU) 2022/2523 of 15 December 2022, multinationals enterprises and large national groups with consolidated annual revenues of more than EUR 750 million in at least two of the last four financial years, will become subject, as of the 2024 financial year, to a minimum level of taxation of 15% in each of the jurisdiction they operate.

In Portugal and Poland, the legislative processes for transposing this new regime into their respective domestic legislation only began in 2024 and are currently underway, with the rules expected to come into force during the last quarter of 2024.

As previously mentioned, the regime in question may determine the payment of a top-up tax when a minimum level of taxation of 15% is not observed, on a jurisdictional basis.

According to the analysis carried out on the potential future impacts of this regime, the Group estimates that it will meet, in the jurisdictions in which it operates, namely in Portugal, Poland and Mozambique, the necessary requirements for the application of "transitional safe harbours", thus being excluded, between 2024-2026, from the obligation to calculate any top-up tax.

32. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Deposit account applications	57,525	57,866
Shareholder Loans	180,129	173,175
Surplus in the post-employment benefits	352,668	390,258
Debtors for futures and options transactions	145,805	118,472
Real estate and other assets arising from recovered loans	281,025	338,486
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	99,434	87,816
Prosecution cases / agreements with the Bank	9,112	11,163
SIBS	2,305	3,579
Others	29,480	21,779
Non-residents	23,747	50,992
Amounts due for collection	82,786	81,614
Interest and other amounts receivable	71,882	80,094
Amounts receivable on trading activity	124,540	10,736
Amounts due from customers	74,278	76,047
Artistic patrimony	28,795	28,796
Prepaid expenses	27,812	25,505
Subsidies receivables	13,537	8,347
Other recoverable tax	7,852	8,112
Gold and other precious metals	3,784	3,562
Capital supplementary contributions	165	165
Associates	150	116
Others	391,460	371,836
	2,008,271	1,948,516
Impairment for other assets	(324,182)	(321,832)
	1,684,089	1,626,684

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

(Thousands of euros)

	30 September 2024			31 December 2023		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	119,869	(46,802)	73,067	138,165	(45,829)	92,336
Assets belong to investments funds and real estate companies	137,598	(77,433)	60,165	173,443	(84,904)	88,539
Assets for own use (closed branches)	12,528	(5,221)	7,307	13,537	(5,432)	8,105
Equipment	90	(78)	12	92	(81)	11
Other assets (*)	10,940	(18)	10,922	13,249	(594)	12,655
	281,025	(129,552)	151,473	338,486	(136,840)	201,646

(*) includes Shares, Price Deposit and Property Adjudication Proposals

The changes occurred in Impairment of other assets, with the exception of impairment for Real estate and other assets arising from recovered loans are analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	184,992	191,752
Other transfers	(105)	(513)
Charge for the period (note 13)	14,426	17,673
Reversals for the period (note 13)	(3,819)	(7,150)
Amounts charged-off	(908)	(17,232)
Exchange rate differences	44	462
Balance at the end of the period	194,630	184,992

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

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	136,840	—
Transfer of Non-current assets held for sale (note 27)	—	51,802
Other transfers	(2,715)	52,488
Charge for the period (note 13)	18,001	34,706
Reversals for the period (note 13)	(453)	(98)
Amounts charged-off	(21,891)	(1,953)
Exchange rate differences	(230)	(105)
Balance at the end of the period	129,552	136,840

33. Deposits from credit institutions and other funds

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Deposits from Central Banks and other funds		
Central Banks abroad	111,982	110,776
	111,982	110,776
Deposits from credit institutions in Portugal and other funds		
Very short-term deposits	10,752	—
Sight deposits	59,765	63,128
Term Deposits	211,655	79,198
	282,172	142,326
Deposits from credit institutions abroad and other funds		
Very short-term deposits	32,297	—
Repayable on demand	66,363	88,864
Term deposits	79,577	127,224
Loans obtained	251,577	264,635
CIRS and IRS operations collateralised by deposits (*)	89,450	88,633
Sales operations with repurchase agreement	50,529	—
Others	8,443	6,668
	578,236	576,024
	972,390	829,126

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

34. Deposits from customers and other funds

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Deposits from customers		
Repayable on demand	46,244,467	45,048,931
Term deposits	28,314,584	25,106,121
Saving accounts	4,082,559	4,487,509
Treasury bills and other assets sold under repurchase agreement	249,438	—
Cheques and orders to pay	763,432	630,497
Other	—	60,000
	79,654,480	75,333,058
Corrections to the liabilities value subject to hedging operations	178,271	103,654
Deferred costs/ (income)	—	(621)
Interest payable	226,290	170,722
	80,059,041	75,606,813

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

35. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Bonds	285,840	232,866
Medium term notes (MTN)	2,847,216	2,347,610
Securitisations	109,876	121,933
	3,242,932	2,702,409
Corrections to the liabilities value subject to hedging operations	(11,038)	(22,873)
Deferred costs / (income)	(9,735)	(11,142)
Interest payable	72,339	44,288
	3,294,498	2,712,682

36. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Bonds		
Non-Perpetual	1,407,362	1,402,278
Corrections to the liabilities value subject to hedging operations	(23,509)	(41,831)
Deferred costs / (income)	(1,350)	(1,956)
Interest payable	36,054	38,934
	1,418,557	1,397,425

As at 30 September 2024, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	30 September 2024					
Issue	Issue date	Repayment date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	175,874	105,918
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	450,939	450,939
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	288,313	288,313
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	139,176	139,176
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	8.16%	163,479	167,682	44,447
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	8.17%	193,839	196,529	52,701
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,418,557	1,081,494

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

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

(Thousands of euros)

	31 December 2023					
Issue	Issue date	Repayment date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	166,666	130,915
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	443,394	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	285,050	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	141,969	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	8.12%	161,153	162,013	51,556
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	8.94%	191,081	198,289	61,131
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,397,425	1,127,302

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

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5-year mid swaps rate prevailing at that time plus the Spread.

(iv) Fixed annual interest rate of 8.75% during the first 5.25 years. The annual interest rate from year 5.25 onwards was set at the 5-year mid-swap rate plus a 6.051%.

37. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Short selling securities	49,824	626
Trading derivatives (note 24)		
Swaps	56,891	96,824
Options	91,213	100,702
of which: Embedded derivatives	86,663	95,357
Forwards	3,923	9,235
	152,027	206,761
	201,851	207,387

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

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Deposits from customers (*)	2,180,291	2,321,000
Certificates	1,192,977	989,703
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	93,059	297,784
	3,466,327	3,608,487

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

39. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Provision for guarantees and other commitments	112,643	121,574
Other provisions for liabilities and charges	997,938	631,529
	1,110,581	753,103

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

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	121,574	110,754
Transfers	(1,105)	(1,990)
Charge for the period (note 14)	22,267	40,602
Reversals for the period (note 14)	(30,198)	(28,372)
Exchange rate differences	105	580
Balance at the end of the period	112,643	121,574

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

(Thousands of euros)

	30 September 2024	31 December 2023
Balance as at 1 January	631,529	451,032
Transfers	23,915	(24,858)
Charge for the period (note 14)	436,276	785,928
Reversals for the period (note 14)	(1,904)	(4,000)
Amounts charged-off	(23,461)	(42,138)
Allocation to loan's portfolio (note 22)	(75,227)	(583,027)
Exchange rate differences	6,810	48,592
Balance at the end of the period	997,938	631,529

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 52, which, in the first nine months of 2024, amounted to EUR 384,883,000 (31 December 2023: EUR 675,252,000).

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for lawsuits, frauds and tax contingencies. As at 30 September 2024, the provisions constituted to cover tax contingencies amounted to EUR 45,132,000 (31 December 2023: EUR 54,384,000).

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

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

A detailed description of the adopted valuation methodology is presented in note 52 "Legal risk related to foreign currency mortgage loans in Bank Millennium (Poland)".

As at 30 September 2024, the Loans and advances to customers portfolio in CHF has a gross amount of EUR 1,790,977,000 (31 December 2023: EUR 2,218,947,000).

As at 30 September 2024, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to EUR 1,967,211,000 (PLN 8,423,400,000), of which EUR 1,339,077,000 (PLN 5,733,795,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and EUR 628,134,000 (PLN 2,689,605,000) are presented under Provisions.

As at 31 December 2023, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amounted to EUR 1,812,231,000 (PLN 7,871,789,000), of which EUR 1,500,209,000 (PLN 6,516,460,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and EUR 312,022,000 (PLN 1,355,329,000) are presented under Provisions.

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

40. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Interests and other amounts payable	159,858	169,842
Operations to be settled - foreign, transfers and deposits	258,542	249,509
Credit insurance received and to accrued	33,146	49,181
Holidays, subsidies and other remuneration payable	70,308	58,018
Transactions on securities to be settled	136,888	3,855
Public sector	40,187	51,675
Creditors		
Rents to pay	205,586	215,714
Deposit account and other applications	118,455	157,102
Suppliers	36,215	57,652
From factoring operations	23,460	47,987
For futures and options transactions	17,764	11,121
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	7,279	10,561
Associates	—	26
Other creditors		
Residents	35,255	35,660
Non-residents	76,885	96,525
Deferred income	12,069	10,424
Other administrative costs payable	5,192	7,809
Other liabilities	271,786	458,891
	1,508,875	1,691,552

The balance Amounts payable on trading activity corresponds to transactions awaiting financial settlement.

41. Share capital, Share premium and Other equity instruments

As at 30 September 2024, the Bank's share capital amounts to EUR 3,000,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 30 September 2024, the Share premium amounts to EUR 16,470,667.12, corresponding to the difference between the issue price (EUR 0.0834 per share) and the issue value (EUR 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 September 2024, the Other equity instruments in the amount of EUR 400,000,000 corresponds to 2,000 perpetual subordinated notes issued on 18 January 2024, with a nominal value of EUR 200,000 each which was classified as Additional Tier 1 (AT1) in accordance with the specific rules of IAS 32 and accounting policy 1 E. The issue has the option of early repayment by the Bank from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78% a year. As the operation is classified as AT1, the corresponding interest payment can be cancelled by the Bank at its discretion or by imposition of the competent authorities and is still subject to compliance with a set of conditions, including compliance with the combined capital reserve requirement and the existence of sufficient distributable funds.

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

42. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. In accordance with the proposal for the appropriation of net income for the 2023 financial year approved at the General Shareholders' Meeting held on 22 May 2024, the Bank increased its legal reserves in the amount of EUR 68,027,000, thus, as at 30 September 2024 the Legal Reserves amount to EUR 384,402,000 (31 December 2023: EUR 316,375,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 24)		
Debt instruments (*)	(7,323)	(75,326)
Equity instruments	(3,076)	(3,747)
Of associates and other changes	8,830	(1,728)
Cash-flow hedge	(977,600)	(1,274,684)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(273)	(2,596)
	(979,442)	(1,358,081)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	1,840	20,266
Equity instruments	1,227	1,403
Cash-flow hedge	305,579	398,207
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	86	814
	308,732	420,690
	(670,710)	(937,391)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(23,184)	(35,347)
BIM - Banco Internacional de Moçambique, S.A.	(154,768)	(152,108)
Banco Millennium Atlântico, S.A.	(187,987)	(180,187)
Others	1,608	2,031
	(364,331)	(365,611)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	52,296	50,584
Others	(3,965)	(3,965)
	48,331	46,619
Other reserves and retained earnings	3,438,061	2,970,466
	2,451,351	1,714,083

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

During the first nine months of 2024, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. corrected the transition adjustments relating to the adoption of IFRS 17 and IFRS 9 in the negative amount of EUR 9,092,000.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C.

The variation in the fair value of cash flow hedges reflects the economic impact on these hedges of the pronounced increase in market interest rates, an effect that is more than offset by the economic impact on the fair value of liabilities that are more sensitive to such an increase and that are accounted for at amortised cost.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Fair value changes		
Debt instruments	(1,980)	(27,718)
Equity instruments	3,140	2,924
Cash-flow hedge	(3,318)	(6,226)
Other	11	4
	(2,147)	(31,016)
Deferred taxes		
Debt instruments	364	5,362
Equity instruments	(609)	(600)
Cash-flow hedge	630	1,183
	385	5,945
	(1,762)	(25,071)
Exchange differences arising on consolidation	(125,841)	(136,624)
Actuarial losses (net of taxes)	619	897
Other reserves and retained earnings	1,198,704	1,148,225
	1,071,720	987,427

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2024	31 December 2023	30 September 2024	30 September 2023
Bank Millennium Group	890,924	792,061	63,389	50,226
BIM - Banco Internacional de Moçambique Group	169,300	178,500	21,191	21,243
Other subsidiaries	11,496	16,866	(5,370)	(223)
	1,071,720	987,427	79,210	71,246

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	30 September 2024	31 December 2023
Guarantees granted		
Guarantees	3,947,712	3,893,124
Stand-by letter of credit	81,184	75,018
Open documentary credits	212,246	238,962
Bails and indemnities	9,972	135,256
	4,251,114	4,342,360
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	27,375	2,051
Irrevocable credit facilities	5,231,353	5,279,307
Securities subscription	18,368	22,145
Other irrevocable commitments	156,199	157,711
Revocable commitments		
Revocable credit facilities	6,365,167	6,013,393
Bank overdraft facilities	981,055	890,579
Other revocable commitments	187,076	181,380
	12,966,593	12,546,566
Guarantees received	27,329,318	28,126,885
Commitments from third parties	12,192,069	12,352,650
Securities and other items held for safekeeping	90,705,072	85,357,406
Securities and other items held under custody by the Securities Depository Authority	93,505,610	87,167,519
Other off balance sheet accounts	147,106,564	146,614,201

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a customer by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 39).

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

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

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

46. Transfers of assets

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

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

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

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

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

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

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

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

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

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

The amounts accumulated as at 30 September 2024, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	800,954	633,593	612,688	(20,905)

The activity segments are as follows: a) Diversified; b) Real estate and tourism; and c) Real estate.

The amounts accumulated as at 31 December 2023, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	800,954	633,593	612,688	(20,905)

The activity segments are as follows: a) Diversified; b) Real estate and tourism; and c) Real estate.

As at 30 September 2024, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 September 2024		
	Senior securities	Junior securities	
	Fair value of Investment fund units (note 24)	Shareholder Loans (note 32)	Total
Fundo Recuperação FCR	20,197	–	20,197
Fundo Aquarius FCR	91,434	–	91,434
Discovery Real Estate Fund	167,894	–	167,894
Fundo Vega FCR	36,266	–	36,266
	315,791	–	315,791

As at 30 September 2024, the book value of these assets is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

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

(Thousands of euros)

	31 December 2023		
	Senior securities	Junior securities	
	Fair value of Investment fund units (note 24)	Shareholder Loans (note 32)	Total
Fundo Recuperação FCR	28,030	—	28,030
Fundo Aquarius FCR	98,119	—	98,119
Discovery Real Estate Fund	162,284	—	162,284
Fundo Vega FCR	36,142	—	36,142
	324,575	—	324,575

As at 31 December 2023, the book value of these assets is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

The balance Investment fund units include an fair value adjustments in the amount of EUR 149,202,000 (31 December 2023: EUR 151,509,000).

The balance Supplies in the gross amount of EUR 172,783,000 (31 December 2023: EUR 165,837,000) is fully provisioned.

Project Crow

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

(Thousands of euros)

	30 September 2024	31 December 2023 (restated)
Financial assets not held for trading mandatorily at fair value through profit or loss (note 24)		
Fundo Turismo Algarve, FCR	—	40,758
	—	40,758
Investments in associates (note 26)		
Fundo Turismo Algarve, FCR	74,389	—
Lusofundo - Fundo de Investimento Imobiliário Fechado	19,331	18,780
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	7,286	8,467
	101,006	27,247
Other assets (note 32)		
Imoserit, S.A.	—	14,805
	101,006	82,810

47. Relevant events occurred during the first nine months of 2024

Notice from the Bank of Portugal regarding MREL requirements

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

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

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

- 6.67% of the leverage ratio exposure measure ("LRE").

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

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

At the date of this announcement, BCP informed that it complies with the established MREL requirements, both as a percentage of the TREA (including the CBR) and as a percentage of the LRE.

Fitch Ratings upgraded BCP's Outlook

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

Bank Millennium Minimum requirements for own funds and liabilities subject to write down or conversion (MREL)

Bank Millennium manages MREL indicators in a manner analogous to capital adequacy management.

In terms of the MREL-TREA and MREL-TEM requirements, Bank Millennium Group has a surplus compared to the minimum required levels as at 30 September 2024, and also meets the MREL-TREA Requirement after the inclusion of the Combined Buffer Requirement. In third quarter 2024, the Bank Millennium Group completed the issue of senior non-preferred green notes of the nominal value of EUR 500 million, what considerably elevated both ratios.

MREL	30.09.2024	30.06.2024	30.09.2023
MREL-TREA ratio	**28.60 %**	**22.92 %**	**22.05 %**
Minimum required level MREL-TREA	18.03 %	18.03 %	14.42 %
Surplus(+) / Deficit(-) of MREL-TREA (p.p.)	10.57 %	4.89 %	7.63 %
Minimum required level including Combined Buffer Requirement (CBR)	20.78 %	20.78 %	17.17 %
Surplus(+) / Deficit(-) of MREL-TREA+CBR (p.p.)	7.82 %	2.14 %	4.88 %
MREL-TEM ratio	**8.97%**	**7.05%**	**7.74%**
Minimum required level of MREL-TEM	5.91 %	5.91 %	4.46 %
Surplus(+) / Deficit(-) of MREL-TEM (p.p.)	3.06 %	1.14 %	3.28 %

Completion of implementation of the Bank Millennium's Recovery Plan

The Management Board of Bank Millennium S.A. informed that on 19 June 2024 it took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund.

In the Bank Millennium's Management Board's opinion, all key assumptions of the Recovery Plan ('Plan') have been achieved. In particular, all indicators defined in the Plan have reached safe levels, profitability and financial results of Bank Millennium S.A. Capital Group ('the Group') improved sustainably, capital ratios were restored to levels well above required regulatory minimums while the Bank Millennium and the Group meet MREL requirements, including the combined buffer requirements. The Bank Millennium's Management Board also does not identify future circumstances that would justify further continuation of the Recovery Plan.

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

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

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

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

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

Item Four – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

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

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

Item Seven – Approval of the amendment of the articles of association, giving new wording to article 10 (2);

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

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

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

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

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

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

Extension of credit holidays of Bank Millennium S.A.

As at 7 May 2024, the Management Board of Bank Millennium S.A. informed that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act of 12 April 2024 on changes to the Act on support for mortgage borrowers who are in challenging financial situation and the Act on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, an extension of credit holidays for PLN mortgage borrowers by four more months in 2024.

EIB signed an agreement with Millennium bcp

As at 11 January 2024, the EIB signed an agreement with Millennium bcp to provide EUR 400 million in new loans to Portuguese companies.

Banco Comercial Português, S.A. informed about the issuance of perpetual subordinated notes (Additional Tier 1)

As at 11 January 2024, Banco Comercial Português, S.A. (“Millennium bcp”) informed it has set the conditions for a new issue of Additional Tier 1, in the amount of EUR 400 million, with the option of early repayment by Millennium bcp from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78%.

Banco Comercial Português, S.A. informed about the resignation of a member of the Board of Directors

As at 5 January 2024, Banco Comercial Português, S.A. (“Bank”) informed, under the terms and for the purposes of article 6 of CMVM Regulation No. 1/2023, that the Non-Executive Director Xiaoxu Gu (also known as Julia Gu) presented today its resignation to the position of non-executive member of the Board of Directors, effective from 29 February 2024.

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

Banco Comercial Português S.A. informed about decision to call the currently outstanding Additional Tier 1 instrument (“AT1”) in the amount of EUR 400 million

As at 1 January 2024, Banco Comercial Português, S.A. informed that it has decided to exercise its option to early redeem all of its Additional Tier 1 notes “Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes” (ISIN: PTBCPFOM0043), issued on 31 January 2019 (the “Notes”), in accordance with Condition 9.2 of the terms and conditions of the Notes. The early redemption of the Notes took place on their first call date according with its terms and conditions, 31 January 2024, at their outstanding principal amount together with accrued interest.

48. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and International Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies and Corporate; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than EUR 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;

- Retail Recovery Division that manages customers or economic groups in effective default, as well as customers who have filed for bankruptcy or other similar mechanisms, aiming to minimize losses through agreements or payment restructuring processes; and

- ActivoBank, a bank focused on mainly young clients, who are intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies and Corporate segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than EUR 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;

- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;

- Specialized Monitoring Division which manages the exposures to business groups that have specific monitoring needs or that show relevant signs of impairment, in order to defend the value and manage credit risk, seeking to optimize outcomes in the medium and long term;

- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding EUR 1 million);

- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term, particularly with regard to Project and Structured Finance;

- Interfundos with the activity of management of real estate investment funds;

- Specialized Credit and Real Estate Department, with the mission of managing the Group's foreclosed assets portfolio, referred as non-performing assets, in order to place them back to the market.

- Treasury, Markets and International Department, which coordinates business with banks and financial institutions in order to better serve the Bank's commercial networks and operations abroad. This unit has a dynamic emphasis that promotes international business within commercial networks, aiming to be a partner for clients for internationalization. It also provides securities custody services to resident and non-resident clients, and grants the Bank's intervention in the financial markets, providing commercial services for treasury and markets products and managing the financial risks inherent to the Bank's activity.

The Private Banking segment comprises:

- Private Banking Division in Portugal, focused on high net worth individuals, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory customer services and portfolio management for clients in the Private Banking network and the affluent segment.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

International Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;

- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and

- Other, which includes the contribution of the associate in Angola.

B. Business Segments

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

Business segments activity

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

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 September 2024, 31 December 2023 and 30 September 2023 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risk weighted exposures managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 September 2024. Information relating to prior periods is restated whenever changes occur in the internal organization of the Group that affect the composition of the reportable segments (business and geographical) or relevant changes in the criteria for allocation of indirect revenues and costs, as described in the previous paragraph, ensuring the comparability of the information provided across the reported periods.

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 30 September 2024, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2024						
	Commercial banking						
	Retail in Portugal	International business (1)	Total	Companies and Corporate in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Net interest income (2)	870,618	1,107,315	1,977,933	207,101	36,514	(110,785)	2,110,763
Net fees and commissions income	345,648	166,912	512,560	109,410	26,325	(46,526)	601,769
Other net income	10,287	(70,290)	(60,003)	8,554	77	(42,815)	(94,187)
Gains/(losses) on financial operations (3)	1,301	873	2,174	1,402	27	25,648	29,251
Dividends from equity instruments	—	822	822	—	—	—	822
Share of profit of associates under the equity method	—	3,437	3,437	—	—	40,347	43,784
Net operating income	1,227,854	1,209,069	2,436,923	326,467	62,943	(134,131)	2,692,202
Operating expenses	243,547	463,446	706,993	46,156	11,617	181,834	946,600
Results on modification (4)	—	(62,440)	(62,440)	—	—	—	(62,440)
Impairment for credit and financial assets (5)	(38,998)	(67,531)	(106,529)	(104,741)	(232)	41,069	(170,433)
Other impairments and provisions (6)	—	(396,262)	(396,262)	—	—	(60,675)	(456,937)
Net income before income tax	945,309	219,390	1,164,699	175,570	51,094	(335,571)	1,055,792
Income tax	(295,881)	(27,052)	(322,933)	(54,953)	(15,993)	131,072	(262,807)
Net income after income tax							
from continuing operations	649,428	192,338	841,766	120,617	35,101	(204,499)	792,985
Income arising from discontinued operations	—	322	322	—	—	—	322
Net income for the period	649,428	192,660	842,088	120,617	35,101	(204,499)	793,307
Non-controlling interests	—	(84,580)	(84,580)	—	—	5,370	(79,210)
Net income for the period attributable to Bank's Shareholders	649,428	108,080	757,508	120,617	35,101	(199,129)	714,097

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) In the current year, with the increase in market interest rates, net interest income of the business segments in Portugal benefited from increased remuneration earned on the internal placement of customer resources, namely demand deposits, with an impact on the cost borne by segment Other in the first nine months of 2024 of approximately EUR 259 million.

(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(4) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(5) Includes impairment of financial assets at amortised cost, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(6) Includes impairment of non-current assets held for sale, investments in associates, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 30 September 2024, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	30 September 2024						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	International business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	15,252,421	3,136,267	18,388,688	1,498,678	3,042,546	(17,120,911)	5,809,001
Loans and advances to customers [1]	26,337,292	18,278,705	44,615,997	10,373,847	351,184	610,054	55,951,082
Financial assets [2]	—	12,053,646	12,053,646	—	—	21,072,146	33,125,792
Other assets	—	1,058,497	1,058,497	—	—	4,281,884	5,340,381
Total Assets	41,589,713	34,527,115	76,116,828	11,872,525	3,393,730	8,843,173	100,226,256
Deposits from other credit institutions [3]	251,473	186,022	437,495	1,063,394	—	(528,499)	972,390
Deposits from customers [4]	39,335,396	28,782,511	68,117,907	9,449,874	3,126,926	1,544,624	82,239,331
Debt securities issued [5]	1,044,474	1,306,452	2,350,926	207	241,356	1,988,046	4,580,535
Other financial liabilities [6]	—	545,416	545,416	—	—	1,116,960	1,662,376
Other liabilities [7]	—	1,374,195	1,374,195	—	—	1,359,388	2,733,583
Total Liabilities	40,631,343	32,194,596	72,825,939	10,513,475	3,368,282	5,480,519	92,188,215
Total Equity	958,370	2,332,519	3,290,889	1,359,050	25,448	3,362,654	8,038,041
Total Liabilities and Equity	41,589,713	34,527,115	76,116,828	11,872,525	3,393,730	8,843,173	100,226,256
Number of employees	3,566	9,441	13,007	435	101	2,173	15,716

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

(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income and hedging derivatives.

(3) Includes deposits and other financing from central banks and deposits from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including deposits from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2023, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2023 (restated)						
	Commercial banking						
	Retail in Portugal	International business (1)	Total	Companies and Corporate in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Net interest income	643,524	1,019,713	1,663,237	145,533	26,249	282,442	2,117,461
Net fees and commissions income	325,942	158,621	484,563	104,875	24,200	(35,180)	578,458
Other net income	9,270	10,244	19,514	8,164	27	(84,199)	(56,494)
Gains/(losses) on financial operations (2)	1,737	122,264	124,001	118	65	(17,876)	106,308
Dividends from equity instruments	—	716	716	—	—	500	1,216
Share of profit of associates under the equity method	—	2,375	2,375	—	—	43,327	45,702
Net operating income	980,473	1,313,933	2,294,406	258,690	50,541	189,014	2,792,651
Operating expenses	264,127	394,637	658,764	46,264	11,302	138,285	854,615
Results on modification (3)	—	(14,829)	(14,829)	—	—	—	(14,829)
Impairment for credit and financial assets (4)	(33,332)	(53,624)	(86,956)	(121,872)	(542)	(2,855)	(212,225)
Other impairments and provisions (5)	(98)	(528,284)	(528,382)	—	—	(73,251)	(601,633)
Net income before income tax	682,916	322,559	1,005,475	90,554	38,697	(25,377)	1,109,349
Income tax	(213,753)	(157,177)	(370,930)	(28,343)	(12,112)	24,006	(387,379)
Net income after income tax							
from continuing operations	469,163	165,382	634,545	62,211	26,585	(1,371)	721,970
Income arising from discontinued operations	—	—	—	—	—	(9)	(9)
Net income for the period	469,163	165,382	634,545	62,211	26,585	(1,380)	721,961
Non-controlling interests	—	(71,469)	(71,469)	—	—	223	(71,246)
Net income for the period attributable to Bank's Shareholders	469,163	93,913	563,076	62,211	26,585	(1,157)	650,715

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). It's also included the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(4) Includes impairment of financial assets at amortised cost, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, investments in associates, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2023, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	International business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	14,517,884	2,803,205	17,321,089	1,257,129	2,372,757	(15,159,285)	5,791,690
Loans and advances to customers (1)	25,893,659	17,581,929	43,475,588	11,203,697	332,319	206,363	55,217,967
Financial assets (2)	—	10,269,401	10,269,401	—	—	17,566,761	27,836,162
Other assets	—	1,000,591	1,000,591	—	—	4,524,276	5,524,867
Total Assets	40,411,543	31,655,126	72,066,669	12,460,826	2,705,076	7,138,115	94,370,686
Deposits from other credit institutions (3)	276,739	151,175	427,914	1,726,426	—	(1,325,214)	829,126
Deposits from customers (4)	37,934,752	26,764,909	64,699,661	9,463,888	2,545,353	1,218,911	77,927,813
Debt securities issued (5)	1,144,133	763,831	1,907,964	1,408	133,442	1,957,355	4,000,169
Other financial liabilities (6)	—	538,311	538,311	—	—	1,134,326	1,672,637
Other liabilities (7)	—	1,268,020	1,268,020	—	—	1,382,515	2,650,535
Total Liabilities	39,355,624	29,486,246	68,841,870	11,191,722	2,678,795	4,367,893	87,080,280
Total Equity	1,055,919	2,168,880	3,224,799	1,269,104	26,281	2,770,222	7,290,406
Total Liabilities and Equity	40,411,543	31,655,126	72,066,669	12,460,826	2,705,076	7,138,115	94,370,686
Number of employees	3,599	9,446	13,045	440	106	2,097	15,688

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

(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income and hedging derivatives.

(3) Includes deposits and other financing from central banks and deposits from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including deposits from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2024, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2024								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Net interest income (2)	870,618	207,101	36,514	(110,785)	1,003,448	955,883	151,432	—	2,110,763
Net fees and commissions income	345,648	109,410	26,325	(46,526)	434,857	136,805	30,107	—	601,769
Other net income	10,287	8,554	77	(42,815)	(23,897)	(71,847)	1,557	—	(94,187)
Gains/(losses) on financial operations (3)	1,301	1,402	27	25,648	28,378	(10,834)	11,707	—	29,251
Dividends from equity instruments	—	—	—	—	—	822	—	—	822
Share of profit of associates under the equity method	—	—	—	40,347	40,347	—	1,418	2,019	43,784
Net operating income	1,227,854	326,467	62,943	(134,131)	1,483,133	1,010,829	196,221	2,019	2,692,202
Operating expenses	243,547	46,156	11,617	181,834	483,154	365,618	97,828	—	946,600
Results on modification (4)	—	—	—	—	—	(62,440)	—	—	(62,440)
Impairment for credit and financial assets (5)	(38,998)	(104,741)	(232)	41,069	(102,902)	(66,537)	(994)	—	(170,433)
Other impairments and provisions (6)	—	—	—	(60,675)	(60,675)	(385,240)	(11,022)	—	(456,937)
Net income before income tax	945,309	175,570	51,094	(335,571)	836,402	130,994	86,377	2,019	1,055,792
Income tax	(295,881)	(54,953)	(15,993)	131,072	(235,755)	(3,962)	(23,090)	—	(262,807)
Net income after income tax from continuing operations	649,428	120,617	35,101	(204,499)	600,647	127,032	63,287	2,019	792,985
Income arising from discontinued operations	—	—	—	—	—	—	322	—	322
Net income for the period	649,428	120,617	35,101	(204,499)	600,647	127,032	63,609	2,019	793,307
Non-controlling interests	—	—	—	5,370	5,370	(63,389)	(21,191)	—	(79,210)
Net income for the period attributable to Bank's Shareholders	649,428	120,617	35,101	(199,129)	606,017	63,643	42,418	2,019	714,097

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) In the current year, with the increase in market interest rates, net interest income of the business segments in Portugal benefited from increased remuneration earned on the internal placement of customer resources, namely demand deposits, with an impact on the cost borne by segment Other in the first nine months of 2024 of approximately EUR 259 million.

(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(4) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(5) Includes impairment of financial assets at amortised cost, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).

(6) Includes impairment of non-current assets held for sale, investments in associates, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 30 September 2024, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	30 September 2024								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	15,252,421	1,498,678	3,042,546	(17,120,911)	2,672,734	1,805,456	1,330,811	—	5,809,001
Loans and advances to customers (1)	26,337,292	10,373,847	351,184	610,054	37,672,377	17,641,295	637,410	—	55,951,082
Financial assets (2)	—	—	—	21,072,146	21,072,146	11,423,522	630,160	(36)	33,125,792
Other assets	—	—	—	4,281,884	4,281,884	795,048	223,364	40,085	5,340,381
Total Assets	41,589,713	11,872,525	3,393,730	8,843,173	65,699,141	31,665,321	2,821,745	40,049	100,226,256
Deposits from other credit institutions (3)	251,473	1,063,394	—	(528,499)	786,368	119,327	66,695	—	972,390
Deposits from customers (4)	39,335,396	9,449,874	3,126,926	1,544,624	53,456,820	26,618,997	2,163,514	—	82,239,331
Debt securities issued (5)	1,044,474	207	241,356	1,988,046	3,274,083	1,306,452	—	—	4,580,535
Other financial liabilities (6)	—	—	—	1,116,960	1,116,960	545,182	234	—	1,662,376
Other liabilities (7)	—	—	—	1,359,388	1,359,388	1,289,908	84,287	—	2,733,583
Total Liabilities	40,631,343	10,513,475	3,368,282	5,480,519	59,993,619	29,879,866	2,314,730	—	92,188,215
Total Equity	958,370	1,359,050	25,448	3,362,654	5,705,522	1,785,455	507,015	40,049	8,038,041
Total Liabilities and Equity	41,589,713	11,872,525	3,393,730	8,843,173	65,699,141	31,665,321	2,821,745	40,049	100,226,256
Number of employees	3,566	435	101	2,173	6,275	6,819	2,622	0	15,716

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

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income and hedging derivatives.

3) Includes deposits and other financing from central banks and deposits from other credit institutions.

4) Corresponds to deposits and other resources from customers (including deposits from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2023, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2023 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Net interest income	643,524	145,533	26,249	282,442	1,097,748	867,447	152,266	—	2,117,461
Net fees and commissions income	325,942	104,875	24,200	(35,180)	419,837	129,342	29,279	—	578,458
Other net income	9,270	8,164	27	(84,199)	(66,738)	8,100	2,144	—	(56,494)
Gains/(losses) on financial operations (2)	1,737	118	65	(17,876)	(15,956)	110,050	12,214	—	106,308
Dividends from equity instruments	—	—	—	500	500	716	—	—	1,216
Share of profit of associates under the equity method	—	—	—	43,327	43,327	—	1,410	965	45,702
Net operating income	980,473	258,690	50,541	189,014	1,478,718	1,115,655	197,313	965	2,792,651
Operating expenses	264,127	46,264	11,302	138,285	459,978	302,519	92,118	—	854,615
Results on modification (3)	—	—	—	—	—	(14,829)	—	—	(14,829)
Impairment for credit and financial assets (4)	(33,332)	(121,872)	(542)	(2,855)	(158,601)	(45,294)	(8,330)	—	(212,225)
Other impairments and provisions (5)	(98)	—	—	(73,251)	(73,349)	(522,221)	(6,063)	—	(601,633)
Net income before income tax	682,916	90,554	38,697	(25,377)	786,790	230,792	90,802	965	1,109,349
Income tax	(213,753)	(28,343)	(12,112)	24,006	(230,202)	(130,140)	(27,037)	—	(387,379)
Net income after income tax from continuing operations	469,163	62,211	26,585	(1,371)	556,588	100,652	63,765	965	721,970
Income arising from discontinued operations	—	—	—	(9)	(9)	—	—	—	(9)
Net income for the period	469,163	62,211	26,585	(1,380)	556,579	100,652	63,765	965	721,961
Non-controlling interests	—	—	—	223	223	(50,226)	(21,243)	—	(71,246)
Net income for the period attributable to Bank's Shareholders	469,163	62,211	26,585	(1,157)	556,802	50,426	42,522	965	650,715

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). It's also included the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(4) Includes impairment of financial assets at amortised cost, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).

(5) Includes impairment of non-current assets held for sale, investments in associates, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2023, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,517,884	1,257,129	2,372,757	(15,159,285)	2,988,485	1,621,924	1,181,281	—	5,791,690
Loans and advances to customers [1]	25,893,659	11,203,697	332,319	206,363	37,636,038	16,955,492	626,437	—	55,217,967
Financial assets [2]	—	—	—	17,566,761	17,566,761	9,594,784	674,653	(36)	27,836,162
Other assets	—	—	—	4,524,276	4,524,276	724,824	228,803	46,964	5,524,867
Total Assets	40,411,543	12,460,826	2,705,076	7,138,115	62,715,560	28,897,024	2,711,174	46,928	94,370,686
Deposits from other credit institutions [3]	276,739	1,726,426	—	(1,325,214)	677,951	130,131	21,044	—	829,126
Deposits from customers [4]	37,934,752	9,463,888	2,545,353	1,218,911	51,162,904	24,689,709	2,075,200	—	77,927,813
Debt securities issued [5]	1,144,133	1,408	133,442	1,957,355	3,236,338	763,831	—	—	4,000,169
Other financial liabilities [6]	—	—	—	1,134,326	1,134,326	538,311	—	—	1,672,637
Other liabilities [7]	—	—	—	1,382,515	1,382,515	1,187,710	80,310	—	2,650,535
Total Liabilities	39,355,624	11,191,722	2,678,795	4,367,893	57,594,034	27,309,692	2,176,554	—	87,080,280
Total Equity	1,055,919	1,269,104	26,281	2,770,222	5,121,526	1,587,332	534,620	46,928	7,290,406
Total Liabilities and Equity	40,411,543	12,460,826	2,705,076	7,138,115	62,715,560	28,897,024	2,711,174	46,928	94,370,686
Number of employees	3,599	440	106	2,097	6,242	6,872	2,574	0	15,688

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

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income and hedging derivatives.

3) Includes deposits and other financing from central banks and deposits from other credit institutions.

4) Corresponds to deposits and other resources from customers (including deposits from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

(Thousands of euros)

	30 September 2024	30 September 2023 (restated)
Net contribution		
Retail banking in Portugal	649,428	469,163
Companies and Corporate	120,617	62,211
Private Banking	35,101	26,585
International business (continuing operations)	192,338	165,382
Non-controlling interests (1)	(84,580)	(71,469)
	913,226	651,872
Amounts not allocated to segments (presented under segment Other):		
Net interest income - bonds portfolio	383,918	230,444
Net interest income - others (2)	(494,704)	51,997
Foreign exchange activity	9,273	17,898
Gains / (losses) arising from sales of subsidiaries and other assets	15,385	2,617
Equity accounted earnings	40,347	43,327
Impairment and other provisions (3)	(19,605)	(76,105)
Operational costs	(181,834)	(138,285)
Gains on sale of Portuguese public debt	1,751	(7,347)
Gains on sale of foreign public debt	2,104	(396)
Mandatory contributions	(40,133)	(72,584)
Loans sale	33,745	(14,507)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	1,909	1,093
Taxes (5)	131,072	24,006
Income from discontinued operations	—	(9)
Non-controlling interests	5,369	223
Others (6)	(87,726)	(63,529)
Total not allocated to segments (presented under segment Other)	(199,129)	(1,157)
Consolidated net income	714,097	650,715

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland and in Mozambique.

(2) Includes net interest income arising from internal transfer of liquidity, interest rate risk, cost of wholesale funding and others. In the current year, with the increase in market interest rates, net interest income of the business segments in Portugal benefited from increased remuneration earned on the internal placement of customer resources, namely demand deposits, with an impact on the cost borne by segment Other in the first nine months of 2024 of approximately EUR 259 million. Net income of this segment Other excluding this impact corresponds to a negative amount of EUR 21 million.

(3) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.

(4) Includes gains/(losses) from corporate restructuring funds.

(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items.

(6) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments.

49. Solvency

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

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

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

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

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

Until the end of 2024, the Bank will gradually recognize the impacts of the introduction of IFRS9, in accordance with the provisions of article 473-A of the CRR.

The Bank of Portugal, as the national macroprudential authority, notified the Bank of the decision to implement, from October 2024, a reserve for sectoral systemic risk of 4%, on retail exposures guaranteed by residential properties located in Portugal.

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

2024 Minimum Capital Requirements

		of which:		
BCP Consolidated	**Total**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	9.41%	4.50%	1.41%	3.50%
T1	11.38%	6.00%	1.88%	3.50%
Total	14.00%	8.00%	2.50%	3.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	30 September 2024	31 December 2023
Common equity tier 1 (CET1)		
Share capital	3,000,000	3,000,000
Share Premium	16,471	16,471
Reserves and retained earnings	3,186,266	2,632,602
Non-controlling interests eligible to CET1	518,505	475,923
Regulatory adjustments to CET1	(179,245)	32,342
	6,541,997	6,157,338
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	91,381	84,267
	7,033,378	6,641,605
Tier 2		
Subordinated debt	984,346	1,014,615
Non-controlling interests eligible to Tier 2	218,990	225,063
Other	18,793	24,303
	1,222,129	1,263,981
Total own funds	8,255,507	7,905,586
RWA - Risk weighted assets		
Credit risk	33,952,718	34,304,305
Market risk	865,678	547,022
Operational risk	4,854,039	4,854,039
CVA	45,130	45,646
	39,717,565	39,751,012
Capital ratios		
CET1	16.5%	15.5%
Tier 1	17.7%	16.7%
Tier 2	3.1%	3.2%
Total own funds	20.8%	19.9%

The presented amounts include the accumulated net income.

50. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

In the context of the liquidation of Proindicus and MAM, the Liquidator published, on 3 May 2022, an announcement in the Jornal de Notícias de Moçambique, through which the creditors of those companies are notified to submit, within thirty days counted from the said publication, the supporting documents of their credits. Following the publication of the said announcement, BIM and BCP submitted, on 1 June 2022, their credit claims on Proindicus and MAM, respectively. However, with respect to Proindicus, the BIM's credit claim is prejudiced by the settlement mentioned below.

An action brought on 27 February 2019 (amended on 30 April 2020), by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requested, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the Banco Internacional de Moçambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus was, in a court of law declared null and void.

However, on 30 September 2023, the Republic of Mozambique and the arranger and originating lender of the loan to Proindicus announced that they have settled amicably the legal proceedings in London concerning the loan to Proindicus and associated guarantee. This settlement was subscribed by the majority lenders of the said credit facility, including BIM. The signing parties to the agreement have mutually released each other from any liabilities and claims relating to the loan to Proindicus.

Regarding MAM, on 26 June 2024, the Republic of Mozambique, represented by the Attorney General of the Republic, MAM (in liquidation), represented by its Liquidator, BCP and others have signed a “Deed of Release and Settlement” (The “Agreement”), under which the signing parties released the Republic of Mozambique from any liabilities and claims relating to the loan to MAM, against payment of an agreed amount.

As at 30 September 2024, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to EUR 338,105,000 (31 December 2023: EUR 356,514,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of EUR 154,768,000 (31 December 2023: negative amount of EUR 152,108,000). BIM's contribution to consolidated net income for the nine months period ended 30 September 2024, attributable to the shareholders of the Bank, amounts to EUR 42,418,000 (30 September 2023: EUR 30,043,000).

As at 30 September 2024, the subsidiary BIM's exposure to the State of Mozambique and to the Central Bank includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of MZN 34,651,979,000 corresponding to EUR 486,548,000 (31 December 2023: MZN 40,995,115,000 corresponding to EUR 580,914,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 10,528,901,000 corresponding to EUR 147,836,000 (31 December 2023: MZN 6,989,511,000 corresponding to EUR 99,044,000).

Additionally, the Group has also recorded as at 30 September 2024, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 18,280,268,000 corresponding to EUR 256,673,000 (31 December 2023: MZN 18,228,666,000 corresponding to EUR 258,306,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 3,182,942,000 corresponding to EUR 44,665,000 (31 December 2023: MZN 1,035,157,000 corresponding to EUR 14,663,000).

51. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the Bank in a EUR 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The BCP considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the BCP submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the BCP requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 10 October 2021, requesting the Court to take a position on the matter before the beginning of the trial. The Court issued an order rejecting the banks' request to rule on those nullities raised by them, having refused to prohibit the use during the judgment of electronic messages seized, allowing witnesses to be confronted with their content. The requesting banks lodged an appeal against this order, which was admitted by the Lisbon Court of Appeal.

On 28 April 2022, TCRS ("*Tribunal da Concorrência, Regulação e Supervisão*") handed down a decision under the scope of Proc. 225/15.4YUSTR-W, regarding the appeal to challenge the decision of the Portuguese Competition Authority of September 2019 (PRC/2012/09), which imposed fines on a number of banking institutions for alleged violation of competition rules in virtue of participating in a process of exchanging information on mortgage loans, consumer credit and credit to SMEs.

In this extensive decision, TCRS lists the facts given as proven, bearing in mind the testimonial evidence produced and the documents attached to the case file, both in the administrative phase and in the trial, however, at this stage, the TCRS did not conclude by the legal framework of the facts as proven, nor, consequently, by the imposition of fines, having the TCRS instead chosen to make the reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) in order to answer two preliminary questions that it sets out, requesting that this reference follows further terms in the form of an accelerated procedure, taking into account the risk of prescription. It should be noted that it is not up to the CJEU to adjudicate on the case, but only to interpret the rules of community law by answering in abstract to the questions submitted to it by the referring court.

CJEU rejected TCRS's request for an accelerated procedure and for priority to be given in the assessment of this case, hence CJEU's assessment must be given within the normal deadline for these prejudicial proceedings, after which the judgment of this Court will then be concluded.

The Bank has been notified by the CJEU to, if it wishes, submit its written observations, and must do so by 2 September 2022.

The Bank forwarded its observations to the CJEU on 1 September 2022.

The Oral Hearing took place on 22 June 2023 at the CJEU, and the parties' lawyers made their respective presentations and answered the questions that the Judge and the Advocate General intended to raise.

The Advocate General's Opinion were made public on 5 October 2023.

On 29 July 2024, the CJEU delivered its judgment in which it interpreted the questions referred by the TCRS as follows:

"Article 101(1) TFEU must be interpreted as meaning that a comprehensive and reciprocal monthly exchange of information between competing credit institutions, which took place in markets where concentration is high and there are barriers to entry, relating to the conditions applicable to transactions carried out on those markets, in particular current and future credit spreads and risk variables, and individual production figures of the participants in that exchange, in so far as, at the very least, the spreads thus exchanged are those which those institutions intend to apply in the future, must be classified as a restriction of competition by object."

After the delivery of the Judgment, the case returned to the TCRS, which issued an order on 07/30/2024, with the indication that the suspension of the proceedings would be lifted if, after the two-week period referred to in article 103 of the Regulation of CJEU process for submitting complaints, the TCRS received confirmation from the CJEU that no complaints had been filed.

In the same order, the TCRS notified the Banks (i) of the designation of 18 September 2024 for oral arguments, of an optional nature, limited to the content of the CJEU Ruling; and (ii) the designation of 20 September 2024 for the reading of the Judgment, in the part relevant to the Law and the provision.

In view of the lack of complaints in the two weeks following the delivery of the CJEU Judgment, and also considering the 10-day extension provided for in article 51 of the CJEU's Rules of Procedure, the suspension of the proceedings was lifted on 22 August 2024.

On 18 September 2024, the Public Prosecutor's Office, the AdC, the BCP, and the other Banks, made their oral presentations, taking into account the content of the CJUE Ruling, and the interpretation that, in accordance with the analytical framework stabilized by the CJUE, the TCRS should adopt in its application of the Law to the facts.

On 20 September 2024, the TCRS issued its Final Sentence in which it judged that the case files had verified an infringement by object committed by the Appellants BPN/BIC, BBVA, BPI, BCP, BES, Popular/Santander, Santander, Barclays, Caixa Agrícola, Montepio, CGD and UCI, embodied in the exchange of sensitive information between competitors.

In its Judgment, the TCRS confirmed the fine of EUR 60,000,000 applied by the AdC to the Bank.

The TCRS Judgment is appealable to the São Paulo Court of Justice (“TRL”), with the law providing for a period of 10 calendar days for filing the Appeal (limited to questions of law)

However, after delivering its condemnatory sentence, the TCRS issued an order in which it extended the legal deadline for filing the appeal to 20 calendar days. BCP now has until October 15, 2024 (with fine) to present the Appeal to the TRL, something that the Bank, in a statement, announced that it was preparing.

In the Appeal, BCP will explore arguments of fact and law, which we believe to be solid and sufficient to justify BCP's acquittal of the conviction he received. However, given the complexity of the case and its various legal and extra-legal contexts, it is not possible to anticipate the final decision in the case.

If it so wishes, the TRL is not prevented from asking questions to the CJEU again in the context of a preliminary reference.

There are also possible appeals on matters of unconstitutionality to the STF and extraordinary appeals (e.g., in opposition to judgments) to the Federal Supreme Court.

On 11 March and 8 April 2024, BCP, along with 8 banking institutions, was served in order to, once willing, contest two “popular declaratory actions of condemnation in the form of a common process aimed at protecting competition, the rights of consumers, and diffuse and/or collective interests associated with the consumption of goods and services”, the actions brought by the Ius Omnibus Association, under the terms n.º 2/24.1YQSRT and 6/24.1YQSRT at the TCRS, entirely based on the alleged infringement of competition, the first, in mortgage and consumer credit transactions, and the second in corporate credit declared in the PCA Decision of 9 September 2019 (PRC/2012/09), a decision that was subject to judicial opposition by BCP, an opposition that, as mentioned, has not yet been definitively judged.

On 24 April 2024, BCP, together with 9 banking institutions, was summoned to, once it wished, contest an action brought by the Association of Portuguese Micro, Small and Medium Enterprises (AMPEMEP) against the banks, which runs under the terms no. 10/24.2TQSRT, also related to the aforementioned Decision of the PCA of 9 September 2019 (PRC/2012/09).

The proposed popular actions aim to compensate consumers affected by alleged damages caused by the alleged anti-competitive practice. Claims vary depending on the consumer group represented and the damages calculated.

The Bank is analysing that class actions in order to present its response in a timely manner.

2. On 7 June 2022, the Bank was notified by the Court to contest a lawsuit brought by Fundação José Berardo and José Manuel Rodrigues Berardo against Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A., Novo Banco, S.A. and Banco Espírito Santo, S.A., in liquidation.

In this lawsuit, the Plaintiffs allege that they incurred in a mistake regarding the endogenous situation of the defendant banks and the financial system, without which they would have sold the pledged shares and paid their loans. If this is not the case, the plaintiffs request the defendant banks to be ordered to pay compensation to Fundação José Berardo for damages caused by breach of contract, since the moment when they should have been sold in execution of the pledge due to failure to verify coverage ratios until the moment when they were sold, that is, the difference between the price at which the pledged shares would have been sold on the dates of coverage ratios default and the price at which they were actually sold, plus interest and all other loan charges since those dates, in any case the global amount of compensation not being less than EUR 800,000,000. In any case, the plaintiffs ask the defendant banks to be jointly condemned to pay José Manuel Rodrigues Berardo compensation for moral damages, in the already calculated amount of EUR 100,000,000 and also in the amount that is settled as soon as the full extent of the damages is known.

In the meantime, through Order No. 8765/2022 of Mr. Secretary of State for the Presidency of the Council of Ministers, published in Republic Diary, Series 2, part C, of 19 July 2022, the Plaintiff of this lawsuit, Fundação José Berardo, was declared extinct. This decision was legally contested by the José Berardo Foundation, and in April 2023, the Administrative and Fiscal Court of Funchal cancel the decision that ordered its extinction. Dissatisfied, the Portuguese State appealed against this latter and is awaiting the outcome.

The lawsuit was contested on 27 September 2022 and is awaiting subsequent terms.

Nothing relevant to the judgment on the merit of the case happened. The lawsuit is suspended until the motions submitted by FJB in the execution filed by the Banks (8489/19.8T8LSB) have been definitively judged.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

3. On 3 January 2018, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman), in which the OPCC Chairman found infringement by Bank Millennium of the rights of consumers. In the opinion of the OPCC Chairman the essence of the violation is that Bank Millennium informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the OPCC Chairman the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, Bank Millennium was obliged to:

1) send information on the UOKiK's decision to the said 78 clients;

2) place the information on decision and the decision itself on the website and on Twitter;

3) to pay a fine amounting to PLN 20.7 million (EUR 4.8 million).

Bank Millennium lodged an appeal within the statutory time limit.

In 7 January 2020, the first instance court dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

In Bank Millennium's assessment, the Court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the Court of second instance.

The second instance court, in its judgment of 24 February 2022, completely revoked the decision of the OPCC Chairman. On 31 August 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. On 3 July 2024, the Supreme Court issued a decision accepting the cassation appeal for consideration. Bank Millennium believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Bank Millennium (along with other banks) is also a party to the dispute with OPCC, in which the OPCC Chairman recognised the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on Bank Millennium in the amount of PLN 12.2 million (EUR 2.8 million). Bank Millennium, along with other banks, appealed the decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the amount equal to the imposed penalty.

4. On 22 September 2020, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman) recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof.

Penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (EUR 2.5 million). Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court's decision confirming this circumstance) and publish the decision in the case on Bank Millennium's website.

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

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

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

Bank Millennium appealed against the said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On 23 May 2022, the Chairman of the OPCC filed an appeal. On 26 October 2022, the Court of Appeals changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On 21 November 2022, the Court of Appeal, at the request of Bank Millennium, suspended the execution of the judgment until the end of the cassation proceedings. On 30 January 2023, Bank Millennium filled a cassation appeal to the Supreme Court. By the decision of 20 March 2024, the cassation appeal was accepted for consideration. The date of the hearing has not been set yet.

5. Bank Millennium is a defendant in two court proceedings, in which the subject of the dispute is the amount of the interchange fee. The total value of claims reported in these cases is PLN 729.2 million (EUR 170.3 million). The procedure with the highest value of the reported claim is the case is brought by PKN Orlen SA, the plaintiff demands payment of PLN 635.7 million (EUR 148.5 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In this case, Bank Millennium was sued jointly with another bank and card organizations. In the case brought by LPP S.A. the allegations are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated as 2008-2014. In this case, the Bank is sued jointly and severally with another bank. The case was resolved positively for the Bank by the courts of both instances, and is currently at the stage of a cassation appeal filed by LPP S.A. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision. In addition, we point out that Bank Millennium participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by shareholder of PCZ S.A. in bankruptcy (PHM, then the European Foundation for Polish-Belgian Cooperation - EFWP-B, currently called The European Foundation for Polish-Kenyan Cooperation) against Bank Millennium S.A., worth of the dispute PLN 521.9 million (EUR 121.9 million) with statutory interest from 5 April 2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium. On 10 May 2023, the Court of First Instance announced a judgment dismissing the claim in its entirety. The verdict is not final, the plaintiff filed an appeal.

On 6 May 2024, the Bank Millennium's representative submitted a response to the appeal, requesting that it be dismissed in its entirety as unfounded. On 24 May 2024, the plaintiff filed a motion to suspend the proceedings. This request is groundless, the Bank Millennium's representative submitted an appropriate position on this matter. The appeal hearing date has been set for 22 November 2024.

As at 30 September 2024, the total value of the subjects of the other litigations in which the Bank Millennium Group's companies appeared as defendant, stood at PLN 6,195.4 million (EUR 1,446.9 million) (excluding the class actions described below and in note 52. In this group the most important category are cases related with FX loans mortgage portfolio.

6. On 3 December 2015 a class action was served on Bank Millennium. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (EUR 0.8 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (EUR 0.8 million) to over PLN 5 million (EUR 1.2 million).

Actual status:

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (EUR 1,721,457.30).

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing. On 18 October 2024, the Court adjourned the hearing without setting a new date. The Bank Millennium assesses that procedural chances of winning the case is positive.

As at 30 September 2024, there were also 102 individual court cases regarding LTV (loans-to-value) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

7. On 13 August 2020, Bank Millennium received lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands that Bank Millennium and the Insurer (TU Europa) be ordered to discontinue performing unfair market practices involving, as follows:

- presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium’s interests;

- use of clauses linking the value of insurance benefit with the amount of borrower’s debt;

- use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

- use of clauses excluding insurer’s liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance. The date of the first hearing was set for 25 March 2025.

8. By 30 September 2024, Bank Millennium received 993 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45).

As at 30 September 2024, 75 cases have been legally concluded, in 63 cases the Bank won the dispute and lost in 12 cases. Disputes in the above respect should be subject to constant observation and analysis.

9. By 30 September 2024, Bank Millennium recorded the receipt of 119 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. One final judgment was issued dismissing the borrowers' claim. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

Based on publicly available information, it can be assumed that there will be an increase in the number of lawsuits concerning mortgage loans for the local law firms, which consists in questioning mortgage contracts containing a variable interest rate clause based on the WIBOR reference index.

On 29 June 2023, the Polish Financial Supervision Authority (KNF) announced that it had assessed the ability of the WIBOR interest rate reference index to measure the market and economic realities. The KNF stated that the WIBOR interest rate reference index is capable of measuring the market and economic realities for which it was established. According to the Commission's assessment, the WIBOR ratio responds appropriately to changes in liquidity conditions, changes in central bank rates and economic realities.

On 26 July 2023, the Polish Financial Supervision Authority (KNF) presented its position on legal and economic issues related to mortgage loan agreements in Polish currency in which the WIBOR interest rate reference index is used. This position can be used in court proceedings and can then be treated as an 'amicus curiae' opinion. The Polish Financial Supervision Authority stated that the WIBOR reference index meets all legal requirements. In the opinion of the Polish Financial Supervision Authority, there are no grounds to question the credibility and legality of WIBOR, in particular in the context of the use of this indicator in mortgage loan agreements in the Polish currency.

10. On 22 December 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against Bank Millennium S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. On 16 September 2024, Bank Millennium was served with the Resolution of 13 September 2024 issued by the PFSA ("the Resolution") pursuant to the provisions of Chapter 2b of the Act of 21 July 2006 on Financial Market Supervision regarding: the possibility of concluding an arrangement regarding the conditions for extraordinary easing of sanctions and setting a 3-month deadline for concluding an arrangement. In response to the Resolution, on 27 September 2024 after considering the circumstances of the case, Bank Millennium decided not to proceed with the procedure of concluding the arrangement.

On 31 May 2024, the Polish Financial Supervision Authority initiated administrative proceedings against Bank Millennium S.A. regarding the imposition of a financial penalty on the Bank pursuant to Art. 73 sec. 1 item 11 in conjunction with sec. 3 point 10 of the Act of 5 July 2018 on the National Cybersecurity System (UKSC) in connection with failure to ensure that an information system security audit was conducted within the statutory deadline. On 23 August 2024, the PFSA imposed a fine on Bank Millennium in the amount of PLN 150,000 (EUR 35,031). Bank Millennium appealed against the fine by filing a complaint with the Provincial Administrative Court.

11. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to EUR 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, EUR 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and EUR 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is EUR 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of EUR 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report was submitted. There is a deadline for completing and concluding the expert report, in its final version, since the Bank presented a complaint about various aspects of the expert's report, in its first version.

The expertise was carried out and the expert report submitted.

In November 2022 the Bank complained about the Experts' Report: (i) they considered documents that the Court had ordered to be removed from the proceedings, which had not been done due to the Court's inertia, (ii) they considered written notes on documents, that may have been written by Mr. Gois Ferreira, and (iii) they did not consider much information that was contained in the statements, and (iv) they made errors in the calculation of interest and the amount of financing granted. In view of the experts' new reply, BCP claimed all the expertise, in March 2023. For the Court's final decision, BCP added, in June this year, thousands of documents supporting its position.

12. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Decree-law no. 298/92, of 31 December 1992, as amended (the "Banking Law"), which entailed, *inter alia*, the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to EUR 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information published on the Resolution Fund's website, the Resolution Fund borrowed EUR 4,600 million, of which EUR 3,900 million were granted by the Portuguese State and EUR 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to EUR 5,056,814,588, of which EUR 2,221,549,499 are common credits and EUR 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

According to the Resolution Fund's annual report of 2023, "in 2019, the Resolution Fund was informed that the credits (it) claimed had not been recognised by the Liquidation Commission of BES – In Liquidation, whilst the Resolution Fund filed an objection to the list of creditors with the Lisbon District Court, requesting that the credits it claimed be recognised. The challenge was upheld and the Liquidation Committee of BES – In Liquidation appealed. In 2023, the Lisbon Court of Appeal issued a judgment dismissing the appeal of the Liquidation Commission of BES - In Liquidation, and in favour of the position defended by the Resolution Fund, confirms the decision of the Court of First Instance and the recognition of the credits claimed by the Resolution Fund as privileged credits. The Liquidation Commission of BES - In Liquidation, filed an appeal for review before the Supreme Court of Justice, which issued a judgment in July 2023, which has already become final, recognising, and classifying as privileged the credits claimed by the Resolution Fund for the total amount of EUR 1,242,568.9 thousand".

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 22 of the Resolution Fund's annual report of 2023, *"Legal actions related to the application of resolution measures have no definitive legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Resolution Fund, supported by legal advice of the attorneys for these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

According to note 24 of the Resolution Fund's annual report of 2023, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2023, twelve (decisions) have become final and unappealable condemning Novo Banco, Spanish branch, as well as four sentences in relation to which due compensation has been requested from the Resolution Fund".*

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of EUR 1,000 million in Novo Banco, of which EUR 750 million at completion and EUR 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of EUR 750 million, followed by a further capital increase of EUR 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the Portuguese State that are part of the sale agreement associated with a total gross book value of around EUR [10-20] billion(1) that revealed significant uncertainties regarding adequacy in provisioning(2):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of EUR 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions(1)(2)(3);

(ii) Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than EUR 400 million). The amount that can be reclaimed by the Resolution Fund under the CCA is subject to the cap of EUR 3.89 billion(2);

(iii) In case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State will provide additional capital in certain conditions and through different instruments(2). According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the risk of triggering the additional capital mechanism (capital backstop), up to EUR 1.6 billion, provided for in the commitments made by the Portuguese State to ensure the viability of NB, exists".*

According to an Investor Presentation dated September 2024, from Novo Banco's, NB still has EUR 485 million under the MCC in addition to the EUR 209 million included in the capital call for 2021. The mechanism is in place until December 2025, date that can be extended, under certain conditions, by one additional year.

(1) Exact value not disclosed by the European Commission for confidentiality reasons

(2) As referred to in the respective European Commission Decision

(3) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to a statement issued by the Resolution Fund on 13 February 2023, "*the Ministry of Finance has disclosed that the European Commission intends to consider the restructuring process of Novo Banco as completed. The information disclosed today confirms the successful restructuring of Novo Banco, resulting from the combined execution of the restructuring plan agreed in 2017, under the sale transaction conducted by Banco de Portugal, and the sale agreements, namely the CCA, under which the Resolution Fund transferred to Novo Banco EUR 485 million, less than the maximum amount set in the contract (EUR 3,890 million). The completion of the restructuring of Novo Banco (…) is also another indicator that Novo Banco should not need to request any further payment to the Resolution Fund under the CCA, without prejudice to the ongoing litigation or that still may occur regarding the amounts already requested by Novo Banco in relation to past years and that the Resolution Fund considers that are not due. On the same day, Banco de Portugal issued the following statement "The conclusion of the Novo Banco restructuring process also results in the end of the backstop mechanism, which provided for the possibility, which was always considered remote, of the Portuguese State providing extraordinary support to Novo Banco in extreme scenarios. This mechanism protected Novo Banco and the national financial system from more adverse scenarios, which did not materialise. With the end of the backstop, the financial risk for the Portuguese State is eliminated*".

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the CCA or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2023 Resolution Fund's annual report, the value of the losses attributable to the CCA is still subject to verification by the Verification Agent.

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of EUR 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, EUR 7,838 million (book value of the associated assets, net of impairments);

According to the 2023 Resolution Fund's Annual Report, in January 2024, the Supreme Court of Justice issued a ruling dismissing the appeal filed by Novo Banco after the Court of Appeal rejected the request to annul the arbitration decision issued in October 2021 in favour of the Resolution Fund. The Supreme Court upheld the decision of the Court of Appeal and, consequently, the arbitration decision, thereby confirming the validity and correctness of the position taken by the Resolution Fund in 2019 when it opposed being charged, through the CCA, for the impact of Novo Banco's intention to waive the transitional regime related to the adoption of IFRS9. The Resolution Fund's action in this process resulted in a saving of EUR 169 million, which was definitively confirmed by the Supreme Court ruling.

The arbitration proceedings initiated by Novo Banco in 2021, seeking an order that the Resolution Fund pay the amounts that the Fund decided to deduct from the payment request by Novo Banco in 2021 under the CCA on the basis of its 2020 accounts, were concluded in relation to (i) the sale of Novo Banco's branch in Spain, the impact of which on the payment request in question totalled EUR 147.4 million, and (ii) the amount corresponding to valuation differences calculated in relation to a number of participation units in restructuring funds, the impact of which on the payment request in question totalled EUR 18.0 million.

According to a statement issued by the Resolution Fund on 6 June 2024, the Arbitration Tribunal decided to uphold the Resolution Fund's position on the sale of Novo Banco's branch in Spain, concluding that the effect of the sale of this branch on the payment request for the 2020 accounts was not due by the Resolution Fund. The Court of Arbitration therefore confirmed the correctness of the Resolution Fund's decision when it refused to pay the amount of EUR 147.4 million in 2021, which was part of the payment request submitted by Novo Banco. The court also ruled that Novo Banco has the right to revalue its shares in restructuring funds and determined that the Resolution Fund must pay the amount of EUR 18 million that it had deducted from the payment request submitted in 2021, plus interest. The Court also understood that Novo Banco is entitled to the payment of interest and, possibly, to be compensated for additional damages, because the Resolution Fund paid in December 2021 the amount of EUR 112 million that was part of the payment request submitted that year by Novo Banco. This matter is being discussed in the context of a legal action brought by the Resolution Fund before the Portuguese administrative courts.

According to the same statement, the Court also decided that Novo Banco has the right, under the CCA, not to adopt the transitional regime related to IFRS 9 (dynamic component) and that the impact on Novo Banco’s own funds that would have resulted from this decision of non-adoption should be considered in determining payments due to Novo Banco under the same mechanism. The adoption of this regime resulted, in 2020, in a positive impact on Novo Banco’s own funds of EUR 161.6 million.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. The information was presented by the independent entity that carried out the special audit, showed that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco’s internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

On 3 May 2021, following the request of the Portuguese parliament in October 2020 to review the operations and management of Novo Banco that led to the need to transfer funds from the Resolution Fund to Novo Banco, the Resolution Fund announced that the audit report conducted by Tribunal de Contas (“Court of Auditors”) was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank’s liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES’s resolution process, initiated in August 2014.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission’s decision regarding its approval of the CCA of Novo Banco.

According to Novo Banco’s 1st half 2024 annual report (note 28), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August (REAID), according to which, the deferred tax assets recorded until 31 December 2015 can be converted into tax credits when the taxable entity reports an annual net loss, in accordance to the proportion of the amount of the said net loss to total equity at the individual company level, A special reserve was established with an amount identical to the tax credit approved, increased by 10%. The conversion rights are securities that entitle the State to require Novo Banco to increase its share capital by incorporating the amount of the special reserve and consequently issuing and delivering free of charge ordinary shares. The shareholders have the right to acquire the conversion rights attributed to the Portuguese State.

According to the Resolution Fund’s 2022 annual report, under the terms of the sale of Novo Banco, the 75% of the share capital of Novo Banco held by Nani Holdings is not affected by the dilution associated with the REAID.

According to the Resolution Fund's 2023 annual report, under REAID, Novo Banco, S. A., carried out three capital increases by incorporation of reserves, through the rights conversion that had been attributed to the State as a result of the conversion, into tax credits, of Novo Banco's deferred tax assets with reference to the 2015 to 2019 tax periods.

According to Novo Banco's financial report for the 1st half of 2024, Novo Banco carried out another capital increase following the conversion of the conversion rights granted by the State for the 2020 fiscal year, fully subscribed by the Resolution Fund.

According to Novo Banco's financial report for the 1st half of 2024, the Resolution Fund had by 30 June 2024 a stake of 13.54%, the Directorate-General for Treasury and Finance 11.46% and Lone Star 75%.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management. The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of EUR 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which EUR 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

On 4 July 2022, Oitante - 100% owned by the Resolution Fund - completed the process of repayment of the bonds issued in connection with the resolution of BANIF. Oitante's debt, which initially amounted to EUR 746 million, was thus fully repaid. With the repayment of the debt, the Resolution Fund's responsibility as guarantor also ceases, as well as the Portuguese State's responsibility as provider of a counter-guarantee.

According to the Resolution Fund (press release dated 29 December 2023), Oitante has already paid a total of EUR 78.8 million to the Resolution Fund, of which EUR 63.8 million will be paid in 2023. The amounts received and to be received by the Resolution Fund, given its 100% participation in Oitante's capital, will contribute to reducing the losses of Euro 489 million incurred by this Fund in the resolution of BANIF and will be used to repay the debts of the Resolution Fund, namely to the State. According to Resolution Fund's annual report of 2023 the available data suggest that the activity carried out by Oitante in 2023 once again resulted in positive results.

On 16 January 2023, the Liquidation Committee of Banif announced a list of all the acknowledged and a list of the non-acknowledged creditors. According to the Resolution Fund's 2023 annual report, the Resolution Fund holds a claim on Banif of EUR 489 million, which has a higher claim ranking provided for in article 166-A of the RGICSF. Under the judicial liquidation process of Banif, which was initiated following the resolution, the independent evaluator estimates that the level of recovery of the financial support made available by the Resolution Fund, as having a higher ranking at the end of the liquidation, is expected to be 7.6%.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Banco de Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2021, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (EUR 3,900 million); (ii) to finance the absorption of Banif's losses (EUR 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (EUR 430 million plus EUR 850 million of additional funding requested in 2019 and EUR 850 million made available in 2020);

- Other funding granted:

    - in 2014 by seven domestic institutions in the amount of EUR 700 million, in which the Bank participates, within the scope of BES resolution measure;

    - in 2021 by seven domestic credit institutions, including BCP, to finance payments due under the CCA up to a maximum of EUR 429 million.

- The underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of EUR 400 million did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante S.A., totally reimbursed, as described above.

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to EUR 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to Resolution Fund's annual report of 2023, contingent liabilities from the CCA are limited to a maximum aggregate amount of EUR 3,890 million and that the aggregate amount of this contingent liability, which corresponds to the difference between that maximum amount and the amounts already paid by the Resolution Fund, amounts to EUR 485 million.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

According to note 24 of the Resolution Fund's 2023 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the EUR 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to EUR 4,953 million, of which EUR 4,253 million were granted by the Portuguese State and EUR 700 million were granted by a group of banks*";

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions*".

According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the repayment of the EUR 2,130 million loans granted by the Portuguese State to the Resolution Fund will not end in 2046, as expected, rather in 2056 (without payments under the CCA after 2021) or in 2059 (with the use of the CCA cap). (...) In other more pessimistic scenarios, these loans will still be being repaid in 2062"*.

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in due time.

On 31 December 2023, the Resolution Fund's own resources had a negative equity of EUR 6,735.1 million, as opposed to EUR 6,974.7 million at the end of 2022, according to the latest 2023 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the Banking Law, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 28/2023, published on 15 December 2023, set the base rate for 2024 for the determination of periodic contributions to the Resolution Fund at 0.032% (0.029% in 2023).

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely*".

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of EUR 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015. In the first nine months of 2024, no contribution was made to the Single Resolution Fund attributable to the Group (BCP and ActivoBank) according to information from the SRB – Single Resolution Board of 15 February 2024, which states that the financial means available in the Single Resolution Fund at 31 December 2023 have already reached the target level of at least 1% of covered deposits held in the Member States participating in the Single Resolution Mechanism, as set in article 69, paragraph 1 of Regulation (EU) No. 806/2014.

In the first nine months of 2024, the Group made regular contributions to the Portuguese Resolution Fund in the amount of EUR 6,490 thousand. The amount related to the contribution on the banking sector in Portugal, recorded in this period was EUR 32,997 thousand. These contributions were recognised as a cost in the first nine months of 2024, in accordance with IFRIC no. 21 – Levies.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco which need to be neutralized by the Resolution Fund; and, (iv) legal proceedings against the Resolution Fund.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

To meet a payment from the Resolution Fund to Novo Banco, as per to Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers and Order from the Minister of State and Finance, of 31 May 2021 - intended to provide the Resolution Fund with the financial resources necessary to meet any obligations arising from the Contingent Capitalization Agreement in the years 2021 and 2022 – rendering a new loan from the State to the Resolution Fund, a number of national financial institutions offered to finance the Resolution Fund, increasing up to EUR 475 million the direct financing of banks to the Resolution Fund and waiving a Portuguese State loan to the Resolution Fund.

According to the Resolution Fund’s 2023 annual report from the maximum amount of EUR 475 million. The Resolution Fund used EUR 429 million, which corresponds to the payment made to Novo Banco in 2021. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years. The payment obligations arising from this loan benefit from a pari passu treatment with the payment obligations of the loans entered into with the Portuguese State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector.

13. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to EUR 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified. The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation in order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The proceeding was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

14. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented in 2014 a salary adjustment process for employees, with a temporary effect. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement, effective between 2014 and 2017.

At the General Meeting held on 24 May 2023, the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2022 was approved, which included an extraordinary distribution to the employees to EUR 9,972,000, with the concrete determination of the amount to be attributed to each employee to be fixed by the Executive Committee to employees who, having not already been fully compensated with the results distributed in 2019 and 2020 and 2022, remain in Bank on the date of payment of the remuneration of June 2023. This extraordinary distribution of results, together with those of 2019, 2020 and 2022 allowed the distribution to the employees already in the Bank in June 2023 of an accumulated amount equal to the total amount not received during the period of temporary salary adjustment indicated in the previous paragraph.

15. The Bank was subject to tax inspections for the years up to 2020. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction pro rata used for the purpose of determining the amount of deductible VAT and at the Stamp Duty level. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions, current tax liabilities or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

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

1. Court claims and current provisions for legal risk

On 30 September 2024, Bank Millennium had 22,260 loan agreements and additionally 2,172 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (57% loans agreements before the courts of first instance and 43% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,605.6 million (EUR 1,075.6 million) and CHF 328.1 million (EUR 348.5 million) [(Bank Millennium portfolio: PLN 4,159.6 million (EUR 971.4 million) and CHF 317.2 million (EUR 336.9 million) and former Euro Bank portfolio: PLN 446 million (EUR 104.2 million) and CHF 10.9 million (EUR 11.6 million)]. Out of 22,260 Bank Millennium's loan agreements in ongoing individual cases 401 are also part of class action. From the total number of individual litigations against the Bank approximately 3,300 or 15% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement. Approximately another 880 cases correspond to loans that were fully repaid during the proceedings (as court proceedings are lengthy).

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

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 401 are also part of ongoing individual cases, 1,327 concluded settlements and 22 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 25 June 2024 an appeal hearing was held, at which the Bank filed a motion to amend the composition of the group and exclude those group members who had entered into an amicable settlement. The court required the plaintiffs' attorneys to take a written position on the current composition of the group. The date of the hearing will be set by the court ex officio.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,984 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,158 (423), in 2022 the number increased by 5,757 (408), in 2023 the number increased by 6,878 (647), while in the first three quarters of 2024 the number increased by 4,711 (552).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as Bank Millennium (including the former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2024, 6,886 cases were finally resolved (6,786 in claims submitted by clients against Bank Millennium and 100 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 1,947 were settlements, 75 were remissions, 73 rulings were favourable for Bank Millennium and 4,791 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium (including the former Euro Bank portfolio) on 30 September 2024 was CHF 1,270 million (EUR 1,349 million) [of which the outstanding amount of the loan agreements under the class action proceeding was CHF 106 million (EUR 112.6 million)].

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,288 million (EUR 1,702 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first nine months of 2024, Bank Millennium created PLN 1,495.7 million (EUR 347.5 million) of provisions for Bank Millennium originated portfolio and PLN 160.7 million (EUR 37.3 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of September 2024 was PLN 7,701.8 million (EUR 1,798.7 million), and for the former Euro Bank portfolio, PLN 721.6 million (EUR 168.5 million).

The methodology developed by Bank Millennium of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

(1) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon.

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

a. regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 86% of the total number of active loans (including expected number of amicable settlements);

b. regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case (the Bank assumes that circa 24% of repaid not settled loans sued or will decide to sue the Bank in the future. In particular, the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible).

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

(4) the probability of obtaining a specific court judgement calculated on the basis of statistics of judgments in cases where the Bank is a party;

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

a. Bank Millennium assumes a 10% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings;

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

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

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 24,620: 1,362 in 2020; 8,451 in 2021; 7,943 in 2022; 3,671 in 2023 and 3,193 in the first three quarters of 2024. As of the end of the third quarter of 2024, Bank Millennium had 26,707 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,895.9 million (EUR 442.8 million): PLN 44.4 million (EUR 10.4 million) in 2020; PLN 364.8 million (EUR 85.2 million) in 2021; PLN 515.2 million (EUR 120.3 million) in 2022; PLN 415.7 million (EUR 97.1 million) in 2023 and PLN 555.9 million (EUR 129.8 million) in the first three quarters of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the income statement.

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

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 187 million (EUR 43.7 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 78 million (EUR 18.2 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 18 million (EUR 4.2 million)

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ('PFSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. Bank Millennium in practice has been using elements of the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, the possibility of successful implementation of a general offer of KNF solution is low.

Finally, it should also be mentioned that Bank Millennium, as at 30 September 2024, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.47 p.p. (1.46 p.p. at the Group level).

Taking into consideration the continuation of negative outcome in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to create additional provisions for FX mortgage legal risk.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the polish courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters.

The Court of Justice of the European Union and the Polish Supreme Court rulings relevant to risk assessment

Jurisprudence of the Court of Justice of the European Union

On 3 October 2019, the Court of Justice of the European Union (the CJEU) issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that:

(i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract;

(ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract;

(iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs;

(iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., the CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 18 November 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) the content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;

(ii) a national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be 'duly informed and reasonably observant and circumspect average consumer'.

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;

(ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;

(iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;

(iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On 16 March 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Noble Bank S.A.. In the judgment, the CJEU ruled that:

(i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed.

(ii) a national court is not allowed:

a. to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and,

b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her.

(iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavourable consequences which annulment of the contract might entail for him or her.

On 8 June 2023, the Court of Justice of the European Union (CJEU) issued a judgment in a case registered under case number C-570/21, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

(i) provisions of Council Directive 93/13 must be interpreted as meaning that the concept of ‘consumer’, within the meaning of that provision, covers a person who has concluded a loan contract intended for a purpose in part within and in part outside his or her trade, business or profession, together with a joint-borrower who did not act within his or her trade, business or profession, where the trade, business or professional purpose is so limited as not to be predominant in the overall context of that contract.

(ii) provisions of Directive 93/13 must be interpreted as meaning that in order to determine whether a person falls within the concept of ‘consumer’, within the meaning of that provision, and, specifically, whether the trade, business or professional purpose of a loan contract concluded by that person is so limited as not to be predominant in the overall context of that contract, the referring court is required to take into consideration all the relevant circumstances surrounding that contract, both quantitative and qualitative, such as, in particular, the distribution of the borrowed capital between, on the one hand, a trade, business or profession and, on the other hand, a non-professional activity and, where there are several borrowers, the fact that only one of them is pursuing a professional purpose or that the lender made the grant of credit intended for consumer purposes conditional on a partial allocation of the amount borrowed to the repayment of debts connected with a trade, business or profession.

On 15 June 2023, the Court of Justice of the European Union (CJEU) issued a judgment in a case registered under case number C-287/22, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that provisions of the Directive 93/13 must be interpreted as precluding national case-law according to which a national court may dismiss an application for the grant of interim measures lodged by a consumer seeking the suspension, pending a final decision on the invalidity of the loan agreement concluded by that consumer on the ground that that loan agreement contains unfair terms, of the payment of the monthly instalments due under that loan agreement, where the grant of those interim measures is necessary to ensure the full effectiveness of that decision.

On 15 June 2023, the CJEU issued a judgment in a case registered under case number C-520/21, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium, in which indicated that Directive 93/13 does not expressly regulate the consequences of invalidity of a contract concluded between a credit institution and a consumer after the removal of unfair terms contained therein. The CJEU stated that:

(i) the provisions of the Directive 93/13 do not preclude a judicial interpretation of national law, according to which the consumer has the right to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the performance of this contract and the payment of statutory default interest from the date of the request for payment provided that the objectives of Directive 93/13 and the principle of proportionality are respected.

(ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On 21 September 2023, the CJEU issued a judgement in a case registered under case number C-139/22, following preliminary questions submitted by the District Court in Warsaw in a case against mBank. The CJEU stated that:

(i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;

(ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;

(iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

On 7 December 2023, the CJEU issued the judgement in the case C-140/22 in connection with the preliminary questions formulated by the District Court in Warsaw in the case against of mBank S.A. The Court stated that provisions of the Directive 93/13 must be interpreted as meaning that, in the context of the cancellation, in its entirety, of a mortgage loan agreement concluded with a consumer by a banking institution on the ground that that agreement contains an unfair term without which it cannot continue in existence:

(i) they preclude the judicial interpretation of national law according to which the exercise of the rights which that consumer draws from that directive is conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement;

(ii) they preclude the compensation sought by the consumer concerned in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue being reduced by the equivalent of the interest which that banking institution would have received if that agreement had remained in force.

The Court of Justice of European Union by an order of 11 December 2023, closed the case registered under case number C-756/22 initiated by the District Court in Warsaw in the case brought by Bank Millennium and ruled that the provisions of Directive 93/13 must be interpreted as meaning that, in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety on the grounds that, that the contract contains unfair terms without which it cannot be continued, they preclude a judicial interpretation of the law of a Member State according to which that institution is entitled to recover from that consumer amounts other than the capital paid in performance of that contract and statutory interest for delay from the time of the demand for payment.

On 14 December 2023, the CJEU issued the judgement in the case C-28/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) provisions of Directive 93/13 read in the light of the principle of effectiveness must be interpreted as precluding a judicial interpretation of national law according to which, following the cancellation of a mortgage loan agreement concluded with a consumer by a seller or supplier, on account of unfair terms contained in that agreement, the limitation period for the claims of that seller or supplier stemming from the nullity of that agreement starts to run only as from the date on which the agreement becomes definitively unenforceable, whereas the limitation period for the claims of that consumer stemming from the nullity of that agreement begins to run as from the day on which the consumer became aware, or should reasonably have become aware, of the unfair nature of the term entailing such nullity;

(ii) provisions of the Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which it is not for a seller or supplier who has concluded a mortgage loan agreement with a consumer to ascertain whether the consumer is aware of the consequences of the removal of the unfair terms contained in that agreement or of that agreement being no longer capable of continuing in existence if those terms were removed;

(iii) provisions of the Directive 93/13, read in the light of the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which, where a mortgage loan agreement concluded with a consumer by a seller or supplier is no longer capable of continuing in existence after the unfair terms in that agreement have been removed, that seller or supplier may rely on a right of retention which allows him or her to make the restitution of the sums which it has received from that consumer conditional on that consumer making an offer to repay the sums which he or she has himself or herself received from that seller or supplier or to provide a security for the repayment of those sums, where the exercise by that seller or supplier of that right of retention entails the loss, for that consumer, of the right to obtain default interest as from the expiry of the time limit set for performance by the seller or supplier concerned, following receipt by that seller or supplier of a request to repay the sums he or she had been paid in performance of that agreement.

The Court of Justice of the European Union by an order of 15 January 2024, closed the case registered under case number C-488/23 following a question from the District Court of Warsaw, indicating that the right of a financial institution to demand the valorization of the disbursed capital after a loan agreement has been declared invalid was excluded in the judgment of June 15, 2023 issued in case C-520/21.

On 18 January 2024, the CJEU issued the judgement in the case C-531/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) the provisions of Directive 93/13 preclude national legislation which provides that a national court may not examine of its own motion the potentially unfair nature of the terms contained in a contract and draw the consequences thereof, where it is supervising enforcement proceedings carried out on the basis of a final decision to issue an order for payment which is subject to res judicata:

a. if the regulations do not provide for such an examination at the stage of issuing a payment order, or

b. if such examination is provided for only at the stage of opposition to the order for payment in question, provided that there is a significant risk that the consumer in question will not file the required opposition either because the time limit specified for this purpose is very short, or because of the cost of the proceedings before the court in relation to the amount of the disputed debt, or because the national legislation does not provide for the obligation to provide that consumer with all the information necessary for him to establish the extent of his rights;

(ii) the provisions of Directive 93/13 do not preclude national case law according to which the entry of a term of a contract in a national register of prohibited clauses has the effect of declaring that term unfair in any proceedings involving a consumer, including against a trader other than the one against whom proceedings for the entry of the said term in that national register were pending, and where that term does not have the same wording as the term entered in the said register, but has the same meaning and has the same effect with respect to the consumer in question.

By decision of 3 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-348/23 following a question from the District Court in Warsaw, indicating that they preclude the recognition that the legal effects related to the declaration of invalidity of the contract are conditional on the fulfilment by the consumer of the condition precedent for that consumer to make a declaration before the national court, that it does not agree to maintain the contractual term in force and that it is aware that the invalidity of the said term entails the annulment of the loan agreement and its effects and that it consents to the annulment of the agreement.

By decision of 8 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-424/22 as a result of a question from the Regional Court in Kraków, indicating that they preclude the application by a financial institution of the right of retention which makes the consumer's receipt of the amounts awarded to him by the court conditional on the consumer's simultaneous offer of reimbursement or security for the return of the entire benefit received from that financial institution.

Jurisprudence of the Polish Supreme Court

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

1. An abusive contractual clause (art. 385(1) § 1 of the Polish Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively.

2. If without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Polish Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On 28 April 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Polish Civil Code is a special provision to Article 353(1) of the Polish Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of Bank Millennium's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that Bank Millennium is entitled to a refund of the cash benefit provided by Bank Millennium in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, Bank Millennium, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. Bank Millennium's demand consists of a claim for return of the capital made available to the borrower under the contract. By 30 June 2024 the Bank filed about 8.1 thousand lawsuits against the borrowers.

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

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

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

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

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

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

On 19 June 2024, the Supreme Court issued a resolution by a panel of 7 Supreme Court judges (III CZP 31/23) stating that:

The right of retention (Article 496 of the Civil Code) does not apply to the party that can set off its claim against the claim of the other party.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements as well as above indicated resolution of the Civil Chamber of the Supreme Court, the area of interpretation of regulations by Polish courts in this respect appears to be limited. However, further jurisprudential practice of the Polish courts will play certain role in practical realisation of the CJEU's and the Supreme Court's guidance.

53. List of subsidiaries and associates of Banco Comercial Português Group

SUBSIDIARIES

As at 30 September 2024, the Group's subsidiaries included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiaries	Head office	Share capital	Currency	Sector of activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Millennium Bank Hipoteczny S.A.	Warsaw	130,000,000	PLN	Banking	100 %	50.1 %	—
BCP África, S.G.P.S., Lda.	Funchal	214,223,800	EUR	Holding company	100 %	100 %	100 %
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
M Representações Ltda.	São Paulo	81,606,354	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Real estate investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade de investimento coletivo imobiliária fechada, S.A.	Oeiras	31,900,000	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	98.6 %	97.7 %	93.2 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
Imoserit, S.A.	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	100 %
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate management	100 %	100 %	—
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate management	100 %	100 %	—
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	—
Millennium Consulting S.A.	Warsaw	4,339,500	PLN	Consulting services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Web portals	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (em liquidação)	Tychy	100,000	PLN	Marketing services	100 %	50.1 %	—
Millennium Telecommunication Services Sp. z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	—

As at 30 September 2024, the investment funds included in the consolidated accounts using the full consolidation method, were as follows:

Investment funds	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	Oeiras	102,385,157	EUR	Real-estate investment fund	100 %	100 %	100 %
Imorenda – Fundo de Investimento Imobiliário Fechado	Oeiras	85,156,715	EUR	Real-estate investment fund	100 %	100 %	100 %
Sand Capital - Fundo de Investimento Imobiliário Fechado	Oeiras	88,082,695	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial – Fundo de Investimento Imobiliário Fechado	Oeiras	17,340,985	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar – Fundo de Investimento Imobiliário Fechado	Oeiras	1,546,726	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital– Fundo de Investimento Imobiliário Fechado	Oeiras	3,799,969	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital – Fundo de Investimento Imobiliário Fechado (*)	Oeiras	88,951,500	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

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

As at 30 September 2024, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

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

ASSOCIATES

As at 30 September 2024, the Group's associates included in the consolidated accounts under the equity method are as follows:

Associates	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7 %	22.5 %	—
Banque BCP, S.A.S.	Paris	215,559,319	EUR	Banking	18.9 %	18.9 %	18.9 %
Lubuskie Fabryki Mebli, S.A. (em liquidação)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
Europa Millennium Financial Services sp. z o.o.	Warsaw	100,000	PLN	Services	20 %	10 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.5 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

As at 30 September 2024, the investment and venture capital funds included in the consolidated accounts under the equity method are as follows:

Investment and venture capital funds	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Fundo Turismo Algarve, FCR (*)	Lisbon	123,810,000	EUR	Venture capital fund	73.6 %	73.6 %	73.6 %
Fundo de Investimento imobiliário fechado Eurofundo	Lisbon	21,006,050	EUR	Real-estate investment fund	35.1 %	35.1 %	35.1 %
Lusofundo - Fundo de Investimento imobiliário fechado	Lisbon	44,336,865	EUR	Real-estate investment fund	42.5 %	42.5 %	42.5 %

(*) Since Banco Comercial Português, SA does not have control over the management of this fund, the equity method was applied in the Group 's consolidated accounts.

As at 30 September 2024, the Group's associates in the insurance sector included in the consolidated accounts under the equity method were as follows:

Associates	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Lisbon	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Lisbon	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	1,200,000	EUR	Pension fund management	49 %	49 %	—
Fidelidade Moçambique - Companhia de Seguros S.A.	Maputo	295,000,000	MZN	Insurance	22 %	14.7 %	—

Some indicators of the main subsidiaries and associates are analysed as follows:

(Thousands of euros)

	30 September 2024			30 September 2023		
Subsidiaries and associates	Total Assets	Total Equity	Net income for the period	Total Assets	Total Equity	Net income for the period
Banco Comercial Português, S.A.	63,899,295	6,649,755	616,704	60,810,135	5,856,868	532,063
Banco ActivoBank, S.A.	4,179,532	280,105	27,223	3,247,826	245,359	29,143
Bank Millennium, S.A. (1)	31,665,321	1,785,455	127,032	26,819,631	1,438,578	100,652
BIM - Banco Internacional de Moçambique, S.A. (1)	2,821,745	507,014	63,609	2,715,208	518,575	67,211
BCP International B.V.	523,434	523,403	(532)	524,375	524,290	(337)
BCP Finance Bank, Ltd.	518,795	518,795	(536)	519,823	519,511	(465)
BCP África, S.G.P.S., Lda.	286,346	286,003	8,544	494,364	493,387	(8,955)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	146,204	146,193	4,302	176,003	174,854	7,963
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	8,066	6,627	617	9,207	7,513	1,341
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1) (3)	8,295,122	477,209	51,286	8,513,543	472,306	62,877
Banco Millennium Atlântico, S.A. (2)	1,843,983	168,570	9,477	2,315,334	190,066	5,256
Banque BCP, S.A.S.	5,910,147	280,897	12,094	5,530,660	279,605	11,987

1) Consolidated accounts.

2) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.
3) The 2023 amounts refer to the estimated financial statements.

54. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Banco Comercial Português, S.A. informed about the upgrade of senior unsecured debt rating by Moody’s

Banco Comercial Português, S.A. (“BCP” or “Bank”) informed that Moody’s rating agency on 19 November 2024, upgraded the Bank's senior unsecured debt rating from Baa2 to Baa1 and affirmed deposits rating at A3, maintaining the rating assigned to deposits at the same level to that assigned to the Portuguese Republic. On the same date, Moody`s revised the Outlook on deposits from stable to positive.

This upgrade of BCP's ratings by Moody’s reflects the improvement in asset-risk indicators as a result of a successful de risking strategy implemented in Portugal in recent years, its higher capital levels and the group’s improved bottom-line profitability, despite still being strained over the outlook period by sizable legal provisions associated to BCP's Polish subsidiary's legacy Swiss franc mortgage portfolio.

In the scope of the review carried out by Moody’s, it was simultaneously communicated, the upgrade of the Baseline Credit Assessment (BCA) and Adjusted BCA from Ba1 to Baa3, the junior senior debt rating to (P)Baa3, the dated subordinated debt to (P)Ba1. BCP's BCA also reflects the Bank's sound funding and liquidity position.

Banco Comercial Português, S.A. informed about issue of senior preferred debt securities eligible for MREL

As at 14 October 2024, Banco Comercial Português, S.A. (“Bank”) informed that it has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme.

The issue, in the amount of EUR 500 million, will have a tenor of 5 years, with the option of early redemption by the Bank at the end of year 4, an issue price of 99.660% and an annual interest rate of 3.125% during the first 4 years (corresponding to a spread of 0.85% over the 4-year mid-swap rate). The interest rate for the 5th year was set at 3-month Euribor plus a 0.85% spread.

Banco Comercial Português, S.A. informed about decision to call the currently outstanding Senior Preferred issue due October 2025 with an amount of EUR 350 million

As at 8 October 2024, Banco Comercial Português, S.A. informed that it has decided to exercise its option to early redeem all of its EUR 350,000,000 Senior Preferred Fixed to Floating Rate Notes due October 2025 (ISIN: PTBCPBOM0062), issued on 25 October 2022 under the EUR 25,000,000,000 Euro Note Programme (the “Notes”), in accordance with condition 6(d) of the terms and conditions of the Notes and the final terms of the Notes. The early redemption of the Notes shall take place on the optional redemption date set out in the final terms of the Notes, 25 October 2024, at their outstanding principal amount together with accrued interest.

Banco Comercial Português, S.A. informed about the upgrade of senior debt ratings by S&P Global

As at 4 October 2024, Banco Comercial Português, S.A. (“BCP” or “Bank”) informed that S&P Global upgraded BCP's senior unsecured debt ratings from BBB- to BBB, keeping the positive Outlook.

This upgrade reflects easing industry risks in the system and BCP's improved credit risk profile, both in absolute and relative terms.

BCP has halved its NPE stock since end-2019, while posting solid profitability, enhancing its capitalization, and maintaining ample liquidity and a balanced funding profile.

S&P anticipates that BCP will continue benefiting from a strong earnings capacity, keeping high levels of efficiency and solid levels of capitalization.

The positive outlook reflects that S&P could raise its long-term rating on BCP over the next 18-24 months if it keeps growing and sustainably preserving its capitalization.

Banco Comercial Português, S.A. informed on the upgrade of senior unsecured debt and deposits ratings by Morningstar DBRS

Banco Comercial Português, S.A. (“BCP” or “Bank”) informed that, on 3 October 2024, Morningstar DBRS rating agency upgraded the Bank's deposits ratings from BBB(high) to A(low) and the senior unsecured debt ratings from BBB to BBB(high).

The upgrade to BCP's credit ratings by Morningstar DBRS's reflects the Bank's earnings and internal capital generation, improved capitalization levels and asset quality, reflecting the progress in reducing non-performing exposures (NPEs).

The stable trend reflects the expectation that risks to the outlook are balanced. The Bank's provisions will likely remain elevated although decreasing, reflecting the legal and financial risks linked to legacy CHF-indexed mortgages in the Polish subsidiary, which are expected to gradually subside.

The trend also reflects Morningstar DBRS expectation that the Bank will maintain healthy profitability levels and solid capital buffers.

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Banco Comercial Português, S.A.

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

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

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

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

Millennium
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