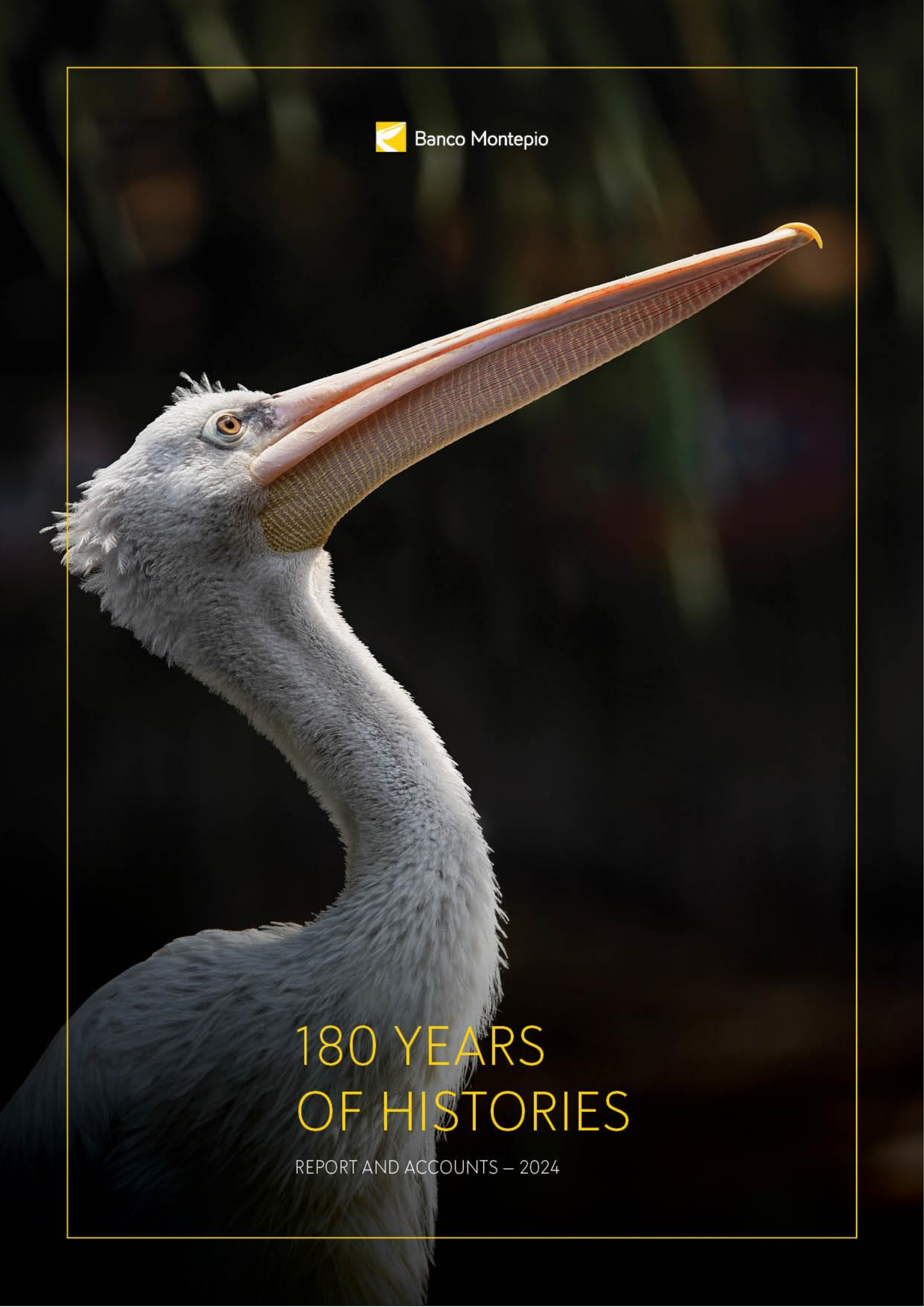
Banco Montepio

180 YEARS OF HISTORIES

REPORT AND ACCOUNTS – 2024



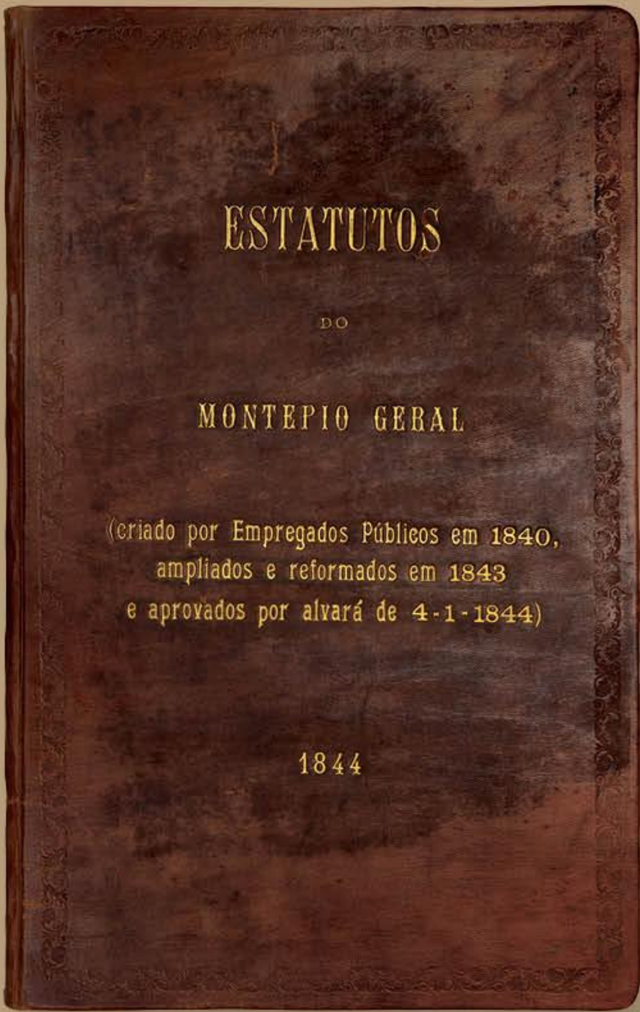
This report is the English version of the document “Relatório e Contas 2024” delivered by Banco Montepio to the Portuguese Securities Market Commission (CMVM) in accordance with Portuguese Law. Should there be any doubt or contradiction between documents, the aforementioned Portuguese version prevails.

Table of Contents

This report applies the ColorADD chromatic system and its symbols, together with traditional colours, with the aim to improve the decoding of colour-based information, as well as to the better interpretation of its content by anyone with limited colour vision.

ColorADD
A Cor é para todos
www.coloradd.net

PART I
MANAGEMENT REPORT



1844

The year was still in its dawn – January 4th – when, by Royal Charter, the foundation of Banco Montepio was sealed. At the end of that manuscript, the signature of Queen Maria II marked the beginning of the history of an institution that began its operations with a capital of 4,000 *"contos de réis"*.

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

When you're the guardian of a noble mission, every year is special. However, the year 2024, in which we celebrated with our customers, our people, our key shareholder and other stakeholders our 180th anniversary, brought us the joy of our best performance ever.

In a challenging context, where knowing how to read the context and act in a timely manner is crucial, we have strengthened our solidity, been independently recognized in multiple areas and launched a new strategic cycle.

At the Banco Montepio Group, results are always the culmination of a collaboration of many hands. 2024 was the best year in our history, as we reached the highest values ever in net income, capital ratios, liquidity levels and volume of customer deposits, while recording non-performing loan ratios below the market average.

Our commitment has been independently recognized in successive upward ratings reviews and our investment in sustainability was awarded by the World Economic Forum in the 'Diversity as a strategic asset' category. Support for our customers, through mortgage loans and the innovative *Bem Bom* competition, or through the many partnerships and solutions for financing Companies and Social Economy Entities, have led to a strengthening of our presence in the market and, consequently, of Banco Montepio's notoriety and reputation.

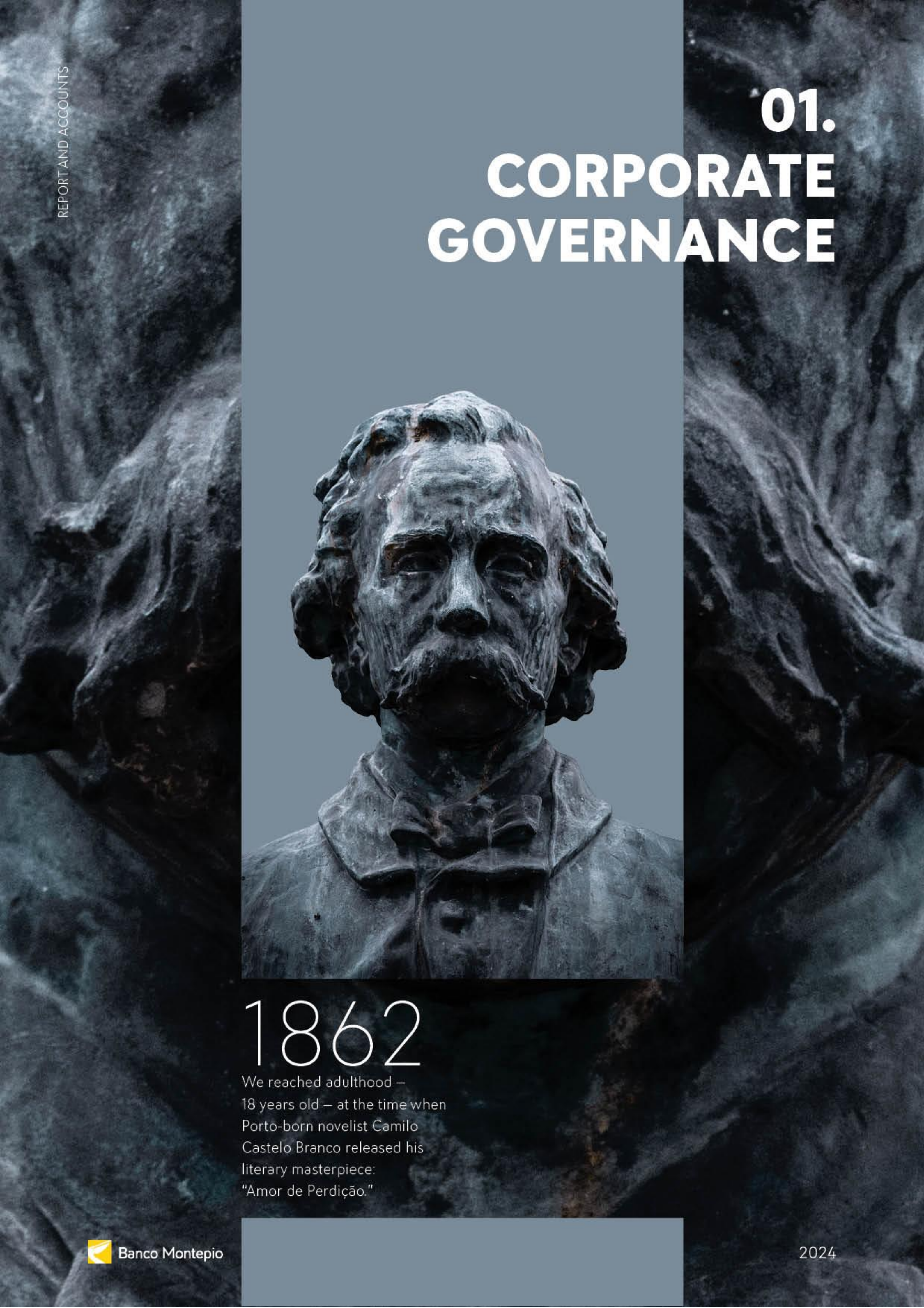
As we enter a new cycle of growth, we have launched the Triple A Strategic Programme, which, having already begun to produce results, aims to deliver an Ambitious, Authentic and Agile Banco Montepio. Aware of our mutualist roots, we want to redouble our attention and investment in customer service, through innovation in our business model and a competitive and progressively more sustainable offer. We do it for our customers, our people, our shareholders and other stakeholders, to whom we are grateful.

Today more than yesterday, values, predictability and trust are decisive assets. In a context where uncertainty, the collapse of paradigms that we took for granted and the dizzying acceleration of innovation are dominant notes, the Banco Montepio Group remains solid in its commitment to serve the country, families, companies and social economy entities.

Pedro Leitão
Chairman of the Executive Committee

Manuel Ferreira Teixeira
Chairman of the Board of Directors

01. CORPORATE GOVERNANCE



1862

We reached adulthood – 18 years old – at the time when Porto-born novelist Camilo Castelo Branco released his literary masterpiece: "Amor de Perdição."

BOARD OF DIRECTORS

From left to right:

Jorge Almeida Baião (Executive Director); **Clementina Barroso** (Chairman of the Audit Committee)**;**

Manuel Ferreira Teixeira (Chairman of the Board of Directors); **Cândida Peixoto** (Non-executive Director)**;**

Maria Lúcia Bica (Non-executive Director); **José Carlos Mateus** (Executive Director)**.**

Eugénio Baptista (Non-executive Director); **Florbela Lima** (Non-executive Director)**;**

Pedro Leitão (Chairman of the Executive Committee); **Ângela Barros** (Executive Director)**;**

Isabel Silva (Executive Director); **Helena Soares de Moura** (Executive Director)**.**

CORPORATE GOVERNANCE

GOVERNANCE MODEL

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

GOVERNING BODIES AND COMMITTEES OF THE BOARD OF DIRECTORS

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

Accordingly, as at 31 December 2024, the composition of the Governing Bodies of Banco Montepio was as follows:

BOARD OF THE GENERAL MEETING

Chairman	António Tavares

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman	Clementina Barroso
Members	Florbela Lima
	Cândida Peixoto
	Maria Lúcia Bica

STATUTORY AUDITOR

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

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

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

As at 31 December 2024, the composition of the internal committees of the Board of Directors of Banco Montepio was as follows:

RISK COMMITTEE

Chairman	Florbela Lima
Members	Eugénio Baptista
	Maria Lúcia Bica

ASSESSMENT, NOMINATIONS, ETHICS, SUSTAINABILITY AND GOVERNANCE COMMITTEE

Chairman	Cândida Peixoto
Members	Clementina Barroso
	Eugénio Baptista

As at 31 December 2024, the composition of Banco Montepio's Executive Committee, to which the Board of Directors has delegated the day-to-day management of the Bank, with the exception of powers relating to matters whose delegation is forbidden by law or those reserved to it under the terms of its Regulations, was as follows:

EXECUTIVE COMMITTEE

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

% of Women on the Board of Directors	58%	% of Women on the Executive Committee	50%

The Remuneration Committee elected by the General Meeting held on 29 April 2022 presented the following composition as at 31 December 2024 (all members are independent from the members of the management body):

REMUNERATION COMMITTEE

Chairman	Paulo Câmara Pires dos Santos
Members	António Miguel Lino Pereira Gaio
	Soledade Carvalho Duarte (*)
	(*) appointed at the General Meeting of 28 April 2023

ANNUAL GENERAL MEETING

Banco Montepio held the ordinary general meeting of shareholders on 30 April 2024, with the following decisions having been taken:

1. Deliberation on the Management Report and Accounts of the Financial Year of 2023, of the individual and consolidated activity – Approved unanimously;
2. Deliberation on the proposed appropriation of the net income for the year – Approved unanimously;
3. General appraisal of the company's management and auditing, under the terms of Articles 376 and 455 of the Commercial Companies Code – Approved unanimously;
4. Deliberation on the Report of Assessment of the Remuneration Policies and procedures adopted by Banco Montepio and Banco Montepio Group, prepared pursuant to Article 115-C(6) of the RGICSF and Article 44(1)(b) of Banco de Portugal Notice 3/2020 – Approved unanimously;
5. Deliberation on the review of the Remuneration Policy for Members of the Management and Supervisory Body (MOAF) – Approved unanimously;
6. Deliberation on the review of the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Bodies (MOAF) and Key Function Holders (TFE) – Approved unanimously;
7. Deliberation on the Policy for the Selection, Appointment and Assessment of the Statutory Auditor (ROC) or Statutory Audit Firm (SROC) and the Hiring of Services from the to the ROC/SROC – Approved unanimously;
8. Deliberation, under the terms and for the purposes of the Special Regime Applicable to Deferred Tax Assets (hereinafter "REAID"), approved by Law no. 61/2014, of August 26, in its current wording, on the adjustment of the amount of the special reserve and the number of conversion rights and respective subscription price, for the financial years 2020 and 2021, following the corrections by the Tax Authority of the amounts of tax credits assessed in the aforementioned financial years 2020 and 2021 - Unanimously approved;
9. Deliberation on the remuneration of the members of the Board of the General Meeting for the 2022-2025 term - Approved unanimously;
10. Appraise the general guidelines for the multiannual action plan for 2024-2026, under the terms and for the purposes of Article 12(f) of the Articles of Association - Approved unanimously;
11. Deliberation on the authentic interpretation of the resolution taken by the General Meeting in an extraordinary session held on 16 March 2018 - Approved unanimously;
12. Deliberation on other matters of interest to the Company – no inclusion of other items on the agenda.

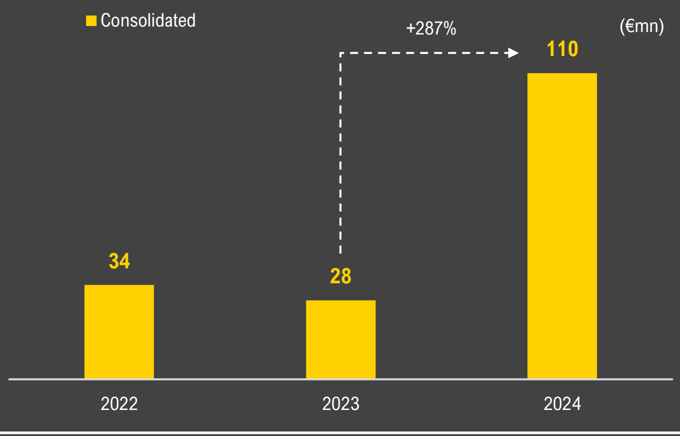
02. 2024 IN SUMMARY

1888

«Os Maias» is a novel that directly addresses the idiosyncrasies of the Portuguese people. Written in the 19th century by Eça de Queirós, it is still able, today, in the 21st century, to identify our long-standing habits. Banco Montepio was not yet a century old: it was only 44 years old.

HIGHLIGHTS

NET INCOME

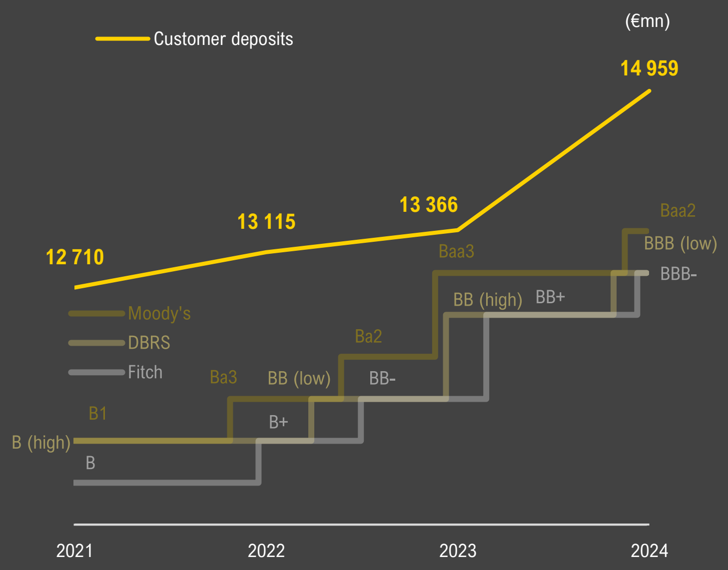


€110MN

+287%

- Historic net income, reaching 110 million euros in 2024 on a consolidated basis, almost quadrupling compared to the previous year.
- Strong revenue generation in the core business more than offset relevant extraordinary events that weighed negatively on the operating account.
- Operating income of around 500 million euros supported mainly by Net Interest Income and Commissions.

CUSTOMER DEPOSITS

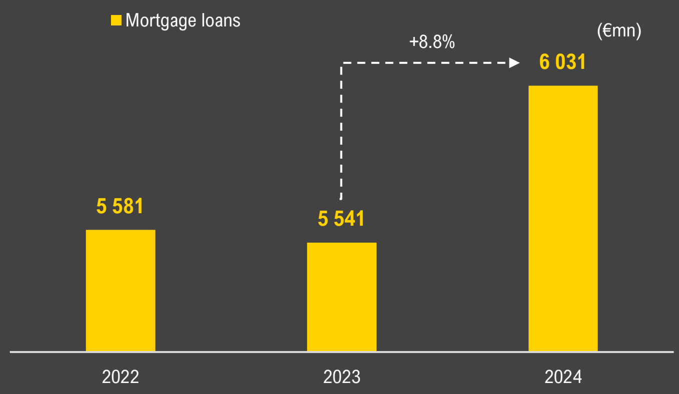


€14,959MN

+11.9%

- Banco Montepio's deposits reached a record amount at the end of 2024, around 15 billion euros, a growth of 11.9%, well above the market.
- For the second year running, the Bank stood out, showing the best performance in the sector in terms of deposit growth. Reinforcement of the market share, which reached 5.3% at the end of 2024 (+15 b.p. compared to the previous year).
- Recognition of financial strength with the three rating agencies: Moody's, Fitch and DBRS assigning the Investment Grade rating to Banco Montepio's deposits.

MORTGAGE LOANS [1]

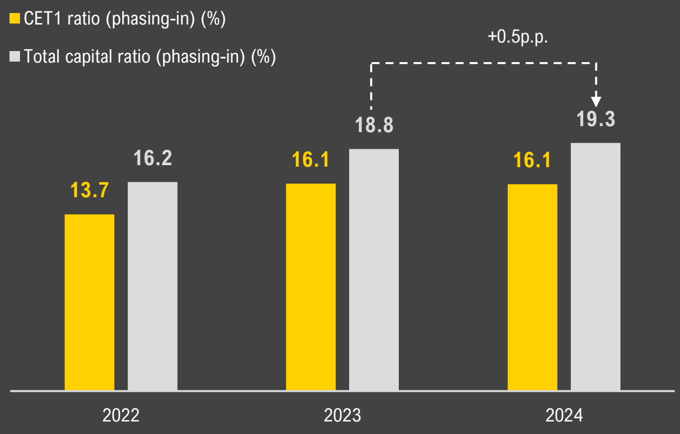


€6,031MN

+8.8%

- In 2024, the mortgage loans marked once again the Bank's tradition of supporting families, with the launch of the *Bem Bom* Competition.
- Recognition visible in unrivalled annual growth of 8.8% in the portfolio, which exceeded 6 billion euros at the end of 2024.
- New production outperforms the market average, thanks to sustained market share gains converging towards 6%.

CAPITAL (2)

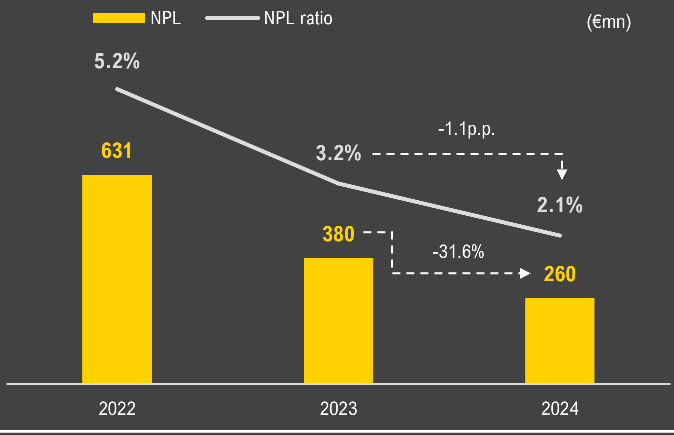


19.3%

TOTAL CAPITAL RATIO (PHASING-IN)

- Capital ratios at historic highs, with CET1 at 16.1% and the Total Capital Ratio reaching 19.3%, supporting Banco Montepio's new growth cycle.
- Sustained organic capital generation, together with an improved risk profile, supports the ability to distribute dividends.
- The strengthening of Tier 2 with a 250 million euros issuance in the market, achieving remarkable success, demonstrates investor confidence in this new era of the Bank's 180-year history.

NON-PERFORMING LOANS (3)

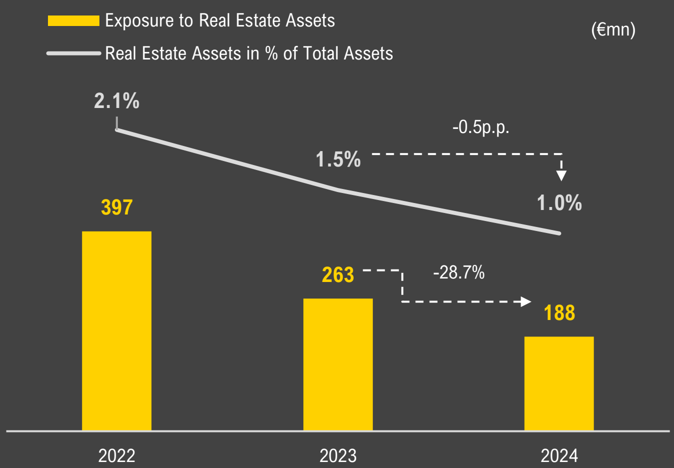


2.1%

OF GROSS LOANS TO CUSTOMERS

- After closing its "NPL Bank" chapter at the beginning of 2023, Banco Montepio ended 2024 with an NPL ratio of 2.1%, below the sector average.
- Reduction of 31.6% of the NPL stock to a minimum of 260 million euros.
- The execution of the plan to reduce non-productive assets, which exceeded expectations, was recognized by the rating agencies, with the increase in risk ratings during the year.

REAL ESTATE ASSETS (4)



1.0%

OF NET ASSETS

- The Bank continues with its real estate asset deleveraging plan, with a further reduction of 28.7% compared to the previous year, reaching a net impairment stock of 188 million euros.
- The ratio of real estate assets to net assets reached a minimum of 1%, which shows the significant improvement in the Bank's risk profile in the management of non-productive assets.
- Risk exposure further reduced, reflecting the Bank's prudent approach and the adoption of a conservative coverage policy.

(1) Includes multifunction loans with a mortgage on residential property (housing).
(2) In accordance with CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.
(3) NPL according to EBA criteria (numerator and denominator as applicable).
(4) Exposure to real estate assets includes the amount reclassified to Other assets.

180 YEARS OF BANCO MONTEPIO

On the 24th of March, Banco Montepio completed 180 years.

Throughout its almost two centuries of existence, Banco Montepio has played a vital economic and social role in the country. It has further advanced its mission to make a meaningful difference in the lives of Individuals, Families, Companies, and Social Economy Institutions. A bank at the service of the Portuguese, here and abroad.

A Bank with a soul, where everyone has a place: universal, intergenerational, cross-class, and multicultural. A bank where diversity, equity and inclusion are promoted, actively contributing to a more conscious and supportive present and cooperating in building a more sustainable future.

BEM BOM COMPETITION

To mark its 180th anniversary, Banco Montepio launched the "*Bem Bom*" (Really Good) competition. This competition brought together Banco Montepio and Rádio Comercial and aimed to support families with mortgage loans. The competition targeted customers with permanent mortgage loans at Banco Montepio and was held weekly until January 2025, awarding as a prize a *Bem Bom* support for household expenses. The winners will receive 1,500 euros a month for a year on a prepaid card, for a total of 18,000 euros. In December, the *Bem Bom* extraordinary draw was held, with a prize of 1,500 euros a month for 10 years, equivalent to 180,000 euros.

The prizes were delivered to the winners in the city where they live by the *Bem Bom* van.

A total of 37 prizes were awarded in the following locations: Braga, Póvoa de Varzim, Vila Nova de Gaia, Barreiro, Loures, Entroncamento, Amadora, Lisboa, Barcelos, Évora, Ponta Delgada, Caldas da Rainha, Matosinhos, Cartaxo, Coimbra, Almada, Mafra, Vila Nova de Gaia, Vila Nova de Famalicão, Setúbal, Caneças, Corroios, Faro, São Miguel, Odivelas, Leiria, Santa Maria da Feira, Ovar, Palmela, Vizela and Guimarães.

"Banco Montepio has been a bank of causes since 1844. Living up to this intention, and in a context in which housing is of a considerable weight in household budgets, we decided to celebrate our 180th anniversary by creating a competition that enables supporting our customers with mortgage loans at Banco Montepio. If, in this way, Banco Montepio and Rádio Comercial, contribute to improve the financial health and happiness of some families, leaving a positive mark in their life, then our mission shall be accomplished."

- Tânia Madeira, Director of Banco Montepio Communication and Brand

SUMMARY OF INDICATORS

	2022	2023	2024	Change 2024/2023
ACTIVITY AND RESULTS (million euros)				
Total assets	19 106	17 989	18 415	2.4%
Performing loans to customers (gross)	11 436	11 354	11 902	4.8%
Customer deposits	13 115	13 366	14 959	11.9%
Net income	34	28	110	>100%
SOLVENCY [(a)]				
Common equity tier 1 ratio	13.7%	16.1%	16.1%	0.0 p.p.
Tier 1 ratio	13.7%	16.1%	16.1%	0.0 p.p.
Total capital ratio	16.2%	18.8%	19.3%	0.5 p.p.
Leverage ratio	5.9%	6.7%	6.8%	0.1 p.p.
Risk weighted assets (million euros)	8 276	7 641	7 977	4.4%
LIQUIDITY RATIOS				
Liquidity coverage ratio (LCR)	249.6%	233.1%	201.1%	(32.0 p.p.)
Net stable funding ratio (NSFR)	125.0%	130.4%	141.1%	10.7 p.p.
LOAN TO DEPOSIT RATIOS				
Loans to customers (net) / Customer deposits [(b)]	89.3%	85.7%	79.9%	(5.8 p.p.)
Loans to customers (net) / On-balance sheet customer resources [(c)]	85.4%	81.2%	76.8%	(4.4 p.p.)
CREDIT QUALITY	0.00%	0.00%	0.00%	0.0 p.p.
Cost of credit risk	0.1%	0.4%	0.2%	(0.2 p.p.)
Ratio of loans and interest overdue by more than 90 days	2.2%	1.5%	0.9%	(0.6 p.p.)
Coverage of loans and interest overdue by more than 90 days by Impairments for balance sheet loans	131.2%	162.7%	198.4%	35.7 p.p.
NPL ratio (Non-performing loans (NPL) [(d)] / Gross customer loans)	5.2%	3.2%	2.1%	(1.1 p.p.)
NPL [(d)] coverage impairment at stage 3	44.1%	45.9%	44.1%	
NPL [(d)] coverage by Impairment for balance sheet loans	56.1%	74.0%	83.5%	9.5 p.p.
NPL [(d)] coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees	106.3%	115.2%	122.8%	7.6 p.p.
Forborne exposures ratio (Forborne exposures [(d)] / Gross customer loans)	4.3%	2.8%	1.6%	(1.2 p.p.)
PROFITABILITY AND EFFICIENCY	0.00%	0.00%	0.00%	
Total operating income / Average total assets [(b)]	1.9%	2.8%	2.7%	(0.1 p.p.)
Return on assets (gross) (Net income before income tax / Average total assets) [(b)]	0.4%	1.0%	0.9%	(0.1 p.p.)
Return on equity (gross) (Net income before income tax / Average total equity) [(b)]	5.4%	11.8%	10.1%	(1.7 p.p.)
Cost-to-income (Operating costs / Total operating income) [(b)]	66.6%	50.8%	56.4%	5.6 p.p.
Cost-to-Income, excluding specific impacts [(e)]	63.2%	46.2%	53.1%	6.9 p.p.
Staff costs / Total operating income [(b)]	41.2%	30.5%	32.5%	2.0 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Grupo Banco Montepio	3 406	2 983	2 983	0
Banco Montepio	3 043	2 860	2 864	4
Distribution Network - Banco Montepio				
Branches in Portugal	246	232	225	(7)
Representation Offices	5	5	5	0
BANCO MONTEPIO RATINGS	**Long-term**	**Outlook**		
Fitch	BB+	Stable		
Moody's	Ba1	Positive		
DBRS	BB (high)	Positive		

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.

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

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

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

(e) Excludes staff costs generated by the operational adjustment measures of €10.5mn in 2022 and €8.2mn in 2023 and one-off costs of €9.1mn in 2024 related to early retirements and terminations by mutual agreement, as well as the more volatile components of results, such as Results from financial operations and Other results (Results from the sale of other assets and Other operating results).

MAIN EVENTS

JANUARY

For the third time in a row, Banco Montepio was the "**Marca N. º1 na Escolha do Consumidor**" (No. 1 Consumer Choice Brand) in the Mortgage Loans category.

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

Banco Montepio was recognized as a **"Marca Recomendada 2024"** (Recommended Brand) in the "Banks" category for having achieved the best average satisfaction index by Portal da Queixa (Complaint Portal).

FEBRUARY

Banco Montepio advised the consortium led by I-Sete and Amener on structuring **Green Bonds**.

Fitch upgraded Banco Montepio's ratings:

- Long-Term Senior Preferred Debt to **BB;**
- Long-Term Deposits Rating to **BB+**;
- Viability Rating to **bb**;
- Long-Term Issuer Default Rating to **BB**, **Outlook Stable**;
- Long-Term Senior Non-Preferred Debt Rating to **BB-**;
- Subordinated Debt to **B+**;
- Covered Bonds to **AAA (investment grade)**.

MARCH

On the 24th of March, Banco Montepio celebrated **180 years of history**.

It no longer has financing from the ECB, with full liquidation of TLTRO.

It successfully carried out a market issuance of 250 million euros of Tier 2 debt, with diversified placement by international investors and interest rate reduction.

APRIL

Launch of the ***Bem Bom* Competition** in partnership with Rádio Comercial, with the aim of supporting families with Mortgage Loans.

New members of **Montepio Crédito**'s governing bodies took office, including the new Chief Executive Officer (CEO).

Launch of the first **pet-friendly branch** in Benfica (Fonte Nova), the first of a new generation of more inclusive counters.

Banco Montepio once again advised the consortium led by I-Sete and Amener on structuring **Green Bonds**.

Banco Montepio was distinguished for the 15th time by Superbrands as a **brand of excellence**.

MAY

Banco Montepio placed 250 million euros in **senior preferential debt issuance eligible for MREL**. Demand exceeded supply by more than 6 times.

Liquidation of Montepio Gestão de Activos Imobiliários (MGAI), another step in the simplification and rationalisation of the Banco Montepio Group.

Banco Montepio advised TMG Automotive on the structuring of its first issue of **Sustainability-Linked Bonds**.

JUNE

Publication of **Banco Montepio Sustainability Report 2023** verified by an external entity, and measuring social impact, a pioneering initiative in the sector.

Banco Montepio was one of the 13 founding banks of the **SIBS ESG platform**, a platform developed to make it easier for companies to collect and share sustainability information.

JULY

The Board of Directors approved the **Triple A Programme**, which defines the strategic lines for the three-year period. This programme marks the beginning of a phase of sustainable growth - an Ambitious, Authentic and Agile cycle.

OCTOBER

Banco Montepio was ranked in the Merco Empresas Top 100 companies with the best corporate reputation.

Launch of the second **pet-friendly branch** in Aveiro (Glicínias).

DBRS upgraded Banco Montepio's ratings:

- Long-Term Deposits to **BBB (low) (investment grade)**;
- Long-Term Issuer Rating to **BB (high)**;
- Long-Term Senior Debt to **BB (high)**;
- Subordinated Debt to **BB (low)**.

NOVEMBER

Banco Montepio brought its Employees together in Oficinas do Metro (Metro Workshops), where a trip on the **Linha Amarela** (Yellow Line) was recreated. At this meeting, the achievements of the last four years were celebrated and the strategy for the new cycle of the Banco Montepio Group was revealed.

Moody's upgraded Banco Montepio's ratings:

- Senior Unsecured Debt to **Ba1**;
- Long Term Bank Deposits to **Baa2, upgrading the outlook to Positive Outlook**;
- Long-Term Counterparty Risk and Long-Term Counterparty Risk Assessment for **Baa1**;
- Baseline Credit Assessment to **ba1**;
- Senior Unsecured Debt under the EMTN Programme to **(P)Ba1**;
- Subordinated Debt to **Ba2**.

DECEMBER

Banco Montepio was a partner in the 5th edition of **Negócios Sustentabilidade 20|30**, the largest editorial initiative in the field of Sustainability, promoted by the newspaper Negócios, with the High Patronage of the Presidency of the Republic, and was awarded the Sustainable Finance Prize at the Euronext Lisbon Awards.

Fitch upgraded Banco Montepio's ratings:

- Long-Term Deposits Rating to **BBB- (investment grade)**;
- Long-Term Senior Preferred Debt Rating to **BB+** with **Outlook Stable**;
- Viability Rating to **bb+**;
- Long-Term Issuer Default Rating to **BB+**;
- Long-Term Senior Non-Preferred Debt Rating to **BB**.

03. THE BANCO MONTEPIO GROUP

1928

Historic and iconic, when Banco Montepio's savings bank was born, it immediately lived up to its mission of helping people achieve their financial goals. Today, enduring everything, it has crossed entire generations and become a symbol of savings and trust.

THE BANCO MONTEPIO GROUP

WHO WE ARE

Banco Montepio was founded in 1844, authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral Associação Mutualista.

It is a unique institution on the national financial scene due to its origin and mutualist basis and, consequently, its vocation for saving and providing universal financial services for Individual Customers at all stages of their lives, as well as Clients from the Business Sector and Social Economy Institutions and social entrepreneurs.

Banco Montepio is the oldest financial institution in Portugal, having celebrated 180 years on 24 March 2024.

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

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

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

GROUP STRUCTURE

Pursuant to Decree-Law 190/2015 of 10 September, which approved the legal system of Savings Banks, Caixa Económica Montepio Geral is henceforth considered a savings bank, with its transformation into a public limited company arising from the same legal provision. Following this process, its current corporate name is Caixa Económica Montepio Geral, caixa económica bancária, S.A., with the trade name of Banco Montepio having been adopted in 2019.

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

In recent years, a strategy to simplify the Group has been implemented, which has materialised in the change of structure, aiming at rationalising and maximising efficiency at various levels. Thus, continuing the real estate deleveraging plan, it proceeded to internalise the real estate management competencies with the creation of an internal real estate and assets division within Banco Montepio, proceeding on 13 May 2024, to the dissolution and liquidation of Montepio Gestão de Activos Imobiliários, A.C.E., with a view to stronger verticalization and integration, in convergence with the sector benchmark.

On the other hand, in terms of strategy and business model, it began the reorganisation and full integration of corporate banking into Banco Montepio. On 8 September 2023, Montepio Holding agreed with RAUVA Enterprises, S.A. to sell 100% of the share capital of Montepio Investimento, S.A. (Banco de Empresas Montepio or BEM), with this operation being subject to the verification of precedent conditions, including approval by the Supervisory and Regulatory authorities.

During 2024, the securitization of mortgage loans Pelican Mortgages no 3, Pelican Mortgages no 4 and Aqua Mortgages no 1 and the closed-end real estate investment fund PEF - Portugal Estates Fund, which were part of the consolidation perimeter of the Banco Montepio Group by the fully-consolidation method, was also liquidated, in the context of greater efficiency in capital and liquidity management.

As at 31 December 2024, the Banco Montepio Group was composed of the following entities:

Banco Montepio Group Entities

Full consolidation

- Caixa Económica Montepio Geral, caixa económica bancária, S.A.
- Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.
- Montepio Crédito – Instituição Financeira de Crédito, S.A.
- Montepio Investimento, S.A. (Banco de Empresas Montepio, or BEM)
- SSAGIncentive – Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.
- Montepio Serviços, ACE.

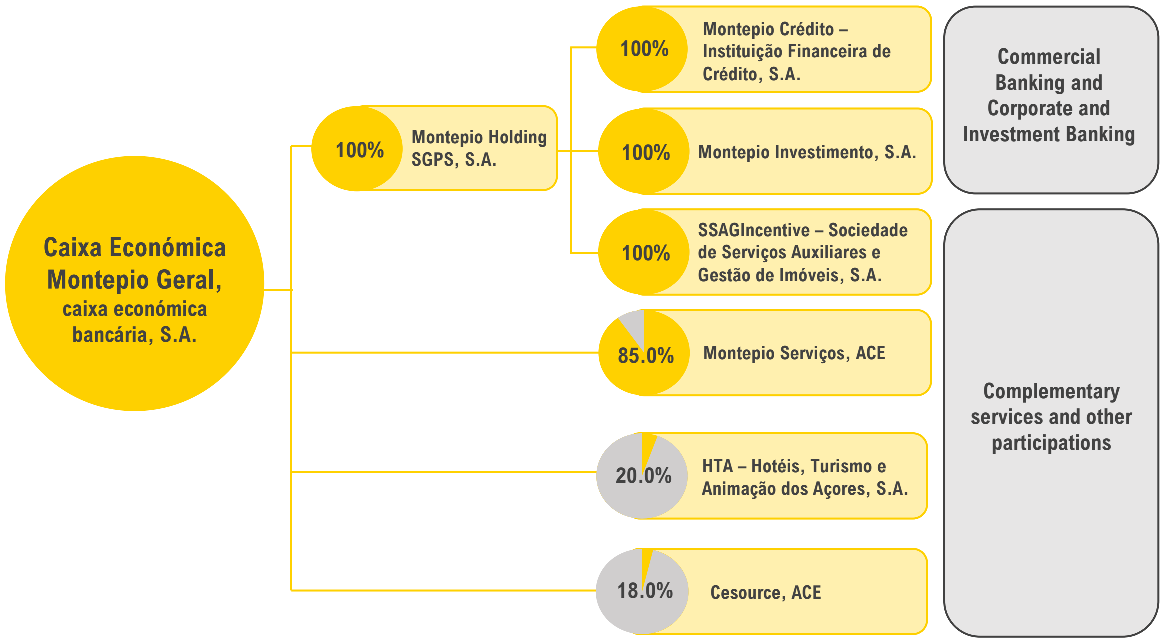
Consolidation by equity method

- HTA – Hotéis, Turismo e Animação dos Açores, S.A.
- Cesource, ACE.

Special purpose and investment fund entities

- Valor Arrendamento – Fundo de Investimento Imobiliário Fechado
- Polaris – Fundo de Investimento Imobiliário Fechado;
- Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (FEIIA)
- Pelican Finance No 2 - Entity referring to a securitization vehicle, with the aim of managing funding and strengthening equity ratios.

The structure of the Banco Montepio Group as at 31 December 2024 was as follows:



THE BANCO MONTEPIO BRAND

BRAND REPUTATION

According to the Brand Score study - the Brand and Communication barometer - Banco Montepio Brand's Image has maintained a positive trajectory, reaching its best result in 2024.

Banco Montepio maintains an upward trend in Reputational Image, and in 2024 recorded the best rating. The SCOPEN study shows that, of the five attributes that measure Reputational Image, Trust is where the institution registers its highest value.

The equity of the Banco Montepio Brand reached its highest level in 2024, presenting itself as a relevant asset for retaining current customers and attracting new ones.

Banco Montepio in the Merco rankings

In the fifth edition of the ranking of companies with the best corporate reputation promoted by Merco Empresas, Banco Montepio rose, now occupying the 40th place in the Top 100 of Companies with the best corporate reputation, having also obtained the fifth position in the "Banking" sector ranking. This ranking is based on a rigorous, multi-stakeholder methodology in which 2,310 respondents took part, including executives, financial analysts, journalists, members of the government, heads of non-governmental organizations (NGOs), union leaders, consumer associations and university professors. In the expert evaluation ranking, the NGOs placed Banco Montepio in first place, reflecting the evaluation of its contribution to the community, ethical behaviour and commitment to the environment and climate change.

According to the Merco Talento Universitário Portugal 2024 study, Banco Montepio is in the Top 5 of the best banks to work for.

AWARDS AND DISTINCTIONS

Escolha do Consumidor 2024 (Consumer's Choice) Award, Mortgage Loans category

Banco Montepio's Mortgage Loans is the Escolha do Consumidor 2024 (Consumer's Choice), for the third consecutive time.

Portuguese consumers evaluated and awarded Banco Montepio as "Marca nº1 na Escolha do Consumidor" (No. 1 Consumer Choice Brand) in the Mortgage Loan category, out of a total of twelve banks evaluated, leading in the following dimensions: attributes, benefits, values, and emotions.

In the evaluation of emotional brand positioning, Banco Montepio leads across all attributes, with particular distinction in "Brand Loyalty"—reflecting a relationship characterised by optimism and satisfaction that fosters long-term affinity and advocacy—and in "Brand Love", which denotes a strong sense of attachment and appreciation. This emotional connection generates positive feelings, contributing to overall consumer wellbeing, happiness, and elation.

Cinco Estrelas 2024 (Five Stars) Award, Mortgage Loan category

Banco Montepio won, for the first time, the Cinco Estrelas (Five Stars) title in the Mortgage Loan category, out of a total of 7 banking brands evaluated.

Banco Montepio recorded an overall satisfaction rating of 77.20%, after evaluating the basic variables that influence consumer decisions: satisfaction through experimentation; price-quality ratio; intention to recommend; trust in the brand; and innovation.

In addition to these characteristics, five specific attributes of the mortgage loans context were also evaluated: service; speed of the process; contracting other products and their respective costs; clarity of information; and monitoring of the process. It should be noted that in all 5 attributes Banco Montepio obtained ratings equal to or higher than 8 on a scale of 1 to 10.

Cinco Estrelas (Five Stars) Award - Banking Sustainability 2024

For the second year running, Banco Montepio has been awarded the Cinco Estrelas (Five Stars) title in the Banking - Sustainability category. The Institution recorded an overall satisfaction rating of 79.20%, after evaluating the following attributes: satisfaction through experimentation; price-quality ratio; intention to recommend; trust in the brand; and innovation.

Banco Montepio recognized as "Marca Recomendada 2024" (Recommended Brand)

Banco Montepio achieved the best average satisfaction rating on the Portal da Queixa (Complaint Portal), in the "Banks" category.

This recognition assesses the close relationship between brands and their customers throughout the purchasing process, reflecting that Banco Montepio is a trusted brand for consumers.

The "Marca Recomendada 2024" (Recommended Brand) seal is the sole responsibility of Portuguese consumers and is the result of their evaluation of brands and entities over the last year on the Complaint Portal platform. This recognition reflects the commitment of Banco Montepio towards its customers.

Marca de Excelência (Brand of Excellence) – Superbrands 2024

Banco Montepio was distinguished by Superbrands as a "Marca de Excelência" (Brand of Excellence) for the fifteenth time, an award that annually distinguishes the most relevant brands in the Portuguese market, described as those "that remain in the minds and hearts of the Portuguese".

In the year of Banco Montepio's 180th anniversary, the Superbrands cover commemorated history and changed shape, figuratively speaking, becoming the "Country's First Public Money Box". In 1928, Banco Montepio, in keeping with its mission, and based on the nature of the institution, launched the "Country's First Public Money Box". It's a sturdy, foolproof safe that has lasted for generations and has become a symbol of savings and trust.

New Champions Awards 2024 - "Diversity as a Strategic Asset"

Banco Montepio was distinguished by the World Economic Forum (WEF), with the New Champions Award in the category of "Excellence in Diversity as a Strategic Asset." This recognition underlines the institution's ongoing commitment to promoting gender equality and inclusion in the financial sector.

The New Champions Award celebrates the exceptional contributions of innovative companies that transform the way businesses operate around the world. The winning companies are chosen on the basis of their originality, impact and scalability, highlighting their interventional role as a force for value creation and positive impact.

CAMPAIGNS AND PARTNERSHIPS

Bem Bom Competition

"*Bem Bom*" (Really Good) was the competition that brought together Banco Montepio and Rádio Comercial and supported families with mortgage loans: over 9 months, it handed out 1 and a half million euros in prizes.

The *Bem Bom* Competition was launched to commemorate the 180th anniversary of Banco Montepio. Aimed at customers with a permanent mortgage loan with Banco Montepio, it was held every week until January 2025, awarding a "*Bem Bom*" support prize of 1,500 euros per month for a year, for a total of 18,000 euros. In December, the *Bem Bom* extraordinary draw was held, with a prize of 1,500 euros a month for 10 years, equivalent to 180,000 euros.

Campaign - Representative Offices

Under the motto "Um Banco português que fala a nossa língua" (A Portuguese bank that speaks our language) and with the aim of strengthening its position with the emigrant community, a new campaign has been launched that brings together Portuguese culture and Banco Montepio and promotes greater proximity and better communication.

Banco Montepio supports the "Pirilampo Mágico 2024" (Magic Firefly) campaign

The Magic Firefly Campaign, promoted by FENACERCI and supported by Banco Montepio since 2017, returned in 2024 with the motto "A Magia da Solidariedade" (The Magic of Solidarity).

The initiative, one of the biggest national symbols of national solidarity, aims to support children, young people and adults with intellectual disabilities and/or multi-disabilities, and is intended to raise funds for CERCIs, members of FENACERCI, and other similar organizations.

This year the firefly was dressed in yellow, the colour of Banco Montepio, and was available for purchase at all its branches.

EVENTS, SUPPORT AND COMMITMENTS

Pioneer Main Sponsor of ESG WEEK 2024

The third edition of "ESG WEEK | Environmental, Social, Governance", an initiative organised by the Associação Portuguesa de Ética Empresarial (APEE), had Banco Montepio as Pioneer Main Sponsor and Host of the first forum that took place at "Atmosfera M", in Lisbon.

ESG WEEK 2024 aimed to discuss the major sustainability issues. The opening session of the Ethics Congress was attended by Pedro Leitão, CEO of Banco Montepio, Mário Parra da Silva, President of APEE, Carlos Abade, President of the Board of Directors of Turismo de Portugal, and Luís Guerreiro, President of the Instituto de Apoio às Pequenas e Médias Empresas e à Inovação (IAPMEI).

Renewed commitment to iGen

Banco Montepio has renewed its commitment to the iGen forum, an integral part of the bank's Diversity and Inclusion Policy. Created in 2013, this is a Forum of Organisations for Equality, made up of 73 national and multinational organisations from the public, private and social economy sectors, which operate in Portugal and together represent around 2% of Portugal's GDP.

Founder of the SIBS ESG Platform

Banco Montepio is one of the 13 founding banks of the SIBS ESG platform. This free platform has been developed to make it easier for companies to collect and share sustainability information, helping them to structure and fill in ESG information.

The Trading Game powered by Banco Montepio

The Trading Game powered by Banco Montepio is an online competition, organised by the Júnior Empresa de Estudantes da Faculdade de Economia da Universidade de Coimbra (JEEFEUC) in partnership with Banco Montepio, carried out through the Montepio Trader Go platform, which aims to promote financial literacy. This event allows all national higher education students to trade a wide range of financial assets for four weeks. In addition to the competitive aspect, it offers participants the chance to learn about topics related to the financial markets, through training courses that run in parallel.

During the competition, traders have access to a stock exchange simulator provided by Banco Montepio. At the end of each week of the competition, a prize is awarded. Upon conclusion, the top three participants with the highest returns (in terms of capital value) receive final prizes, which include the opportunity to undertake a professional internship within Banco Montepio's Financial and International Division.

The Trading Game powered by Banco Montepio has now run for five editions and has proved to be a growing success year after year.

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

Expresso's weekly podcast, "Ser ou Não Ser" (To be or not to be), has the support of Banco Montepio. Through the motto "não basta parecer, é preciso ser" (it's not enough to appear, you have to be), it challenges listeners to think and act on sustainability issues. Banco Montepio has joined this project to reinforce its commitment to social, economic and environmental sustainability.

Partnership in the Business Initiative Sustainability 20|30

Banco Montepio was a partner of the fifth edition of Negócios Sustentabilidade 20|30, the largest editorial initiative in the field of Sustainability, promoted by Jornal de Negócios, which has the High Patronage of the Presidency of the Republic, and was awarded the Sustainable Finance Award at the Euronext Lisbon Awards. Banco Montepio joined this initiative as Exclusive Sponsor of the Equality, Diversity and Equity category.

Cerimónia PME Excelência 2023 (SME Excellence Ceremony)

Banco Montepio reaffirmed its commitment to supporting business development and the national economy through its presence at the Cerimónia PME Excelência 2023 (SME Excellence Ceremony), representing a broad cross-section of the country's economic sectors. Since its creation in 2009, the SME Excellence status has recognized companies of excellence, highlighting their financial strength and contribution to the economy. This seal of reputation is awarded annually by IAPMEI and Turismo de Portugal, in partnership with banking institutions, including Banco Montepio and the Sociedades de Garantia Mútua.

Banco Montepio Employees Meeting

In November 2024, Banco Montepio brought its Employees together in the Oficinas do Metro (Metro Workshops), where a journey on the "Linha Amarela" (Yellow Line) was recreated. At this meeting, the achievements of the last four years were celebrated and the strategy for the new cycle of the Banco Montepio Group was revealed.

PEOPLE

Banco Montepio began a new growth cycle in 2024. As part of the "Triple A" Strategic Programme in People Management, the focus will be on strengthening the brand, enhancing reputation, and developing talent, with the objective of promoting workforce rejuvenation and implementing measures to boost talent attraction and retention.

At the end of 2024, the Banco Montepio Group had a workforce of 2,983 Employees, a stabilisation trend compared to the number at the end of 2023, after the end of the Operational Optimisation Programme for Banco Montepio's workforce and the sale of Finibanco Angola, but incorporating rejuvenation measures, with staff departures, namely due to retirement, and young people joining through the trainee programme.

Banco Montepio Group Employees

	2022		2023		2024		Change 2024/2023	
	No.	%	No.	%	No.	%	No.	%
Domestic Activity	**3 193**	**94**	**2 983**	**100**	**2 983**	**100**	**0**	**0.0**
Of which: Banco Montepio [(1)]	3 043	89.3	2 860	95.9	2 864	96.0	4	0.1
Of which: Montepio Crédito	125	3.7	123	4.1	119	4.0	(4)	(3.3)
Of which: Montepio Investimento	25	0.7	0	0.0	0	0.0	0 -	
International Activity	**213**	**6.3**	**0**	**0.0**	**0**	**0.0**	**0**	**-**
Finibanco Angola (2)	213	6.3	0	0.0	0	0.0	0	-
Total	**3 406**	**100.0**	**2 983**	**100.0**	**2 983**	**100.0**	**0.0**	**0.0**

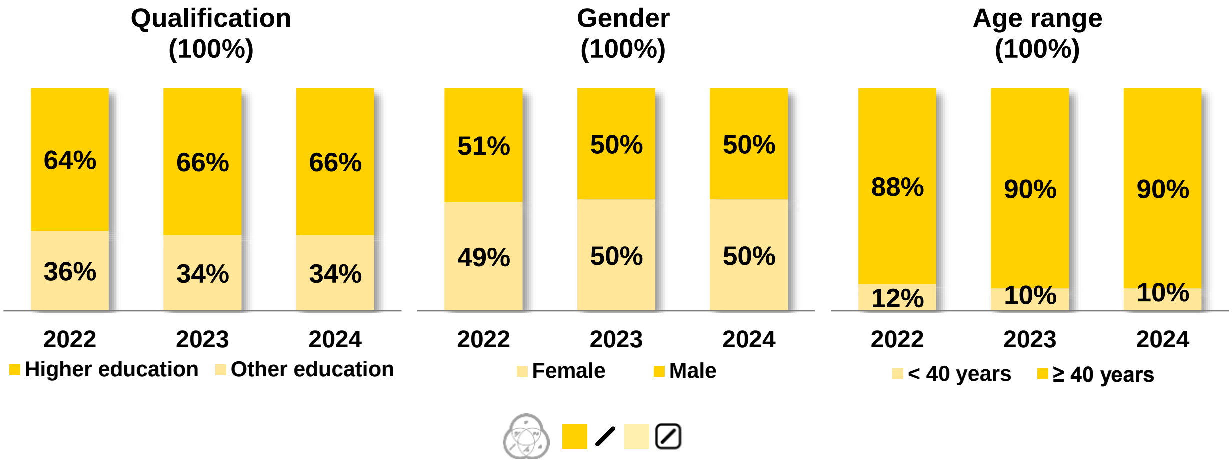
(1) Includes Employees from Representation Offices.

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

Employee qualification is one of the fundamental pillars for robust and sustained growth. At Banco Montepio, the percentage of Employees with higher education remained at 66% compared to the same period last year. The distribution of Banco Montepio Employees by gender at the end of 2024 once again shows the trend towards gender parity, with more equitable levels in which 50% are male and 50% are female.

Regarding the age structure, the percentage aged 40 and over already verified in 2023 is maintained: 90% of the total workforce.

Distribution of Banco Montepio Employees



TRAINING, DEVELOPMENT AND TALENT MANAGEMENT

In 2024, Banco Montepio ensured the implementation of training and development programmes that included 50,833 participants for a total of 123,083 training hours, covering 2,901 participants.

Banco Montepio Training Indicators

	2022 (1)	2023 (1)	2024 (1)	Change 2024/2023
Training hours	144 888	170 651	123 083	(27.9%)
Number of participants	3 083	2 882	2 901	0.7%
Number of participations	45 331	64 123	50 833	(20.7%)
Investment in training (thousand euros)	582.0	840.0	661.0	(21.3%)

(1) Includes Employees who were no longer on the headcount on 31/12/2024.

The context in which we currently live, as well as changes in the customer profile, pose challenges for institutions that result in the need for constant renewal and updating of knowledge (reskilling and upskilling), for an effective and differentiating response to the demands of the business and the market. In 2024, Banco Montepio continued to invest in internal and external training to consolidate knowledge of Agile work tools and data processing, as well as sponsoring training courses with external entities on more specific subjects in order to provide a more up-to-date and specialised performance.

RECOGNITION OF MERIT AND BENEFITS

In view of Banco Montepio's positive results, it was possible to reinforce annual variable remuneration for Employees, in the form of bonuses and/or incentives according to the type of functions, rewarding the contribution of Employees to the indicators achieved.

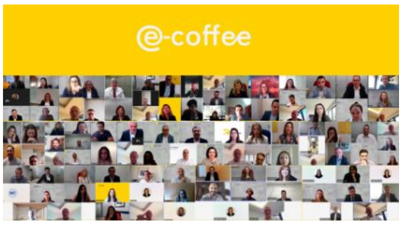
During the year 2024, the global offer of benefits for Employees of Banco Montepio was mapped: as a result, more than 60 available benefits were integrated, ranging from child support and education, health or leisure, and which seek to reconcile the balance between personal and professional life, responding to the needs and expectations of Employees according to the stage of life in which they are.

ORGANIZATIONAL CULTURE AND WELL-BEING

Banco Montepio believes that the well-being of its Employees is fundamental to individual development, job satisfaction, and the balance of professional and personal life and for this reason it regularly implements a range of organisational culture and well-being initiatives designed to foster a healthy, positive, and environmentally sustainable working environment, supporting team happiness and contributing to the overall success of the Institution.

In 2024, the following stand out:

- **E-Coffee with the CEO**, an initiative that brings together 6 of the Bank's Employees and the CEO every week, in an informal sharing of opinions and ideas about Banco Montepio and the banking sector, with 107 Employees heard in 2024, in 17 digital sessions;



- The **Erasmus** internal exchange programme is an initiative that aims to promote greater knowledge and connection between areas of Banco Montepio, in which about 40 Employees were able to have a 2-day experience in a placement of their choice, bringing together candidates from 13 different areas in 16 new placement areas;

- **M Talks**, sessions with external speakers which aim to bring inspiring and thought-provoking topics to the “Atmosfera M” space in Lisbon. In 2024, 2 sessions were held with the participation, on-site and online, of 29 Banco Montepio Divisions.

M Talk 'A question of (artificial) intelligence', with João Gabriel Ribeiro, director of Shifter, took place on 26 June 2024 in the auditorium of Atmosfera M, in Lisbon.

In response to the social and mental health issues faced by Employees, the Psychosocial Assistance Programme remained active, with integrated psychological and social monitoring. Banco Montepio once again offered the seasonal flu vaccine free of charge to all interested Employees and continues to maintain four dedicated wellness rooms within its central offices to support health and wellbeing activities. It also secures protocols, mostly in partnership with the Social Services, for alternative therapies, gyms, among others, in order to guarantee the offer in all geographies.

To celebrate the work and dedication of its employees and with the aim of contributing to their organisational happiness and quality of life, Banco Montepio took part in the 6th edition of the Semana do Bem Estar (Wellness Week), which included daily activities dedicated to the health and well-being of its Employees. The Montepio Group Semana do Bem Estar (Wellness Week) is an annual event that includes daily activities dedicated to the health and well-being of all Employees of the Group's companies and is organised by the safety and occupational health department of Montepio Serviços. A total of 1,362 Employees took part in 43 online and on-site activities.

CHANNELS, NETWORKS AND CUSTOMER RELATIONS

CHANNELS AND NETWORKS

On 31 December 2024, Banco Montepio had a network of 225 branches in Portugal.

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

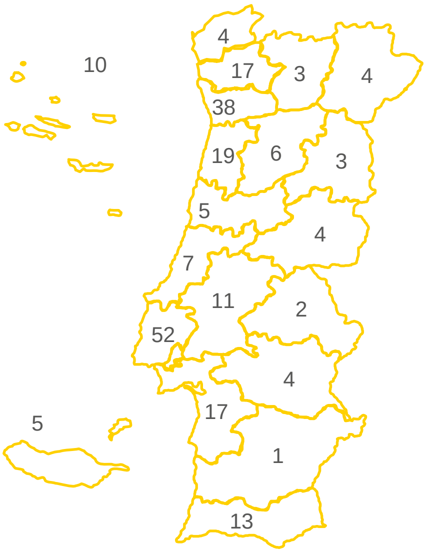
No. of Branches and Representation Offices

	2022	2023	2024
Domestic network - Banco Montepio	246	232	225
International network	20	0	0
Finibanco Angola [(a)]	20	0	0
Representation Offices	5	5	5

(a) Includes Corporate Centers. As of 30 June 2023 Finibanco Angola does not include the consolidation perimeter of the Banco Montepio Group.

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

Branches (by districts and autonomous regions)



Representation Offices

Toronto Newark Paris Geneva Frankfurt

In Retail Banking, on 31 December 2024, the network of Managers and Commercial Assistants totalled 218 and 617 Employees, respectively.

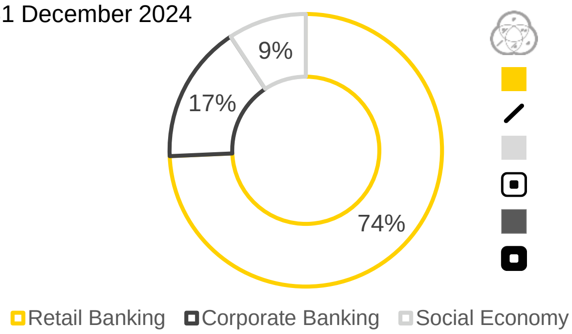
Banco Montepio's network of Customer Managers totalled 366 Employees at the end of December 2024, distributed between Retail Banking, Corporate Banking and Social Economy.

The distribution of Customer Managers by segment included the following distribution, thus continuing to offer a personalised service and proximity to the Customer, factors that characterise Banco Montepio.

- 144 related to Small Business;
- 53 allocated to Small and Medium-Sized Companies with a turnover of more than 4 million euros;
- 34 allocated to Institutional and Social Economy;
- 7 allocated to Large Companies (with a turnover of more than 150 million euros) and;
- 128 allocated to the Individuals segment.

Distribution of Customer Managers per Segment

31 December 2024



No. of Managers per Customer Segment

	2022	2023	2024	Change 2024/2023 Amount	Change 2024/2023 %
Retail Banking	**390**	**287**	**272**	**(15)**	(5.2)
Individuals	175	132	128	(4)	(3.0)
Small Business	167	155	144	(11)	(7.1)
Companies [a)]	48	0	0	0	-
Social Economy	**39**	**37**	**34**	**(3)**	(8.1)
Institutions and Social Economy [b)]	39	37	34	(3)	(8.1)
Corporate Banking	**29**	**62**	**60**	**(2)**	(3.2)
Total managers	**458**	**386**	**366**	**(20)**	**(5.2)**

a) Turnover up to 20 million euros.

b) Includes microcredit managers except 2024.

Note: Does not include preventive credit monitoring managers.

Growth and Relevance of Digital Channels

In 2024, Banco Montepio sustained consistent growth in the utilisation of remote channels, further consolidating the relevance of its digital offering. The Montepio24 service, which integrates the Bank's various digital channels, allows Customers to manage their accounts and day-to-day finances online. This service is continually evolving, with the aim of extending the operations available and improving the user experience.

At the end of 2024, Banco Montepio recorded a 7% increase in the number of active digital customers, compared to the same period last year. This growth was supported by an increase of 8% in the Individual Customers segment and 1% in the Corporate segment.

In addition, the number of transactions carried out through Montepio24 also grew by 18%, driven by the increase in the average annual number of digital transactions[1] carried out per active Customer[2], which rose from 105 in 2023 to 123 in 2024.

ACTIVE DIGITAL CUSTOMERS[2] (YoY) **+ 7%**

DIGITAL OPERATIONS[1] (YoY) **+ 18%**

[1] This includes fees for stock exchange orders, SEPA file processing, the NetGlobal service and transfers, fees for cards and checks ordered through digital channels and credit card cash-advance fees.

[2] Login in the last 90 days.

The Connect24 service, dedicated to open banking, which allows Customers to authenticate and authorize access to banking information and operations requested by third parties, also showed significant growth. In 2024, the number of transactions initiated through third-party platforms - from Third Party Providers (TPP) or other banks - increased by 169% compared to the same period last year, reflecting the growing adherence from Customers to open banking features.

The number of active digital Customers represented, at the end of 2024, more than 60% of Banco Montepio's total active Customers. This increase was particularly evident among Customers who opted for digital documentation, with 95% of Customers holding a current account choosing to subscribe to digital documentation, a trend that emphasises a strong preference for digital channels.

CUSTOMERS WITH DIGITAL DOCUMENTATION	(% OF CUSTOMERS WITH A CURRENT ACCOUNT)	95%	(YoY)	+ 1 p.p.

The mobile channel, through the M24 App, continued to grow, consolidating its position as the preferred channel for Customers to access their accounts online. In 2024, the number of accesses through this channel increased by 17%, while the number of transactions grew by 22% compared to the same period last year. The number of active digital mobile Customers also rose by 9%, now accounting for over 45% of the Bank's active Customer base.

ACTIVE DIGITAL CUSTOMERS[2] (% OF ACTIVE CLIENTS)	> 60%	ACTIVE DIGITAL MOBILE CUSTOMERS[2] (% OF ACTIVE CLIENTS)	> 45%

Banco Montepio’s Multibanco network had a total number of 982 automated teller machines (ATM) at the end of December 2024, a slight increase when compared to the previous year. The market share, in terms of number of machines, was 7.9%, in a national global network that amounted to 12,461 units. In terms of transactions, Banco Montepio's market share reached 8.4% in 2024.

In addition to this network, Banco Montepio is continuing to implement the renovation plan for the Chave24 machines, the internal ATM network present in the Bank's branches. This investment proposes to enhance the self-service capabilities of Customers at the branch, capitalising on the increasing technological capacity of this new generation of equipment.

86% of the Chave24 Park consists of state-of-the-art machines, known as VTMs (Virtual Teller Machines).

COMPLAINTS MANAGEMENT

Complaints management falls under the purview of the Organisation and Quality Division, which includes a dedicated unit, the Complaints Management Department, which ensures the receipt and handling of complaints, as well as the respective response to the Complainant and/or Supervisory Entities, operating within the framework of the Banco Montepio Group.

In 2024 there was a 5.3% reduction in the number of complaints filed, with a reduction in complaints filed with the supervisory entity.

Indicators on Complaints

	2022	2023	2024	Change 2024/2023 Amount	%
Total Complaints	**4 457**	**4 844**	**4 585**	**(259)**	**(5.3)**
Of which:					
Banco de Portugal	295	409	265	(144)	(35.2)
Complaints Book and Electronic Complaints Book	740	1 180	793	(387)	(32.8)

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

In line with its commitment to customer satisfaction, Banco Montepio was recognised as Marca Recomendada 2024 (Recommended Brand) by Portal da Queixa (Complaint Portal). This distinction, which is the sole responsibility of consumers, reinforces Banco Montepio's commitment to customer satisfaction, especially in the area of complaints management.

TECHNOLOGY AND INNOVATION

In 2024, Banco Montepio maintained its focus on continuously improving its value proposition for Customers and increasing internal operational efficiency. This effort was based on the integration of innovation, quality and best practices processes in strategic areas, including Customer experience, security, data processing and ESG principles.

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

Among the various innovation and operational improvement initiatives that have been implemented, the following are highlighted:

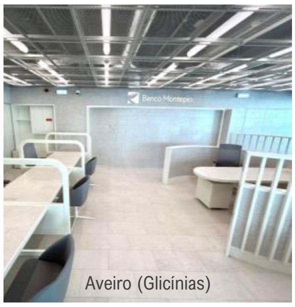
- A **new online account opening journey using the Chave Móvel Digital (CMD)** (Digital Mobile Key), enabling customers to open a bank account 100% digitally in just 5 minutes, without the need to manually submit supporting documents;
- A **new online journey for joining and recovering access to Montepio24**, **also using the Chave Móvel Digital (CMD)** (Digital Mobile Key), which allows Customers to join the digital channels or recover their access data in minutes, autonomously and without having to go to the branches;
- **Strengthening the security of the APProva App**, whose subscription is now made with the access credentials to Montepio24, enhancing the levels of adhesion and use of this App in the authentication of online operations (transactions in Montepio24 channels and online purchases with cards);
- **Launch of the online registration day for the *Bem Bom* Competition**, which allowed Customers with permanent mortgage loans from Banco Montepio to register for the competition on a weekly basis;
- **Launch of the BM Collection portal for Branches,** a tool provided to the branches, designed to enhance management and efficiency in the acquisition of prestigious products promoting the optimisation of resources while improving the experience for both Customers and Employees.

- **Evolution of the service at the new Chave24 machines** (Banco Montepio's internal ATM network), with the provision of new banking operations, such as checking credit card balances and movements, cash-advance or setting up and strengthening savings;
- **3D Secure authentication (SMS + ePIN) and the Confirmation of Payee (CoP) feature**, which increase security in online purchases with cards and transfers, automatically identifying the beneficiary's name associated with the IBAN. Banco Montepio has also launched SPIN, a service from Banco de Portugal that simplifies and accelerates bank transfers, enabling Customers to initiate transfers by providing the recipient's mobile phone number for individuals or the legal person identification number (NIPC).
- **Launch of the new pet-friendly branches**, with the opening of the first two branches in Benfica (Fonte Nova) and Aveiro (Glicínias), starting a new generation of more inclusive branches, adapted to people with reduced mobility and that permits entering with pets. It also provides the possibility of personalised service through appointment, self-service in the new, next generation Chave24 and strengthens the commitment to sustainability by focusing on Portuguese cork as a key element in the decoration.


Benfica (Fonte Nova)


Benfica (Fonte Nova)


Aveiro (Glicínias)


Aveiro (Glicínias)

- **Development of Artificial Intelligence (AI) and Generative AI solutions** to improve the Customer and Employee experience. The primary objective of employing this technology is to enhance productivity and operational efficiency by automating and optimising processes, all while ensuring data privacy and security. In 2024, Banco Montepio expanded the use of Generative AI, introducing innovative solutions that complement traditional AI, driving the digital transformation of the Institution. Among the main initiatives are access to information through natural language, allowing quick responses from large volumes of structured (database) and unstructured (documents) data. It is also utilised for the automatic creation of technical documentation and the extraction of information from documents, thereby accelerating the automation and digitisation of critical processes. The Bank is committed to innovation and continuous improvement of services, taking advantage of new technologies to generate value, while also reinforcing security and compliance with industry best practices and the AI Act regulation.

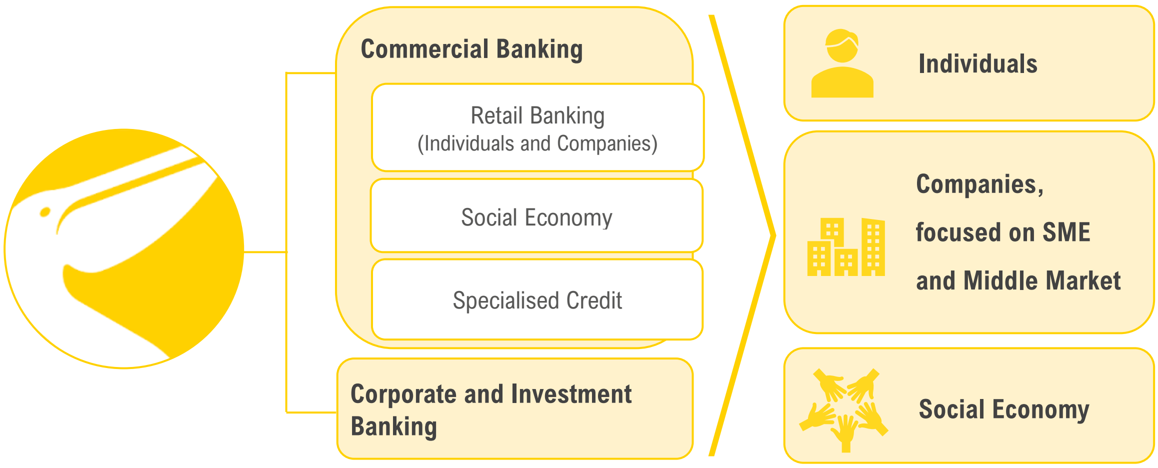
BUSINESS SEGMENTS

The Banco Montepio Group develops a range of banking and financial services activities with a focus on retail banking, currently operating solely in Portugal. The business segments reflect the organisational and management model of the Banco Montepio Group, which encompasses Commercial Banking, which includes Retail Banking, Social Economy and Specialized Credit - which includes the consumer credit business developed essentially through Montepio Crédito – and Corporate and Investment Banking, as well as complementary services, provided through SSAGIncentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

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

Banco Montepio provides a comprehensive range of banking products and financial services that encompass all aspects of universal banking. This includes deposit-taking, lending, and financial services for both companies and individuals, as well as custody and the distribution of medium- and long-term savings solutions. These solutions include Mutual Savings Modalities, Retirement Savings Plans, Pension Funds, Investment Funds, and Life and Non-Life Insurance, among others.

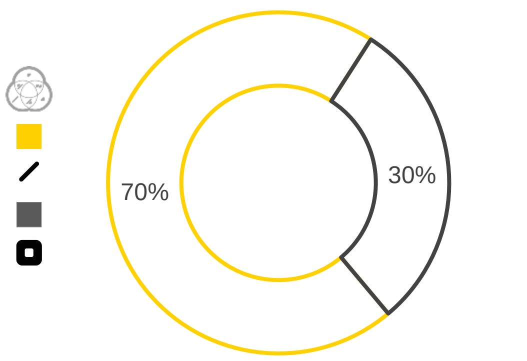
Business segments of the Banco Montepio Group



As at 31 December 2024, Banco Montepio had a network of 225 branches operating in Portugal, serving 1,315 thousand Customers, of which 167 thousand are Companies and 1,148 thousand are Individuals, with market shares above 5% in deposits and in loans granted to Customers.

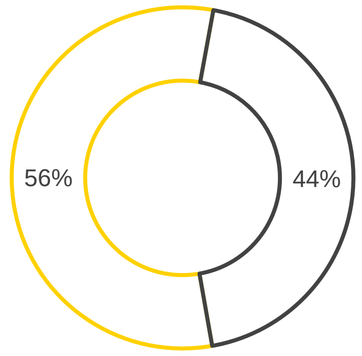
Banco Montepio's Customer deposits amounted to 15.0 billion euros, reaching an all-time high, with Individual Customers accounting for 70% of this amount, and Customer Loans (gross) amounted to 12.2 billion euros, divided by 56% of Individual Customers and 44% of Companies and Institutional Customers.

Customer deposits breakdown
31 December 2024



Individuals Companies and Institucional

Loans to Customers (Gross) breakdown
31 December 2024



Individuals Companies and Institucional

The year 2024 was marked by significant dynamism in term deposits, characterized by frequent adaptation across the entire banking sector, in a context of changing macroeconomic conditions and the start of a new monetary policy cycle, which led to active management of pricing and overall offer by Banco Montepio.

Several term deposits were launched to maintain competitiveness, thus enabling the retention and raising of new funds in the Individuals, Companies and Social Sector segments. The dynamism of Banco Montepio's offer has led to an increase in market share regarding total deposits, rising to 5.3% in 2024, an increase of 15 b.p. compared to the same period last year. This growth follows a similar increase in the previous year. In fact, for the second year running, Banco Montepio was the best-performing Institution in the Portuguese market in terms of the evolution of the total deposit portfolio, which resulted in significant gains in market share, along with adequate price control, boosting the overall net interest income through increased liquidity.

The main highlights of 2024 are presented below with respect to the Banco Montepio Group's offer of financial products and services by business segment.

MEANS OF PAYMENT

In 2024, Banco Montepio's total number of point of sale (POS) terminals reached 26,693 installed units. On that date, Banco Montepio's market share in terms of the number of POS terminals stood at 5.2%, with the POS terminals available in the national market of the SIBS Global Network reaching 516,298 units, a variation of 6% compared to 2023.

In 2024, the Bank commenced the issuance of cards featuring a chip that enables contactless payments at all POS terminals in Portugal, extending beyond those that only accept the international VISA and Mastercard networks.

In addition, Banco Montepio maintained its focus on the principles of Sustainability, continuing its participation in the Merece programme. In 2024, around 1,750 kgs of cards were recycled, which corresponds to 35,000 cancelled cards.

With regard to fraud management, the following developments stand out in terms of uptake of new services and solutions:

- **Live Anti Fraud Confirmation:** this is SIBS Paywatch's service for screening Customers for fraudulent card transactions. This service enhances the Customer experience by providing quick and efficient contact, facilitating the consequent normalisation or cancellation of the card as needed.
- **Visa Advanced Authorisation (VAA):** a solution provided by Visa, designed to strengthen the security and efficiency of electronic card transactions. Based on AI and real-time analytics, VAA continuously evaluates each transaction to identify potential fraud, contributing to the protection of customers, card issuers and businesses.

The instant transfer service allows Banco Montepio Customers to send money to other bank accounts, with funds credited to the destination in 10 seconds. This service, provided by national and European banks, is expanding and will become mandatory in October 2025, and is anticipated to become the primary method of transferring money in the future. By October 2025, all financial institutions that offer traditional SEPA transfers will be obliged to offer instant transfers. In 2024, Banco Montepio recorded a 23% increase compared to 2023 in the number of immediate transfers made.

INDIVIDUAL CUSTOMERS

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

In 2024, to commemorate the 180th anniversary of Banco Montepio, several initiatives were carried out. In the scope of Savings, the launch of the 180 Anniversary Savings Term Deposit stands out, with a term of 180 days, non-renewable and with an interest rate of 3.40%. The launch took place on the day of the anniversary, March 24, and was available for subscription for a month.

ACTION TO ATTRACT YOUNG CLIENTS

In pursuit of the goal of attracting younger customers, a campaign was launched in June 2024 to coincide with World Children's Day. Additionally, another campaign was held in October 2024 for World Savings Day, aimed at encouraging savings during the Christmas season and promoting the iconic Banco Montepio Money Box.

STRUCTURED DEPOSITS

In 2024, Banco Montepio continued to strengthen its offer of structured deposits, launching five deposits aimed at diversifying its offer to customers in products with guaranteed capital:

- **Banco Montepio Empresas Globais March 2024**, structured deposit with a term of 2 years, cannot be withdrawn early, in euros, with guaranteed capital at maturity and remuneration dependent on the performance of a basket of 4 shares of international companies.

- **Banco Montepio Empresas Blue Chip May 2024**, structured deposit with a term of 2 years, cannot be withdrawn early, in euros, with guaranteed capital at maturity and remuneration dependent on the performance of a basket of 4 blue-chip company shares.
- **Banco Montepio Cibersegurança July 2024**, structured deposit with a term of 2 years, cannot be withdrawn early, in euros, with guaranteed capital on maturity and remuneration dependent on the performance of a basket of 4 shares in companies offering solutions in the field of cybersecurity.
- **Banco Montepio Cabaz Banking & Motor Brands October 2024**, structured deposit with a term of 2 years, cannot be withdrawn early, in euros, with guaranteed capital at maturity and remuneration dependent on the performance of a basket of 4 shares of companies operating in the banking and automotive sectors.
- **Banco Montepio Cabaz Tecnologia November 2024**, structured deposit with a term of 2 years, cannot be withdrawn early, in euros, with guaranteed capital on maturity and remuneration dependent on the performance of a basket of 4 shares in companies offering solutions in the technology field.

INVESTMENT FUNDS

As part of its Investment Funds offer, Banco Montepio distributes 13 Securities Investment Funds managed by Montepio Gestão de Activos, SGOIC, S.A. and 2 Real Estate Investment Funds, the *Fundo Valor Prime* (Prime Value Fund) and *Fundo VIP* (VIP Fund), managed respectively by Sociedade Gestora Montepio Gestão de Activos, SGOIC, S.A. and SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

In 2024, three funds managed by Montepio Gestão de Activos were distinguished with the Awards for Best Funds, by the Associação de Fundos de Investimento, Pensões e Patrimónios (APFIPP) in partnership with Jornal de Negócios:

- "Melhor Fundo de Investimento Imobiliário" (Best Real Estate Investment Fund) Award for the third consecutive year for the Fundo de Investimento Imobiliário Valor Prime (Prime Value Real Estate Investment Fund);
- "Melhor Fundo de Curto Prazo" (Best Short-Term Fund) Award for the Fundo Montepio Tesouraria (Montepio Treasury Fund);
- "Melhor Fundo de Ações" (Best Equity Fund) Award for the Fundo Euro Financial Services (Euro Financial Services Fund).

RETIREMENT SAVINGS PLAN

Banco Montepio ensures the distribution of the *PPR/PPA* (Retirement Saving Plans / Equities Saving Plans) and Pension Funds of Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

In 2024, four quarterly campaigns were carried out, with the aim of encouraging subscriptions by current Customers, as well as attracting new Customers, especially among younger people (up to 35 years old), through online subscriptions and the promotion of transfers from external entities to Futuro PPR (Retirement Saving Plans).

- **"Todos os meses contam." (Every month counts)**
- **"Há mais futuro à sua espera" (There's more to come)**
- **"O seu futuro em boa forma" (Your future in good shape)**
- **"O futuro é já amanhã" (The future is already tomorrow)**

MUTUAL SAVINGS MODALITIES

Banco Montepio distributes savings and protection solutions from Montepio Geral - Associação Mutualista (MGAM), exclusively to its associate members. Due to its unique mutual nature, it is a distinctive and unique offer on the market.

Several stimulation actions were carried out during 2024 with a view to capturing and/or retaining associate members and distribution of the savings products offered, particularly including the monthly distribution of the Poupança Mutualista Prazo 5.1 (Mutualist Term Saving 5.1) series. 2024-2029, medium/long-term capitalisation modality.

PUBLIC SUBSCRIPTION OFFERS

In the first half of 2024, Banco Montepio, participated as a Placement Entity in several Public Bond Subscription Offers (OPS) / Bond Exchange Offer (OPT) operations of distinguished entities, offering its Customers an opportunity to diversify their investments:

Public subscription offers

- OPS "Obrigações Verdes Greenvolt 2024-2029"
- OPS "Sporting SAD 2024-2027" and OPT "Sporting SAD 2021-2024"
- OPS "Benfica SAD 2024-2027" and OPT "Benfica SAD 2021-2024"
- OPS-OT "Mota-Engil 2024-2029"
- OPS "FC Porto SAD 2024-2027"
- OPS "Obrigações Vista Alegre 2024-2029"
- OPS "Obrigações ligadas a Sustentabilidade CUF SGPS 2024-2029"
- OPS "Obrigações SIC 2024-2028" and OPT "Obrigações SIC 2021-2025"
- OPS/OPT "Sporting 2024-2028"

INSURANCE

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

In 2024, the initiatives regarding insurance include the update of the conditions of life insurance associated with mortgage credit, the realisation of two campaigns for dynamization of car insurance, Montepio Flex Auto Insurance, with more competitive tariff conditions valid for contracts made during the campaign period.

MORTGAGE LOANS AND MULTIFUNCTIONAL CREDIT

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

Pursuing its goal of increasing in size and strengthening its positioning as a specialist bank in mortgage loans and considering that the relevant factors in choosing this product are price, service and the relationship established between the Bank and the customer, Banco Montepio continued to strengthen the quality of its offer in this area, promoting solutions with differentiating conditions in the market and offering variable, fixed or mixed rate modalities

During 2024, Banco Montepio maintained a competitive offer, as well as a series of actions that contributed to providing a unique offer in the market, such as the Worten Campaign and Transfers from Other Credit Institutions. Under the celebration of its 180th anniversary, Banco Montepio pursued yet another initiative to help Portuguese families with mortgage loans, the *Bem Bom* Competition.

Banco Montepio adhered to the public guarantee under Decree-Law 44/2024 of 10 July 2024, with a view to making it possible to grant permanent mortgage loans to young people up to the age of 35.

Worten Campaign	Member Get Member Action
Allocation of 1% of the contracted value (or 1.1% if the real estate property has an A+ or A energy certificate), in a prepaid card to use at Worten.	Allocation of 300 euros (up to a maximum of 1,500 euros) in a prepaid card to customers who successfully recommended Banco Montepio's mortgage loan product to friends/relatives. When taking out a mortgage loan, the friends/relatives also receive a prepaid card of 300 euros.
Transfers from Other Credit Institutions	***Bem Bom***
If a mortgage loan is transferred to Banco Montepio, after finalising the contract, this Bank will return the value of the initial fees, commissions and costs inherent to the transfer, up to the maximum amount of 780 euros.	A competition held together by Banco Montepio and Rádio Comercial that awards customers with mortgage loans on a weekly basis, through the award of a prize of 1,500 euros per month, for an entire year, in the form of a prepaid card to support house-related expenses.

PERSONAL LOANS

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

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

Banco Montepio also maintained its concern with Support for Training/Education, namely with the partnership with Academia de Código.

COMPANIES

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

CREDIT

In 2024, Banco Montepio strengthened its operations in this segment, providing credit lines in partnership with the main stakeholders such as Banco Português de Fomento (BPF), Turismo de Portugal (TP) and the Instituto de Financiamento da Agricultura e Pescas (IFAP), in order to support and empower Portuguese companies for the emerging challenges of topics such as sustainability, energy transition, capitalisation and competitiveness

Highlighting the renewal of the “Linha de Apoio ao Turismo 2021” (Tourism Support Line 2021), the renewal of the “Linha de Apoio à Qualificação da Oferta” (Offer Qualification Support Line) and the "Treasury Credit Line – Agricultural Sector II – 2024", the “Linha Apoio ao Turismo + Sustentável” (Tourism + Sustainable Support Line) and the InvestEU Programme, including the BPF InvestEU Lines for Sustainable Urban Mobility, Research, Innovation and Digitalisation, Sustainable Investment, Investment and Working Capital.

Also, within the InvestEU Programme, but in partnership with the Fundo Europeu de Investimento (FEI) (European Investment Fund), Banco Montepio maintained its commitment to facilitating access to European Funds, with better financing conditions, also for entities in the Social Sector, providing the FEI InvestEU - Social Entrepreneurship Line and thus reinforcing its position in the Social Economy.

Renewal of the Tourism Support Line 2021

Aimed at broadening the range of solutions currently offered to support the sustainable recovery of Tourism, namely by reinforcing the working capital of its agents and stimulating relevant investments for the sector.

Renewal of the Offer Qualification Support Line

With a further 300 million euros to finance investment projects of tourism sector companies, which are especially embodied in the regeneration of tourism enterprises, in the creation of innovative tourism enterprises, in tourist entertainment and restaurants, and in tourism entrepreneurship projects.

Cash Flow Credit Line – Agricultural Sector II 2014

A line created to deal with declining income of agricultural sector operators, with an allocation of 50 million euros and subsidised interest, thus enabling access to the financial resources required for the sound performance of the sector’s operators.

+ Social Impact Line

A line amounting to a total of 139 million euros, with financial benefits and directed at supporting treasury needs of Social Economy Entities (EES) and other non-profit making social entities.

BPF InvestEU - Sustainable Urban Mobility

For investment in the adoption of sustainable forms of passenger transport, fleet renewal and vehicle acquisition, as well as the necessary adaptation of energy networks.

BPF InvestEU - Research, Innovation and Digitalisation

711 million for investment in research, innovation and digitalisation.

BPF InvestEU - Sustainable Investment

1,280 million to support the reduction of the carbon footprint and the adoption of circular economy principles.

BPF InvestEU - Investment

640 million to support fixed investment needs.

BPF InvestEU – Working Capital

640 million to support structural working capital needs.

FEI InvestEU Line - Social Enterpreneuship

Line to support financing, both for investment and for cash-flow needs, for micro-enterprises and Social Economy Entities (SEEs).

SERVICES

Banco Montepio supports consortium with Green Bond issues

Banco Montepio advised the consortium led by I-Sete and Amener on the structuring of two Green Bond issues, both by private and direct offer.

The "I-VINTE SEIS 2024 - 2033" and "ALENTEJO CENTRAL SMARTLIGHT 2024 - 2031" bond issues were aimed at supporting the consortium's projects in the area of energy efficiency management in the public lighting systems of the municipalities of Setúbal and the 14 municipalities that make up the Alentejo Central

Intermunicipal Community, respectively, with the aim of contributing to the carbon neutrality of these municipalities.

These issuances, certified as Green Bonds, comply with the conditions established in the "Green Bond Principles", published by the International Capital Market Association, according to the Second Party Opinions issued by an independent external entity that considers that these projects contribute to SDG 7 – Affordable and Clean Energy and SDG 9 – Industry, Innovation and Infrastructure.

Acting as Global Coordinator, and as an investor, the Banco Montepio Group took responsibility for organizing and setting up the operations and subscribing the issue.

Banco Montepio supports TMG Automotive in the first issue of Sustainability-Linked Bonds

In May 2024, Banco Montepio advised TMG Automotive on the structuring of its first issuance of Sustainability-Linked Bonds, by private and direct offering.

The conditions of the “SUSTAINABILITY-LINKED BONDS TMG AUTOMOTIVE 2024-2028” are tied to sustainability objectives aimed at reducing the intensity of direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions, as well as increasing the proportion of sales of products containing more than 25% renewable carbon.

The sustainability goals were defined by TMG Automotive in its Sustainability-Linked Financing Framework, complying with the conditions set out in the "Sustainability-Linked Bond Principles" published by the International Capital Market Association, according to the opinion issued by an independent external entity, under which the issuance was carried out and are part of the Group's sustainability approach that aims at a circular and carbon neutral business model.

Acting as Global Coordinator, and as an investor, Banco Montepio took responsibility for organizing and setting up the operation and subscribing the issue.

SOCIAL ECONOMY

The Social Economy, supported by various entities within the sector and encompassing diverse functions, engages with an increasingly broad spectrum of Portuguese society. It positions itself as a significant contributor to job creation and the enhancement of socio-economic conditions for families.

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

Banco Montepio is the only bank in Portugal with a Commercial Division dedicated exclusively to Social Economy and Solidarity Entities

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

As a result of the work carried out by the commercial teams, Banco Montepio ended 2024 with a penetration rate of 28% among Social Economy and Solidarity Customers segments (with a social purpose), thus continuing to implement the strategy of continuous specialised monitoring of the Social Sector Customer base as a differentiating pillar.

As such, the Bank provides unique solutions, examples of which are the ESocial Solution, an integrated solution of products, services and exclusive advantages for EESS, the Acordo (Agreement) Account, an overdraft facility (exclusive ceiling) for private social solidarity institutions (IPSS) that facilitates cash management, and the Voluntariado (Volunteer) Insurance, personal accident insurance, illness and civil liability – mandatory for all institutions that rely on the collaboration of volunteers.

As a reference financial partner, the commercial relations between Banco Montepio and the EESSs allow the continuation of commercial protocols that make a difference in society and in the activity of these institutions, highlighting those with the representative structures of the Social and Solidarity Economy, which give access to a set of benefits and advantages in Banco Montepio products and services, examples of which are the protocols with the "União das Misericórdias Portuguesas" (UMP) (Union of the Portuguese Misericórdias), the "Confederação Nacional das Instituições de Solidariedade" (CNIS) (National Confederation of Solidarity Institutions), the "Federação Nacional de Cooperativas de Solidariedade Social" (Fenacerci) (National Federation of Social Solidarity Cooperatives) and the "Liga dos Bombeiros Portugueses" (LBP) (League of Portuguese Firefighters), among others.

Support to the Public Sector

With an emphasis on public administrations and the entire entrepreneurial sector of total or majority-held public capital, this is an area monitored by DCESSP. Through dedicated monitoring, Banco Montepio has an active participation in public tenders, and in this area, awards have been made to Banco Montepio and proposals for global involvement that stem from the strategy of Customer loyalty and expansion of the Customer base.

Support to Entrepreneurship and Social Innovation

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

As a Social Entrepreneurship Partner, Banco Montepio actively participates in various dynamics of development of technology-based and innovative ideas, projects and business ventures. In particular, the partnership with the "<Academia de Código_>" (Code Academy), a project aimed at providing a social experience through boot camps on computer language.

In order to help all those who want to "<re>programme" their life by enrolling in these boot camps, Banco Montepio created the "Linha de Crédito Code Academy" (Code Academy Credit Line), specifically to support the students (<Code Cadets>) who attend the boot camps in Lisbon, Porto and online.

As part of the partnership established and, consequently, investment in the Code Academy Credit Line, Banco Montepio provided support throughout 2024:

Financing	€148,000	Code Academy students funded	28

Microcredit

In 2024, Banco Montepio made the following products available to clients with an entrepreneurial spirit and a desire to create their own business.

Entrepreneurship and Own Job Creation Support Line (LAECPE)

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

E.mpreendedor solution

Banco Montepio's solution for business ventures that are less than 2 years old, providing a selection of integrated products and services to support the business.

E.mpresário solution

A solution that supports companies at the growth stage and includes a selection of integrated products and services to keep the business on the right track.

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

Regarding financing from an overall perspective of stimulation, in 2024, through its "Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego" (LAECPE) (Entrepreneurship and Own Job Creation Support Line), composed of two distinct credit lines (Microinvest and Invest+), Banco Montepio supported:

Projects	Financing	Jobs
> 90	€2,194,529	140

Banco Montepio's active participation in topics related to the Social Economy, Microcredit and Entrepreneurship and Social Innovation gave rise to several actions carried out in 2024:

XVII National Start Up Competition

Banco Montepio participated as juror in the Junior Achievement Portugal (JAP) event under university education – the XVII National Competition of the Start Up Programme (SUP).

This competition represents the final stage of the SUP, through which, throughout an entire academic year, more than 1000 university education students experiment in creating and managing a company, with the support of teaching staff and JAP volunteers.

The programmes 25 teams, selected in previous competitions, gathered together on that day. Approximately 125 students were given the opportunity to present and defend their business ideas before a panel of outstanding jurors. The winning team will represent Portugal at Gen-E 2024.

CNIS XVII Festa da Solidariedade

The CNIS Festa da Solidariedade takes place every year and is a moment to affirm voluntary work and recognise local communities.

The protocol ceremony of the XVII CNIS Festa da Solidariedade marks the end of the week of celebrations and promotes a meeting place for IPSS (Private Institutions of Social Solidarity), where they can socialise, exchange ideas, publicise initiatives and showcase good practices in social, cultural and recreational support.

União das Misericórdias Portuguesas Protocol

Banco Montepio renewed its protocol with the União das Misericórdias Portuguesas (UMP), strengthening their existing partnership relations.

Due to Banco Montepio's differentiated focus on the social economy, this protocol gives rise to a series of advantageous conditions for employees of the UMP and Misericórdias, with Banco Montepio having provided access to several personalised products and services.

Forum "Ser Dirigente de IPSS – Desafios"

The Forum held by UDIPSS Porto on the theme 'Being an IPSS Director - Challenges' took place at the Dr António Cupertino de Miranda Foundation in Porto and was well attended.

Banco Montepio supported the initiative and was present on the conference panels, discussing the challenges inherent in the position of Board Member and presenting solutions to them, such as the proposal to create the 'Statute of the Voluntary Member of the Board of Directors of IPSS'.

Pirilampo Mágico (Magic Firefly) 2024 Campaign

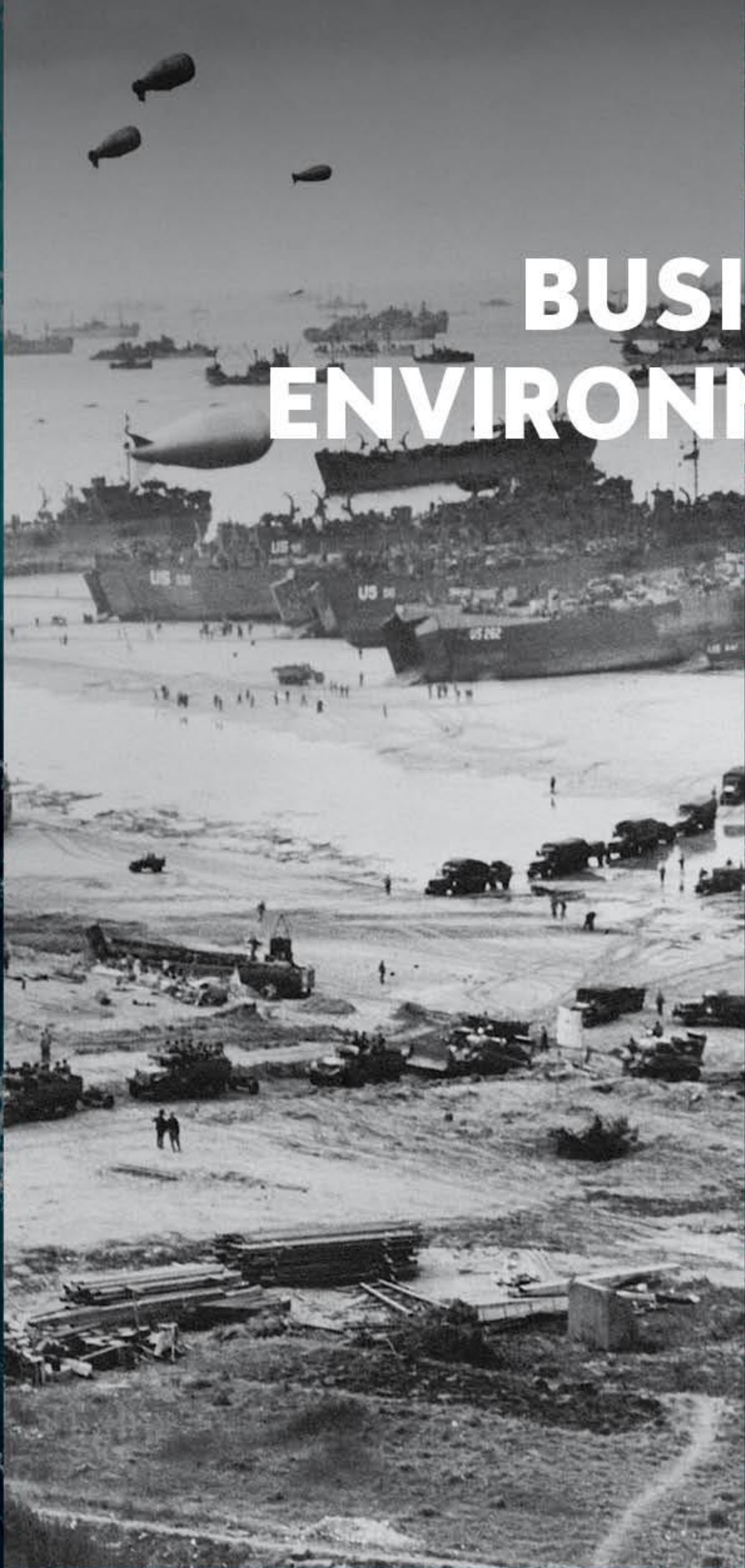
One of the greatest national symbols of solidarity – the Pirilampo Mágico (Magic Firefly) – returned under the motto "A Magia da Solidariedade" (The Magic of Solidarity). The Magic Firefly Campaign was promoted by FENACERCI and has been supported by Banco Montepio since 2017. The initiative is intended to support children, young people and adults with intellectual disabilities and/or multi-disabilities and aims to raise funds for the CERCIs, FENACERCI members, and other similar organisations.

7th Meeting of the IPSS of the District of Guarda

The theme of the initiative was 'Social sector and interiority - Resilient competences and strategies in social intervention in the interior of the country', with around 250 participants and several leading organisations in the social sector.

Various issues related to the social sector were debated, including the issue of human resources in the IPSS, intervention strategies in inland territories and the problems of ageing and mental health.

04. BUSINESS ENVIRONMENT



1944

The Caixa Económica – now Banco Montepio – was celebrating its centennial when, on March 26th, a landing in Normandy sent a message of hope to the world. The date would become known as D-Day, or, in other words, the beginning of Europe's liberation.

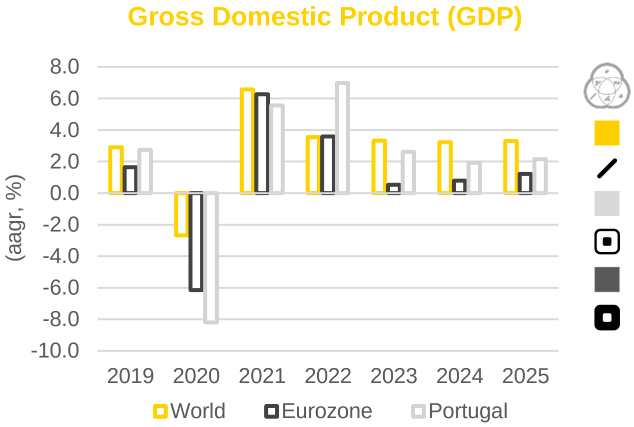
BUSINESS ENVIRONMENT

ECONOMY

World Economy

The year 2024 was characterised by the continued resilience of economic activity, despite a challenging geopolitical and economic environment, contradicting initial negative expectations, and this resilience was particularly notable in the context of the yield curve in the USA, which had reached sharply negative levels in 2023, resembling patterns observed prior to previous recessions.

On top of the unfolding military conflicts in Eastern Europe and the Middle East and the navigation problems in the Red Sea towards the end of the year, the fears surrounding the two largest economies in the Eurozone, Germany and France, worsened, conditioned by the political instability observed in both countries and by concerns about the impact of the protectionist measures of the new USA President, Donald Trump, on exports, especially in Germany, and, in the case of France, also by the worsening risk of a financial crisis, resulting from the high budget deficit estimated for 2024.



Source: Thomson Reuters, Montepio (GEEF) e IMF.

From an economic perspective, inflationary pressures continued to ease (despite the increase in the final months of the year, both in the Eurozone and in the USA, mainly due to base effects on energy prices). This context thus made it possible to the start of a new downward cycle for reference interest rates, despite the fears of global recession that hovered over much of the year, and which intensified during the summer after some weaker data from the USA labour market.

In the update of the World Economic Outlook (WEO) on 17 January, the International Monetary Fund (IMF) maintained its estimates for global economic growth in 2024 at 3.2% (vs. +3.3% in 2023), slightly revising the forecast for 2025 upwards to 3.3%, and maintaining the forecast for 2026 at 3.3%, but highlighting geographical divergences in the economic outlook. For the USA, growth forecasts have been revised upwards, (from +2.2% to +2.7% for 2025 and from +2.0% to +2.1% for 2026), while in contrast, forecasts for the Eurozone have been adjusted downwards for 2025 and 2026 (from +1.2% and +1.5% to +1.0% and +1.4%, respectively). In the Eurozone, the downward revisions to the GDP growth forecasts for Germany and France for 2025 (by -0.5 p.p. and -0.3 p.p., respectively, to +0.3% and +0.8%) stand out.

Despite the sharp upward revision of the USA growth forecast in 2025, the IMF identifies high risks in the long term for the country's economy, with the expected policies of the Trump Administration, which include the possibility of de-anchoring inflation expectations.

With regard to China, the IMF has also revised its growth forecast upwards to 4.6% for 2025 and 4.5% for 2026, for India, the growth projections remain at 6.5% for both 2025 and 2026, for Russia 1.4% for 2025 and 1.2% for 2026, and for Brazil 2.2% for 2025 and 2026.

The IMF says that the strong uncertainty over trade policies as a result of the threat of tariff hikes will cause a slowdown in the pace of global trade, from 3.4% to 3.2% this year, with immediate and disproportionate negative impacts on investment by the companies most dependent on international trade flows. Even so, it expects transitory effects, partially offset by some movement in anticipation of orders, forecasts that do not yet assume any policy measure by the new USA Administration.

Concerning global inflation, the IMF forecasts a slowdown from 5.7% in 2024 (+6.7% in 2023) to 4.2% in 2025 (revising its October 2024 forecast downwards by 0.1 p.p.), projecting a further decline for 2026, with an expected rate of 3.5% (+3.6% in previous forecasts).

Economy of the Eurozone

The Eurozone was impacted by the weak performances of the region's two largest economies: Germany and France, with average annual growth of 0.8% in 2024. Thus, following the slowdown of the Eurozone economy in 2023 as a whole, to a growth of 0.5% (+3.6% in 2022 and +6.3% in 2021), conditioned by the context of high inflation with repercussions on interest rates, which reached historically high levels, the easing of these factors throughout 2024 permitted the economy to accelerate slightly, but still at a reduced growth rate.

The region's largest economy experienced another contraction in 2024 (-0,2%), marking the second consecutive year of negative growth (-0.1% in 2023), affected by the post-pandemic decline in international industry, increasing competition from Chinese manufacturers in higher value-added sectors, and, more recently, political instability within the country and the concerns regarding the potential impact of the new USA President Donald Trump's protectionist measures on German exports.

The risks for France also worsened at the end of 2024, both as a result of the political crisis and the increased risk of a financial crisis as a result of the country's high deficit levels (around 6% of GDP), increasing the downside risks surrounding the outlook for the region. However, a further acceleration of economic growth in the Eurozone is expected in 2025, although the outlook remains surrounded by a high level of uncertainty, with the European Commission (EC)[3] projecting growth of 1.3%, above the 1.0% forecast by the IMF[4] and the Organisation for Economic Cooperation and Development (OECD)[5] and the 0.9% anticipated by the ECB[6].

In 2024, the downward trend in inflation that began at the end of 2022 continued, reaching 1.7% in September, the only month in which year-on-year inflation fell below the ECB's target of 2%. However, inflation increased thereafter, primarily due to base effects in energy prices. Year-on-year inflation thus closed the year 2024 at 2.4%, still above the inflation target, but below the 2.9% seen at the end of 2023 and a long way from the peak of 10.6% in October 2022. In average annual terms, inflation fell from 5.4% to 2.4% in 2024 and is expected to continue its downward trajectory throughout this year, and is estimated to reach 2.1% in 2025, despite the upside risks arising from the ongoing military conflicts in the Middle East and Eastern Europe and the increase in protectionism.

Against the backdrop of a continued downward trend in both general and underlying inflation, the ECB commenced its anticipated cycle of cuts to key interest rates in June 2024, reducing the interest rate applicable to the main refinancing operations (refi rate) from 4.50% to 4.25%, while the deposit facility rate was lowered from 4.00% to 3.75%, with further cuts in the September, October, and December meetings, rates closed the year at 3.15% and 3.00%, respectively (compared to 4.50% and 4.00% at the end of 2023). Additionally, the spread between the two reference rates narrowed from 50 b.p. to just 15 b.p..

Portuguese Economy

In 2024, there was a further slowdown in the Portuguese economy, which, in average annual terms, recorded GDP growth of 1.9%, after having advanced by 2.6% in 2023 and 7.0% in 2022. However, the Portuguese economy managed to grow more than the Eurozone, essentially supported by the behaviour of private consumption, with the growth observed being slightly above the forecasts of the main bodies.

[3] As at 15 November 2024.
[4] As at 20 January 2025.
[5] As at 17 March 2025.
[6] As at 06 March 2025.

Looking ahead to 2025, Portugal's GDP is anticipated to accelerate slightly, with projected growth of approximately 2.1%, and, as a result, the economy is expected to continue expanding at a rate greater than that of the Eurozone. This projection is in line with the government's forecasts (+2.1%) and is above the figures forecast by the European Commission (+1.9%) and the OECD (+2.0%), but below those projected by Banco de Portugal and the IMF (+2.3%).

In terms of prices, the inflation rate (measured by the year-on-year change in the Harmonised Index of Consumer Prices, HICP) worsened from the 1.9% in December 2023 to 2.5% in January 2024, largely as a result of electricity prices and the end of the VAT exemption on a number of essential food items. This was followed by some relief in the subsequent months, but a new strong acceleration in May 2024, which essentially reflected the base effect associated with the price reduction in the same month resulting from the aforementioned VAT exemption, but also the 'Taylor Swift' effect (an event that caused a sharp increase in prices in the Lisbon region, particularly in accommodation and food services). Inflation exhibited some volatility in the subsequent months but ultimately decelerated in average annual terms to 2.7% in 2024 (down from 5.3% the previous year). A further slowdown is anticipated this year, bringing inflation closer to the ECB's target of 2.0%.

In the labour market, according to the monthly estimates of Instituto Nacional de Estatística (INE) (National Statistics Institute), there was a slight volatility in the unemployment rate throughout 2024, although it hovered around 6.4%, the same level as last year.

There was a reduction in the surplus in 2024, which was corroborated by the budget execution data made available throughout the year, in which the balance was still above the 0.4% of GDP presented by the government in the State Budget for 2025. In turn, the ratio of public debt to GDP continued in 2024 the downward trend started in 2021.

The household savings rate rose to an all-time high of 12.2% in 2024 (significantly above the rates of 8.3% and 7.3% recorded in the previous two years). This increase surpasses the peaks observed during the lockdown periods of the pandemic crisis (11.0% in 2021 and 12.0% in 2020) reflecting a substantial accumulation of savings by households.

FINANCIAL MARKETS

In 2024, the trend of improved market sentiment that began in the last quarter of 2022 continued, resulting in a year of gains, especially for the stock markets, particularly for technology companies, despite the start of a cycle of falling interest rates in several economies, such as the Eurozone and the US.

Market sentiment was essentially supported by the continued easing of inflationary pressures, both in the Eurozone and in the USA, by the continued resilience of the USA economy (with the release of favourable economic data that led the main international entities to revise upwards the outlook for the country's GDP growth throughout the year), which led to good results by listed companies and Trump's victory in the USA elections (which boosted the USA stock market at the end of the year), continuing favourable expectations for the technology and artificial intelligence sector.

In 2024, the world's major stock exchanges continued their recovery, which began in 2023, with largely positive performance in the US. There was also favourable behaviour in Asia and Europe (the Portuguese PSI and the French CAC 40 were notable exceptions), which contrasted with a downward trend observed in Latin America. As a result, the MSCI world index renewed historical highs throughout the year. However, despite the favourable behaviour of equity markets, there were some temporary and relevant downward adjustments in equity prices, driven by factors such as the continued non-negligible likelihood of a global recession (fears that intensified, notably during the summer, following some weaker labour market records in the US), triggered by the reduction in real household incomes as a result of monetary policy tightening and inflation, the continuation of the war between Russia and Ukraine and in the Middle East, and concerns regarding navigation in the Red Sea.

The main USA stock indices recorded strong rises in 2024, with the S&P 500 advancing 23.3%, after the increase in 2023 of 24.2%, reaching an all-time high near the end of the year (6 December 2024). The Nasdaq experienced a significant increase (+28.6%), driven by the robust performance of the technology sector and notably supported by a rally in artificial intelligence stocks, ending the year near all-time highs (reached on 16 December 2024). Similarly, the Dow Jones rose by 12.9%, also achieving all-time highs towards the end of the year (4 December 2024). In Europe, the market's performance was less exuberant, with the Eurostoxx 50 rising 8.3% - with the highlights, in sectoral terms, being the gains seen in banking (+26.0%), insurance (+18.2%), telecommunications (+16.2%), financial services (+15,4%), media (+15.6%) and industrial goods (+13.8%) - with the Portuguese PSI index falling 0.3%, penalised by the negative performance of major companies such as EDP, EDP Renováveis and Jerónimo Martins, dictating its first year in the red since 2020.

The French CAC 40 also fell (-2.2%), affected in particular by the worsening risks surrounding the French economy. The other European markets rose, with the largest increase going to the Hungarian BUX index (+30.9%), and the smallest to the British FTSE 100 (+5.7%), the latter being somewhat more affected by the greater persistence of British inflation and the need for the Bank of England to maintain its tighter monetary policy. The MSCI world index rose by 15.7% in 2024 (+20.1% in 2023), also reaching all-time highs towards the end of the year (6 December 2024).

Yields on public debt declined in the Eurozone (using German debt as a benchmark) and in the USA in the short term, reflecting the gradual easing of monetary policy tightening, although long-term yields experienced an increase. In Germany, the 2-year yield fell by 32 b.p. to 2.082%, but the 10-year yield rose by 34 b.p. to 2.367%. In the USA, the 2-year yield fell by just 1 b.p. to 4.242%, but, as in Germany, it rose more significantly over 10 years (+69 b.p.) to 4.569%.

Despite the rise in long-term interest rates, there was a reduction in the public debt yield spreads of the peripheral Eurozone countries, with Italy standing out (-52 b.p., to a spread of 112 b.p.), followed by Spain (-28 b.p., to 69 b.p.) and Greece (-18 b.p., to 85 b.p.). Meanwhile, the spread on Portuguese bonds decreased by 15 b.p. to 48 b.p., reaching its lowest in December to levels that hadn't occurred since June 2008, and establishing it as the lowest spread among these economies. On the other hand, there was a widening of the spread on French debt (+29 b.p., to 83 b.p.), which in early December reached the highest level since July 2012, reflecting the worsening risk of a financial crisis in the country.

With the anticipation and subsequent implementation, as early as June 2024, of the beginning of the cycle of a gradual decrease in the ECB's interest rates, after the fastest and most intense cycle of increases in the history of the ECB that ended in September 2023, Euribor rates showed marked decreases in 2024, closing the year at 3.714% for the 3 months, 2.568% for the 6 months and 2.460% for the 12 months.

FINANCIAL SYSTEM

In 2024, despite the economic and geostrategic vulnerabilities identified, with inherent risks for the behaviour of economic agents, the Portuguese banking system continued to show resilience, with equity and liquidity levels reaching historic highs, benefiting from the higher interest rates compared to the recent past, which have allowed a very substantial increase in net interest income and deposits, particularly in the individuals segment, also benefiting from the rise in the savings rate.

However, the second half of the year was already marked by the start of a downward cycle in interest rates, with the market anticipating these movements, contributing to greater dynamism in lending, especially to individuals. Despite the growth in demand for credit, the fall in short-term interest rates led to a slowdown in net interest income in the Portuguese banking system, although this did not have a major impact on profitability levels.

In fact, according to Banco de Portugal, return on equity (ROE) rose again from 14.8% to 15.2%, with the contribution of the financial intermediation margin, which remained at high levels, despite falling from 2.8% in December 2023 to 2.7% in December 2024, and the control of operating costs, which allowed the cost-to-income ratio to remain below 40% (39.7% in December 2024) and substantially lower than the average for banks in the European Economic Area (EEA), which, although decreasing, remains above 50% (53.8% in December 2024).

The Portuguese banking system thus continued to show historical levels of capital and liquidity above the EEA average, with the CET1 ratio reaching 18.0% (+90 b.p. compared to December 2023) and the liquidity coverage ratio (LCR) at 272% (+20 p.p. compared to December 2023).

At the same time, credit quality continued to evolve favourably, with non-performing loans (NPL) maintaining their downward trend and convergence with the EEA, with more conservative impairment coverage levels being maintained, and the cost of risk reaching historic lows, with a decrease of -30 b.p. in the year, to 0.1%.

Liquidity levels have improved due to the growth in the private sector's deposit base (individuals and non-financial companies) which reached approximately 262 billion euros at the end of 2024, significantly influenced by the rising disposable income of households and their savings levels, alongside the continued high rates of return on term deposits. In the first quarter of 2024, the evolution of individual deposits made it possible to recover the amounts that in the first six months of 2023 were used to subscribe to savings certificates.

With regard to financing the economy, the growth in credit granted to households stands out, both mortgage loans, where net production exceeded by more than four times the value observed in 2023 with the contribution of the lower volume of renegotiated loans (reduction of around 40%), and in consumer loans, where the annual rate of change rose by around 3 p.p. compared to 2023, to 7.5%, and reached twice that of the EEA.

In the mortgage loans market, the publication of Decree-Law 44/2024, of 10 July 2024 (subsequently regulated by Ordinance No. 236-A/2024/1, of 27 September 2024), established the conditions under which the State can provide personal guarantees to credit institutions, with a view to improving access to mortgage loans for own and permanent housing by young people up to the age of 35, with the State assuming up to 15% of the capital initially contracted, for a period of 10 years. To this measure was added the maintenance of the prohibition on charging the early repayment fee on mortgage loans, which will remain in place in 2025.

On the other hand, credit to non-financial corporations remained in decline compared to the previous year (-0.8%, year-on-year), despite the favourable evolution of the construction and real estate sectors, with credit growth of 3.5%.

The results of the 2024 Supervisory Review and Evaluation Process (SREP) indicated that European banks maintain solid capital and liquidity positions; however, risks to financial stability persist. Supervisory priorities remain focused on strengthening resilience to short-term risks, strengthening governance, managing climate and environmental risks, progress in digital transformation and operational resilience, as the possibility of disruption in an uncertain macroeconomic environment requires the capacity for rapid intervention and correction.

MAIN RISKS AND UNCERTAINTIES FOR 2025

In 2025, the gradually declining trend in inflation and employment growth globally, as well as continued interest rate cuts (albeit lower than previously anticipated, notably in the US), should help offset the necessary budget tightening in some countries, with the resilience of major economies expected to continue.

However, expectations for relative maintenance of growth in the global economy this year obscure divergences between countries and economic blocs and continue to be accompanied by high levels of uncertainty and downside risks, particularly concerning escalating trade tensions and protectionism, potential geopolitical conflicts, and challenges to budgeting policies in some countries. In fact, the ongoing geopolitical tensions are expected to persist throughout the year, which could continue to result in some disruption to supply chains and pressure on production costs.

The global economic environment could be impacted by tensions between the USA and China, notably in terms of technological supremacy (with repercussions on global trade and investment) and customs policies, with the outlook for global trade becoming bleaker since the new USA President, Donald Trump, intensified threats to adopt tariffs on several important trading partners.

In Europe, the risks surrounding the Eurozone's two largest economies (Germany and France) are likely to remain, conditioned by the political instability observed in both countries and concerns about the impact of Trump's aforementioned protectionist measures on exports, to which must be added the risk of a worsening of public debt financing conditions in France. In the recent WEO update earlier this year, the IMF, in addition to the global risks that currently exist, identified a major risk specific to the Eurozone, inherent in the possibility that the region's economies would end up with no room to respond with budgetary and monetary policy to a scenario of further economic slowdown in the face of rising interest rates on public debts.

The further slowdown in the Chinese economy also continues to pose a downside risk to the global economy, namely a significant correction in the property sector, despite the support measures that have been adopted by the country's authorities. It is important to note that, in this sector, the non-residential real estate market in the USA continues to pose a downside risk, as prices have been declining.

Although the credit granted by European banks to the commercial real estate sector is not very significant (approximately 22% of the credit granted to non-financial companies), the risks associated with banks' exposures to that sector may have been disseminated, through the issuance of securitisations and credit derivatives containing these risks, which may be domiciled in the portfolios of institutions of different nature and in various jurisdictions worldwide.

In addition, the monetary supervisory authorities have increasingly expressed concern about the expansion of credit granted by non-bank financial intermediaries, which operate outside their regulatory perimeter and therefore not subject to the prudential rules, scrutiny and disclosure criteria imposed on banks. This fear is amplified by the fact that the activity of these non-banking institutions is mainly financed by banks, especially with regard to investment funds.

At a national level, the economy is also likely to be conditioned by the risks identified for the global economy, in addition to the pressure on the financial capacity of families to continue to bear interest rate levels well above those in force until the last cycle of economic policy tightening (despite the easing of interest rates already observed throughout 2024 and which should continue until at least the beginning of the second quarter of 2025), as well as the sustainability of prices in the housing market, which have more than doubled in the last ten years.

According to the analysis by Banco de Portugal in the latest Economic Bulletin, the balance of risks surrounding the projections for economic activity was skewed downwards, with an increase in the preponderance of external factors, while inflationary risks were balanced. Geopolitical tensions continue to represent a significant downside risk, especially if ongoing armed conflicts escalate or disrupt global commodity markets. Protectionism involving the world's largest economies could also affect global activity, reducing the growth of international trade and naturally also impacting the Portuguese economy, with the increased uncertainty in the outlook for the export sector also being detrimental to the acceleration of business investment.

In terms of internal risks, it essentially highlights the difficulties in the implementation of European funds, which may also imply a lower dynamism of investment. However, upside risks persist, particularly those linked to a stronger-than-expected response in private consumption driven by the increase in disposable income resulting from government initiatives.

In terms of inflation, Banco de Portugal believes that it could be higher than projected if the scenarios of worsening conflicts, with an impact on the prices of raw materials and maritime transport, or increased restrictions on international trade, with a rise in import prices. In addition, a smaller-than-anticipated deceleration in wages, in a context of labour supply constraints, is also an upside risk to inflation. On the other hand, should downside risks to economic activity materialise, this would be expected to ease price pressures.

The restrictiveness of monetary policy, the inflationary pressures that remain and the phasing out of public aid for families and companies will continue to be particularly important challenges, especially during the first half of 2025, as they contribute to the deterioration of the financial situation of families and companies, especially the most vulnerable, with lower incomes. The deterioration of the financial situation, combined with the reduction of liquidity buffers for households and companies, enhances the materialisation of credit risk, leading to a deterioration in the quality of credit, and consequently to an increase in insolvencies in some sectors of business activity.

With regard to the financial system, in the current context, the reduction in net interest income, as a result of the cycle of lower interest rates that has already begun, will be the biggest challenge for 2025. Its potential impact on the profitability of Portuguese banks will compel an increased focus on alternative components of total operating income and the efficient management of operating costs, in line with the conclusions of the EBA's latest Risk Assessment Questionnaire (RAQ) – autumn 2024. In addition, the lagged effects of higher interest rates may continue to affect the level of confidence and credit risk of individuals and companies.

In addition, there are pressures on operational risk, especially with regard to cybersecurity, in a context of high demand for information technologies, in order to respond to commercial and compliance requirements. In this context, fintech's operating low-cost business models are likely to capture increased revenue within niche market segments, reinforcing the role of digital transformation and artificial intelligence as key drivers of innovation within the banking sector.

The new challenges to the sustainability of the business model increasingly include the inclusion in risk analysis of climate and environmental factors (transition risks and physical risks) and the mitigation of risks inherent in technological innovations, not only those related to the prevention of digital fraud, but also a new aspect related to the level of concentration of suppliers of systems considered critical. To address the latter, the DORA (Digital Operational Resilience Act) regulation came into force on 17 January 2025, with the aim of ensuring greater digital operational resilience in the financial sector.

The insufficient information available on the extent of the interconnection between the banking sector and the non-bank financial sector has led supervisors to strengthen the monitoring of the non-bank financial sector, warning of its potential systemic risk. Based on the recommendations issued by the Financial Supervisory Board (FSB), the ECB and the national central banks presented, in November 2024, a set of proposals to ensure greater resilience of the non-bank financial sector, with emphasis on the strengthening of macroprudential instruments for the sector, implementation of system-wide stress tests in Europe (extending the execution of stress tests to non-bank financial sector entities), improving the data made available and access to it by the different authorities, strengthening the governance framework, among others.

It should also be noted that the European Union has completed the transposition of the Basel III framework into European Union law, effective from 1 January 2025, although the provisions relating to international trading activities (specifically those concerning market risk) have been deferred until 1 January 2026. However, the implementation of this regulatory framework in the USA financial system is delayed, raising fears about the future levels of capitalisation and liquidity of USA banks, in addition to jeopardising the desired fair competition between jurisdictions.

05. FINANCIAL INFORMATION

1956

At 112 years old, we witnessed the first experimental broadcast of RTP, at the Popular Fair in Palhavã Park, Lisbon. From then on, our reality changed forever.

ACTIVITY BY SEGMENTS

In line with the strategy defined by the Banco Montepio Group and with a focus on the optimisation and efficiency of the business structure, Banco Montepio's commercial segmentation is distributed and organized internally as follows:

Retail Banking	North and Centre Commercial Division (DCNC) South and Islands Commercial Division (DCSI)	It incorporates Private Customers, ENIs, Small and Medium Enterprises and Micro Enterprises, an activity fundamentally originated through the branch network, electronic channels and network of promoters.
Corporate and Investment Banking	Corporate Banking Division (DBE)	It encompasses Large Companies, Small and medium enterprises, and financial institutions, as well as the activity developed in the area of investment banking.
Social Economy Public Sector	Social Economy and Public Sector Department (DCESSP)	It includes clients from the Social Economy and Public Sector Department areas.
Specialised Credit (Consumer and Automobile)	Montepio Crédito	It incorporates the consumer credit business developed essentially through the subsidiary Montepio Crédito.

RETAIL BANKING

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

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

The following is a summary of indicators for the Retail Banking segment, in accordance with the segmental reporting of IFRS 8 and presented in the notes to the consolidated financial statements of this report.

Summary of indicators - Retail Banking (million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Income Statement					
Net interest income [1)]	166.0	301.8	366.9	65.2	21.6
Net fees and commissions	106.4	104.6	107.1	2.5	2.4
Total operating income	272.7	407.1	474.9	67.8	16.7
Operating costs [2)]	80.3	76.5	80.1	3.7	4.8
Operating income before impairment	192.5	330.6	394.7	64.1	19.4
Balance Sheet					
Loans to customers (gross)	8 775	7 622	8 008	385.5	5.1
Customer deposits	11 517	11 106	12 121	1 014.9	9.1

1) Net interest income including the liquidity premium and campaign neutralization.
2) Direct operating costs only.

CORPORATE AND INVESTMENT BANKING

The Corporate and Investment Banking segment (which follows the internal classification criteria, including Companies and Economic Groups with a turnover of more than 4 million euros) brings together the Group's activity with Small, Medium and Large Companies. Under the responsibility of the Corporate Banking Division (DBE), it reflects the integrated activity that was previously carried out with the companies monitored by BEM, through the commercial structure dedicated to this segment, as well as the business with institutional customers, Central Administration and Public Entities, and the activity carried out in the Investment Banking area.

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

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

The following is a summary of indicators for the Corporate and Investment Banking segment, in accordance with the segmental reporting indicated in IFRS 8 and presented in the notes to the consolidated financial statements of this report.

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

	2022	2023	2024	Change 2024/2023	
				Amount	%
Income Statement					
Net interest income [1)]	45.3	92.4	92.5	0.1	0.1
Net fees and commissions	12.7	19.9	18.0	(1.9)	(9.7)
Total operating income	57.5	110.3	109.4	(0.9)	(0.8)
Operating costs [2)]	9.2	12.0	9.2	(2.8)	(22.9)
Operating income before impairment	48.3	98.3	100.2	1.8	1.9
Balance Sheet					
Loans to customers (gross)	1 829	2 891	2 985	94.2	3.3
Customer deposits	406	925	1 296	370.8	40.1

1) Net interest income including the liquidity premium and campaign neutralization.
2) Direct operating costs only.

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

SOCIAL ECONOMY

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

The key indicators of this segment are presented in the table below.

Summary of indicators - Social Economy (million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Income Statement					
Net interest income [1]	4.3	11.9	20.2	8.3	69.4
Net fees and commissions	2.3	2.1	2.4	0.3	12.5
Total operating income	6.5	13.9	22.4	8.5	60.7
Operating costs [2]	3.3	3.1	3.3	0.2	6.7
Operating income before impairment	3.2	10.8	19.1	8.2	76.3
Balance Sheet					
Loans to customers (gross)	333	272	303	30.9	11.4
Customer deposits	690	833	948	115.4	13.9

1) Net interest income including the liquidity premium and campaign neutralization.
2) Direct operating costs only.

SUBSIDIARY COMPANIES

MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.

Montepio Crédito is a benchmark company in the specialised credit sector, with the mission of developing sustainable financing solutions that accompany the life cycle of each person, family and company, providing well-being and fulfilment. In line with this mission and with the ambition to respond to the new dynamics of the market, Montepio Crédito has commenced a new phase of reinforcing its commitment to innovation and excellence in customer service. In this context, in April 2024, new members of Montepio Crédito's governing bodies took office, including the new *Chief Executive Officer* (CEO), driving a new strategic vision for the future of the institution within the framework of the Banco Montepio Group's strategy.

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

Montepio Crédito's experience reinforces the Banco Montepio Group's value proposition for the specialised credit segment

Montepio Crédito's solid relationship with its partners, combined with accumulated experience and a team of specialised professionals, allows it to provide an excellent service and personalised support to its customers, offering a diversified selection that covers personal credit, car loans, operating leases (renting), linked credit, equipment leasing and long-term rental (ALD).

Awards and distinctions

Within the scope of the activity developed in 2024, Montepio Crédito was distinguished with several awards awarded at the beginning of 2025, in recognition of the performance obtained in that year.

Montepio Crédito was awarded the Five Stars 2025 Prize in the Sustainable Financing category by Five Stars Consulting on the basis of tests and studies carried out in 2024.

It was also distinguished as Brand No. 1 Professionals' Choice 2025, in the category of Consumer Credit Companies, an award awarded by ConsumerChoice – Consumer Satisfaction Assessment Centre for the activity carried out in 2024.

In addition, Montepio Crédito was recognized as a Recommended Brand by the Complaint Portal, a prize awarded by Consumers Trust, also for its 2024 performance.

Brand Image

At the beginning of 2025, Montepio Crédito adopted a new image and brand signature. This initiative marked the beginning of a new strategic cycle, in line with the commitment to evolve and adapt to the growing demands of customers and the market, and is part of the scope of Triple A, the programme for the new strategic cycle of the Banco Montepio Group. The new image respects the legacy of Montepio Crédito and projects a promising future, reinforcing the visual identity and cohesion of the group by aligning with the-parent brand, Banco Montepio.

This update reflects the core values of the organisational culture, which are based on principles of humanism, transparency and sustainability. Also highlighting the agile and innovative personality that characterises Montepio Crédito in serving each Customer and Partner.

"Damos Valor ao Futuro" is the new brand signature that symbolises Montepio Crédito's promise to offer financial solutions adapted to the needs of each customer. Along with the new image, a new institutional website was launched, designed to improve the customer experience, promoting simplicity and convenience.

Main Activity and Results Indicators

The indicators presented reflect Montepio Crédito's accounts on an individual basis, in which the securitisation operations are treated differently from the consolidated financial statements, and the notes held, and the related accounting movements are shown.

As of 31 December 2024, Montepio Crédito's net assets totalled 610.0 million euros, compared to 573.5 million euros at the end of 2023 (+36.5 million euros; +6.4%), with increases in Customer loans (+33.3 million euros), Financial assets at fair value through profit or loss (+1.0 million euros), Deferred tax assets (+1.4 million euros) and Other assets (+1.4 million euros).

With regard to Liabilities, this was set at 537.6 million euros, translating into an increase of 28.6 million euros compared to the value observed at the end of 2023 (+5.6%), mainly determined by the increase in the Resources from other credit institutions (+59.3 million euros), in return for the reductions observed in Financial liabilities associated with transferred assets (-31.8 million euros), reflecting the amortisations associated with securitisation operations. Equity stood at 72.4 million euros on 31 December 2024, an increase of 7.9 million euros (+12.3%), reflecting the increase in Share capital of 15 million euros in October 2024 and the incorporation of the net income for the year.

Total operating income decreased to 4.9 million euros in 2024, compared to 8.9 million euros recorded in 2023, adversely affected by the evolution of Net interest income (-1.3 million euros), due to the rise in market interest rates, which led to an increase in the cost of funding that was not offset by the rise in interest rates on the Customer Loan portfolio and the reduction in the cost of senior debt. It should be noted that Montepio Crédito loan portfolio has a significant proportion of fixed-rate operations, and the financing obtained is essentially variable-rate, the main component of which comes from Group funding.

Also contributing to the reduction in Total operating income were lower Net fees and commissions (-0.1 million euros), as a result of the legislative change in this area, lower results from Assets and liabilities at fair value through profit or loss (-2.0 million euros), reflecting the effect of amortising contracts relating to the Pelican Finance 2 securitisation operation, and the worsening of Other operating income (-0.6 million euros).

Operating costs for 2024 amounted to 12.4 million euros, representing an increase of 1.1 million euros compared to 2023, reflecting increases in Staff costs (+15.1%), due to costs related to the departure of some employees, and in General and administrative expenses (+4.8%), along with a decrease in Amortisation for the year (-16.6%).

In turn, Impairments and provisions totalled 0.8 million euros in 2024, down 0.2 million euros compared to 2023, reflecting, on the one hand, a reduction in Loan impairments (-0.3 million euros) and, on the other, an increase in Other provisions (+0.1 million euros).

This evolution resulted in a Net income of -6.8 million euros in 2024 (-2.8 million euros in 2023), influenced by the decrease in Operating income before impairment and provisions. However, the reduction in Impairments and provisions incurred in the 2024 financial year, as well as the favourable evolution of current and deferred tax charges, are highlighted as positive.

Activity and Results (million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Total assets	569.2	573.5	610.0	36.5	6.4
Loans to customers (net)	547.7	553.0	586.3	33.3	6.0
Equity	67.9	64.5	72.4	7.9	12.3
Total operating income	19.0	8.9	4.9	(4.0)	(44.5)
Operating costs [1)]	11.6	11.2	12.4	1.1	10.0
Operating income before impairment and provisions	7.4	(2.3)	(7.4)	(5.1)	<(100)
Net income	3.7	(2.8)	(6.8)	(4.0)	<(100)

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

MONTEPIO INVESTIMENTO, S.A.

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

As part of the Group's simplification strategy, aimed at streamlining and maximising efficiency in various dimensions, Banco Montepio deliberated, in August 2022, the reorganisation and integration of BEM into Banco Montepio, as well as the carve-out of most of its activity to the parent company.

In this context, on 8 September 2023, Montepio Holding entered into a Share Purchase Agreement ("SPA") with RAUVA Enterprises, S.A. with a view to the sale of 100% of the share capital of BEM, the closing of which is subject to obtaining the necessary authorisations from the supervisory and regulatory authorities.

The integration of the BEM activity into Banco Montepio was completed on 28 November 2023, through the subscription by BEM of the capital increase of Banco Montepio, through new in kind inflows in the amount of 178,775 thousand euros, corresponding to the net worth of the assets of BEM, through the issuance of 288,375,098 new ordinary shares representing the share capital of Banco Montepio, each with a nominal value of EUR 0.50, plus an issue premium of 34,587 thousand euros.

On 29 December 2023, the General Meeting of Banco Montepio deliberated the reduction of Banco Montepio's capital by 144,188 thousand euros, through the extinction of the 288,375,098 shares, each with a nominal value of 0.50 euros, subscribed by BEM in the aforementioned capital increase. The consideration received by BEM amounted to 178,755 thousand euros, which includes the issue premium of 34,587 thousand euros.

Following this operation, BEM no longer has business centres and employees at its service, as well as its governance and internal control structure having been adjusted, in accordance with a principle of proportionality and in compliance with the respective legal and regulatory obligations, in view of the reduction of its activity and balance sheet, until the date of the effective conclusion of the sale of the shareholding.

On 14 July 2024, BEM's Board of Directors deliberated the reduction of the share capital by 150,000,000 euros, through the extinction of 150,000,000 ordinary, titled and nominative shares, with a value of 1 euro each, fully owned by Montepio Holding.

Thus, the 2024 financial statements reflect BEM's reduced activity, showing a balance sheet composed almost entirely of deposits with the parent company and an income statement that reflects, on the one hand, the income generated by the application of liquidity and, on the other, the structural costs that will remain until the sale to RAUVA Enterprises, S.A. is concluded.

Despite the transfer of BEM's activity to Banco Montepio, which took place on 28 November 2023, the financial statements for the years 2023 and 2024 were prepared in accordance with the principle of continuity and historical cost.

Until the sale of the bank to RAUVA Enterprises, S. A. is completed, BEM will maintain the management of the remaining assets and liabilities evidenced in the balance sheet as of 31 December 2024, and the respective structure costs. As a result of this operation, the 2023 and 2024 financial statements reflect the impact of this transfer on balance sheet and results headings.

As at 31 December 2024, BEM's Net assets stood at 38.9 million euros, a decrease of 149.1 million euros compared to the end of 2023. This evolution essentially reflects the reduction in Equity by 148.5 million euros, following the Share capital reduction operation carried out in July 2024, an impact that resulted in a decrease in Cash and Deposits at credit institutions (-149.0 million euros).

In turn, Liabilities totalled 0.7 million euros, a decrease of 0.6 million euros compared to December 2023, essentially due to the reduction in Current tax liabilities (-0.4 million euros) and Other liabilities (-0.2 million euros).

In this context, Operating income before impairments and provisions was set at 2,1 million euros in 2024 and is the result of a Net interest income of 2,9 million euros, which reflects the interest on the deposits held by BEM with Banco Montepio, of Other operating income, negative by 0,3 million euros, due to the charges with the contribution of the banking sector, the additional solidarity and the Resolution Fund, and from the reduction in Operating costs to 0,5 million euros, and which reflect the impact of the transition of BEM activity to Banco Montepio.

Net income stood at 1.5 million euros (3.6 million euros in 2023) and reflects the evolution of Operating Income (before Impairments and Provisions), impacted by the integration of BEM's activity into Banco Montepio and by the lower level of Impairments and Provisions recorded in 2024.

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

Activity and Results (million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Total assets	520.1	188.0	38.9	(149.1)	(79.3)
Loans to customers (net)	427.8	0.0	0.0	0.0	-
Securities portfolio [1]	54.1	0.0	0.0	0.0	-
Equity	183.2	186.7	38.2	(148.5)	(79.5)
Total operating income	10.6	9.4	2.6	(6.8)	(72.1)
Operating costs [2]	5.5	4.5	0.5	(4.0)	(89.5)
Cost-to-Income	51.6%	48.1%	18.1%	(30.0 p.p.)	
Operating income before impairment and provisions	5.1	4.9	2.1	(2.7)	(56.0)

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

SSAGINCENTIVE - SOCIEDADE DE SERVIÇOS AUXILIARES E GESTÃO DE IMÓVEIS, S.A.

SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (SSAGINCENTIVE) is 100% controlled by Banco Montepio through Montepio Holding SGPS, S.A., and its corporate purpose is the transaction and management of real estate properties. The evolution of this company's financial statements is closely linked to the execution of the Real Estate Reduction Plan of the Banco Montepio Group, reflected in the sale of properties in the portfolio (and without new entries).

On 31 December 2024, SSAGINCENTIVE's Assets stood at 53.3 million euros, practically at the same level as the previous year, but with changes in terms of structure. In fact, SSAGINCENTIVE has continued to implement the Banco Montepio Group's Real Estate Reduction Plan, contributing to the sale of the properties it holds on its balance sheet.

SSAGINCENTIVE is reducing its activity as part of the Group's strategy to reduce its exposure to real estate

As a result of the continuation of this deleveraging, there was an increase in the heading of Cash and deposits at banks, of 5.4 million euros, which shows the deposits made with the parent company and also with the State and other public entities (+0.2 million euros), in contrast to the decrease recorded in Inventories of -5.5 million euros. Also noteworthy is the reduction observed in the heading Financial Participations (-12.2 thousand euros), which results from the liquidation on 13 May 2024 of Montepio Gestão de Activos Imobiliários, ACE, an operation included in the simplification strategy of the Montepio Group.

The Inventories heading reflects the acquisitions made in the past from Banco Montepio, related to properties for sale, namely fractions of properties valued at market value, which still remain to date, pursuing the sale objective included in the overall plan to reduce exposure to real estate, in consolidated terms. In 2024, there was a reduction of 5.5 million euros in the Inventory heading, corresponding to -42.7% compared to the previous year's stock, which reflects the contribution of SSAGINCENTIVE to the Banco Montepio Group's Real Estate Reduction Plan. In total, SSAGINCENTIVE completed the disposal of 42 properties, generating capital gains of 0.4 million euros. This compares favourably to 2023, when 32 properties were sold, resulting in capital gains of 0.2 million euros. Thus, on 31 December 2024, the Inventories heading totalled 7.4 million euros, of which 3.1 million euros related to buildings and 4.3 million euros to land.

Equity stood at 52.8 million euros and was the main source of funding for Assets, representing 99.1% of total Assets, in line with the weight observed at the end of 2023.

Gross margin in 2024 increased by 0.2 million euros year-on-year, reflecting the growth in Sales and services rendered, which stood at 5.2 million euros in 2024 (4.0 million euros in 2023) and which correspond to the amounts from inventory sales within the scope of SSAGINCENTIVE's current activity, and the Cost of goods sold and materials consumed, which reached 4.8 million euros in 2024 (3.8 million euros in 2023), and which represents the acquisition cost of the divested properties, after deducting the respective impairment.

In turn, Total operating income for 2024 (before financing costs and taxes) stood at -0.9 million euros (-1.2 million euros in 2023), essentially reflecting the favourable evolution of Gross margin and the lower level of Inventory impairment, which together made it possible to offset the 0.1 million euro increase in Other costs compared to the same period in 2023.

As a result, the Net income for 2024 was positive by 0.1 million euros, which compares favourably with the -0.8 million euros recorded in 2023, incorporating the Operating Income (before financing costs and taxes), which was higher by 0.3 million euros, and the 0.7 million euros increase in Interest and similar income, resulting from investments in deposits in the context of a market with higher interest rates.

As a result, the Net Income for 2024 was positive by 0.1 million euros, comparing favourably with the -0.8 million euros recorded in 2023, incorporating the Operating Income (before financing costs and taxes), which was 0.3 million euros higher, and the 0.7 million euros increase in Interest and similar income, resulting from investments in deposits in the context of a market with higher interest rates.

The following table summarises SSAGINCENTIVE's key indicators.

Activity and Results (million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Total assets	53.9	53.2	53.3	0.1	0.2
Inventories	17.6	12.9	7.4	(5.5)	(42.7)
Equity	53.5	52.7	52.8	0.1	0.2
Total operating income (before financing costs and taxes)	(1.1)	(1.2)	(0.9)	0.3	28.1
Net income	(1.1)	(0.8)	0.1	0.9	>100

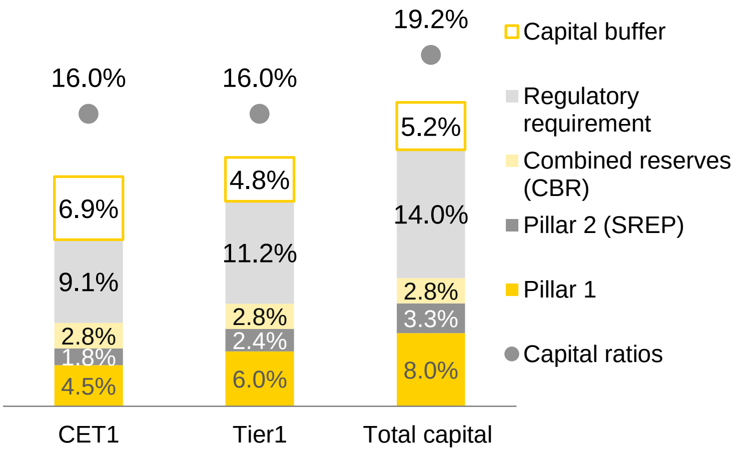
CAPITAL AND LIQUIDITY

CAPITAL

As at 31 December 2024, Banco Montepio's capital ratios were at historical highs and above the prudential levels required by Banco de Portugal, with significant gaps in relation to the overall capital requirement[7].

On a fully implemented basis, the Common Equity Tier 1 (CET1) and Total Capital ratios stood at 16.0% and 19.2% (16.1% and 19.3% in phasing-in), with a marginal difference between the two approaches at the time.

Capital ratios, requirements and buffers
(fully implemented 31 December 2024)



The performance achieved by Banco Montepio resulted in a significant buffer compared to the minimum regulatory requirement, which amounted to 6.9% in CET1 and 5.2% in Total Capital on 31 December 2024.

The excess capital achieved reflects the growing financial strength of Banco Montepio, reaching historical levels and aligned with market benchmarks, reinforcing the ability to face challenges in different contexts. The good indicators at this level, in particular the strengthening of capital ratios and the deleveraging of risky assets, show the solidity of the path followed and reinforce investor confidence, having also been recognized by the rating agencies[8], namely through the recent improvements in ratings.

The flexibility provided by this additional capital allows Banco Montepio to leverage the opportunities for growth and innovation set out in the strategic plan for the three-year period, reinforcing its long-term sustainability and competitiveness.

TOTAL CAPITAL RATIO (fully implemented)	**19.2%**	(buffer against regulatory requirement)	**5.2%**
CET1 RATIO (fully implemented)	**16.0%**	(buffer against regulatory requirement)	**6.9%**

In the last year, the maintenance of Banco Montepio's capital ratios at solid levels and in line with market references was determined by the organic generation of capital, resulting from the higher levels of recurring profitability, supported by the execution of management measures that promoted efficiency gains in the operational structure and the optimisation of balance sheet risk, translating into a continuous improvement in

[7] According to the provisions in force, as at 31 December 2024, the regulatory ratios, measured by the Overall Capital Requirements (OCR) were 9.11%, 11.22% and 14.03%, for Common equity tier 1, Tier 1 and Total Capital respectively, which include the Conservation Reserve, the Countercyclical Reserve, the Reserve for Other Systemic Institutions, and a capital add-on defined within the scope of the annual Supervisory Review and Evaluation Process (SREP) exercise by Banco de Portugal.

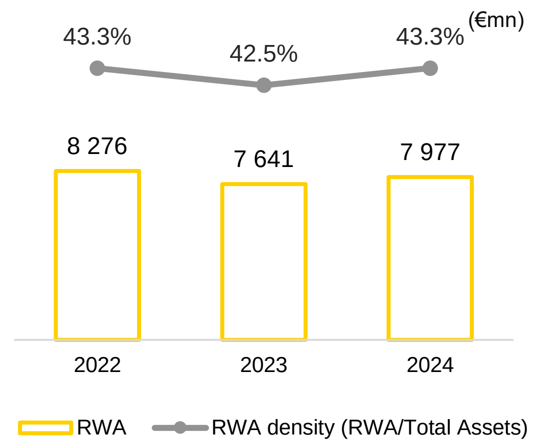
[8] In the last two years, the rating agencies have carried out successive upward revisions of Banco Montepio's credit ratings, the last of which was in December 2024 by Fitch (Fitch +1 level; senior debt preferred to BB+ and deposits to BBB-).

the balance sheet structure, driven by the significant reduction in the stock of NPL and other non-core assets, with a special focus on real estate assets. This strategy, combined with an increasing efficiency in the allocation of capital in investment decisions and credit granting, supported the expansion of business volumes, especially Mortgage Loans. In the Corporate segment, the measures implemented throughout 2024, alongside the ongoing execution of the Triple A Strategic Programme, are already beginning to show results, with a reversal of the downward trend observed at the end of 2024, a trend that had been felt across Portugal.

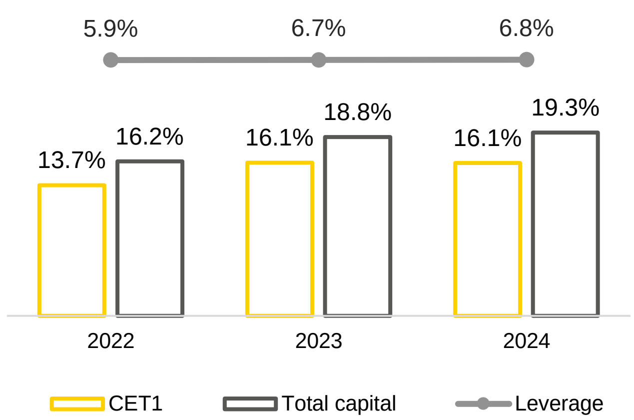
The continued strengthening of solvency indicators in recent years has benefited from the increase in own funds, through the organic generation of capital, as well as the strengthening of Tier 2 eligible instruments, with the issuance of 250 million euros on the market in 2024 to replace and increase outstanding issues.

The strong growth of the loan portfolio in 2024, with an increase of 548 million euros in Performing loans compared to 2023 (+4.8%), reflected the positive dynamics of activity throughout the year. Largely reflecting the expansion of credit granted to customers, Risk weighted assets (RWA) increased by 336 million euros compared to the end of 2023.

Risk-weighted assets (phasing-in)



Capital and leverage ratios (phasing-in)



Note: in accordance with CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.

The impact of securitisation operations and the provision of European Investment Fund (EIF)/European Investment Bank (EIB) financing lines on the proportion of assets on the balance sheet with low-risk weights, whose intensity will reduce over time, should be highlighted.

Reflecting the aforementioned factors, Banco Montepio's average risk weight (density of RWA in relation to assets) stood at 43.3% at the end of 2024, close to the figure recorded at the end of 2023 (42.5%) and in line with the strategy of strengthening the solidity of the balance sheet. Although slightly above the average for the Portuguese banking sector[9], this indicator reflects the quality and diversification of the loan portfolio, ensuring sustainable growth in activity.

RWAs (phasing-in)	**7,977** (€mn)	**+4.4%** (yoy)
RWAs density (phasing-in)	**43.3%**	**+0.8 p.p.** (yoy)

[9] According to Banco de Portugal (Portuguese banking system: Recent Developments, Q4 2024), the average risk weight of the Portuguese banking sector was 42.6% in December 2024 and 42.7% in December 2023.

Total Own funds increased to 1,537 million euros on 31 December 2024 (+101 million euros compared to the end of 2023), mainly reflecting the positive evolution of the results generated and the impact of the new subordinated debt issuance carried out in March, in the amount of 250 million euros, partially mitigated by the repurchase and amortisation of two subordinated debt issuances of 50 million euros and the exercise of the option for early repayment (call option) of a subordinated debt issue of 100 million euros maturing in 2029.

In turn, the leverage ratio increased to 6.8% (on a phased-in basis), compared to 6.7% at the end of 2023, remaining comfortably above the benchmark minimum set by the Basel Committee on Banking Supervision (3%).

The following is a summary of the Banco Montepio Group's own funds for the 2022-2024 period.

Capital and capital requirements

(million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Total own funds					
Common Equity Tier 1	1 135	1 229	1 280	51	4.1
Tier 1	1 136	1 229	1 280	51	4.1
Total Capital	1 343	1 436	1 537	101	7.0
Risk-weighted assets	**8 276**	**7 641**	**7 977**	**336**	**4.4**
Phasing-in ratios					
Common Equity Tier 1	13.7%	16.1%	16.1%	0 p.p.	
Tier 1	13.7%	16.1%	16.1%	0 p.p.	
Total Capital	16.2%	18.8%	19.3%	1 p.p.	
Fully implemented ratios					
Common Equity Tier 1	13.2%	16.0%	16.0%	0 p.p.	
Tier 1	13.2%	16.0%	16.0%	0 p.p.	
Total Capital	15.7%	18.6%	19.2%	1 p.p.	
Leverage ratios					
Phasing-In	5.9%	6.7%	6.8%	0 p.p.	
Fully implemented	5.6%	6.7%	6.8%	0 p.p.	

Note: in accordance with CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period, net of the amount of dividends to be distributed.

OWN FUNDS REQUIREMENT AND ELIGIBLE LIABILITIES (MREL)

As at 31 December 2024, the Minimum Requirement for own funds and Eligible Liabilities (MREL) ratio, determined as a percentage of the Total Risk Exposure Amount (TREA), stood at 24.9%, which is above the requirements demanded by Banco de Portugal at the time, including the Combined Buffer Requirement (CBR) of 20.4% and is also above the requirement of 23.54% in force since 1 January 2025, as communicated by Banco de Portugal.

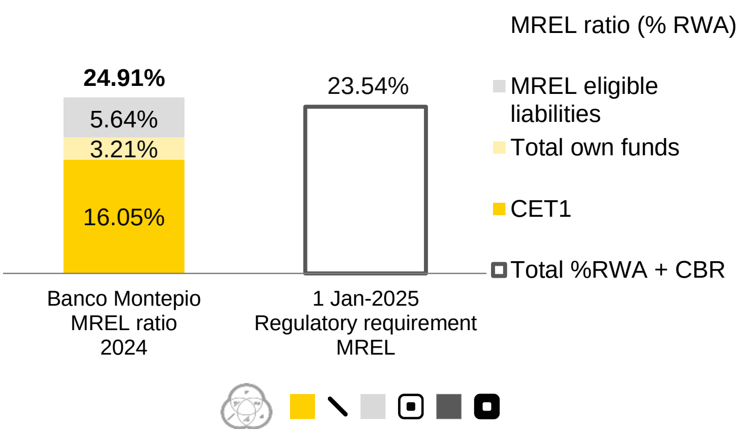
The MREL ratio, determined as a percentage of the total LRE (Leverage Ratio Exposure Measure) stood at 10.6% on 31 December 2024 (8.9% in 2023), also comfortably above the defined minimum requirement of 5.33%.

It should be noted that Banco Montepio is not subject to any subordination requirement, which gives it greater flexibility in capital management and is well positioned to ensure compliance with the minimum MREL requirements, having a reserve appropriate to the overall strategy and risk profile.

It is worth noting that, in May 2024, Banco Montepio successfully issued 250 million euros of senior preferred debt, eligible to meet the minimum requirement for own funds and eligible liabilities (including CBR), thus completing a total of 450 million euros of senior debt eligible to meet the MREL requirements.

The issuance has a maturity of four years, with an early redemption option at the end of the third year and carries a fixed interest rate of 5.625% until the call date. This rate is lower than that of the first issuance carried out in October 2023, which amounted to 200 million euros and bore an interest rate of 10%.

MREL ratio and requirements



Issue eligible for MREL (29 May 2024) **€mn250**

MREL RATIO (TREA) (TREA, in % of RWA) **24.9%**

The conditions of the May 2024 issuance, more favourable than those of the previous one, reflect investor confidence in Banco Montepio's risk profile and reinforce the opportunity to refinance the first issue, whose repayment option occurs at the end of the second year.

	1st Issue eligible for MREL	2nd Issue eligible for MREL
• Amount	200 million euros	250 million euros
• Date of issue	30 October 2023	29 May 2024
• Interest rate (fixed until early redemption option date)	10%	5.625%
• Early repayment option date	At the end of the 2nd year	At the end of the 3rd year

LIQUIDITY

Reflecting the implementation of the multi-annual funding and liquidity management plan, the funding obtained from the ECB was paid in full in the first quarter of 2024, through the maturity of 800 million euros of the 7th series of TLTRO-III (Targeted Longer-term Refinancing Operations) and the early repayment of 54.83 million euros of the 10th series, which was initially scheduled to mature in December 2024.

Funding from the ECB **€mn 0**

The value of the pool of collateral eligible for Eurosystem operations was 4,125 million euros, reflecting a decrease of 565 million euros compared to 31 December 2023, which is mainly due to the use of other sources of funding, in particular via Repurchase Agreements (Repos) and the maturity of securities in the banking book.

The collateral pool consisted mainly of high-Quality Liquid Assets (HQLA), mainly public debt securities of European countries, as well as securities from retained issues and credit rights.

As part of the diversification of funding sources, the Bank increased its activity in the collateralised money market (Repo), amounting to 250 million euros in funding obtained at the end of 2024.

Pool of eligible assets for refinancing operations with the ECB

(million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Pool of eligible assets [(a)]	5 555	4 690	4 125	(565)	(12.0)
Use of the pool	2 984	899	0	(899)	-
Pool of available assets	**2 571**	**3 791**	**4 125**	**334**	**8.8**

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

It is important to note the maturity of three issues of covered bonds that were retained or partially retained, which represented 613.1 million euros of collateral with the ECB[10] and 328.6 million euros of effective liquidity[11], and the cancellation of the traditional securitisations Pelican Mortgages No. 3, Pelican Mortgages No. 4 and Aqua Mortgage No. 1, which represented 235.6 million euros of collateral with the ECB and 20.4 million euros of effective liquidity.

In addition, access to market funding sources, either by contracting Repos or by issuing debt, favourably influenced the liquidity buffer, which reflects the liquidity immediately available, resulting from the aggregation of the value of assets available for financing from the ECB, and cash, and deposits made with the central bank, totalling 1,313 million euros.

The liquidity[12] buffer thus stood at 5,416 million euros as at 31 December 2024, an increase of 626 million euros compared to the end of 2023, reflecting a solid liquidity position.

LIQUIDITY BUFFER	(assets eligible for liquidity-providing operations of €4.125mn + investments with the ECB of €1.313 mn + other adjustments)	**€mn 5,416**	**€mn 626** (compared to Dec-23)

The loan-to-deposit ratio, calculated in accordance with Instruction No. 16/2004 of Banco de Portugal, decreased to 79.9% on 31 December 2024, compared to 85.7% at the end of 2023. This evolution was determined by the strong growth of Banco Montepio's Customer deposits, significantly above the industry average, despite the increase recorded in Loans to Customers (net), resulting in the significant widening of the commercial gap by 1,101 million euros, totalling 3,014 million euros as of 31 December 2024.

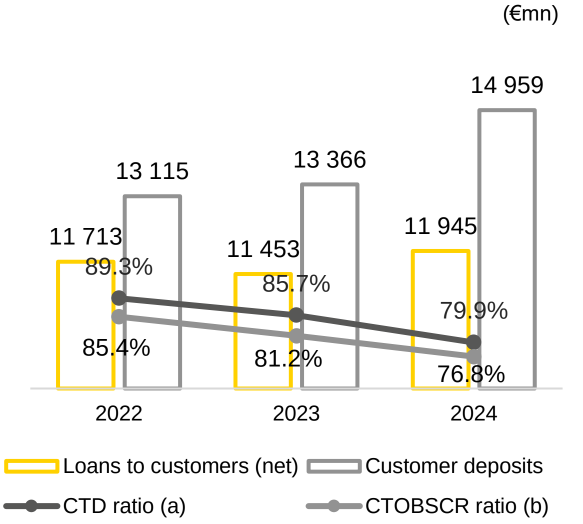
[10] Net haircut value.

[11] Resulting from the placement of securities with third parties.

[12] Liquidity Buffer = €1,165mn of deposit facility + €148mn of BdP demand deposits + €3,935mn of ECB pool + €190mn of eligible securities outside the pool - €22mn of SICOI Guarantee (Interbank Clearing System).

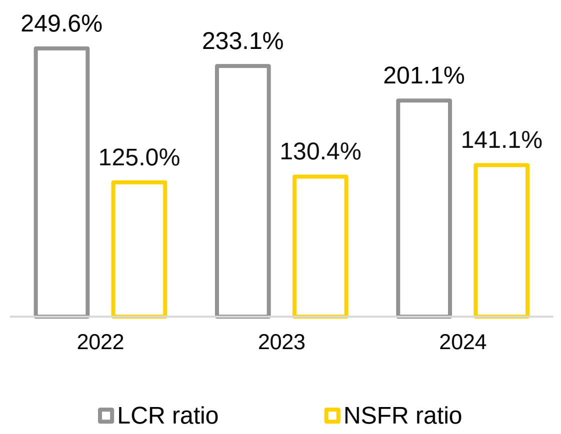
Banco Montepio maintained stable and comfortable levels of liquidity, in line with the strategic objectives defined in the Funding and Capital Plan, with the LCR and NSFR ratios standing at 201.1% and 141.1%, respectively, as of 31 December 2024.

Loan-to-deposit ratios



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

Liquidity ratios



LCR **201.1%**

NSFR **141.1%**

Reflecting its commercial dynamics, Banco Montepio continued to stand out in terms of deposits, with an increase of 11.9% year-on-year (+1,592 million euros), a performance above the sector average (a difference of around +3.2 p.p.), translating into significant gains in market share. In fact, considering the evolution of the deposit portfolio in the segments of individuals, non-financial corporations and the public administration sector[13], Banco Montepio registered an increase of 15 b.p. in market share compared to 31 December 2023, reinforcing its vocation as a Savings Bank.

This performance was achieved by strictly controlling the cost of deposits, ensuring interest rates on new term deposit operations were in line with the market average. The discipline and efficiency in the management of the deposit base allowed Banco Montepio to reverse, by a wide margin, the adverse impact of the context experienced in 2023, marked by the migration of deposits to alternative applications and the early repayment of mortgages in a scenario of high rates, factors that negatively affected the Portuguese banking sector.

Customer Deposit Portfolio[(13)]

Evolution compared to 2023 (yoy)

+11.3% (Banco Montepio)

+8.1% (sector)

[13] Individuals, Non-Financial Corporations, and Public Administration Sector, source and segmentation according to the Monetary and Financial Statistics (Banco de Portugal).

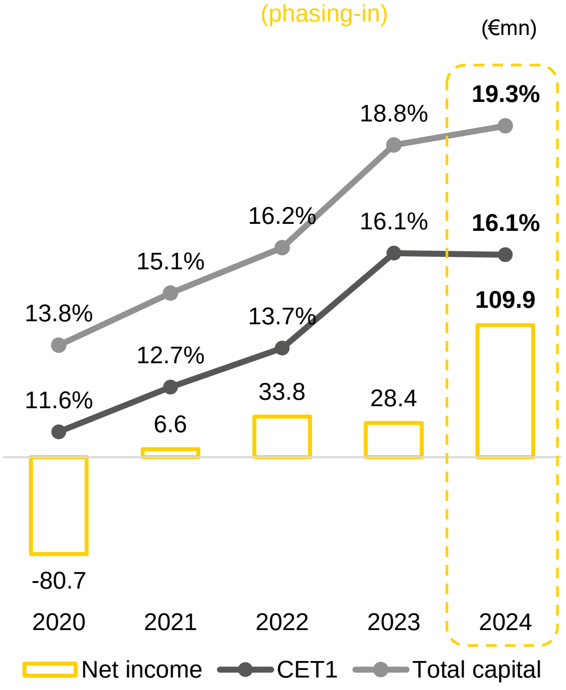
BALANCE SHEET AND RESULTS

The 2024 balance sheet and results reflect the start of a new cycle, following the successful conclusion of the 2020-2023 Adjustment Plan, which ensured the normalisation of Banco Montepio and the sustainability of the business, despite the challenging macroeconomic and financial context.

With normalization already achieved, the Board of Directors approved, on 31 July 2024, the Triple A Programme, which defines the strategic lines for the three-year period. This programme marks the beginning of a phase of sustainable growth – an Ambitious, Authentic and Agile cycle, focused on strengthening scale and market share, within a prudent and realistic management framework.

The growth achieved is based on the consolidation of the main economic and financial indicators, reflecting the convergence towards market benchmarks, the overall improvement of the risk profile and a more simplified structure focused exclusively on the Portuguese market.

Results and Capital ratio
(phasing-in)



The impacts of this new phase are already reflected in the activity, results and capital indicators, which reached historic highs in 2024, showing the consolidation of the strategy adopted. The increase in profitability, the reduction of non-productive and non-strategic assets, the sustained improvement of the risk profile and the strengthening of capital ratios – namely through organic generation – combined with the success in the implementation of digital transition measures and operational optimisation, reinforced Banco Montepio's positive trajectory throughout 2024. As a result, external recognition was manifested in the successive upward revisions of the ratings[14] by the three financial rating agencies: Moody's, Fitch and DBRS, which evaluate the institution, highlighting the attribution, in unison, of the Investment Grade rating to Banco Montepio's deposits.

[14] In the last two years, the rating agencies have carried out successive upward revisions of Banco Montepio's credit ratings, the last of which was in December 2024 by Fitch (Fitch +1 level; senior debt preferred to BB+ and deposits to BBB-).

BALANCE SHEET ANALYSIS

Throughout 2024, Banco Montepio maintained its trajectory of reducing the weight of Non-Performing Assets, not only converging to industry reference levels, but already positioning itself below the industry average in Portugal [15].

This development has allowed us to continue to exceed our commitments, reaching an NPL ratio of 2.1% and 0.4% net of impairments at the end of 2024 (-1.1 p.p. and -0.4 p.p. compared to December 2023, respectively), as well as a real estate to net assets ratio of 1.0% (-0.5 p.p. compared to December 2023).

NPL ratio of 2.1% and Real estate to net assets ratio of 1%, for the first time in Banco Montepio's history

At the same time, Banco Montepio recorded a growth of 4.8% in the performing loan portfolio compared to the previous year, supported essentially by the growth in the strategic product of Mortgage Loans, reinforcing its position in the Portuguese banking sector and consolidating the confidence of its Customers.

Synthetic balance sheet as at 31 December 2024 and 2023

(million euros)

	2022	2023	2024	Change 2024/2023 Amount	Change 2024/2023 %
Cash and deposits at central banks	1 384	1 171	1 475	303	25.9
Loans and deposits to credit institutions payable on demand and Other loans and advances to credit institutions	159	240	188	(52)	(21.6)
Loans to customers	11 713	11 453	11 945	492	4.3
Securities portfolio and other financial assets a)	4 387	4 074	3 908	(166)	(4.1)
Non current assets held for sale and investment properties	73	58	45	(13)	(22.4)
Non current assets held for sale - Discontinued operations	200	0	0	0	-
Current and deferred tax assets	420	383	325	(58)	(15.1)
Current tax assets	6	2	1	(0)	(15.6)
Deferred tax assets	414	381	324	(57)	(15.1)
Other	771	610	530	(81)	(13.2)
Total assets	**19 106**	**17 989**	**18 415**	**425**	**2.4**
Deposits from central banks and other credit institutions	3 232	1 783	607	(1 176)	(65.9)
Deposits from central banks	2 890	874	0	(874)	-
Deposits from other credit institutions	342	909	607	(302)	(33.2)
Customer resources	13 115	13 366	14 959	1 592	11.9
Debt issued	824	947	860	(87)	(9.2)
Non current liabilities held for sale - Discontinued operations	102	0	0	0	-
Other	314	326	314	(12)	(3.7)
Total liabilities	**17 587**	**16 423**	**16 740**	**317**	**1.9**
Share capital*	2 420	1 210	1 210	0	0.0
Reserves, results and other	(901)	356	464	108	30.3
Total equity	**1 519**	**1 566**	**1 674**	**108**	**6.9**
Total liabilities and equity	**19 106**	**17 989**	**18 415**	**425**	**2.4**

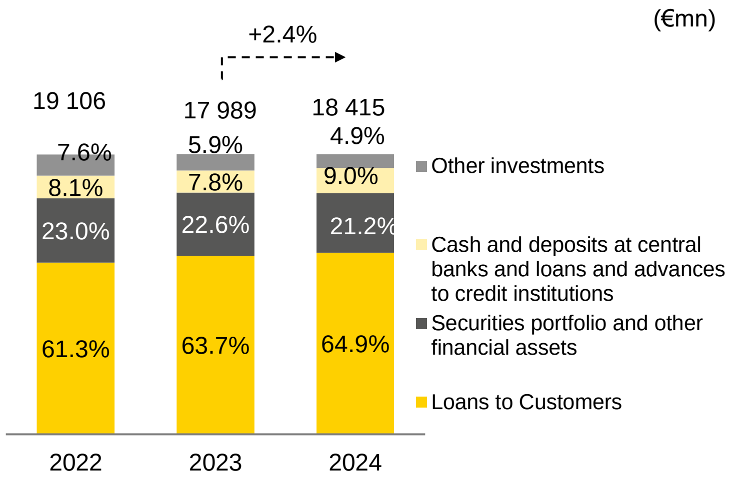
a) Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

[15] According to the Banco de Portugal (Portuguese banking system: recent developments, 4th quarter of 2024), the NPL ratio of the Portuguese banking sector was 2.4% and 1.1% net of impairments, in December 2024 and 2.7% and 1.2%, respectively, in December 2023.

ASSETS

Net assets increased to 18.415 million euros (+425 million euros, +2.4%) compared to the end of 2023, essentially explained by the strong performance in terms of liquidity obtained through deposits, with the mirror in the Cash and deposits at central banks (+303 million euros), as well as the growth in the Credit portfolio (+492 million euros), offset by the use of Deferred tax assets (-57 million euros) due to the profitability generated and the continued deleveraging of non-performing assets.

Asset structure



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

As of 31 December 2024, liquidity deposited with central banks and other credit institutions stood at 1,663 million euros, compared to 1,411 million euros at the end of 2023, representing an increase of 251 million euros (+17.8%). This increase is the result of a 303 million euros increase in Cash and deposits at central banks, partially offset by a reduction in Loans and deposits to credit institutions payable on demand and Other loans and advances to credit institutions, of 11 million euros and 41 million euros, respectively.

LOANS TO CUSTOMERS

As at 31 December 2024, Loans to customers (gross) amounted to 12,162 million euros (Net loans to customers of 11,945 million euros), reflecting an increase of 428 million euros (+3.6%) compared to the 11,734 million euros recorded at year-end 2023. This development primarily reflects the performance of mortgage loan production in the Individuals segment, driven by various initiatives and campaigns carried out throughout the year, such as the Worten Campaign, the Member Get Member Action, and the Bem Bom Contest. The growth achieved more than doubled the sector average in terms of entirely new loan production, resulting in a market share of around 6% in new mortgage lending operations in 2024.

In the Corporate segment, Banco Montepio renewed its commercial dynamics and value proposition, reflecting positively on credit production since the end of 2023. Even so, this development was not enough to prevent a reduction in the stock of loans at the end of 2024, in line with the market's negative trend. Still, this evolution was not sufficient to prevent the reduction of the credit stock at the end of 2024, in line with the negative market trend.

Throughout 2024, Banco Montepio continued to promote mechanisms to support the development and competitiveness of companies, as well as supporting initiatives related to sustainability and the energy transition. In this context, several financing solutions under more favourable conditions were made available through partnerships with national and European entities supporting investment and business development.

As a result of the growth strategy implemented, performing loans (gross) increased by 547.7 million euros compared to the end of 2023 (+4.8%), allowing Banco Montepio to strengthen its position in the credit market. This growth translated into market share gains [16], both in the total loan portfolio and in new operations.

---

[16] Individuals, Non-Financial Corporations, and Public Administration Sector, source and segmentation according to the Monetary and Financial Statistics (Banco de Portugal).

Performing loans (gross) **€mn 11,902** **+ 4.8%** (yoy)

Customer Loan Portfolio[16] **Evolution compared to 2023** (yoy) **+2.5%** (Banco Montepio) **+2.1%** (sector)

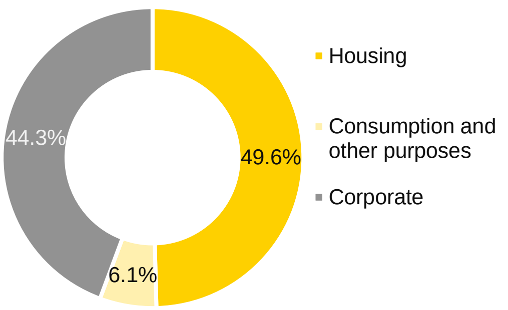
Non-performing credit decreased by 120.0 million euros (-31.6%) compared to 31 December 2023, reflecting the strict discipline in risk-taking and the effectiveness of the measures implemented throughout the year in the areas of monitoring and credit recovery.

As a result of the actions implemented, at the end of 2024 there was a 20% reduction in the number of new contracts[17] in default and a 30% reduction in the amount in default, compared to the same period last year. Despite the challenging context, marked by high levels of benchmark interest rates and their accumulated impact over the past few years, these indicators remained significantly below the values observed in the pre-moratorium period, at -33% and -69%, respectively, compared to the end of 2019.

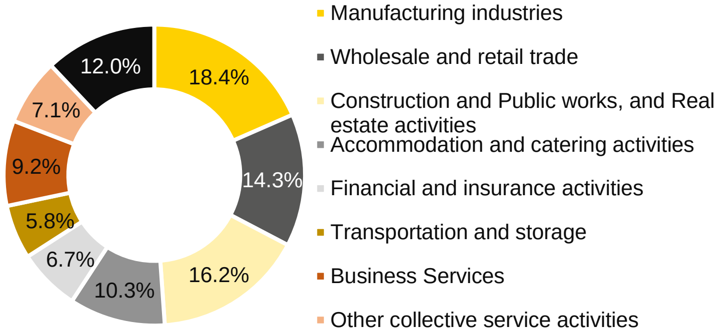
As a result, loans granted to Individuals increased their share to 56%, compared to 53% at the end of 2023, driven by the performance of mortgage loans, which accounts for 49.6% of the loan portfolio. With regard to loans granted to Companies, 44% (52% in 2023) of this segment is made up of Manufacturing industries, Wholesale and Retail trade and Construction and Real estate activities, as illustrated in the graphs below.

Loan portfolio (gross) – 31 December 2024

Loan portfolio structure



Loans to companies (by activity sector)



The table below presents the evolution of gross loans by segment and sector of activity. As already mentioned, the growth of the Individuals segment stands out, with an increase of 8.0% compared to 2023, surpassing the average for the sector in Portugal[18], which stood at 3.8% over the same period. This performance was driven by Banco Montepio's strategy for this segment, with a special focus on Mortgage loans.

[17] Contracts of more than 90 days, excluding demand deposits and cards.
[18] According to the Monetary and Financial Statistics for December 2024 (Banco de Portugal).

In turn, the Corporate segment recorded a year-on-year decrease of 1.4%, in line with the downward trend observed in the banking sector in Portugal, reflecting a reduction in non-performing loans by 120.0 million euros compared to the end of 2023, consistent with the strategy to reduce the NPL stock. This decrease largely reflects the impact of the wholesale sale of two NPL portfolios, in the months of June and November 2024, for a total amount of 97.7 million euros, as well as the recovery or cure of non-performing loans, reinforcing the reduction trajectory of non-performing assets.

Loans to customers
(by sector of activity)

(million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Individuals	**6 327**	**6 268**	**6 770**	**502**	**8.0**
Housing loans	5 581	5 541	6 031	490	8.8
Others	746	727	739	12	1.7
Corporate	**5 741**	**5 466**	**5 392**	**(74)**	**(1.4)**
Manufacturing industries	1 185	1 089	994	(95)	(8.7)
Wholesale and retail trade	886	823	769	(55)	(6.6)
Construction and Public works, and Real estate activities	990	921	873	(48)	(5.2)
Accommodation and catering activities	569	518	556	38	7.4
Financial and insurance activities	372	387	360	(27)	(7.0)
Transportation and storage	385	350	314	(37)	(10.4)
Business Services	406	439	494	55	12.5
Other collective service activities	379	375	384	9	2.5
Others	569	563	648	85	15.0
Gross loans	**12 068**	**11 734**	**12 162**	**428**	**3.6**
Impairment for credit risk	**355**	**281**	**217**	**(64)**	**(22.8)**
Net loans	**11 713**	**11 453**	**11 945**	**492**	**4.3**

The improvement in credit quality has also been supported by a more effective and integrated management of non-performing exposures, through the maximisation of the recovery of significant dossiers and the use of corporate finance solutions, namely restructuring the debt of economically viable clients and the sale of NPL portfolios.

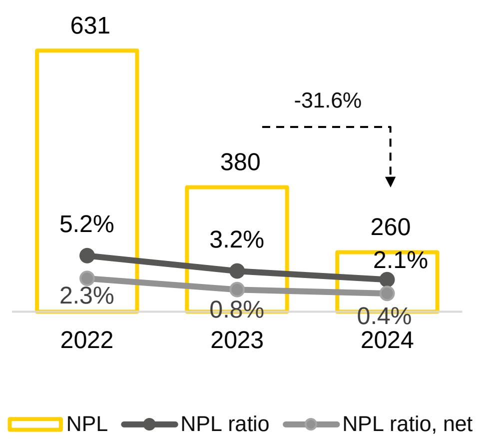
In a context of a gradual decline in interest rates from the maximum levels reached, although still higher than the values recorded in previous years, and reflecting a monetary policy of the ECB that, despite recent cuts, maintains relatively restrictive financial conditions, Banco Montepio maintained the trajectory of reducing the stock of NPL (Non-Performing Loans), benefiting from the impact of the measures mentioned above. This development resulted in a decrease in the NPL ratio relative to total gross loans to customers, standing at 2.1% at the end of 2024 (compared to 3.2% in 2023), well below the 5% benchmark set by the EBA and lower than the sector average in Portugal.[19].

This evolution reflects, as mentioned above, the combined effect of the growth of the performing loan portfolio (+4.8% compared to the end of 2023) and the progressive reduction of the stock of NPLs, which decreased to 260 million euros at the end of 2024 (-31.6% compared to the end of 2023). In turn, the NPL ratio net of impairments fell to 0.4%, compared to 0.8% in December 2023.

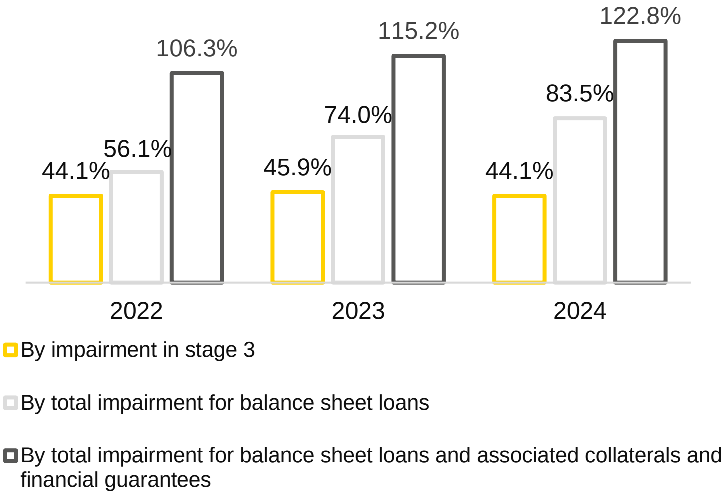
[19] As published by the Banco de Portugal (Portuguese banking system: recent developments, 4th quarter 2024).

Non-performing loans (NPL)[1]

(€mn)



NPL coverage[1]



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

At 31 December 2024, NPL coverage for Stage 3 impairment stood at 44.1% (45.9% in 2023), remaining above the EU member state average of 41.2% [20] at the end of 2024. This level of coverage strengthens the solidity of Banco Montepio's credit risk management and highlights its prudence in provisioning for impairments.

In turn, total impairment coverage for on-balance sheet loans increased to 83.5% (74.0% at the end of December 2023), while total impairment coverage of NPLs, including collateral and associated financial guarantees, reached 122.8% (115.2% in December 2023).

This development reflects the recovery of significant NPL dossiers, resulting in the reversal of impairments and contributing positively to the reduction in the cost of risk, which decreased to 0.2% at the end of 2024 compared with 0.4% on 31 December 2023.

NPL RATIO **2.1%**

NPL COVERAGE BY IMPAIRMENT IN STAGE 3 **44.1%**

SECURITIES PORTFOLIO AND OTHER INSTRUMENTS

As part of the strategy to rebalance the asset structure, Banco Montepio continued, throughout 2024, with the identification and implementation of a series of measures with the objective of improving the levels of liquidity and active management of the Securities portfolio and other financial instruments.

At the end of 2024, the portfolio of securities and other instruments totalled 3,908 million euros, compared to 4,074 million euros in the previous year, a decrease of 166 million euros (-4.1%). This development reflects the reduction in the portfolio of Financial assets at amortised cost by 405 million euros, primarily due to the repayment, both at maturity and early, of public debt, notably Italian and Spanish. In the opposite direction, there was an increase in corporate debt, mainly driven by the acquisition of Commercial paper. In addition, there was a reduction of 26 million euros in the portfolio of Financial assets at fair value through profit or loss, due to the decrease in participation units. Also noteworthy is the increase of 256 million euros in the portfolio

[20] According to the "EBA Risk Dashboard Q4 2024".

of Financial assets at fair value through other comprehensive income, resulting from the increase in the exposure to debt of other issuers, in line with the strategy defined in the planning.

Securities portfolio and other instruments

(million euros)

	2022	2023	2024	Change 2024/2023 Amount	%
Financial assets held for trading	23	19	27	8	41.5
Financial assets at fair value through other comprehensive income	97	48	304	256	>100
Other financial assets at amortised cost	4 119	3 879	3 474	(405)	(10.4)
Financial assets not held for trading mandatorily at fair value through profit or loss [1)]	148	128	103	(26)	(19.9)
Total Securities portfolio and other financial assets	**4 387**	**4 074**	**3 908**	**(166)**	**(4.1)**

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

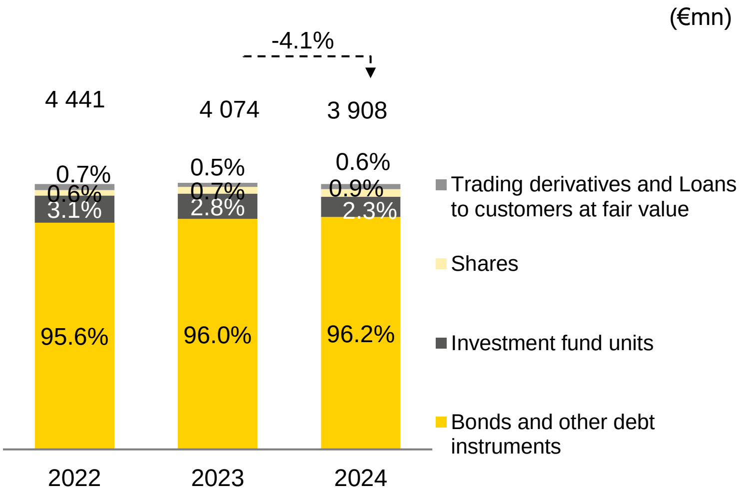
In the analysis of the securities portfolio by type of instrument, as at 31 December 2024, a reduction of 144 million euros was observed in Bonds and other debt instruments, including public debt, and a decrease of 26 million euros in Investment fund units compared to December 2023, primarily reflecting the deleveraging in non-core assets, specifically restructuring funds.

Securities portfolio and other financial assets by type of instrument

(million euros)

	2022	2023	2024	Change 2024/2023 Amount	%
Bonds and other debt instruments	4 198	3 907	3 763	(144)	(3.7)
Shares	27	30	33	3	10.3
Investment fund units	134	115	89	(26)	(22.6)
Trading derivatives	20	13	13	(0)	(0.1)
Loans to customers at fair value	9	9	10	1	10.9
Total securities portfolio and other financial assets	**4 387**	**4 074**	**3 908**	**(166)**	**(4.1)**

Structure of the securities portfolio and other instruments



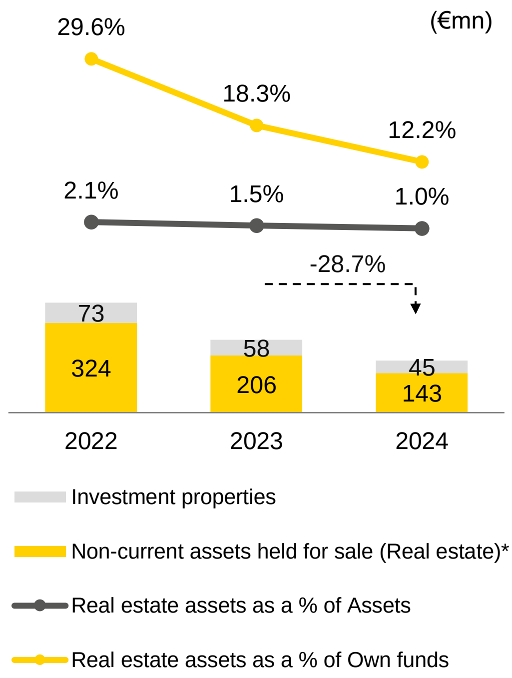
The structure of the securities portfolio on 31 December 2024 remained predominantly made up of Bonds and other debt instruments, representing 96.2% of the total portfolio, the same proportion as at the end of 2023. This composition reflects a prudent financial asset allocation policy that is consistent with the Bank's strategy.

NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

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

The analysis of the evolution of exposure to real estate assets is presented from a management perspective, considering that these are actually assets held on the balance sheet, but with a purpose of sale. Thus, taking into account all the properties recorded in Banco Montepio's consolidated balance sheet – from credit recovery or fully consolidated real estate funds –, there was, on 31 December 2024, a reduction in these non-performing assets of 28.7% compared to the end of 2023 (-76 million euros). The exposure to these assets was set at 188 million euros, in line with the integrated real estate management strategy and the consequent decrease in exposure to the real estate sector.

Exposure to real estate assets



* Including the amount reclassified to other assets.

The accounting heading of Non-current assets held for sale, together with the amount reclassified to Other assets, recorded a decrease of 63 million euros compared to 31 December 2023 (-30.5%), reaching 143 million euros at the end of December 2024. This evolution reflects on the one hand, property sales and, on the other, the strategic management of NPA (Non-Performing Assets) reduction plans, which favour alternative forms of credit recovery, minimising the entry of properties on the balance sheet.

Regarding Investment properties, the heading that accounts for the properties held by Real Estate Investment Funds consolidated at Banco Montepio, there was a decrease of 13 million euros compared to the end of 2023 (-22.4%), totalling 45 million euros on 31 December 2024.

The plan to reduce exposure to real estate risk has been successfully implemented, reflected in the downward trajectory of the weight of real estate assets in total net assets, which reached a historic low of 1.0% at the end of December 2024 (compared to 1.5% at the end of 2023). Similarly, the exposure of real estate assets in relation to own funds recorded a significant reduction of 6.1 percentage points, decreasing from 18.3% as at 31 December 2023 to 12.2% at the end of 2024.

Weight of real estate assets in net assets	1.0%	-0.5 p.p. (yoy)

CURRENT AND DEFERRED TAX ASSETS

On 31 December 2024, the aggregate of Current and deferred tax assets amounted to 325 million euros, compared to 383 million euros at the end of 2023, of which 1 million euros related to Current taxes and 324 million euros to Deferred taxes.

It should be noted that the 2024 financial year was negatively impacted by the deduction from the base of deferred tax assets resulting from the reduction of the corporate income tax rate by 1%, with an unfavourable impact on net income of around 14 million euros.

According to the respective accounting policy, Deferred tax is calculated based on the tax rates that are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date.

OTHER

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

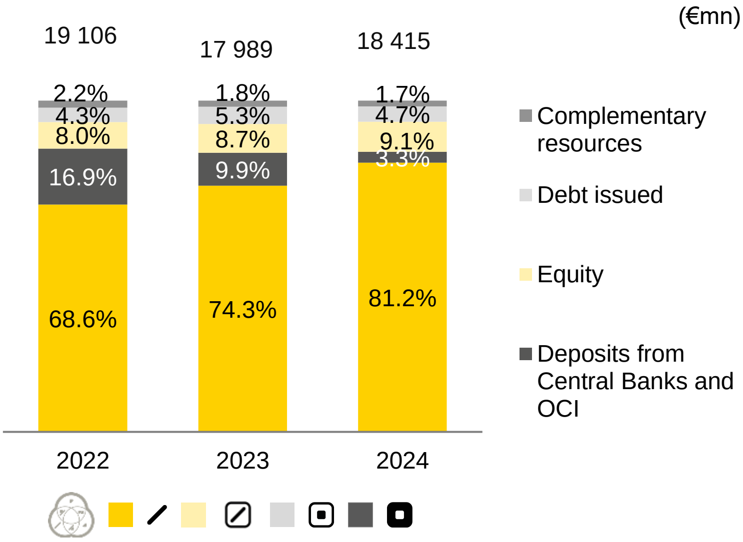
On 31 December 2024, the Other aggregate decreased to 530 million euros (610 million euros in 2023), of which 143 million euros (206 million euros in 2023) correspond to properties held for sale reclassified from Non-current assets held for sale to Other assets. This evolution was mainly due to the reduction in Other assets (112 million euros), an impact that was partially offset by the increases recorded in Hedging derivatives (+24 million euros) and Intangible assets (+7 million euros).

LIABILITIES

As of 31 December 2024, total liabilities stood at 16,740 million euros, reflecting an increase of 317 million euros (+1.9%) compared to the end of 2023. This increase resulted, on one hand, from the favourable evolution of Customer Deposits, which grew by 1,592 million euros, and, on the other hand, from the reduction in wholesale funding by 1,176 million euros, of which 874 million euros relates to funds from Central Bank Resources, reflecting the repayment of TLTRO-III without replacement by new ECB funding, and 302 million euros corresponds to the decrease in resources from Other Credit Institutions.

In addition, there was a reduction of 87 million euros in Debt issued, explained mainly by the 142 million euro decrease in Liabilities represented by securities.

Liabilities and equity structure

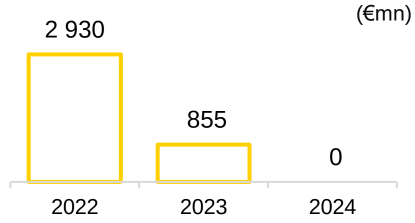


On 31 December 2024, Equity financed 9.1% of Assets (+0.4 p.p. compared to 2023), and Customer deposits remained the main source of balance sheet funding, reinforcing their relative weight to 81.2% of total Liabilities and Equity (+6.9 p.p. compared to 2023), whilst Resources from central banks and other credit institutions decreased to 3.3% (-6.6 p.p. compared to 2023).

RESOURCES FROM CENTRAL BANKS AND RESOURCES FROM OTHER CREDIT INSTITUTIONS

On 31 December 2024, the funding obtained from Central Banks and Other Credit Institutions totalled 607 million euros, entirely related to Resources from Other Credit Institutions, given the repayment, at maturity and in advance, of TLTRO-III (-874 million euros) and the non-replacement with new ECB funding. The reduction in the resources of other credit institutions by 302 million euros reflects the decrease in repo operations by 298 million euros.

ECB funding (TLTRO*)



* TLTRO –Targeted longer-term refinancing operations.

CUSTOMER RESOURCES

Total customer resources, which include customer deposits and off-balance sheet resources, increased to 16,488 million euros as of 31 December 2024 (+11.9% compared to December 2023), of which 90.7% correspond to Customer deposits.

Customer resources

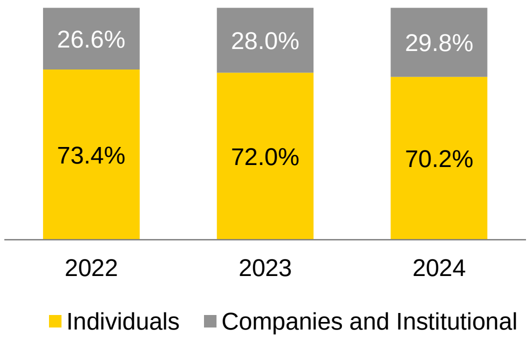
(million euros)

	2022	2023	2024	Change 2024/2023 Amount	Change 2024/2023 %
Customer deposits	**13 115**	**13 366**	**14 959**	**1 592**	**11.9**
Sight deposits	6 637	5 591	5 821	229	4.1
Term deposits	6 478	7 775	9 138	1 363	17.5
Off-balance sheet resources	**1 158**	**1 370**	**1 529**	**159**	**11.6**
Total customer resources	**14 273**	**14 737**	**16 488**	**1 752**	**11.9**

As at 31 December 2024, Customer deposits totalled 14,959 million euros, an increase of 1,592 million euros compared to the amount recorded at the end of 2023, primarily concentrated in Individual Customers, who represented 70.2% of the total.

This growth was driven by the increase of 882 million euros in Deposits of Individual Customers and 710 million euros in Deposits of Corporate and Institutional Customers. In terms of composition, Term Deposits increased by 1,363 million euros, while Demand Deposits increased by 229 million euros.

Customer deposits structure



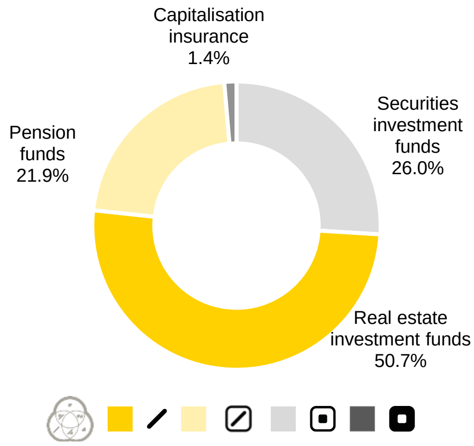
Banco Montepio's superior performance in the deposit market resulted in significant gains in market share[21], helping to strengthen its liquidity position and consolidate its vocation as a savings bank in Portugal.

Customer deposits | **€mn 14,959** | **+ 11.9%** (yoy) | **Market share of the Customer Deposits portfolio**[(21)] | **€mn +1,423** **+0.2 p.p.** (yoy)

[21] Individuals, Non-Financial Corporations, and Public Administration Sector, source and segmentation according to the Monetary and Financial Statistics (Banco de Portugal).

On the other hand, Off-balance sheet resources reached 1,529 million euros on 31 December 2024, compared to 1,370 million euros at the end of 2023, which represents an increase of 11.6%. This reflects increases in Securities investment funds (+32.1%), Real estate investment funds (+4.2%) and Pension funds (+11.3%). In terms of composition, Real estate investment funds accounted for the largest share of Off-balance sheet resources, with 50.7% of the total, followed by Securities investment funds (26.0%) and Pension funds (21.9%), while Capitalisation insurance accounted for a residual weight of 1.4%.

Off-balance sheet resources



DEBT ISSUED

At the end of 2024, the amount of Debt issued[22] stood at 860 million euros, representing a decrease of 87 million euros (-9.2%) compared to the same period last year. The 11th series of Covered bonds was repaid on maturity in November 2024, in the amount of 329 million euros, with an associated rate of 0.125%. For its part, the Bank has carried out a Liability Management operation on subordinated debt with remarkable success by issuing 250 million euros of Tier 2 in March 2024 with a maturity of 10 years and 3 months and a fixed interest rate of 8.5% per annum until the date of exercise of the early repayment option, as well as the repurchase of two issues of 50 million euros and, in April 2024, of the remaining 100 million euros.

It should be noted that in October 2023 and May 2024 there were also two issues of senior preferred debt under the EMTN (Euro Medium Term Note) Programme, for a total of 450 million euros, eligible for compliance with the Minimum Requirement for Eligible Liabilities and Own Funds (MREL). The senior debt issue that took place in May 2024, in the amount of 250 million euros, has a term of 4 years, with an early repayment option by Banco Montepio at the end of the 3rd year, an issuance price of 99.755% and a fixed interest rate of 5.625% per year until the date of exercise of the early repayment option. The more favourable conditions of this issuance demonstrate investors' confidence in Banco Montepio's risk profile and reinforce the opportunity to refinance the first issuance, whose repayment option is at the end of the 2nd year.

OTHER

At 31 December 2024, the aggregate of Other[23] decreased to 314 million euros compared to 326 million euros recorded at 31 December 2023, mainly due to the decrease in Other liabilities (-44 million euros), partially offset by the increase in Hedging derivatives (+24 million euros) and Provisions (+10 million euros).

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

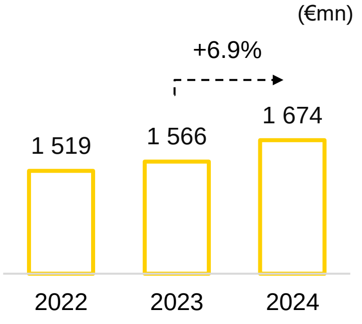
[23] The aggregate of Others presented in the Assets of the accounting synthetic balance sheet includes the headings of Assets with repurchase agreements, Hedge derivatives, Other tangible assets, Intangible assets, Investments in associates and Other assets.

EQUITY

Equity rose to 1,674 million euros, an increase of 108 million euros compared to the previous year (+6.9%) reflecting:

- The impact of the net income of 109.9 million euros;
- The booking of dividends for 2023 in the amount of 6 million euros;
- The positive change in the fair value reserve of 5.1 million euros and;
- The impact of negative actuarial deviations of 2.4 million euros, in the context of falling interest rates.

Equity



ANALYSIS OF RESULTS

In 2024, Banco Montepio's net income reached 109.9 million euros, representing an all-time high in terms of performance, in consolidated terms. This evolution translates into an increase of 81.5 million euros (+287%) compared to the same period last year and reflects the Banco Montepio Group's exclusive focus on the domestic market, consolidating its trajectory of organic generation of profitability and sustainable growth.

The unparalleled net income achieved, which almost quadrupled compared to the previous year, shows the strong generation of revenue in the core business, offsetting significant extraordinary events that weighed negatively on the operating account. In fact, in 2024, Banco Montepio recognised the negative impact of a total of 22.8 million euros resulting from the conversion into cash of the irrevocable commitments of the Deposit Guarantee Fund (in the form of a liquidated payment and a provision set up in the same proportion). Thus, excluding this exceptional effect, the net result would have exceeded 132 million euros.

NET INCOME **€mn 109.9** **+ €mn 81.5**
(+287%)
(compared to 2023)

Synthetic income statement

(million euros)

	2022	2023	2024	Change 2024/2023 Amount	%
Net interest income	251.5	408.1	384.4	(23.7)	(5.8)
Commercial net interest income [(a)]	251.5	462.1	392.1	(70.0)	(15.2)
Net fees and commissions	120.5	127.0	127.8	0.8	0.7
Core total operating income	**372.0**	**535.1**	**512.2**	**(22.9)**	**(4.3)**
Income from equity instruments	1.0	0.9	1.2	0.3	31.8
Results from financial operations	12.0	(26.5)	2.5	29.0	>100
Other operating income	(14.9)	(5.6)	(16.8)	(11.2)	<(100)
Total operating income	**370.1**	**503.9**	**499.1**	**(4.8)**	**(0.9)**
Staff Costs	152.6	153.7	162.3	8.6	5.6
General and administrative expenses	59.7	64.2	73.7	9.6	14.9
Depreciation and amortization	34.0	37.9	45.5	7.6	20.0
Operating costs	**246.4**	**255.8**	**281.5**	**25.7**	**10.1**
Operating costs, excluding specific impacts [(b)]	**235.8**	**247.5**	**272.4**	**24.9**	**10.0**
Net operating income before provisions and impairmer	**123.7**	**248.1**	**217.6**	**(30.5)**	**(12.3)**
Net provisions and impairments	44.5	65.7	52.1	(13.6)	(20.7)
Share of profit (losses) booked under the equity method	0.5	0.6	0.6	0.0	3.6
Net income before income tax	**79.7**	**182.9**	**166.0**	**(16.8)**	**(9.2)**
Income tax	35.6	50.3	56.2	5.8	11.6
Net income after income tax from continuing operations	**44.1**	**132.6**	**109.9**	**(22.7)**	**(17.1)**
Recurring net income	**(13.0)**	**(102.5)**	**0.0**	**102.5**	**-**
Foreign exchange reserve	(2.7)	1.7	0.0	(1.7)	-
Net Income	**33.8**	**28.4**	**109.9**	**81.5**	**>100**

(a) Commercial net Interest income is the margin arising from interest received from customers related to the granting of loans, and from interest paid to customers regarding the remuneration of funds raised.
b) Excluding staff costs generated by operational adjustment measures of €10.5mn in 2022 and €8.2mn in 2023 and one-off costs of €9.1mn in 2024 related to early retirements and terminations by mutual agreement.

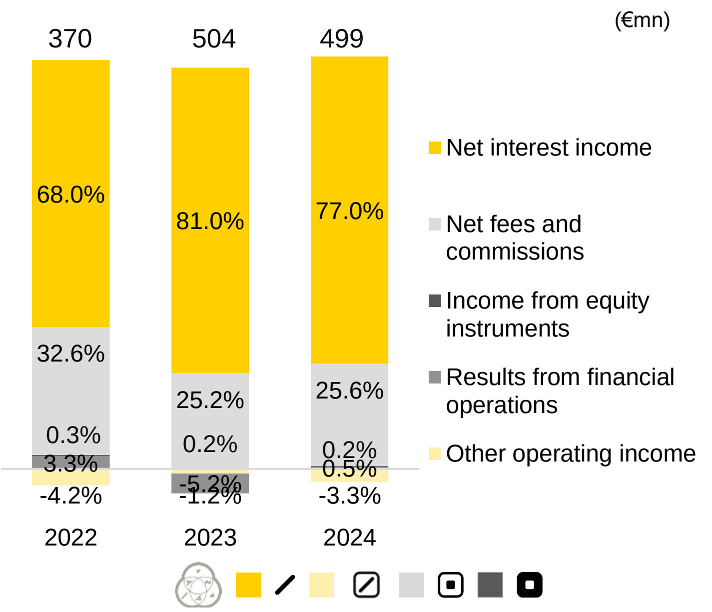
After reaching a level of normality, following the successful conclusion in 2023 of the Adjustment Programme, with the turnaround in all areas of Banco Montepio's activity and the continued and sustainable reduction of the institution's risk profile, there was a consolidation of positive results in 2024, with the start of a new strategic cycle, which was embodied in the approval of the Triple A Strategic Programme.

The evolution of profitability in 2024 essentially reflects the contribution of Operating income, which reached 499.1 million euros, driven essentially by the good performance of Net interest income. At the same time, the reduction in Impairments and provisions compared to the previous year, showing the good quality of the credit originated in recent years, as well as the success of the credit recovery activity, helped to reinforce the positive performance. These effects were, however, partially mitigated by the evolution of Other results and the increase in Operating costs, justified by the reinforcement of investment in technological development with the bank's growing commitment to digitalisation and modernisation, namely on the development in artificial intelligence.

OPERATING INCOME

Operating income for 2024 totalled 499.1 million euros, a decrease of 4.8 million euros compared to 2023. This reflects the contraction in Net interest income (-23.7 million euros), in a context of falling market interest rates, in which the increase in interest received from the Loans portfolio did not offset the increase in interest paid on Deposits taken, resulting from the repricing of the portfolio, as well as the regulatory costs associated with senior debt issues eligible for MREL and the increase in subordinated issues eligible for Tier 2. On the positive side, the favourable impacts of funding and liquidity management stand out, namely those resulting from the full repayment of TLTRO borrowings and the application of excess liquidity with the central bank.

Operating income breakdown



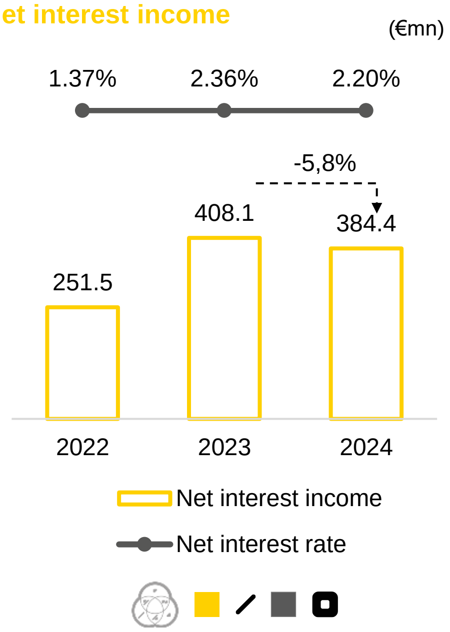
The increase in Net fees and commissions (+0.8 million euros) also contributed to the rise in Operating income, as did the increase in Results from financial operations (+29.0 million euros), driven mainly by the Results of the exchange rate revaluation. In the opposite direction, there was a reduction in Other operating income (-11.2 million euros), reflecting the negative impact of the increase in the cost of the sector's mandatory contributions (IFRIC 21), and the extraordinary impact of the payment of the Deposit Guarantee Fund's irrevocable commitments (-11.4 million euros).

NET INTEREST INCOME

Net interest income for 2024 amounted to 384.4 million euros, representing a decrease of 5.8% (-23.7 million euros) compared to the same period in 2023, largely reflecting the impact of the increase in regulatory costs related to the issuance of debt eligible for MREL in the amount of 450 million euros and the increase in the issuance of subordinated debt (Tier 2) by 50 million euros, which justifies an increase of 29.4 million euros in interest paid compared to the previous year.

Commercial net interest income fell by 70.0 million euros, reflecting not only the rise in interest rates on deposits, but also the strong growth in liquidity through Customer funding (+1.592 million euros compared to the previous year) and the consequent increase in interest paid (volume effect), but which is offset by the increase in liquidity deposited with the central bank, with a final favourable impact on overall Net interest income.

Net interest income



The market context has had an impact on the profitability of financial assets and liabilities, requiring a rigorous management and interest rate risk mitigation strategies.

However, as far as financial liabilities are concerned, Banco Montepio has been able to preserve a negative risk premium compared to the sector's average in new term deposit operations (in 2024, the average interest rate charged was around 11 b.p. lower than the sector's average[24]). In fact, Banco Montepio's performance in Customer deposits reflected the active management of the commercial business, which was effective in balancing, on the one hand, the competitive context that has characterized the deposit market in Portugal and, on the other, the cost of adequate funding. The effectiveness achieved was supported by Banco Montepio’s strong savings-oriented approach, based on a solid value proposition, alongside the high brand recognition and the trust of Investors and Customers.

Within the composition of the loan portfolio, it is worth noting that, in 2024, mixed-rate loans accounted for 37% of Banco Montepio’s mortgage loan portfolio, above the sector average[24] (33%).

On the other hand, the positive impact on Net interest income of the funding strategy related to TLTRO III / management of excess liquidity associated with the increase in the ECB's key rates (+70.7 million euros compared to 2023) resulting from the full repayment of TLTRO, compared favourably with the same period in the previous year, should be noted. The evolution of Net interest income reflected the prevalence of the price effect over the volume effect, with an increase in the implicit lending interest rate to 4.0% (+0.5 p.p. compared to 2023) compared to the increase in the implicit borrowing interest rate to 1.9% (+0.7 p.p. compared to 2023).

The favourable conditions of the second MREL-eligible issuance signal investor confidence and boost the refinancing of the first issuance in 2025

Consequently, interest income from the Customer loan portfolio increased by 66.4 million euros, primarily due to the price effect, along with an increase in interest on the Customer deposits portfolio (+136.4 million euros), showing the management of pricing in attracting new deposits and renewing existing ones, as well as the reduction in the weight of Demand deposits (non-interest-bearing) in the total portfolio (from 42% to 39%), with average interest rates on Loans and advances to customers and Customer deposits standing at 5.1% and 1.5% respectively (4.5% and 0.6% in 2023).

Overall, in 2024, the Net interest margin rate stood at 2.2% (2.4% at 2023), showing the effective management of the balance sheet, which was reflected in the ability to preserve profitability, even in a challenging context of falling market interest rates.

[24] According to the Monetary and Financial Statistics (Banco de Portugal).

Breakdown of net interest income by interest-bearing assets and liabilities

(million euros)

	2023			2024		
	Avg. amount	Avg. rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
Assets						
Cash and deposits	826	2.9	24.3	1 342	3.3	44.6
Loans and advances to OCI	158	1.7	2.7	162	2.4	4.0
Loans to customers	11 891	4.5	545.8	11 920	5.1	612.2
Securities portfolio	4 144	0.5	21.9	3 747	0.9	33.4
Other assets at fair value	9	4.5	0.4	9	4.8	0.4
Other (includes derivatives)	0	0.0	3.4	0	0.0	0.1
subtotal	17 027	3.5	598.5	17 180	4.0	694.6
Liabilities						
Resources from central banks	1 952	2.9	58.2	202	3.8	7.8
Resources from OCI	671	1.9	13.0	863	2.4	20.8
Customer deposits	12 898	0.6	83.7	14 146	1.5	220.1
Senior debt	612	0.8	4.8	803	3.5	29.0
Subordinated debt	216	8.9	19.6	262	8.3	22.2
Other (includes derivatives)	0	0.0	11.2	0	0.0	10.4
subtotal	16 350	1.1	190.4	16 276	1.9	310.2
Net interest margin		**2.36**	**408.1**		**2.20**	**384.4**

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

Explanation of the evolution of net interest income between 2023 and 2024

(million euros)

	Volume effect	Price effect	Residual effect	Total
Assets				
Cash and deposits	15.2	3.1	2.0	20.3
Loans and advances to OCI	0.1	1.2	0.0	1.3
Loans to customers	1.4	63.4	1.7	66.4
Securities portfolio	(2.1)	14.9	(1.4)	11.5
Other assets at fair value	0.0	0.0	0.0	0.0
Other (includes derivatives)	0.0	0.0	(3.3)	(3.3)
subtotal	5.4	88.3	2.4	96.2
Liabilities				
Resources from central banks	(52.3)	17.0	(15.1)	(50.4)
Resources from OCI	3.7	3.2	0.9	7.8
Customer deposits	8.1	116.8	11.5	136.4
Senior debt	1.5	17.2	5.4	24.2
Subordinated debt	4.1	(1.3)	(0.2)	2.6
Other (includes derivatives)	0.0	0.0	(0.7)	(0.7)
subtotal	(0.9)	120.8	(0.0)	119.9
Change in net interest income	**6.3**	**(32.4)**	**2.5**	**(23.7)**

NET FEES AND COMMISSIONS

In 2024, Net fees and commissions totalled 127.8 million euros, an increase of 0.8 million euros compared to the same period in 2023 (+0.7%). This reflects the increase in transaction commissions (+2.9 million euros), essentially driven by the growth in income from account maintenance and management, which offset the negative impact of the reduction in market commissions (-1.4 million euros) and credit commissions (-1.3 million euros). The evolution of credit commissions was mainly the result of the entry into force of Decree-Law 24/2023, from May 2023, which determined that management commissions for private credit agreements would not be charged.

INCOME FROM EQUITY INSTRUMENTS

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

The amount booked in 2024 totalled 1.2 million euros, and essentially includes dividends received from Unicre in the amount of 0.6 million euros and from SIBS in the amount of 0.4 million euros, compared to 0.9 million euros in the previous year.

RESULTS FROM FINANCIAL OPERATIONS

Results from financial operations in 2024 totalled 2.5 million euros, representing an increase of 29.0 million euros compared to the same period in 2023. This evolution was mainly due to the positive impact of the exchange rate revaluation (+21.1 million euros), driven by the appreciation of the Kwanza, resulting from the legacy deposits of the sale of Finibanco Angola, the higher contribution of the Securities portfolio (+4.8 million euros) and the net effect of Hedging derivatives and the fair value of financial assets and liabilities (+3.2 million euros).

Results from financial operations

(million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	(0.2)	(6.3)	(3.5)	2.8	44.1
Net gains / (losses) from financial assets at fair value through other comprehensive income	1.4	0.1	5.3	5.1	>100
Net gains / (losses) from foreign exchange differences	10.8	(20.3)	0.8	21.1	>100
Results from financial operations	**12.0**	**(26.5)**	**2.5**	**29.0**	**>100**

OTHER INCOME

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

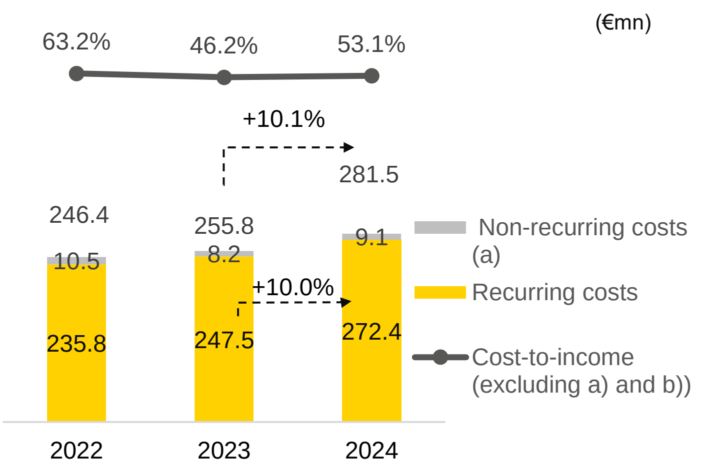
In 2024, Other income totalled -16.8 million euros, showing an unfavourable evolution of 11.2 million euros compared to the amount recorded in 2023 (-5.6 million euros), determined by the increase in the cost of the sector's mandatory contributions (IFRIC 21) (+4.5 million euros) and the settlement of 50% of the value of the irrevocable payment commitments associated with the Deposit Guarantee Fund that were paid in December 2024.

On a positive note, there was an increase of 0.5 million euros in Income from the sale of other assets, influenced by the gain obtained from the sale of a property for own use, which more than offset the decrease in the Sale of loans to customers (-3.5 million euros), as a result of the Banco Montepio Group's new level of normality, visible in the significant reduction in the stock of non-performing loans, with the NPL ratio reaching a level below the sector average by 2024.

OPERATING COSTS

In 2024, Operating costs amounted to 281.5 million euros, reflecting an increase of 10.1% compared to the previous year, explained by higher general and administrative expenses and depreciation and amortisation, driven by continued investment in business development and technological transformation. The increase in Staff costs remained under control, as part of a policy of rigor and efficiency in the management of human resources. In 2024, Operating costs include one-off costs of 9.1 million euros, compared to 8.2 million euros in 2023, resulting from non-recurring charges associated with early retirements and terminations by mutual agreement in 2024 and 2023, as well as the implementation of measures under the Employee Operational Optimisation Programme in 2023.

Operating costs

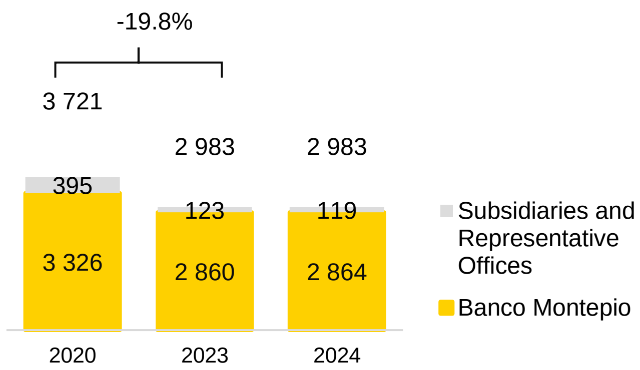


a) Impact of operating costs associated with the measures of the Operational Optimisation Programme (in 2023) and non-recurring costs related to early retirements and terminations by mutual agreement (2023 and 2024). (b) Results from financial operations and other results (results from the sale of other assets and other operating results).

Staff costs reached 162.3 million euros in 2024, reflecting an increase of 8.6 million euros (+5.6%) compared to the previous year's figure (of 153.7 million euros). Excluding the impact of non-recurring costs related to the operational optimisation programme (in 2023), as well as early retirement and termination by mutual agreement (in 2023 and 2024), Staff costs increased by 7.7 million euros (+5.3%), which, in addition to the effect of salary updates, reflects the increase in Pension Fund charges, mainly explained by the change in actuarial assumptions, namely the discount rate.

Following the successful completion of the Operational Optimisation Programme in 2023, the number of Employees at Banco Montepio Group remained stable and in line with the same period in 2023. At Banco Montepio, there was a marginal increase of only 4 employees, due to the need to strengthen specific skills and the integration of internship programmes, ensuring the adequacy of human resources to current operational requirements.

Number of employees at Banco Montepio Group



General administrative expenses amounted to 73.7 million euros in 2024, reflecting an increase of 9.6 million euros (+14.9%) compared to the amount recorded in 2023 (64.2 million euros). This evolution results, above all, from the increase in costs with contracted specialized services (+5.5 million euros), namely with information technology (+3.5 million euros), within the scope of the digital transformation process of the Banco Montepio group, with other specialized services (+1.2 million euros), reflecting higher charges with external consultants and auditors, and with independent work (+0.7 million euros).

Depreciation and amortisation totalled 45.5 million euros in 2024, compared to 37.9 million euros in 2023 (+20.0%), mainly reflecting the increase in the amortisation of intangible assets (software), associated with the implementation of Banco Montepio's investment strategy in information technology and process reengineering.

In 2024, the Cost-to-income ratio stood at 53.1% (46.2% in 2023), excluding the impact of the one-off costs recorded in 2024 and 2023, associated with early retirements and terminations by mutual agreement as part of the measures to adjust the workforce, as well as the Results of financial operations and Other results[25]. This performance should be framed in the context of Banco Montepio's size, whose smaller scale, compared to the average of the sector in Portugal, and the structure oriented towards a model of proximity to customers – with a strategic focus on the segments of individuals and companies, with special attention to small and medium enterprises (SMEs) and social economy entities – affect the dilution of operating costs on total operating income, which includes particularly significant regulatory burdens, such as mandatory contributions to the Resolution Fund and the Deposit Guarantee Fund. Still, Banco Montepio maintains a continuous commitment to operational efficiency, seeking to mitigate these effects through rigorous and disciplined management.

Operating costs

(million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Staff costs	152.6	153.7	162.3	8.6	5.6
General and administrative expenses	59.7	64.2	73.7	9.6	14.9
Depreciation and amortisation	34.0	37.9	45.5	7.6	20.0
Operating costs	**246.4**	**255.8**	**281.5**	**25.7**	**10.1**
Operating costs, excluding specific impacts (a)	**235.8**	**247.5**	**272.4**	**24.9**	**10.0**
Efficiency ratios					
Cost-to-income (Operating costs / Total operating income) (b)	66.6%	50.8%	56.4%	5.6 p.p.	
Cost-to-income, excluding specific impacts (a) (c)	63.2%	46.2%	53.1%	6.9 p.p.	

(a) Excluding staff costs generated by operational adjustment measures of €10.5mn in 2022 and €8.2mn in 2023 and one-off costs of €9,1mn in 2024 related to early retirements and terminations by mutual agreement.

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

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

IMPAIRMENT AND PROVISIONS

Allocations for Impairments and provisions totalled 52.1 million euros in 2024, representing a decrease of 13.6 million euros compared to 2023, reflecting the improvement in asset quality, the reduction in NPL, and the lower need for impairment charges resulting from the strengthening of the loan portfolio's quality.

Impairment of loans and advances to customers and to credit institutions (net of reversals and including the recovery of written-off loans) stood at 21.8 million euros in 2024, compared to 49.6 million euros in the same period in 2023 (-27.8 million euros, -56.1%).

The strict credit risk management criteria, associated with a careful analysis in the granting and an effective credit recovery dynamic, contributed to the significant improvement in the quality of the credit portfolio, reflected in the reduction of the cost of credit risk to 0.2% in 2024, compared to 0.4%in 2023 (-0.2 p.p.).

[25] Income from the sale of other assets and Other operating income.

Cost of credit risk **0.2%** **- 0.2 p.p.** (compared to 2023)

In turn, the aggregate of Other impairments and provisions totalled 30.4 million euros in 2024, reflecting a net increase of 14.2 million euros compared to the value recorded in 2023 (16.1 million euros). This increase results, on one hand, from a lower reinforcement of Impairment of other assets (-6.3 million euros), and on the other hand, from the net increase in Other provisions by 11.5 million euros (+20.5 million euros), of which 11.4 million euros relate to the Deposit Guarantee Fund.

Impairment and provisions

	2022	2023	2024	Change 2024/2023	
				Amount	%
Impairment of loans and advances to customers and to credit institutions	13.4	49.6	21.8	(27.8)	(56.1)
Impairment of other financial assets	2.3	1.2	1.2	0.0	4.0
Impairment of other assets	24.9	24.0	17.7	(6.3)	(26.4)
Other provisions	3.9	(9.1)	11.5	20.5	>100
Total net impairments and provisions	**44.5**	**65.7**	**52.1**	**(13.6)**	**(20.7)**

TAXES

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

Current and deferred taxes for 2024 totalled 56.2 million euros, compared to 50.3 million euros in the previous year, incorporating the negative impact of deferred tax assets resulting from the 1% decrease in the corporate income tax rate, calculated in accordance with IAS and observing the tax framework applicable to each subsidiary of the Banco Montepio Group.

INCOME FROM DISCONTINUED OPERATIONS

In 2024, the value of the heading Income from discontinued operations was zero, as a result of the deconsolidation of the stake held in the subsidiary Finibanco Angola, S.A. effective on 30 June 2023.

NON-CONTROLLING INTERESTS

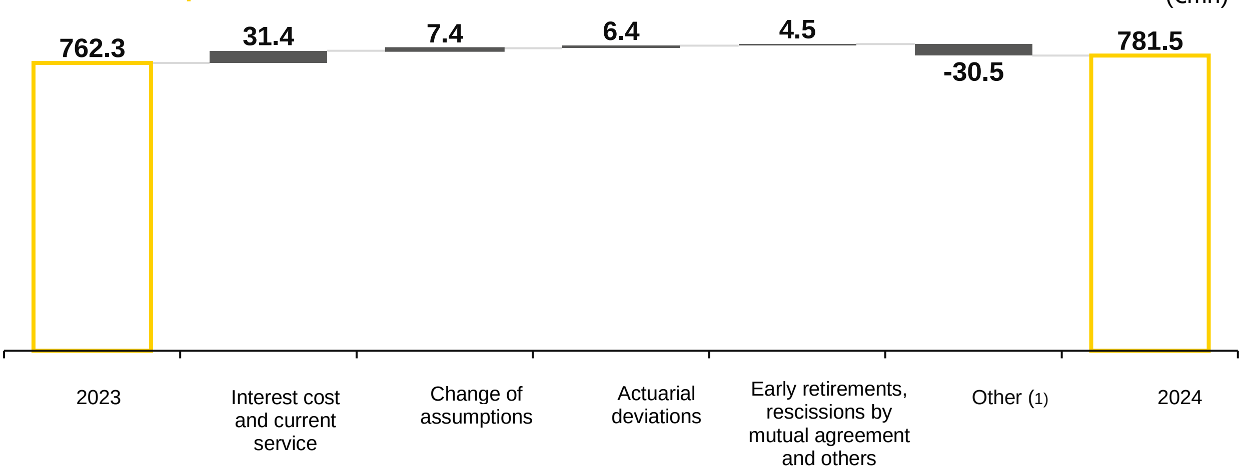
Following the deconsolidation of the stake held in Finibanco Angola, S. A. and the consequent derecognition of its Non-controlling interests, the value of the heading was zero in 2024 and compares with 1.7 million euros in 2023.

PENSION FUND

Liabilities for post-employment and long-term employee benefits totalled 781.5 million euros on 31 December 2024, an increase of 19.2 million euros over the previous year.

The evolution of liabilities was determined, on the one hand, by the increase in Interest and current service costs by 31.4 million euros, by the change in actuarial assumptions, namely the reduction in the growth rates of wages and pensions, which translated into an increase of 7.4 million euros, by the Actuarial deviations component, in 6.4 million euros, by the Early retirements, rescissions by mutual agreement and others, in 4.5 million euros. On the other hand, the component Other, which includes Pensions paid by the Fund, Pensions paid by Banco Montepio, Contribution from participants and others, contributed to the reduction in liabilities by -30.5 million euros, as shown in the graph.

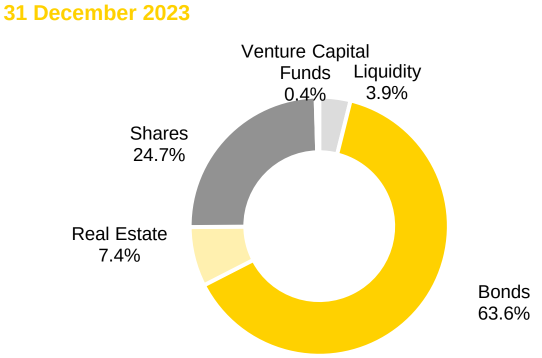
Evolution of pension liabilities

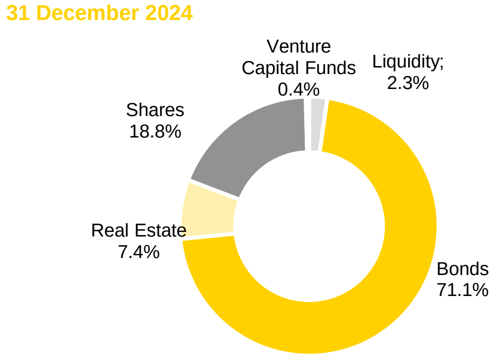


(1) Includes Pensions paid by the Fund, Pensions paid by Banco Montepio, Contribution from participants and others.

The value of the Pension Fund's assets amounted to 823.4 million euros as at 31 December 2024, compared to 812.7 million euros at the end of 2023 (+1.3%). This reflects on the one hand, the favourable impact of the financial deviations for the period, amounting to 11.3 million euros, and, on the other, the payments made by the Pension Fund. The Pension Fund's assets remained conservatively allocated, with 71.1% invested in Bonds (63.6% on 31 December 2023), in line with the investment policy and in compliance with the legal restrictions and limits on prudential diversification and dispersion. It should be noted that, following the approval of the new Investment Policy in September 2024, the duration of the portfolio, previously limited to 3 years, was adjusted to values closer to the duration of the Fund's liabilities, which is over 14 years, resulting in a natural hedging of interest rate risk.

Distribution of the pension fund asset portfolio





The evolution of the Pension Fund's main indicators on 31 December 2024 and 2023 is shown below.

Pension Fund

(million euros)

	2023	2024	Change 2024/2023 Amount	%
Total liabilities	762.3	781.5	19.2	2.5
Minimum liabilities to be financed	746.4	727.5	(18.9)	(2.5)
Value of the Pension Fund's assets	812.7	823.4	10.7	1.3
Coverage:				
Minimum liabilities [(1)]	109.6%	113.8%	4.2 p.p.	
Total liabilities [(1)]	107.3%	106.0%	(1.3 p.p.)	

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

Banco Montepio's total liabilities were entirely funded, with a coverage level of 106.0% in 2024 (107.3% as at 31 December 2023).

In accordance with Banco Montepio's accounting policy, and following the assessment carried out on the adequacy of actuarial assumptions, the discount rate was updated to 3.55% on 31 December 2024 (from 3.60% on 31 December 2023), reflecting the evolution of the main market indices in relation to high-quality bonds and the duration of the Pension Fund's liabilities. As at 31 December 2024, the average duration of the liabilities related to Bank Montepio Group Employee pensions was 14.6 years (14.1 years as at 31 December 2023), including actively employed and pensioners.

The main actuarial assumptions used to determine post-employment benefit liabilities for 2023 and 2024 are detailed in the following table. Compared to the previous year, there were changes in the salary growth rate, the pension growth rate and the discount rate – the latter in line with the reduction in the fund's rate of return. Additional information can be found in Note 48 to the consolidated financial statements of this report.

Actuarial assumptions

	2023	2024
Financial Assumptions		
Salary growth rate	3.0% in the first year, 2.0% in the second and 1.0% in subsequent years	2.5% in the first year, 2.0% in the second and 1.0% in subsequent years
Pension growth rate	2.5% in the first year, 1.5% in the second and 0.75% in subsequent years	2.0% in the first year, 1.5% in the second and 0.75% in subsequent years
Rate of return of the Fund	3.60%	3.55%
Discount rate	3.60%	3.55%
Revaluation rate	0.00%	0.00%
Salary growth rate - Social Security	1.50%	1.50%
Pension growth rate	1.25%	1.25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial Valuation Methods [(1)]	UCP	UCP

(1) Projected Unit Credit method.

06. STRATEGY

1974

Sophia de Mello Breyner described April 25th with the following verses: "This is the dawn I was waiting for, The initial, whole and clean day." It was the final breath of a 48-year dictatorship. Banco Montepio was 130 years old.

STRATEGY

Banco Montepio, transformation, normalisation, growth

After reaching a level of normality, following the successful completion in 2023 of the Adjustment Plan, with the turnaround in all areas of Banco Montepio's activity and the continued and sustainable easing of the institution's risk profile, it was observed in 2024, the consolidation of positive results, having begun a new strategic cycle.

In 2024, Banco Montepio continued to perform favourably in most indicators, presenting an MREL ratio of 24.9% (+3.5 p.p. compared to the same period last year and 4.5 p.p. above the 20.4% requirement), capital ratios at historical maximum levels, with the Common equity tier 1 (CET1) ratio rising to 16.0%, in line with 2023, a Total Capital ratio of 19.2% (+0.6 p.p. compared to the same period last year), in accordance with fully implemented rules and robust liquidity indicators (LCR of 201.1% and NSFR of 141.1%).

Regarding asset quality, the reduction in non-performing exposures by 120 million euros, placing the NPL ratio at 2.1%, compared to 3.2% recorded in 2023, and the reduction in exposure to real estate risk by 76 million euros, representing only 1.0% of net assets (1.5% at the end of 2023) and 12.2% of own funds (18.3% at 31 December 2023).

Also noteworthy is the total amortization of financing with the ECB in the first quarter of 2024 by Banco Montepio.

Throughout 2024, Banco Montepio's progress was independently recognized by the three financial rating agencies that monitor its activity, granting the rating of investment grade to deposits and BB+ to senior preferred debt. The successive upward revisions to the ratings reflect external recognition of Banco Montepio's excellent track record, which has increased its profitability, reduced non-performing assets, steadily improved its risk profile and strengthened its capital ratios, notably through organic generation.

As the conditions were met to start a new cycle focused on growth, Banco Montepio adopted for the three-year period a strategic evolution model based on 5 key lines, approved at the General Meeting of Shareholders: **(I) Grow of business and market share, (II) Accelerated digitalisation of the new business model, (III) Convergence towards average market profitability, (IV) Simplification of the Bank and its interaction with customers, (V) Enhancement of the brand, reputation and talent.**

The 5 key lines arise from an exercise based on economic growth projections, the dampening of inflation, normalisation of monetary policy and no material changes of regulation, within a framework of prudent and realistic management.

I **Growth in business and market share** is focused on ensuring greater relevance in strategic / key segments, strengthening the active Customer base and consequent ambition to increase market shares, to which is added an ambition to increase the scope of products and services available to Customers, continuing the role of Banco Montepio as a distribution pivot of the Montepio Group entities, along with strengthening the distribution capacity and generation of complementary margin by fostering partnerships, and, at the same time, promoting an integrated ESG vision and leveraging the Group's mutualistic nature.

II The **accelerated digitalisation of the new business model** aims to evolve the service capacity and delivery of the omnichannel experience, using AI and generative AI tools, by expanding the functional coverage of App/Home Banking for Customers, accelerate the transformation of the contact centre, broadening the channels for customer service for remote managers, boosting marketing capabilities and, complementing the above, starting a plan to upgrade the physical spaces of branches and central services. In another sphere, it also involves the review and automation of key journeys, critical for the acceleration of the business and improvement of the end-user's experience.

III The third sphere of action foresees a **progressive convergence towards the average market profitability**, by spurring of productivity and efficiency, combining simplicity and digitalisation, with the implementation of ongoing dynamic of detection and exploration of opportunities for efficiency gains. While, on the one hand, digital transformation and automation give room to tactical and one-off opportunities in optimisations of headcount and the branch network, accompanying the market trend, on the other, a strengthening of the investment level is expected to materialise and accelerate transformation in the new cycle.

IV The new cycle also foresees the acceleration of the process of **simplification of the Bank and its interaction with Customers**, through intensification of the digitalisation of journeys and front-to-back processes, boosting focus and pragmatism at all levels of the organisation, aligned with the business priorities, as well as an agile IT organisational culture with greater delivery capacity and a higher degree of integration with business units. This axis includes the implementation of a programme driving operational efficiency of key support processes, and the adoption of enhancements in the credit analysis and decision-making process, by fostering stronger alignment with defined strategic priorities and a higher degree of automation in decision-making.

V The fifth line of the strategic model strengthens the **enhancement of the brand, reputation and talent**, thus pursuing Banco Montepio's mission to ensure its continuous presence in the lives and key moments of families, while at the same time, consolidate its presence in the market as a reference partner of the Portuguese business fabric and the ideal financial institution for the Social Economy. Moreover, the proposed measures aspire to lend continuity to the independent stakeholders' external acknowledgement of Banco Montepio's sound trajectory across various dimensions. It is also foreseen the improvement of the talent value proposition and the fostering of the employees' rejuvenation and attraction/retention for specific positions and the promotion of a collaborative workplace adjusted to the new cycle.

In 2024, the Board of Directors approved the Triple A Strategic Programme, aimed at delivering an Ambitious, Authentic, and Agile Banco Montepio, materialising the 5 key lines and translating them into the organisation's strategic goals for the 2025–2027 period. The implementation of the Programme requires an integrated and coordinated approach, aiming to ensure that the strategic priorities are effectively embedded across the organisation's various initiatives, thus securing alignment with the targets previously set for the end of the cycle.

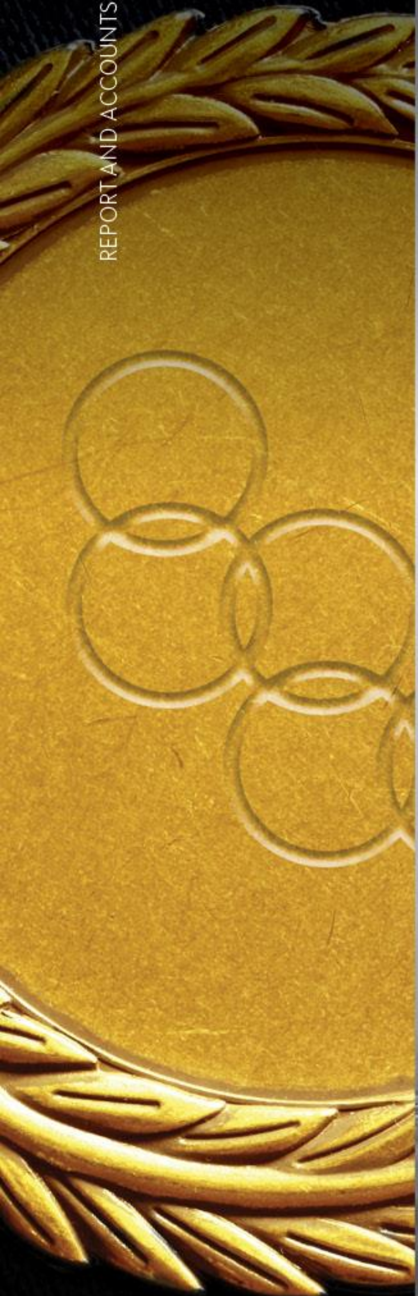
In the second half of 2024, the organisation focused on setting up project teams and defining the budgeting process, with the strategic priorities duly incorporated into decisions regarding resource allocation and goal setting, an essential step to ensure the successful launch of the initiatives. By the end of 2024, approximately 50% of the planned initiatives had been initiated, with the expectation that all initiatives will be underway by the end of the second quarter of 2025, which will enable the progressive and sustained execution of the strategies outlined for the three-year period.

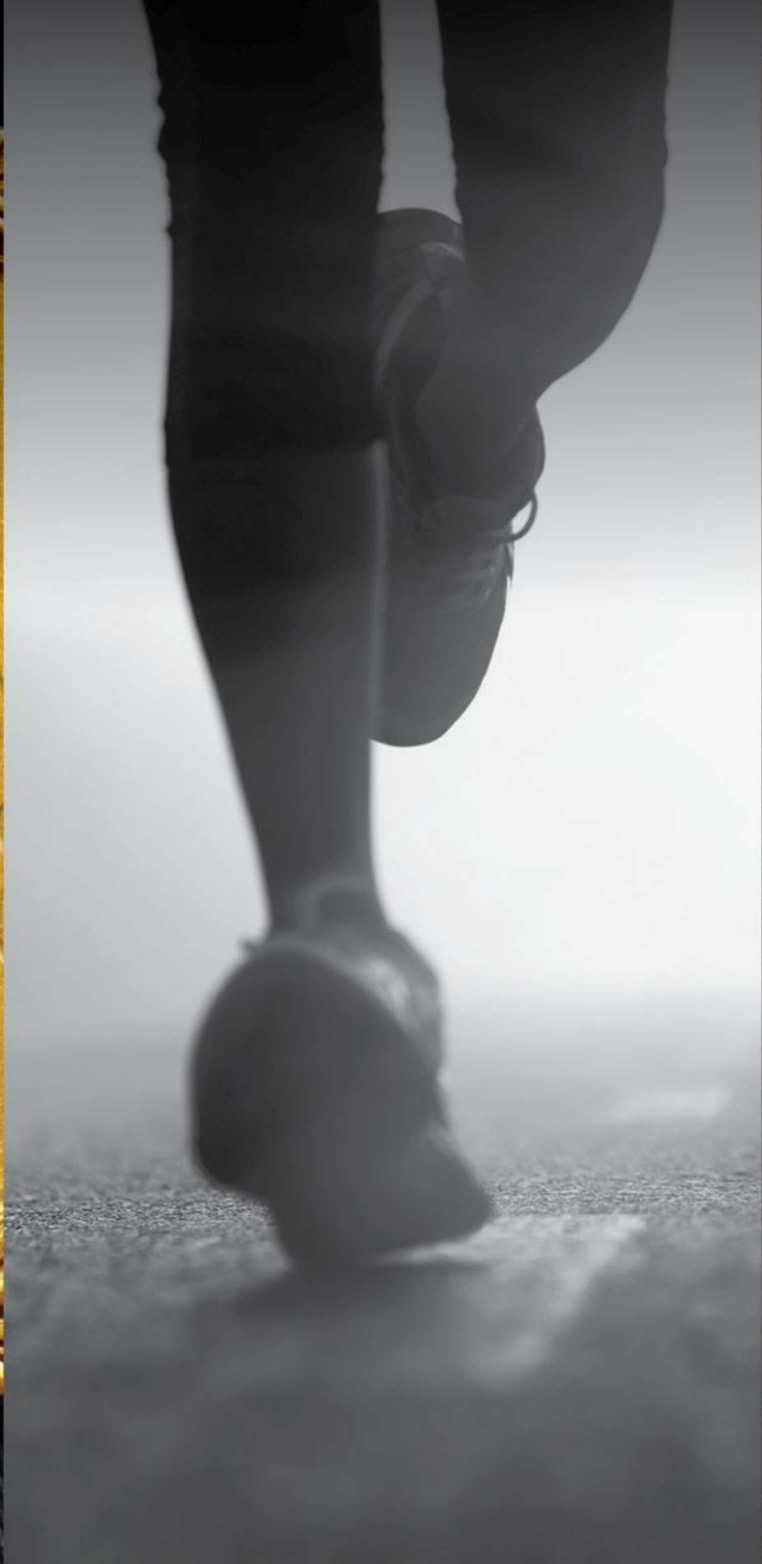
Main highlights:

Since its launch, a few areas of action stand out, including the development of a new App and Home Banking for Individuals, with significant changes in terms of modernising the respective technological infrastructure, in alignment with the acceleration of digitalisation and the improvement of the omnichannel experience. Simultaneously, the upgrading of the physical network commenced, as part of simplifying the structure and modernising the customer service channels, providing a more efficient experience in line with Customer needs.

As part of business growth and market share, regarding the acceleration of loans to individuals, along with the *Bem Bom* Competition, adjustments were made to the mortgage loan offer with the aim of strengthening the value proposition and accelerating the expansion of the customer base.

At the beginning of 2025, initiatives were also launched to accelerate credit to companies, both in terms of commercial approach as well as simplifying and improving the operational efficiency of the credit process, initiatives that are set to be extended and intensified throughout the three-year period.





07. RISK

1984

We often pair round-number anniversaries with significant events. At 140 years old, there was such a union: in Los Angeles, at the Olympics, Carlos Lopes brought home the gold, Rosa Mota the bronze, and Banco Montepio, in Portugal, launched the first national network of ATMs and Chave24.

RISK

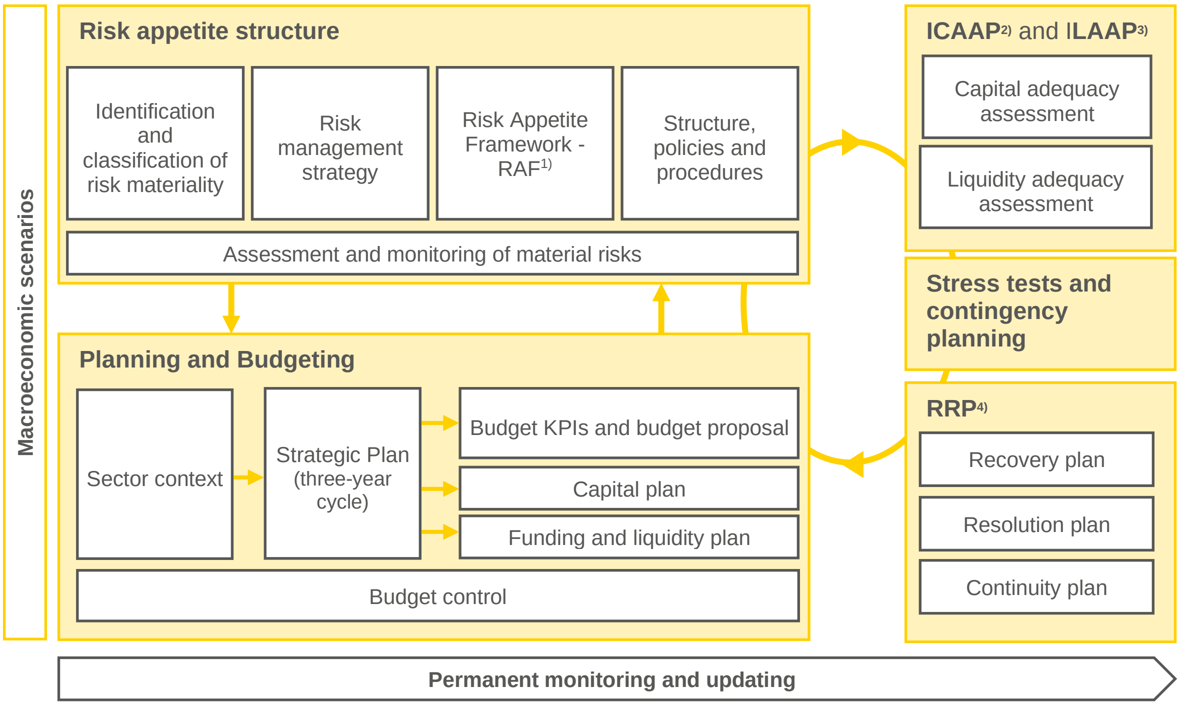
RISK MANAGEMENT

The Banco Montepio Group's risk management framework includes a set of policies, procedures, limits and controls that enable it, in an appropriate and integrated manner, to identify, measure or evaluate, monitor, mitigate and report the risks posed by the activities carried out in the various business lines and entities.

Main elements supporting Banco Montepio Group's risk management framework

- Identification and classification of the materiality of risks;
- RAF – Risk Appetite Framework;
- Risk management strategy;
- Structure, policies and procedures;
- Assessment and monitoring of material risks;
- Internal capital and liquidity planning and management;
- Monitoring and overall reporting of risk and internal capital;
- Stress tests;
- Contingency planning.

The figure below illustrates the main elements that support the risk management framework of the Banco Montepio Group, as well as the alignment of risk management with the other organisational components (business strategy and global vectors of the risk strategy), and with the Planning and Budgeting exercises, Internal Capital Adequacy Self-Assessment Process (ICAAP), Internal Liquidity Adequacy Self-Assessment Process (ILAAP) and Recovery Plan.



1) RAF– Risk Appetite Framework; 2) ICAAP – Internal Capital Adequacy Assessment Process; 3) ILAAP – Internal Liquidity Adequacy Assessment Process; 4) RRP – Recovery and Resolution Planning.

INTERNAL CONTROL SYSTEM

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

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

The government adopted the three lines of defence model.

3 lines of defence model

1st Line	Composed of the business generating units and related areas that generate risk for the institution, and which are primarily responsible for identifying, assessing, monitoring and controlling the risks they incur.
2nd Line	Composed of the support and control functions, including risk management and compliance functions, which interact with the first line functions in order to adequately identify, assess, monitor and control the risks inherent in the activities carried out by the first line functions.
3rd Line	Composed by the internal audit function, which is responsible for independently examining and evaluating the adequacy and effectiveness of the policies, processes and procedures that support the system of governance, risk management and internal control by carrying out tests of the effectiveness of the controls implemented.

Accordingly, the internal control system is based on:

- An adequate control environment supported by a well-defined organisational structure and safeguarding the segregation of functions, and by a code of conduct applicable to all Employees, which defines the standards of ethics, integrity and professionalism;
- A robust risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the strategy and goals defined by the Group;
- An efficient information and communication system, implemented to ensure the capture, processing and exchange of relevant, comprehensive and consistent data, within an appropriate timeframe and in a way that allows the effective and timely performance of the management and control of the Group's activities and risks;
- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the internal control system itself over time, ensuring, inter alia, the timely and continuous identification of any deficiencies whose resolution has contributed to the strengthening of the internal control system.

The monitoring process incorporates a set of actions and evaluations developed by the Institution in order to ensure the adequacy and effectiveness of the Institution's organisational culture and governance systems in this matter:

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

The Internal Control Division (constituted in January 2025, former Internal Control Office) integrated into the Organization and Quality Division, is responsible for monitoring the resolution of deficiencies – detected by the control functions, external auditors and supervisors –, and respective mitigating measures and action plans for their implementation, boosting their implementation with the owners of the measures, through periodic follow-ups that allow identifying and resolving any constraints in their implementation, considering all the entities of the Banco Montepio Group.

INTERNAL CONTROL FUNCTIONS

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

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

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

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

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

Key developments within the risk management function in 2024

- Development of new rating models;
- Continued to strengthen and improve the risk management information system and the reports produced, including the strengthening of the processes for reporting capital and liquidity risk and for calculating and reporting interest rate risk, in accordance with Banco de Portugal Instruction no. 34/2018 and most recent EBA guidelines;
- Self-assessment of the gaps in internal processes and methodologies in the light of the regulatory requirements in the field of digital operational resilience issued in the Digital Operational Resilience of Financial Services Act (DORA) approved by the European Commission at the end of 2022;
- Updating and review of internal regulations on the various processes related to risk management;
- Regular monitoring of the bank's risk taxonomy, as well as the process of identifying material risks;
- Participation in the European Central Bank's "Quantitative Impact Study – QIS", aimed at estimating and anticipating the impacts associated with CRR3 (the revision of the current Capital Requirements Regulation) on the solvency of financial institutions.
- Consolidation of the use of the MGIRO (Montepio Integrated Operational Risk Management) application, by all areas of Banco Montepio, to support operational risk management in all its phases;
- Consolidation of the implementation of the framework for managing climate risks and other ESG risk factors (ongoing);
- Development of a portal for the collection of ESG risk-related information from companies, in partnership with other banks and under the ownership of SIBS;
- Strengthening the regulations, internal processes and methodologies that support the Bank's resolvability within the scope of the regulatory requirements inherent in compliance with the European Directive on the resolution of credit institutions;
- Participation in the cyber stress test exercise conducted by Banco de Portugal;
- Review of Banco Montepio's business continuity plan;
- Survey of cybersecurity risks, vulnerabilities and threats and take out insurance to mitigate this risk.
- Preparing the processes for the entry into force of CRR3.

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

Compliance risk is mitigated by promoting a culture of ethics and compliance and by the intervention of the respective function in Banco Montepio's main processes that entail this type of risk, *a priori* by analysing the compliance of processes and procedures, and *a posteriori* by carrying out compliance monitoring actions. For the purposes of managing compliance and reputational risks, Banco Montepio has a Compliance Risk Management Policy and Methodological Approach and a Reputational Risk Management Policy and Methodological Approach, which are communicated to all the institution's employees and support the adoption of a compliance culture based on identifying, assessing, monitoring and mitigating these risks.

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

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

Key developments within the compliance function in 2024

- Preparation of the Annual Plan of activities of the compliance function, incorporating, in addition to the recurring activities, those that directly address the mission of the function, the Bank's objectives and activities that resulted from the exercise of independent evaluation of the compliance function.;
- Preparation of the annual training plan for all Employees of the compliance function;
- Strengthening of screening applications, completion of the implementation of the new Customer risk model in the context of the prevention of money laundering and terrorist financing and carrying out a calibration exercise of new scenarios for the generation of alerts in the transaction monitoring application, resulting in greater effectiveness in the management of financial crime risk;
- Beginning of the project to revise the Code of Conduct and implement a set of initiatives, with a view to fostering an organisational culture of compliance aligned with the values and principles of Banco Montepio and with the legal and regulatory requirements applicable to the activity developed;
- Review of the Policy on Communication of Irregularities, the Policy on Transactions with Related Parties and the Policy on complex structures and unconventional or non-transparent activities;
- Support for the development of the new model for assessing the suitability of operations and the framework of the target market for investment funds, as well as strengthening controls over the marketing of investment;
- Review of the Organic Statute and Regulation of the compliance function, in particular the creation of the Compliance Analytics Division;
- Continuous implementation of compliance monitoring actions in line with the approved Monitoring Plan, namely on the compliance risk associated with the handling of complaints, the marketing of mutual products and investment funds, the supervision of the depositary function, control of transactions with related parties, the product governance process, non-compliance with the Code of Conduct or the control of regulatory reporting.

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

In terms of mission, the internal audit function assists Banco Montepio Group in achieving its objectives through the use of a systematic and disciplined approach to assess and improve the strength and efficacy of the risk management, internal control and governance processes.

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

The 2024 Audit Plan of the Banco Montepio Group covered regulatory, business process, risk management and continuous monitoring of identified deficiencies.

Risk Appetite Framework (RAF)

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

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

RISK MANAGEMENT GOVERNANCE MODEL

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

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

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

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

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

Audit Committee

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

Risk Committee

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

Supporting Commissions of the Executive Committee

Commissions providing support to the Executive Committee have been constituted, as forums of debate and support to decision-making, through formulation of proposals and recommendations in the areas of their scope of intervention. The following committees stand out:

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

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

The Cybersecurity Commission (COMCIBER), meets quarterly and is responsible for defining and monitoring the objectives for the management of cybersecurity (information security), aligned with business requirements and with the requirements and expectations of stakeholders, relevant laws and regulations and monitoring the implementation and continuous improvement of the information security management system. It also deliberates on matters of management, definition of requirements and adoption of information security policies and procedures.

The Operational Resilience Commission (COMRO) (former Business Continuity Commission having changed its name in January 2025), meets on a biannual basis and is responsible for ensuring the completeness and continuous update of the Business Continuity Plan (PCN), and where applicable, propose improvements in the detection, evaluation and recovery processes with a view to continuous improvement of Incident Management and associated internal control framework.

Risk Division (DRI)

The DRI is the unit at Banco Montepio responsible for the risk management function, overseeing all financial and non-financial risks in partnership with DCOMP. It performs its duties independently and in accordance with best practices and regulatory requirements.

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

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

The following have also been set up the Impairment Commission (COMIMP), the Non-Performing Assets Monitoring Commission (COMAANP), the Business Commission (COMNEG), the Pension Fund Monitoring Commission (COMAFP), the Technology Commission (COMTECH), the Internal Control Commission (COMCI), the Cybersecurity Commission (COMCIBER), the Data Commission (COMDATA); the Sustainability Commission (COMSESG), in which DRI participates, as well as the Operational Resilience Commission (COMRO) (formerly the Business Continuity Commission, which changed its name in January 2025) and the Solvability Commission (CRES), which are under the secretariat of this directorate.

Subsidiary Companies

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

Independent Model Validation

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

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

In 2024, the GVM completed a set of validation procedures, including periodic validations of models, methodologies, and results of the ICAAP and ILAAP processes, initial validations of Corporate Rating models, periodic validation of the pricing model, and validation of the model for calculating financed carbon dioxide equivalent emissions.

As part of the internal governance model, the GVM ensured the presentation and reporting to the Executive Committee and the Risk Committee, in accordance with the requirements set out in the Model Risk Management Policy. It updated the risk classification of the Group's various models and also carried out control of the model inventory, monitored the implementation of recommendations with model owners, analysed rating model overrides with their respective quarterly reports, and monitored model risk limits.

Information Management

In 2024, Banco Montepio continued to invest in data governance and quality practices, under the leadership of the Data and Analytics Division (DDA). The governance operating model is implemented in the control and critical organisational units to respond with best practices to the regulatory framework and the scope of the situations identified by the special data quality audit conducted by Banco de Portugal between 2023 and 2024. The business concept glossary, data catalogue, process lineage, and data quality rules are being gradually and incrementally enhanced for Regulatory Reports and Critical Data.

The Governance and Data Quality by design approach is central to this strategy, ensuring that all solutions and processes are designed to the highest standards of quality and compliance from the outset. This practice not only optimizes the reliability and consistency of data but also facilitates its efficient and responsible use by users and consumers of information (data owners and stewards), promoting a strong commitment to operational and analytical excellence based on relevant information.

The governance assets provided allow data owners and stewards to have a holistic view of the data ecosystem, its context, origin, sensitivity and responsibility, while at the same time ensuring the reliability of the results and decisions made and reducing the risk in operations, both in terms of interpreting the solution and analysing impacts, as well as in terms of its replication.

In addition to the technological implementation to centralise information on data assets and their business context, a tool for recording and monitoring data events with resolution processes, escalation and defined service levels, data quality control engines and monitoring of information reliability metrics, and a methodology for consolidating and calculating key metrics for monitoring regulatory reporting exercises, recurring forums were held for Employees with specific governance functions with a view to raising awareness, adoption and responsible use. The commitment of all parties allows for a good position in the first phase of certification by an independent audit of compliance with the action plan and commitment presented to Banco de Portugal in July 2024.

The transformation and convergence of current data flows and models to the reference architecture and modelling established by the European Central Bank - Banks' Integrated Reporting Framework (BIRD) and Integrated Reporting Framework (IReF) - is also underway, with the recent conclusion of the Single Resolution Board (SRB) project and the ongoing Credit Responsibility Centre (CRC) project.

Since these are multidisciplinary matters, a Centre of Excellence was created in 2024 to monitor progress in reporting activities, with the active participation of the DDA and control areas such as DRI and DCRF and DCOMP, operating under a monitoring governance model with status carried out in the Data Commission (COMDATA).

In addition, Banco Montepio strengthened its data governance and quality team at the beginning of 2025, in line with commercial and regulatory requirements, in order to maximize the value of information and improve internal efficiency.

CREDIT RISK

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

In 2024, Banco Montepio continued to review its credit risk management models and policies, keeping up with changes in the regulatory framework, guidelines issued by national and European supervisors and regulators and best market practices.

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

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

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

In order to monitor the evolution of the Customer's risk profile, the Bank has a classification framework (Early Warning Systems), used by the commercial, credit analysis and credit recovery areas, with the aim of identifying early signs of possible difficulties in meeting its financial plans and thus defining the best strategies with Customers in order to mitigate the risk of default.

On 31 December 2024, the weight of NPL (Non-Performing Loans) measured based on Loans and advances to customers (gross) registered a decrease compared to 31 December 2023 (-1.1 p.p.), standing at 2.1%, determined by the positive effect of the reduction of non-performing exposures by 120 million euros (-31.6%) and the growth in performing loans of 548 million euros (+4.8%).

The amount of total impairments for credit risk reached 217 million euros as at 31 December 2024, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 198.4%. Additionally, NPL coverage by impairment at stage 3 stood at 44.1%, while the coverage of non-performing loans stood at 83.5%, while the coverage ratio, also considering total collateral and associated financial guarantees stood at 122.8%.

Loan quality indicators

(million euros)

	2022	2023	2024	Change 2024/2023	
				Amount	%
Loans and advances to customers (gross)	12 068	11 734	12 162	428	3.6
Loans and interest overdue by more than 90 days	270	173	109	(63)	(36.7)
Loans impairment	355	281	217	(64)	(22.8)
Ratios (%)					
Cost of credit risk	0.1	0.4	0.2	(0.2 p.p.)	
Loans and interest overdue by more than 90 days	2.2	1.5	0.9	(0.6 p.p.)	
Non-performing exposures (NPL) [(a)] / Loans and advances to customers (gross)	5.2	3.2	2.1	(1.1 p.p.)	
Forborne exposures [(a)] / Loans and advances to customers (gross)	4.3	2.8	1.6	(1.2 p.p.)	
Coverage (%)					
Loans and interest overdue by more than 90 days by Impairments for balance sheet loans	131.2	162.7	198.4	35.7 p.p.	
NPL coverage [(a)] by impairment at stage 3	44.1	45.9	44.1	(1.8 p.p.)	
NPL coverage [(a)] by Impairments for balance sheet loans	56.1	74.0	83.5	9.5 p.p.	
NPL coverage (a) by Impairments for balance sheet loans and associated collaterals and financial guarantees	106.3	115.2	122.8	7.6 p.p.	

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

CREDIT CONCENTRATION RISK

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

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

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

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

MARKET RISK

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

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

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

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

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

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

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

A summary of the VaR indicators in December 2024 and and in December 2023 is presented below.

VaR Indicators[(1)]

	Dec-24		Dec-23	
	Banking Book	Trading Portfolio	Banking Book	Trading Portfolio
Market VaR [(1) (2)]	**0.92%**	**3.40%**	**1.37%**	**2.15%**
Interest Rate Risk	0.99%	1.96%	1.19%	0.56%
Exchange Rate Risk	0.05%	0.13%	0.07%	0.72%
Price Risk	0.01%	1.28%	0.01%	1.39%
Credit risk (spread)	0.66%	0.08%	0.40%	0.11%
Commodity Risk	0.00%	0.00%	0.00%	0.50%

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

(2) Includes diversification effect.

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

EXCHANGE RATE RISK

Concerning the exchange rate risk of the banking book, in general, the different resources captured in different currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the investments and resources. The foreign exchange exposure of the Banco Montepio Group on a consolidated basis showed a reduction compared to the previous year, primarily due to the positions in Kwanza related to deposits of Montepio Holding in Access Bank Angola (formerly Finibanco Angola, whose stake held by Montepio Holding was sold in 2023).

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

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

INTEREST RATE RISK IN THE BANKING BOOK

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

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

Following the Basel recommendations and Banco de Portugal Instruction no. 10/2024, the Group calculates on a monthly basis, its exposure to balance sheet interest rate risk based on the Bank of International Settlements (BIS) methodology, classifying all asset, liability and off-balance sheet items that do not belong to the trading portfolio, by repricing levels.

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

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

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

LIQUIDITY RISK

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

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

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

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

In December 2024, the liquidity gaps up to 12 months were as presented in the table below.

Liquidity Position Gaps in December 2024

(million euros)

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated mismatches	5 601	5 594	5 594	5 559	5 489

Resources from customers constitute the main source of funding, representing 89.4% of the total funding sources in December 2024.

Breakdown of Liabilities as at 31 December 2024

Liabilities	%
Resources from central banks	0.0%
Resources from other credit institutions	3.6%
Resources from customers	89.4%
Debt securities issued	3.5%
Other liabilities	3.5%
Total	**100.0%**

The Liquidity Coverage Ratio (LCR) reached 201.1% in December of 2024, comfortably above the minimum requirement of 100%. Also noteworthy is the strengthening of the commercial gap with the loan-to-deposit ratio, considering Net loans to customers and Customer deposits, standing at less than 100%.

The Net Stable Funding Ratio (NSFR) stood at 141.1% December 2024, also with a significant gap compared to the minimum requirement of 100%.

REAL ESTATE RISK

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

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

In 2024, the Banco Montepio Group's accounting exposure, net of impairment, to real estate risk, in the components described above, was reduced by around 75.1 million euros, from 307.2 million euros at the end of 2023 to 232.0 million euros as at 31 December 2024. The net book value of real estate on the consolidated balance sheet (which includes the Banco Montepio Group's real estate funds, that are fully consolidated) amounted to 188 million euros, corresponding to a ratio of less than 1.0% of net assets. It should be noted that in prudential terms, the Group has been allocating additional capital to cover the risk of the properties recorded on the consolidated balance sheet, so the exposure at risk to properties on the consolidated balance sheet (which includes the Banco Montepio Group's real estate funds, which are fully consolidated) is 126 million euros, representing a weight of 8% on own funds (compared to 16% in December 2023).

PENSION FUND RISK

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

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

On 31 December 2024, the Pension Fund's accumulated negative actuarial deviations stood at 222.2 million euros (219.8 million euros in 2023), reflecting the effect of the change in the discount rate from 3.60% in 2023 to 3.55% in 2024, while the coverage of total liabilities by assets, reflected in a funding ratio of 106%, mitigated the impact on capital ratios.

OPERATIONAL RISK

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

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

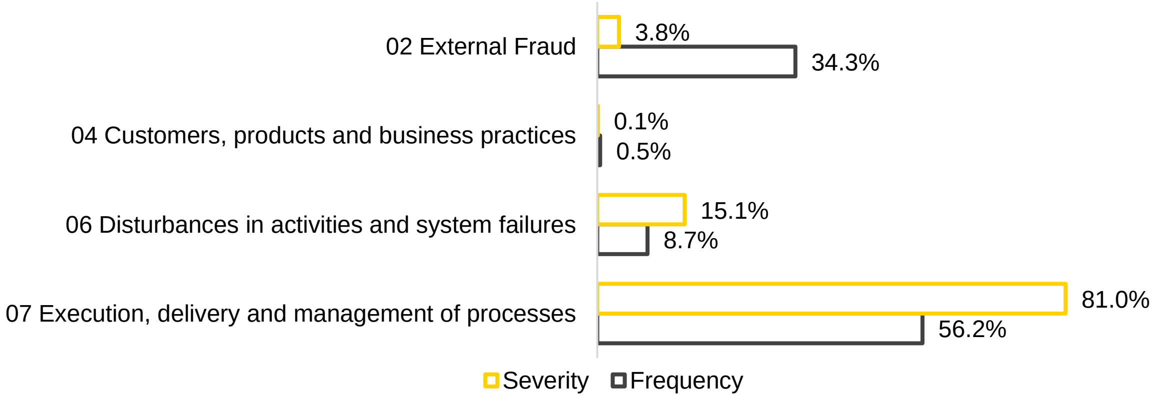
The Risk Division carries out Banco Montepio's corporate operational risk management function, which is supported by the existence of interlocutors in different organic units who ensure the proper implementation of the established framework.

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

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

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

Operational Risk Typologies by Frequency and Severity
December 2024



Monitoring

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

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

Self-assessment of Operational Risks

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

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

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

Business Continuity Management

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

The Operational Resilience Commission (COMRO) (formerly known as the Business Continuity Commission, having changed its name in January 2025) is the Executive Committee's delegated commission that provides support in matters relating to, in particular, ensuring the completeness and continuous updating of the Business Continuity Plan (BCP), approving disaster and recovery scenarios, and having an overview of incidents and events, with a view to identifying risk trends and patterns in order to propose or change preventive action controls.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RISK

Information and communication technology (ICT) risk is one of the types of risk in the universe of risks covered by Operational Risk. However, given the technological evolution and the growing operational dependence of the financial sector, as well as the complexity of the resulting vulnerabilities and interdependencies, Banco Montepio considered it essential, both at a strategic and tactical level, to give ICT risk its own dimension within the organization.

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

Within the scope of this risk management, the Risk Division ensures the identification, measurement, evaluation, management, monitoring and communication of information and communication technology and security risk events. Based on the guiding principles mentioned at the beginning of this section, and in order to strengthen/complement ICT risk management, Banco Montepio has created a Cybersecurity Office in order to centralize and focus teams on implementing a framework of processes for mitigating security events as well as defining and implementing an action plan whenever they occur. This Office is in direct contact with DRI when it comes to managing and monitoring cybersecurity risk.

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

ESG RISKS

The guiding principles followed by Banco Montepio, with regard to ESG risk, seek to align with the expectations referenced in the European Central Bank - Guide on climate-related and environmental risks, published in November 2020. Supervisory expectations cover the following areas: a) business model and strategy; b) governance and risk appetite; c) risk management; and d) disclosures.

Climate change and extreme weather events can result in tangible impacts for companies and banks, manifesting themselves through other types of risks. These risks include but are not limited to: credit risks (the inability of borrowers to meet obligations due to weather events); market risks (market fluctuations caused by weather events); liquidity risks (the need for additional funding due to weather events); and operational risk (disruptions to operations due to weather disasters). The materialisation of climate risks is achieved through other risks, namely credit risks, market risks, liquidity risks, and operational risk.

ESG risks are based on the assessment of environmental, social and governance components. Environmental risks ("climate and environmental risk via physical risk" and "climate risk via transition risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. Social and governance risks are also defined in Banco Montepio's Risk Taxonomy ("social risk" and "governance risk"):

- Climate and environmental risk via physical risk: refers to the financial impact of climate change, including the more frequent occurrence of extreme weather events and gradual climate change, as well as environmental degradation, including air, water and soil pollution, pressure on water resources, biodiversity loss and deforestation;
- Climate-related and environmental risk via transition risk: refers to an institution's financial losses, which may result, directly or indirectly, from the adjustment process towards a low-carbon and more environmentally sustainable economy. This risk can be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, by technological progress or by changes in market sentiment and preferences;
- Social risk: the risk of any negative financial impact to the institution arising from the current or prospective impacts of social factors on its counterparties or invested assets. This risk can be triggered for example by inequality, non-compliance with basic human rights, non-compliance with labour rights;

- Governance risk: the risk of any negative financial impact to the institution arising from the current or prospective impacts of governance factors on its counterparties or invested assets. This risk can be triggered, for example, by attempts at corruption within customers and data protection failures.

In order to integrate ESG factors into risk management, Banco Montepio has implemented processes and methodologies to identify, evaluate, manage and monitor the impact of ESG factors on global risk, following the framework and policies already established for other financial and non-financial risks. The institution has an ESG Risk Management Policy.

For reporting and analysis purposes, Banco Montepio has defined time horizons, namely the short, medium and long term, taking into account the nature of climate and environmental risks. Short-term means up to three years, as defined in the ECB document “2022 climate stress tests”, medium-term means up to 8 years, consistent with the Annual Report on the Banking Sector's Exposure to Climate Risk of Banco de Portugal (2024) and long-term means up to 30 years, taking into account the ECB document “2022 climate stress tests”.

ESG risks potentially materialize over longer horizons, requiring an adjusted approach to those horizons, unlike traditional short-term risks When analysing physical risks, acute risks may lead to short-term measures, but chronic and transition risks require an approach focused on the long-term collection of information, analysis, and monitoring.

In 2023, the ESG Risk Management Unit was established, with staff exclusively dedicated to these issues and to supporting ESG risk management. The development of a database centralising ESG information is currently underway.

Banco Montepio has contracted an ESG data platform, together with ESG scores for an SME portfolio. These ESG scores are currently integrated into the corporate risk assessment system (Corporate Risk Assessment Model, MARE) and the databases (Statistical Analysis System, SAS). Banco Montepio also contracted with SIBS for the SIBS – ESG platform: The Sustainability Platform for Companies, which includes questionnaires on ESG topics from various companies, with a focus on greenhouse gas (GHG) emissions and taxonomy. Additionally, a protocol was established with ADENE – Energy Agency, granting access to the database of energy efficiency certificates, with a focus on energy class, energy efficiency, renewable energy contribution, carbon dioxide emissions, among others.

In order to better control ESG risk, Banco Montepio periodically develops an internal report characterising the company portfolio by ESG risk classes, taking into account ESG scores. The risks are also analysed in this context. Additionally, it has been disclosing qualitative and quantitative models within the scope of Market Discipline, with the following activities standing out:

- Calculates the Environmental Assets Ratio (RAE), with disaggregated information on eligibility and alignment by taxonomy of exposures, regarding environmental objectives related to climate change mitigation and climate change adaptation;
- Presents disaggregated information on the level of energy efficiency of the properties given as collateral, measured in terms of energy consumption in kWh/m2 in terms of the energy performance certificate label. When there is no information, estimates are made;
- Reports the physical risks associated with the banking portfolio, with its own methodology based on the location of borrowers, breaking down the monetary amounts of assets at risk by acute and chronic physical risk. Includes information on the exposures of non-financial companies and companies guaranteed by real estate, and rescued real estate, exposed to chronic and acute climate-related risks, with a breakdown by sector of economic activity (NACE classification), based on the ThinkHazard! platform (which covers heat waves, water scarcity and water stress, floods, forest fires, hurricanes, landslides);

- In the first half of 2024, Banco Montepio reported the emissions financed by GHG (Scope 1, Scope 2 and Scope 3 emissions of the counterparty, in tons of CO2 equivalent), fundamentally based on estimates based on a methodology developed for this purpose, seeking to follow the guidelines of the Partnership for Carbon Accounting Financials (PCAF).

More details can be found in the Market Discipline document.

In terms of quantifying climate risks, the limit for the Top 7 GHG Emissions sectors, included in Banco Montepio's Risk Appetite Statement (RAS), is defined annually. Other risk indicators are also listed in the RAS, such as the average ESG rating for SMEs; the proportion of the loan portfolio going to social sector institutions; and the percentage of under-represented genders in top management positions.

Banco Montepio also already includes climate factors in its Market Risk Report, controlling investments in Green Bonds, as well as portfolio exposures to more carbon-intensive sectors.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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

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

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

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

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

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

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

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

STRESS TESTS

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

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

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

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

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

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

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

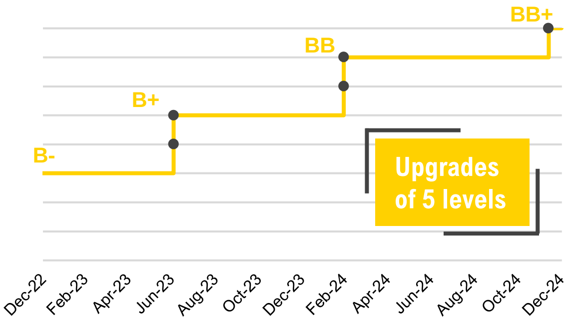
Banco Montepio has contingency and business continuity plans for crisis situations, in order to mitigate the impacts on the operational and business component.

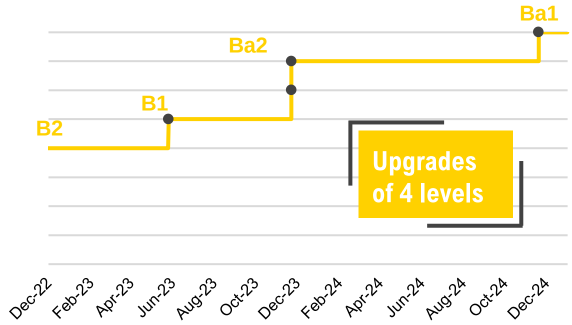
RISK RATINGS

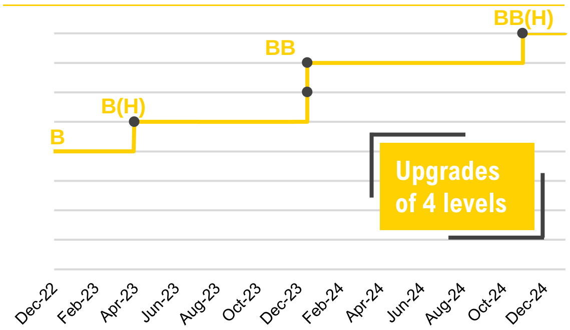
The successive upward revisions of Banco Montepio's ratings in the last two years reflect the external recognition of its excellent path: increased profitability, reduction of non-performing and non-strategic assets, sustained improvement of its risk profile and strengthening of capital ratios, namely through organic generation, having successfully implemented digital transition and operational optimisation measures.

Agency	Financial instrument	31/12/2023	31/12/2024
Fitch Ratings	Covered Bonds (CTP)(1)	AA+	**AAA**
	Long Term(2)	B+	**BB+**
	Deposits	BB-	**BBB-**
	Outlook	Positive	**Stable**
Moody's	Covered Bonds (CTP)(1)	Aaa	**Aaa**
	Long Term(2)	Ba2	**Ba1**
	Deposits	Baa3	**Baa2**
	Outlook	Stable	**Positive**
DBRS	Long Term(2)	BB	**BB (high)**
	Deposits	BB (high)	**BBB (low)**
	Outlook	Stable	**Positive**

Rating senior unsecured debt







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

Throughout 2024, reflecting the Bank's good financial performance and the improvement in the risk profile, as well as the favourable outlook, there were numerous upgrade actions by the rating agencies, highlighting the two upgrades, at the beginning and at the end of the year, carried out by Fitch, and there is currently a great homogeneity in the ratings. It should be noted that, currently, the three rating agencies assign Investment Grade ratings to Banco Montepio's deposits, with the senior long-term debt at the threshold of that rating (BB+).

The rating actions that occurred during the year are detailed as follows:

- In February 2024, Fitch Ratings (Fitch) upgraded Banco Montepio's Long-Term Senior Preferred Debt credit rating to BB. The following long-term ratings were also revised upwards: Long-Term

Deposits Rating for BB+; Viability Rating for bb; Long-Term Issuer Default Rating for BB, with Stable Outlook; long-Term Senior Non-Preferred Debt Rating for BB-; and Subordinated Debt for B+. Fitch then upgraded Banco Montepio's Covered Bonds by one notch to AAA, the highest level in the investment grade category.

- In October 2024, DBRS Ratings GmbH (Morningstar DBRS) raised Banco Montepio's Long-Term deposit rating to BBB (low) in the investment category. In this rating action, the agency also raised the Long-Term Issuer Rating and the long-Term Senior Debt to BB (high), as well as the Subordinated Debt rating to BB (low), improving the trend of all ratings to positive (Trend Positive). In a context where the Intrinsic Assessment Range is already in an investment grade and where ratings are on a positive trend, the agency considered that maintaining asset quality and improving profitability over time could generate further positive momentum resulting in further rating increases, thereby achieving investment grade.
- In November 2024, Moody's Investors Service (Moody's) raised the rating of Senior Unsecured Debt to Ba1 and Long-Term Bank Deposits to Baa2, improving the outlook to positive. The following long-term ratings were also revised upwards: Long-Term Counterparty Risk and Long-Term Counterparty Risk Assessment for Baa1; Baseline Credit Assessment for ba1; Senior Unsecured Debt under the EMTN programme for (P)Ba1; and Subordinated Debt for Ba2. The positive outlook for the Senior Unsecured Debt rating reflected Moody's view that continued improvement in Banco Montepio's credit profile could result in further upgrades, thus achieving investment grade.
- In December 2024, Fitch raised Banco Montepio's Long-Term Deposits Rating again, this time to investment grade BBB- and the Long-Term Senior Preferred Debt Rating to BB+, maintaining a stable outlook. The long-term ratings were also revised upwards: Viability Rating to bb+; Long-Term Issuer Default Rating to BB+ and Long-Term Senior Non-Preferred Debt Rating to BB.

08. SUSTAINABILITY

1985

The journey towards equality between men and women reached a significant milestone in 1985 when Maria de Lourdes Pintasilgo announced she was running for the Presidency of the Republic. Before that, between 1979 and 1980, she had already been sworn in as Portugal's Prime Minister—the only woman to hold the position to date and, at the time, only the second to lead a government in Europe.

SUSTAINABILITY

The year 2024 was significant for Banco Montepio's sustainability journey. The responsible banking approach, strengthening the commitment to sustainable development and aligning with global ESG best practices were key to the Institution's progress.

The Sustainability chapter presents a high-level overview of how these assumptions have been integrated into Banco Montepio's strategy and relevant operations, highlighting the main achievements in response to the requirements of Decree-Law 89/17 - on the disclosure of non-financial reporting and diversity information -, as well as the fundamentals of Double Materiality assessment, in alignment with the premises of the European corporate sustainability reporting directive (CSRD[26]).

Banco Montepio's Sustainability Report 2024 will provide a more in-depth analysis of its evolution in relation to key indicators and strategic priorities, highlighting the approach to the new European regulatory agenda on sustainability, and preserving the ambition of correspondence with the international benchmarks that have been implemented.

SUSTAINABILITY GOVERNANCE MODEL

The sustainability management model recognizes the interconnection between environmental, social, economic and governance factors in current activities, helping to address opportunities and potential risks associated with sustainability and ESG issues, such as regulatory changes, resource scarcity or reputational threats, and is indivisible from value creation, efficiency, continuous improvement and resource optimization.

The governance structure for sustainability matters is led by the Board of Directors as the decision-maker for corporate policies and strategies, the Executive Committee, which is responsible for executing the strategic plan, and the Assessment, Nominations, Ethics, Sustainability and Governance Committee (CANESG), which assists the Board of Directors in this regard.

The Sustainability Office and the COMSESG are responsible for the ongoing management of the sustainability strategy and subsequent sustainability master plans, as well as for reviewing matters to be submitted to the corporate governance bodies.

DIVERSITY IN GOVERNING BODIES

Banco Montepio prioritises and values a culture of diversity, rooted in its mutualist, transgenerational, and multicultural foundations. Its Diversity and Inclusion Policy sets out the guiding principles that govern its approach to fostering inclusion and diversity within its human capital, including at the level of corporate governance bodies.

The Board of Directors of Banco Montepio thus stands out as the only gender-balanced case in the Portuguese banking sector, with 58% female representation—surpassing the national target of 40% for women in management positions.

Reference is made, in this regard, to the information provided in the “Corporate Governance” chapter, the Corporate Governance Report included in this Management Report, and the Sustainability Report 2024 of Banco Montepio.

The functions referred to as "C-level" (or C-suite, according to the original Anglo-Saxon terminology) are part of the governance model of Banco Montepio, identify key function holders and are appointed by the Board of Directors. The aforementioned employees are responsible for representing Banco Montepio and its directors at the highest level in matters corresponding to their functions and are reported to the regulatory and supervisory bodies. At Banco Montepio c-level functions are comprised of 67% women. Their distinction stems from the nomenclature used, which reflects the strategic importance of these functions and their role as delegated representatives of the Board of Directors. Just as the composition of the Board of Directors reflects the importance of diversity and inclusion in leadership, representativeness in these roles contributes

[26] CSRD-Corporate Sustainability Reporting Directive, in the Anglo-Saxon acronym of the European Commission for Directive 2022/2464 / EU

to a more balanced management aligned with the sector's challenges. Thus, Banco Montepio has strengthened its decision-making with a medium and long-term vision, aligning operations with fundamental corporate values, as well as taking into consideration the relevance of sustainability principles, ESG indicators and monitorisation of the climate agenda.

FOUNDATIONS FOR THE SUSTAINABILITY STRATEGY 2024-2026

Banco Montepio's 2024-2026 Sustainability Strategy is based on a holistic approach, aligned with the international benchmarks of Stakeholder Capitalism of the World Economic Forum (WEF) and the Capitals Coalition, which promote the creation of sustainable value for all stakeholders.

The strategy reinforces the commitment to the Sustainable Development Goals (SDGs) and the Forward Faster action vectors of the UN Global Compact subscribed to by Banco Montepio, thus accelerating the positive impact in priority areas of sustainable development.

The strategy is organised around four fundamental pillars: People, Planet, Prosperity and Principles of Governance, ensuring an integrated approach to the challenges and opportunities of the 2030 Agenda:

1. **People** - Promoting an inclusive, diverse and equitable working environment, ensuring respect for human rights and the development of human capital.
    i. Gender Equality (SDG 5, Forward Faster): Strengthening pay equity and female representation in leadership positions;
    ii. Quality Education (SDG 4): Contribution to skills development and social inclusion.
2. **Planet** - Acting on climate change and mitigate environmental impacts, ensuring a just transition towards a sustainable economy.
    i. Climate Action (SDG 13, Forward Faster): Implementation of measures to reduce the carbon footprint and climate adaptation, including the management of social and environmental risks.
3. **Prosperity** - Driving sustainable economic growth by guaranteeing a balance in wages, innovation and good practices in talent management.
    i. Sustainable Investment (SDG 10, Forward Faster - Sustainable Finance): Allocation of capital to solutions that promote financial inclusion and the reduction of inequalities.
4. **Principles of Governance** - Strengthening ethics, transparency and corporate responsibility in decision-making and relations with stakeholders.
    i. Living Wage (SDG 8, *Forward Faster*): Promoting fair working conditions and implementing equitable wage policies;
    ii. Sustainable Consumption and Production (SDG 12): Promoting responsible practices throughout the value chain.

The Sustainability Strategy 2024-2026 strengths the corporate commitment to the sustainable transformation of the financial sector, but also of the economy and society, aligning with global best practices and contributing to accelerating the transition to a fairer and more prosperous future.

SUSTAINABILITY MASTER PLAN 2024 - PERFORMANCE

As part of the implementation of the 2024 Sustainability Master Plan, the following stand out: the undertaking of the first social impact measurement, the action plan to achieve 40% female representation in middle management, the definition of strategic targets for the decarbonisation of Banco Montepio by 2050, the ESG assessment of suppliers considered to be material, the completion of the first Double Materiality exercise, the 27% increase in S&P's Corporate Sustainability Assessment (CSA) rating, the training of SMEs for sustainability and ESG, impact investing, and the preservation of protected areas and biodiversity.

More detailed information can be found in Banco Montepio's Sustainability Report 2024.

ENVIRONMENTAL ISSUES

The gradual integration of sustainability and ESG matters into Banco Montepio's activities is supported by statements of commitment, which, directly related to the Sustainability Policy, have decisive effects on the organisation’s different strategic contexts.

The framework of policies related to sustainability encompasses principles, vectors of action and responsibilities that aim to reduce environmental impact, promote diversity and inclusion, defend human rights, value the relationship with stakeholders and drive continuous improvement through ethical business practices.

Aligned with international standards and reference practices, these commitments ensure mutual compatibility in terms of for risk mitigation, maximisation of opportunities and creation of long-term value, all of which are strategic vectors of action central to the Sustainability Policy.

Complementing and directly related to the Sustainability Policy are the following:

- **ESG Risk Management Policy**: Establishes a framework for the integration of environmental, social and governance risks into the Institution's overall risk management, with the aim of aligning the risk profile with the business strategy, ensuring resilience and compliance in sectors with the greatest environmental impact. In addition, it complies with European and national regulations, defining methodologies to identify, assess and monitor ESG impacts on Banco Montepio's exposures. This policy strengthens risk management by including tools such as ESG ratings and climate stress tests, and ensuring that physical, transitional, and reputational risks are quantified and managed.
- **Declaration of Commitment to the Environment**: Reaffirms the environmental responsibility of Banco Montepio and Banco Montepio Group, aiming to mitigate environmental, reputational and health risks; committing to the prudent management of the environmental impacts of its operations; promoting regulatory compliance, reduction of negative impacts, protection of natural capital, and the engagement of Employees in the continuous improvement of corporate environmental performance. This declaration is framed by the SDGs.
- **Declaration of Commitment to Sustainability for Suppliers**: Establishes standards and behaviours expected of the companies that integrate Banco Montepio's supply chain, requesting the commitment of suppliers in making efforts to respect and apply the "comply or explain" principle to established practices, in accordance with Banco Montepio's Subcontracting Policy and contributing to ethical and sustainable corporate governance. This declaration is consistent with ESG references. Banco Montepio also has a Manual of Good Practices for Suppliers, aimed at social, environmental and economic benefits in the communities where it operates.
- **Commitment to Stakeholder Engagement:** Underlines the importance of a continuous dialogue with the various groups that influence and are influenced by Banco Montepio's activities, under the commitment to generate value through interaction with Customers, Employees, communities and other stakeholders, promoting business ethics, respect for human rights, social and financial inclusion, and environmental protection. This commitment is applicable to all operations of Banco Montepio and Banco Montepio Group companies, aiming to strengthen mutual trust and build lasting relationships that contribute to sustainable development.

The implementation of these policies is discussed in Banco Montepio's Sustainability Report 2024.

Banco Montepio recognises the importance of managing environmental and climate risks to ensure the long-term sustainability of the business, investments and operations. More detailed information on Banco Montepio's risk management is provided in the "Risk" chapter of this document and in the Market Discipline report for 2024.

In 2024, Banco Montepio continued its analysis of the environmental impact of its activities, focusing on waste reduction and resource optimization, and defining its Strategic Decarbonization Plan, strengthening its medium and long-term commitment to carbon neutrality.

EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION

Banco Montepio values a culture of inclusion, prioritising the creation of opportunities for all individuals, ensuring fair representation and equitable treatment at all levels through ethical recruitment practices, continuous training, and support networks.

The Diversity and Inclusion Policy sets out guidelines to promote an inclusive and diverse work environment, aligned with the principles of social responsibility and equal opportunities. Applicable to all Employees and members of the governing bodies, the policy emphasizes non-discrimination based on ethnicity, nationality, gender, sexual orientation, age, physical condition, or religion. Banco Montepio is committed to implementing practices that promote diversity, ensuring fair and integrated social development, in line with the Sustainable Development Goals (SDGs) and the Women's Empowerment Principles (WEPS) of the United Nations.

In 2024, Banco Montepio was distinguished by the World Economic Forum (WEF), with the New Champions Award in the category of "Excellence in Diversity as a Strategic Asset." This recognition underlines the Institution's ongoing commitment to promoting gender equality and inclusion in the financial sector.

In 2023, Banco Montepio achieved its gender equality target in Portugal, with 40% of women in top management and first line management positions. In 2024 it strengthened its commitment to extend this target to middle management, with the aim of reaching 40% women in these positions by 2030.

RESPECT FOR HUMAN RIGHTS

Banco Montepio has adhered to policies and regulations for ethical, compliant governance, based on sustainable and responsible banking practices, prioritising rigor, transparency, integrity in operations and promoting the trust of relevant stakeholders. The policies, regulations and statutes are published in the institutional area of Banco Montepio's institutional website.

Banco Montepio subscribes to the following commitments:

- 10 Principles of the UN Global Compact (UNGC);
- 2030 Agenda and the 17 Sustainable Development Goals (UN);
- Seven Women's Empowerment Principles (UN WEPs);
- Charter for Responsible Business (ESBG / WSBI);
- Letter of Commitment for Sustainable Development in Portugal;
- Charter for Diversity;
- Pact Against Violence;
- Forward Faster 2030, of the UN Global Compact (UNGC).

In addition, it has policies that reinforce ethical conduct in line with the commitments it has subscribed to:

- **Code of Conduct:** It establishes the ethical and performance principles that guide the institution's activities and the behaviour of its Employees. This code emphasizes integrity, transparency, responsibility and respect in relations with Customers, the market, the community and among Employees themselves. It covers areas such as the prevention of conflicts of interest, data protection, anti-corruption, social and environmental responsibility, and the promotion of an inclusive and safe working environment. The document strengths Banco Montepio's commitment to legal and regulatory compliance, ensuring conduct in line with the highest ethical and governance standards.

- **Code of Good Conduct for Preventing and Tackling Workplace Harassment:** Establishes standards of conduct to ensure a respectful and harassment-free work environment. This document defines harassment in the workplace, details the rights and responsibilities of Employees, describes reporting procedures and corrective actions, in addition to reinforcing the importance of prevention and awareness. The policy aims to promote a safe, ethical and healthy environment for all Employees.
- **Policy on Communication of Irregularities (Whistleblowing):** Defines guidelines for the communication and treatment of irregularities, ensuring the security, anonymity and confidentiality of communications. The document establishes the Ethics Channel to report behaviour that violates ethical principles or internal rules, allowing anonymous or confidential communications. It establishes the responsibility of the Irregularities Commission to examine complaints, carry out investigations and propose appropriate measures. Banco Montepio is therefore committed to acting with integrity, ethics and rigour, respecting rules and human values.
- **Declaration on Human Rights:** Strengthens the Institution's commitment to respect and promote human rights, following international principles and conventions, reaffirming the commitment to the dignity and quality of life of all people. The declaration establishes the creation of an ethical and responsible work environment, combating corruption, protecting privacy and encouraging business practices that promote development.

Further information on these policies is provided in Banco Montepio's Sustainability Report 2024 and further information on policies and management of risks associated with human rights can be found in the Risk Management subchapter of this document as well as in Banco Montepio's Sustainability Report 2024.

DOUBLE MATERIALITY

1. Framework

Directive 2022/2464 / EU - Corporate Sustainability Reporting Directive (CSRD) - requires Institutions to incorporate a Double Materiality assessment in their sustainability reporting. In addition, the European Financial Reporting Advisory Group (EFRAG) has developed the European Sustainability Reporting Standards (ESRS), which establish the support to the disclosure requirements contained in the CSRD, which includes the disclosure of Impacts, Risks and Opportunities (IROs) and how they relate with the strategy and business model of the Institution.

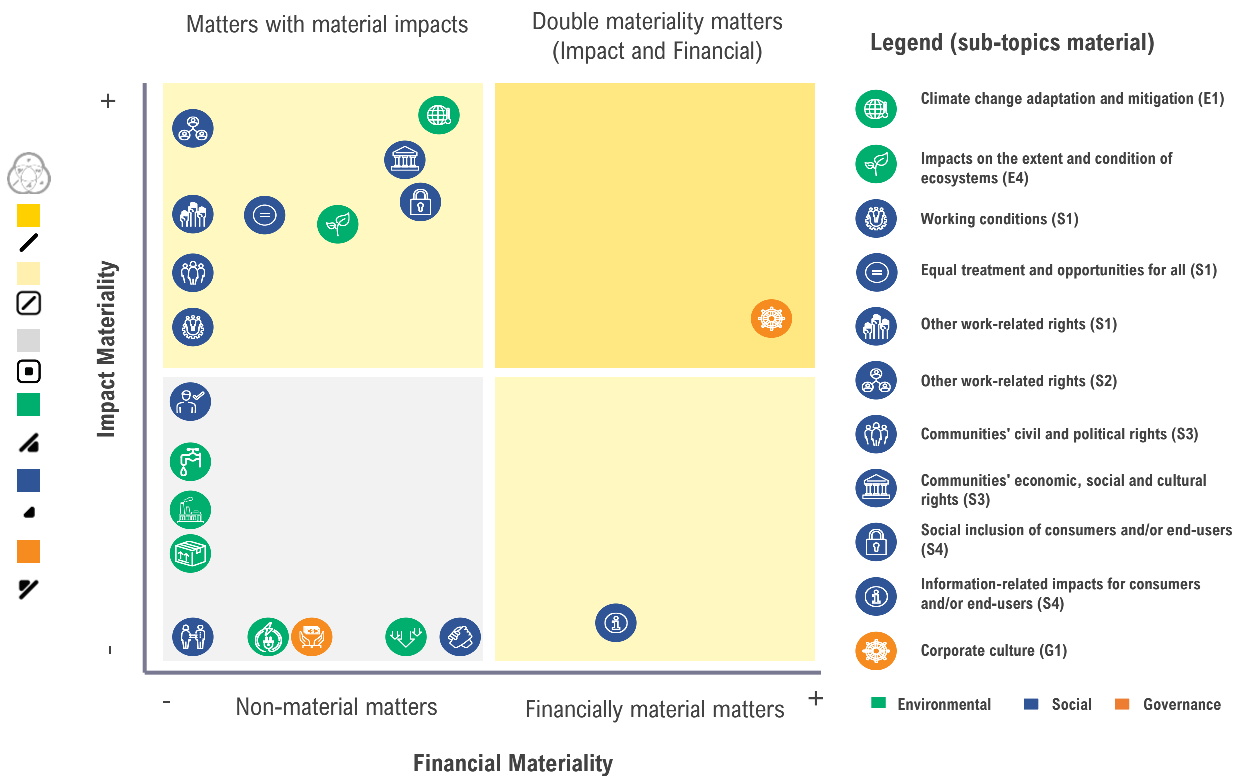
To this end, the Banco Montepio Group updated the materiality exercise that had already been carried out in 2023, in order to identify and prioritise the most significant sustainability issues for stakeholders and for its activity, responding to the aforementioned requirements, based on our interpretation of the EFRAG good practice guide – " EFRAG IG 1: Materiality Assessment Implementation Guidance".

The principle of Double Materiality recognises that the impacts of sustainability matters are not only relevant to the Institution itself, but also to external stakeholders and wider social contexts. Thus, the integration of the two perspectives allows the corporate sustainability strategy to consider not only the impacts that the Banco Montepio Group can generate on the environment and society, but also to consider the relevant risks and opportunities, along with the broader social and environmental challenges that may affect stakeholders, focusing efforts on the most relevant issues and on the progress of strategic goals and initiatives.

2. Materiality matrix

The Double Materiality exercise identified the various material IROs for the Banco Montepio Group. Considering that each IRO assessed relates to topics and sub-topics set out in the ESRS, the following material themes were identified in the Materiality Matrix:

3. Material Impacts, Risks and Opportunities (IROs)



The CSRD requires organizations to disclose their material IROs and how they interact with the corporate strategy and business model, for a transversal understanding.

Thus, the analysis of the IROs of material topics contributes to ensuring that sustainability efforts are targeted, informed and effective in responding to the challenges and opportunities facing the Banco Montepio Group and its stakeholders, adding value to strategic sustainability planning, decision-making procedures and business operations.

The following tables list the material IROs, including their description and identification:

- Typology (between positive impact, negative impact, risk or opportunity; and whether it is an actual or potential IRO);
- Main location of concentration (whether in Internal Operations or upstream/downstream of the Group's value chain);
- Consideration of the time frame in which each IRO can materialize:
  - Short-term (S): occurring within one year;
  - Medium term (M): between one and five years;
  - Long-term (L): occurrence over a period of more than five years.

E1 - Climate change

Climate change adaptation and mitigation

Material IRO	Description	Type of IRO	Location	Time frame
Decarbonisation strategy	The definition of a decarbonisation strategy allows the establishment of a plan for the reduction of the Banco Montepio Group's greenhouse gas (GHG) emissions, in alignment with the Paris Agreement, in a manner that is oriented towards the activities with the greatest impact on the Footprint, considering direct (scope 1) and indirect (scope 2 and 3) emissions, contributing positively to the mitigation of climate change.	Real Positive Impact	Upstream and downstream of the value chain	M/L
Carbon footprint	The Banco Montepio Group's carbon footprint, which includes scopes 1, 2 and 3, and the possible failure to reduce it in the short to medium term, has potential negative impacts. It is pertinent to consider that the most significant emissions are those associated with the credit and investment portfolio, so failure to monitor and control these emissions will adversely affect the Group's contribution to emissions on a global scale and generate negative impacts.	Real Negative Impact	Upstream and downstream of the value chain	S/M/L
Portfolio exposure to companies in carbon-intensive sectors	Considering that financed emissions are the most significant emissions for the financial sector, financing and investments to companies operating in carbon-intensive sectors represent a considerable source of emissions. Exposure to these sectors without reviewing limits or potential restrictions represents a negative climate impact of Banco Montepio's activity for the global community.	Real Negative Impact	Downstream of the value chain	S/M/L

E4 - Biodiversity and ecosystems

Impacts on the extent and condition of ecosystems

Material IRO	Description	Type of IRO	Location	Time frame
Financing activities that promote biodiversity loss and ecosystem degradation	Financing of clients/sectors engaged in activities likely to result in the loss of biodiversity and the degradation of surrounding ecosystems, such as the agricultural sector or the paper production industry, both of which are capable of causing deforestation, conversion of natural land, or consumption of large amounts of water, increases the likelihood of the Group's exposure to negative impacts on biodiversity and ecosystems, thus generating adverse impacts on the surrounding communities that rely on these ecosystems.	Real Negative Impact	Downstream of the value chain	S/M/L
Investments that promote the loss of biodiversity and the degradation of ecosystems	Exposures through investment in Customers engaged in activities that may result in the loss of biodiversity and the degradation of surrounding ecosystems, such as the agricultural sector or the paper production industry, both of which may lead to deforestation, the conversion of natural land, or the consumption of significant amounts of water, increase the likelihood of the Group's exposure to negative impacts on biodiversity and ecosystems, thereby generating adverse impacts on the surrounding communities that rely on these ecosystems.	Real Negative Impact	Downstream of the value chain	S/M/L

S1 - Own Employees

Working Conditions

Material IRO	Description	Type of IRO	Location	Time frame
Safe, fair, transparent and flexible working environment	By ensuring that the Banco Montepio Group provides a working environment that prioritises safety, fairness, transparency and flexibility, and ensuring working conditions and benefits in line with regulations and industry good practices, a positive impact on Employees is ensured.	Real Positive Impact	Internal Operations	S/M
Promoting Employee health and well-being	The implementation of measures to promote the well-being of Employees, such as facilitating access to health care, promoting the practice of physical exercise, and implementing measures to support a good balance between personal and professional life, contributes to the general well-being of Employees, promoting their motivation and alignment with the values of the Banco Montepio Group.	Real Positive Impact	Internal Operations	S/M
Collective Labour Agreement for Own Employees	The availability of Collective Labour Agreement instruments positively impacts the lives of each Employee, through job security (for example, by stabilising salary tables) and access to differentiating benefits in line with the reference practices of the national banking sector (such as access to mortgage loans with subsidised conditions).	Real Positive Impact	Internal Operations	S/M

Equal treatment and opportunities for all

Material IRO	Description	Type of IRO	Location	Time frame
Salary impact	The offer of competitive salaries has a positive impact on Employees, promoting satisfaction in the workplace, attracting talent and retaining Employees, in addition to ensuring the competitiveness of the Banco Montepio Group as an employer in the country's labour market.	Real Positive Impact	Internal Operations	S/M
Preventing violence, harassment and discrimination in the workplace	The implementation of policies and actions to prevent violence, harassment and discrimination in the workplace, which may include whistleblowing mechanisms, promotes a fair and safe work environment, increases the confidence and well-being of Employees inserted in a work environment that protects them.	Real Positive Impact	Internal Operations	S/M
Ensuring diversity and equal opportunities	The promotion of diversity and equal opportunities for all Employees, through policies, procedures and awareness-raising, allows to reduce or eliminate discrimination based on ethnicity, gender, age, religion, disability, sexual orientation, social origin or any other personal characteristic, and promotes the individual appreciation and diversity of the organization, thus ensuring a safer, more diverse and equitable work environment.	Real Positive Impact	Internal Operations	S
Gender equality policies within the organisation	The Banco Montepio Group, by promoting gender equality in all functional categories, including management bodies, promotes a more diverse and equitable workplace. This impact is real, as the Banco Montepio Group positions itself as a pillar of gender equality in the national banking sector and should continue to seek to strengthen the implementation of its policies where relevant.	Real Positive Impact	Internal Operations	S

Other professional rights

Monitoring elements of Employee privacy	The possible invasion of Employees' privacy through the use of excessive monitoring technologies (e.g. video surveillance systems, monitoring of online activities), can generate negative impacts on the protection of Employees' individual privacy, confidence in the work environment and respect for the rights of each Employee.	Potential Negative Impact	Internal Operations	S
Adoption of methods to prevent and protect Employee data and privacy	By obtaining international privacy certifications (such as ISO/IEC 27001), the Banco Montepio Group guarantees and evidences its commitment to the security of private information and to the protection of the privacy of its Employees.	Potential Positive Impact	Internal Operations	S/M

S2 - Workers in the value chain

Other professional rights

Material IRO	Description	Type of IRO	Location	Time frame
Protection of personal data of the various elements of the value chain	The implementation of inadequate systems, or the possible failure of cybersecurity systems, may result in the leakage of private information of Banco Montepio Group's employees, suppliers and partners or of the organisations with which it has a commercial relationship, thus exposing this group of interested parties to risks of violation of their human rights.	Potential Negative Impact	Upstream and downstream of the value chain	S

S3 - Affected communities

Economic, social and cultural rights of communities

Material IRO	Description	Type of IRO	Location	Time frame
Support for social projects to address community needs	Support for institutions and projects of a social nature (e.g., development of housing, promotion of adequate food and education), strengthens relations with the local community, helping to promote joint problem solving, promoting the well-being of communities and helping to bridge social gaps.	Real Positive Impact	Downstream of the value chain	S/M/L
Culture, values and social impact-oriented strategy	The strengthening of culture and values, along with the development and implementation of a strategy focused on the social impact of the Banco Montepio Group, reinforces its position as a mutualist organisation, generating positive impact in the communities in which it operates.	Real Positive Impact	Downstream of the value chain	S/M/L
Involvement with local suppliers	The strengthening of the organisation's engagement with local suppliers emerges as a relevant channel for contributing to and impacting local economic prosperity, not only through the direct creation of jobs within the communities served by Banco Montepio's suppliers, but also through indirect effects, such as increased financial availability within those communities.	Real Positive Impact	Amount of the value chain	S/M/L
Support for the Social Economy	The Banco Montepio Group was founded on mutualist principles, which it continues to uphold by financing social and solidarity economy companies with an exclusively social purpose. The support of these organisations is a channel of social impact for local communities.	Real Positive Impact	Downstream of the value chain	S/M/L

Civil and political rights of communities

Adoption of due diligence practices	The failure to adopt, or the inadequacy of, due diligence practices applied to companies targeted for investment and financing may lead Banco Montepio Group to indirectly cause adverse impacts on human rights. This may occur through the maintenance of business relationships with entities responsible for such impacts, particularly regarding the civil and political rights of communities, thereby preventing the identification, mitigation, and remediation of the negative effects caused by these types of companies.	Real Negative Impact	Downstream of the value chain	S/M
Exposure to companies with negative impacts on the human rights of impacted communities	Maintaining business relationships with companies associated with negative impacts on human rights can generate a high negative social impact on the human rights of communities, by perpetuating conditions of labour exploitation or lack of transparency, for example.	Potential Negative Impact	Downstream of the value chain	S/M/L

S4 - Consumers and End users

Personal safety of consumers or end users

Material IRO	Description	Type of IRO	Location	Time frame
Protection of personal data of the Banco Montepio Group Costumers	The implementation of inadequate systems, or the possible failure of cybersecurity systems (e.g. responsible data processing systems, data leakage prevention systems), may result in a failure to protect the personal data of Customers, who directly or indirectly entrust their personal and private data to the organisation. Leaking this data violates Customers' rights and exposes the Banco Montepio Group to possible litigation and controversy.	Potential Negative Impact	Downstream of the value chain	S
Cybersecurity	The resilience and solidity of the organization's digital systems and cybersecurity infrastructures reduces the risk of vulnerability to cyberattacks or other situations of information leakage (e.g. phishing), reinforcing the ability to protect the digital assets and information of the various stakeholders of the Banco Montepio Group.	Real Positive Impact	Downstream of the value chain	S/M

Information on impacts for consumers or end users

Social impact	Reinforcing the offer of products with a social purpose, such as support for home ownership by segments of the population most exposed to the housing crisis or the enhancement of products to promote vocational training and self-employment, contribute to supporting the country's social progress, and represent a relevant commercial opportunity for the Banco Montepio Group, by attracting customers.	Real Opportunity	Downstream of the value chain	S/M/L

G1 - Business Conduct

Corporate Culture

Material IRO	Description	Type of IRO	Location	Time frame
Corporate governance practices	The effort to adopt the sector's benchmark corporate practices, ensuring alignment with banking supervision expectations, allows the Banco Montepio Group to reduce its exposures to governance risks, prioritising rigor, transparency and integrity in all operations, promoting stakeholder trust and resulting in financial opportunities for the Institution.	Real Opportunity	Internal Operations	S/M
ESG risk management	The development and implementation of new tools and methodologies to assess and manage ESG risks is regarded as a strategic opportunity for the Banco Montepio Group, enabling more effective risk management and enhancing the relationship with investors and institutional Customers. The integration of ESG criteria in credit analysis and supplier assessment reduces exposure to sectors with high environmental and social risks, making the credit and investment portfolio more resilient and sustainable, and reduced exposure to potential ESG risks in the value chain.	Real Opportunity	Upstream and downstream of the value chain	M/L
Gender equality in top management structures	The promotion of gender equality in the leadership positions of the Banco Montepio Group reflects a strong concern for equality and diversity and communicates the values of the organisation from a top-down perspective, ensuring the appreciation and respect of Employees and stakeholders, and contributing to greater emotional and professional well-being.	Real Positive Impact	Internal Operations	S/M

4. Methodology

The use of a methodology for analysing Double Materiality allows us to understand the interconnection between the Banco Montepio Group's activity and broader social and environmental contexts, identifying risks and opportunities arising from exposure to sustainability issues, as well as the contribution to the creation of positive or negative impacts.

The Double Materiality Assessment method adopted by the Banco Montepio Group consists of 3 steps, in accordance with EFRAG's recommendations:

1. Understanding the context;
2. Identification of actual and potential IROs;
3. Evaluation and determination of material IROs.

4.1. Understanding the context:

4.1.1. Assessment of the Banco Montepio Group:

Regarding the context of the Banco Montepio Group and the weighting of the different boundaries to be observed in the Double Materiality assessment, all the relevant entities belonging to the Banco Montepio Group were considered in accordance with the provisions of the CSRD, namely:

- Caixa Económica Montepio Geral, caixa económica bancária, S.A.;
- Montepio Holding SGPS, S.A.;
- Montepio Crédito - Instituição Financeira de Crédito, S.A.;
- Montepio Investimento, S.A.;
- SSGAIncentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.;
- Montepio Serviços, ACE.

The following entities are therefore excluded, as they are minority holdings of which the group does not have operational control or fully consolidate:

- HTA- Hoteis Turismo e Animação dos Açores, S.A.;
- Cesource, ACE.

The activities, business strategy, products and services, as well as the geographies and business relationships along the value chain to which the relevant Banco Montepio Group entities are exposed were assessed.

4.1.2. Benchmarking and sector analysis:

To understand the context in which the Banco Montepio Group operates, with regard to sustainability trends, and in particular the main issues impacting the financial sector, including the Portuguese context, a documentary exercise was carried out based on rating agencies and benchmark ESG indexes, accompanied by a benchmark of national and international banks sustainability performance.

4.1.3. Consultation with internal and external stakeholders:

As part of the Materiality Assessment carried out in 2023, featured in Banco Montepio's Sustainability Report of the same year, nine groups of internal and external stakeholders were selected and consulted through an online questionnaire to assess: Banco Montepio's impact on each area, and the impact of each area on operations, activities, business model and sustainability strategy. These results were considered in the 2024 Double Materiality Assessment.

4.2. Identification of actual and potential IROs:

To assess the material topics from a Double Materiality perspective, the Banco Montepio Group began by considering the sustainability topics and subtopics identified in the thematic ESRS. The context analysed - the value chain, strategy and business model, as well as the sector's main concerns and sustainability benchmarks - generated 75 real and/or potential IROs. Each IRO was identified as either real or potential, whether they could materialise in Banco Montepio Group's internal operations or in the value chain, and in different time frames, namely, in the short-term (one year, the reporting reference), medium-term (up to 5 years) and long-term (more than 5 years).

Based on the understanding of the different sustainability areas and the respective connection of the Banco Montepio Group, the list was reduced to 56 IROs, which were then assessed according to their materiality.

4.3. Process for evaluating and determining material IROs:

4.3.1. Scope, data sources and integration into Banco Montepio Group processes:

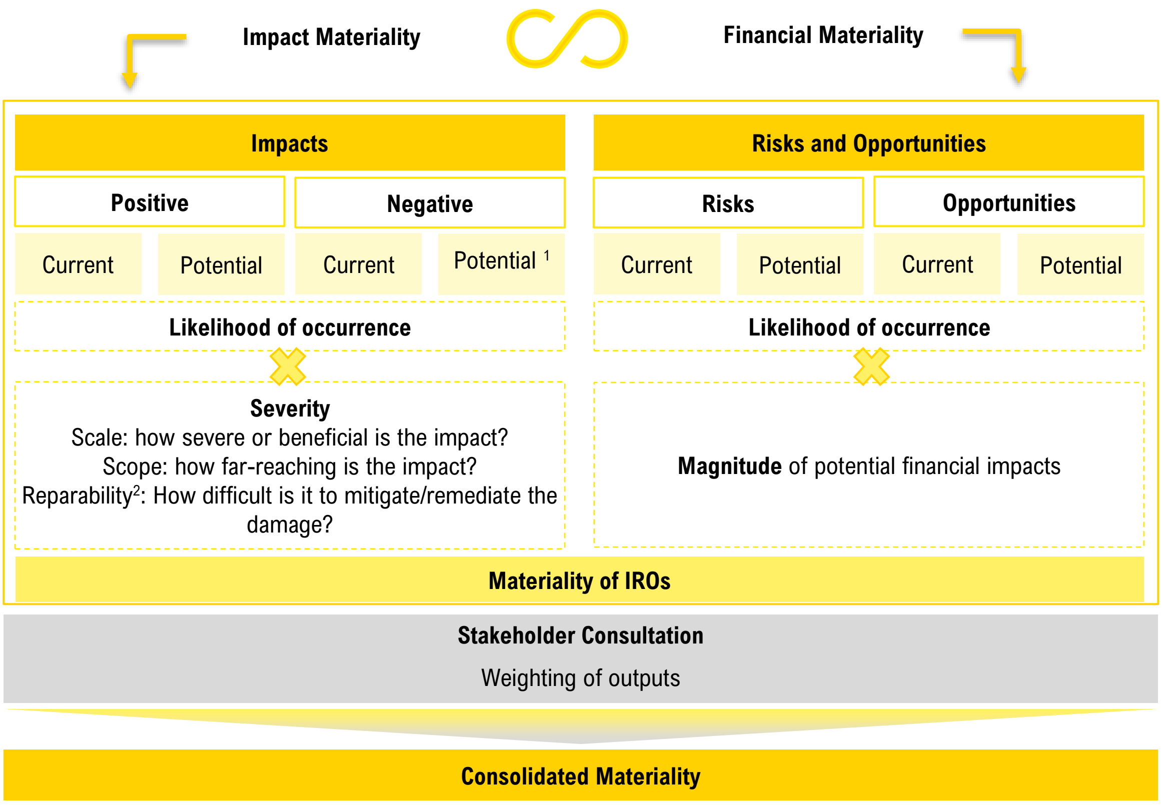
The assessment takes into account all the activities of the Banco Montepio Group, in terms of its internal operations and its value chain, namely its relationship with suppliers and partners, Customers, consumers and impacted communities.

The identification and assessment of impacts, risks and opportunities used data collected internally, in particular Banco Montepio Group's credit and investment portfolio exposure, internal databases, information regarding the development of new banking products, internal policies and regulations, and Banco Montepio's sustainability performance for 2023 disclosed in accordance with the GRI standards. External sources of information were also used to benchmark impact assessments and support IRO ratings.

As this was the first time that Banco Montepio Group conducted a double materiality assessment through the identification and evaluation of the respective IROs, there were no changes to the double materiality assessment process compared to the previous reporting period.

All the IROs considered are covered by the ESRS disclosure requirements, and no other specific disclosure has been adopted by the Banco Montepio Group.

4.3.2. Process for assessing impacts, risks and opportunities:



1) For negative potential impacts with implications on Human Rights, materiality is determined exclusively based on Severity, disregarding Likelihood.

2) The "Reparability" criterion is only applied to assess the materiality of Negative Impacts.

4.3.3. Adjustments made to the assessments:

In addition, two additional evaluation criteria were applied, in line with EFRAG recommendations:

1) Human Rights: for negative impacts on human rights, the materiality of the impact was determined exclusively based on severity, and the probability of occurrence was disregarded;
2) Stakeholder consultation: the assessment of IROs was weighted by the results of a stakeholder consultation, carried out within the scope of Banco Montepio's Sustainability Report 2023, which sought to gauge their perception of the inside-out[27] and outside-in[28] impacts of sustainability related topics.

4.3.4. Materiality thresholds:

The materiality threshold was set at 3.5 (on a scale of 0 to 5). In this sense, IROs rated equal or higher are considered material, as are the respective ESRS topics and subtopics.

Complementary and detailed information on the Double Materiality assessment is provided in Banco Montepio's Sustainability Report 2024.

[27] Inside-out impact is referred to in CSRD as "the company's impact on sustainability issues" and pertains to actual or potential, positive or negative impacts that originate in the organisation and that affect people or the environment;
[28] Outside-in impact is referred to in the CSRD as "sustainability issues that affect the evolution, performance and position of the company" and are sustainability issues that originate outside the organisation and that can trigger financial effects, positive or negative, in the organisation.

TABLE OF CORRESPONDENCE WITH DECREE-LAW 89/2017

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

Social and employee-related issues

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

Specific policies related to social and employee-related issues	RA	The Banco Montepio Group – People
	SR	Governance
	SR	Share capital
	Website	Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf
	Website	Policy on the reporting of irregularities (whistleblowing) https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/regulamento-comunicacao-irregularidades.pdf
	Website	Ethics channel https://bancomontepio-canaldeetica.whispli.com/lp/7adb7ca8-6030-11ed-b8d0-6e7b9fe80a47?locale=pt-pt
	Website	Complaints management https://www.bancomontepio.pt/gestao-reclamacoes
	Website	Diversity and Inclusion Policy https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-diversidade-inclusao.pdf
Results of policy implementation	SR	Stakeholders
	SR	Share capital
	SR	GRI table
Main associated risks and how they are managed	RA	Risk – Risk management
	SR	Financial capital
	SR	Share capital
	Website	Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf
	Website	Policy on the reporting of irregularities (whistleblowing) https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/regulamento-comunicacao-irregularidades.pdf

	Website	Ethics channel https://bancomontepio-canaldeetica.whispli.com/lp/7adb7ca8-6030-11ed-b8d0-6e7b9fe80a47?locale=pt-pt
Key performance indicators	RA	The Banco Montepio Group – People
	SR	Stakeholders
	SR	Share capital
	SR	GRI table

Equality between women and men and non-discrimination

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

Specific policies related to issues of equality between women and men and non-discrimination	SR	Governance
	SR	Share capital
	Website	Diversity and Inclusion Policy https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-diversidade-inclusao.pdf
	RA	Corporate Governance Report
Results of policy implementation	SR	Share capital
	SR	GRI table
Main associated risks and how they are managed	RA	Risk – Risk management
	Website	Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf
	Website	Policy on the reporting of irregularities (whistleblowing) https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/regulamento-comunicacao-irregularidades.pdf
	Website	Ethics channel https://bancomontepio-canaldeetica.whispli.com/lp/7adb7ca8-6030-11ed-b8d0-6e7b9fe80a47?locale=pt-pt
Key performance indicators	RA	The Banco Montepio Group – People
	SR	Share capital
	SR	GRI table

Respect for human rights Article 3(2) of DL 89/2017 (referring to 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)		
Specific policies related to respect for human rights	SR SR SR Website Website Website	Governance Stakeholders Share capital Declaration on Human Rights https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/sustentabilidade/compromissos/declaracao-sobre-direitos-humanos.pdf Sustainability Policy https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/politica-sustentabilidade.pdf Declaration of Commitment to Sustainability for Suppliers https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/sustentabilidade/compromissos/declaracao-compromisso-com-a-sustentabilidade-para-fornecedores.pdf
Results of policy implementation	SR SR	Share capital Financial capital
Main associated risks and how they are managed	RA SR	Risk – Risk management Financial capital
Key performance indicators	SR	GRI table
Fight against corruption and attempted bribery Article 3(2) of DL 89/2017 (referring to 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)		
Specific policies related to the fight against corruption and attempted bribery	SR Website SR Website	Governance Policies and Regulations https://www.bancomontepio.pt/institucional/politicas-regulamentos Financial capital Code of Conduct https://www.bancomontepio.pt/content/dam/montepio/pdf/institucional/pol%C3%ADticas-regulamentos/codigo-conduta.pdf
Results of policy implementation	SR	GRI table

Main associated risks and how they are managed	RA SR	Risk – Risk management Financial capital
Key performance indicators	SR	GRI table

R&A – Report and Accounts 2024

SR – Sustainability Report 2024

Website – Banco Montepio institutional website

09. REGULATORY INFORMATION

EXPO '98 LISBOA

1998

We were already 154 years old when Expo 98 showed that we were capable of making the world look at Portugal. To the 10 million people who visited us, we added a set of infrastructures that enriched, culturally and architecturally, that area of the city.

CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Consolidated Balance Sheet at 31 December 2024

(Euro thousand)

	2024	2023
Assets		
Cash and deposits at central banks	1 474 538	1 171 398
Loans and deposits to credit institutions repayable on demand	49 769	61 041
Other loans and advances to credit institutions	138 230	178 902
Loans and advances to customers	11 945 005	11 453 259
Financial assets held for trading	26 843	18 970
Financial assets at fair value through profit or loss	102 683	128 228
Financial assets at fair value through other comprehensive income	304 479	48 100
Hedging derivatives	30 257	6 174
Other financial assets at amortized cost	3 473 704	3 878 848
Investments in associated companies	4 535	4 702
Non-current assets held for sale	34	74
Investment properties	44 760	57 665
Other tangible assets	196 047	195 400
Intangible assets	64 641	57 744
Current tax assets	1 324	1 568
Deferred tax assets	323 691	381 062
Other assets	234 238	346 320
Total Assets	18 414 778	17 989 455
Liabilities		
Deposits from central banks	-	873 933
Deposits from other credit institutions	607 296	909 426
Deposits from customers	14 958 805	13 366 408
Debt securities issued	588 376	730 045
Financial liabilities held for trading	11 202	12 636
Hedging derivatives	27 037	3 525
Provisions	30 498	20 830
Current tax liabilities	1 481	1 661
Other subordinated debt	271 824	217 019
Other liabilities	243 900	287 501
Total Liabilities	16 740 419	16 422 984
Equity		
Share capital	1 210 000	1 210 000
Legal reserve	207 487	196 833
Fair value reserves	11 890	6 792
Other reserves and Retained earnings	135 095	124 480
Consolidated net income for the year attributable to the Shareholders	109 887	28 366
Total Equity Attributable to Shareholders	1 674 359	1 566 471
Total Liabilities and Equity	18 414 778	17 989 455

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Banco Montepio

Consolidated Income Statement
for the financial year at 31 December 2024

(Euro thousand)

	2024	2023
Interest and similar income	694 639	598 462
Interest and similar expense	310 247	190 356
Net interest income	384 392	408 106
Dividends from equity instruments	1 151	873
Net fee and commission income	127 807	126 960
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(3 535)	(6 324)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	5 268	137
Net gains/(losses) arising from exchange differences	807	(20 266)
Net gains/(losses) arising from sale of other financial assets	12 154	11 710
Other operating income/(expense)	(28 913)	(17 313)
Total operating income	499 131	503 883
Staff costs	162 323	153 727
General and administrative expenses	73 709	64 154
Depreciation and amortization	45 486	37 915
Total operating cost	281 518	255 796
Impairment of loans and advances to customers and to credit institutions	21 776	49 623
Impairment of other financial assets	1 214	1 167
Impairment of other assets	17 681	24 021
Other provisions	11 467	(9 062)
Operating income	165 475	182 338
Share of profits/(losses) booked under the equity method	570	550
Profit/(loss) before income tax	166 045	182 888
Income Tax		
Current	(786)	1 465
Deferred	(55 372)	(51 778)
Profit/ (loss) after income tax from continuing operations	109 887	132 575
Profit/ (loss) from discontinued operations	-	(102 467)
Consolidated net income after income tax	109 887	30 108
Consolidated net income for the year attributable to the shareholders	109 887	28 366
Non-controlling Interests	-	1 742
Consolidated net profit / (loss) for the year	109 887	30 108
Earnings per share (in Euro)		
From continuing operations		
Basic	0.0454	0.0548
Diluted	0.0454	0.0548
From discontinued operations		
Basic	-	(0.0431)
Diluted	-	(0.0431)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

APPLICATION OF INDIVIDUAL RESULTS

Considering the recommendations of the supervisory and regulatory authorities, the legal and statutory provisions regarding the allocation of profits to the legal reserve and that in the financial year 2024 Caixa Económica Montepio Geral - caixa económica bancária, S.A. recorded a positive consolidated net income of 109,887,483.19 euros and a positive individual net income of 102,094,991,99 euros, the Board of Directors proposes that, under the terms of paragraph f) of no. 5 of article 66 and for the purposes of paragraph b) of no. 1 of article 376, both of the Companies Code, the net income of 102,094,991,99 euros determined in the individual balance sheet be applied as follows:

- For the Reinforcement of legal reserve: 10,209,499.20 euros
- For Dividends distribution: 30,613,000.00 euros
- To Retained earnings: 61.272.492,79 euros

BOARD OF DIRECTORS

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

Lisbon, 04 April 2025

ALTERNATIVE PERFORMANCE MEASURES

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

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

This chapter serves the purpose of complying with ESMA guidelines on Alternative Performance Measures regarding 2024 financial information, with references to the various chapters of this Report.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

Definition	Sum of the items 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item from an assets' structure perspective.
Reference to FSNO	(notes 22, 23, 24, 26)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Financial assets held for trading	23 070	18 970	26 843
(b)	Financial assets at fair value through other comprehensive income	97 222	48 100	304 479
(c)	Other financial assets at amortised cost	4 119 387	3 878 848	3 473 704
(d)	Financial assets at fair value through profit or loss*	147 770	128 228	102 683
(e)	Securities portfolio and other financial assets* (a+b+c+d)	4 387 449	4 074 146	3 907 709
(f)	Total net assets	19 106 251	17 989 455	18 414 778
	% Securities portfolio and other financial assets (e / f)	**23.0%**	**22.6%**	**21.2%**

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

OTHER INVESTMENTS

Definition	Total net assets excluding ‘Cash and deposits at central banks and loans and advances to credit institutions’, ‘Loans to customers, ‘Financial assets held for trading’, ‘Financial assets at fair value through other comprehensive income’, ‘Other financial assets at amortised cost’, and ‘Financial assets at fair value through profit or loss’.
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets’ structure perspective.
Reference to FSNO	(notes 18, 19, 20, 21, 22, 23, 24, 26)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Total net assets	19 106 251	17 989 455	18 414 778
(b)	Cash and deposits at central banks and loans and advances to credit institutions	1542 465	1411341	1662 537
(c)	Net loans to customers	11713 097	11453 259	11945 005
(d)	Financial assets held for trading	23 070	18 970	26 843
(e)	Financial assets at fair value through other comprehensive income	97 222	48 100	304 479
(f)	Other financial assets at amortised cost	4 119 387	3 878 848	3 473 704
(g)	Financial assets at fair value through profit or loss	147 770	128 228	102 683
(h)	Other investments (a - b - c - d - e - f - g)	1463 240	1050 709	899 527
	% of Other investments (h / a)	**7.7%**	**5.8%**	**4.9%**

DEBT ISSUED

Definition	Sum of the balance sheet items ‘Debt securities issued’ and ‘Other subordinated debt’.
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FSNO	(notes 37, 39)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Debt securities issued	606 651	730 045	588 376
(b)	Other subordinated debt	217 029	217 019	271824
(c)	Debt issued (a + b)	823 680	947 064	860 200
(d)	Total liabilities	17 586 765	16 422 984	16 740 419
	% of Debt issued (c / d)	**4.7%**	**5.8%**	**5.1%**

COMPLEMENTARY RESOURCES

Definition	Total liabilities excluding 'Central bank resources and OCI, 'Customer resources', 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item compared to Customer resources and Debt issued from a funding structure perspective.
Reference to FSNO	(notes 34, 35, 36, 37, 39)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Total liabilities	17 586 765	16 422 984	16 740 419
(b)	Central bank resources and OCI	3 231 614	1 783 359	607 296
(c)	Customer resources	13 115 366	13 366 408	14 958 805
(d)	Debt securities issued	606 651	730 045	588 376
(e)	Other subordinated debt	217 029	217 019	271 824
(f)	Complementary resources (a - b - c - d - e)	416 105	326 153	314 118
	% of Complementary resources (f / a)	**2.4%**	**2.0%**	**1.9%**

OFF-BALANCE SHEET RESOURCES

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

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Securities investment funds	180 913	300 641	397 238
(b)	Real estate investment funds	662 868	744 785	775 995
(c)	Pension funds	284 930	301 454	335 435
(d)	Capitalization Insurance	28 807	23 235	20 771
	Off-balance sheet resources (a + b + c + d)	**313 737**	**324 689**	**356 206**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME

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

(thousand euros)

		2022	2023	2024
(a)	Interest received from loans to customers	258 588	545 820	612 190
(b)	Interest paid on customers' deposits	7 045	83 677	220 075
	Commercial net interest income (a - b)	**251 543**	**462 143**	**392 115**

OPERATING COSTS

Definition	Sum of Staff costs, General and administrative expenses and Depreciation and amortisation.
Relevance	Assess the evolution of Operating costs underlying the development of banking activity.
Reference to FSNO	(notes 10, 11, 12)
Components and calculus	

(thousand euros)

		2022	2023	2024
(a)	Staff costs	152 617	153 727	162 323
(b)	General and administrative expenses	59 740	64 154	73 709
(c)	Depreciation and amortisation	34 006	37 915	45 486
	Operating costs (a + b + c)	**246 363**	**255 796**	**281 518**

RESULTS FROM THE COMMERCIAL ACTIVITY

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

(thousand euros)

		2022	2023	2024
(a)	Commercial net banking income	251 543	462 143	392 115
(b)	Net commissions	120 496	126 960	127 807
(c)	Operating costs	246 363	255 796	281 518
	Results from the commercial activity (a + b - c)	**125 676**	**333 307**	**238 404**

RATIOS

LOAN-TO-DEPOSIT RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMER RESOURCES

Definition	Percentage of Net loans to customers funded by the total amount of On-balance sheet resources from customers.
Relevance	Assess the leverage degree of the banking activity through the relationship between Funds raised with customers and Loans granted to customers.
Reference to FSNO	(notes 21, 36, 37)
Components and calculus	

(thousand euros)

		2022	2023	2024
(a)	Net loans to customers	11 713 097	11 453 259	11 945 005
(b)	Customer resources	13 115 366	13 366 408	14 958 805
(c)	Debt securities issued	606 651	730 045	588 376
	Net loans to customers / On-balance sheet customer resources (a / (b + c))	**85.4%**	**81.2%**	**76.8%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Reference to FSNO	(notes 5, 6, 7, 8, 9, 10, 11, 12)
Components and calculus	

(thousand euros)

		2022	2023	2024
(a)	Total operating income	370 057	503 883	499 131
(b)	Results from financial operations (i + ii + iii)	12 041	(26 453)	2 540
(i)	Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	(217)	(6 324)	(3 535)
(ii)	Net gains / (losses) from financial assets at fair value through other comprehensive income	1 449	137	5 268
(iii)	Net gains / (losses) from foreign exchange differences	10 809	(20 266)	807
(c)	Other income (iv + v)	(14 947)	(5 603)	(16 759)
(iv)	Net gains / (losses) arising from the sale of other financial assets	33 280	11 710	12 154
(v)	Other operating income / (expenses)	(48 227)	(17 313)	(28 913)
(d)	Operating costs, excluding specific impacts [1)]	235 825	247 548	272 406
	Cost-to-Income, excluding specific impacts ((d) / (a - b - c))	**63.2%**	**46.2%**	**53.1%**

1) Excluding the amount related to staff costs generated by the operational adjustment measures of €0.5mn in 2022 and €8.2mn in 2023 and one-off costs of €9.1mn in 2024 related to early retirements and terminations by mutual agreement.

COST OF CREDIT RISK

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairment in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FSNO	(notes 13, 21)
Components and calculus	

(thousand euros)

		2022	2023	2024
(a)	Impairment of loans and advances to customers and to credit institutions (annualized[1])	13 371	49 623	21776
(b)	Average gross loans to customers[2]	12 211320	11890 543	11920 049
	Cost of credit risk (a / b)	**0.1%**	**0.4%**	**0.2%**

1) Annualized values considering the total number of days elapsed and total days of the year.
2) Average balance for period.

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS

Definition	Ratio that assesses the quality of the loan portfolio.
Relevance	Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.
Reference to FSNO	(note 21)
Components and calculus	

(thousand euros)

		2022	2023	2024
(a)	Loans and interest overdue by more than 90 days	270 210	172 732	109 301
(b)	Gross loans to customers	12 067 614	11734 214	12 161896
	Ratio of loans and interest overdue by more than 90 days (a / b)	**2.2%**	**1.5%**	**0.9%**

COVERAGE OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS BY IMPAIRMENT FOR BALANCE SHEET

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.
Relevance	Assess the institution’s ability to absorb potential losses arising from loans and interest overdue by more than 90 days.
Reference to FSNO	(note 21)
Components and calculus	

(thousand euros)

		2022	2023	2024
(a)	Impairment for credit risk (balance sheet)	354 517	280 955	216 891
(b)	Loans and interest overdue by more than 90 days	270 210	172 732	109 301
	Coverage of loans and interest overdue by more than 90 days (a / b)	**131.2%**	**162.7%**	**198.4%**

NPL RATIO (*NON-PERFORMING LOANS* / GROSS LOANS TO CUSTOMERS)

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing loans (NPL - non-performing loans, according to the EBA definition) in relation to the total customer loans portfolio.
Reference to FSNO	(note 21, 53)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Stock of Non-performing loans	631 434	379 755	259 766
(b)	Gross loans to customers	12 067 614	11 734 214	12 161 896
	Non-performing loans / Gross loans to customers (a / b)	**5.2%**	**3.2%**	**2.1%**

NON-PERFORMING LOANS COVERAGE BY TOTAL IMPAIRMENT FOR BALANCE SHEET LOANS

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the balance of non-performing loans (NPL, according to the EBA definition).
Relevance	Assess the institution's capacity to absorb potential losses arising from the NPL portfolio.
Reference to FSNO	(note 21, 53)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Impairment for credit risk (balance sheet)	354 517	280 955	216 891
(b)	Stock of Non-performing loans	631 434	379 755	259 766
	Coverage of Non-performing loans by Impairment for credit risk (a / b)	**56.1%**	**74.0%**	**83.5%**

NON-PERFORMING LOANS COVERAGE BY IMPAIRMENT FOR STAGE 3 LOANS

Definition	Ratio that measures the proportion of impairment for stage 3 loans in relation to the balance of non-performing loans (NPL, according to the EBA definition).
Relevance	Assess the institution's capacity to absorb potential losses arising from the NPL portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Impairment for loans in stage 3	263 805	174 417	114 620
(b)	Stock of Non-performing loans	598 434	379 755	259 766
	Coverage of Non-performing loans by Impairment for loans in stage 3 (a / b)	**44.1%**	**45.9%**	**44.1%**

NON-PERFORMING LOANS COVERAGE BY TOTAL IMPAIRMENT FOR BALANCE SHEET LOANS AND ASSOCIATED COLLATERALS AND FINANCIAL GUARANTEES

Definition	Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing loans (NPL, according to EBA's definition).
Relevance	Assess the institution's capacity to absorb the potential losses arising from the NPL portfolio.
Reference to FSNO	(note 21, 53)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Impairment for credit risk (balance sheet)	354 517	280 955	216 891
(b)	Associated collaterals and financial guarantees	281 741	156 405	102 041
(c)	Stock of Non-performing loans	598 434	379 755	259 766
	Coverage of Non-performing loans by Impairment for credit risk and associated collaterals and financial guarantees ((a + b) / c)	**106.3%**	**115.2%**	**122.8%**

FORBORNE EXPOSURES / GROSS CUSTOMER LOANS

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio.
Reference to FSNO	(note 21, 53)

Components and calculus

(thousand euros)

		2022	2023	2024
(a)	Stock of Forborne exposures	520 662	326 323	190 080
(b)	Gross customer loans	12 067 614	11 734 214	12 161 896
	Forborne exposures / Gross loans to customers (a / b)	**4.3%**	**2.8%**	**1.6%**

GLOSSARY

ATM: Automated Teller Machine.

CET1 ratio: ratio between Common equity tier 1 capital and Risk-weighted assets.

CET1: Common Equity Tier 1.

Commercial net interest income: corresponds to the difference between the Income received from Loans and advances granted to customers and the Interest paid on Customer deposits.

Complementary resources: sum of the balance sheet headings of Financial liabilities held for trading, Hedge derivatives, Non-current liabilities held for sale - Discontinued operations, Provisions, Current tax liabilities and Other liabilities.

Core operating income: sum of the income statement headings of Net interest income and Net fees and commissions.

Cost of credit risk: ratio between the income statement heading of Impairment of loans and advances to customers and credit institutions (annualised value) and the average balance of Loans to customers (gross).

Cost-to-income ratio: Ratio between Operating costs and Total operating income, pursuant to Banco de Portugal Instruction 16/2004.

Coverage of loans and interest overdue by more than 90 days by Impairment for balance sheet loans: ratio between Impairment for accumulated loans (book value) and total Loans and interest overdue by more than 90 days.

CRR: Capital Requirements Regulation.

Debt issued: sum of the balance sheet heading of Liabilities represented by securities and Other subordinated liabilities.

EBA: European Banking Authority.

EMTN: Euro Medium Term Note Programme.

Fully implemented: refers to the full implementation of the prudential rules established in the legislation in force in the European Union, that were produced based on the standards defined by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

Gross return on assets: Ratio between Net income before taxes and minority interests and Average net assets, pursuant to Banco de Portugal Instruction 16/2004.

Gross return on equity: Ratio between Net income before taxes and minority interests and Average equity, pursuant to Banco de Portugal Instruction 16/2004.

Hypocarbonic: which releases or produces little carbon dioxide.

IAS: International Accounting Standards.

ICAAP: Internal Capital Adequacy Assessment Process.

IFRS: International Financial Reporting Standards.

ILAAP: Internal Liquidity Adequacy Assessment Process.

Impairments and provisions: sum of the income statement headings of Impairment of loans and advances to customers and credit institutions, Impairment of other financial assets, Impairment of other assets and Other provisions.

kWh/m^2: Kilowatt-hours per square metre is a unit of measurement used to quantify the energy efficiency of a given space or building.

LCR ratio: Liquidity Coverage Ratio. Ratio between the Buffer of net assets and the Net outflows in a stress period of 30 days.

Leverage ratio: ratio between Tier 1 own funds and Non-weighted exposure.

Liquidity buffer: Sum of the aggregate amount of the balance sheet item “Cash and deposits at central banks” and the market value, net of haircuts applied by the ECB, of eligible and uncommitted assets for liquidity-providing operations under the Eurosystem's monetary policy

Loans and interest overdue by more than 90 days: corresponds to Loans with principal instalments or interest in arrears for a period of more than 90 days.

Loans to customers (gross): corresponds to Loans to customers before deducting Impairment for credit risks (book value).

Loans to customers (net): corresponds to Loans to customers (gross) after deducting Impairment for credit risks (book value).

Loan-to-deposit ratio: ratio between Loans to customers (net) and Customer resources, pursuant to Banco de Portugal Instruction 16/2004.

Loan-to-resource ratio: ratio between Loans to customers (net) and the sum of the balance sheet heading of Customer resources and Securities placed with customers.

LTV ratio: Loan-to-value ratio, referring to the ratio between the value of the loan and the value of the real estate property given as collateral.

MREL: Minimum Requirement for own funds and eligible liabilities.

Net fees and commissions: corresponds to the income statement item Net fees and commissions income.

Net interest income: sum of the balance sheet headings of Interest and similar income and Interest and similar expenses.

NPL coverage by Total impairment for balance sheet loans and associated collateral and financial guarantees: ratio between the sum of the total accumulated impairment for loans (book value) and their associated collateral and financial guarantees and the balance of non-productive loans (NPL, as defined by the EBA).

NPL coverage by Total impairment for balance sheet loans: ratio between the sum of the total accumulated impairment for loans (book value) and the balance of non-productive loans (NPL, as defined by the EBA).

NPL ratio: ratio between the non-performing loans (NPL, as defined by the EBA) and total Loans to customers (gross).

NPL: Non-performing loans (as defined by the EBA).

NSFR ratio: Net stable funding ratio. Ratio between available stable funding and required stable funding.

OCR: Overall capital requirements.

Off-balance sheet customer resources: corresponds to the Disintermediation resources managed by the Group’s companies (assets under management), excluding securities investment funds and real estate investment funds in its own portfolio, i.e., the sum of the Securities investment funds and Real estate investment funds, Pension funds and Capitalisation insurance.

On-balance sheet customer resources: sum of the balance sheet heading of Customer resources and Securities placed with customers.

Operating costs: sum of the income statement headings of Staff costs, General and administrative expenses, and Depreciation and amortisation.

Operating income before impairment: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income, Net gains from the sale of other assets, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Other assets: sum of the income statement heading of Hedge derivatives, Non-current assets held for sale, Non-current assets held for sale - Discontinued operations, Investment properties, Other tangible assets, Intangible assets, Investments in associates, Current tax assets, Deferred tax assets and Other assets.

Other impairments and provisions: sum of the income statement headings of Impairment of other financial assets, Impairment of other assets and Other provisions.

Other results: sum of the income statement headings of Net gains from the sale of other assets and Other operating income.

Performing loans: corresponds to Loans to customers (gross) after deducting non-performing exposures (as defined by the EBA).

Phasing-in: transitional period. This refers to the phased implementation of the prudential rules under the terms established in the legislation in force in the European Union.

Ratio of forborne exposures: Ratio between deferred exposures (forborne exposures, as defined by the EBA) and Loans to customers (gross).

Ratio of loans and interest overdue by more than 90 days: Ratio between Loans and interest overdue by more than 90 days and Loans to customers (gross).

Results from commercial activity: sum of the income statement headings of Interest and similar income, Interest and similar expenses, Net fees and commissions, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Results from financial operations: sum of the income statement headings of Net gains/(losses) from financial assets and liabilities at fair value through profit or loss, Net gains/(losses) from financial assets at fair value through other comprehensive income, and Net gains/(losses) from foreign exchange difference.

ROA: Return On Assets.

ROE: Return On Equity.

RWA: Risk-Weighted Assets.

Securities portfolio: sum of the balance sheet headings of Financial assets held for trading, Financial assets at fair value through other comprehensive income, Other financial assets at amortised cost, and Financial assets at fair value through profit or loss.

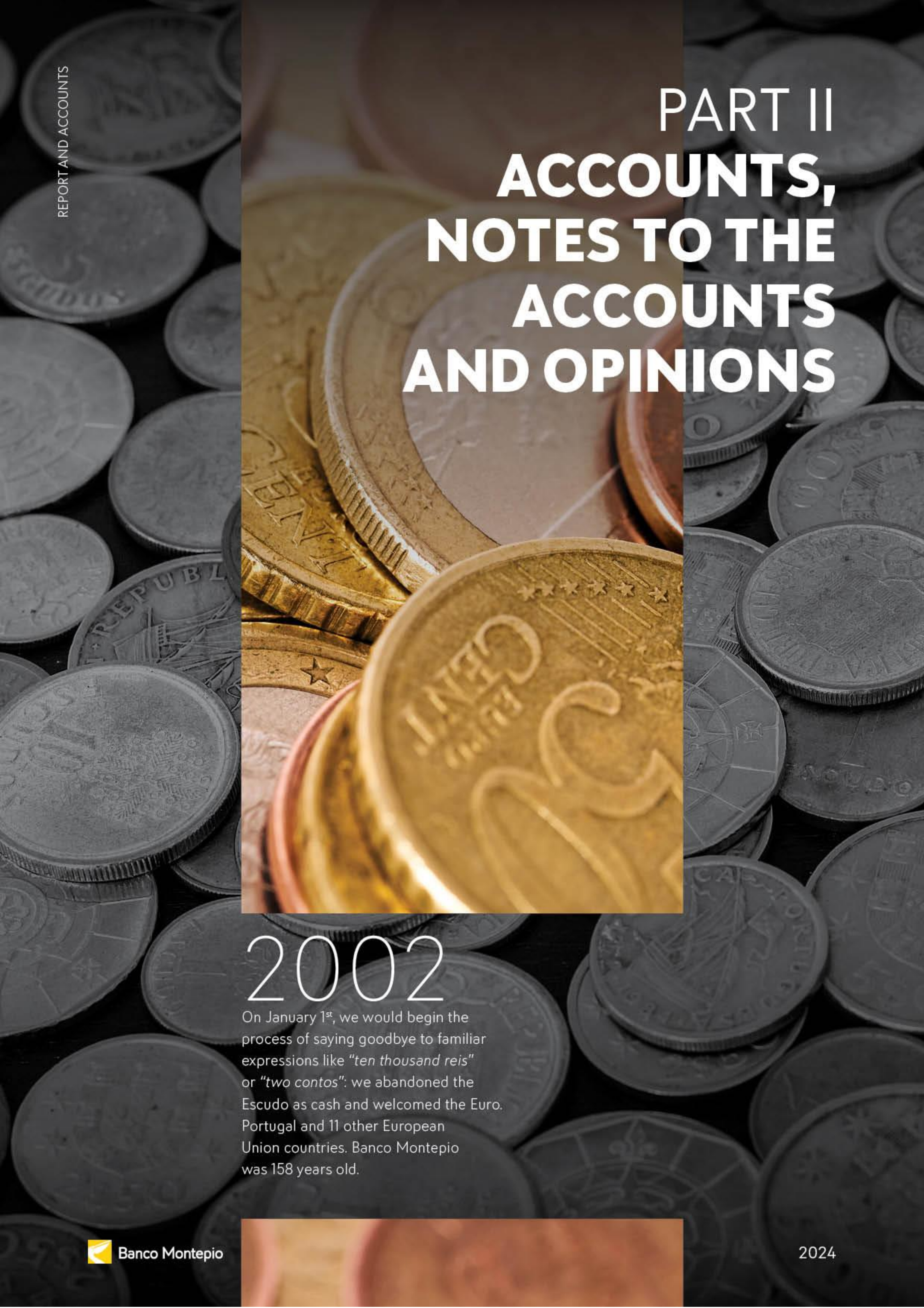
Tier 1 ratio: ratio between Tier 1 own funds and Risk-weighted assets.

TLTRO: Targeted Longer-Term Refinancing Operations.

Total capital ratio: ratio between Total own funds and Risk-weighted assets.

Total customer resources: sum of On-balance sheet customer resources and Off-balance sheet customer resources.

Total operating income: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income and Net gains from the sale of other assets.



PART II
ACCOUNTS, NOTES TO THE ACCOUNTS AND OPINIONS

2002

On January 1st, we would begin the process of saying goodbye to familiar expressions like *"ten thousand reis"* or *"two contos"*: we abandoned the Escudo as cash and welcomed the Euro. Portugal and 11 other European Union countries. Banco Montepio was 158 years old.

ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS

2011

On November 1st, we created a new hero: American surfer Gareth McNamara conquered a giant 23.77-meter wave at the so-called Nazaré Canyon, at Praia do Norte. We had 167 springs.

Banco Montepio

Consolidated Income Statement
for the financial year at 31 December 2024

(Euro thousand)

	Notes	2024	2023
Interest and similar income	2	694 639	598 462
Interest and similar expense	2	310 247	190 356
Net interest income	2	384 392	408 106
Dividends from equity instruments	3	1 151	873
Net fee and commission income	4	127 807	126 960
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	5	(3 535)	(6 324)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	6	5 268	137
Net gains/(losses) arising from exchange differences	7	807	(20 266)
Net gains/(losses) arising from sale of other financial assets	8	12 154	11 710
Other operating income/(expense)	9	(28 913)	(17 313)
Total operating income		499 131	503 883
Staff costs	10	162 323	153 727
General and administrative expenses	11	73 709	64 154
Depreciation and amortization	12	45 486	37 915
Total operating cost		281 518	255 796
Impairment of loans and advances to customers and to credit institutions	13	21 776	49 623
Impairment of other financial assets	14	1 214	1 167
Impairment of other assets	15	17 681	24 021
Other provisions	16	11 467	(9 062)
Operating income		165 475	182 338
Share of profits/(losses) booked under the equity method	17	570	550
Profit/(loss) before income tax		166 045	182 888
Income Tax			
Current	32	(786)	1 465
Deferred	32	(55 372)	(51 778)
Profit/ (loss) after income tax from continuing operations		109 887	132 575
Profit/ (loss) from discontinued operations	58	-	(102 467)
Consolidated net income after income tax		109 887	30 108
Consolidated net income for the year attributable to the shareholders		109 887	28 366
Non-controlling Interests	45	-	1 742
Consolidated net profit / (loss) for the year		109 887	30 108
Earnings per share (in Euro)			
From continuing operations			
Basic		0.0454	0.0548
Diluted		0.0454	0.0548
From discontinued operations			
Basic		-	(0.0431)
Diluted		-	(0.0431)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income
for the financial year at 31 December 2024

(Euro thousand)

	Notes	2024	2023 (reexpress)
Items that may be reclassified to the Income Statement			
Continuing Operations:			
Fair value reserves			
Financial assets at fair value through other comprehensive income			
Debt instruments	43	4 404	1 618
Taxes related to fair value changes	12	(1 999)	(1 112)
		2 405	**506**
Discontinued operations:			
Exchange rate difference resulting from consolidation	43	-	(22 123)
Foreign exchange reserve recycling	43	-	116 098
Attributable to interests they do not control	43	-	(12 521)
		-	**81 454**
		2 405	**81 960**
Items that will not be reclassified to the Income Statement			
Fair value reserves			
Financial assets at fair value through other comprehensive income			
Equity instruments	43	2 693	2 221
Realized gains on equity instruments		1 307	9
Remeasurements of post-employment and long term benefits	48	(2 404)	(84 487)
Taxes	32	-	20 102
		1 596	**(62 155)**
Other comprehensive income/(loss) for the year		**4 001**	**19 805**
Attributable to continuing operations		4 001	(61 649)
Attributable to discontinued operations		-	81 454
Attributable to shareholders		4 001	32 326
Attributable to interests they do not control		-	(12 521)
Consolidated net income for the year		**109 887**	**30 108**
Attributable to continuing operations		109 887	132 575
Attributable to discontinued operations		-	(102 467)
Attributable to shareholders		109 887	28 366
Attributable to interests they do not control		-	1 742
Total consolidated comprehensive income/(loss) for the year		**113 888**	**49 913**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Balance Sheet at 31 December 2024

(Euro thousand)

	Notes	2024	2023
Assets			
Cash and deposits at central banks	18	1 474 538	1 171 398
Loans and deposits to credit institutions repayable on demand	19	49 769	61 041
Other loans and advances to credit institutions	20	138 230	178 902
Loans and advances to customers	21	11 945 005	11 453 259
Financial assets held for trading	22	26 843	18 970
Financial assets at fair value through profit or loss	23	102 683	128 228
Financial assets at fair value through other comprehensive income	24	304 479	48 100
Hedging derivatives	25	30 257	6 174
Other financial assets at amortized cost	26	3 473 704	3 878 848
Investments in associated companies	27	4 535	4 702
Non-current assets held for sale	28	34	74
Investment properties	29	44 760	57 665
Other tangible assets	30	196 047	195 400
Intangible assets	31	64 641	57 744
Current tax assets	32	1 324	1 568
Deferred tax assets	32	323 691	381 062
Other assets	33	234 238	346 320
Total Assets		18 414 778	17 989 455
Liabilities			
Deposits from central banks	34	-	873 933
Deposits from other credit institutions	35	607 296	909 426
Deposits from customers	36	14 958 805	13 366 408
Debt securities issued	37	588 376	730 045
Financial liabilities held for trading	22	11 202	12 636
Hedging derivatives	25	27 037	3 525
Provisions	38	30 498	20 830
Current tax liabilities	-	1 481	1 661
Other subordinated debt	39	271 824	217 019
Other liabilities	40	243 900	287 501
Total Liabilities		16 740 419	16 422 984
Equity			
Share capital	41	1 210 000	1 210 000
Legal reserve	42	207 487	196 833
Fair value reserves	43	11 890	6 792
Other reserves and Retained earnings	43	135 095	124 480
Consolidated net income for the year attributable to the Shareholders		109 887	28 366
Total Equity Attributable to Shareholders		1 674 359	1 566 471
Total Liabilities and Equity		18 414 778	17 989 455

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Interim Consolidated Statement of Cash Flows
for the financial year at 31 December 2024

(Euro thousand)

	2024	2023
Cash arising from operating activities		
Interest income received	684 316	572 661
Interest expense paid	(299 823)	(77 191)
Commission received	154 579	153 416
Commission expense paid	(26 790)	(26 482)
Costs with staff and suppliers	(220 481)	(211 571)
Recovery of loans and interest	9 921	7 706
Other payments and receivables	(59 256)	(823)
Income tax payment	(721)	3 086
	241 745	420 802
(Increases)/Decreases in operating assets		
Loans and advances to credit institutions and customers	(481 511)	154 671
(Purchase)/Sale of financial assets held for trading	(3 978)	(8 124)
Purchase)/Sale of financial assets at fair value through profit or loss	25 248	19 871
(Purchase)/Sale of financial assets at fair value through other comprehensive income	(241 370)	53 942
(Purchase)/Sale of other assets at amortized cost	405 475	158 135
Discontinued Operations	-	1 874
Other assets	95 605	83 111
	(200 531)	463 480
Increases/(decreases) in operating liabilities		
Deposits from customers	1 570 270	203 831
Deposits from credit institutions	(300 021)	565 327
Deposits from central banks	(854 830)	(2 075 000)
	415 419	(1 305 842)
	456 633	(421 560)
Cash from investing activities		
Dividends received (note 3)	1 151	873
Increases/ (decreases) non-current assets and liabilities held for sale	22	87 262
Sales of fixed assets and investment properties (notes 30 and 31)	(51 291)	(46 131)
	(50 118)	42 004
Cash from financing activities		
Dividends paid (note 44)	(6 000)	-
Issuance of cash bonds and subordinated debt (notes 37 and 39)	(104 653)	200 000
Lease Contracts	(4 801)	(3 828)
	(115 454)	196 172
Effects of exchange rate changes on cash and cash equivalents	807	(20 266)
Net change in cash and cash equivalents	291 868	(203 650)
Cash and cash equivalents at the beginning of the year		
Cash and deposits at central banks (note 18)	1 171 398	1 383 802
Loans and deposits to credit institutions payable on demand (note 19)	61 041	52 287
	1 232 439	1 436 089
Cash and cash equivalents at the end of the year		
Cash and deposits at central banks (note 18)	1 474 538	1 171 398
Loans and deposits to credit institutions payable on demand (note 19)	49 769	61 041
	1 524 307	1 232 439

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Changes in Equity
for the financial year at 31 December 2024

(Euro thousand)

	Share Capital (note 41)	Issue premium	Legal Reserves (note 42)	Fair Value Reserves (note 43)	Other reserves and Retained earnings (note 43)	Consolidated net income/ (loss) for the year	Equity attributable to Shareholders	Non-controlling interests (note 45)	Total Shareholders Equity
Balance on 31 december 2022	**2 420 000**	**-**	**193 266**	**4 065**	**(1 143 081)**	**33 794**	**1 508 044**	**11 442**	**1 519 486**
Application of net income in 2022	-	-	3 567	-	30 227	(33 794)	-	-	-
Other comprehensive income:	-	-	-	2 727	29 599	-	32 326	(12 521)	19 805
Foreign exchange reserve recycling	-	-	-	-	116 098	-	116 098	(7 066)	109 032
Exchange rate difference resulting from consolidation	-	-	-	-	(22 123)	-	(22 123)	(5 455)	(27 578)
Remeasurements of post-employment and long-term benefits (note 48)	-	-	-	-	(84 487)	-	(84 487)	-	(84 487)
Fair value changes of debt instruments	-	-	-	1 618	-	-	1 618	-	1 618
Fair value changes of equity instruments	-	-	-	2 221	-	-	2 221	-	2 221
Taxes on changes in fair value (notes 32 and 43)	-	-	-	(1 112)	-	-	(1 112)	-	(1 112)
Taxes related to remeasurement changes of defined benefit plans (note 32)	-	-	-	-	20 102	-	20 102	-	20 102
Realized gains on capital instruments	-	-	-	-	9	-	9	-	9
Consolidated net income for the year	-	-	-	-	-	28 366	28 366	1 742	30 108
Total comprehensive income for the year	-	-	-	2 727	29 599	28 366	60 692	(10 779)	49 913
Reduction of share capital (loss coverage)	(1 210 000)	-	-	-	1 210 000	-	-	-	-
Capital Increase (*)	144 188	34 587	-	-	-	-	178 775	-	178 775
Capital Reduction (*)	(144 188)	(34 587)	-	-	-	-	(178 775)	-	(178 775)
Dividends paid	-	-	-	-	-	-	-	(663)	(663)
Other consolidation movements	-	-	-	-	(2 265)	-	(2 265)	-	(2 265)
Balance on 31 december 2023	**1 210 000**	**-**	**196 833**	**6 792**	**124 480**	**28 366**	**1 566 471**	**-**	**1 566 471**
Application of net income in 2023									
Legal Reserves	-	-	10 654	-	-	(10 654)	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	11 712	(11 712)	-	-	-
Dividends paid	-	-	-	-	-	(6 000)	(6 000)	-	(6 000)
Other comprehensive income:	-	-	-	5 098	(1 097)	-	4 001	-	4 001
Remeasurements of post-employment and long-term benefits (note 48)	-	-	-	-	(2 404)	-	(2 404)	-	(2 404)
Changes in fair value of debt instruments	-	-	-	4 404	-	-	4 404	-	4 404
Changes in the fair value of capital instruments	-	-	-	2 693	-	-	2 693	-	2 693
Taxes on changes in fair value (notes 32 and 43)	-	-	-	(1 999)	-	-	(1 999)	-	(1 999)
Realized gains on capital instruments	-	-	-	-	1 307	-	1 307	-	1 307
Consolidated net income for the year	-	-	-	-	-	109 887	109 887	-	109 887
Total comprehensive income for the year	-	-	-	5 098	(1 097)	109 887	113 888	-	113 888
Balance on 31 december 2024	**1 210 000**	**-**	**207 487**	**11 890**	**135 095**	**109 887**	**1 674 359**	**-**	**1 674 359**

(*) Related to the transfer of assets and liabilities related to the BEM business to Banco Montepio.

THE CHIEF ACCOUNTANT | THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio"), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by Banco de Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the By-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

The financial statements of Banco Montepio are consolidated in the financial statements of MGAM. As at 31 December 2024, the following entities integrate the Banco Montepio Group:

Montepio Holding, S.G.P.S, S.A.

Montepio Holding integrates companies that engage in a diverse range of activities, including the rendering of complementary financial services in specialized consumer credit, long-term leasing, and the transaction and management of real estate.

As at 31 December 2024, Montepio Holding, S.G.P.S. holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., of Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito) and of Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

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

Montepio Crédito, 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, handles the specialized credit offer in the automobile, equipment, home and services sectors, complemented by several solutions intended for Individuals, Companies and institutions of the Social Economy sectors. The specialized credit segment highlights one of the cornerstones of the Banco Montepio Group's Strategic Plan, reflecting the focus on consumer credit.

As a result of the repositioning carried out at the level of the Banco Montepio Group and the strong, solid relationship established with its partners, based on the experience acquired over the years, Montepio Crédito develops its offer of specialized credit solutions in the following areas: Automobile, Health, Automobile Repairs, Telecommunications and Furniture, for the Individuals segment; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry, for the Corporate segment.

Banco de Empresas Montepio

Montepio Investimento, S.A. (hereinafter "BEM"), is a bank 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio.

With a view to achieving Banco Montepio Group's strategic objectives, namely the simplification of the Group's governance structure and the improvement of the operating model, Banco Montepio's Board of Directors decided to integrate BEM's activity into Banco Montepio, allowing the simplification of the approach to the corporate segment and the capturing of synergies, leveraging the learning and results of the commercial banking and investment banking model through the unification of the relationship, as well as making Banco Montepio Group's government structure less complex.

Following this deliberation, several initiatives were initiated that meant that, with reference to 27 November 2023, the assets and liabilities related to the business recorded in the financial statements were transferred from BEM to Banco Montepio, so that, on 31 December 2023, the balance sheet already shows the impact of this transfer. In this context, Montepio Holding agreed with RAUVA Enterprises, S.A., the sale of 100% of BEM's share capital, this operation being subject to the verification of certain precedent conditions, including approval by the Supervisory and Regulatory authorities.

The integration of BEM's activity was carried out with reference to 27 November 2023, with BEM receiving Euro 178,775 thousand in shares issued by Banco Montepio, corresponding to the value of BEM's net assets transferred to Banco Montepio, as verified by the independent Statutory Auditor's report issued on 22 November 2023 for this purpose. On 29 December 2023, the General Meeting of Banco Montepio decided to reduce share capital in the amount of Euro 178,775 thousand, having in this context amortized the shares held by BEM through payment of the same amount.

Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

Ssagincentive, 100% controlled by Montepio Holding, SGPS, in turn 100% held by Banco Montepio, has as its object the trading and management of real estate, as well as the management and acquisition for resale of real estate acquired by Group companies as a result of the recovery of credit granted by same. Ssagincentive is also responsible for the acquisition for management or resale of real estate under litigation initiated by Group companies.

H.T.A. – Hotéis, Turismo e Animação dos Açores, S.A.

H.T.A., 20.0% held by Banco Montepio, has as its main activity the promotion, realization, exploration and management of any tourism activities and investments, including the construction, remodelling and exploration of hotel, casino and gaming house units, the exploration of games of chance, the acquisition of real estate for resale, the import and export of goods, the explorations of spas, as well as all remaining activities related to those previously referred.

CESource

The purpose of this Grouping, 18.0% held by Banco Montepio, is to provide specialized services in the area of information technologies, contributing, through the optimization of such management, to the improvement of the conditions and means of the exercise or result of the economic activities of the members of this Grouping.

Montepio Serviços, A.C.E.

The Grouping Montepio Serviços, A.C.E. aims to improve the conditions for the exercise and the results of the economic activities of the grouped members, essentially aiming to optimize resources, achieve greater operational efficiency and obtain economies of scale through the elimination of replicated cost structures.

Montepio – Gestão de Activos Imobiliários – Em liquidação was liquidated on 13 May 2024 for which reason as at 31 December 2024 it no longer integrates the consolidation perimeter.

The remaining entities of the consolidation perimeter are disclosed in note 57.

1 Accounting Policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of Banco de Portugal, of 7 December, the consolidated financial statements of the Banco Montepio Group (hereinafter "Group") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and their predecessor bodies. The Group's consolidated financial statements for financial year ended 31 December 2024 were prepared for recognition and measurement purposes in accordance with IFRS endorsed by the EU and in force on 1 January 2024.

All references in this document to any standards relate to the respective version in force.

The consolidated financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 4 April 2025, being presented in Euro, rounded to the nearest thousand. The consolidated financial statements presented relate to 31 December 2024 and will be submitted for approval by the General Meeting, which has the power to change them. However, it is the Board of Directors' conviction that these will be approved without any significant changes.

The financial statements were prepared on the going concern, accrual and historical cost principles, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged. Other financial assets and liabilities and non-financial assets and liabilities are recorded at amortized cost or historical cost. Non-current assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. The associated estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the book values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main estimates and assumptions involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in the accounting policy described in point x).

<u>Comparability of information</u>

The Group adopted IFRS and interpretations of mandatory application for the periods beginning on or after 1 January 2024, as described in note 54. The accounting policies have been applied consistently by all Group entities and are consistent with those used in the preparation of the financial statements of the previous period. However, as a result of the sale of the financial interest held by Banco Montepio in the share capital of Finibanco Angola, S.A., which led to the loss of control and consequent recycling of the negative foreign exchange reserve from the Reserves – exchange differences caption to profit or loss for the period, we restated the Consolidated Statement of Comprehensive Income for financial year ended 31 December 2023 in order to accommodate these accounting movements in the items already reclassified to profit or loss, thus changing the total of the comprehensive income previously reported. On this basis, the Consolidated Statement of Comprehensive Income was restated with reference to 31 December 2023 with a view to being presented, for comparison purposes, in the 2024 report and accounts. This change did not have any impact on either the profit or loss for the period or the consolidated equity of Banco Montepio.

(Euro thousand)

	2023 As reported	Effect of reexpression	2023 Reexpressed
Items that may be reclassified to the Income Statement			
Continuing Operations:			
Fair value reserves			
Financial assets at fair value through other comprehensive income			
Debt instruments	1 618	-	1 618
Taxes related to fair value changes	(1 112)	-	(1 112)
	506	**-**	**506**
Discontinued operations:			
Exchange rate difference resulting from consolidation	(27 578)	5 455	(22 123)
Foreign exchange reserve recycling	-	116 098	116 098
Attributable to interests they do not control	(5 455)	(7 066)	(12 521)
	(33 033)	**114 487**	**81 454**
	(27 072)	**109 032**	**81 960**
Items that will not be reclassified to the Income Statement			
Fair value reserves			
Financial assets at fair value through other comprehensive income			
Equity instruments	2 221	-	2 221
Realized gains on equity instruments	9	-	9
Remeasurements of post-employment and long term benefits	(84 487)	-	(84 487)
Taxes	20 102	-	20 102
	(62 155)	**-**	**(62 155)**
Other comprehensive income/(loss) for the year	**(89 227)**	**109 032**	**19 805**
Attributable to continuing operations	(61 649)	-	(61 649)
Attributable to discontinued operations	(33 033)	114 487	81 454
Attributable to shareholders	(89 227)	121 553	32 326
Attributable to interests they do not control	(5 455)	(7 066)	(12 521)
Consolidated net income for the year	**30 108**	**-**	**30 108**
Attributable to continuing operations	132 575	(109)	132 466
Attributable to discontinued operations	(102 467)	-	(102 358)
Attributable to shareholders	28 366	-	28 366
Attributable to interests they do not control	1 742	-	1 742
Total consolidated comprehensive income/(loss) for the year	**(59 119)**	**109 032**	**49 913**

b) Bases of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of Banco Montepio and its subsidiaries ("Group"), and the results attributable to the Group in respect of its financial investments in Associates, as well as the book value of these financial investments measured under the equity method, for financial years ended 31 December 2024 and 2023.

Subsidiaries

Subsidiaries are entities controlled by the Group (including investment funds and securitization vehicles). The Group controls an entity when it is exposed, or has rights, to variable returns derived from its involvement with this entity, can appropriate these through the power it holds over the entity's relevant activities (de facto control) and has the ability to allocate these variable returns through the power it holds over the entity's relevant activities. As established in IFRS 10, the Group analyses the objective and the structuring of the manner the operations of an entity are developed in evaluating the control over same. The financial statements of the subsidiaries are consolidated by the full consolidation method from the moment the Group acquires control until the moment that control ceases. The interests of third parties in these Companies are presented in the caption Non-controlling interests.

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

In a step acquisition process resulting in the acquisition of control, the revaluation of any shareholding (elsewhere in this document also referred to as “investment” or “interest”) previously acquired is booked against the income statement when the goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, the shareholding retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Subsidiaries' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies.

Associates

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

The existence of significant influence being held by the Group is usually evidenced by at least one of the following facts:

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

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of the associates accounted for under the equity method. In applying the equity method, unrealized gains or losses on transactions between the Group and its associates are eliminated. Dividends attributed by the associates are deducted from the investment amount in the consolidated balance sheet. Associates’ accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies. When the Group’s share of attributable losses exceeds its interest in an Associate, the book value of the investment, including any medium- or long-term interest in that Associate, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associated company.

Special purpose entities

The Group consolidates by the full consolidation method certain special purpose entities, namely vehicles and funds created as part of securitization operations, set up specifically to fulfil a narrow and well-defined objective, when the substance of the relationship with such entities indicates that the Group exercises control over their activities, i.e. when it holds most of the risks and rewards associated with their activities, namely through bonds issued with a greater degree of subordination.

Goodwill

Business combinations are recorded using the purchase method. The acquisition cost corresponds to the fair value, determined at the purchase date, of the assets transferred and the liabilities incurred or assumed. Costs directly related to the acquisition of a subsidiary are recognized directly in the income statement. The positive goodwill that results from acquisitions is recognized as an asset and carried at acquisition cost, not being subject to amortization. Goodwill arising on the acquisition of shareholdings in subsidiaries and associates is defined as the difference between the total value or the cost of the acquisition and the total or corresponding share of the fair value of the assets, liabilities and contingent liabilities of the investee, respectively, depending on the option taken. When at the date of acquisition of control, the Group already holds a previously acquired shareholding, the fair value of such shareholding contributes to the determination of the goodwill or badwill. Negative goodwill arising on an acquisition is recognized directly in the income statement in the financial year the business combination occurs. The recoverable value of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses determined are recognized in the income statement for the financial year. The recoverable value is determined based on the highest between the value in use of the assets and their fair value less costs to sell, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is allocated to the cash-generating units to which it belongs for the purpose of carrying out impairment tests, which are performed at least once a year. Goodwill impairment losses are not reversible. When the Group reorganizes its activity, implying a change in the composition of its cash-generating units, to which goodwill has been allocated, the allocation of the goodwill to the new cash-generating units is revised whenever there is a rationale for such. The reallocation is made applying a relative fair value approach, of the new cash-generating units resulting from the reorganization. Goodwill is not adjusted in function of the final determination of the contingent purchase price paid, with such difference being booked in the income statement, or reserves if applicable, when the determination of the final contingent price occurs one year after the acquisition of control of the business, or if the determination of this price occurs less than one year after the referred date, when the adjustments relate to information obtained in respect of facts occurring after the date of the acquisition.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted for as a transaction with shareholders and, as such, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized directly in reserves. Likewise, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognized against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of part of a shareholding in a subsidiary, with loss of control, are recognized in the income statement.

On dilutions of controlling interests not resulting in a loss of control, the difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized against reserves.

Investments in subsidiaries and associates resident abroad

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries not considered as having a functional currency of a hyperinflationary economy, are converted into Euro at the official exchange rate in force at the balance sheet date.

Regarding shareholdings in foreign currency that are consolidated in the Group accounts under the full consolidation and equity methods, the exchange differences between the conversion to Euro of the opening net assets at the beginning of the period and their value in Euro at the exchange rate ruling at the balance sheet date to which the consolidated accounts relate, are charged against reserves – exchange differences. Exchange differences resulting from hedging instruments related to shareholdings in foreign currency are booked in reserves resulting from those financial shareholdings. Whenever the hedge is not fully effective, the ineffective portion is accounted for in the income statement for the financial year.

The income and expenses of these investees are converted to Euro at an approximate rate to the rates ruling as at the dates of the transactions. Exchange differences resulting from the conversion to Euro of the results for the financial year, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognized in reserves - exchange differences.

On the disposal of financial shareholdings in foreign subsidiaries resulting in loss of control, the exchange differences related to the financial shareholding in the foreign operation and to the associated hedging operation previously recognized in reserves, are transferred to profit or loss as part of the gain or loss arising from the disposal.

Balances and transactions eliminated on consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Financial instruments – IFRS 9

c.1) Classification of financial assets

The Group classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income; and
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

c.1.1) *Debt instruments*

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

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

Based on these elements, the Group classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

   - they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows; and
   - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

   In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:
   - they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale; and
   - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Group's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Group also considered whether it expects to recover the book value of the asset through the sale to a third party.

   This portfolio also includes all instruments in respect of which any of the following characteristics are met:
   - that were originated or acquired for the purpose of being traded in the short term;
   - that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains; and
   - that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Group manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Group's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Group in identifying the business model for a set of assets include past experience of how: (i) cash flows are received; (ii) how asset performance is assessed and reported to the management body; (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading serve, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Near-maturity sales and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To the effect, the Banco Montepio Group considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not coincide with the reference interest rate term (for example, the interest rate is adjusted every three months), the Group assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of: (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Group assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test).

In this assessment, the Group considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

c.2) Equity instruments

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Group exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss.

c.3) Classification of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers, debt securities issued and other subordinated liabilities;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 d);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option)

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch); and
- the financial liabilities contain embedded derivatives.

c.4) Recognition and initial valuation of financial instruments

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets and liabilities are recognized in the balance sheet on the transaction date - the date on which the Group undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss; and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be: (i) amortized over the life of the instrument; (ii) deferred until the fair value of the instrument can be determined using observable market data or (iii) recognized through the liquidation of the asset or liability.

The Group recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

c.5) Subsequent valuation of financial instruments

Subsequent to initial recognition, the Group values its financial assets: (i) at amortized cost; (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

c.6) *Interest recognition*

Interest income and expense on financial assets and liabilities measured at amortized cost and financial assets at fair value through other comprehensive income are recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets and liabilities at fair value through profit or loss is recognized in financial operations results.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income related to financial instruments measured at amortized cost or a fair value through other comprehensive income and associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value, which corresponds to its amortized cost before deducting the respective impairment.

For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

c.7) *Reclassifications between financial instrument categories*

Reclassifications of financial assets can only occur when the Group changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

c.8) *Modification of loans*

Occasionally, the Group renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Group assesses whether the new contract terms are substantially different from the original terms. The Group makes this analysis considering, among others, the following factors:

- if the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- a significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- a significant extension of the contract maturity when the debtor is not in financial difficulty;

- a significant change in interest rate;
- a change from the currency in which the credit was contracted; and
- the inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Group derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Group also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Group recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Group may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Group shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

c.9) *De-recognition that does not result from a modification*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and: (i) the Group substantially transfers all risks and rewards associated with holding the asset or (ii) the Group neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Gains and losses from the disposal of other assets. These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Group engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to channel those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Group:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets; and
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Group (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Group substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

c.10) *Write-off policy*

The Group recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by the Group turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

c.11) *Impairment of financial assets*

The Group determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments.

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against a cumulative balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The allocations and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Group, according to the contractual conditions of the financial asset, and all cash flows that the Group expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Group that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Group expects to make less the cash flows it expects to receive from the originator are considered.

   The Group estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

   For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation and (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

c.12) <u>Impairment model of loans and advances to customers</u>

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of the Group that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income; and
- Commitments and financial guarantees issued.

Impairment is not recognized in capital instruments because they are measured at fair value and the gains or losses resulting from their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument; and
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that originated losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition; and
- Incorporation of forward-looking information in the ECL calculation.

c.12.1) *<u>Calculation of ECLs</u>*

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that the Group expects to receive; and
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that the Group expects to recover.

c.12.2) *Definition of default*

The Group aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by the Group are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1% and (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures;
- Non-performing loans, that is, when interest relating to loan obligations is no longer recognized in the financial statements due to the degradation of credit quality;
- Individually significant customers with individual impairment;
- Sale of loan contract with losses in excess of 5%;
- Bankruptcy/insolvency/PER/PEAP/PEVE/EPR/RERE customers;
- Customers with loans written off from assets in the Group or the CRC (Central Credit Register), in the case of Corporate customers; and
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

c.12.3) *Significant increase in credit risk ("SICR")*

To determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date and the exposure's risk rating attributed at the initial moment of the exposure´s recognition, and
- The exposure's annualized lifetime PD at the reporting date and the lifetime PD identified at the initial moment of the exposure´s recognition.

The Group identifies the occurrence of a significant increase in credit risk when at least one of the following criteria is verified: (i) through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was and (ii) when there is a change in the annualized lifetime PD since the origination and until the reporting date with an increase of 200% or 5 percentage points.

When evaluating the significant increase in credit risk, the Group also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis the Group and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in Banco de Portugal's Central Credit Register ("Central de Responsabilidades de Crédito").

c.12.4) *Additional criteria for impairment rate deterioration*

Considering the likelihood of greater difficulty in the energy transition, for Customers belonging to economic activity sectors with greater carbon intensity, the following criteria were considered to determine the impairment rate: Corporate Customers, in Stage 1, belonging to sectors A - Agriculture, Forestry and Fisheries, C - Manufacturing industries, E - Water supply, sanitation, waste management and depollution and H - Transport and storage, the impairment rate was determined considering the lifetime PD, maintaining the Customer in stage 1.

c.12.5) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated supported on statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the risk rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);
- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and
- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. The Group collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption).

Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. The Group estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. The Group obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, the Banco Montepio Group calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

c.12.6) *Measurement of ECL – Individual analysis*

The exposure of Individually Significant Customers of Banco Montepio and Montepio Crédito is subject to individual analysis which focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for said analysis.

Following the analysis carried out internally and considering the accounting framework described in IFRS 9 and also known market practices, Banco Montepio and Montepio Crédito changed, during the second half of 2023, the criteria for selecting customers for the purposes of individual credit analysis, in compliance, namely, with criteria for perceiving implicit risk and the frequency of the analysis.

As at 31 December 2024 and 2023, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ Euro 10.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ Euro 5.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ Euro 1.0 million; and
- Other customers when duly justified.

Simultaneously, all customers of Montepio Crédito that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ Euro 1.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ Euro 0.5 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ Euro 0.25 million; and
- Other customers when duly justified.

The selection of the Individually Significant Customer universe for Banco Montepio and Montepio Crédito is made quarterly, considering, for the purpose of determining the exposure of customers, all active credit operations (on- and off-balance sheet) and excluding the operations classified as written off.

The individual analysis is the responsibility of the Individual Impairment Department and in the evaluation of impairment losses the following factors are considered:

- Exposure of each Customer, internal rating of the Customer, staging associated with each operation and existence of signs of impairment;
- Economic and financial viability of the customer and ability to generate future cash flows to service the debt;
- Collaterals associated with the financial assets and their respective valuation;
- Customers' or guarantors' net assets;

- Situation of bankruptcy or insolvency of the customers and/or guarantors; and
- Expectation regarding the credit recovery period.

For the financial assets of Individually Significant Customers classified in Stage 1 and in Stage 2, the calculated loss is assigned in accordance with the collective analysis methodology, given that, for these Stages, impairment is not determined on an individual basis.

For the financial assets of Individually Significant Customers classified in Stage 3, the impairment value is determined using the discounted cash-flows method, corresponding to the difference between the loan value and the sum of the expected cash-flows relating to the various operations of the customer, discounted at the original interest rate of each financial asset. If the impairment value determined is zero, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the methodology in force. On the other hand, if the impairment rate determined through individual analysis is lower than that determined on a collective basis, the latter prevails.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method or the gone concern method:

- In the case of the continuity of the activity (going concern), and provided the available information allows it, a critical analysis is done of the business plans presented or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original interest rate of the financial assets;
- In the case of the cessation of the activity (gone concern), the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance and selling expenses and/or procedural expenses, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above-mentioned adjustments, are discounted at the original interest rate of the financial assets; and
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

c.13) *<u>Securitized loans and advances not derecognized</u>*

The Group does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Loans sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio‘s separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

d) Derivative financial instruments and hedge accounting

The Group designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship; and

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, the Group may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

e) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

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

Distributions made on account of equity instruments are deducted from equity as dividends when declared.

f) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of: (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date.

Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Group usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Group has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee's beneficiary.

g) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

The Group carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in Loans and advances to customers or Loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as Deposits from customers or Deposits from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

h) Non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable. Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, except for deferred tax assets, employee-benefit related assets, financial assets in the scope of IFRS 9 and non-current assets at fair value according to IAS 40 (Investment properties), with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Group intends to immediately sell all properties and other assets received in recovery of credit, the Group classifies these assets in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

Regarding the classification of financial shareholdings classified as held for sale:

I. in the case of subsidiaries, they continue to be consolidated up to the date of their disposal, with all their assets and liabilities being classified as Non-current assets held for sale and Non-current liabilities held for sale, measured at the lower of book value and fair value less costs to sell, with the recording of depreciation/amortization ceasing; and

II. in the case of associates measured under the equity method, these are measured at the lower of book value and fair value less costs to sell, with the application of the equity method ceasing.

When, due to changes in circumstances of the Group, non-current assets held for sale and/or disposal groups no longer meet the conditions to be classified as held for sale, these are reclassified according to the underlying nature of the assets and measured at the lower of: i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization costs, or revaluation amounts that would have been recognized had these assets not been classified as held for sale; and (ii) the recoverable values of the items on the date they are reclassified according to their underlying nature. These adjustments shall be recognized in the income statement.

In the case of financial shareholdings in associates measured under the equity method, the cessation of their classification as held for sale implies the retrospective replacement of the equity method.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

The Group recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests); and

- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:

  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option; and
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease, lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Group risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments; and
- the book value is remeasured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

The Group remeasures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is remeasured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used); and
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

Right-of-use assets are amortized from the date of the agreement’s entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement’s entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement’s entry into force.

The recording of the lease agreements in the consolidated income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in General and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the consolidated balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the consolidated statement of cash flows:

(i) in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements; and

(ii) the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Group classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

Finance leases are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalment's receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);

2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication); and

3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation) are received in advance and are deferred and recognized over the life of the operation;

   (ii) Commissions agreed for the commitment to provide financing are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss; and

   (iii) Commissions paid on the issuance of financial liabilities at amortized cost are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group's consolidated financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for the Group. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable value is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable value.

The recoverable value is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Investment properties

Real estate owned by the investment funds consolidated in the Group, are recognized as investment properties given that the main objective subjacent to these is capital appreciation on a long-term basis and not their sale in the short term nor their own use. These investments are initially recognized at their acquisition cost, including the transaction costs, and subsequently revaluated at their fair value. The fair value of the investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognized in results in the financial year in which they occur, in the caption Other operating income/(expense). The fair value level according to the IFRS 13 hierarchy corresponds to level 3.

Fair value is determined by independent appraisers duly certified for the effect, and being registered with the CMVM (Portuguese Securities' Market Commission), using at least two of the following methods:

- Comparative market method - This method considers similar real estate transaction values comparable to the property under study obtained through market surveys carried out in the area where the property is located;

- Income method - This method aims to estimate the value of the property from the capitalization of its net income, discounted to the present moment, using the discounted cash-flow method, and should be used when the property is intended for lease, when the lease market is active for the type of property being valued or when the property is intended for economic exploration; and
- Cost method - The cost method is the determination of the replacement value of the property under consideration considering the cost of building another one with the same functionality, net of the amount related to the functional, physical and economic depreciation/obsolescence verified.

For properties held by investment funds within the consolidation perimeter, and in accordance with Law no. 16/2015, of 24 February, their fair value is considered as the simple arithmetic average of two independent expert valuations, determined according to the best price that could be obtained if it were put up for sale, under normal market conditions, at the time of the valuations, which is reviewed at least once a year or, in the case of open-ended collective investment entities, based on the redemption periodicity if lower than that, and whenever there are acquisitions or disposals or significant changes in the value of the property.

o) Intangible assets

Software

The Group accounts as intangible assets the costs associated with software acquired from external entities, including any additional services necessary for its implementation, and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. The Group does not capitalize internal costs arising from software development.

p) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits and deposit equivalents at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits and deposit equivalents at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities; and
- Financing activities: activities that produce changes in the Group's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, payment of lease agreements, capital increases and dividend distributions.

q) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

r) Post-employment and long-term employee benefits

Defined benefit plans

Banco Montepio and Montepio Crédito have the responsibility to pay their employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (“ACT”) they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, the Group set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks’ responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 26.6%, of which 23.6% paid by the Group and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários (“CAFEB”) extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement (“Acordo Colectivo de Trabalho”) is supported by the banks.

Following the Government’s approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security’s domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument (“IRCT”). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services (“SAMS”) on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

The liabilities for defined benefit post-employment benefits are determined by the responsible actuary certified by the Insurance and Pension Funds Supervisory Authority, observing at least a half-yearly frequency with reference to the end of June and December of each year.

For the purpose of determining the liabilities for defined benefit post-employment benefits, a set of relevant actuarial assumptions are considered, namely the expected rate of return for the Pension Fund, the discount rate, the growth rate of salaries and pensions and the mortality tables.

In accordance with the provisions of IAS 19, the discount rate considered on each date of determination of the liabilities for post-employment benefits must correspond to the bond rates of high-quality entities for maturities identical to those of the bonds carried in the pension plan.

In line with the recommendations of IAS 19, the Group recognizes in the income statement the impacts related to the cost of current services, the net interest income/cost of the pension plan, the cost of past services, the cost of early retirements and any settlement or curtailment of liabilities that have been identified.

The actuarial deviations calculated on each date of determination of liabilities are recorded in equity and include, namely, the value of non-financial actuarial deviations, corresponding to the difference between the assumptions used and those actually verified and also those resulting from the change in actuarial assumptions, and the amount of financial actuarial deviations, determined by the difference between the effective rate of return and the expected rate of return of the Pension Fund.

The Group, in accordance with the provisions of Banco de Portugal Notice 12/2001, ensures, on each date of determination of liabilities, compliance with the required financing levels, which correspond to a minimum financing level of 95% of liabilities for past services of the active population and 100% of liabilities for pensions under payment.

Employment termination benefits

The occurrence that gives rise to this obligation is: (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision; (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and the Group paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for the Group to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at the Group's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by the Group in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount the Group's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

Defined Contribution Plan

Banco Montepio and Montepio Crédito, for employees admitted from March 3, 2009, under the Defined Contribution Plan, contribute with a percentage of 1.5% of the effective monthly remuneration of each covered employee. The employee is required to make an identical contribution.

s) Income taxes

The Group is subject to the regime established in the Corporate Income Tax Code (Código do Imposto sobre o Rendimento das Pessoas Coletivas (“CIRC”)), as well as the Special Regime applicable to Deferred Tax Assets (Regime Especial aplicável aos Ativos por Impostos Diferidos (“REAID”)), approved by Law no. 61/2014, of 26 August, to which it adhered, and to complementary legislation. Additionally, deferred taxes are recognized on tax losses and timing differences between the accounting results and those accepted for tax purposes, whenever there is a reasonable probability that such taxes will be paid or recovered in the future.

Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods.

Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that the Group does not exercise control over the period of the reversal of the differences.

Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including tax losses carried forward).

The Group offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies (“Regime Especial de Tributação dos Grupos de Sociedades” (“RETGS”)), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the CIRC.

The Companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, the Group, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by the Group corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses same, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

Additionally, as a result of the publication of Law no. 41/2024, of 8 November, which transposed, into the Portuguese tax system, Directive (EU) No. 2022/2523, relating to the guarantee of a global minimum tax rate of 15% for groups of multinational companies and large national groups, Banco Montepio, as an entity forming part of the Banco Montepio Group, does not anticipate any relevant impact. Specifically, the Banco Montepio Group is excluded from the application of Pillar Two rules for a transitional period of five years, under article 44 of the Annex to Law no. 41/2024, of 8 November.

t) Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Group: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Group operating decisions regarding the allocation of resources to the segment and the assessment of its performance and (iii) for which distinct financial information is available.

The Group controls its business activity through the following operating segments: Commercial Banking, Corporate and Investment Banking, International Activity, Markets, Non-core and Other Segments. The Group also prepares financial information based on geography for Management purposes.

u) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when: (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities); (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process and considering the best information available as to the consequences of the event that led to its constitution. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable. This caption also includes the impairment losses related to exposures that have an associated credit risk such as bank guarantees and commitments assumed.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because: (i) It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation and (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

v) Insurance and reinsurance brokerage services

The Group is duly authorized by the Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões ("ASF")) to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, the Group sells insurance contracts. As remuneration for the services rendered, the Group receives brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between the Group and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

- commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by the Group and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly; and
- commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - For insurance brokerage services.

w) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

x) Significant judgements and estimates in the application of the accounting policies

The IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements. The most significant of these accounting estimates and judgments used in the application of the accounting policies by the Group are discussed in the following paragraphs to improve understanding of how their application affects the Group's reported results and related disclosure.

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

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

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Group monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Group uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Group expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 20, 21, 24, and 26, with a consequent impact in the income statement of the Group.

In accordance with the provisions of IFRS 9, Banco Montepio, for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 52).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 22, 23 and 24.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 48.

Entities included in the consolidation perimeter

For the purpose of determining the entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and can appropriate those variable returns through the power it holds over that entity (de facto control).

The decision as to whether an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to the variable returns and its ability to use its power to appropriate those returns.

Different assumptions and estimates could lead the Group to a different consolidation perimeter with a direct impact in the consolidated net income, as per note 58.

Income taxes

The Group complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 33. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Group considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank’s Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, changed the rules applicable to impairment losses recognized from 1 January 2019, as well as to impairment losses recorded in tax periods beginning before 1 January 2019 and not yet tax accepted, contemplating a maximum adaptation period of 5 years, that is, until 31 December 2023.

Banco Montepio opted to apply the new tax regime for impairment from the 2023 period onwards; therefore, it calculated its current and deferred tax for financial year 2024 based on the new tax regime for impairment.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2024, the tax rules resulting from Law no. 98/2019, of 4 September, were applied.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by the subsidiaries resident in Portugal, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term employee benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and other factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 50.

Classification and valuation of non-current assets held for sale and investment properties

The classification of the real estate received in recovery of credit and non-current assets held for sale is determined in accordance with IFRS 5 and of the investment properties in accordance with IAS 40.

Non-current assets held for sale are measured at the lower of their fair value less selling expenses and the book value of the loans on the date the assets are received in recovery. Investment properties are measured at fair value based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in notes 28, 29 and 33.

Provisions and contingent liabilities

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 38.

Recoverable value of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable value be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal. Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable value of the Bank's own properties, which are presented in note 31.

2 Net interest income

The amount of this caption has the following breakdown:

		(Euro thousand)
	2024	**2023**
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	48 555	26 930
Loans and advances to customers	612 190	545 820
Financial assets held for trading	318	1 061
Financial assets at fair value through profit or loss	434	402
Financial assets at fair value through other comprehensive income	6 573	696
Hedging derivatives	93	3 388
Other financial assets at amortized cost	26 468	20 148
Other interest and similar income	8	17
	694 639	598 462
Interest and similar expense		
Deposits from central banks and other credit institutions	28 606	71 152
Deposits from customers	220 075	83 677
Debt securities issued	28 953	4 790
Hedging derivatives	3 104	3 525
Other subordinated debt	22 164	19 584
Lease liabilities	823	750
Other interest and similar expense	6 522	6 878
	310 247	190 356
Net interest income	384 392	408 106

The caption Interest and similar income – Loans and advances to customers includes, in 2024, respectively, the amount of Euro 19,856 thousand and the amount of Euro 19,567 thousand (2023: Euro 19,188 thousand and Euro 19,058 thousand, respectively), related to income and expenses, accounted for under the effective interest rate method for financial assets at amortized cost, as referred to in the accounting policy described in note 1 c).

The caption Interest and similar income – Financial assets at fair value through profit or loss includes, in 2024, the amount of Euro 434 thousand (2023: Euro 402 thousand) related to interest on loan contracts that do not meet the SPPI criteria, and which are recorded at fair value through profit or loss.

The caption Interest and similar expense – Other interest and similar charges includes, in 2024, the amount of Euro 5,550 thousand (2023: Euro 6,731 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

This caption refers to dividends and has the following breakdown:

(Euro thousand)

	2024	2023
Financial assets at fair value through other comprehensive income		
Unicre	563	573
SIBS	439	186
ABANCA	137	101
Other	12	13
	1 151	873

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Fee and commission income		
From banking services	118 032	114 563
From transactions on behalf of third parties	16 541	20 554
From insurance brokerage services	11 277	10 942
Guarantees provided	4 433	3 986
Commitments to third parties	1 267	1 323
Operations with financial instruments	4	55
Other fee and commission income	3 025	1 993
	154 579	153 416
Fee and commission expense		
From banking services rendered by third parties	23 596	23 520
From transactions with securities	342	334
Other fee and commission expense	2 834	2 602
	26 772	26 456
Net fee and commission income	127 807	126 960

In 2024 and 2023, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2024	2023
Life insurance	5 831	5 480
Non-life insurance	5 446	5 462
	11 277	10 942

The remuneration of insurance brokerage services resulted, essentially, from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2024			2023		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	732	369	363	1 703	814	889
Issued by other entities	265	17	248	99	31	68
Shares	1 328	1 383	(55)	1 376	1 313	63
Investment units	100	27	73	23	13	10
	2 425	1 796	629	3 201	2 171	1 030
Derivative financial instruments						
Interest rate contracts	46 738	47 347	(609)	69 409	75 261	(5 852)
Exchange rate contracts	25 454	25 750	(296)	26 625	26 909	(284)
Futures contracts	3 330	3 449	(119)	8 219	9 696	(1 477)
Option contracts	12 838	12 386	452	11 232	10 697	535
Commodities contracts	233	384	(151)	2	636	(634)
	88 593	89 316	(723)	115 487	123 199	(7 712)
Financial assets at fair value through profit or loss						
Investment units	2 453	1 674	779	4 741	5 196	(455)
Loans and advances to customers	114	37	77	552	152	400
	2 567	1 711	856	5 293	5 348	(55)
Other financial assets at fair value through profit or loss						
Bonds and other fixed-income securities						
Issued by other entities	(38)	2 081	(2 119)	4 490	5 182	(692)
Shares	294	-	294	42	-	42
Loans and advances to customers	58	13	45	48	44	4
	314	2 094	(1 780)	4 580	5 226	(646)
Financial liabilities at fair value through profit or loss						
Deposits from customers	1 598	3 642	(2 044)	4 153	2 917	1 236
	1 598	3 642	(2 044)	4 153	2 917	1 236
Hedging derivatives						
Interest rate contracts	99 506	89 092	10 414	-	-	-
Assets and liabilities hedged financial						
Other financial assets at amortized cost	-	1 523	(1 523)	-	-	-
Debt securities issued	6 380	11 000	(4 620)	4 801	4 978	(177)
Other subordinated liabilities	7 991	12 735	(4 744)	-	-	-
	14 371	25 258	(10 887)	4 801	4 978	(177)
	209 374	212 909	(3 535)	137 515	143 839	(6 324)

Financial assets at fair value through profit or loss in terms of Participation Units include, in 2024, a positive impact of Euro 779 thousand (2023: negative impact of Euro 455 thousand), determined by: (i) the positive effects of Fundo VIP (fund) of Euro 1,497 thousand, of Discovery Portugal Real Estate Fund of Euro 472 thousand and of Fundo CR Revitalizar Centro – Categoria 2 (fund) of Euro 153 thousand and (ii) the negative effects of Fundo C2 Growth I (fund) of Euro 668 thousand, of Fundo Vega (fund) of Euro 425 thousand and of Fundo Aquarius (fund) of Euro 198 thousand.

The gains and losses from hedge accounting include the fair value changes of the hedging instrument (derivative), recognized under the heading Hedging Derivatives, and the fair value changes of the hedged item attributable to the hedged risk, recognized under the heading Hedged Financial Assets and Liabilities. The hedging relationships are described in note 25.

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2024			2023		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	5 213	-	5 213	84	-	84
Issued by other entities	55	-	55	53	-	53
	5 268	-	5 268	137	-	137

In 2024, this caption includes positive net gains obtained from the sale of European public debt amounting to Euro 3,926 thousand and of Spanish public debt amounting to Euro 1,287 thousand. In 2023, the caption Bonds – Public issuers includes positive net gains obtained from the repayment of Portuguese public debt bonds in the amount of Euro 2 thousand and of Italian public debt of Euro 82 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2024			2023		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	22 529	21 722	807	54 661	74 927	(20 266)

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 g).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Disposal of loans and advances to customers	(803)	2 680
Disposal of other financial assets at amortized cost	1 284	1 789
Disposal of other assets	11 673	7 241
	12 154	11 710

The caption Disposal of loans and advances to customers includes, in 2024 and 2023, the results from the operations of selling credit portfolios and, when applicable, the impact of repurchases related to these operations.

In 2024, the caption Disposal of other financial assets at amortized cost includes a sale related to a debt instrument approaching maturity, which did not affect the underlying business model, as described in accounting policy c.1).

The caption Disposal of other assets considers the result obtained from the sale of properties.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Other operating income		
Reimbursement of expenses	6 178	6 819
Revaluation of investment properties	5 838	5 629
Management fees on demand deposits	3 686	3 437
Services provided	4 783	5 056
Tax recovery	1 356	2 988
Actuarial deviations of assigned collaborators	114	3 386
Other	6 423	9 655
	28 378	36 970
Other operating expenses		
Contributions		
Banking sector	10 371	11 674
Ex-ante to the Single Resolution Fund	-	5 209
National Resolution Fund	2 019	2 291
Deposits Guarantee Fund	11 445	145
Revaluation of investment properties	2 077	2 566
Trading real estate expenses	4 043	7 877
Taxes	2 104	1 849
Servicing and expenses with recovery and disposal of loans	7 964	4 945
Expenses with issuances	1 372	1 784
Donations and memberships	1 441	364
Expenses with means of pagament	1 862	1 536
Other	12 593	14 043
	57 291	54 283
Other operating income/(expense)	(28 913)	(17 313)

The caption Contribution of the Banking Sector is calculated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund and (ii) the notional amount of the derivative financial instruments. Additionally, in 2020 this regime was supplemented by an additional solidarity contribution by the banking sector, in the form of a budgetary policy instrument in response to the post-pandemic crisis context. The base for this contribution follows the same requirements applicable to the calculation of the banking sector contribution previously described, being set out in Ordinance no. 191/2020.

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution is determined by Banco de Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 (“MUR Regulation”).

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução (“CUR”)), in strict cooperation with Banco de Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2024 and 2023, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, with reference to 31 December 2024, Banco Montepio had settled Euro 11,320 thousand (31 December 2023: Euro 11,325 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 20. For irrevocable payment commitments only cash collateral is accepted.

In 2024, the Banco Montepio Group did not make any contribution to the Single Resolution Fund, in accordance with the information transmitted by the SRB - Single Resolution Board of 15 February 2024, in which it states that the means available in the Single Resolution Fund on 31 December 2023 reached the target level of at least 1% of the covered deposits held by the Member States participating in the Single Resolution Mechanism, as stipulated in Regulation (EU) no. 806/2014.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of Banco de Portugal, which may be adjusted in function of the credit institution’s risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

As part of the annual periodic contributions to the Deposit Guarantee Fund, the Group has assumed irrevocable commitments, under the terms of paragraph 4 of article 161 of the General Regime of Credit Institutions and Financial Companies (“RGICSF”), relating to part of these contributions, with the commitment to make the respective payment when the Deposit Guarantee Fund requested it.

In 2004, and at the indication of the Deposit Guarantee Fund, the Group proceeded with the payment of 11,445 thousand euros related to commitments assumed, having recognised this amount as an expense of the year.

The caption Other operating expense - Servicing and expenses with the recovery and disposal of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

In 2024, the caption Other operating expense - Other includes the amount of Euro 137 thousand (2023: Euro 3,430 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.

This caption also includes maintenance costs with equipment and motor vehicles under operating leases, costs with real estate received in recovery of credit, accounted for in the caption Other assets (note 33), and legal costs.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Remuneration	116 178	112 787
Mandatory social charges	32 093	32 834
Charges with the Pension Fund	8 837	(3 396)
Other staff costs	5 215	11 502
	162 323	153 727

In financial year 2024, variable remuneration was paid to Other key management personnel in the total amount of Euro 474 thousand in respect of financial year 2023. Other key management personnel are the first-line managers.

The remuneration and other benefits attributed to the General Meeting Board, the Supervisory Board of the subsidiaries of Banco Montepio, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, including the respective charges, are presented as follows:

(Euro thousand)

	2024					
	General Meeting Board	Supervisory Board of Banco Montepio	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key manage ment staff	Total
Remuneration and other short-term benefits	4	195	3 750	687	4 977	9 613
Pension costs	-	-	1 494	-	108	1 602
Costs with healthcare benefits (SAMS)	-	-	16	5	95	116
Social Security charges	1	48	652	163	1 046	1 910
	5	243	5 912	855	6 226	13 241

(Euro thousand)

	2023					
	General Meeting Board	Supervisory Board of Banco Montepio	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key manage ment staff	Total
Remuneration and other short-term benefits	4	184	3 348	678	5 241	9 455
Pension costs	-	-	620	3	148	771
Costs with healthcare benefits (SAMS)	-	-	15	5	98	118
Social Security Charges	1	40	665	176	1 101	1 983
	5	224	4 648	862	6 588	12 327

As at 31 December 2024, loans granted to members of the Board of Directors of Banco Montepio (including the members of the Audit Committee) amounted to Euro 73 thousand (31 December 2023: Euro 105 thousand), to members of the Boards of Directors of Banco Montepio's subsidiaries, Euro 620 thousand (31 December 2023: Euro 1,903 thousand) and to Other key management personnel, Euro 2,534 thousand (31 December 2023: Euro 2,385 thousand), as described in note 50.

The average number of employees employed by the Group during financial years 2024 and 2023, distributed by major professional categories, is as follows:

	2024	2023
Administration and Coordination	266	271
Senior management	442	467
Technical staff	1 345	1 344
Administrative staff	906	991
Auxiliary staff	18	18
	2 977	3 091

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Rental costs	1 174	832
Specialized services		
Other specialized services	20 971	19 738
IT services	19 994	16 461
Independent work	3 805	3 082
Communication costs	4 271	3 989
Maintenance and repairs	6 161	5 341
Advertising costs	4 795	3 525
Water, energy and fuel	3 141	1 979
Transportation	3 052	2 687
Insurance	1 453	1 063
Consumables	416	526
Travel, accommodation and entertainment expenses	1 313	1 106
Training	709	888
Other general and administrative costs	2 454	2 937
	73 709	64 154

The caption Rents and hires includes, in 2024, the amount of Euro 578 thousand (2023: Euro 325 thousand) related to short-term lease contracts, of which Euro 66 thousand (2023: Euro 155 thousand) correspond to rents paid on real estate and Euro 512 thousand (2023: Euro 170 thousand) to rents paid on vehicles, in both cases used by the Banco Montepio Group as a lessee.

As part of the development of its activity, the Group records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS and also with costs related to the payment of fees and retainer fees.

(i) Fees for the statutory audit and audit services, excluding VAT and expenses:

(Euro thousand)	2024	2023
Banco Montepio	1 074	1 069
Entities directly and indirecty controlled by the Public Interest Entities (EIP)	118	105
	1 192	1 174

(ii) Fees invoiced by the Statutory Auditor, or by entities in its network, in financial years 2024 and 2023, relating to services other than auditing, excluding VAT and expenses:

(Euro thousand)	2024	2023
Banco Montepio		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	253	271
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	421	465
Other services	207	172
Entities directy ou indirecty controlled by the Public Interest Entities (EIP)		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	15	15
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	14	13
Other services	54	25
	964	961

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)	2024	2023
Intangible assets (note 31)		
Software	29 563	23 696
Other tangible assets (note 30)		
Real estate		
For own use	2 630	2 755
Leasehold improvements in rented buildings	96	119
Equipment		
IT equipment	2 927	2 100
Fixtures	1 845	1 645
Furniture	112	128
Transportation	164	183
Security equipment	129	91
Máquinas e ferramentas	28	37
Right-of-use assets		
Real estate	5 975	5 450
Motor vehicles	2 017	1 711
	15 923	14 219
	45 486	37 915

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Other loans and advances to credit institutions (note 20)		
Charge for the year	65	2 560
Reversals for the year	(56)	(1 615)
	9	945
Loans and advances to customers (note 21)		
Charge for the year	375 100	403 343
Reversals for the year	(343 412)	(346 959)
Recovery of loans and interest	(9 921)	(7 706)
	21 767	48 678
	21 776	49 623

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 c).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Financial assets at fair value through other comprehensive income (note 24)		
Charge for the year	567	23
Reversals for the year	(48)	(108)
	519	(85)
Other financial assets at amortized cost (note 26)		
Charge for the year	1 550	1 252
Reversals for the year	(855)	-
	695	1 252
	1 214	1 167

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Non-current assets held for sale (note 28)		
Charge for the year	191	111
Reversals for the year	(173)	(15)
	18	96
Other tangible assets (note 30)		
Charge for the year	4 012	1 592
	4 012	1 592
Other assets (note 33)		
Charge for the year	19 212	26 415
Reversals for the year	(5 561)	(4 082)
	13 651	22 333
	17 681	24 021

The caption Other tangible assets includes, in 2024 and 2023, the recognition of additional impairment losses on certain properties, based on the results of the valuations performed.

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Guarantees and commitments (note 38)		
Charge for the year	17 960	21 806
Reversals for the year	(17 450)	(30 891)
	510	(9 085)
Other risks and charges (note 38)		
Charge for the year	14 362	1 703
Reversals for the year	(3 405)	(1 680)
	10 957	23
	11 467	(9 062)

The caption Other risks and charges includes, in 2024, the amount of Euro 11,384 thousand related to the remaining value of the irrevocable payment commitments associated with the Deposit Guarantee Fund that, as at 31 December 2024, had not been settled.

17 Share of profits/(losses) booked under the equity method

The share of profits/(losses) booked under the equity method is analysed as follows:

(Euro thousand)

	2024	2023
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	570	550

18 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousands)

	2024	2023
Cash	162 288	149 325
Deposits at central banks		
Bank of Portugal	1 312 250	1 022 073
	1 474 538	1 171 398

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

19 Loans and deposits to credit institutions repayable on demand

This caption is presented as follows:

(Euro thousand)

	2024	2023
Credit institutions in Portugal	924	695
Credit institutions abroad	35 436	43 087
Amounts to be collected	13 409	17 259
	49 769	61 041

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In financial year 2024, Deposits and deposit equivalents at other credit institutions were remunerated at the implicit average rate of 0.41% (2023: 0.24%).

20 Other loans and advances to credit institutions

This caption is presented as follows:

(Euro thousand)

	2024	2023
Loans and advances to credit institutions in Portugal	3 290	3 717
Loans and advances to credit institutions abroad		
Term deposits	27 764	63 539
CSA's	27 050	9 099
Reverse repos	-	28 504
Other loans and advances	81 166	75 091
	135 980	176 233
	139 270	179 950
Impairment for credit risk of loans and advances to credit institutions	(1 040)	(1 048)
	138 230	178 902

As at 31 December 2024, the caption Term deposits, recorded under Loans and advances to credit institutions abroad, includes the amount of Euro 11,320 thousand (31 December 2023: Euro 11,325 thousand), related to a deposit made and accepted as collateral within the scope of the ex-ante contribution to the Single Resolution Fund, as per note 9.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in the Bank's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that the Group negotiated with each one of the counterparties and materialized through the effective transfers of cash, which are processed via TARGET2 to each one of the counterparties in question, as a guarantee/security of the Group's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2024, the Group holds the amount of Euro 27,050 thousand (31 December 2023: Euro 9,099 thousand) related to loans and advances to credit institutions given as collateral for the above-mentioned operations.

The caption Loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited by vehicles incorporated in the scope of the Group's securitization operations.

Impairment movements for credit risks of Loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	1 048	7
Charge for the year	65	2 560
Reversals for the year	(56)	(1 615)
Exchange rate differences	(17)	(119)
Other	-	215
Closing balance	1 040	1 048

The analysis of the caption Loans and advances to credit institutions for the remaining period of operations is as follows:

(Euro thousand)

	2024	2023
Up to 3 months	92 766	116 553
3 to 6 months	-	17 325
6 months to 1 year	5 028	-
More than 5 years	-	4 000
Undetermined	41 476	42 072
	139 270	179 950

The amount reported in the remaining period of indefinite duration refers to the amount of security deposits established within the scope of the banking activity.

In financial year 2024, Loans and advances to credit institutions were remunerated at the implicit average rate of 2.41% (2023: 1.66%).

21 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	2024	2023
Corporate		
Loans not represented by securities		
Loans	2 878 433	2 977 982
Current account loans	368 611	390 053
Finance lease	365 813	375 486
Discounted bills	23 026	27 123
Factoring	345 010	244 570
Overdrafts	1 588	776
Other loans	321 195	312 253
Loans represented by securities		
Commercial paper	288 004	199 184
Bonds	332 458	390 170
Retail		
Mortgage loans	5 679 830	5 309 216
Finance leases	30 488	35 278
Consumer credit and other loans	1 430 749	1 289 142
	12 065 205	11 551 233
Value correction of assets subject to hedging operations		
Other credits	(25)	(70)
Past due loans and advances and interest		
Less than 90 days	9 432	10 319
More than 90 days	87 284	172 732
	96 716	183 051
	12 161 896	11 734 214
Impairment for credit risks	(216 891)	(280 955)
	11 945 005	11 453 259

As at 31 December 2024, the caption Loans and advances to customers includes the amount of Euro 3,201,863 thousand (31 December 2023: Euro 3,046,532 thousand) related to the issue of covered bonds realized by the Group, as referred to in note 37.

As at 31 December 2024, the loans and advances that the Group granted to its shareholders and to related parties amounted to Euro 3,779 thousand (31 December 2023: Euro 46,959 thousand), as described in note 50. The celebration of business between the Group and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposed made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Directorate. The impairment for credit risks related to these contracts amounts to Euro 12 thousand as at 31 December 2024 (31 December 2023: Euro 97 thousand).

As at 31 December 2024, the caption Loans and advances to customers includes the amount of Euro 118,164 thousand (31 December 2023: Euro 632,118 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 c), were not the object of derecognition, as referred in note 51.

The caption Value correction of assets subject to hedge operations registers the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). The Group periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 47.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2024 and 2023, is as follows:

(Euro thousand)

	2024	2023
Variable-rate loans and advances	8 184 337	9 130 714
Fixed-rate loans and advances	3 977 559	2 603 500
	12 161 896	11 734 214

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2024	2023
Asset-backed loans	48 874	139 339
Other guaranteed loans	31 672	22 994
Finance leases	3 482	5 003
Secured loans	314	314
Other loans and advances	12 374	15 401
	96 716	183 051

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2024	2023
Corporate		
Construction/Production	12 335	16 900
Investment	20 650	99 409
Treasury	28 355	30 736
Other	5 971	7 557
Retail		
Mortgage loans	11 806	10 558
Consumer credit	14 470	15 183
Other	3 129	2 708
	96 716	183 051

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2024 and 2023, is as follows:

(Euro thousand)

	2024				
	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	180 262	462 003	8 467 985	48 874	9 159 124
Other guaranteed loans	394 155	265 947	176 470	31 672	868 244
Finance leases	26 331	194 950	175 020	3 482	399 783
Secured loans	288 566	162 987	168 909	314	620 776
Other loans and advances	254 336	188 470	658 789	12 374	1 113 969
	1 143 650	1 274 357	9 647 173	96 716	12 161 896

(Euro thousand)

	2023				
	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	203 059	556 939	7 981 490	139 339	8 880 827
Other guaranteed loans	389 029	223 993	232 015	22 994	868 031
Finance leases	31 932	203 547	175 285	5 003	415 767
Secured loans	199 954	234 632	154 768	314	589 668
Other loans and advances	223 567	175 685	565 268	15 401	979 921
	1 047 541	1 394 796	9 108 826	183 051	11 734 214

The outstanding amount of finance leases, by residual maturity, is as follows:

(Euro thousand)

	2024			
	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	62 538	244 243	106 575	413 356
Outstanding interest	(15 400)	(50 644)	(30 054)	(96 098)
Residual values	15 645	39 012	24 386	79 043
	62 783	232 611	100 907	396 301

				(Euro thousand)
	2023			
	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	63 792	240 005	120 932	424 729
Outstanding interest	(15 566)	(47 542)	(31 744)	(94 852)
Residual values	21 265	34 500	25 122	80 887
	69 491	226 963	114 310	410 764

As regards operating leases, the Group does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

		(Euro thousand)
	2024	2023
Opening balance	280 955	354 517
Charge for the year	375 100	403 343
Reversals for the year	(343 412)	(346 959)
Utilization	(96 136)	(131 258)
Exchange rate differences	78	(863)
Transfers and others	-	1 398
Financial liabilities associated with transferred assets and stage 3	306	777
Closing balance	216 891	280 955

The use of impairment corresponds, in 2024 and 2023, to loan and advance operations written off and loan sale operations to third-party entities, within the scope of the strategy to reduce non-performing exposures.

The impairment for credit risk, by credit type, is as follows:

		(Euro thousand)
	2024	2023
Asset-backed loans and Finance leases	135 454	205 428
Other guaranteed loans	47 059	39 015
Unsecured loans	34 378	36 512
	216 891	280 955

The analysis of impairment used, by credit type, is as follows:

		(Euro thousand)
	2024	2023
Asset-backed loans and Finance leases	24 732	87 514
Other guaranteed loans	5 553	8 994
Unsecured loans	65 851	34 750
	96 136	131 258

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2024, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 190,664 thousand (31 December 2023: Euro 326,600 thousand) and present an impairment of Euro 47,776 thousand (31 December 2023: Euro 102,845 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 31 December 2024 and 2023, by credit type, is as follows:

(Euro thousand)

	2024	2023
Corporate		
Loans not represented by securities		
Loans	8 571	17 535
Current account loans	551	693
Finance leases	489	831
Others loans	2 770	1 875
Retail		
Mortgage loans	11 530	15 868
Consumer credit and other loans	1 425	2 085
	25 336	38 887

As at 31 December 2024, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 6,789 thousand, which corresponds to an impairment rate of 26.8% (31 December 2023: Euro 7,894 thousand, impairment rate of 20.3%).

Synthetic securitization

On 18 December 2020, the Group Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity date of the operation is 25 March 2036, and the respective amount was Euro 248,315 thousand as at 31 December 2023. Banco Montepio contracted two guarantees from EIB and EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, supporting, respectively, a commission of 0.3% and 4.5%, with quarterly payments, with the securitization having been liquidated in August 2024.

On 21 December 2022, the Group Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 29 December 2050, and the respective amount was Euro 573,689 thousand as at 31 December 2024 (31 December 2023: Euro 672,117 thousand).

As at 31 May 2023, the Group Banco Montepio carried out a synthetic securitization, with an underlying portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 4 February 2066, and the amount was Euro 671,444 thousand as at 31 December 2024 (31 December 2023: 755,750 thousand).

22 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2024	2023
Financial assets held for trading		
Securities		
Shares	2 624	2 439
Bonds	10 575	3 543
Investment Units	886	211
	14 085	6 193
Derivative instruments		
Derivative instruments with positive fair value	12 758	12 777
	26 843	18 970
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	11 202	12 636
	11 202	12 636

As provided for in IFRS 13, as at 31 December 2024 and 2023, the financial instruments measured in accordance with the valuation levels described in note 47, are as follows:

(Euro thousand)

	2024			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 624	-	-	2 624
Bonds	10 575	-	-	10 575
Investment Units	886	-	-	886
	14 085	-	-	14 085
Derivative instruments				
Derivative instruments with positive fair value	-	12 366	392	12 758
	14 085	12 366	392	26 843
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	11 202	-	11 202
	-	11 202	-	11 202

(Euro thousand)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 439	-	-	2 439
Bonds	3 543	-	-	3 543
Investment Units	211	-	-	211
	6 193	-	-	6 193
Derivative instruments				
Derivative instruments with negative fair value	-	8 924	3 853	12 777
	6 193	8 924	3 853	18 970
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	9 746	2 890	12 636
	-	9 746	2 890	12 636

The analysis of the portfolio of securities recorded in Financial assets held for trading, by maturity, on 31 December 2024, is presented as follows:

(Euro thousand)

	2024			
	Less than 3 months	1 to 5 years	Undetermined	Total
Fixed income securities				
Bonds				
Foreign	1 005	9 570	-	10 575
Variable income securities				
Shares				
Domestic	-	-	445	445
Foreign	-	-	2 179	2 179
Investment Units	-	-	886	886
	1 005	9 570	3 510	14 085

The analysis of the portfolio of securities recorded in Financial assets held for trading, by maturity, on 31 December 2023, is presented as follows:

(Euro thousand)

	2023			
	Less than 3 months	1 to 5 years	Undetermined	Total
Fixed income securities				
Bonds				
Foreign	501	3 042	-	3 543
Variable income securities				
Shares				
Domestic	-	-	803	803
Foreign	-	-	1 636	1 636
Investment Units	-	-	211	211
	501	3 042	2 650	6 193

As at 31 December 2024, within the scope of liquidity-providing operations, the nominal value of the assets given as collateral to the European Central Bank shown under this caption amounts to Euro 925 thousand (31 December 2023: Euro 900 thousand) after the application of the haircut, as described in note 34.

As at 31 December 2024, the collateral for the loan obtained from the EIB includes a set of bonds from non-resident financial institutions with a nominal value of Euro 7,500 thousand, given as collateral and recorded under the caption Financial assets held for trading, as described in note 35.

These financial assets given as collateral may be executed in the event of non-compliance with the contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts entered.

The book value of the derivative financial instruments as at 31 December 2024 and their comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2024								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year(1)**	**Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	100 183	2 541	(535)	2 006	2 744	(1 285)	2 044	99 533	100 122
Interest rate swap	Loans and advances to customers	18 384	44	(524)	(480)	(486)	(25)	45	723	702
Interest rate swap	-	91 613	3 214	(2 812)	402	(607)	-	-	-	-
Currency Swap (Short)	-	59 442	104	(213)	(109)	(74)	-	-	-	-
Currency Swap (Long)	-	62 816								
Futures (Short)	-	-	-	-	-	-	-	-	-	-
Futures (Long)	-	-								
Forwards (Short)	-	823	-	-	-	-	-	-	-	-
Forwards (Long)	-	823								
Options (Short)	-	179 146	6 855	(7 118)	(263)	(162)	-	-	-	-
Options (Long)	-	179 066								
		692 296	12 758	(11 202)	1 556	1 415	(1 310)	2 089	100 256	100 824

(1) Includes the result of derivatives disclosed in note 5

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2023 and their comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2023								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year(1)**	**Fair value**	**Changes in fair value in the year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	98 758	141	(879)	(738)	787	(3 329)	(1 236)	95 299	98 628
Interest rate swap	Loans and advances to customers	847	11	(5)	6	5	(70)	4	781	847
Interest rate swap	-	483 060	6 839	(5 830)	1 009	(2 110)	-	-	-	-
Currency Swap (Short)	-	53 945	81	(116)	(35)	(47)	-	-	-	-
Currency Swap (Long)	-	56 388								
Futures (Short)	-	3 864	-	-	-	-	-	-	-	-
Futures (Long)	-	15								
Forwards (Short)	-	1 561	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 562								
Options (Short)	-	172 690	5 705	(5 806)	(101)	(625)	-	-	-	-
Options (Long)	-	172 894								
		1 045 584	12 777	(12 636)	141	(1 990)	(3 399)	(1 232)	96 080	99 475

(1) Includes the result of derivatives disclosed in note 5

The fair value of options corresponds to derivatives traded on organized markets, whose market value is settled daily against the margin account and the fair value of Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of trading derivative financial instruments, by maturity, on 31 December 2024, is as follows:

(Euro thousand)

	2024					
	Notionals by remaning maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	11 348	53 797	145 035	210 180	5 799	3 871
Options	9 428	50 541	198 061	258 030	6 855	7 118
Exchange rate contracts						
Exchange rate swaps	115 525	6 733	-	122 258	104	213
Forwards	1 386	260	-	1 646	-	-
Index/Equities contracts						
Futures	-	-	-	-	-	-
Options	9 284	50 586	40 312	100 182	-	-
	146 971	161 917	383 408	692 296	12 758	11 202

The analysis of trading derivative financial instruments, by maturity, on 31 December 2023, is as follows:

(Euro thousand)

	2023					
	Notionals by remaning maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	9 190	32 345	541 131	582 666	6 990	6 713
Options	9 223	74 649	162 952	246 824	5 706	5 807
Exchange rate contracts						
Currency swap	109 245	1 089	-	110 334	81	116
Forwards	1 861	1 262	-	3 123	-	-
Index/Equities contracts						
Futures	3 879	-	-	3 879	-	-
Options	9 188	29 699	59 871	98 758	-	-
	142 586	139 044	763 954	1 045 584	12 777	12 636

23 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2024	2023
Variable income securities		
Investment Units	93 083	119 575
Loans and advances to customers at fair value		
Loans not represented by securities	9 600	8 653
	102 683	128 228

The caption Variable-income securities – Investment units includes investments made in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 93,083 thousand (31 December 2023: Euro 119,575 thousand), of which the amount of Euro 43,288 thousand (31 December 2023: Euro 56,428 thousand) refers to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 55 and the amount of Euro 30,073 thousand (31 December 2023: Euro 36,469 thousand) refers to real estate investment funds.

As set out in IFRS 13, financial instruments are measured in accordance with the valuation levels described in note 47, and all are classified as level 3.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective Funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2024, for Variable-income securities recorded under level 3, considering a 10% change in the value of the financial assets, an impact of Euro 9,308 thousand (31 December 2023: Euro 11,958 thousand) was determined.

The movements occurring in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	119 575	138 800
Acquisitions	592	7 463
Remeasurements	(224)	(2 933)
Disposals	(26 860)	(23 755)
Closing balance	93 083	119 575

The movements occurring in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations observed in financial years 2024 and 2023.

24 Financial assets at fair value through other comprehensive income

This caption, as at 31 December 2024, is presented as follows:

(Euro thousand)

	2024				
	Cost (1)	Fair value reserve Positive	Fair value reserve Negative	Impairment losses	Book value
Fixed income securities					
Bonds issued by public entities					
Domestic	20 024	-	(1 173)	(37)	18 814
Foreign	249 765	3 901	(114)	(280)	253 272
Bonds issued by other entities					
Domestic	6 540	281	(662)	(276)	5 883
Foreign	570	-	(12)	(1)	557
Variable income securities					
Shares					
Domestic	5 187	15 385	-	-	20 572
Foreign	6 218	364	(1 201)	-	5 381
	288 304	19 931	(3 162)	(594)	304 479

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2023, is presented as follows:

(Euro thousand)

	2023				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 024	-	(1 688)	(40)	18 296
Bonds issued by other entities					
Domestic	6 611	229	(706)	(264)	5 870
Foreign	637	-	(18)	-	619
Variable income securities					
Shares					
Domestic	5 227	11 785	-	-	17 012
Foreign	6 233	363	(293)	-	6 303
	38 732	12 377	(2 705)	(304)	48 100

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

In financial years 2024 and 2023, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 814	-	-	-	18 814
Foreign	253 272	-	-	-	253 272
Bonds issued by other entities					
Domestic	4 295	-	1 588	-	5 883
Foreign	-	557	-	-	557
	276 381	557	1 588	-	278 526
Variable income securities					
Shares					
Domestic	-	-	19 700	872	20 572
Foreign	-	-	4 966	415	5 381
	-	-	24 666	1 287	25 953
	276 381	557	26 254	1 287	304 479

(Euro thousand)

	2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 296	-	-	-	18 296
Bonds issued by other entities					
Domestic	4 307	-	1 563	-	5 870
Foreign	-	619	-	-	619
	22 603	619	1 563	-	24 785
Variable income securities					
Shares					
Domestic	-	-	16 100	912	17 012
Foreign	-	-	5 893	410	6 303
	-	-	21 993	1 322	23 315
	22 603	619	23 556	1 322	48 100

As provided in IFRS 13, financial instruments are measured according to the valuation levels described in note 47.

As at 31 December 2024, for securities recorded under level 3, a 10% change in the value of the financial asset was considered, with an impact of Euro 2,625 thousand (31 December 2023: Euro 2,356 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 13,927 thousand (31 December 2023: positive amount of Euro 11,203 thousand) recognized in fair value reserves.

In this caption, the Group has some securities measured at acquisition cost and it is the Group's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

The movements occurring in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	23 556	32 396
Remeasurements	2 698	2 129
Reimbursements	-	(10 969)
Closing balance	26 254	23 556

The movements occurring in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	304	552
Charge for the year	567	23
Reversals for the year	(48)	(108)
Utilization	(229)	(138)
Transfers	-	(25)
Closing balance	594	304

The analysis of financial assets at fair value through other comprehensive income, by maturity, on 31 December 2024, is as follows:

(Euro thousand)

	2024			
	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities				
Bonds issued by public entities				
Domestic	18 814	-	-	18 814
Foreign	80 765	172 507	-	253 272
Bonds issued by other entities				
Domestic	4 295	-	1 588	5 883
Foreign	-	557	-	557
	103 874	173 064	1 588	278 526
Variable income securities				
Shares				
Domestic	-	-	20 572	20 572
Foreign	-	-	5 381	5 381
	-	-	25 953	25 953
	103 874	173 064	27 541	304 479

The analysis of financial assets at fair value through other comprehensive income, by maturity, on 31 December 2023, is as follows:

(Euro thousand)

	2023			
	1 to 5 years	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities				
Bonds issued by public entities				
Domestic	18 296	-	-	18 296
Foreign	-	-	-	-
Bonds issued by other entities				
Domestic	4 307	-	1 563	5 870
Foreign	-	619	-	619
	22 603	619	1 563	24 785
Variable income securities				
Shares				
Domestic	-	-	17 012	17 012
Foreign	-	-	6 303	6 303
	-	-	23 315	23 315
	22 603	619	24 878	48 100

In the scope of the liquidity providing operations, the nominal value of the assets pledged as collateral to the European Central Bank included in this caption, as at 31 December 2024, amounts to Euro 141,682 thousand after haircut (31 December 2023: Euro 18,394 thousand).

As at 31 December 2024, the collateral for the loan obtained from the EIB includes a set of Spanish sovereign bonds with a nominal value of Euro 35,000 thousand, given in guarantee and recorded under the caption Financial assets at fair value through other comprehensive income, as described in note 35.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by the Group under the terms and conditions of the contracts celebrated.

25 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2024	**2023**
Assets		
Interest rate swaps	30 257	6 174
Liabilities		
Interest rate swaps	27 037	3 525
	3 220	2 649

The Banco Montepio Group contracted interest rate swaps to hedge its interest rate risk arising from bond issues at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether the Group is exposed to fair value changes, or whether it is hedging future transactions. The Group performs periodic effectiveness tests of the hedging relationships.

The analysis of the hedging derivatives portfolio, by maturity, as at 31 December 2024, is presented as follows:

(Euro thousand)

	2024					
	For a remaining term					
	Notional			Fair value		
	Less than 3 months	More than 1 year	Total	3 month to 1 year	More than 1 year	Total
Fair value hedge derivative with interest rate risk:						
Interest rate swap	350 000	600 000	950 000	1 855	1 365	3 220
	350 000	600 000	950 000	1 855	1 365	3 220

The analysis of the hedging derivatives portfolio, by maturity, as at 31 December 2023, is presented as follows:

(Euro thousand)

	2023			
	For remaining term			
	Nocional		Fair value	
	More than 1 year	Total	More than 1 year	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	200 000	200 000	2 649	2 649
	200 000	200 000	2 649	2 649

In financial year 2024, the Group contracted hedging operations for interest rate risk on bonds issued. As at 31 December 2024, the fair value hedging operations can be analysed as follows:

(Euro thousand)

	2024						
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in fair value of derivative in the financial year	Fair value of hedge element (2)	Changes in fair value of the hedged item in the financial year (2)
Interest rate swap	Debt securities issued	Interest rate	450 000	15 017	12 368	7 435	4 650
Interest rate swap	Other subordinated debt	Interest rate	250 000	15 240	15 240	4 582	4 582
Interest rate swap	Other financial assets at amortized cost	Interest rate	250 000	(27 037)	(27 037)	(27 119)	(27 119)
			950 000	3 220	571	(15 102)	(17 887)

(1) Includes accrued interest.

(2) Attributable to the hedge risk.

As at 31 December 2023, the fair value hedging operation can be analysed as follows:

(Euro thousand)

	2023						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value derivative (1)**	**Changes in fair value of the derivative in the financial year**	**Fair value of hedge element (2)**	**Changes in fair value of the hedged item in the financial year (2)**
Interest rate swap	Debt securities issued	Interest rate	200 000	2 649	2 649	2 963	2 963
			200 000	2 649	2 649	2 963	2 963

(1) Includes accrued interest.

(2) Attributable to the hedge risk.

26 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2024	2023
Fixed income securities		
Bonds issued by public entities		
Domestic	1 029 218	1 054 287
Foreign	2 260 275	2 787 013
Bonds issued by other entities		
Domestic	24 094	8 059
Foreign	144 877	30 667
Commercial paper		
Domestic	-	4 979
Foreign	19 980	-
	3 478 444	3 885 005
Impairment for other financial assets at amortized cost	(4 740)	(6 157)
	3 473 704	3 878 848

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 47.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 c).

As at 31 December 2024, the loan obtained from the EIB is collateralized by Italian, Spanish and Greek sovereign bonds with a nominal value of Euro 296,713 thousand (31 December 2023: Euro 357,282 thousand by Italian, Greek and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 35.

As at 31 December 2024, the nominal value of the assets pledged as collateral to the European Central Bank under this caption, for liquidity-providing operations, amounts to Euro 2,488,388 thousand (31 December 2023: Euro 2,859,409 thousand) after the application of a haircut.

These financial assets pledged as collateral may be forfeited in the event of non-compliance with the contractual obligations assumed by the Group under the terms and conditions of the contracts signed.

As at 31 December 2024, the nominal value of the securities given as collateral to the Deposit Guarantee Fund was Euro 15,000 thousand (31 December 2023: Euro 29,000 thousand), as per note 46.

As at 31 December 2024 and 2023, Securities given in guarantee to the Portuguese Securities Market Commission (“CMVM”) within the scope of the Investors’ Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

	(Euro thousand) 2024	2023
Opening balance	6 157	6 693
Charge for the year	1 550	1 252
Reversals for the year	(855)	-
Utilization	(2 112)	(1 788)
Closing balance	4 740	6 157

27 Investments in associated companies

This caption is presented as follows:

	(Euro thousand) 2024	2023
HTA - Hotés, Turismo e Animação dos Açores, S.A.	4 535	4 028
Montepio - Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	674
CESource, A.C.E.	-	-
	4 535	4 702

Associates included in the Group's consolidation perimeter are listed in note 57.

The financial information of Associates is presented in the following tables:

(Euro thousand)

	Assets	Liabilities	Equity	Income	Net profit / (loss)	Acquisition cost
31 December 2024						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	33 780	11 106	22 674	15 455	2 849	4 535
31 December 2023						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	34 748	14 605	20 143	12 623	2 750	4 028
Montepio Gestão de Activos Imobiliários, A.C.E. - em Liquidação	3 750	1 300	2 450	-	-	674

(Euro thousand)

	Percentage held		Book value		Profit / Loss	
	2024	2023	2024	2023	2024	2023
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20.0%	20.0%	4 535	4 028	570	550
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	27.5%	-	674	-	-
CESource, A.C.E.	18.0%	18.0%	-	-	-	-

The movement in this caption is analysed as follows:

	(Euro thousand) 2024	2023
Openning balance	4 702	4 390
Share of profit of associated companies	570	550
Other reserves and retained earnings	(737)	(238)
Closing balance	4 535	4 702

The Group analyses, on a regular basis, the impairment related to its investments in associates.

28 Non-current assets held for sale

This caption is analysed as follows:

(Euro thousand)

	2024	2023
Properties and other assets resulting from the resolution of customer loan agreements	194	217
Impairment for non-current assets held for sale	(160)	(143)
	34	74

The assets included in this caption are accounted for in accordance with the accounting policy described in note 1 h).

The movements occurring in non-current assets held for sale in financial years 2024 and 2023 are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	217	58
Acquisitions	1 002	253
Disposals	(1 025)	(94)
Closing balance	194	217

The movements in impairment of non-current assets held for sale are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	143	47
Charge for the year	191	111
Reversal for the year	(173)	(15)
Utilization	(1)	-
Closing balance	160	143

29 Investment properties

The caption Investment properties includes the real estate owned by "Valor Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional", by "Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular" and by "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto" and, in 2023, by "Portugal Estates Fund – Fundo de Investimento Imobiliário Fechado de Subscrição Particular", all of which are consolidated by the full consolidation method, according to the accounting policy described in note 1 b) and also the real estate held by SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A..

In 2024, the amount of rental income received related to investment properties totalled Euro 604 thousand (2023: Euro 915 thousand) and maintenance costs of leased and non-leased properties totalled Euro 1,790 thousand (2023: Euro 2,032 thousand), as described in note 9.

The movements in this caption are analysed as follows:

	(Euro thousand) 2024	2023
Opening Balance	57 665	72 726
Acquisitions	-	21
Revaluations	1 725	1 474
Disposals	(14 630)	(16 556)
Closing balance	44 760	57 665

These investments are initially recognized at acquisition cost, including transaction costs, and are subsequently remeasured by external appraisers duly certified and registered with the Portuguese Securities Commission (Comissão do Mercado de Valores Mobiliários ("CMVM")).

As part of the plan to reduce exposure to real estate risk, in 2024 were recorded disposals with a carrying amount of 14,630 thousand euros (2023: 16,556 thousand) euros, resulting in a loss of 937 thousand euros (2023: 599 thousand euros), recognised under Net gains/(losses) arising from sale of other financial assets.

30 Other tangible assets

This caption is presented as follows:

	(Euro thousand) 2024	2023
Investments		
Real estate		
For own use	162 379	182 963
Leasehold improvements in rented buildings	28 596	28 604
Equipment		
IT equipment	96 441	93 868
Fixtures	37 133	33 870
Furniture	17 256	17 198
Security equipment	5 111	4 400
Machinery and tools	2 806	2 802
Transportation equipment	1 314	1 664
Other equipment	5	5
Works of art	2 870	2 870
Assets in operating leases	58	58
Righ-of-use assets		
Real estate	35 299	31 627
Motor vehicles	22 362	14 633
Other tangible assets	540	540
Work in progress	991	1 370
	413 161	416 472
Accumulated depreciation		
For the current financial year	(15 923)	(14 219)
Relating to previous financial years	(200 090)	(206 528)
	(216 013)	(220 747)
Impairment for other tangible assets	(1 101)	(325)
	196 047	195 400

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

The movements in the caption Other tangible assets, during financial year 2024, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	182 963	-	14 243	(6 341)	162 379
Leasehold improvements in rented build	28 604	-	8	-	28 596
Equipment					
IT equipment	93 868	10 079	7 506	-	96 441
Fixtures	33 870	422	193	3 034	37 133
Furniture	17 198	58	-	-	17 256
Security equipment	4 400	749	38	-	5 111
Machinery and tools	2 802	6	2	-	2 806
Transportation equipment	1 664	1	351	-	1 314
Other equipment	5	-	-	-	5
Works of art	2 870	-	-	-	2 870
Assets in operating leases	58	-	-	-	58
Righ-of-use assets					
Real estate	31 627	1 178	1 531	4 025	35 299
Motor vehicles	14 633	11 155	3 381	(45)	22 362
Other tangible assets	540	-	-	-	540
Work in progress	1 370	2 656	1	(3 034)	991
	416 472	26 304	27 254	(2 361)	413 161
Accumulated depreciation					
Real estate					
For own use	28 820	2 630	6 089	(792)	24 569
Leasehold improvements in rented build	27 983	96	5	-	28 074
Equipment					
IT equipment	84 255	2 927	7 503	-	79 679
Fixtures	23 805	1 845	192	1	25 459
Furniture	16 831	112	-	-	16 943
Security equipment	4 176	129	37	-	4 268
Machinery and tools	2 761	28	2	-	2 787
Transportation equipment	650	164	136	-	678
Other equipment	5	-	-	-	5
Works of art	58	-	-	-	58
Assets in operating leases					
Righ-of-use assets	24 462	5 975	1 531	(857)	28 049
Real estate	6 432	2 017	3 381	(133)	4 935
Motor vehicles	509	-	-	-	509
	220 747	15 923	18 876	(1 781)	216 013
Impairment of other tangible assets	(325)				(1 101)
	195 400				196 047

The movements in the caption Other tangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	185 978	-	-	(3 015)	182 963
Leasehold improvements in rented build	28 604		-	-	28 604
Equipment					
IT equipment	88 577	8 200	2 948	39	93 868
Fixtures	32 045	46	186	1 965	33 870
Furniture	17 491	151	444	-	17 198
Security equipment	4 339	88	27	-	4 400
Machinery and tools	2 842	4	44	-	2 802
Transportation equipment	1 620	277	232	(1)	1 664
Other equipment	5	-	-	-	5
Works of art	2 870	-	-	-	2 870
Assets in operating leases	58	-	-	-	58
Righ-of-use assets					
Real estate	26 383	522	1 160	5 882	31 627
Motor vehicles	12 845	1 277	831	1 342	14 633
Other tangible assets	793	-	214	(39)	540
Work in progress	1 342	2 012	-	(1 984)	1 370
	405 792	12 577	6 086	4 189	416 472
Accumulated depreciation					
Real estate					
For own use	26 407	2 755	-	(342)	28 820
Leasehold improvements in rented build	27 864	119	-	-	27 983
Equipment					
IT equipment	85 066	2 100	2 948	37	84 255
Fixtures	22 346	1 645	186	-	23 805
Furniture	17 146	128	445	2	16 831
Security equipment	4 111	91	27	1	4 176
Machinery and tools	2 767	37	44	1	2 761
Transportation equipment	522	183	53	(2)	650
Other equipment	5	-	-	-	5
Works of art	58	-	-	-	58
Assets in operating leases					
Righ-of-use assets	20 728	5 450	1 191	(525)	24 462
Real estate	5 507	1 711	786	-	6 432
Motor vehicles	762	-	214	(39)	509
	213 289	14 219	5 894	(867)	220 747
Impairment of other tangible assets	(505)				(325)
	191 998				195 400

The movements in impairment of Other tangible assets are analysed as follows:

	2024	2023
	(Euro thousand)	
Opening balance	325	505
Charge for the year	4 012	1 592
Transfers	(3 236)	(1 772)
Closing balance	1 101	325

The caption Charge of the year includes, in 2024 and 2023, the recognition of additional impairment losses on certain properties, based on the results of the valuations performed, as described in note 15. Properties that are no longer used in operations are reclassified to 'Other assets – Non-current assets held for sale', in accordance with the criteria described in Note 33.

31 Intangible assets

This caption is presented as follows:

	2024	2023
	(Euro thousand)	
Investment		
Software	268 997	234 209
Other Intagible Assets	3 012	3 012
Work in progress	9 404	7 732
	281 413	244 953
Accumulated depreciation		
For the current financial year	(29 563)	(23 696)
Relating to previous financial years	(187 209)	(163 513)
	(216 772)	(187 209)
	64 641	57 744

The movements in the caption Intangible assets, during financial year 2024, are analysed as follows:

(Euro thousand)

	2024				
	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	234 209	-	-	34 788	268 997
Other Intagible Assets	3 012	-	-	-	3 012
Work in progress	7 732	36 460	-	(34 788)	9 404
	244 953	36 460	-	-	281 413
Accumulated depreciation					
Software	187 209	29 563	-	-	216 772
Other Intagible Assets	-	-	-	-	-
	187 209	29 563	-	-	216 772
	57 744				64 641

The movements in the caption Intangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)

	2023				
	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	202 494	41	206	31 880	234 209
Other Intagible Assets	3 578	-	919	353	3 012
Work in progress	6 118	33 889	-	(32 275)	7 732
	212 190	33 930	1 125	(42)	244 953
Accumulated depreciation					
Software	163 720	23 696	206	(1)	187 209
Other Intagible Assets	919	-	919	-	-
	164 639	23 696	1 125	(1)	187 209
	47 551				57 744

32 Income tax

Deferred tax assets and liabilities, as at 31 December 2024 and 2023, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
Deferred taxes not dependent on future profitability:						
Impairment on loans granted	7 790	35 216	-	-	7 790	35 216
Post-employment and long-term employee benefits	14 399	16 973	-	-	14 399	16 973
	22 189	52 189	-	-	22 189	52 189
Deferred taxes dependent on future profitability						
Financial instruments	5 664	6 956	-	(8 239)	5 664	(1 283)
Other tangible assets	-	4 198	-	-	-	4 198
Provisions / Impairment					-	
Impairment on loans and guarantees granted	11 993	35 485	(10 093)	-	1 900	35 485
Other risks and charges	8 339	5 561	-	-	8 339	5 561
Impairment in securities and non-financial assets	4 946	5 280	(33)	(37)	4 913	5 243
Impairment in financial assets	1 574	1 971	-	-	1 574	1 971
Post-employment and long-term employee benefits	37 483	40 606	-	-	37 483	40 606
Others	6 109	5 529	-	-	6 109	5 529
Tax Benefits	2 046	-	-	-	2 046	-
Taxes losses carried forward	233 474	231 563	-	-	233 474	231 563
	311 628	337 149	(10 126)	(8 276)	301 502	328 873
Net deferred tax assets/ (liabilities)	333 817	389 338	(10 126)	(8 276)	323 691	381 062

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets (“Regime” or “REAID”), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same.

In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employee benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders.

According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of said Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose, as described in note 43.

As at 31 December 2024, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, the Banco Montepio Group has a special reserve in the amount of Euro 4,809 thousand (31 December 2023: Euro 4,809 thousand).

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved/known at the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 1,555 thousand (31 December 2023: Euro 1,845 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of the Banco Montepio Group).

In financial year 2024, deferred taxes recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 21,455 thousand (31 December 2023: Euro 24,592 thousand) related to the referred benefits in excess of the existing limits, of which Euro 2,565 thousand (2023: Euro 4,970 thousand) do not depend on future profitability.

In financial year 2024, and in function of: (i) the IRC tax rate decrease for the year 2025 et. sec. foreseen in the State Budget for 2025 (Law no. 45-A/2024, of 31 December); (ii) the expectation of the conversion into tax-accepted costs and profits and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 29.5% and 20.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 s), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio Group's financial statements have an underlying high expectation of recoverability.

The assessment of the recoverability of deferred tax assets is based on Banco Montepio's medium-/long-term business plan, which constitutes an extension of the strategic planning exercise drawn up by the Group for the triennium. The financial projections reflect management's perspectives as to the evolution of the activity and the business model's sustainability, considering the macroeconomic context and financial variables, evolution of economic activity and of credit risk, among others.

Having completed the normalization cycle, Banco Montepio has initiated a new cycle based on 5 key pillars approved at the General Assembly of shareholders, through the execution of a Strategic Plan named Triple A, aimed at delivering an Ambitious, Agile, and Authentic bank. To achieve the plan, 27 operational initiatives grouped into 8 pillars were defined.

In this context, the prospects for sustained improvement in profitability levels arise from the aforementioned 5 key pillars, namely:

- Grow in business and market share: (i) increase the base of active customers and the level of equipment in core growth segments; (ii) strengthen distribution capacity and generate additional margin through the enhancement of internal and external partnerships; (iii) promote an integrated ESG vision, leveraging the mutualist nature and fostering growth;
- Enhance the digitalization of the new business model: (i) evolve in service capacity and delivery of the omnichannel experience; (ii) automate key customer journey processes;
- Converge to the market average profitability: (i) boost productivity and efficiency, combining simplicity and digitalization; (ii) implement a dynamic of tactical detection and exploitation of efficiency pockets, in an always-on logic;
- Simplify the Bank and customer interaction: (i) accelerate the front-to-back simplification and digitalization process; (ii) promote focus and pragmatism at all levels of the organization, aligned with business priorities; (iii) create an agile IT organizational culture with greater delivery capacity and higher integration with business units;

- Value the brand, reputation, and talent: (i) strengthen presence in the lives and key moments of families and be a reference partner for the Portuguese business fabric and Social Economy; (ii) improve external recognition by independent stakeholders; (iii) enhance the talent value proposition and foster rejuvenation and attraction/retention for specific functions.

The Strategic Plan is focused on a cycle of sustainable growth:

- Ambitious: ambition for sustainable growth and optimization of business productivity, ensuring greater relevance in strategic/key segments;
- Authentic: brand rooted in a historical and social legacy with Portuguese DNA, leveraged to attract customers, mobilize people, and reinforce constant support to communities;
- Agile: efficient and agile response capacity to market changes, defining the path to evolve into a more straightforward bank.

Following this assessment, and with reference to financial year 2024, the Banco Montepio Group recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax evolved at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry Date	2024	2023
2032	15 723	15 338
2033	26 289	26 829
Undetermined	191 462	189 396
	233 474	231 563

The expiry years indicated above reflect that stipulated in the State Budget Law for 2023 (Law no. 24-D/2022, of 30 December), which came into force on 1 January 2023, establishes that tax losses calculated in fiscal years beginning on or after 1 January 2023, as well as those calculated previously that have not expired, are carried forward to future years without any time limitation, no longer being subject to a maximum period of deduction. Additionally, it also establishes that the deduction limit against taxable income is reduced to 65%, maintaining the increase of 10 percentage points for tax losses calculated in the 2020 and 2021 tax periods (i.e., the deduction can be made up to 75% of taxable income).

However, regarding the time limitation referred to in the previous paragraph, this does not apply to tax losses calculated in tax periods prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the REAID is verified, with the deduction period in force on 31 December 2022.

Tax recognized in profit or loss and in reserves in financial years 2024 and 2023 originated as follows:

(Euro thousand)

	2024		2023	
	Recognized in net income/ (loss)	Recognized to reserves and retained earnings	Recognized in net income/ (loss)	Recognized to reserves and retained earnings
Financial instruments	(566)	(1 999)	1 113	(1 112)
Impairment / Provisions	(48 450)	-	(56 866)	-
Post-employment and long-term employee benefits	(5 702)	-	(11 127)	20 102
Tax losses carried forward	1 917	-	11 123	-
Others	(2 571)	-	3 979	-
Deferred taxes/ recognized as profit/ (losses)	(55 372)	(1 999)	(51 778)	18 990
Current taxes	(786)	-	1 465	-
	(56 158)	(1 999)	(50 313)	18 990

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2024		2023	
	%	Value	%	Value
Profit/ (Loss) before income tax		166 045		182 888
Income tax based on the current nominal tax rate	(21.0)	(34 869)	(21.0)	(38 406)
Municipal and state tax	(0.0)	(83)	-	-
Capital gains and losses for tax purposes [(a)]	3.0	5 004	(0.8)	(1 527)
Banking sector extraordinary contribution	(5.5)	(9 178)	(5.0)	(9 186)
Post-employement benefits and Pension Fund	2.9	4 766	(8.5)	(15 475)
Benefícios fiscais	1.2	2 046	-	
Taxable provisions/impairment	(7.2)	(11 949)	(10.4)	(18 979)
Autonomous taxation	(0.4)	(656)	(0.3)	(465)
Corrections to previous year	(0.0)	(64)	-	
Effect of differences in income tax for the year [(b)]	(9.1)	(15 042)	5.1	9 322
Deductions / (add-backs) for taxable income purposes [(c)]	2.3	3 867	5.9	10 763
Others	-	-	7.5	13 640
Income tax for the year	(33.8)	(56 158)	(27.5)	(50 313)

(a) It encompasses tax capital gains arising from participation units and shares of capital.
(b) It includes the impact of the reduction of the corporate income tax rate from 21% to 20% as provided for in the State Budget Law for 2025.
(c) It includes, in particular, the value of the adjustment of the Taxable Patrimonial Value, the fair value of the Participation Units and fines not accepted for tax.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

The Banco Montepio Group was subject to inspections by the Tax Authority under the Special Taxation Regime of Groups of Companies ("RETGS"), up to and including the 2021 tax period.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A..

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 1,324 thousand (31 December 2023: Euro 1,568 thousand) relates, essentially, to IRC recoverable, additional payments on account, special payments on account and payments on account.

33 Other assets

This caption is presented as follows:

	(Euro thousand)	
	2024	**2023**
Non-current assets help for sale	231 470	313 112
Post-employment benefits	41 942	50 428
Other debtors	39 282	73 219
Sundry debtors	17 820	18 299
Price deposits	5 406	6 514
Bonifications to be received from the Portuguese State	5 790	5 368
Deferred costs	7 135	5 565
Other amounts receivable	2 292	8 392
	351 137	480 897
Impairment for non-current assets help for sale	(86 998)	(107 582)
Impairment for other assets	(29 901)	(26 995)
	234 238	346 320

The caption Non-current assets held for sale is presented as follows:

	(Euro thousand)	
	2024	**2023**
Non-current assets held for sale	231 470	313 112
Impairment for Assets received in recovery of credit	(86 998)	(107 582)
	144 472	205 530

The assets included in the caption Non-current assets held for sale are accounted for in accordance with the accounting policy described in note 1 h).

The resolution of loans and advances to customers' contracts results from: (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in the Group's name or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the non-current assets held for sale. According to the Group's expectation, it is intended that these assets be sold in under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2024, properties for which promissory contracts to buy and sell, in the amount of Euro 19,282 thousand (31 December 2023: Euro 20,265 thousand), have already been celebrated.

The movements in financial years 2024 and 2023 in Non-current assets held for sale are analysed as follows:

		(Euro thousand)
	2024	**2023**
Opening balance	313 112	447 959
Acquisitions	5 846	16 150
Disposals	(92 848)	(148 614)
Other movements	(194)	(1 928)
Transfers	5 554	(455)
Closing Balance	231 470	313 112

The movements in impairment of Non-current assets held for sale are analysed as follows:

		(Euro thousand)
	2024	**2023**
Opening balance	107 582	123 826
Charge for the year	11 701	21 117
Reversals for the year	(2 030)	(2 814)
Utilization	(33 491)	(36 319)
Transfers	3 236	1 772
Closing balance	86 998	107 582

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 30.

The caption Post-employment and long-term employee benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund as described in note 48.

As at 31 December 2024 and 2023, the caption Other debtors is analysed as follows:

		(Euro thousand)
	2024	**2023**
Supplementary capital contributions	14 910	14 910
Others	24 372	58 309
	39 282	73 219

The caption Supplementary capital contributions considers the amounts subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, with these loans being fully covered by impairment as at 31 December 2024 and 2023.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, which amounts were determined in accordance with the legal provisions applicable to low-interest loans, and which do not bear interest and are regularly claimed.

The captions Other debtors, Sundry debtors, Bonifications to be received from the Portuguese State and Other amounts receivables, include, in aggregate, the net amount of 36,631 thousand euros (31 December 2024: 63,752 thousand euros) related to the Group’s exposure to credit risk, as presented in note 53.

As at 31 December 2024 and 2023, the caption Recoverable grants receivable from the Portuguese State is presented as follows:

	(Euro thousand)	
	2024	**2023**
Bonifications overdue and not yet claimed	2 260	2 027
Bonifications claimed from State not yet settled	3 264	3 023
Bonifications processed and not yet claimed	266	318
	5 790	5 368

The movements in the impairment of Other assets are analysed as follows:

	(Euro thousand)	
	2024	**2023**
Opening balance	26 995	24 596
Charge for the year	7 511	5 298
Reversals for the year	(3 531)	(1 268)
Utilization	(1 074)	(1 423)
Transfers	-	(208)
Closing balance	29 901	26 995

As at 31 December 2024, the impairment of Other assets includes the impairment constituted for the Supplementary capital contributions of Euro 14,910 thousand (identical amount as at 31 December 2023), for Price deposits of Euro 6,212 thousand (31 December 2023: Euro 2,577 thousand), for Guarantee commissions of Euro 601 thousand ((31 December 2023: Euro 609 thousand), for Factoring operations of Euro 498 thousand (31 December 2023: Euro 498 thousand) and for Other debtors of Euro 7,680 thousand (31 December 2023: Euro 8,401 thousand).

34 Deposits from central banks

As at 31 December 2023, this caption includes deposits obtained from the European System of Central Banks, which are collateralized by loans to customers, securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 24 and 26.

For the financing lines under the TLTRO III program, the effective interest rate used in financial years 2024 and 2023 considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2024, the Group had no funds obtained from the European System of Central Banks.

As at 31 December 2023, these funds consisted of two operations with maturities and amounts as follows: in March 2024, in the amount of Euro 817,437 thousand and in December 2024, in the amount of Euro 56,496 thousand.

35 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2024			2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Term deposits	5 800	-	5 800	5 607	-	5 607
Other deposits	-	4 132	4 132	-	12 518	12 518
	5 800	4 132	9 932	5 607	12 518	18 125
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	19 329	-	19 329	34 465	-	34 465
Sales operations with repurchase agreement		248 476	248 476	-	548 900	548 900
Others deposits	29 552	-	29 552	7 929	-	7 929
	48 881	548 483	597 364	42 394	848 907	891 301
	54 681	552 615	607 296	48 001	861 425	909 426

The analysis of the caption Deposits from other credit institutions, for the remaining period of operations, is as follows:

(Euro thousand)

	2024	2023
Up to 3 months	307 289	596 400
3 to 6 months	-	8 283
6 months to 1 year	-	4 236
more than 5 years	300 007	300 007
Undetermined	-	500
	607 296	909 426

As at 31 December 2024, the Group had entered into Sales operations with repurchase agreement totalling Euro 248,476 thousand (31 December 2023: Euro 548,900 thousand).

The EIB loan amount, presented in the previous table, has as its main objective the financing of SMEs and considers the loan obtained in November 2020, in the amount of Euro 300,000 thousand, which has a term of twelve years, a grace period of four years, constant amortizations and a rate of 0.019%.

The amount of the EIB loan is collateralized by Italian, Spanish and Greek sovereign bonds in the nominal amount of Euro 339,213 thousand (31 December 2023: Euro 357,282 thousand, by Italian, Spanish and Greek sovereign bonds), recorded in the captions Financial assets held for sale (note 22), Financial assets at fair value through other comprehensive income (note 24) and Other financial assets at amortized cost (note 26).

36 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2024			2023		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	5 539 157	258 785	5 797 942	5 470 291	105 104	5 575 395
Term deposits	-	9 018 088	9 018 088	-	7 662 053	7 662 053
Saving accounts	-	120 100	120 100	-	112 859	112 859
Others deposits	23 960	-	23 960	19 430	-	19 430
Adjustments from operations at fair value options	-	(1 285)	(1 285)	(3 329)	-	(3 329)
	5 563 117	9 395 688	14 958 805	5 486 392	7 880 016	13 366 408

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits, pursuant to that stipulated in said Ordinance. The criteria to calculate the annual contributions to the Deposits Guarantee Fund are defined in Banco de Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the remaining period of operations is as follows:

(Euro thousand)

	2024	**2023**
Deposits repayable on demand	5 797 942	5 575 395
Term deposits and saving accounts		
Up to 3 months	4 421 796	2 221 734
3 to 6 months	2 016 446	1 641 788
6 months to 1 year	1 576 244	2 458 040
1 to 5 years	1 123 702	1 453 350
	14 936 130	13 350 307
Other deposits		
up to 3 months	23 960	19 430
	14 960 090	13 369 737
Adjustments from operations at fair value options	(1 285)	(3 329)
	14 958 805	13 366 408

In financial year 2024, deposits from customers were remunerated at the implicit average rate of 1.53% (in 2023: 0.64%).

37 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2024	2023
EMTN bonds	467 647	205 300
Covered bonds	-	328 483
Securitizations	120 729	196 262
	588 376	730 045

The fair value of the debt securities issued is presented in note 47.

The caption EMTN Bonds includes issues of Euro 200,000 thousand and Euro 250,000 thousand made, respectively, in October 2023 and May 2024, which contribute to meeting the minimum requirement for eligible own funds ('MREL' or Minimum Requirement for own funds and eligible liabilities).

The residual terms of the caption Debt securities issued, as at 31 December 2024 and 2023, are as follows:

(Euro thousand)

	2024	2023
6 months to 1 year	11 719	3 776
1 to 5 years	448 345	527 044
more than 5 years	120 729	196 262
	580 793	727 082
Adjustments from operations at fair value option	7 583	2 963
	588 376	730 045

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in a total of Euro 1,250,000 thousand, at nominal value, as at 31 December 2024 (31 December 2023: Euro 2,300,000 thousand).

As at 31 December 2024, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 8S	1 250 000	1 251 972	December 2026	December 2026	quarterly	Euribor 3M + 0.90%	Aaa/AAA
	1 250 000	1 251 972					

As at 31 December 2024, all covered bonds issues are held in the own portfolio.

As at 31 December 2023, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	302 065	-	November 2016	November 2024	quarterly	Euribor 3M + 0.80%	Aaa/AA+
Covered bonds - 8S	1 250 000	1 252 517	-	December 2016	December 2026	quarterly	Euribor 3M + 0.90%	Aaa/AA+
Covered bonds - 9S	250 000	251 303	-	May 2017	May 2024	quarterly	Euribor 3M + 0.85%	Aaa/AA+
Covered bonds - 11S	500 000	328 483	328 483	November 2019	November 2024	annually	Fixed at 0.125%	Aaa/AA+
	2 300 000	2 134 368	328 483					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in the Group's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Banco de Portugal Notices no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of Banco de Portugal.

As at 31 December 2024, the value of the loans collateralizing these issues amounted to Euro 3,201,863 thousand (31 December 2023: Euro 3,046,532 thousand), according to note 21.

The movements in Debt securities issued during financial year 2024, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements [(a)]	Balance on 31 December
EMTN bonds	205 300	250 000	-	12 347	467 647
Covered bonds	328 483	-	(328 600)	117	-
Securitisations	196 262	-	(75 533)	-	120 729
	730 045	250 000	(404 133)	12 464	588 376

(a) Included is the movement of accrued interest on the balance sheet date.

The movements in Debt securities issued during financial year 2023, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements [(a)]	Balance on 31 December
EMTN bonds	-	200 000	-	5 300	205 300
Covered bonds	327 492	-	-	991	328 483
Securitisations	279 159	-	(82 897)	-	196 262
	606 651	200 000	(82 897)	6 291	730 045

(a) Included is the movement of accrued interest on the balance sheet date.

In accordance with the accounting policy described in note 1 c), the purchase of debt securities issued by the Group is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2024, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN FINANCE No 2 A	06/12/2021	25/01/2035	Euribor 1M + 0.7%	95 632
PELICAN FINANCE No 2 B	06/12/2021	25/01/2035	Euribor 1M +1.35%	6 936
PELICAN FINANCE No 2 C	06/12/2021	25/01/2035	Euribor 1M + 2.25%	5 864
PELICAN FINANCE No 2 D	06/12/2021	25/01/2035	Euribor 1M + 4.25%	6 467
PELICAN FINANCE No 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	5 830
EMTN BONDS 30/10/2026	30/10/2023	30/10/2026	Annual fixed rate of 10.0%	200 000
EMTN BONDS 29/05/2028	29/05/2024	29/05/2028	Annual fixed rate of 5.625% (1)	250 000
				570 729
			Accrual based accounting, deferred income and costs and others	17 647
				588 376

(1) If at the end of the third year the early repayment option is not exercised, the interest rate for the remaining period will be indexed to the 3-month Euribor plus a spread of 2.6%.

As at 31 December 2023, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN MORTGAGES N.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	22 174
PELICAN FINANCE No 2 A	06/12/2021	25/01/2035	Euribor 1M + 0.7%	137 899
PELICAN FINANCE No 2 B	06/12/2021	25/01/2035	Euribor 1M +1.35%	10 002
PELICAN FINANCE No 2 C	06/12/2021	25/01/2035	Euribor 1M + 2.25%	8 455
PELICAN FINANCE No 2 D	06/12/2021	25/01/2035	Euribor 1M + 4.25%	9 325
PELICAN FINANCE No 2 E	06/12/2021	25/01/2035	Fixed rate 6.4%	8 407
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
EMTN BONDS 30/10/2026	30/10/2023	30/10/2026	Annual fixed rate of 10.0%	200 000
				896 262
			Covered Bonds - 11S repurchases	(171 400)
			Accrual based accounting, deferred income and costs and others	5 183
				730 045

38 Provisions

This caption is presented as follows:

(Euro thousand)

	2024	2023
Provisions for guarantees and commitments	10 860	10 362
Provisions for other risks and charges	19 638	10 468
	30 498	20 830

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to the Group's activity, being revised at each reporting date to reflect the best estimate of the amount and probability of payment and includes provisions for legal cases, tax contingencies and fraud.

The movements in provisions for guarantees and commitments assumed, are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	10 362	19 517
Charge for the year	17 960	21 806
Reversal for the year	(17 450)	(30 891)
Utilization	(12)	(70)
Closing balance	10 860	10 362

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	10 468	11 235
Charge for the year	14 362	1 703
Reversal for the year	(3 405)	(1 680)
Utilization	(1 787)	(790)
Closing balance	19 638	10 468

In financial year 2024, the caption Provisions for other risks and charges was reinforced in the amount of Euro 11,384 thousand, related to the remaining value of irrevocable payment commitments associated with the Deposit Guarantee Fund not yet settled, as per note 46.

39 Other subordinated debt

As at 31 December 2024 and 2023, the main characteristics of subordinated debt, are analysed as follows:

(Euro thousand)

Descrição da emissão	Issue date	Maturity date	Issue amount	Interest rate	2024	2023
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	-	50 056
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	-	107 803
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	-	52 661
CX ECONOMICA MONTEPIO GERAL 8.50 12/06/2034	Mar 2024	Jun 2034	250 000	8.5% the first 5 years and at EurSwap for 5y + 5.815% for the remaining years	265 333	-
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 491	6 499
					271 824	217 019

In financial year 2024, under the EMTN (Euro Medium Term Note) Programme, Banco Montepio issued subordinated debt securities in the amount of Euro 250,000 thousand, with a fixed interest rate of 8.5% in the first 5 years and with a term of ten years. If the early repayment option is not exercised at the end of the fifth year, the interest rate for the remaining period will be indexed to the five-year swap rate plus a spread of 5.815%. Furthermore, the Bank decided to exercise the early repayment option of subordinated debt issues “EMTN SUB 2018/2028”, “EMTN SUB 2019/2029” and “EMTN SUB 2020/2030”, in the aggregate amount of Euro 200,000 thousand.

The movements in Other subordinated debt during financial years 2024 and 2023, were as follows:

(Euro thousand)

	2024					2023		
	Balance at 1 January	Issued	Reimbursements	Other movements (a)	Balance at 31 December	Balance at 1 January	Other movements (a)	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 056	-	(50 000)	(56)	-	50 044	12	50 056
MONTEPIO EMTN SUB 2019/2029	107 803	-	(100 000)	(7 803)	-	107 825	(22)	107 803
MONTEPIO EMTN SUB 2020/2030	52 661	-	(50 000)	(2 661)	-	52 705	(44)	52 661
CX ECONOMICA MONTEPIO GERAL 8.50 12/06/2034	-	250 000	-	15 333	265 333	-	-	-
FINIBANCO VALOR INVEST 2010	6 499	-	-	(8)	6 491	6 455	44	6 499
	217 019	250 000	(200 000)	4 805	271 824	217 029	(10)	217 019

(a) Includs accrued interest.

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable Laws or Regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

40 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2024	2023
Domestic and foreign operations pending settlement	110 885	152 443
Sundry creditors	42 932	45 975
Staff costs payable	35 685	30 912
Other expenses	14 529	21 165
Lease liabilities	11 617	7 689
Administrative public sector	18 137	14 843
Suppliers	9 662	13 926
Deferred income	453	548
	243 900	287 501

As at 31 December 2024, the caption Staff charges payable includes the amount of Euro 19,061 thousand (31 December 2023: Euro 17,729 thousand), related to holiday pay and subsidy, Euro 13,472 thousand related to accrued termination charges and variable remuneration (31 December 2023: Euro 10,454 thousand) and Euro 3,152 thousand (31 December 2023: Euro 2,729 thousand) related to end-of-career awards.

As at 31 December 2024 and 2023, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

	(Euro thousand)	
	2024	**2023**
Up to 1 year	3 953	4 060
1 to 5 years	7 664	3 629
	11 617	7 689

41 Share capital

As at 31 December 2024, Banco Montepio's share capital, which is fully realized, amounts to Euro 1,210,000 thousand.

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

The shareholder structure of Banco Montepio's share capital as at 31 December 2024 and 2023 is as follows:

	2024		**2023**	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.993%	2 419 830 580	99.993%
Other Shareholders	169 420	0.007%	169 420	0.007%
	2 420 000 000	100.0%	2 420 000 000	100.0%

42 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net income, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2024, the legal reserve amounts to Euro 207,487 thousand (31 December 2023: 196,833 thousand).

43 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

(Euro thousand)

	2024	2023
Fair value reserves		
Financial assets at fair value through other comprehensive income		
Debt instruments	2 221	(2 183)
Equity instruments	14 548	11 855
	16 769	9 672
Taxes		
Financial assets at fair value through other comprehensive income	(4 879)	(2 880)
	(4 879)	(2 880)
	11 890	6 792
Other reserves and retained earnings		
Special regime for deferred tax assets	4 809	4 809
Post-employment benefits (note 48)	(9 842)	(84 087)
Other reserves and retained earnings	140 128	203 758
	135 095	124 480

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2024					
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	(1 688)	512	-	-	3	(1 173)
Bonds issued by foreign public entities	-	-	4 067	-	(280)	3 787
Bonds issued by other entities:						
Domestic	(477)	107	-	-	(12)	(382)
Foreign	(18)	7	-	1	(1)	(11)
	(2 183)	626	4 067	1	(290)	2 221
Variable income securities						
Shares						
Domestic	11 785	3 600	-	-	-	15 385
Foreign	70	(907)	-	-	-	(837)
	11 855	2 693	-	-	-	14 548
	9 672	3 319	4 067	1	(290)	16 769

(Euro thousand)

	2023				
	Balance on 1 January	Revaluation	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities					
Bonds issued by Portuguese public entities	(2 599)	920	(9)	-	(1 688)
Bonds issued by foreign public entities	(765)	-	692	73	-
Bonds issued by other entities:					
Domestic	(403)	(131)	(97)	154	(477)
Foreign	(53)	17	16	2	(18)
Commercial Paper	19	-	(38)	19	-
	(3 801)	806	564	248	(2 183)
Variable income securities					
Shares					
Domestic	10 785	1 000	-	-	11 785
Foreign	(1 151)	-	1 221	-	70
	9 634	1 000	1 221	-	11 855
	5 833	1 806	1 785	248	9 672

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2024	2023
Amortised cost of financial assets at fair value through other comprehensive income	288 304	38 732
Recognised accumulated impairment	(594)	(304)
Amortised cost of financial assets at fair value through other comprehensive income net of impairment	287 710	38 428
Market value of financial assets at fair value through other comprehensive income	304 479	48 100
Potential realised gains/ (Losses) recognised in the fair value reserve	16 769	9 672

The movement of taxes from Financial Assets at fair value through other comprehensive income is presented as follows:

(Euro thousand)

	2024	2023
Opening balance	(2 880)	(1 768)
Taxes related to changes in fair value	(1 999)	(1 112)
Final balance	(4 879)	(2 880)

As described in note 32, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and in 2021, and considering the eligible deferred tax assets at the reference date of the periods indicated, as a result of the special regime applicable to deferred tax assets, Banco Montepio recorded a Special reserve corresponding to 110% of the amount of the tax credits calculated, which has the following breakdown:

(Euro thousand)

	2024	2023
Special reserve		
2021 (Negative net income of 2020)	4 509	4 509
2022 (Negative net income of 2021)	300	300
	4 809	4 809

The movement of other reserves related to post-employment benefits is presented as follows:

(Euro thousand)

	2024	2023
Opening balance	(84 087)	(135 267)
Loss coverage	76 649	135 667
Remeasurements for the year (note 48)	(2 404)	(84 487)
Final balance	(9 842)	(84 087)

The movement of other reserves and retained earnings is presented as follows:

(Euro thousand)	2024	2023
Opening balance	203 758	(918 915)
Applications of results	11 712	30 227
Loss coverage	(76 649)	1 074 333
Taxes related to defined benefit plan remeasurements	-	20 102
Realised gains on equity instruments	1 307	9
Other movements	-	(1 998)
Final balance	140 128	203 758

44 Distribution of dividends

The Annual General Meeting held on 30 April 2024 approved the proposal to apply the Net income for financial year 2023, in the positive amount of Euro 106,544,699.15, to cover actuarial deviations related to the Pension Fund in Euro 76,649,473.12, to reinforce the Legal reserve in Euro 10,654,469.92, to Retained Earnings in Euro 13,240,756.11 and to distribute dividends in Euro 6,000,000.00.

In financial year 2023, Banco Montepio did not distribute dividends.

45 Non-controlling interests

This caption is presented as follows:

(Euro thousand)	Income Statement	
	2024	2023
Finibanco Angola, S.A.	-	1 742

The movements in this caption are analysed as follows:

(Euro thousand)	2024	2023
Opening balance	-	11 442
Foreign exchange differences	-	(5 455)
Dividends	-	(663)
Discontinued participation	-	(7 066)
	-	(1 742)
Net income attributable to non-controlling interests	-	1 742
	-	-

46 Guarantees and other commitments

This caption is presented as follows:

(Euro thousand)

	2024	2023
Guarantees granted	512 283	519 196
Commitments to third parties	1 608 724	1 571 256
Deposit and custody of securities	7 277 231	7 050 460
	9 398 238	9 140 912

The amounts of Guarantees granted, and Commitments assumed vis-á-vis third parties are analysed as follows:

(Euro thousand)

	2024	2023
Garantees granted		
Guarantees	473 436	468 399
Letters of credit	38 847	50 797
	512 283	519 196
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	759 312	638 083
Potential liability with the Investor's Indemnity System	590	590
Term liability to the Guarantee Deposits Fund	-	22 768
Securities subscription	2 378	5 094
Revocable commitments		
Revocable credit facilities	846 444	904 721
Securities subscription	1 608 724	1 571 256

Guarantees and standby letters granted are banking transactions essentially related to credit transactions in which the Group provides a guarantee in relation to credit granted to a customer by a third party. In accordance with the specific nature of these transactions, some of these guarantees are expected to expire without having been required and, therefore, these transactions do not necessarily represent a cash outflow. Estimated liabilities are recorded under Provisions, as described in note 36.

Documentary credits correspond to irrevocable commitments, by the Group, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers, for example unused credit facilities. These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, impose the payment of a commission. Credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time of their contracting.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, with the Group requiring, when necessary, that these operations be adequately covered by collaterals. Considering that it is expected that the majority of the commitments expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

The balance of the caption Term liability to the Deposits Guarantee Fund as at 31 December 2023 is related to the irrevocable commitment assumed by the Group, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so. In financial year 2024, Banco Montepio paid over to the Fund the amount of Euro 11,384 thousand and set up a provision in the same amount, as described in note 38.

As at 31 December 2024, in the scope of the Deposits Guarantee Fund, the Group pledged treasury bonds (TB October 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 15,000 thousand (31 December 2023: Euro 29,000 thousand), as described in note 26.

As at 31 December 2024 and 2023, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that the Group assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 c). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by the Group in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

47 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of the Group.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13, as follows:

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

a) Financial instruments shall be classified in level 2 if they are:
   i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, such as, for example, Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or
   ii. valued using indicative third-party purchase prices, based on observable market data.
b) For financial instruments that do not have a 30-day history available in the system, the fair value level is assigned based on the available history.

Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:
   i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;
   ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or
   iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g., degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).
b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market;
- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component; and

  The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

  Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

i. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg; and
ii. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, the Group calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

As 31 December 2024, no funds had been taken from the European Central Bank. The interest rate of the main refinancing operations from the European Central Bank was 3.15% at the end of 2024.

For the remaining funds from credit institutions, the discount rate used reflects the current conditions applied by the Group to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2024, the average discount rate for the remaining deposits was 2.56% (31 December 2023: 2.77%).

For Loans and advances to credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by the Group to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity.

The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last half year. As at 31 December 2024, the average discount rate was 3.05% for mortgage loans (31 December 2023: 3.70%), 6.59% for private individual loans (31 December 2023: 5.82%) and 4.40% for the remaining loans (31 December 2023: 4.79%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by the Group to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of the Group at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2024 was 2.10% (31 December 2023: 2.67%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which the Group applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of the Group.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Deposits and deposit equivalents to other credit institutions repayable on demand*

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

	Type of instruments		Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash Flow Method [2]	Interest rate curves
		Exchange rate options	Black-Scholes Model	Implied Volatilities
		Interest rate options	Normal Model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3]
Financial assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied Volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

[1] The Bank incorporates specific adjustments (add-ons) into the valuation of derivative instruments held for trading and hedging to reflect its own credit risk based on a market discount curve that reflects its associated risk profile. At the same time, the Bank adopts an analogous methodology to reflect the credit risk of counterparties in derivatives with positive fair value. Therefore, the fair value obtained is composed of the unaffected risk-free valuation of this additional amount. The Credit Value Adjustment and Debt Value Adjustment – CVA/DVA are determined based on the estimated exposure at the

time of default (Exposure at default, EAD) for each transaction and on the application of risk parameters to the estimated EAD in order to determine the expected loss for the Bank (CVA) and for the counterparty (DVA).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with the Group with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio Group's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of the CVA and DVA adjustments is presented as follows:

(Euro thousand)

	2024		2023	
	CVA	DVA	CVA	DVA
Adjustment	373	108	257	144
Of which : Derivatives expiry	(11)	6	(3)	14

Fair value of Non-current assets held for sale and of Investment properties

The fair value and the impairment constituted for non-current assets held for sale are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation; and
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations are carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as “expert appraisers” with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of Banco de Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements); and
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

Investment properties

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods, as described in note 1 n):

- Comparative market method;
- Income method; and
- Cost method.

The valuation of investment properties follows models based on unobservable market parameters and is therefore classified as level 3 in the fair value measurement hierarchy.

Interest rate curve of the main currencies

The following table presents, as at 31 December 2024, the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Yen
1 day	2.980000	4.450000	4.870000	0.420000	0.050000
7 days	2.910600	4.443571	4.860000	0.390000	0.170000
1 month	2.912400	4.405000	5.030000	0.380000	0.170000
2 months	2.796200	4.415000	4.955000	0.410000	-0.120000
3 months	2.665500	4.435000	4.905000	0.365000	0.100000
6 months	2.383800	4.455000	4.850000	0.285000	0.190000
9 months	2.221700	4.475000	4.795000	0.285000	0.340000
1 year	2.123000	4.515000	4.695000	0.360000	0.380000
2 years	1.985000	4.504899	4.641149	0.081000	0.379463
3 years	1.994000	4.494798	4.641149	0.148500	0.379463
5 years	2.061500	4.474513	4.641149	0.247500	0.379463
7 years	2.130500	4.454199	4.641149	0.341500	0.379463
10 years	2.226500	4.423841	4.641149	0.458000	0.379463
15 years	2.336500	4.402939	4.641149	0.577500	0.379463
20 years	2.316500	4.402000	4.641149	0.577500	0.379463
30 years	2.162500	4.213000	4.641149	0.577500	0.379463

The following table presents, as at 31 December 2023, the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Yen
1 day	3.800000	5.365000	5.230000	1.855000	0.125000
7 days	3.895000	5.306250	5.220000	1.650000	-0.340000
1 month	3.903500	5.420000	5.285000	1.780000	-0.340000
2 months	3.900500	5.460000	5.215000	1.755000	-0.300000
3 months	3.868500	5.530000	5.320000	1.675000	-0.280000
6 months	3.684500	5.500000	5.370000	1.690000	-0.190000
9 months	3.446500	5.410000	5.290000	1.700000	-0.050000
1 year	3.213500	5.340000	5.250000	1.710000	0.080000
2 years	2.565500	5.195685	5.182845	1.242500	0.079931
3 years	2.321500	5.052550	5.182845	1.164000	0.079931
5 years	2.181500	4.765493	5.182845	1.146000	0.079931
7 years	2.197500	4.478436	5.182845	1.189000	0.079931
10 years	2.288500	4.047457	5.182845	1.252500	0.079931
15 years	2.416500	3.759688	5.182845	1.302500	0.079931
20 years	2.416500	3.758500	5.182845	1.302500	0.079931
30 years	2.280500	3.590950	5.182845	1.302500	0.079931

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**2024**	**2023**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.0389	1.1050	8.4450	8.1900	8.0450	8.0150	7.9550
EUR/GBP	0.8292	0.8691	4.8750	5.1800	5.3200	5.4250	5.5600
EUR/CHF	0.9412	0.9260	5.5170	5.8320	5.8850	6.0000	6.0500
EUR/JPY	163.06	156.33	10.990	11.158	11.150	11.140	11.050

Regarding exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of the Group, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 474 538	1 474 538	1 474 538
Loans and deposits to credit institutions payable on demand	-	-	49 769	49 769	49 769
Other loans and advances to credit institutions	-	-	138 230	138 230	138 230
Loans and advances to customers	723	-	11 944 282	11 945 005	12 426 343
Financial assets held for trading	26 843	-	-	26 843	26 843
Financial assets at fair value through profit or loss	102 683	-	-	102 683	102 683
Financial assets at fair value through other comprehensive income	-	304 479	-	304 479	304 479
Hedging derivatives	30 257	-	-	30 257	30 257
Other financial assets at amortized cost	-	-	3 473 704	3 473 704	3 221 417
	160 506	304 479	17 080 523	17 545 508	17 774 559
Financial liabilities					
Deposits from other credit institutions	-	-	607 296	607 296	576 606
Deposits from customers	99 533	-	14 859 272	14 958 805	14 952 465
Debt securities issued	-	-	588 376	588 376	585 735
Financial liabilities held for trading	11 202	-	-	11 202	11 202
Hedging derivatives	27 037	-	-	27 037	27 037
Other subordinated debt	-	-	271 824	271 824	282 967
	137 772	-	16 326 768	16 464 540	16 436 012

(Euro thousand)

	2023				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 171 398	1 171 398	1 171 398
Loans and deposits to credit institutions payable on demand	-	-	61 041	61 041	61 041
Other loans and advances to credit institutions	-	-	178 902	178 902	178 902
Loans and advances to customers	781	-	11 452 478	11 453 259	11 725 686
Financial assets held for trading	18 970	-	-	18 970	18 970
Financial assets at fair value through profit or loss	128 228	-	-	128 228	128 228
Financial assets at fair value through other comprehensive income	-	48 100	-	48 100	48 100
Hedging derivatives	6 174	-	-	6 174	6 174
Other financial assets at amortized cost		-	3 878 848	3 878 848	3 565 959
	154 153	48 100	16 742 667	16 944 920	16 904 458
Financial liabilities					
Deposits from central bank	-	-	873 933	873 933	873 933
Deposits from other credit institutions	-	-	909 426	909 426	869 147
Deposits from customers	95 299	-	13 271 109	13 366 408	13 322 243
Debt securities issued	-	-	730 045	730 045	728 269
Financial liabilities held for trading	12 636	-	-	12 636	12 636
Hedging derivatives	3 525	-	-	3 525	3 525
Other subordinated debt	-	-	217 019	217 019	203 188
	111 460	-	16 001 532	16 112 992	16 012 941

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2024:

(Euro thousand)

	2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 474 538	-	-	-	1 474 538
Loans and deposits to credit institutions payable on demand	49 769	-	-	-	49 769
Other loans and advances to credit institutions	-	-	138 230	-	138 230
Loans and advances to customers	-	723	12 425 620	-	12 426 343
Financial assets held for trading	14 085	12 366	392	-	26 843
Financial assets at fair value through profit or loss	-	-	102 683	-	102 683
Financial assets at fair value through other comprehensive income	276 381	557	26 254	1 287	304 479
Hedging derivatives	30 257	-	-	-	30 257
Other financial assets at amortized cost	3 221 417	-	-	-	3 221 417
	5 066 447	13 646	12 693 179	1 287	17 774 559
Financial liabilities					
Deposits from other credit institutions	-	-	576 606	-	576 606
Deposits from customers	-	99 533	14 852 932	-	14 952 465
Debt securities issued	-	-	585 735	-	585 735
Financial liabilities held for trading	-	11 202	-	-	11 202
Hedging derivatives	-	27 037	-	-	27 037
Other subordinated debt	-	-	282 967	-	282 967
	-	137 772	16 298 240	-	16 436 012

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2023:

(Euro thousand)

	2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 171 398	-	-	-	1 171 398
Loans and deposits to credit institutions payable on demand	61 041	-	-	-	61 041
Other loans and advances to credit institutions	-	-	178 902	-	178 902
Loans and advances to customers	-	781	11 724 905	-	11 725 686
Financial assets held for trading	6 193	8 924	3 853	-	18 970
Financial assets at fair value through profit or loss	-	-	128 228	-	128 228
Financial assets at fair value through other comprehensive income	22 603	619	23 556	1 322	48 100
Hedging derivatives	6 174	-	-		6 174
Other financial assets at amortized cost	3 565 959	-	-	-	3 565 959
	4 833 368	10 324	12 059 444	1 322	16 904 458
Financial liabilities					
Deposits from central bank	873 933	-	-	-	873 933
Deposits from other credit institutions	-	-	869 147	-	869 147
Deposits from customers	-	95 299	13 226 944	-	13 322 243
Debt securities issued	-	-	728 269	-	728 269
Financial liabilities held for trading	-	9 746	2 890	-	12 636
Hedging derivatives	-	3 525	-	-	3 525
Other subordinated debt	-	-	203 188	-	203 188
	873 933	108 570	15 030 438	-	16 012 941

In 2024 and 2023, there were no transfers between the levels of the fair value hierarchy.

The amount shown in level 3 under the caption Financial assets at fair value through other comprehensive income corresponds, to the extent material, to the financial investments made in SIBS, Unicre and ABANCA, with the amounts recorded in the financial statements as at 31 December 2024 amounting to Euro 23,000 thousand (31 December 2023: Euro 19,400 thousand) and having been determined in accordance with the methodology and assumptions detailed below:

SIBS

The fair value of the 1.74% stake held by the Bank in the share capital of SIBS, shown in the financial statements as at 31 December 2024, is supported by a valuation that considers the methodologies of comparable company multiples (market and transaction) and Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2024, the information contained in the reports and accounts on a consolidated basis for financial years 2022 and 2023, the documents prepared by management and updated to September 2024, the budget for financial year 2025, as well as information on transaction multiples of comparable companies, namely in the Payment Networks and Systems sectors, were considered.

For this valuation, a forecast horizon of four years was considered, for which it was necessary to calculate the forecast cash flows, based on historical cash flows and estimated growth rates, the latter showing growth for 2024, income in 2025 in line with the budget, and from 2026 onwards, inclusive, evolving in line with the Company's growth potential, assuming an increase in prices in line with inflation.

In the valuation method using the DCF methodology, the going concern basis beyond the forecast horizon was assumed, with a scenario with an annual variation of cash flows as well as levels of Investment in CAPEX and depreciation and amortization in perpetuity having been considered. Cash flows were discounted at the equivalent rate to the weighted average cost of capital, thus reflecting the time value of money and industry-specific risk, which stood at 10.11% with reference to 31 December 2024 (31 December 2023: 11.4%).

In the valuation using the market multiples method, multiples relating to financial years 2022 and 2023 were considered, and which include companies from different geographies, supported by the Valutico platform database.

Unicre

The fair value of the 3.84% stake held by the Bank in the share capital of Unicre, shown in the financial statements as at 31 December 2024, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on the Cash flows projected for a five-year forecast horizon, having been based on information obtained from the Reports and accounts of Unicre for financial years 2022 and 2023.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of income, as well as the cost of financing to support the activity of Unicre. As at 31 December 2024, the discount rate considered in the valuation was maintained at 13.20% (31 December 2023: 13.20%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% stake held in the share capital of ABANCA, disclosed in the financial statements as at 31 December 2024, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on the projected cash flows for a five-year forecast horizon, having been based on information obtained from the Earnings Presentations and Reports and Accounts of ABANCA for financial year 2023 and the interim report and accounts for the first half of 2024.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of operating results, having maintained the financing structure stable in relation to previous years, with the assumption that the level of activity and recurring operating results were estimated considering nominal growth equal to inflation.

As at 31 December 2024, the discount rate considered in the valuation of 12.50% was maintained (31 December 2023: 12.50%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

The discount rate has a significant impact on the valuation of these financial investments. In this sense, a sensitivity analysis was carried out to a positive variation and a negative variation of 50 basis points in the discount rate, with a view to determining the effect on the balance sheet value of these financial investments, the impact of which is analysed as follows:

(Euro thousand)

	2024		2023	
	Balance sheet value		Balance sheet value	
	Increase	Decrease	Increase	Decrease
Discount rate (0,5% of variation)	(916)	1 092	(700)	900

48 Post-employment and long-term employee benefits

Banco Montepio, in accordance with the accounting policy described in note 1 r), has assumed the responsibility to pay its employees and members of the Management Bodies old-age and disability pensions and other benefits. Montepio Crédito has undertaken the same responsibility for its employees.

In accordance with the same policy, the Group calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

The Group's pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

The respective beneficiaries are guaranteed all benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of the Group, or as employees who had been permanent employees of the Group and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund (Caixa Geral de Aposentações ("CGA")) or the National Pensions Centre (Centro Nacional de Pensões ("CNP")), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

The Group's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to a pension calculated as per the preceding paragraph and proportional to the time of service rendered to the Group, to be paid by the Pension Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

The Group has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, the Group signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2024	**2023**
Financial assumptions		
Salary growth rate	2.5% in the first year, 2.0% in the second year and 1.0% in the nexts	3.0% in the first year, 2.0% in the second year and 1.0% in the nexts
Pension growth rate	2.0% in the first year, 1.5% in the second year and 0.75% in the nexts	2.5% in the first year, 1.5% in the second and 0.75% in the nexts
Rate of return of the Fund	3.55%	3.60%
Discount rate	3.55%	3.60%
Revaluation rate		
Salary growth rate - Social Security	1.50%	1.50%
Pension growth rate	1.25%	1.25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds and (ii) duration of the liabilities. As at 31 December 2024, the average duration of the pension liabilities of the employees is 14.6 years (31 December 2023: 14.1 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2024	2023
Active	2 549	2 631
Retirees and survivors	1 739	1 700
	4 288	4 331

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	2024	2023
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(420 430)	(415 048)
Active	(300 361)	(288 858)
	(720 791)	(703 906)
Liabilities with healthcare benefits		
Pensioners	(28 338)	(27 899)
Active	(28 995)	(27 304)
	(57 333)	(55 203)
Liabilities with death benefits		
Pensioners	(2 077)	(1 980)
Active	(1 272)	(1 213)
	(3 349)	(3 193)
Total liabilities	(781 473)	(762 302)
Coverages		
Pension Fund value	823 415	812 730
Net assets/(liabilities) in the balance sheet	41 942	50 428
Accumulated actuarial remeasurements recognized in other comprehensive income	222 159	219 754

The amount of 41,942 thousand euros related to net assets and liabilities recognized in the balance sheet is disclosed under the caption Other assets, as presented in note 33.

The evolution of liabilities for retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2024				2023			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the year	703 906	55 203	3 193	762 302	599 032	46 812	2 621	648 465
Recognized in net income/(loss) (note 10)								
Current service cost	2 950	1 004	46	4 000	2 596	846	38	3 480
Interest cost	25 341	1 987	115	27 443	25 159	1 966	110	27 235
Early retirement, terminations by mutual agreement and others	4 511	-	-	4 511	6 989	-	-	6 989
Recognized in Equity (note 43)								
Actuarial gains /(losses)								
Changes in assumptions	6 173	1 092	85	7 350	86 701	6 906	472	94 079
Not related to Changes in assumptions	8 432	(1 953)	(90)	6 389	10 750	(1 327)	(48)	9 375
Other								
Pensions paid by the Fund	(32 307)	-	-	(32 307)	(28 701)	-	-	(28 701)
Pensions paid by Banco Montepio	(614)	-	-	(614)	(991)	-	-	(991)
Participant contributions	2 399	-	-	2 399	2 371	-	-	2 371
Liabilities at the end of the year	720 791	57 333	3 349	781 473	703 906	55 203	3 193	762 302

The evolution of the Pension Fund's net asset value in financial years ended 31 December 2024 and 2023 can be analysed as follows:

	(Euro thousand)	
	2024	**2023**
Value of the Fund at beginning of the year	812 730	787 037
Recognized in net income/(loss)		
Share of net interest	29 259	33 056
Recognized in equity		
Financial deviations	11 334	18 967
Other		
Participant contributions	2 399	2 371
Pensions paid by the Fund	(32 307)	(28 701)
Fund's value at the end of the year	823 415	812 730

The amounts paid by the Pension Fund, in 2023, consider the effect of the application of Ordinance no. 141, of 2023.

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2024 and 2023, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2024				2023			
	Assets of the fund	**%**	**Quoted**	**Unquoted**	**Assets of the fund**	**%**	**Quoted**	**Unquoted**
Variable-income securities								
Shares	27 081	3.3	27 081	-	101 268	12.5	101 268	-
Shares investment funds	127 429	15.5	42 843	84 586	99 245	12.2	41 321	57 924
Bonds	586 149	71.2	542 045	44 104	516 587	63.6	455 834	60 753
Real estate	4 921	0.6	-	4 921	4 908	0.6	-	4 908
Real estate investment Funds	55 784	6.8	4 209	51 575	55 491	6.8	4 022	51 469
Venture capital Funds	3 420	0.4	-	3 420	3 590	0.4	-	3 590
Loans and advances to banks and other	18 631	2.3	-	18 631	31 641	3.9	-	31 641
	823 415	100.0	616 178	207 237	812 730	100.0	602 445	210 285

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of the Group, are analysed as follows:

	(Euro thousand)	
	2024	**2023**
Loans and advances in banks and other	6 690	9 888
Real estate	4 921	4 908
Bonds	-	387
	11 611	15 183

The evolution of the remeasurements in the balance sheet are analysed as follows:

		(Euro thousand)
	2024	**2023**
Actuarial gains/(losses) at the beginning of the year	219 754	135 267
Actuarial gains/(losses) in the financial year		
Changes in discount rate	4 816	56 974
Payroll update	2 370	11 385
Pension growth rate update	4 553	23 343
Deviation on the Pension Fund return	(11 334)	(18 967)
Resulting from changes in plan conditions	(4 389)	2 377
Other	6 389	9 375
Actuarial gains/(losses) recognized in other comprehensive income	222 159	219 754

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

		(Euro thousand)
	2024	**2023**
Current service cost	4 000	3 480
Net interest income/(expense) on the liabilities coverage balance	(1 816)	(5 821)
Costs with early retirement, mutually agreed termination and other	4 511	6 989
Costs for the year	6 695	4 648

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2024 and 2023, is analysed as follows:

		(Euro thousand)
	2024	**2023**
At the beginning of the year	50 428	138 572
Current service cost	(4 000)	(3 480)
Net interest income/(expense) on the liabilities coverage balance	1 816	5 821
Actuarial gains/(losses)	(13 739)	(103 454)
Financial gains/(losses)	11 334	18 967
Pensions paid by Banco Montepio	614	991
Early retirement, mutually agreed terminations and others	(4 511)	(6 989)
At the end of the year	41 942	50 428

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to positive and negative changes in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities.

As at 31 December 2024, the impact of these changes is analysed as follows:

(Euro thousand)

	2024			
	Liabilities			
	Increase 0.50 p.p.	Decrease 0.50 p.p.	Increase 1.00 p.p.	Decrease 1.00 p.p.
Discount rate	(47 014)	48 071	(91 521)	95 302
Salary growth rate	29 130	(26 505)	56 676	(54 018)
Pension growth rate	43 441	(40 258)	84 573	(82 124)

(Euro thousand)

	2024	
	Liabilities	
	Reduction in life expectancy by 1 year	Increased life expectancy by 1 year
Future mortality	(19 459)	19 233

(Euro thousand)

	2024	
	Liabilities	
	€5 reduction	€5 increase
Contribution to SAMS	(2 421)	2 421

As at 31 December 2023, the impact of these changes is analysed as follows:

(Euro thousand)

	2023	
	Liabilities	
	Increase	Decrease
Discount rate (0.50% change)	(48 162)	53 801
Salary growth rate (0.50% change)	30 689	(26 507)
Pension growth rate (0.50% change)	48 446	(44 405)
SAMS contribution (€5 change)	2 597	(2 483)
Future mortality (1 year change)	(18 599)	18 375

In accordance with the accounting policy described in note 1 r) and as per note 40, as at 31 December 2024, the cost associated with end-of-career awards amounted to Euro 3,152 thousand (31 December 2023: Euro 2,729 thousand).

49 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2024 and 2023, the amount of the funds for which the Group acts as depository bank is analysed as follows:

(Euro thousand)

	2024	2023
Securities Investment Funds	397 238	245 320
Real estate Investment Funds	806 068	744 824
Pension Funds	335 435	301 454
Bank and insurance	20 771	23 235
	1 559 512	1 314 834

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

50 Related parties

As defined in IAS 24, the companies detailed in note 57, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of the Group. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties.

The Group's first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio Group entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2024, the list of related parties considered by Banco Montepio is presented as follows:

Majority shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chaim of the Board of Directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Executive Committee
Chaim of the Executive Committee
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus

Audit Committee
Chaim of the Audit Committee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Other Key Management Personnel
Alípio Dias
Ana Sá Couto
Edite Cheira
Fernando Amaro
Idália Serrão
Jaquelina Rodrigues
João Carvalho das Neves
Licinio Santos
Luís Pinheiro
Manuel Baptista
Paulo Jorge Rodrigues
Pedro Araújo
Pedro Ribeiro
Rui Gama
Rui Heitor
Virgílio Lima

Other related parties
Alexandra Ponciano
Alexandra Quirino Silva
Alexandra Rolo
António Carlos Machado
António Costa
António Figueiredo Lopes
António Longo
Armando Cardoso
Bruno Magalhães
Cláudia Monteiro
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Teixeira
Filipe Guimarães Cizeron
Frederico Tomáz
Joana Correia
Jorge Barros Luís
Jorge Dourado
Luís Montanha Rebelo
Manuel Castanho
Miguel Esteves
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Medeiros
Paula Pinheiro
Paula Viegas
Paulo Amorim
Paulo Soares
Paulo Trindade
Pedro Miguel Mendes
Pedro Oliveira
Pedro Pessoa Fragoso
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Jorge Santos
Sandra Brito Pereira
Sanguini Shirish
Sara Candeias
Tânia Madeira

Other Related parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
CESource, A.C.E.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação (1)
Montepio Residências para Estudantes, S.A.
NovaCâmbios - Instituição de Pagamentos, S.A. (2)
Residências Montepio, Serviços de Saúde, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

(1) Liquidated on 13 May 2024.
(2) At 2024, NovaCâmbios - Instituição de Pagamentos, S.A. was no longer included in the list of related parties.

As at 31 December 2024, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions of guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2024							
Companies	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Garantees and commitments provided	Provisions for guarantees and commitments assumed	Total
Board of Directors	73	-	-	-	-	-	-	73
Board of Directors of Other Related Parties	620	1	-	-	-	-	-	619
Other Key Management Personnel	2 534	7	-	-	-	-	-	2 527
CESource, A.C.E.	-	-	-	-	67	-	-	67
Lusitania, Companhia de Seguros, S.A.	4	-	1 839	251	22	-	-	1 614
Moçambique Companhia de Seguros, S.A.R.L.	-	-	375	-	-	-	-	375
Montepio Geral Associação Mutualista	4	1	-	-	2 811	49	-	2 863
Montepio Gestão de Activos - S.G.O.I.C, S.A.	1	-	1	-	97	-	-	99
Residências Montepio, Serviços de Saúde, S.A.	543	3	-	-	11	750	1	1 300
	3 779	12	2 215	251	3 008	799	1	9 537

As at 31 December 2023, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions of guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2023							
Companies	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Garantees and commitments provided	Provisions for guarantees and commitments assumed	Total
Board of Directors	105	-	-	-	-	-	-	105
Board of Directors of Other Related Parties	1 903	1	-	-	-	-	-	1 902
Other Key Management Personnel	2 385	1	-	-	-	-	-	2 384
Bolsimo - Gestão de Activos, S.A.	1	-	-	-	10	-	-	11
CESource, A.C.E.	-	-	-	-	28	-	-	28
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	-	-	-	1
GreenVolt - Energias Renováveis, S.A.	41 127	84	-	-	-	-	-	41 043
Lusitania, Companhia de Seguros, S.A.	1	-	1 802	239	-	-	-	1 564
Moçambique Companhia de Seguros, S.A.R.L.	-	-	371	-	-	-	-	371
Montepio Geral Associação Mutualista	4	1	-	-	10 957	120	1	11 079
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	192	-	-	193
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	-	1 934	-	-	1 934
NovaCâmbios - Instituição de Pagamentos, S.A.	408	3	-	-	-	963	-	1 368
Residências Montepio, Serviços de Saúde, S.A.	1 024	7	-	-	24	750	1	1 790
	46 959	97	2 174	239	13 145	1 833	2	63 773

As at 31 December 2024, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2024		
Companies	Deposits from customers	Debt securities issued and Other subordinated liabilities	Total
Board of Directors	1 059	-	1 059
Board of Directors of Other Related Parties	1 353	-	1 353
Other Key Management Personnel	2 339	-	2 339
Bolsimo - Gestão de Activos, S.A.	1 228	-	1 228
Empresa Gestora de Imóveis da Rua do Prior S.A	377	-	377
Fundação Montepio Geral	3 122	-	3 122
Fundo de Pensões - Montepio Geral	6 195	3 100	9 295
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	2 113	-	2 113
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	28	-	28
Lusitania Vida, Companhia de Seguros, S.A.	15 003	-	15 003
Lusitania, Companhia de Seguros, S.A.	6 965	-	6 965
Montepio Geral Associação Mutualista	113 007	137 569	250 576
Montepio Gestão de Activos - S.G.O.I.C., S.A.	8 468	-	8 468
Montepio Residências para Estudantes, S.A:	783	-	783
Residências Montepio, Serviços de Saúde, S.A.	1 426	-	1 426
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 318	-	3 318
Sociedade Portuguesa de Administrações, S.A.	972	-	972
	167 756	140 669	308 425

As at 31 December 2023, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

Companies	2023 Deposits from customers	Debt securities issued and Other subordinated liabilities	Other liabilities	Total
Board of Directors	848	-	-	848
Board of Directors of Other Related Parties	2 286	-	-	2 286
Other Key Management Personnel	2 326	-	-	2 326
Bolsimo - Gestão de Activos, S.A.	193	-	-	193
Empresa Gestora de Imóveis da Rua do Prior S.A	398	-	-	398
Fundação Montepio Geral	2 311	-	-	2 311
Fundo de Pensões - Montepio Geral	9 211	401	-	9 612
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 751	-	-	1 751
GreenVolt - Energias Renováveis, S.A.	6 205	-	-	6 205
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	99	-	-	99
Lusitania Vida, Companhia de Seguros, S.A.	16 037	-	-	16 037
Lusitania, Companhia de Seguros, S.A.	8 828	3 051	-	11 879
Montepio Geral Associação Mutualista	129 191	212 829	6 721	348 741
Montepio Gestão de Activos - S.G.O.I.C., S.A.	7 189	-	-	7 189
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	2 000	-	-	2 000
Montepio Residências para Estudantes, S.A:	704	-	-	704
NovaCâmbios - Instituição de Pagamentos, S.A.	633	-	-	633
Residências Montepio, Serviços de Saúde, S.A.	533	-	-	533
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 628	-	-	3 628
Sociedade Portuguesa de Administrações, S.A.	1 099	-	-	1 099
	195 470	216 281	6 721	418 472

As at 31 December 2024, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Companies	2024 Interest and similar income	Interest and similar expenses	Net fee and comission income/ (expense)	Staff costs	Other operating income/ (expense)	General administrative expenses
Board of Directors	2	10	1	-	-	-
Board of Directors of Other Related Parties	20	19	2	-	-	-
Other Related Parties	72	47	4	-	-	-
Bolsimo -Gestão de Activos, S.A.	-	17	18	-	-	316
CESource, A.C.E.	-	-	-	(234)	-	-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	7	-	-	-	-
Fundação Montepio Geral	-	43	-	-	-	-
Fundo de Pensões - Montepio Geral	-	340	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	67	2 633	-	43	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	153	3 949	(27)	(2)	-
Lusitania, Companhia de Seguros, S.A.	-	357	4 933	(32)	(32)	-
Montepio Geral Associação Mutualista	-	14 517	2 779	(10 012)	846	2 058
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	229	1 778	(760)	102	-
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(65)	(132)	-
Montepio Residências para Estudantes, S.A.	-	18	1	-	-	-
NovaCâmbios - Instituição de Pagamentos, S.A.	38	3	44	-	7	-
Residências Montepio, Serviços de Saúde, S.A.	111	13	18	(128)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	105	1	-	-	-
Sociedade Portuguesa de Administrações, S. A.	-	4	-	-	-	-
	243	15 949	16 163	(11 258)	832	2 374

As at 31 December 2023, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2023					
Companies	Interest and similar income	Interest and similar expenses	Net fee and comission income/ (expense)	Staff costs	Other operating income/ (expense)	General administrative expenses
Board of Directors	3	3	1	-	-	-
Board of Directors of Other Related Parties	59	12	5	-	1	-
Other Related Parties	68	21	4	-	1	-
Bolsimo -Gestão de Activos, S.A.	40	22	15	(196)	1	300
CESource, A.C.E.	-	-	-	(415)		-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	3	-	-	-	-
Fundação Montepio Geral	-	20	1	-	-	-
Fundo de Pensões - Montepio Geral	-	174	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	18	2 399	-	-	-
GreenVolt - Energias Renovàveis, S.A.	1 399	33	3	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	73	5 118	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	91	5 188	-	5	-
Montepio Geral Associação Mutualista	3	19 263	2 805	(9 691)	3 641	1 958
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	111	1 312	(733)	107	-
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(2 237)	(3 124)	-
Montepio Residências para Estudantes, S.A.	-	6	-	-	-	-
NovaCâmbios - Instituição de Pagamentos, S.A.	36	1	53	-	8	-
Residências Montepio, Serviços de Saúde, S.A.	118	3	51	(127)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	57	1	-	-	-
Sociedade Portuguesa de Administrações, S. A.	-	5	-	-	-	-
	1 726	19 916	16 958	(13 399)	640	2 258

In financial years 2024 and 2023, there were no transactions with the Group's Pension Fund.

51 Securitization of assets

As at 31 December 2024, there was a live securitization operation, originated by Banco Montepio and Montepio Crédito jointly, and which is characterized as presented below.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determination Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operation is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Company (Sociedade de Titularização de Créditos) (Pelican Finance no. 2).

The Group does not hold any direct or indirect shareholding in the company Ares Lusitani.

The loans covered by the securitization operation referred above were not derecognized from the balance sheet as the Group retained most of the risks and rewards associated with the securitized loans. If the Group substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2024, the securitization operation realized by the Group is presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Finance no.2	December 2021	Euro	Consumer loans and other	360 301	118 164	360 301	115 879	120 729
				360 301	118 164	360 301	115 879	120 729

* Includes nominal value, accrued interest and other adjustments.

In financial year 2024, the credit securitization operations Pelican Mortgages no. 3, Pelican Mortgages no. 4 and Aqua Mortgages no. 1 were liquidated.

As at 31 December 2023, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Mortgages no. 3	March 2007	Euro	Mortgage loans	762 375	83 240	762 375	87 968	22 174
Pelican Mortgages no. 4	May 2008	Euro	Mortgage loans	1 028 600	320 836	1 028 600	353 346	-
Aqua Mortgage no. 1	December 2008	Euro	Mortgage loans	236 500	50 308	236 500	53 579	-
Pelican Finance no.2	December 2021	Euro	Consumer loans and other	360 301	177 734	360 301	174 089	174 088
				2 387 776	632 118	2 387 776	668 982	196 262

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024: *Pelican Finance n.º 2*	2024: Total	2023: *Pelican Mortgage n.º 3*	2023: *Aqua Mortgage n.º 1*	2023: *Aqua Mortgage n.º 4*	2023: *Pelican Finance n.º 2*	2023: Total
Domestic loans and advances							
Retail							
Mortgage	116 812	116 812	83 233	320 608	50 118	-	453 959
Consumer loans and other		-	-	-	-	176 716	176 716
	116 812	116 812	83 233	320 608	50 118	176 716	630 675
Credit and overdue interest							
Less than 90 days	243	243	6	85	14	47	152
More than 90 days	1 109	1 109	1	143	176	971	1 291
	1 352	1 352	7	228	190	1 018	1 443
	118 164	118 164	83 240	320 836	50 308	177 734	632 118

As a form of financing, the securitization vehicle created (Pelican Finance no. 2) issued bonds the nominal value of which is detailed below, and which were partially subscribed in the case of Pelican Finance no. 2.

The bonds held by Banco Montepio or by entities integrated in the consolidation perimeter of the Banco Montepio Group ("Interests held by the Group") are eliminated in the consolidation process for which reason they are presented below for information purposes only.

As at 31 December 2024, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	Group's interest held (nominal amount) euros	Maturity	*Rating (initial)*		*Rating (current)*	
						Fitch	DBRS	*Fitch*	DBRS
Pelican Finance n.º 2	Class A	285 400 000	91 789 762	-	2035	AA-	AA	AA	AAH
	Class B	20 700 000	6 657 491	-	2035	A	A	A	AH
	Class C	17 500 000	5 628 314	-	2035	BBB+	BBB	BBB+	BBBH
	Class D	19 300 000	6 207 226	-	2035	BB+	BH	BB+	BB
	Class E	17 400 000	5 596 152	-	2035	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.

As at 31 December 2023, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	Group's interest held (nominal amount) euros	Maturity	*Rating (initial)* (inicial)				*Rating (current)* (atual)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	79 163 483	56 989 873	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	2 043 889	2 043 889	2054	AA-	Aa2	AA-	n.a.	A+	Aa2	A+	n.a.
	Class C	12 000 000	1 721 170	1 721 170	2054	A	A3	A	n.a.	A-	A1	BBB+	n.a.
	Class D	6 375 000	914 371	914 371	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	256 116 689	256 116 689	2056	AAA	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AAA
	Class B	55 500 000	22 672 409	22 672 409	2056	AA	n.a.	n.a.	A+	AA	n.a.	n.a.	n.a.
	Class C	60 000 000	24 510 712	24 510 712	2056	A-	n.a.	n.a.	BBB	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	10 212 797	10 212 797	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	11 234 076	11 234 076	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	137 898 949	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AAH
	Class B	20 700 000	10 001 781	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	8 455 612	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	9 325 332	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	8 407 294	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	35 089 309	35 089 309	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	14 989 602	14 989 602	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Synthetic securitizations

On 21 December 2022, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. The securitization in question was structured in such a way that it could be categorized as Simple, Transparent and Standardized (STS), with same being attested by Prime Collateralized Securities (PCS). Since this is a collateralized operation, the structuring resorts to the use of a Special Purpose Vehicle (SPV) established for the purpose in Ireland. This SPV is not subject to consolidation by Banco Montepio. The legal maturity date of the operation is 29 December 2050, and the respective amount is Euro 573,689 thousand as at 31 December 2024 (31 December 2023: Euro 672,117 thousand).

On 31 May 2023, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. This new securitization is of a non-collateralized nature, having no recourse to an SPV or equivalent, thus not configuring a Simple, Transparent and Standardized (STS) operation. The legal maturity date of the operation is 4 February 2066, and the respective amount is Euro 671,444 thousand as at 31 December 2024 (31 December 2023: Euro 755,750 thousand).

On 18 December 2020, the Group contracted an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18.0% of the portfolio), junior (1.7% of the portfolio) and Synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Group transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with the Group supporting a commission of 0.3% and 4.5% (after retrocession effect) to guarantee each of the tranches, respectively. The Banco Montepio Group retained the risk of the junior tranche and of the excess spread. The legal maturity date of the operation is 25 March 2036, and the respective amount is Euro 248,315 thousand as at 31 December 2023. This operation had an average maturity of 2.85 years, having been liquidated in August 2024.

The operations in question are aimed at strengthening the CET1 ratio, not generating any increase in liquidity, with only the prudential effects being captured. In these operations there was no sale of loans to third parties, with there being no transfer of collections.

With these operations, the Group reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio without, however, the accounting derecognition of the financial assets. Thus, as most of the risks and benefits associated with the loans in question were not transferred, the financial assets' derecognition criteria defined in the accounting policy presented in 1 c.9.) above are not met.

52 Balance Sheet and income statement indicators by operational and geographic segments

The segmental reporting is presented in accordance with IFRS 8. In compliance with the Group's management model, the disclosed segments correspond to the segments used for management purposes by the Board of Directors. The Group develops banking and financial services activities in Portugal and abroad, with a special focus on the domestic market through the following business segments: Retail, Social Economy, and Corporate and Investment Banking.

Products and services include the entire offer inherent in the universal banking activity, namely deposit taking, credit concession and the provision of financial and custodianship services to Companies and Individuals, as well as the trading of investment funds and life and non-life insurance. Additionally, the Group executes short, medium- and long-term investments in the financial and currency markets to take advantage of price variations or as a mean to obtain returns on its available financial resources.

As at 31 December 2024, the Banco Montepio Group had a domestic network of 225 branches (31 December 2023: 232 branches).

The information by operating segments as at 31 December 2024 reflects the organizational and management model of the Banco Montepio Group, which follows the approved strategic guidance. The control over the performance of the activities carried out by the Group follows the allocation between the operating segments, with the respective management information considering the accounting policies underlying the preparation of the financial statements, as well as the internal management criteria. It is the responsibility of the Strategic Planning and Control Directorate to develop, produce and report management information related to the performance of the various operating segments and the respective control in relation to the objectives defined, reporting hierarchically to the Chief Financial Officer (CFO). The Executive Committee monitors the performance of the operating segments of the internal organizational model in a timely manner, as well as that of the respective budgetary control. The management information is reported to the Executive Committee and to the Board of Directors according to the model established, as well as to the competent organic units.

In evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Banking, which includes the sub segments of Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and Micro businesses;

2) Social Economy, which incorporates the customers allocated to the Social Economy and Public Sector business areas;

3) Specialized credit, which includes the consumer credit business primarily developed by the subsidiary Montepio Crédito;

4) Corporate and Investment Banking, which includes the Large Companies, the Small and Medium Enterprises allocated to this segment and the Financial Institutions, as well as the activity developed in the Investment Banking area;

5) International Activity, incorporating the contribution of Finibanco Angola, presented in the financial statements as a Discontinued Operation until 30 June 2023;

6) Markets, which includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding;

7) Non-core, which includes the operations related to the management of real estate held for trading and of non-performing loans; and

8) Other segments, which group the operations not included in the other segments. Each segment is allocated the Group's structures that are directly or indirectly dedicated to same, as well as the autonomous units of the Group which activity is also imputed.

Description of the operating segments

On a consolidated basis, each of the reportable segments includes income and costs related to the following activities, products, customers, and Group structures:

Retail Banking

This operating segment corresponds to all the activity developed by the Group in Portugal with Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and micro businesses, commercially designated as the Individuals and Small Businesses segment, fundamentally originated by the branch network, electronic channels and promotor network. The financial information of this segment includes, among others, products and services, such as mortgage loans, individual and consumer credit, credit to Companies of the Retail segment, demand and term deposits and other savings applications, retirement solutions products, namely PPRs, debit and credit cards, account management and electronic payment services, and investment fund placement, securities' trading and custodianship services, as well as insurance brokerage and non-financial services.

Social Economy

This operating segment reinforces the Group's role while agent of reference of the Social Economy, in the market and with the different stakeholders, incorporating the activity related to the Social Economy and Public Sector business areas.

Specialized Credit

This operating segment highlights one of the cornerstones of the Transformation Plan, reflecting the focus on consumer credit. This segment reflects the activity developed by Montepio Crédito.

Corporate and Investment Banking

This operating segment includes the activity developed by the Group with Small, Medium and Large companies, through the commercial structure dedicated to this segment. It also includes the institutional customers' business, namely the financial sector. Of note among the products and services provided are treasury and investment financing, commercial discounting, provision of guarantees, leasing, factoring, renting, foreign operations, such as documentary credits, cheques and remittances, deposits, payment and reception services, cards, as well as custodianship services.

The Corporate Banking business includes the Corporate segment in Portugal which operates, in the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group Companies.

In addition, this operating segment includes the activity developed in the Investment Banking area by Banco de Empresas Montepio ("BEM") until 28 November 2023, date on which this activity was transferred to Banco Montepio.

Markets

This segment includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding.

Non-core

This segment includes operations related to the management of properties held for trading and non-performing loans.

Other segments

This segment includes all the support activity developed in respect of the main activities constituting the core business of the segments mentioned above. The interest rate, foreign exchange, liquidity and other risks, excluding credit risk, are imputed to this segment.

Allocation criteria of the results to the segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information on which decisions are made in the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related to the operating segments are consistent with those used in the preparation of the financial statements, which are described in note 1, with the following principles having been adopted:

Measurement of segmental profit or loss

The Group uses the net income/(loss) as a measure of the profits or losses to evaluate the performance of each operating segment.

Autonomous operating units

As mentioned above, each autonomous operating unit is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the primary business developed by same, their assets, liabilities, income and expenses are included in the corresponding Operating Segments.

Group structures dedicated to the segment

The Group's activity covers practically all the operating segments and is, therefore, broken down accordingly.

In preparing the financial information, the following criteria are used:

(i) The operations are allocated to each business segment in function of their origination by the commercial structures, even if, at a later date, and as an example, it is decided to securitize some of the assets originated in same;

(ii) The calculation of the net interest income is performed considering the business negotiated with customers and other counterparties recognized in each one of the segments, taking into account the respective associated interest rates. In addition, the Group applies a liquidity premium, previously defined and subject to periodic review, related to the activity of raising funds and financing between business areas;

(iii) The determination of the net interest income also considers the impact of the transfer of the assets and liabilities of each product/segment to a pool, which balances these and adjusts the respective interest, considering the market interest rates at each moment, namely, Euribor for the different periods;

(iv) The allocation of the direct costs of the respective structures dedicated to each segment;

(v) The allocation of the indirect costs (central support and IT services), in function of previously defined criteria;

(vi) The allocation of credit risk is performed in accordance with the impairment model used by the Group; and

(vii) The allocation of the tax burden to the operating segments results, with the exception of the international activity, from the application of the marginal tax rate of 30.5% to the profit before tax, with the remainder of the tax amount recognized in the income statement being allocated to the other segments.

Operations between the legally autonomous units of the Group are realized at market prices. The price of intersegment services, namely the prices established for internal funding, is determined by the adjustment system through the above-mentioned pool (with prices varying in accordance with the strategic relevance of the product and the equilibrium of the structures funding and lending functions). The remaining services are allocated to the segments in accordance with predefined criteria.

The interest rate, exchange rate, liquidity and other risks, except for credit risk, are included in the segment Other Segments.

Interest and similar income/expense

Since the Group's consolidated activity is, essentially, related to the banking business, the greater part of the income generated results from the difference between the interest earned on its assets and the interest borne with the funding it secures. This situation, and the fact that the activity of the segments represents the direct business developed by the business units for each product, means that the revenue of the intermediation activity is presented, as permitted by IFRS 8 (23), at the net interest value under the designation of Net Interest Income.

Investments presented according to the equity method

Investments in associates presented according to the equity method are included in the segment designated Operations of other Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets in the segment in which they are mostly used.

Assets and liabilities for post-employment benefits

Considering that the factors that influence both the amount of the liabilities and of the assets of the Group's Pension Fund correspond, fundamentally, to variables external to the management of each segment, the Group considers that said impacts should not influence the performance of the Operating Segments which activities are carried out with customers.

Domestic and International Areas

As at 31 December 2023, in the disclosure of financial information by geographical areas, the operating unit integrating the International Area is Finibanco Angola, S.A. (operation fully disposed of on 28 August 2023).

The financial and economic elements related to the international area are those presented in the financial statements.

Restatement of previously reported information

Information relating to prior periods is restated whenever updates are observed in the Group's organizational and management model capable of altering the composition of the reportable segments (geographic and operational) or when there are relevant changes in the methodology for allocating indirect income and expenses, allowing to ensure the comparability of the information reported.

In financial year 2024, the Group updated the process for calculating and reporting the financial margin of the operating segments, by applying the liquidity premium, as described in the paragraphs above. Therefore, the reporting by operating segments on 31 December 2023 was subject to restatement, in accordance with the requirements set forth in IFRS 8.

As at 31 December 2024, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated								
	Commercial Banking				Investment Banking	Markets	Non-Core segments	Other segments	Total
	Retail	Social Economy	Specialized credit	Subtotal					
Interest and similar income	735 218	45 867	27 827	**808 912**	196 335	82 254	15 136	(407 998)	**694 639**
Interest and similar expense	368 274	25 628	31 401	**425 303**	103 836	82 809	9 529	(311 230)	**310 247**
NET INTEREST INCOME	**366 944**	**20 239**	**(3 574)**	**383 609**	**92 499**	**(555)**	**5 607**	**(96 768)**	**384 392**
Dividends from equity instruments	-	-	-	**-**	-	-	-	1 151	**1 151**
Net fee and commission income	107 068	2 372	3 024	**112 464**	17 978	959	886	(4 480)	**127 807**
Net gains/(losses) arising from financing operations	-	-	6 888	**6 888**	-	2 477	-	(6 825)	**2 540**
Other operating income/(expense)	839	(246)	(1 401)	**(808)**	(1 071)	(2 558)	4 756	(17 078)	**(16 759)**
OPERATING INCOME	**474 851**	**22 365**	**4 937**	**502 153**	**109 406**	**323**	**11 249**	**(124 000)**	**499 131**
Staff costs	59 844	2 873	7 973	**70 690**	7 797	3 507	4 201	76 128	**162 323**
General and administrative expenses	18 855	431	3 884	**23 170**	1 440	3 956	1 395	43 748	**73 709**
Depreciation and amortization	1 438	4	500	**1 942**	9	1	1	43 533	**45 486**
OPERACIONAL COSTS	**80 137**	**3 308**	**12 357**	**95 802**	**9 246**	**7 464**	**5 597**	**163 409**	**281 518**
Total provisions and impairment	(869)	(730)	790	**(809)**	(1 953)	1 214	43 193	10 493	**52 138**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	570	**570**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**395 583**	**19 787**	**(8 210)**	**407 160**	**102 113**	**(8 355)**	**(37 541)**	**(297 332)**	**166 045**
Taxes	98 896	4 947	(1 412)	**102 431**	25 657	(1 966)	(8 718)	(61 246)	**56 158**
NET INCOME/LOSS	**296 687**	**14 840**	**(6 798)**	**304 729**	**76 456**	**(6 389)**	**(28 823)**	**(236 086)**	**109 887**
Assets	8 007 514	303 196	-	**8 310 710**	2 985 321	5 570 247	449 524	1 098 976	**18 414 778**
Liabilities	12 120 533	948 170	-	**13 068 703**	1 296 005	1 467 496	-	908 215	**16 740 419**
Investments in associated companies	-	-	-	**-**	-	4 535	-	-	**4 535**

The preparation of the segmental reporting follows the logic of the contribution to the consolidation, with the reportable segments excluding the respective intercompany balances, identified in note 50.

As at 31 December 2023, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated									
	Banca comercial									
	Retail	Social Economy	Specialized credit	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	484 277	24 947	24 989	**534 213**	163 229	-	51 647	17 973	(168 600)	**598 462**
Interest and similar expense	182 483	12 998	27 205	**222 686**	70 797	-	98 945	8 522	(210 594)	**190 356**
NET INTEREST INCOME	**301 794**	**11 949**	**(2 216)**	**311 527**	**92 432**	**-**	**(47 298)**	**9 451**	**41 994**	**408 106**
Dividends from equity instruments	-	-	-	**-**	-	-	-	-	873	**873**
Net fee and commission income	104 583	2 108	3 125	**109 816**	19 909	-	1 127	46	(3 938)	**126 960**
Net gains/(losses) arising from financing operations	-	-	8 874	**8 874**	(1 094)	-	(25 420)	-	(8 813)	**(26 453)**
Other operating income/(expense)	681	(144)	(836)	**(299)**	(939)	-	(2 571)	6 445	(8 239)	**(5 603)**
OPERATING INCOME	**407 058**	**13 913**	**8 947**	**429 918**	**110 308**	**-**	**(74 162)**	**15 942**	**21 877**	**503 883**
Staff costs	59 225	2 740	6 900	**68 865**	9 292	-	3 573	4 529	67 468	**153 727**
General and administrative expenses	16 202	357	3 704	**20 263**	2 306	-	3 198	1 225	37 162	**64 154**
Depreciation and amortization	1 028	4	600	**1 632**	399	-	1	2	35 881	**37 915**
OPERACIONAL COSTS	**76 455**	**3 101**	**11 204**	**90 760**	**11 997**	**-**	**6 772**	**5 756**	**140 511**	**255 796**
Total provisions and impairment	750	482	1 020	**2 252**	696	-	1 165	64 490	(2 854)	**65 749**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	-	550	**550**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**329 853**	**10 330**	**(3 277)**	**336 906**	**97 615**	**-**	**(82 099)**	**(54 304)**	**(115 230)**	**182 888**
Taxes	82 463	2 583	(540)	**84 506**	24 376	-	(14 989)	(13 044)	(30 536)	**50 313**
Non-controlling interests	-	-	-	**-**	-	1 742	-	-	-	**1 742**
Net income/(loss) from discontinued operations	-	-	-	**-**	-	(102 467)	-	-	-	**(102 467)**
NET INCOME/LOSS	**247 390**	**7 747**	**(2 737)**	**252 400**	**73 239**	**(104 209)**	**(67 110)**	**(41 260)**	**(84 694)**	**28 366**
Assets	7 621 993	272 252	-	**7 894 245**	2 891 088	-	5 485 487	643 337	1 075 298	**17 989 455**
Liabilities	11 105 646	832 725	-	**11 938 371**	925 213	-	2 730 424	-	828 976	**16 422 984**
Investments in associated companies	-	-	-	**-**	-	-	4 702	-	-	**4 702**

The caption Net gains/(losses) from discontinued operations includes the contribution of Finibanco Angola, S.A., which impacts on the various captions of the Income Statement are presented in note 58.

As at 31 December 2024, the net contribution both to the income statement as well as to the balance sheet corresponds, in its entirety, to the domestic activity.

As at 31 December 2023, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity - Domestic	Activity - International	Total
Interest and similar income	598 462	-	598 462
Interest and similar expense	190 869	(513)	190 356
Inter-Segment	513	(513)	-
Net interest income	408 106	-	408 106
Dividends from equity instruments	873	-	873
Net fee and commission income	126 960	-	126 960
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(6 324)	-	(6 324)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	137	-	137
Net gains/(losses) arising from foreign exchange differences	(20 266)	-	(20 266)
Net gains/(losses) arising from sale of other financial assets	11 710	-	11 710
Other operating income/(expense)	(17 313)	-	(17 313)
Operating income	503 883	-	503 883
Staff costs	153 727	-	153 727
General and administrative expenses	64 154	-	64 154
Depreciation and amortization	37 915	-	37 915
	255 796	-	255 796
Impairment of loans and advances to customers to credit	49 623	-	49 623
Impairment of other financial assets	1 167	-	1 167
Impairment of other assets	24 021	-	24 021
Other provisions	(9 062)	-	(9 062)
Operating profit/(loss)	182 338	-	182 338
Share of profit/(loss) of associated companies under the equity method	550	-	550
Profit/(loss) before taxes and non-controlling interests	182 888	-	182 888
Current taxes	(1 465)	-	(1 465)
Deferred taxes	51 778	-	51 778
Profits/(losses) from discontinued operations	-	(102 467)	(102 467)
Non-controlling interests	-	1 742	1 742
Consolidated net income/(loss) for the financial year attributable to the Shareholders	132 575	(104 209)	28 366

As at 31 December 2024, the net contribution to the balance sheet corresponds, in its entirety, to the domestic activity.

53 Risk management

Objectives of the Risk Management Policy

The Group is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and

Pension Fund risks. Additionally, the Group is subject to other non-financial risks, namely operating, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of the Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of the Group. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Directorate, the unit responsible for the Risk Management Function of the Group, which regularly informs the Management (elsewhere also "Board of Directors") and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Group's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a delegated non-executive body of the Board of Directors with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of the Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to guarantee the coverage of potential losses resulting from the activity, as well as an optimized balance sheet structure that ensures a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

The Group has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

The Group's Risk Management Policy is the norm that regulates the entire monitoring and control process of risk matters and densifies the activities to be developed by the Bank that assure the adequacy of internal and regulatory capital, considering the business strategy defined.

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Directorate is responsible for promoting that all Group Companies implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio Risk Management Function, in the Banco Montepio Group's Risk Management Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Directorate is responsible for monitoring the risk management activity of Group Companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Directorate is more effective and efficient.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and also, whenever possible, the level of recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Sole traders ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the guidelines of the Supervisors (higher decision levels) in terms of prudential requirements.

The derogation of the response of scoring systems, internal ratings, and internal price lists is allowed, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Directorate, a body independent of the commercial structure. The Risk Directorate is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio Group's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

The Banco Montepio Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 c.

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 10%: impact of 0.98% of total impairment of the loan portfolio; and
2. Macroeconomic projection improvement scenario of 10%: impact of -0.94% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.71% of total impairment of the loan portfolio; and
2. Parameter improvement scenario of 5%: impact of -7.51% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2024	2025	2026	2027	2028
Unemployment Rate (2)					
Base Scenario	6.24%	5.60%	5.23%	5.07%	4.92%
Worst-case Scenario	6.24%	7.57%	7.08%	6.22%	5.40%
Best-case Scenario	6.24%	5.23%	4.89%	4.82%	4.79%
GDP Growth Rate (2)					
Base Scenario	1.86%	2.06%	1.82%	1.47%	1.24%
Worst-case Scenario	1.86%	-3.29%	2.34%	2.53%	1.35%
Best-case Scenario	1.86%	4.07%	1.58%	1.34%	1.24%
3-Month Euribor Interest Rate (1)					
Base Scenario	3.01%	2.20%	2.25%	2.31%	2.36%
Worst-case Scenario	3.01%	0.78%	0.69%	0.71%	0.75%
Best-case Scenario	3.01%	2.45%	2.25%	2.31%	2.36%
Housing Price Index Growth Rate (2)					
Base Scenario	13.48%	6.90%	2.84%	2.17%	1.84%
Worst-case Scenario	13.48%	-6.56%	3.13%	8.95%	4.08%
Best-case Scenario	13.48%	9.31%	2.53%	1.51%	1.77%
Growth Rate of Disposable Income Per Capita (1)					
Base Scenario	7.99%	1.61%	2.04%	1.04%	1.06%
Worst-case Scenario	7.99%	-1.15%	0.59%	1.91%	1.50%
Best-case Scenario	7.99%	2.82%	2.44%	0.94%	0.98%
Growth Rate of Exports of Goods and Services (2)					
Base Scenario	3.92%	2.75%	3.05%	3.15%	3.58%
Worst-case Scenario	3.92%	-3.04%	1.81%	3.69%	3.78%
Best-case Scenario	3.92%	5.19%	3.97%	3.65%	4.07%
Growth Rate of Family Comsumption (2)					
Base Scenario	1.76%	1.84%	0.09%	0.58%	0.50%
Worst-case Scenario	1.76%	-5.01%	0.26%	1.52%	1.35%
Best-case Scenario	1.76%	3.42%	0.56%	0.56%	0.23%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: National Institute of Statistics; Projections: Moody's Analytics

The Group's credit risk exposure can be analysed as follows:

(Euro thousand)

	2024	2023
Loans and deposits at credit institutions payable on demand	49 769	61 041
Other loans and advances to credit institutions	138 230	178 902
Loans and advances to customers	11 945 005	11 453 259
Financial assets held for trading	23 333	16 320
Financial assets at fair value through profit or loss	9 600	8 653
Financial assets at fair value through other comprehensive income	278 526	24 785
Hedging derivatives	30 257	6 174
Other financial assets at amortized cost	3 473 704	3 878 848
Other assets	36 631	63 752
Guarantees granted	512 283	519 196
Irrevocable credit lines	759 312	638 083
Revocable credit lines	846 444	904 721
	18 103 094	17 753 734

The analysis of the main credit risk exposures by sector of activity, for financial year 2024, can be analysed as follows:

(Euro thousand)

2024																
Activity	Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees provided	Irrevocable lines of credit	Revocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value			Provisions
Corporate																
Agriculture, forestry and fishing	-	-	-	122 993	5 179	-	-	-	-	-	-	-	783	5 962	6 151	50
Extractive Industries	-	-	-	12 964	963	-	-	-	-	-	7 580	2	2 247	1 872	747	6
Manufacturing industries	-	-	-	993 865	39 158	-	7	-	-	-	14 778	6	17 865	120 159	67 392	888
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	211 951	1 501	-	-	-	-	-	36 923	38	616	24 797	241	24
Water supply	-	-	-	56 045	819	-		-	-	-	-	-	2 628	11 216	1 446	183
Construction	-	-	-	374 681	13 090	-	159	-	-	-	-	-	142 701	134 290	100 474	4 316
Wholesale and retail trade	-	-	-	768 835	30 405	-	5 652	-	-	-	17 081	3	48 816	130 650	69 531	751
Transport and storage	-	-	-	313 831	9 514	-	-	-	-	-	-	-	4 776	15 817	17 791	260
Accommodation and catering activities	-	-	-	556 198	12 872	-	-	-	-	-	-	-	19 665	20 008	28 170	210
Information and Communication	-	-	-	47 593	2 241	-	-	-	-	-	-	-	7 031	31 657	4 366	69
Financial and insurance activities	49 769	139 270	1 040	360 296	4 735	23 333	713	1 839	251	30 257	105 846	12	206 072	37 361	7 803	97
Real estate activities	-	-	-	498 548	28 170	-	56	-	-		2 735	1	11 079	93 136	26 528	550
Consulting, scientific, technical and similar	-	-	-	382 304	5 406	-	3 013	-	-	-	-	-	25 884	70 846	25 172	217
Administrative and supporting service activities	-	-	-	111 666	2 711	-	-	-	-	-	1 000	1	7 604	17 717	10 897	108
Public administration and defence, compulsory social security	-	-	-	35 924	286	-	-	272 403	317	-	3 289 493	4 659	85	1 050	7 700	3
Education	-	-	-	62 787	1 397	-	-	-	-	-	-	-	197	7 243	4 740	68
Healthcare services and social support	-	-	-	340 252	7 053	-	-	4 320	25	-	3 008	18	2 287	22 092	52 973	92
Artistic activities, shows and recreational	-	-	-	43 599	1 594	-	-	-	-	-	-	-	5 654	7 493	2 194	24
Other services	-	-	-	97 418	2 613	-	-	-	-	-	-	-	4 568	5 946	6 544	50
Retail																
Mortgage Loans	-	-	-	6 030 863	21 603	-	-	558	1	-	-	-	-	-	-	-
Others	-	-	-	739 283	22 581	-	-	-	-	-	-	-	1 725	-	405 584	2 894
	49 769	**139 270**	**1 040**	**12 161 896**	**213 891**	**23 333**	**9 600**	**279 120**	**594**	**30 257**	**3 478 444**	**4 740**	**512 283**	**759 312**	**846 444**	**10 860**

The analysis of the main credit risk exposures by sector of activity, for financial year 2023, can be analysed as follows:

(milhares de euros)

2023																	
Activity	Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss		Hedging derivatives	Other financial assets at amortised cost		Investments in associated companies	Guarantees provided	Irrevocable lines of credit	Revocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Book value	Impairment	Book value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Book value	Off-balance sheet value			Provisions
Corporate																	
Agriculture, forestry and fishing	-	-	-	135 169	2 644	-	-	-	-	-	-	-	-	808	5 127	6 627	52
Extractive Industries	-	-	-	14 338	859	501	-	-	-	-	5 026	1	-	1 394	2 266	1 482	11
Manufacturing industries	-	-	-	1 088 778	37 534	-	50	-	-	-	4 714	16	-	34 078	116 700	103 229	1 244
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	123 078	5 018	-	-	-	-	-	14 689	24	-	362	16 068	239	10
Water supply	-	-	-	62 121	1 461	-	-	-	-	-	-	-	-	2 217	9 431	3 015	84
Construction	-	-	-	395 323	23 667	-	200	-	-	-	-	-	-	136 157	94 538	104 989	4 443
Wholesale and retail trade	-	-	-	823 379	29 946	-	5 314	-	-	-	12 983	3	-	54 222	145 780	82 194	1 009
Transport and storage	-	-	-	350 422	9 690	-	-	-	-	-	3 109	-	-	5 315	19 350	21 215	163
Accommodation and catering activities	-	-	-	517 717	13 600	-	-	-	-	-	-	-	4 028	13 228	23 370	20 447	164
Information and Communication	-	-	-	47 009	1 074	-	-	-	-		-	-	-	2 166	23 995	4 765	92
Financial and insurance activities	61 041	179 950	1 048	387 318	43 456	15 819	-	1 802	239	6 174	501		-	205 308	19 200	10 555	85
Real estate activities	-	-	-	526 027	29 883	-	65	-	-	-	2 683	2	-	16 754	79 253	25 723	1 164
Consulting, scientific, technical and similar	-	-	-	319 042	6 856	-	3 012	-	-	-	-	-	-	23 809	33 508	30 252	198
Administrative and supporting service activities	-	-	-	120 194	1 915	-	-	-	-	-	-	-	674	6 408	14 919	14 438	123
Public administration and defence, compulsory social security	-	-	-	24 355	619	-	-	18 336	40	-	3 841 300	6 111	-	75	896	1 436	5
Education	-	-	-	61 972	1 211	-	-	-	-	-	-	-	-	192	3 891	4 549	43
Healthcare services and social support	-	-	-	325 601	8 166	-	-	4 332	25	-	-	-	-	4 056	14 641	64 006	387
Artistic activities, shows and recreational	-	-	-	49 030	1 650	-	-	-	-	-	-	-	-	7 489	5 185	6 605	24
Other services	-	-	-	94 947	3 001	-	12	-	-	-	-	-	-	3 013	9 965	7 958	73
Retail						-											
Mortgage Loans	-	-	-	5 541 139	33 273	-	-	619	-	-	-	-	-	-	-	-	-
Others	-	-	-	727 255	25 432	-	-	-	-	-	-	-	-	2 145	-	390 997	988
	61 041	**179 950**	**1 048**	**11 734 214**	**280 955**	**16 320**	**8 653**	**25 089**	**304**	**6 174**	**3 885 005**	**6 157**	**4 702**	**519 196**	**638 083**	**904 721**	**10 362**

The Group's total credit exposure, which includes the caption Loans and advances to customers, the guarantees and standby letters provided in the aggregate amount of Euro 512,283 thousand (31 December 2023: Euro 519,196 thousand), the irrevocable credit facilities amounting to Euro 759,312 thousand (31 December 2023: Euro 638,083 thousand) and the revocable credit facilities in the amount of Euro 846,444 thousand (31 December 2023: Euro 904,721 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	2024			2023		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Collective analysis	**14 005 686**	**179 937**	**13 825 749**	**13 243 159**	**189 568**	**13 053 591**
Stage 1	11 780 287	36 020	11 744 267	10 864 106	27 285	10 836 821
Stage 2	2 029 061	66 808	1 962 253	2 152 775	71 895	2 080 880
Stage 3	196 338	77 109	119 229	226 278	90 388	135 890
Individual analysis	**274 249**	**47 814**	**226 435**	**552 875**	**101 749**	**451 126**
Stage 1	94 826	825	94 001	189 512	2 040	187 472
Stage 2	64 563	5 469	59 094	148 457	10 580	137 877
Stage 3	114 860	41 520	73 340	214 906	89 129	125 777
	14 279 935	**227 751**	**14 052 184**	**13 796 034**	**291 317**	**13 504 717**

As at 31 December 2024 and 2023, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

	2024			2023		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Amortized cost (AC)	**3 478 444**	**4 740**	**3 473 704**	**3 885 005**	**6 157**	**3 878 848**
Stage 1	3 478 444	4 740	3 473 704	3 885 005	6 157	3 878 848
Fair value (FVOIC)	**279 120**	**594**	**278 526**	**25 089**	**304**	**24 785**
Stage 1	277 174	343	276 831	23 287	65	23 222
Stage 2	1 946	251	1 695	1 802	239	1 563
Loans to credit institutions	**139 270**	**1 040**	**138 230**	**179 950**	**1 048**	**178 902**
Stage 1	135 397	1 022	134 375	179 506	1 035	178 471
Stage 2	3 873	18	3 855	444	13	431
	3 896 834	**6 374**	**3 890 460**	**4 090 044**	**7 509**	**4 082 535**

As at 31 December 2024 and 2023, the transfer between Stages, related to the gross amount of Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Gross value at beginning of the year	3 885 005	-	3 885 005	4 120 289	5 791	4 126 080
Exposure of new net derecognition credits, refunds and other variations	(406 561)	-	(406 561)	(235 284)	(5 791)	(241 075)
Gross value at the end of financial year	3 478 444	-	3 478 444	3 885 005	-	3 885 005

As at 31 December 2024 and 2023, the transfer between Stages, related to Impairment losses of Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at beginning of the year	6 157	-	6 157	6 051	642	6 693
Exposure of new net derecognition credits, refunds and other variations	(1 417)	-	(1 417)	106	(642)	(536)
Impairment loss at the end of the year	4 740	-	4 740	6 157	-	6 157

As at 31 December 2024 and 2023, the transfer between Stages, related to the gross amount of Financial assets at fair value through other comprehensive income, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at beginning of the year	23 287	1 802	25 089	74 520	2 284	76 804
Transfer to stage 1	-	-	-	(119)	119	-
Transfer to stage 2	106	(106)	-	-	-	-
Exposure of new net derecognition credits, refunds and other variations	253 781	250	254 031	(51 114)	(601)	(51 715)
Gross value at the end of financial year	277 174	1 946	279 120	23 287	1 802	25 089

As at 31 December 2024 and 2023, the transfer between Stages, related to Impairment losses of Financial assets at fair value through other comprehensive income, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at beginning of the year	65	239	304	181	371	552
Transfer to stage 1	-	-	-	(14)	14	-
Exposure of new net derecognition credits, refunds and other variations	278	12	290	(102)	(146)	(248)
Impairment loss at the end of the year	343	251	594	65	239	304

As at 31 December 2024 and 2023, the transfer between Stages, related to the gross amount of Loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at beginning of the year	179 506	444	179 950	106 366	17	106 383
Transfer to stage 2	(3 285)	3 285	-	-	-	-
Exposure of new net derecognition credits, refunds and other variations	(40 823)	143	(40 680)	73 140	427	73 567
Gross value at the end of financial year	135 397	3 873	139 270	179 506	444	179 950

As at 31 December 2024 and 2023, the transfer between Stages, related to Impairment losses of Loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	2024			2023		
	Impairment loss					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss at beginning of the year	1 035	13	1 048	7	-	7
Exposure of new net derecognition credits, refunds and other variations	(13)	5	(8)	1 028	13	1 041
Impairment loss at the end of financial year	1 022	18	1 040	1 035	13	1 048

As at 31 December 2024 and 2023, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	2024			2023		
Segment	Grosse value	Impairment	Net value	Grosse value	Impairment	Net value
Retail	**7 176 250**	**50 059**	**7 126 191**	**6 660 323**	**59 668**	**6 600 655**
Mortgage loans	6 130 417	24 584	6 105 833	5 627 991	33 234	5 594 757
Stage 1	5 119 771	1 350	5 118 421	4 622 655	1 569	4 621 086
Stage 2	957 341	10 247	947 094	956 272	20 054	936 218
Stage 3	53 305	12 987	40 318	49 064	11 611	37 453
Consumer credit	773 418	20 650	752 768	762 440	24 261	738 179
Stage 1	697 759	3 252	694 507	673 759	2 786	670 973
Stage 2	50 550	3 418	47 132	56 029	4 596	51 433
Stage 3	25 109	13 980	11 129	32 652	16 879	15 773
Credit cards	272 415	4 825	267 590	269 892	2 173	267 719
Stage 1	257 661	3 755	253 906	248 870	864	248 006
Stage 2	13 135	356	12 779	18 131	267	17 864
Stage 3	1 619	714	905	2 891	1 042	1 849
Corporate	**6 829 436**	**129 878**	**6 699 558**	**6 582 836**	**129 900**	**6 452 936**
Non-Construction	6 108 730	118 671	5 990 059	5 948 428	114 521	5 833 907
Stage 1	5 128 111	26 057	5 102 054	4 851 036	20 400	4 830 636
Stage 2	893 243	46 975	846 268	996 124	43 053	953 071
Stage 3	87 376	45 639	41 737	101 268	51 068	50 200
Construction	720 706	11 207	709 499	634 408	15 379	619 029
Stage 1	576 984	1 606	575 378	467 786	1 665	466 121
Stage 2	114 793	5 813	108 980	126 219	3 926	122 293
Stage 3	28 929	3 788	25 141	40 403	9 788	30 615
	14 005 686	**179 937**	**13 825 749**	**13 243 159**	**189 568**	**13 053 591**

As at 31 December 2024 and 2023, impairment is detailed as follows:

(Euro thousand)

	2024						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	273 043	47 794	6 829 437	129 879	7 102 480	177 673	6 924 807
Retail - mortgage loans	1 206	20	6 130 417	24 583	6 131 623	24 603	6 107 020
Retail - other loans	-	-	1 045 832	25 475	1 045 832	25 475	1 020 357
	274 249	47 814	14 005 686	179 937	14 279 935	227 751	14 052 184

(Euro thousand)

	2023						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	551 680	101 708	6 582 837	129 901	7 134 517	231 609	6 902 908
Retail - mortgage loans	1 195	41	5 627 991	33 233	5 629 186	33 274	5 595 912
Retail - other loans	-	-	1 032 331	26 434	1 032 331	26 434	1 005 897
	552 875	101 749	13 243 159	189 568	13 796 034	291 317	13 504 717

As at 31 December 2024, the transfer between Stages, related to gross Loans and advances to customers is presented as follows:

(Euro thousand)

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross value at beginning of the year	11 053 618	2 301 232	441 184	13 796 034
Transfer to stage 1	662 675	(647 495)	(15 180)	-
Transfer to stage 2	(658 960)	683 011	(24 051)	-
Transfer to stage 3	(38 261)	(64 139)	102 400	-
Write-Offs	(261)	(2 499)	(93 388)	(96 148)
Exposure of new net derecognition credits, refunds and other variations	856 302	(176 485)	(99 768)	580 049
Gross value at the end of financial year	11 875 113	2 093 625	311 197	14 279 935

As at 31 December 2023, the transfer between Stages, related to gross loans and advances to customers is presented as follows:

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross value at beginning of the year	10 938 081	2 451 355	769 136	14 158 572
Transfer to stage 1	831 100	(818 322)	(12 778)	-
Transfer to stage 2	(870 956)	931 575	(60 619)	-
Transfer to stage 3	(51 980)	(77 120)	129 100	-
Write-Offs	(30)	(3 910)	(127 388)	(131 328)
Exposure of new net derecognition credits, refunds and other variations	207 403	(182 346)	(256 267)	(231 210)
Gross value at the end of financial year	11 053 618	2 301 232	441 184	13 796 034

As at 31 December 2024, the transfer between Stages, related to Impairment losses of Loans and advances to customers is presented as follows:

(Euro thousand)

	2024			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at beginning of the year	29 325	82 475	179 517	291 317
Transfer to stage 1	2 328	(2 219)	(109)	-
Transfer to stage 2	(21 915)	23 042	(1 127)	-
Transfer to stage 3	(16 128)	(23 326)	39 454	-
Write-Offs	(261)	(2 499)	(93 388)	(96 148)
Exposure of new net derecognition credits, refunds and other variations	43 496	(5 196)	(5 718)	32 582
Impairment loss at the end of the year	36 845	72 277	118 629	227 751

As at 31 December 2023, the transfer between Stages, related to Impairment losses of Loans and advances to customers is presented as follows:

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at beginning of the year	13 416	72 378	288 240	374 034
Transfer to stage 1	2 688	(2 614)	(74)	-
Transfer to stage 2	(30 890)	34 605	(3 715)	-
Transfer to stage 3	(15 043)	(25 808)	40 851	-
Write-Offs	(30)	(3 910)	(127 388)	(131 328)
Exposure of new net derecognition credits, refunds and other variations	59 184	7 824	(18 397)	48 611
Impairment loss at the end of the year	29 325	82 475	179 517	291 317

As at 31 December 2024 and 2023, the fair value analysis of collaterals associated with the Group's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collateral	2024	2023
Individual analysis		
Securities and other financial assets	18 028	18 786
Real Estate - Construction and CRE	185 157	213 360
Other real estate	151 038	367 207
Other guarantees	69 658	108 464
Collective analysis - Stage 1		
Securities and other financial assets	798 541	861 359
Real Estate - Mortgage loans	11 880 737	10 746 489
Real Estate - Construction and CRE	2 052 481	1 661 021
Other real estate	2 179 652	1 736 434
Other guarantees	1 031 918	822 872
Collective analysis - Stage 2		
Securities and other financial assets	253 033	345 660
Real Estate - Mortgage loans	2 057 314	2 048 096
Real Estate - Construction and CRE	327 497	361 663
Other real estate	537 309	550 260
Other guarantees	73 379	53 824
Collective analysis - Stage 3		
Securities and other financial assets	30 108	28 280
Real Estate - Mortgage loans	121 950	118 103
Real Estate - Construction and CRE	24 754	41 746
Other real estate	46 907	72 289
Other guarantees	14 810	17 317
	21 854 271	**20 173 230**

The Group's total loans and advances portfolio, by segment and respective impairment, constituted in financial years 2024 and 2023, is presented as follows:

(Euro thousand)

	2024		2023	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 720 454	130 996	5 756 249	171 884
Construction and CRE	1 382 026	46 677	1 378 268	59 725
Retail - Mortgage loans	6 131 623	24 603	5 629 186	33 274
Retail - Other loans	1 045 832	25 475	1 032 331	26 434
	14 279 935	227 751	13 796 034	291 317

The live loans and advances portfolio, by segment and by production year, in financial year 2024, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Retail - Mortage loans			Retail - Other		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	466	14 735	293	530	20 052	1 350	28 081	668 402	3 828	16 517	13 402	291
2005	106	8 430	292	121	3 467	36	7 650	318 256	2 029	4 547	4 049	96
2006	151	11 984	91	103	3 572	158	9 245	399 501	2 330	11 955	9 339	172
2007	236	6 170	253	132	4 727	220	9 373	405 417	2 214	30 154	31 306	632
2008	795	25 422	1 149	297	7 679	712	4 915	213 551	1 425	47 895	61 442	909
2009	1 117	28 061	628	314	9 854	761	2 625	125 966	507	37 412	39 575	724
2010	1 325	37 636	933	203	7 217	824	2 692	146 187	563	27 290	17 880	373
2011	1 446	58 358	1 260	273	4 431	358	1 009	52 353	174	21 638	19 014	448
2012	1 713	38 380	756	226	8 629	1 374	592	31 009	201	15 356	8 952	324
2013	2 355	96 599	2 083	184	9 916	510	746	38 994	178	14 218	10 395	346
2014	3 408	176 611	6 828	1 553	42 429	699	897	50 398	285	15 570	14 996	701
2015	3 375	88 911	3 226	341	11 379	326	1 063	57 566	366	13 252	13 770	656
2016	4 278	295 807	6 437	647	29 553	3 592	1 508	96 565	496	21 959	18 600	768
2017	4 666	155 385	4 028	401	77 675	11 659	2 067	142 641	608	16 467	18 390	600
2018	5 573	144 696	4 167	722	47 712	1 084	2 171	156 111	677	26 446	41 911	1 198
2019	6 440	227 870	5 966	881	64 072	1 252	2 668	199 855	534	20 642	48 427	1 658
2020	9 389	349 859	9 763	1 222	76 880	3 749	2 985	253 788	927	19 383	63 340	2 826
2021	10 859	410 559	13 566	1 763	96 736	2 807	5 399	504 389	1 909	28 116	106 624	4 660
2022	14 847	1 088 053	26 579	1 968	245 759	4 131	4 637	467 280	2 247	25 815	116 081	3 675
2023	10 625	774 238	20 438	1 581	218 369	4 270	6 418	625 343	1 347	35 814	156 802	2 486
2024	18 022	1 682 690	22 260	2 733	391 918	6 805	11 017	1 178 051	1 758	40 434	231 537	1 932
	101 192	5 720 454	130 996	16 195	1 382 026	46 677	107 758	6 131 623	24 603	490 880	1 045 832	25 475

The live loans and advances portfolio, by segment and by production year, in financial year 2023, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Construction and CRE			Retail - Other		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	494	17 044	327	562	26 998	5 320	31 128	793 538	5 546	18 203	14 294	262
2005	128	8 896	131	130	4 153	380	8 344	360 474	2 880	4 822	4 489	71
2006	173	14 969	267	114	5 136	587	10 108	450 627	4 016	12 564	9 971	151
2007	263	8 538	542	153	13 617	3 702	10 279	457 919	3 450	32 423	33 917	417
2008	907	27 492	500	320	11 250	755	5 361	241 608	2 412	51 633	66 259	565
2009	1 370	39 782	1 901	339	13 329	984	2 936	143 137	819	40 547	42 941	703
2010	1 410	47 949	1 918	234	16 512	2 458	2 968	168 336	1 418	29 440	19 492	475
2011	1 956	60 327	2 387	311	11 610	3 012	1 099	58 804	330	23 625	20 732	439
2012	1 904	46 790	1 488	417	13 258	3 058	652	35 923	339	16 595	9 736	197
2013	2 802	108 276	2 282	217	12 324	724	825	44 631	319	15 604	11 665	366
2014	3 821	231 700	18 504	1 649	47 747	717	997	56 800	362	17 762	18 080	1 046
2015	3 820	123 063	4 710	403	16 238	536	1 173	66 065	577	14 930	18 359	1 435
2016	4 743	336 201	7 647	716	34 542	3 840	1 688	112 715	976	25 082	26 143	942
2017	7 464	224 582	10 716	544	93 938	11 834	2 296	163 047	1 152	18 822	28 171	792
2018	7 689	201 236	12 400	920	57 020	2 185	2 437	183 551	1 425	29 308	55 606	1 221
2019	8 405	337 852	32 760	1 206	78 690	1 826	2 982	230 707	977	24 061	66 702	2 029
2020	11 409	575 494	13 205	1 522	132 052	4 909	3 304	290 112	1 134	23 494	89 093	3 727
2021	13 463	579 689	17 798	2 328	148 174	4 408	5 943	575 025	2 392	32 397	145 172	5 775
2022	16 548	1 388 407	26 074	2 461	308 929	4 829	5 041	521 950	1 838	31 206	153 070	3 842
2023	17 399	1 377 962	16 327	1 964	332 751	3 661	6 715	674 217	912	40 432	198 439	1 979
	106 168	5 756 249	171 884	16 510	1 378 268	59 725	106 276	5 629 186	33 274	502 950	1 032 331	26 434

The gross exposure of loans and advances and impairment, individual and collective, by segment, in financial years 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	180 850	25 865	92 193	21 929	1 206	20	-	-	274 249	47 814
Collective	5 539 604	105 131	1 289 833	24 748	6 130 417	24 583	1 045 832	25 475	14 005 686	179 937
	5 720 454	130 996	1 382 026	46 677	6 131 623	24 603	1 045 832	25 475	14 279 935	227 751

(Euro thousand)

	2023									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	378 911	71 156	172 769	30 552	1 195	41	-	-	552 875	101 749
Collective	5 377 338	100 728	1 205 499	29 173	5 627 991	33 233	1 032 331	26 434	13 243 159	189 568
	5 756 249	171 884	1 378 268	59 725	5 629 186	33 274	1 032 331	26 434	13 796 034	291 317

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for Companies, in financial years 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024											
	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	32 004	6 725	24 064	8 008	38 709	4 668	60 189	15 204	118 078	13 190	273 044	47 795
Collective	720 706	11 207	1 193 121	33 008	979 178	26 511	569 127	13 541	3 367 304	45 611	6 829 436	129 878
	752 710	17 932	1 217 185	41 016	1 017 887	31 179	629 316	28 745	3 485 382	58 801	7 102 480	177 673

(Euro thousand)

	2023											
	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	96 154	13 271	38 160	8 301	40 076	4 351	76 615	17 281	300 676	58 505	551 681	101 709
Collective	634 409	15 379	1 324 669	31 349	1 063 718	26 614	571 090	13 794	2 988 950	42 764	6 582 836	129 900
	730 563	28 650	1 362 829	39 650	1 103 794	30 965	647 705	31 075	3 289 626	101 269	7 134 517	231 609

The amount of restructured loans and advances by stage and by segment, in financial years 2024 and 2023, is presented as follows:

(Euro thousand)

2024	Corporate		Construction and CRE		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	44 372	2 770	6 381	534	25 861	320	4 397	254	81 011	3 878
Stage 3	63 232	21 845	25 152	15 054	16 786	4 170	4 529	2 828	109 699	43 897
	107 604	24 615	31 533	15 588	42 647	4 490	8 926	3 082	190 710	47 775

(Euro thousand)

2023	Corporate		Construction and CRE		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	73 041	4 298	11 246	1 240	35 129	599	4 543	422	123 959	6 559
Stage 3	129 496	66 417	50 590	22 247	16 053	3 776	6 509	3 847	202 648	96 287
	202 537	70 715	61 836	23 487	51 182	4 375	11 052	4 269	326 607	102 846

The gross exposure of performing and non-performing loans and advances, as at 31 December 2024 and 2023, is analysed as follows:

(Euro thousand)

2024	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 378 552	-	-	526	526	526	-	8 273	-	301	-	-	-
Other balance sheet credit exposures (b)	13 051 797	15 126	81 253	259 766	259 766	259 745	108 828	100 373	3 875	114 319	43 881	102 041	112 892
Off-balance sheet exposures (c)	2 118 039	689	101	50 294	50 294	50 294	855	7 450	3	3 409	-	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

(Euro thousand)

2023	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 499 762	-	-	314	314	314	-	9 971	-	314	-	-	-
Other balance sheet credit exposures (b)	12 416 263	44 895	124 219	379 755	379 755	379 710	202 104	104 076	6 557	174 103	96 282	156 405	185 544
Off-balance sheet exposures (c)	2 061 819	1 474	92	60 545	60 545	60 545	551	5 870	2	4 491	-	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2024, is presented as follows:

(Euro thousand)

	Corporate, Construction and Real Estate				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	3 170	483 670	14 754	863 471	85 100	13 062 433	171	5 555
>= 0,5 M€ and <1M€	452	317 667	311	205 129	1 259	792 458	1	500
>= 1 M€ and <5M€	538	1 203 320	207	381 804	123	178 988	-	-
>= 5 M€ and <10M€	98	656 434	27	189 543	2	15 438	-	-
>= 10 M€ and <20M€	56	804 959	10	118 169	1	10 684	-	-
>= 20 M€ and <50M€	19	546 977	1	29 375	-	-	-	-
>= 50M€	9	1 393 490	2	102 541	-	-	-	-
	4 342	5 406 517	15 312	1 890 032	86 485	14 060 001	172	6 055

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Corporate, Construction and Real Estate				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	3 605	522 227	15 316	880 985	84 746	12 242 001	183	5 570
>= 0,5 M€ and <1M€	454	318 756	320	212 244	833	522 084	1	500
>= 1 M€ and <5M€	511	1 149 832	211	359 452	87	133 165	-	-
>= 5 M€ and <10M€	79	533 307	18	127 370	2	15 438	-	-
>= 10 M€ and <20M€	44	633 110	10	126 747	-	-	-	-
>= 20 M€ and <50M€	15	426 372	1	30 000	-	-	-	-
>= 50M€	9	1 307 411	2	133 343	-	-	-	-
	4 717	4 891 015	15 878	1 870 141	85 668	12 912 688	184	6 070

The LTV (loan-to-value) ratio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024			2023		
Segment/ Ratio	Number of properties	Total exposure	Impairment	Number of properties	Total exposure	Impairment
Corporate						
Without associated property (*)	-	4 514 652	97 049	-	4 596 715	100 752
< 60%	1 779	567 236	11 925	2 070	545 325	15 943
>= 60% and < 80%	541	275 803	10 014	550	228 477	11 103
>= 80% and < 100%	504	341 916	10 257	621	328 043	19 814
>= 100%	18	20 847	1 750	17	57 689	24 273
Construction and Real Estates						
Without associated property (*)	-	616 288	14 789	**-**	682 437	18 761
< 60%	708	516 050	9 949	766	431 678	18 925
>= 60% and < 80%	391	146 272	6 967	246	160 513	7 399
>= 80% and < 100%	389	95 496	14 372	376	83 236	11 583
>= 100%	12	7 919	600	71	20 404	3 057
Mortgage						
Without associated property (*)	-	23 337	474	-	28 167	991
< 60%	61 980	3 096 575	10 602	60 624	2 801 856	13 361
>= 60% and < 80%	19 357	1 927 556	7 270	19 695	1 816 651	9 917
>= 80% and < 100%	5 029	1 065 749	5 655	5 200	964 808	7 952
>= 100%	119	18 407	602	149	17 704	1 053

(*) Includes operations with other associated collateral, namely financial collateral.

The fair value and the net value of real estate received in recovery/execution of loans, by asset type, recorded in the caption Other assets (note 33), as at 31 December 2024 and 2023, are presented as follows:

(Euro thousand)

Assets	2024		
	Number of properties	Fair value of assets	Book value
Land	**763**	**86 576**	**81 776**
Urban	578	61 397	57 942
Rural	185	25 179	23 834
Buildings under construction	**140**	**15 054**	**13 035**
Commerce	19	1 422	1 401
Residential	104	13 492	11 503
Other	17	140	131
Constructed buildings	**608**	**57 262**	**48 117**
Commerce	288	37 811	33 154
Residential	130	16 635	12 424
Other	190	2 816	2 539
Other	**-**	**-**	**1 544**
	1 511	158 892	144 472

(Euro thousand)

Assets	2023		
	Number of properties	Fair value of assets	Book value
Land	**945**	**125 807**	**109 522**
Urban	745	94 163	81 515
Rural	200	31 644	28 007
Buildings under construction	**238**	**34 435**	**30 028**
Commerce	46	3 273	2 984
Residential	150	30 730	26 627
Other	42	432	417
Constructed buildings	**760**	**80 089**	**65 980**
Commerce	390	56 550	48 404
Residential	155	18 719	13 668
Other	215	4 820	3 908
	1 943	240 331	205 530

The carrying amount reported in the table above takes into account, upon initial recognition and as defined in the accounting policy described in note 1 h), the lower value between its fair value net of selling expenses and the carrying amount of the credit existing on the date on which the transfer was made, and is subsequently updated due, in particular, to changes in the appraised value of the property and/or estimated selling expenses. In situations where a potential capital gain is determined, same is not recognized in the financial statements.

The time elapsed since the recognition of the real estate received in recovery/execution, recorded in the caption Other assets (note 33), as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2024 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**-**	**754**	**2 433**	**78 589**	**81 776**
Urban	-	76	2 137	55 729	57 942
Rural	-	678	296	22 860	23 834
Buildings under construction	**-**	**-**	**585**	**12 450**	**13 035**
Commerce	-	-	-	1 401	1 401
Residential	-	-	585	10 918	11 503
Other	-	-	-	131	131
Constructed buildings	**3 475**	**6 780**	**8 337**	**29 525**	**48 117**
Commerce	2 542	5 127	5 869	19 616	33 154
Residential	418	1 546	2 143	8 317	12 424
Other	515	107	325	1 592	2 539
Other	-	-	-	**1 544**	**1 544**
	3 475	7 534	11 355	122 108	144 472

(Euro thousand)

Elapsed time since recovery/execution	2023 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**200**	**1 095**	**6 377**	**101 850**	**109 522**
Urban	-	174	5 427	75 914	81 515
Rural	200	921	950	25 936	28 007
Buildings under construction	**-**	**439**	**2 117**	**27 472**	**30 028**
Commerce	-	159	461	2 364	2 984
Residential	-	280	1 461	24 886	26 627
Other	-	-	195	222	417
Constructed buildings	**4 927**	**5 819**	**12 561**	**42 673**	**65 980**
Commerce	3 600	3 909	7 998	32 897	48 404
Residential	1 327	1 640	2 963	7 738	13 668
Other	-	270	1 600	2 038	3 908
	5 127	7 353	21 055	171 995	205 530

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In the Group, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for the Group and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios, for the various Group entities.

To reduce concentration risk, the Group seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Directorate of Banco Montepio. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Directorate. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

The Group regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

The Group's investment portfolio is mainly concentrated in debt instruments (bonds and commercial paper), and as at 31 December 2024 this represented 96.8% (31 December 2023: 96.4%) of the total portfolio, with the dominant position being held by bonds of sovereign issuers, essentially Portugal, Spain and Italy.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2024 and 2023.

Regarding the credit quality of the debt securities, circa 99.3% of the portfolio is investment grade (31 December 2023: 99.2%). Of note are the Portuguese, Spanish and Italian sovereign bonds with rating A-, BBB+ and BBB-, respectively, and that represent 85.2% (31 December 2023: 91.3%) of the debt portfolio. The main changes in the portfolio composition, by issuer, refer to the decrease in exposure to Italian sovereign debt and to the increase in exposure to supranational debt from the Eurozone, which is the primary responsible for the increase in AAA ratings. However, it should also be pointed out that there is an increase in covered bond positions, which due to their nature of secured bonds are mainly included in the AAA rating class. It should be noted that the decrease in debt without a risk rating (NR) is essentially due to the credit quality of the positions taken in commercial paper.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2024		2023		Change	
	Amount	%	Amount	%	Amount	%
AAA	187 070	5.0	34 607	0.9	152 463	440.6
AA+	95 188	2.5	87 503	2.2	7 685	8.8
AA	4 928	0.1	4 861	0.1	67	1.4
AA-	160 102	4.3	139 879	3.6	20 223	14.5
A+	10 340	0.3	7 089	0.2	3 251	45.9
A	2 506	0.1	501	-	2 005	400.2
A-	1 046 824	27.8	1 056 639	27.0	(9 815)	(0.9)
BBB+	1 079 605	28.7	1 031 009	26.4	48 596	4.7
BBB	42 810	1.1	34 395	0.9	8 415	24.5
BBB-	1 107 828	29.4	1 478 053	37.8	(370 225)	(25.0)
BB+	13 740	0.4	14 177	0.4	(437)	(3.1)
NR	11 864	0.3	18 463	0.5	(6 599)	(35.7)
	3 762 805	100.0	3 907 176	100.0	(144 371)	(3.7)

The position in bonds recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 278,526 thousand (31 December 2023: Euro 24,785 thousand), the position in Other financial assets at amortized cost stood at Euro 3,473,704 thousand (31 December 2023: Euro 3,878,848 thousand) and the position in Financial assets held for trading stood at Euro 10,575 thousand (31 December 2023: Euro 3,543 thousand).

Regarding the trading portfolio, as at 31 December 2024 and 2023, the main VaR indicators are as follows:

(Euro thousand)

	2024	Average	Minimum	Maximum	2023
Market VaR	462	358	94	714	134
Interest rate risk	265	318	7	235	35
Exchange risk	18	119	7	534	45
Price risk	173	168	80	149	118
Spread Risk	10	65	72	222	7
Diversification effect	(4)	*(312)*	*(72)*	(426)	(71)

The value of the VaR of the trading portfolio increased from 31 December 2023 to 31 December 2024, having remained at moderate or reduced levels during financial year 2024 and in line with that observed in the previous year.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating the Group (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, in financial years 2024 and 2023:

(Euro thousand)

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years	Total
31 December 2024						
Assets						
Debt securities	74 910	189 728	512 002	1 405 211	1 624 964	3 806 815
Loans and advances	5 676 765	2 574 220	1 396 308	2 612 844	487 461	12 747 598
Others	1 204 843	1 492	1 496	8 435	(694)	1 215 572
Off-balance sheet	102 465	28 581	22 285	-	-	153 331
Total	7 058 983	2 794 021	1 932 091	4 026 490	2 111 731	17 923 316
Liabilities						
Debt securities issued	138 240	14 488	220 365	615 393	5 596	994 082
Term deposits	4 765 714	2 079 519	1 625 587	494 529	-	8 965 349
Others	2 521 106	638 352	46 085	555 587	2 618 559	6 379 689
Total	7 425 060	2 732 359	1 892 037	1 665 509	2 624 155	16 339 120
GAP (Assets - Liabilities)	(366 077)	61 662	40 054	2 360 981	(512 424)	1 584 196
31 December 2023						
Assets						
Debt securities	36 441	795 387	61 512	1 576 179	1 464 794	3 934 313
Loans and advances	5 909 394	2 910 606	1 248 353	1 361 841	1 224 992	12 655 186
Others	921 625	-	-	-	-	921 625
Off-balance sheet	10 007	9 133	40 901	280 745	-	340 786
Total	6 877 467	3 715 126	1 350 766	3 218 765	2 689 786	17 851 910
Liabilities						
Debt securities issued	172 005	100 000	550 635	255 184	8 407	1 086 231
Term deposits	2 428 905	1 691 921	2 512 806	1 084 309	-	7 717 941
Others	1 390 240	-	58 603	150 000	150 492	1 749 335
Off-balance sheet	39 158	264 833	12	93	853	304 949
Total	4 030 308	2 056 754	3 122 056	1 489 586	159 752	10 858 456
GAP (Assets - Liabilities)	2 847 159	1 658 372	(1 771 290)	1 729 179	2 530 034	6 993 454

(Euro thousand)

	2024				2023			
	December	Annual Average	Maximum	Minimum	December	Annual Average	Maximum	Minimum
Interest Rate Gap	1 584 196	3 613 141	6 993 454	1 584 196	6 993 454	7 160 391	7 327 328	6 993 454

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2024, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a decrease in the economic value expected from the banking portfolio of circa Euro 49,290 thousand (31 December 2023: increase of Euro 16,734 thousand).

The following table presents the average interest rates, in relation to the Group's major asset and liability categories, in financial years 2024 and 2023, as well as the respective average balances and the income and expenses for the financial year:

(Euro thousand)

	2024			2023		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest- generating assets						
Deposits at central banks and other credit institutions	1 342 134	3.27	44 582	825 854	2.90	24 280
Other loans and advances to other credit institutions	162 252	2.41	3 973	157 832	1.66	2 650
Loans and advances to customers	11 920 090	5.05	612 190	11 890 626	4.53	545 820
Securities portfolio	3 746 545	0.88	33 359	4 143 598	0.52	21 905
Other assets at fair value	8 869	4.81	434	8 736	4.54	402
Other (derivatives includes)	-	-	101	-	-	3 405
	17 179 890	**3.98**	**694 639**	**17 026 646**	**3.47**	**598 462**
Interest-generating liabilities						
Deposits from ECB	202 309	3.80	7 806	1 952 041	2.94	58 164
Deposits from other credit institutions	863 044	2.37	20 800	671 457	1.91	12 988
Deposits from customers	14 145 888	1.53	220 075	12 898 030	0.64	83 677
Senior debt	803 137	3.55	28 953	611 680	0.77	4 790
Subordinated debt	261 949	8.32	22 164	216 438	8.92	19 584
Other (derivatives includes)	-	-	10 449	-	-	11 153
	16 276 327	**1.87**	**310 247**	**16 349 646**	**1.15**	**190 356**
Net interest income		**2.20**	**384 392**		**2.36**	**408 106**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, in financial years 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024						
	Euro	**U. S. Dollar**	**Angolan Kwanza**	**Swiss Franc**	**Pound Sterling**	**Other foreign currencies**	**Total amount**
Assets by currency							
Cash and deposits at central banks	1 460 094	10 493	-	1 779	1 347	825	1 474 538
Loans and deposits to credit institutions payable on demand	20 823	22 469	4 012	1 093	224	1 148	49 769
Other loans and advances to credit institutions	85 880	37 625	14 701	17	7	-	138 230
Loans and advances to customers	11 933 708	11 297	-	-	-	-	11 945 005
Financial assets held for trading	25 890	873	-	80	-	-	26 843
Financial assets at fair value through profit or loss	102 683	-	-	-	-	-	102 683
Financial assets at fair value through other comprehensive income	304 479	-	-	-	-	-	304 479
Hedging derivatives	30 257	-	-	-	-	-	30 257
Other financial assets at amortized cost	3 396 877	76 827	-	-	-	-	3 473 704
Investments in associated companies	4 535	-	-	-	-	-	4 535
Non current assets held for sale	34	-	-	-	-	-	34
Investment properties	44 760	-	-	-	-	-	44 760
Other tangible assets	196 047	-	-	-	-	-	196 047
Intangible assets	64 641	-	-	-	-	-	64 641
Current tax assets	1 324	-	-	-	-	-	1 324
Deferred Tax Assets	323 691	-	-	-	-	-	323 691
Other assets	234 230	5	-	3	-	-	234 238
Total Assets	**18 229 953**	**159 589**	**18 713**	**2 972**	**1 578**	**1 973**	**18 414 778**
Liabilities by currency							
Deposits from other credit institutions	605 377	1 166	-	418	39	296	607 296
Deposits from customers	14 746 066	154 999	-	3 072	20 788	33 880	14 958 805
Debt securities issued	588 376	-	-	-	-	-	588 376
Financial liabilities held for trading	11 202	-	-	-	-	-	11 202
Hedging derivatives	27 037	-	-	-	-	-	27 037
Provisions	30 498	-	-	-	-	-	30 498
Current tax liabilities	1 481	-	-	-	-	-	1 481
Other subordinated debt	271 824	-	-	-	-	-	271 824
Other liabilities	239 847	1 016	1	471	-	2 565	243 900
Total Liabilities	**16 521 708**	**157 181**	**1**	**3 961**	**20 827**	**36 741**	**16 740 419**
Exchange forward transactions		(2 888)	-	1 062	19 296	34 739	
Exchange gap		(480)	18 712	73	47	(29)	
Stress Test		95	(3 742)	(14)	(10)	(1)	

(Euro thousand)

	2023						
	Euro	**U. S. Dollar**	**Angolan Kwanza**	**Swiss Franc**	**Pound Sterling**	**Other foreign currencies**	**Total amount**
Assets by currency							
Cash and deposits at central banks	1 162 808	5 493	-	1 446	906	745	1 171 398
Loans and deposits to credit institutions payable on demand	18 662	25 060	14 698	1 415	199	1 007	61 041
Other loans and advances to credit institutions	106 402	57 043	15 432	18	7	-	178 902
Loans and advances to customers	11 441 471	11 788	-	-	-	-	11 453 259
Financial assets held for trading	18 578	210	-	95	87	-	18 970
Financial assets at fair value value through profit or loss	128 228	-	-	-	-	-	128 228
Financial assets at fair value through other comprehensive income	48 100	-	-	-	-	-	48 100
Hedging derivatives	6 174	-	-	-	-	-	6 174
Other financial assets at amortized cost	3 799 810	79 038	-	-	-	-	3 878 848
Investments in associated companies	4 702	-	-	-	-	-	4 702
Non-current assets held for sale	74	-	-	-	-	-	74
Investment properties	57 665	-	-	-	-	-	57 665
Other tangible assets	195 400	-	-	-	-	-	195 400
Intangible assets	57 744	-	-	-	-	-	57 744
Current tax assets	1 568	-	-	-	-	-	1 568
Deferred Tax Assets	381 062	-	-	-	-	-	381 062
Other assets	338 323	7 996	-	1	-	-	346 320
Total Assets	**17 766 771**	**186 628**	**30 130**	**2 975**	**1 199**	**1 752**	**17 989 455**
Liabilities by currency							
Deposits from central banks	873 933	-	-	-	-	-	873 933
Deposits from other credit institutions	888 939	20 238	-	133	72	44	909 426
Deposits from customers	13 196 941	118 940	-	3 160	18 615	28 752	13 366 408
Debt securities issued	730 045	-	-	-	-	-	730 045
Financial liabilities held for trading	12 636	-	-	-	-	-	12 636
Hedging derivatives	3 525	-	-	-	-	-	3 525
Provisions	20 807	23	-	-	-	-	20 830
Current tax liabilities	1 661	-	-	-	-	-	1 661
Other subordinated debt	217 019	-	-	-	-	-	217 019
Other liabilities	281 307	2 111	37	1 093	230	2 723	287 501
Total Liabilities	**16 226 813**	**141 312**	**37**	**4 386**	**18 917**	**31 519**	**16 422 984**
Exchange forward transactions	-	(45 423)	-	1 404	17 720	29 834	-
Exchange gap	-	(107)	30 093	(7)	2	67	-
Stress Test	-	22	(6 019)	2	-	-	-

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 31 December 2024, the LCR value was 201.1% (31 December 2023: 233.1%).

As regards the net stable funding ratio, designated NSFR, same stood at 141.1% (31 December 2023: 130.4%).

As at 31 December 2024, the Group's financing structure was as follows:

(Euro thousand)

	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from other credit institutions	607 296	-	307 289	-	-	300 007
Deposits from customers	14 958 805	-	10 242 413	2 016 446	1 576 244	1 123 702
Debt securities issued	588 376	-	-	-	11 719	576 657
Financial liabilities held for trading	11 202	-	861	547	1 466	8 328
Other subordinated debt	271 824	-	168	11 760	-	259 896
Other liabilities	243 900	243 900	-	-	-	-
	16 681 403	**243 900**	**10 550 731**	**2 028 753**	**1 589 429**	**2 268 590**

As at 31 December 2023, the Group's financing structure was as follows:

(Euro thousand)

	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	873 933	-	817 437	-	56 496	-
Deposits from other credit institutions	909 426	-	596 400	8 283	4 236	300 507
Deposits from customers	13 366 408	-	7 813 230	1 641 788	2 458 040	1 453 350
Debt securities issued	730 045	-	-	2 963	3 776	723 306
Financial liabilities held for trading	12 636	-	107	10	774	11 745
Other subordinated debt	217 019	-	-	-	10 696	206 323
Other liabilities	287 501	287 501	-	-	-	-
	16 396 968	**287 501**	**9 227 174**	**1 653 044**	**2 534 018**	**2 695 231**

In the context of the European Banking Authority's guidance on the disclosure of encumbered and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Board, and in accordance with Commission Implementing Regulation (EU) 2021/637 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of encumbered and unencumbered assets, we present the following information, with reference to 31 December 2024 and 2023, relating to assets and their collateral:

(Euro thousand)

Assets	2024 Carrying amount of encumbered assets	2024 Fair value of encumbered assets	2024 Carrying amount of unencumbered assets	2024 Fair value of unencumbered assets
Assets from the reporting institutions	651 226	-	17 763 552	-
Equity instruments	-	-	122 547	122 547
Debt securities	624 176	338 307	3 756 376	3 192 191
Other assets	-	-	1 074 573	-

(milhares de euros)

Assets	2023 Carrying amount of encumbered assets	2023 Fair value of encumbered assets	2023 Carrying amount of unencumbered assets	2023 Fair value of unencumbered assets
Assets from the reporting institutions	2 416 932	-	15 572 522	-
Equity instruments	-	-	145 540	153 067
Debt securities	1 003 226	359 853	3 489 794	3 234 435
Other assets	-	-	1 212 810	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2024 Carrying amount of selected financial liabilities	2023 Carrying amount of selected financial liabilities
Associated liabilities, contingent liabilities and securities borrowed	559 417	1 469 650
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	635 064	2 383 400

The encumbered assets are mostly related to the Group's funding operations, namely of the EIB in Repos operations, with the issuance of covered bonds and securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repos transactions in the money market are collateralized, essentially, by sovereign debt bonds.

The amounts presented in the previous tables correspond to the position in financial years 2024 and 2023 and reflect the high level of collateralization of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2024, to Euro 4,103,487 thousand (31 December 2023: Euro 3,765,706 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2024, amounts to Euro 3,935,192 thousand (31 December 2023: Euro 4,666,394 thousand) with a usage of Euro 22,460 thousand associated with the Bank's intraday credit line (31 December 2023: Euro 924,754 thousand):

(Euro thousand)

	2024	2023
Total eligible collateral	**4 656 132**	**5 562 498**
Total collateral in the pool	3 935 192	4 666 394
Collateral outside the pool	720 940	896 104
Used collateral	**552 645**	**1 796 792**
Collateral used for ECB	22 460	924 754
Collateral committed to other financing operations	530 185	872 038
Collateral available for ECB	**3 912 732**	**3 741 640**
Total available collateral	**4 103 487**	**3 765 706**

Note: collateral amount considers the applied haircut

As at 31 December 2024 and 2023, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	2024							
Liabilities	**Total**	**In cash [1]**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**
Deposits from other credit institutions	608 265	54 632	253 375	29	37 529	37 550	112 607	112 543
Deposits from customers	15 061 194	5 821 891	4 434 143	2 027 302	1 632 740	721 910	423 208	-
Debt securities issued	674 198	105	10 623	24 333	39 044	263 545	327 825	8 723
Financial liabilities held for trading	11 202	11 202	-	-	-	-	-	-
Other subordinated debt	472 718	-	206	21 250	171	21 580	65 063	364 448
Other liabilities	275 878	-	275 878	-	-	-	-	-
	17 103 455	**5 887 830**	**4 974 225**	**2 072 914**	**1 709 484**	**1 044 585**	**928 703**	**485 714**

[1] It encompasses trading liabilities, including derivatives, considered at fair value.

(Euro thousand)

	2023							
Liabilities	**Total**	**In cash [1]**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**
Deposits from central banks	883 362	-	824 759	-	58 603	-	-	-
Deposits from other credit institutions	911 716	47 915	550 758	8 409	4 378	37 557	112 628	150 071
Deposits from customers	13 486 414	5 594 816	2 348 443	1 721 090	2 389 570	501 934	930 561	-
Debt securities issued	901 582	142	16 884	16 426	380 192	75 581	326 623	85 734
Financial liabilities held for trading	12 636	12 636	-	-	-	-	-	-
Other subordinated debt	353 876	-	216	15 250	5 289	23 360	124 126	185 635
Other liabilities	309 991	-	309 991	-	-	-	-	-
	16 859 577	**5 655 509**	**4 051 051**	**1 761 175**	**2 838 032**	**638 432**	**1 493 938**	**421 440**

[1] It encompasses trading liabilities, including derivatives, considered at fair value.

Additionally, as of 31 December 2024, the Group has irrevocable commitments related to credit lines amounting to 759,312 thousand euros (31 December 2023: 638,083 thousand euros), as described in note 46, which represent potential liquidity outflows.

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2024 and 2023, the exposure to real estate and investment units in real estate funds presented the following values:

	(Euro thousand)	
	2024	**2023**
Non-current assets held for sale	34	74
Real estate received in recovery of credit	142 928	205 511
Investment properties	44 760	57 665
Investment units in Real Estate Funds	34 851	43 954
	222 573	307 204
Stress test	(22 257)	(30 720)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Still regarding real estate risk, Banco Montepio has defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of credit. This prudential deduction, with no impact on the financial statements, is carried out through the application of a gradual haircut plan applicable to the properties considering their ageing in the balance sheet. Regarding the portfolios of properties received in recovery of credit and investment properties, the Banco Montepio Group considered, as at 31 December 2024, a specific prudential deduction of Euro 61,388 thousand.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Directorate exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring as at 31 December 2024, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Directorate.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which supports the level of risk considered acceptable to the institution and which allows to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

Information and Communication Technologies Risk

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

As part of the management of this risk, Banco Montepio's Risk Directorate ensures the identification, measurement, assessment, management, monitoring and communication of information and communication technology risk events and security. Considering the ongoing digital transformation and the Bank's increased technological dependence, as well as the increase in cyberattacks in Portugal and around the world, in 2022 the Bank created a Cybersecurity Office independent of the Information Systems Directorate, in order to centralize and focus teams on implementing a process framework to mitigate security events as well as defining and implementing an action plan whenever they occur. This Office is in direct contact with the Bank's Risk Directorate within the scope of management and security risk monitoring.

Environmental, Social and Governance Risks

The guiding principles followed by Banco Montepio Group, regarding ESG risk, seek alignment with the expectations referenced in the ECB - Guide on climate-related and environmental risks, published in November 2020.

The materialization of climate risks occurs through other risks, notably credit risks, market risks, liquidity risks and operational risk.

For reporting and analysis purposes, time horizons were defined, namely short term (up to 3 years), medium term (3 to 8 years) and long term (8 to 30 years), considering the nature of climate and environmental risks.

ESG Risks are based on the assessment of the environmental, social and governance (ESG) components. Environmental risks ("climate and environmental risk via physical risk" and "climate risk via transition risk") are defined in Banco Montepio's Risk Taxonomy (in the GBM context) and are individually identified and assessed as part of the risk materiality assessment process. Social and governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

To streamline the management of these risks, Banco Montepio has a team, since 2023, in the Risk Directorate specializing in the management and monitoring of this risk (ESG Risk Management Centre).

Pension Fund risk

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

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Directorate ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

In the scope of emerging risks, where ESG risks stand out, the Group is implementing its own framework for managing these risks, ensuring their interconnection with credit, market, liquidity, operational and real estate risks, among others. Within the scope of this framework, the management and supervisory bodies will monitor the current and prospective evolution of the institution's risk profile in relation to these risks. It should be noted that, as part of the review of the Bank's risk appetite, KRIs have been included to regulate exposure to ESG risks (namely, climate risks) since 2022.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

The Group does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at the Banco Montepio Group has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and Banco de Portugal add-ons in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Commission, Audit Committee and Board of Directors, as well as of the Group's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Group level, as well as of the entities that assume the risk management function, lies with the Risk Directorate. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Directorate carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable; and

- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Directorate, together with the first-line organic units.

The own funds of the Group are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of Banco de Portugal. Own funds include level 1 own funds (tier 1) and the level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with, of note, the following general composition:

- Level 1 Core Own Funds or Common Equity Tier 1 (CET1): this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings, if existing, is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. Non-controlling interests are only eligible to the extent necessary to cover the Group's capital requirements attributable to minority shareholders. The book value of the amounts related to goodwill, if existing, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 through 2023. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. Still in accordance with Regulation (EU) no. 575/2013, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. BM also deducts the amount of the Irrevocable Payment Commitments (IPC) associated with the FUR (Euro 11.3 million). In addition to the regulatory deductions, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties considering their ageing on the balance sheet. Regarding portfolios of property received in recovery of credit and investment properties, the Group considered, as at 31 December 2024, a specific prudential deduction of Euro 61,388 thousand (with a negative impact of 64 basis points on CET1), resulting from the internal prudential haircut policy. Bearing in mind the plan defined in its own internal regulations, an additional impact of - Euro 77,464 thousand is estimated until the end of the year 2025 (*ceteris paribus* in Banco Montepio's portfolio as at 31 December 2024, and considering the coefficients defined in Circular Letter no. CC/2024/00000050). However, Banco Montepio continues to make efforts to reduce its exposure to properties, namely on those with a greater ageing in its portfolio, to reduce the amount of this potential prudential impact;
- Level 1 Own Funds or Tier 1 (T1): includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by Banco de Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital; and

- Level 2 Own Funds or Tier 2 (T2): includes capital equivalent instruments, which conditions are in accordance with article 63 of the CRR and that have been approved by Banco de Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Total Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250% of deferred tax assets associated with timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets associated with timing differences that do not depend on future profitability, these are subject to a 100% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

Regulation 2020/873 of the European Parliament and Council introduced an additional transitional plan regarding the impacts of increased IFRS 9 impairments occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 75% in 2024 and 100% in 2025.

As referred, the effects related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the IFRS 9 impairment increase occurring after 1 January 2020 in Stages 1 and 2, are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRR of 4.5% for CET1, of 6.0% for Tier 1 and of 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by Banco de Portugal, and an add-on of capital in the scope of the annual exercise of the Supervisory Review and Evaluation Process ("SREP"), which amount is defined by Banco de Portugal. According to that defined by Banco de Portugal, the minimum ratios required may be presented as follows:

Ratios	2024				2023			
	Ratio	Tier 1	Tier 2	Reserves (1)	Ratio	Tier 1	Tier 2	Reserves (1)
CET1	9.11%	4.50%	1.83%	2.78%	9.09%	4.50%	1.83%	2.77%
T1	11.22%	6.00%	2.44%	2.78%	11.20%	6.00%	2.44%	2.77%
Total	14.03%	8.00%	3.25%	2.78%	14.02%	8.00%	3.25%	2.77%

(1) Considers:
Conservation reserve 2.5%;
Reserve The SII of 0.25% (0.1875% in 2021);
Countercyclical Reserve currently set at 0% in Portugal, how ever presents the value of 0.0168%

Pursuant to these provisions, as at 31 December 2024, the regulatory ratios, considering the reserves, for Common Equity Tier 1, Tier 1 and Total were 9.11%, 11.22% and 14.03%, respectively, including the own funds reserves.

The summary of the calculation of the Group's capital requirements, as at 31 December 2024 and 2023, under phase-in, is presented as follows:

(milhares de euros)

	2024	2023
Capital Common Equity Tier 1		
Capital realizado	1 210 000	1 210 000
Resultados, Reservas e Resultados não distribuídos	433 731	350 471
Outros ajustamentos regulamentares	(363 385)	(331 061)
	1 280 346	1 229 410
Capital Tier 2		
Empréstimos subordinados	256 323	206 323
Ajustamentos regulamentares	-	(89)
	256 323	206 234
Fundos próprios totais	1 536 669	1 435 644
Requisitos de Fundos Próprios		
Risco de crédito	562 310	528 826
Riscos de mercado	1 379	4 108
Risco operacional	59 913	54 308
Outros requisitos	14 557	24 060
	638 159	611 302
Rácios Prudenciais		
Rácio *Common Equity Tier 1*	16.1%	16.1%
Rácio *Tier 1*	16.1%	16.1%
Rácio de Capital *Total*	19.3%	18.8%

It should be noted that the ratios, as at 31 December 2024 and 2023, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 32.

If the transitional plan was not applied to the initial impacts of the adoption of IFRS 9, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of the Banco Montepio Group, as at 31 December 2024 and 2023, would be:

(Euro thousand)

	2024	2023
Capital Common Equity Tier 1	1 275 938	1 218 980
Capital Tier 1	1 275 938	1 218 980
Total own funds	1 532 261	1 425 214
Own funds requirements	638 193	611 382
Prudential Ratios		
Common Equity Tier 1 Ratio	16.0%	16.0%
Tier 1 Ratio	16.0%	16.0%
Total Capital Ratio	19.2%	18.6%

On 1 January 2025, the revision of Regulation 575/2013, usually referred to as CRR3, came into force, and BM does not anticipate any material negative impacts from this revision at this date, namely it is estimated that the reductions in credit risk requirements will more than offset the increase in operational risk requirements and market risk requirements.

54 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2024, for annual periods beginning on 1 January 2024:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2024:

a) **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with "covenants"'. These amendments clarify that liabilities are classified as current or non-current balances depending on the right of an entity to defer payment beyond 12 months after the reporting date. They also clarify that "covenants", which an entity is obliged to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if its verification only occurs after the reporting date. When an entity classifies liabilities arising from financing contracts as non-current and these liabilities are subject to "covenants", it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the "covenants" and the dates of fulfilment; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the "covenants" on the due dates. These amendments apply retrospectively.

b) **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements, to enable: (i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows and (ii) the understanding of the impact of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020**.**

c) **IAS 16** (amendment), 'Lease liabilities in sale and leaseback transactions'. This amendment introduces guidance on the subsequent measurement of lease liabilities in sale and leaseback transactions that qualify as 'sales' under the principles of IFRS 15, with greater impact when some or all of the lease payments are variable and not dependent on an index or rate. When subsequently measuring lease liabilities, seller-lessees shall determine 'lease payments' and 'revised lease payments' such that they do not recognize gains/(losses) in respect of the retained Right-of-use asset. This amendment applies retrospectively.

The Banco Montepio Group did not record any significant impact resulting from the application of these amendments on its financial statements.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, already endorsed by the European Union:

a) **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025). This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined. This amendment is applied retrospectively without restating the comparative, and the translation of the financial information must be recorded in retained earnings (if conversion from foreign currency to functional currency) or in foreign exchange reserves (if conversion from functional currency to presentation currency).

The Banco Montepio Group does not anticipate any significant impact resulting from the application of these amendments on its financial statements.

3. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, not yet endorsed by the European Union:

a) **IFRS 9** and **IFRS 7** (amendment), 'Amendments to the classification and measurement of financing' (effective for annual periods beginning on or after 1 January 2026). This amendment is still subject to endorsement by the European Union. The amendments relate to: i) clarification of the concept of the date of recognition and derecognition of some financial assets and liabilities, introducing a new exception for financial liabilities settled through an electronic payment system; ii) clarification and examples of when a financial asset meets the criterion that contractual cash flows correspond to "principal and interest payments only" ("SPPI"), such as: 1) non-recourse assets; 2) contractually linked instruments and 3) instruments with features linked to compliance with environmental, social and governance ("ESG") goals; iii) new disclosure requirements for instruments with contractual terms that may alter cash flows in terms of period and amount; and iv) new disclosures required for equity instruments designated at fair value through other comprehensive income. These changes apply on the date they become effective without restatement of the comparative.

b) **IFRS 9** (amendment) and **IFRS 7** (amendment), 'Contracts negotiated with reference to electricity generated from a renewable source' (effective for annual periods beginning on or after 1 January 2026). This amendment is still subject to endorsement by the European Union. The amendments aim to improve the reporting of the financial effects of negotiated contracts based on the production of electricity from renewable sources, subject to variability in the amount generated due to the fact that this is dependent on uncontrollable natural conditions. These amendments are intended to: i) clarify the application of the requirements of the IFRS 9 "own use" exemption; (ii) allow the application of hedge accounting when renewable electricity purchase agreements are designated as a hedging instrument; and iii) add new disclosure requirements to IFRS 7 to better understand the impact of these contracts on the entity's financial performance and cash flows. This amendment will apply retrospectively without restating the comparative periods, except for the designation of coverage, which must be applied prospectively.

c) **Annual Improvements – 'Volume 11'** (effective for annual periods beginning on or after 1 January 2026). The annual IFRS improvement cycles aim to clarify application issues or correct inconsistencies in the standards. This volume of improvements affects the following standards: IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. These amendments are still subject to endorsement by the European Union.

d) **IFRS 18** (new standard), 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 18 will replace the current IAS 1. While maintaining many of the principles in IAS 1, IFRS 18 places greater focus on specifying a structure for the income statement, consisting of mandatory categories and subtotals. Income statement items will be classified into one of three categories: operating, investing, financing. Specified subtotals and totals will be required, with the main change being the mandatory inclusion of the subtotal "Operating profit/(loss)". This standard also includes improvements in the disclosure of management performance measures, including reconciliation with the closest subtotal required by IFRS. This standard also reinforces the guidance on the principles of aggregation and disaggregation of information contained in the financial statements and related notes, based on their shared characteristics. This standard applies retrospectively.

e) **IFRS 19** (new standard), 'Non-publicly reporting subsidiaries: Disclosures' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 19 is a voluntary standard that allows eligible subsidiaries to use IFRS with reduced disclosure requirements. IFRS 19 is a standard that only deals with disclosures and is applied in conjunction with the requirements of the other IFRS for the purposes of recognition, measurement and presentation. A subsidiary is considered eligible if: (i) it is not subject to a public reporting obligation; and (ii) the parent entity prepares consolidated financial statements for public reporting in accordance with IFRS. IFRS 19 may be applied by eligible subsidiaries in the preparation of their own consolidated, separate or individual financial statements. Full comparative information is required unless an exemption applies.

55 Transfer of assets

The Group carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of the Group, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from the Group are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same.

These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the funds has as main responsibilities to:

- Define the objective of the funds; and
- Manage the funds on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the funds.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which the Group holds minority positions, incorporate companies under Portuguese law to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by the Group, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, the Group subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where the Group has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end; and
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, the Group, in accordance with IFRS 9, performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, the Group derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2024			2023		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquarius, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	-	-	-	45 349	45 509	160
	54 615	72 024	17 409	99 964	117 533	17 569

As at 31 December 2024 and 2023, the assets received under these operations are as follows (see note 23):

(Euro thousand)

	2024	2023
	Senior securities	
Fundo Vega, FCR	20 652	20 874
Discovery Portugal Real Estate Fund	14 118	13 647
Fundo Aquarius, FCR	8 518	10 579
Fundo de Reestruturação Empresarial, FCR	-	11 328
	43 288	56 428

Although the subordinated securities are fully provided against, the Group also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

56 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by Banco de Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, the Group is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by Banco de Portugal based, among others, on the amount of its liabilities. As at 31 December 2024, the periodic contribution made by the Group amounted to Euro 2,019 thousand (31 December 2023: Euro 2,291 thousand), based on a contribution rate of 0.032%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, Banco de Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under, pursuant to article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, Banco de Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco's status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million.

On 23 December 2021, the Resolution Fund made the payment of Euro 112 million, after having obtained all analyses from a financial, economic and legal point of view, which was pending verification in June 2021 and was already provided against.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of Banco de Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;

- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State; and
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these consolidated financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority ("CA") on administrative process PRC-2012/9 ("Decision"), in which that entity applied a Euros 13 million fine on Banco Montepio for the breach of article 9 of Law no. 19/2012, of 8 May (according to the wording in force) and of article 101 of the Treaty on the Functioning of the European Union ("TFEU").

Banco Montepio, as well as several other institutions targeted by the CA's process, filed an appeal to challenge this Decision to the Competition, Regulation and Supervision Court ("CRSC") on 21 October 2019 (process no. 225/15 4YUSTR). The judicial challenge suspended the effects of the CA Decision, and in particular the obligation to pay the fine, following the CRSC ruling and the subsequent provision of security under the terms determined by the Court. In April 2022, the CRSC decided to stay the proceedings and refer two preliminary questions to the Court of Justice of the European Union ("CJEU"), pursuant to article 267 of the TFEU.

By judgment handed down on 29 July 2024, the CJEU concluded that article 101 of the TFEU should be interpreted as meaning that an exchange of information between competing credit institutions such as that described by the CRSC in the referral can be qualified as a restriction of competition by object.

Through sentence issued on 20 September 2024, the CRSC confirmed the decision of the CA and maintained the fine applied on Banco Montepio in the amount of Euro 13 million.

On 15 October 2024, Banco Montepio appealed the CRSC Sentence to the Lisbon Court of Appeal ("LCA").

On 10 February 2025, the Lisbon Court of Appeal declared the administrative process against all defendants, including Banco Montepio, to be time-barred and ordered the process to be closed. The process awaits the delivery of the final decision by the Lisbon Court of Appeal. The Competition Authority announced that it has filed an appeal with the Constitutional Court, but to date Banco Montepio has not been notified of same.

Considering all the relevant circumstances, it is considered that there is a serious and significant probability that the fine applied on Banco Montepio will be annulled.

In March and April 2024, Banco Montepio was summoned to the collective actions brought by ASSOCIAÇÃO IUS OMNIBUS (processes no. 2/24.1YQSTR and no. 6/24.4YQSTR) and by AMPEMEP - Associação de Micro, Pequenas e Médias Empresas Portuguesas (Process no. 10/24.1YQSTR) to the CRSC, in which other Credit Institutions are also defendants.

These processes take the form of private enforcement cases for the alleged violation of competition law arising from information sharing that is the subject of the aforementioned process no. PRC/2012/9, of the Competition Authority. The cases brought allege general estimates of damages based on economic studies and do not include specific compensation claims against each of the defendants.

By ruling issued in process no. 2/24.1YQSTR, the CRSC decided to suspend the proceedings until delivery of the final decision to be issued or already issued in process no. 225/15.4YUSTR-W. Banco Montepio filed objections in processes no. 6/24.4YQSTR and no. 10/24.1YQSTR.

In January 2025, the TCRS appended processes no. 6/24.4YQSTR and no. 10/24.1YQSTR, which await further developments

Banco de Portugal

As at 31 December 2024 and 2023, the Bank has been subject to some administrative offense processes instituted by Banco de Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, having, to the effect, made provisions in the global amount of Euro 180,000.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Directorate and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For most of these processes, Banco de Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine, and, as regards one of the two processes still underway, same is still in a preliminary phase, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions that might hypothetically be imputed to it.

Thus, and notwithstanding the Board of Directors considering as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to any of the infractions that are imputed to it, even if the respective risk of being sentenced still exists, it is the Board’s conviction that the amount of the consequent sanctions will not exceed the amount of provisions recognized by the Bank as at 31 December 2024.

57 Subsidiaries and associates

As at 31 December 2024, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Grupo	
					% of control	% of effective part
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	45 000 000	Euro	Specialised loans	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	Euro	Management of shareholding	100.00%	100.00%
Montepio Investimento, S.A.	Lisbon	30 000 000	Euro	Banking	100.00%	100.00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	Euro	Management of real estate	100.00%	100.00%
Montepio Serviços, A.C.E.	Lisbon	-	-	Business support services	85.00%	85.00%

As at 31 December 2023, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	% of control	% of effective part
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	Euro	Specialised loans	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	Euro	Management of shareholding	100.00%	100.00%
Montepio Investimento, S.A.	Lisbon	180 000 000	Euro	Banking	100.00%	100.00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	Euro	Management of real estate	100.00%	100.00%
Montepio Serviços, A.C.E.	Lisbon	-	-	Business support services	85.00%	85.00%

As at 31 December 2024, the Group´s associates accounted for under the equity method, are as follows:

(euros)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20.00%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

As at 31 December 2023, the Group´s associates accounted for under the equity method, are as follows:

(euros)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação (*)	Lisbon	2 449 707	Management of real estate	27.50%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

(*) Liquidated on 13 May 2024.

Montepio – Gestão de Activos Imobiliários, A.C.E. - Em liquidação was liquidated on 13 May 2024.

As at 31 December 2024, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

In financial year 2024, the Pelican Mortgages no. 3, Pelican Mortgages no. 4 and Aqua Mortgages no. 1 securitizations were liquidated.

As at 31 December 2023, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund (*)	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

(*) Liquidated on 30 December 2024.

58 Non-current assets and liabilities held for sale – Discontinued operations

As at 30 June 2023, the sale was finalized, by Montepio Holding to Access Bank Plc, of the shareholding representing 51% of Finibanco Angola's share capital, with Montepio Holding receiving, on this date, the sales price of the shares.

On 10 August 2023, the Angolan National Bank authorized the transfer of shares representing 29.22% of the share capital of Finibanco Angola held by Montepio Holding in favour of the shareholder Access Bank Plc, with Montepio Holding having received, on 24 August 2023, the price attributed to the shares representing 29.22% of the share capital of Finibanco Angola, for which reason the Banco Montepio Group no longer holds any financial shareholding in the share capital of Finibanco Angola.

With reference to 31 December 2023, the caption Net gains/(losses) from discontinued operations in the amount of Euro 10,092 thousand corresponds, in its entirety, to Finibanco Angola.

The breakdown of Net gains/(losses) from discontinued operations by income statement captions is analysed as follows:

	(Euro thousand)
	2023
	Finibanco Angola
Net interest income	5 811
Net fee and commission income	908
Net gains/ (losses) arising from financing activities	1 811
Other operating income/ (expense)	(904)
Total operating income	**7 626**
Staff costs	3 033
General and administrative expenses	2 135
Depreciation and amortisation	641
Total operating expense	**5 809**
Loans, other assets and other provisions impairment	(402)
Operating profit	**2 219**
Profit before income tax	**2 219**
Taxes	(18)
Recycling of foreign exchange and other reserves	(104 668)
Net profit/ (loss) for the year	**(102 467)**

59 Subsequent events

The Banco Montepio Group analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue and, and during that period no subsequent events were identified.

Competition Authority

On 10 February 2025, the Lisbon Court of Appeal declared the administrative process against all defendants, including Banco Montepio, to be time-barred and ordered the process to be closed, which awaits the delivery of the final decision, given that the Competition Authority announced it would appeal to the Constitutional Court, appeal which Banco Montepio has not been notified of as yet, as described in note 56.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version issued in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

ACCOUNTS AND NOTES TO INDIVIDUAL ACCOUNTS

2016

The earthquake occurred in Paris, but the strongest aftershocks were felt in Portugal: a kick led the country to collective ecstasy and the conquest of the European Football Championship. We will never forget: we were 172 years old.

Banco Montepio

Individual Income Statement
for the financial year of 2024

(Euro thousand)

	Notes	2024	2023
Interest and similar income	2	700 852	600 014
Interest and similar expense	2	331 359	216 811
Net interest income		369 493	383 203
Dividends from equity instruments	3	1 151	873
Net fee and commission income	4	127 043	125 127
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5	(951)	1 728
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	6	5 268	137
Net gains/ (losses) arising from exchange differences	7	1 300	1 875
Net gains/ (losses) arising from sale of other financial assets	8	8 392	11 285
Other operating income/ (expense)	9	(37 632)	(22 595)
Total operating income		474 064	501 633
Staff costs	10	150 544	142 724
General and administrative expenses	11	67 921	58 510
Depreciation and amortization	12	44 408	36 311
Total operating cost		262 873	237 545
Impairment of loans and advances to customers and to credit institutions	13	21 560	42 783
Impairment of other financial assets	14	1 214	1 165
Impairment of other assets	15	17 186	70 823
Other provisions	16	10 938	(8 185)
Profit/ (loss) before income tax		160 293	157 502
Income Tax			
Current	29	227	1 802
Deferred	29	(58 425)	(52 759)
Net profit/ (loss) for the year		102 095	106 545
Earnings per share			
Basic		0,042	0,044
Diluted		0,042	0,044

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Comprehensive Income
for the financial year of 2024

(Euro thousand)

	Notes	2024	2023
Items that may be reclassified to the Income Statement			
Fair value reserves			
Financial assets at fair value			
through other comprehensive income			
Debt instruments	41	4 404	1 481
Taxes related to fair value changes	29 e 41	(1 999)	(1 135)
		2 405	346
Items that will not be reclassified to the Income Statement			
Fair value reserves			
Financial assets at fair value			
through other comprehensive income			
Equity instruments	41	2 693	2 242
Realized gains on equity instruments	41	1 307	9
Remeasurements of post-employment and long term benefits	45	(2 114)	(83 898)
Taxes	29	-	20 102
		1 886	(61 545)
Other comprehensive income for the year		4 291	(61 199)
Net income		102 095	106 545
Total comprehensive income for the year		106 386	45 346

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Balance Sheet as at 31 December 2024

(Euro thousand)

	Notes	2024	2023
Assets			
Cash and deposits at central banks	17	1 474 536	1 171 397
Loans and deposits to credit institutions repayable on demand	18	35 084	46 065
Other loans and advances to credit institutions	19	103 275	125 067
Loans and advances to customers	20	11 815 691	11 293 205
Financial assets held for trading	21	26 451	15 117
Financial assets at fair value through profit or loss	22	146 143	209 657
Financial assets at fair value through other comprehensive income	23	304 474	48 095
Hedging derivatives	24	30 257	6 174
Other financial assets at amortized cost	25	3 473 704	4 316 171
Investments in associated companies	26	277 587	278 913
Other tangible assets	27	184 214	179 004
Intangible assets	28	64 463	57 537
Current tax assets	29	911	1 302
Deferred tax assets	29	328 654	389 077
Other assets	30	328 586	437 987
Total Assets		18 594 030	18 574 768
Liabilities			
Deposits from central banks	31	-	873 933
Deposits from other credit institutions	32	646 055	1 097 099
Deposits from customers	33	15 195 524	13 449 021
Debt securities issued	34	467 647	533 783
Financial liabilities associated to transfered assets	35	33 334	511 013
Financial liabilities held for trading	21	11 202	12 636
Hedging derivatives	24	27 037	3 525
Provisions	36	29 317	20 178
Current tax liabilities	-	599	703
Other subordinated debt	37	271 824	217 019
Other liabilities	38	232 115	276 869
Total Liabilities		16 914 654	16 995 779
Equity			
Share capital	39	1 210 000	1 210 000
Legal reserve	40	207 487	196 833
Fair value reserves	41	11 661	6 563
Other reserves and Retained earnings	41	148 133	59 048
Net profit / (loss) for the year		102 095	106 545
Total Equity		1 679 376	1 578 989
Total Liabilities and Equity		18 594 030	18 574 768

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Statement of Cash Flows
for the financial year of 2024

(Euro thousand)

	2024	2023
Cash arising from operating activities		
Interest income received	688 639	567 495
Interest expense paid	(321 879)	(103 227)
Commission received	151 788	149 059
Commission paid	(25 513)	(25 087)
Costs with staff and suppliers	(204 224)	(193 074)
Recovery of loans and interest	6 746	5 466
Other payments and receivables	(65 885)	12 937
Income tax payment	514	6 259
	230 186	419 828
(Increases)/Decreases in operating assets		
Loans and advances to credit institutions and customers	(528 879)	367 373
(Purchase)/Sale of financial assets held for trading	(9 699)	(11 652)
(Purchase)/Sale of financial assets at fair value through profit or loss	62 193	44 620
(Purchase)/Sale of financial assets at fair value through other comprehensive income	(241 369)	52 159
(Purchase)/Sale of hedging derivatives	-	137
(Purchase)/Sale of other financial assets at amortized cost	365 548	200 558
Liquidation of assets, net of liabilities, allocated to the business, transferred from the BEM.	-	(178 775)
Other assets	81 507	69 597
	(270 699)	544 017
Increases/(decreases) in operating liabilities		
Deposits from customers	1 725 346	231 354
Deposits from credit institutions	(448 963)	477 984
Deposits from central banks	(854 830)	(2 075 000)
	421 553	(1 365 662)
	381 040	(401 817)
Cash from investing activities		
Dividends received (note 3)	1 151	873
(Purchase) / Sale of investments in associates	661	-
Purchase of fixed assets (notes 27 and 28)	(57 322)	(45 910)
	(55 510)	(45 037)
Cash from financing activities		
Dividends paid (note 42)	(6 000)	-
(Issuance) / Repayment of cash bonds and subordinated debt (notes 34 and 37)	(24 376)	200 000
Lease Contracts	(3 405)	(3 814)
	(33 781)	196 186
Effect of changes in cash exchange rate and cash equivalents	409	957
Net change in cash and cash equivalents	292 158	(249 711)
Cash and cash equivalents at the beginning of the year		
Cash and deposits at central banks (note 17)	1 171 397	1 383 801
Loans and deposits to credit institutions payable on demand (note 18)	46 065	83 372
	1 217 462	1 467 173
Caixa e equivalentes no fim do exercício		
Cash and deposits at central banks (note 17)	1 474 536	1 171 397
Loans and deposits to credit institutions payable on demand (note 18)	35 084	46 065
	1 509 620	1 217 462

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Statement of Changes in Equity
for the financial year of 31 of December 2024

(Euro thousand)

	Share Capital (nota 39)	Issue premium	Legal Reserves (note 40)	Fair Value Reserves (note 41)	Other reserves and Retained earnings (note 41)	Net income	Total Equity
Balance on 01 January 2023	**2 420 000**	**-**	**193 266**	**3 975**	**(1 118 673)**	**35 670**	**1 534 238**
Appropriation to retained earnings of net income of 2022							
Retained earnings	-	-	-	-	35 670	(35 670)	-
Reserves realized	-	-	3 567	-	(3 567)	-	-
Other comprehensive income:	-	-	-	2 588	(63 787)	-	(61 199)
Remeasurements of post-employment and long-term benefits (note 45)	-	-	-	-	(83 898)	-	(83 898)
Realized gains on capital instruments	-	-	-	-	9	-	9
Changes in fair value of debt instruments	-	-	-	1 481	-	-	1 481
Changes in the fair value of capital instruments	-	-	-	2 242	-	-	2 242
Taxes on changes in fair value (note 29)	-	-	-	(1 135)	-	-	(1 135)
Taxes related to remeasurement changes of defined benefit plans (note 29)	-	-	-	-	20 102	-	20 102
Net income for the year	-	-	-	-	-	106 545	106 545
Total comprehensive income for the year	-	-	-	2 588	(63 787)	106 545	45 346
Reduction of share capital (loss coverage)	(1 210 000)	-	-	-	1 210 000	-	-
Capital Increase (*)	144 188	34 587	-	-	-	-	178 775
Capital Reduction (*)	(144 188)	(34 587)	-	-	-	-	(178 775)
Other movements	-	-	-	-	(595)	-	(595)
Balance on 31 december 2023	**1 210 000**	**-**	**196 833**	**6 563**	**59 048**	**106 545**	**1 578 989**
Application of net income in 2023							
Loss coverage	-	-	-	-	76 649	(76 649)	-
Retained earnings	-	-	-	-	13 242	(13 242)	-
Legal reserves	-	-	10 654	-	-	(10 654)	-
Dividends paid	-	-	-	-	-	(6 000)	(6 000)
Other comprehensive income:	-	-	-	5 098	(807)	-	4 291
Remeasurements of post-employment and long-term benefits (note 45)	-	-	-	-	(2 114)	-	(2 114)
Realized gains on capital instruments	-	-	-	-	1 307	-	1 307
Changes in fair value of debt instruments	-	-	-	4 404	-	-	4 404
Changes in the fair value of capital instruments	-	-	-	2 693	-	-	2 693
Taxes on changes in fair value (note 29)	-	-	-	(1 999)	-	-	(1 999)
Net income for the year	-	-	-	-	-	102 095	102 095
Total comprehensive income for the year	-	-	-	5 098	(807)	102 095	106 386
Other movements	-	-	-	-	1		1
Balance on 31 december 2024	**1 210 000**	**-**	**207 487**	**11 661**	**71 484**	**178 744**	**1 679 376**

(*) Related to the transfer of assets and liabilities related to the BEM business to Banco Montepio.

To be read with the notes attached to the Separate Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio"), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by Banco de Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the By-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

1 Accounting Policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of Banco de Portugal, of 7 December, Banco Montepio's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and their predecessor bodies. Banco Montepio's separate financial statements for financial year ended 31 December 2024 were prepared for recognition and measurement purposes in accordance with IFRS endorsed by the EU and in force on 1 January 2024.

All references in this document to any standards relate to the respective version in force.

The separate financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 4 April 2025, being presented in Euro, rounded to the nearest thousand. The separate financial statements presented relate to 31 December 2024 and will be submitted for approval by the General Meeting, which has the power to change them. However, it is the conviction of Banco Montepio's Board of Directors that these will be approved without any significant changes.

The financial statements were prepared on the going concern, accrual and historical cost principles, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged. Other financial assets and liabilities and non-financial assets and liabilities are recorded at amortized cost or historical cost. Non-current assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell.

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

With a view to achieving the strategic objectives of the Banco Montepio Group, namely the simplification of the Group's governance structure and the improvement of the operating model, the Board of Directors of Banco Montepio decided to integrate the activity of Banco Empresas Montepio (BEM) into Banco Montepio, allowing the approach to the corporate segment to be simplified and synergies to be captured, leveraging the learning and results of the commercial banking and investment banking model through the unification of the relationship, as well as making Banco Montepio Group's governance structure less complex.

Following this decision, several initiatives were undertaken which ensured that, with reference to 28 November 2023, the assets and liabilities allocated to the business recorded in the financial statements of BEM were transferred to Banco Montepio, so that, as at 31 December 2023, the balance sheet already reflects the impact of this transfer. In this context, Montepio Holding agreed with RAUVA Enterprises, S.A., to sell 100% of the share capital of BEM, with this transaction being subject to the verification of certain precedent conditions, including approval by the Supervisory and Regulatory authorities.

The integration of BEM's activity into Banco Montepio was completed on 28 November 2023, with BEM transferring to Banco Montepio the portion of its assets allocated to the business (assets, liabilities and operations) through the subscription by BEM of the capital increase in Banco Montepio, through new contributions in kind in the amount of Euro 178,775 thousand, corresponding to BEM's Net Asset Value, as verified by the report of the independent Statutory Auditor (ROC) issued on 22 November 2023, under the terms and for the purposes of article 28 of the Portuguese Commercial Companies Code ("CCC"), through the issue of 288,375,098 new ordinary, nominative and registered shares, representative of the share capital of Banco Montepio, each with a nominal value of Euro 0.50, plus a share premium in the amount of Euro 34,587 thousand.

On 29 December 2023, the General Meeting of Banco Montepio deliberated to reduce the Bank's share capital, in the amount of Euro 144,188 thousand, through the amortization-extinction of the 288,375,098 shares, each with a nominal value of Euro 0.50, subscribed by BEM in the capital increase referred to above, with the consent of the respective holder and under the terms set out in article 6 of the Bank's Articles of Association. The consideration received by BEM totalled Euro 178,755 thousand, which includes the share premium of Euro 34,587 thousand.

In this context, the financial statements for financial year 2023 highlight the transfer operation of assets and liabilities from BEM to Banco Montepio, the details of which are presented as follows:

(Euro thousand)

	November 27 2023
Assets	
Loans and deposits to credit institutions payable on demand	3 331
Loans and advances to customers	333 735
Financial assets at fair value through profit or loss	45 572
Financial assets at fair value through other comprehensive income	4 315
Other financial assets at amortized cost	709
Investments in associated companies	24
Other tangible assets	432
Intangible assets	80
Deferred tax assets	5 070
Other assets	6 665
Total Assets	399 933
Liabilities	
Deposits from other credit institutions	219 774
Provisions	569
Other liabilities	815
Total Liabilities	221 158
Total Assets - Total Liabilities	178 775

b) Financial instruments – IFRS 9

b.1) Classification of financial assets

The Bank classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income; and
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

b.1.1) Debt instruments

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

- the Bank's business model for financial asset management, and
- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Bank classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

  - they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Bank's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Bank also considered whether it expects to recover the book value of the asset through the sale to a third party.

This portfolio also includes all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term;
- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains; and
- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Bank manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Bank's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Bank in identifying the business model for a set of assets include past experience of how: (i) cash flows are received; (ii) how asset performance is assessed and reported to the management body; (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading serve, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Near-maturity sales and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To the effect, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not coincide with the reference interest rate term (for example, the interest rate is adjusted every three months), the Bank assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of: (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test).

In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

b.1.2) Equity instruments

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Bank exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss.

b.2) Classification of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers, debt securities issued and other subordinated liabilities.

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 c).

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option)

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;

- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch); and
- the financial liabilities contain embedded derivatives.

(iv) Financial liabilities associated with assets transferred

This category includes liabilities associated with credit securitization operations that were not derecognized following the application of IFRS 9 - Financial instruments. These liabilities are initially recorded at the amount received on the cession of the loans and are subsequently valued at amortized cost, in a manner coherent with the valuation of the corresponding assets and the conditions defined in the securitization operation.

b.3) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets and liabilities are recognized in the balance sheet on the transaction date - the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be: (i) amortized over the life of the instrument; (ii) deferred until the fair value of the instrument can be determined using observable market data or (iii) recognized through the liquidation of the asset or liability.

Banco Montepio recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

b.4) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Bank values its financial assets: (i) at amortized cost; (ii) at fair value through other comprehensive income; or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

b.5) *Interest recognition*

Interest income and expense on financial assets and liabilities measured at amortized cost and financial assets at fair value through other comprehensive income are recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets and liabilities at fair value through profit or loss is recognized in financial operations results.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, Banco Montepio estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income related to financial instruments measured at amortized cost or a fair value through other comprehensive income and associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value, which corresponds to its amortized cost before deducting the respective impairment.

For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment (“POCI”), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

b.6) *Reclassifications between financial instrument categories*

Reclassifications of financial assets can only occur when Banco Montepio changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

b.7) *Modification of loans*

Occasionally, the Bank renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Bank assesses whether the new contract terms are substantially different from the original terms. The Bank makes this analysis considering, among others, the following factors:

- If the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- A significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- A significant extension of the contract maturity when the debtor is not in financial difficulty;
- A significant change in interest rate;
- A change from the currency in which the credit was contracted; and
- The inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Bank may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

b.8) *De-recognition that does not result from a modification*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and: (i) the Bank substantially transfers all risks and rewards associated with holding the asset or (ii) the Bank neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Gains and losses from the disposal of other assets. These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Bank engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to channel those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Bank:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets; and
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Bank (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

b.9) *Write-off policy*

Banco Montepio recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by Banco Montepio turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

b.10) *Impairment of financial assets*

The Bank determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments.

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against a cumulative balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The allocations and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

The Bank estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation and (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

b.11) Impairment model of loans and advances to customers

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of Banco Montepio that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income; and
- Commitments and financial guarantees issued.

No impairment is recognized on equity instruments since these are measured at fair value and the gains or losses resulting from their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument; and
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that originated losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition; and
- Incorporation of forward-looking information in the ECL calculation.

b.11.1) *Calculation of ECLs*

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that Banco Montepio expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that Banco Montepio expects to receive; and
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that Banco Montepio expects to recover.

b.11.2) *Definition of default*

Banco Montepio aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by Banco Montepio are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1% and (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures;
- Non-performing loans, that is, when interest relating to loan obligations is no longer recognized in the financial statements due to the degradation of credit quality;
- Individually significant customers with individual impairment;
- Sale of loan contract with losses in excess of 5%;
- Bankruptcy/insolvency/PER/PEAP/PEVE/EPR/RERE customers;
- Customers with loans written off from assets in Banco Montepio or the CRC (Central Credit Register), in the case of Corporate customers; and
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

b.11.3) *Significant increase in credit risk ("SICR")*

To determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), Banco Montepio considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on Banco Montepio's history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date and the exposure's risk rating attributed at the initial moment of the exposure´s recognition; and
- The exposure's annualized lifetime PD at the reporting date and the lifetime PD identified at the initial moment of the exposure´s recognition.

Banco Montepio identifies the occurrence of a significant increase in credit risk when at least one of the following criteria is verified: (i) through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was and (ii) when there is a change in the annualized lifetime PD since the origination and until the reporting date with an increase of 200% or 5 percentage points.

When evaluating the significant increase in credit risk, Banco Montepio also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis Banco Montepio and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in Banco de Portugal's Central Credit Register ("Central de Responsabilidades de Crédito").

b.11.4) *Additional criteria for impairment rate deterioration*

Considering the likelihood of greater difficulty in the energy transition, for Customers belonging to economic activity sectors with greater carbon intensity, the following criteria were considered to determine the impairment rate: Corporate Customers, in Stage 1, belonging to sectors A - Agriculture, Forestry and Fisheries, C - Manufacturing industries, E - Water supply, sanitation, waste management and depollution and H - Transport and storage, the impairment rate was determined considering the lifetime PD, maintaining the Customer in Stage 1.

b.11.5) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated supported on statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the risk rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);
- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and
- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. Banco Montepio collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. Banco Montepio estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The

LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. Banco Montepio obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, Banco Montepio calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

b.11.6) <u>Measurement of ECL – Individual analysis</u>

The exposure of Individually Significant Customers is subject to individual analysis which focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for said analysis.

Following the analysis carried out internally and considering the accounting framework described in IFRS 9 and also known market practices, Banco Montepio changed, during the second half of 2023, the criteria for selecting customers for the purposes of individual credit analysis, in compliance, namely, with criteria for perceiving implicit risk and the frequency of the analysis.

As at 31 December 2024 and 2023, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ Euro 10.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ Euro 5.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ Euro 1.0 million; and
- Other customers when duly justified.

The selection of the Individually Significant Customer universe is made quarterly, considering, for the purpose of determining the exposure of customers, all active credit operations (on- and off-balance sheet) and excluding the operations classified as written off.

The individual analysis is the responsibility of the Individual Impairment Department and in the evaluation of impairment losses the following factors are considered:

- Exposure of each customer, internal rating of the customer, staging associated with each operation and existence of signs of impairment;
- Economic and financial viability of the customer and ability to generate future cash flows to service the debt;
- Existence of collaterals associated with the financial assets and their respective valuation;

- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors; and
- Expectation regarding the credit recovery period.

For the financial assets of Individually Significant Customers classified in Stages 1 and 2, the calculated loss is assigned in accordance with the collective analysis methodology, given that, for these Stages, impairment is not determined individually.

For the financial assets of Individually Significant Customers classified in Stage 3, the impairment value is determined using the discounted cash-flows method, corresponding to the difference between the loan value and the sum of the expected cash-flows relating to the various operations of the customer, discounted at the original interest rate of each financial asset. If the impairment value determined is zero, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the methodology in force. On the other hand, if the impairment rate determined through individual analysis is lower than that determined on a collective basis, the latter prevails.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method or the gone concern method:

- In the case of the continuity of the activity (going concern), and provided the available information allows it, a critical analysis is done of the business plans presented or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the financial assets;
- In the case of the cessation of the activity (gone concern), the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance and selling expenses and/or procedural expenses, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above-mentioned adjustments, are discounted at the original effective interest rate of the financial assets; and
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

b.12) *Securitized loans and advances not derecognized*

Banco Montepio does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Loans sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

c) Derivative financial instruments and hedge accounting

Banco Montepio designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;
(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship; and

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, Banco Montepio may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

d) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

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

Distributions made on account of equity instruments are deducted from equity as dividends when declared.

e) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of: (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date.

Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Bank usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee's beneficiary.

f) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

Banco Montepio carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in Loans and advances to customers or Loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as Deposits from customers or Deposits from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

g) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in Banco Montepio's separate financial statements at historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by Banco Montepio. Banco Montepio controls an entity when it is exposed to, or has rights to, the variability of returns from its involvement with that entity and can take possession of same through its power over the relevant activities of that entity (de facto control).

Associates are entities over which Banco Montepio has significant influence but does not control their financial and operating policy. Banco Montepio is presumed to have significant influence when it has the power to exercise more than 20% of the associate's voting rights. If Banco Montepio, directly or indirectly, holds less than 20% of the voting rights, Banco Montepio is presumed not to have significant influence, except when such influence can be clearly demonstrated.

Dividends received from Subsidiaries and Associates are recognized as Dividends from equity intruments when distributed.

Significant influence on the part of Banco Montepio is usually demonstrated in one or more of the following ways:

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

In addition to recognizing impairment of investments in subsidiaries and associates, Banco Montepio recognizes additional losses if it has assumed obligations or made payments on behalf of these entities.

Impairment

The recoverable value of investments in subsidiaries and associates is assessed whenever there are signs of evidence of impairment. Impairment losses are calculated based on the difference between the recoverable value of investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period. The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value and business risks.

h) Non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

Banco Montepio also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable. Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Bank intends to immediately sell all properties and other assets received in recovery of credit, the Bank classifies these in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

Banco Montepio recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option; and
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease, lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Banco Montepio risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments; and
- the book value is remeasured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

Banco Montepio remeasures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is remeasured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used); and
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that Banco Montepio will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in General and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the statement of cash flows:

(i) in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements; and

(ii) the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

<u>*Lessor perspective*</u>

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Bank classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

Finance leases are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalment's receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

4. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
5. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication); and
6. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (iv) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation) are received in advance and are deferred and recognized over the life of the operation;

   (v) Commissions agreed for the commitment to provide financing are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss; and

   (vi) Commissions paid on the issuance of financial liabilities at amortized cost are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in Banco Montepio's financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for Banco Montepio. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following annual periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable value is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable value.

The recoverable value is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Intangible assets

Software

Banco Montepio accounts as intangible assets the costs associated with software acquired from external entities, including any additional services necessary for its, and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. Banco Montepio does not capitalize internal costs arising from software development.

o) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits and deposit equivalents at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits and deposit equivalents at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities; and
- Financing activities: activities that produce changes in Banco Montepio's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, capital increases and dividend distributions.

p) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

q) Post-employment and long-term employee benefits

Defined benefit plans

Banco Montepio has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement ("ACT") it signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, Banco Montepio set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 26.6%, of which 23.6% paid by Banco Montepio and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, Banco Montepio signed a new ACT, introducing several changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 45.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

Banco Montepio´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to that of the date of the term of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pension Fund.

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

Gains and losses from the remeasurement, namely: (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

Banco Montepio recognizes in its income statement a net total amount that includes: (i) the current service cost; (ii) the net interest income/(expense) from the pension plan; (iii) the effect of early retirement; (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by Banco Montepio to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past services of active employees.

The liabilities for defined benefit post-employment benefits are determined by the responsible actuary certified by the Insurance and Pension Funds Supervisory Authority, observing at least a half-yearly frequency with reference to the end of June and December of each year.

For the purposes of determining the liabilities for defined benefit post-employment benefits, a set of relevant actuarial assumptions are considered, namely the expected rate of return for the Pension Fund, the discount rate, the growth rate of salaries and pensions and the mortality tables.

In accordance with the provisions of IAS 19, the discount rate considered on each date of determination of the liabilities for post-employment benefits must correspond to the bond rates of high-quality entities for maturities identical to those of the bonds carried in the pension plan.

In line with the recommendations of IAS 19, the Bank recognizes in the income statement the impacts related to the cost of current services, the net interest income/cost of the pension plan, the cost of past services, the cost of early retirements and any settlement or curtailment of liabilities that have been identified.

The actuarial deviations calculated on each date of determination of liabilities are recorded in equity and include, namely, the value of non-financial actuarial deviations, corresponding to the difference between the assumptions used and those actually verified and also those resulting from the change in actuarial assumptions, and the amount of financial actuarial deviations, determined by the difference between the effective rate of return and the expected rate of return of the Pension Fund.

The Bank, in accordance with the provisions of Banco de Portugal Notice 12/2001, ensures, on each date of determination of liabilities, compliance with the required financing levels, which correspond to a minimum financing level of 95% of liabilities for past services of the active population and 100% of liabilities for pensions under payment.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the financial year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is: (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision; (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and Banco Montepio paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for Banco Montepio to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at Banco Montepio's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by Banco Montepio in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount of Banco Montepio's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

Defined Contribution Plan

Banco Montepio, for employees admitted from March 3, 2009, under the Defined Contribution Plan, contribute with a percentage of 1.5% of the effective monthly remuneration of each covered employee. The employee is required to make an identical contribution.

r) Income taxes

The Bank is subject to the regime established in the Corporate Income Tax Code (Código do Imposto sobre o Rendimento das Pessoas Coletivas ("CIRC")), as well as the Special Regime applicable to Deferred Tax Assets (Regime Especial aplicável aos Ativos por Impostos Diferidos ("REAID")), approved by Law no. 61/2014, of 26 August, to which it adhered, and to complementary legislation. Additionally, deferred taxes are recognized on tax losses and timing differences between the accounting results and those accepted for tax purposes, whenever there is a reasonable probability that such taxes will be paid or recovered in the future.

Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods.

Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that Banco Montepio does not exercise control over the period of the reversal of the differences.

Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including tax losses carried forward).

Banco Montepio offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of CIRC.

The Companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, Banco Montepio, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by Banco Montepio corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses same, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

Additionally, as a result of the publication of Law no. 41/2024, of 8 November, which transposed, into the Portuguese tax system, Directive (EU) No. 2022/2523, relating to the guarantee of a global minimum tax rate of 15% for groups of multinational companies and large national groups, Banco Montepio, as an entity forming part of the Banco Montepio Group, does not anticipate any relevant impact. Specifically, the Banco Montepio Group is excluded from the application of Pillar Two rules for a transitional period of five years, under article 44 of the Annex to Law no. 41/2024, of 8 November.

s) Segmental reporting

Banco Montepio adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Bank: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for the Bank's operating decisions regarding the allocation of resources to the segment and the assessment of its performance and (iii) for which distinct financial information is available.

Given that the separate financial statements are presented together with those of the Group, and considering paragraph 4 of IFRS 8, Banco Montepio is not required to present information on a separate basis on the segments.

t) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when: (i) Banco Montepio has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable.

This caption also includes the impairment losses related to exposures that have an associated credit risk such as bank guarantees and commitments assumed.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because: (i) It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation and (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

u) Insurance and reinsurance brokerage services

Banco Montepio is duly authorized by the Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”)) to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, Banco Montepio sells insurance contracts, receiving as remuneration for the services rendered brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between Banco Montepio and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

- commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by Banco Montepio and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly; and
- commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - Insurance brokerage services.

v) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of Banco Montepio by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

w) Significant judgements and estimates in the application of the accounting policies

The IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements. The most significant of these accounting estimates and judgments used in the application of the accounting policies by Banco Montepio are discussed in the following paragraphs in order to improve understanding of how their application affects Banco Montepio’s reported results and related disclosure.

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

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

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Bank uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Bank expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 19, 20, 23, and 25, with a consequent impact in the income statement of Banco Montepio.

In accordance with the provisions of IFRS 9, Banco Montepio, in accordance with the provisions of IFRS 9 and for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 49).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 21, 22 and 23.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 44.

Impairment of investments in subsidiaries and associates

Banco Montepio assesses the recoverable value when there are signs of evidence of impairment. Impairment losses are assessed based on the difference between the recoverable value of the investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period.

The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks, which require the use of certain assumptions or judgment in establishing the fair value estimates.

Different methodologies and the use of different assumptions and estimates could result in a different level of impairment losses being recognized and presented in note 26, with the consequent impact on the income statement of Banco Montepio.

Income taxes

Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business. The Bank complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the period and presented in note 29. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Bank considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, changed the rules applicable to impairment losses recognized from 1 January 2019, as well as to impairment losses recorded in tax periods beginning before 1 January 2019 and not yet tax accepted, contemplating a maximum adaptation period of 5 years, that is, until 31 December 2023.

Banco Montepio opted to apply the new tax regime for impairment from the 2023 period onwards; therefore, it calculated its current and deferred tax for financial year 2024 based on the new tax regime for impairment.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2024, the tax rules resulting from Law no. 98/2019, of 4 September, were applied.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by Banco Montepio, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term employee benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 45.

Classification and valuation of non-current assets held for sale

The classification of the real estate received in recovery of credit is determined in accordance with IFRS 5.

Non-current assets held for sale are measured at the lower of their fair value less selling expenses and the book value of the loans on the date the assets are received in recovery. Fair value is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in note 30.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 36.

Recoverable value of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable value be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal. Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable value of the Bank's own properties.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	48 699	35 264
Loans and advances to customers	608 741	522 883
Financial assets held for trading	318	382
Financial assets at fair value through profit or loss	16	19
Financial assets at fair value through other comprehensive income	6 573	438
Hedging derivatives	93	3 388
Other financial assets at amortized cost	36 403	37 621
Other interest and similar income	9	19
	700 852	600 014
Interest and similar expense		
Deposits from central banks and other credit institutions	31 521	71 171
Deposits from customers	222 807	84 354
Debt securities issued	28 953	4 790
Financial liabilities associated to transferred assets	15 266	25 968
Hedging derivatives	3 104	3 525
Other subordinated debt	22 164	19 584
Lease liabilities	1 025	589
Other interest and similar expense	6 519	6 830
	331 359	216 811
Net interest income	369 493	383 203

The caption Interest and similar income – Loans and advances to customers, includes, in 2024, respectively, the amount of Euro 16,131 thousand and the amount of Euro 7,696 thousand (2023: Euro 15,714 thousand and Euro 7,712 thousand, respectively), related to income and expenses, accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 b).

The caption Interest and similar income – Financial assets at fair value through profit or loss, includes, in 2024, the amount of Euro 16 thousand (2023: 19 thousand) related to interest on loan contracts that do not meet the SPPI criteria, and which are recorded at fair value through profit or loss.

The caption Interest and similar expense – Other interest and similar charges includes, in 2024, the amount of Euro 5,550 thousand (2023: Euro 6,731 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

This caption refers to dividends and has the following breakdown:

(Euro thousand)

	2024	2023
Financial assets at fair value through other comprehensive income		
Unicre	563	573
SIBS	439	186
ABANCA	137	101
Outros	12	13
	1 151	873

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Fee and commission income		
From banking services	118 874	112 727
From transactions on behalf of third parties	16 543	20 296
From insurance brokerage services	9 298	9 207
Guarantees provided	4 434	3 987
Other fee and commission income	2 639	2 842
	151 788	149 059
Fee and commission expense		
From banking services rendered by third parties	22 378	21 985
From transactions with securities	342	317
Other fee and commission expense	2 025	1 630
	24 745	23 932
Net fee and commission income	127 043	125 127

In 2024 and 2023, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2024	2023
Life insurance	4 280	4 293
Non-life insurance	5 018	4 914
	9 298	9 207

The remuneration of insurance brokerage services was received in full, and all the commissions resulted from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2024			2023		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	732	369	363	1 703	814	889
Issued by other entities	265	17	248	99	31	68
Shares	1 328	1 383	(55)	1 376	1 313	63
Investment units	100	27	73	23	13	10
	2 425	1 796	629	3 201	2 171	1 030
Derivative financial instruments						
Interest rate contracts	50 199	47 347	2 852	78 567	75 261	3 306
Exchange rate contracts	25 454	25 750	(296)	26 625	26 909	(284)
Futures contracts	3 330	3 449	(119)	8 219	9 696	(1 477)
Option contracts	13 070	12 770	300	11 232	11 334	(102)
Commodities contracts	-	-	-	2	-	2
	92 053	89 316	2 737	124 645	123 200	1 445
Financial assets at fair value through profit or loss						
Investment units	2 453	4 348	(1 895)	4 126	5 413	(1 287)
Loans and advances to customers	51	37	14	552	74	478
	2 504	4 385	(1 881)	4 678	5 487	(809)
Other financial assets at fair value through profit or loss						
Securities						
Shares	294	-	294	42	-	42
Securitization units	3 349	3 756	(407)	10 228	11 271	(1 043)
Loans and advances to customers	58	13	45	48	44	4
	3 701	3 769	(68)	10 318	11 315	(997)
Financial liabilities at fair value through profit or loss						
Deposits from customers	1 598	3 642	(2 044)	4 153	2 917	1 236
	1 598	3 642	(2 044)	4 153	2 917	1 236
Hedging derivatives						
Interest rate contracts	99 506	89 092	10 414	-	-	-
Assets and liabilities hedged financial						
Other financial assets at amortized cost	149	1 523	(1 374)	-	-	-
Debt securities issued	6 380	11 000	(4 620)	4 801	4 978	(177)
Other subordinated debt	7 991	12 735	(4 744)	-	-	-
	14 520	25 258	(10 738)	4 801	4 978	(177)
	216 307	217 258	(951)	151 796	150 068	1 728

Financial assets at fair value through profit or loss in terms of Participation Units include, in 2024, a negative impact of Euro 1,895 thousand (2023: negative impact of Euro 1,287 thousand), determined by: (i) the negative effects of Fundo Carteira Imobiliária (fund) of Euro 2,272 thousand, of Fundo C2 Growth I (fund) of Euro 668 thousand, of Fundo Veja (fund) of Euro 425 thousand, of Portugal Estates Fund of Euro 254 thousand, of Fundo Aquarius (fund) of Euro 198 thousand and of Fundo Montepio Arrendamento III (fund) of Euro 103 thousand; and (ii) the positive effects of Fundo VIP (fund) of Euro 1,497 thousand, of Discovery

Portugal Real Estate Fund of Euro 472 thousand and of Fundo XR Revitalizar Centro - Categoria 2 (fund) of Euro 153 thousand.

The caption Other financial assets at fair value through profit or loss of securitization units reflects the change in the value of the securitized loan portfolio, which on 31 December 2024 recorded the amount of Euro 33,828 thousand (31 December 2023: Euro 513,796 thousand).

The gains and losses from hedge accounting include the fair value changes of the hedging instrument (derivative), recognized under the heading Hedging Derivatives, and the fair value changes of the hedged item attributable to the hedged risk, recognized under the heading Hedged Financial Assets and Liabilities. The hedging relationships are described in note 24.

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2024			2023		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	5 213	-	5 213	84	-	84
Issued by other entities	55	-	55	24	-	24
Commercial paper	-	-	-	29	-	29
	5 268	-	5 268	137	-	137

In 2024, this caption includes positive net gains obtained from the sale of European public debt amounting to Euro 3,926 thousand and of Spanish public debt amounting to Euro 1,287 thousand. In 2023, the caption Bonds – Public issuers includes positive net gains obtained from the repayment of Portuguese public debt bonds in the amount of Euro 2 thousand and of Italian public debt of Euro 82 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2024			2023		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differencies	16 129	14 829	1 300	22 192	20 317	1 875

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 q).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Disposal of loans and advances to customers	(803)	2 306
Disposal of other assets	8 193	7 190
Disposal of other financial assets at amortized cost	1 002	1 789
	8 392	11 285

The caption Disposal of loans and advances to customers includes, in 2024 and 2023, the results from the operations of selling credit portfolios and, when applicable, the impact of repurchases related to these operations.

In 2024, the caption Disposal of other financial assets at amortized cost includes a sale related to a debt instrument approaching maturity, which did not affect the underlying business model, as described in accounting policy b.1).

The caption Disposal of other assets considers the result obtained from the sale of properties.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Other operating income		
Services provided	5 452	6 089
Management fees on demand deposits	3 686	3 437
Reimbursement of expenses	2 139	2 058
Tax recovery	1 356	2 988
Actuarial deviations of assigned collaborators	114	4 335
Other	4 900	7 875
	17 647	26 782
Other operating expenses		
Contributions		
Banking sector	9 607	10 857
Ex-ante to the Single Resolution Fund	-	5 042
National Resolution Fund	1 872	2 131
Deposits Guarantee Fund	11 444	144
Expenses with trading properties	4 043	7 877
Taxes	1 337	961
Servicing and expenses with recovery and disposal of loans	7 964	9 447
Expenses with issuances	1 372	1 784
Services provided by Montepio Serviços, A.C.E.	3 309	1 352
Costs with means of payment	1 862	1 536
Donations and memberships	1 400	324
Other	11 069	7 922
	55 279	49 377
Other net operating income/(expense)	(37 632)	(22 595)

The caption Contribution of the Banking Sector is calculated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund and (ii) the notional amount of the derivative financial instruments. Additionally, in 2020 this regime was supplemented by an additional solidarity contribution by the banking sector, in the form of a budgetary policy instrument in response to the post-pandemic crisis context. The base for this contribution follows the same requirements applicable to the calculation of the banking sector contribution previously described, being set out in Ordinance no. 191/2020.

The caption Contribution *ex-ante* to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution is determined by Banco de Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution

Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução ("CUR")), in strict cooperation with Banco de Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, as at 31 December 2024 and 2023, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, as at 31 December 2024, Banco Montepio settled Euro 11,320 thousand (31 December 2023: Euro 11,325 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 19. For irrevocable payment commitments only cash collateral is accepted.

In 2024, Banco Montepio did not make any contribution to the Single Resolution Fund, in accordance with the information transmitted by the SRB - Single Resolution Board of 15 February 2024, in which it states that the means available in the Single Resolution Fund on 31 December 2023 reached the target level of at least 1% of the covered deposits held by the Member States participating in the Single Resolution Mechanism, as stipulated in Regulation (EU) no. 806/2014.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of Banco de Portugal, which may be adjusted in function of the credit institution's risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

As part of the annual periodic contributions to the Deposit Guarantee Fund, Banco Montepio has assumed irrevocable commitments, under the terms of paragraph 4 of article 161 of the General Regime of Credit Institutions and Financial Companies ("RGICSF"), relating to part of these contributions, with the commitment to make the respective payment when the Deposit Guarantee Fund requested it.

The caption Other operating expense - Servicing and expenses with the recovery and disposal of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

In 2024, the caption Other operating expense – Expenses with properties held for trading includes the amount of Euro 131 thousand (2023: Euro 3,231 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.

This caption also includes refund of commissions, ECB supervision fee and other operating expenses.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Remuneration	106 696	103 089
Mandatory social charges	31 281	31 582
Charges with Pension Funds	8 825	(3 410)
Other staff costs	3 742	11 463
	150 544	142 724

In 2024, variable remuneration was paid to Other key management personnel in the total amount of Euro 438 thousand in respect of financial year 2023. Other key management personnel are the first-line managers.

Remuneration and other benefits attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee) and Other key management personnel, including the respective charges, are presented as follows:

(Euro thousand)

	2024			
	General Meeting Board	Board of Directors	Other key management staff	Total
Remuneration and other short-term benefits	4	3 750	4 009	7 763
Pension costs	-	1 494	93	1 587
Costs with healthcare benefits (SAMS)	-	16	64	80
Social Security charges	1	652	796	1 449
	5	5 912	4 962	10 879

(Euro thousand)

	2023			
	General Meeting Board	Board of Directors	Other key management staff	Total
Remuneration and other short-term benefits	4	3 348	3 768	7 120
Pension costs	-	620	110	730
Costs with healthcare benefits (SAMS)	-	15	63	78
Social Security charges	1	665	783	1 449
	5	4 648	4 724	9 377

In 2024, loans granted by Banco Montepio to members of the Board of Directors (including the members of the Audit Committee) amounted to Euro 73 thousand (2023: Euro 105 thousand) and to Other key management personnel, Euro 2,534 thousand (2023: Euro 2,385 thousand), as described in note 47.

The average number of employees employed by Banco Montepio during financial years 2024 and 2023, distributed by major professional categories, is as follows:

	2024	2023
Administration and Coordination	245	243
Senior management	438	463
Technical staff	1 296	1 273
Administrative staff	860	941
Auxiliary staff	18	18
	2 857	2 938

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Rental costs	1 155	821
Specialized services		
IT services	18 995	15 529
Independent work	4 704	5 339
Other specialized services	18 525	16 042
Maintenance and repairs	5 353	4 964
Communication costs	4 075	3 798
Advertising costs	4 054	2 754
Transportation	3 046	2 684
Water, energy and fuel	2 969	1 831
Insurance	1 339	941
Travel, accommodation and entertainment expenses	1 226	1 012
Training	661	843
Consumables	392	513
Other general administrative costs	1 427	1 439
	67 921	58 510

The caption Rents and hires includes, in 2024, the amount of Euro 521 thousand (2023: Euro 291 thousand) related to short-term lease contracts, of which Euro 66 thousand (2023: Euro 140 thousand) correspond to rents paid on real estate and Euro 455 thousand (2023: Euro 151 thousand) to rents paid on vehicles, in both cases used by Banco Montepio as a lessee.

The caption Other specialized services includes fees invoiced by the Group's Statutory Auditor in the scope of the statutory audit functions, as well as other services, including those rendered by its network, as follows (excluding VAT):

(i) Fees for the statutory audit and audit services, excluding VAT and expenses:

(Euro thousand)

	2024	2023
Banco Montepio	1 074	1 069
Entities directly or indirectly controlled by the Public Interest Entities (EIP)	118	105
	1 192	1 174

(ii) Fees invoiced by the Statutory Auditor, or by entities in its network, in financial years 2024 and 2023, relating to services other than auditing, excluding VAT and expenses:

(Euro thousand)

	2024	2023
Banco Montepio		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	253	271
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	421	465
Other services	207	172
Entities directly or indirectly controlled by the Public Interest Entities (EIP)		
Distinct audit services required by law to the ROC		
Reliability Assurance Services	15	15
Distinct audit services not required by law to the ROC		
Reliability Assurance Services	14	13
Other services	54	25
	964	961

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Intangible assets (note 28)		
Software	29 488	23 344
Other tangible assets (note 27)		
Real Estate		
For own use	2 417	2 488
Leasehold improvements in rented buildings	96	91
Equipment		
IT equipment	2 891	2 040
Fixtures	1 832	1 627
Furniture	108	108
Security equipment	128	83
Machinery and tools	24	33
Transportation	8	9
Right-of-use assets		
Real Estate	5 410	4 816
Motor vehicles	2 006	1 672
	14 920	12 967
	44 408	36 311

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Other loans and advances to credit institutions (note 19)		
Charge for the year	16	60
Reversal for the year	(21)	(1 602)
	(5)	(1 542)
Loans and advances to customers (note 20)		
Charge for the year	369 626	389 203
Reversal for the year	(341 315)	(339 412)
Recovery of loans and interest	(6 746)	(5 466)
	21 565	44 325
	21 560	42 783

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 b).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	567	19
Reversal for the year	(49)	(106)
	518	(87)
Other financial assets at amortized cost (note 25)		
Charge for the year	1 551	1 252
Reversal for the year	(855)	-
	696	1 252
	1 214	1 165

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Investments in associated companies (note 26)		
Charge for the year	2 218	46 092
Reversal for the year	(1 554)	-
	664	46 092
Other tangible assets (note 27)		
Charge for the year	4 012	1 592
Other non-current assets held for sale		
Charge for the year	-	83
Other assets (note 30)		
Charge for the year	17 556	23 733
Reversal for the year	(5 046)	(677)
	12 510	23 056
	17 186	70 823

The caption Other tangible assets includes, in 2024 and 2023, the recognition of additional impairment losses on certain properties, based on the results of the valuations performed.

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	2024	2023
Guarantees and commitments (note 36)		
Charge for the year	17 947	21 767
Reversal for the year	(17 437)	(30 672)
	510	(8 905)
Other risks and charges (note 36)		
Charge for the year	13 687	1 702
Reversal for the year	(3 259)	(982)
	10 428	720
	10 938	(8 185)

The caption Other risks and charges includes, in 2024, the amount of Euro 11,384 thousand related to the remaining value of the irrevocable payment commitments associated with the Deposit Guarantee Fund that, as at 31 December 2024, had not been settled.

17 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)

	2024	2023
Cash	162 286	149 324
Deposits at central banks		
Bank of Portugal	1 312 250	1 022 073
	1 474 536	1 171 397

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

18 Loans and deposits to credit institutions repayable on demand

This caption is presented as follows:

(Euro thousand)

	2024	2023
Credit institutions in Portugal	907	516
Credit institutions abroad	20 324	28 064
Amounts to be collected	13 853	17 485
	35 084	46 065

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In 2024, Deposits and deposit equivalents at other credit institutions were remunerated at the implicit average rate of 0.57% (2023: 0.21%).

19 Other loans and advances to credit institutions

This caption is presented as follows:

(Euro thousand)

	2024	2023
Other loans and advances to credit institutions in Portugal		
Term deposits	3 290	2 762
	3 290	2 762
Other loans and advances to credit institutions abroad		
Term deposits	11 925	47 031
CSA's	27 050	9 099
Reverse repos	727	29 641
Other loans and advances	60 308	36 563
	100 010	122 334
	103 300	125 096
Impairment for credit risk of other loans and advances to credit institutions	(25)	(29)
	103 275	125 067

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in Banco Montepio's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that Banco Montepio negotiated with each one of the counterparties and are materialized through the effective transfers of cash, which are processed via TARGET2 to each one of the counterparties in question, as a guarantee/security of Banco Montepio's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2024, Banco Montepio holds the amount of Euro 27,050 thousand (31 December 2023: Euro 9,099 thousand) related to loans and advances to credit institutions given as collateral for the above-mentioned operations.

As at 31 December 2024, the caption Loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 11,320 thousand (31 December 2023 Euro 11,325 thousand), related to a deposit made as collateral in the scope of the Contribution *ex-ante* to the Single Resolution Fund, as described in note 9.

Impairment movements for credit risks of Loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	29	1 356
Charge for the year	16	60
Reversal for the year	(21)	(1 602)
Transfers	-	215
Exchange rate differences	1	-
Closing balance	25	29

The analysis of the caption Loans and advances to credit institutions for the remaining period of operations is as follows:

(Euro thousand)

	2024	2023
Up to 3 months	56 796	61 699
3 to 6 months	-	17 325
6 months to 1 year	5 028	-
More than 5 years	-	4 000
Undetermined	41 476	42 072
	103 300	125 096

The amount reported in the remaining period of indefinite duration refers to the amount of security deposits established within the scope of the banking activity.

In 2024, Loans and advances to credit institutions were remunerated at the implicit average rate of 3.51% (2023: 3.42%).

20 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	2024	2023
Corporate		
Loans not represented by securities		
Loans	2 876 304	2 977 982
Current account loans	813 033	775 110
Finance lease	245 684	256 279
Discounted bills	23 044	27 140
Factoring	346 996	244 395
Overdrafts	1 588	776
Other loans	282 875	280 857
Loans represented by securities		
Commercial paper	288 004	199 184
Bonds	332 458	390 170
Retail		
Mortgage loans	5 679 830	5 309 216
Finance leases	23 494	27 726
Consumer credit and other loans	1 021 148	901 112
	11 934 458	11 389 947
Value correction of assets subject to hedging operations	(25)	(70)
Past due loans and advances and interest		
Less than 90 days	9 578	9 970
More than 90 days	74 978	160 271
	84 556	170 241
	12 018 989	11 560 118
Impairment for credit risks	(203 298)	(266 913)
	11 815 691	11 293 205

As at 31 December 2024, the caption Loans and advances to customers includes the amount of Euro 3,201,863 thousand (31 December 2023: Euro 3,046,532 thousand) related to the issue of covered bonds realized by Banco Montepio, as per note 34.

As at 31 December 2024, the loans and advances granted to shareholders and to related parties, including companies in the consolidation perimeter, amounted to Euro 448,209 thousand (31 December 2023: Euro 432,042 thousand), as described in note 47. The celebration of business between Banco Montepio and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the amount, is always, under a proposal by the commercial network, submitted to deliberation and assessment by the Board of Directors and the Audit Committee, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Directorate. The impairment for credit risks related to these contracts amounts to Euro 1,007 thousand as at 31 December 2024 (31 December 2023: Euro 882 thousand).

As at 31 December 2024, the caption Loans and advances to customers includes the amount of Euro 33,829 thousand (31 December 2023: Euro 513,797 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 b), were not the object of derecognition, as referred in note 48.

The caption Value correction of assets subject to hedge operations registers the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). Banco Montepio periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 44.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2024 and 2023, is as follows:

(Euro thousand)

	2024	2023
Variable-rate loans and advances	8 505 810	9 434 181
Fixed-rate loans and advances	3 513 179	2 125 937
	12 018 989	11 560 118

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2024	2023
Asset-backed loans	44 583	134 318
Other guaranteed loans	31 661	22 949
Finance leases	2 242	2 658
Secured loans	314	314
Other loans and advances	5 756	10 002
	84 556	170 241

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2024	2023
Corporate		
Construction/Production	12 335	16 900
Investment	20 650	99 409
Treasury	28 355	30 736
Others	3 964	4 856
Retail		
Mortgage loans	11 806	10 558
Consumer credit	4 318	5 074
Others	3 128	2 708
	84 556	170 241

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2024, is as follows:

(Euro thousand)

	Advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	177 316	367 257	8 207 070	44 583	8 796 226
Other guaranteed loans	394 155	265 947	176 470	31 661	868 233
Finance leases	8 009	97 034	164 135	2 242	271 420
Secured loans	288 566	162 987	168 909	314	620 776
Other loans and advances	691 386	138 320	626 872	5 756	1 462 334
	1 559 432	1 031 545	9 343 456	84 556	12 018 989

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2023, is as follows:

(Euro thousand)

	Advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	198 428	469 135	7 743 022	134 318	8 544 903
Other guaranteed loans	389 027	223 993	232 015	22 949	867 984
Finance leases	6 262	103 632	174 111	2 658	286 663
Secured loans	199 954	234 632	154 768	314	589 668
Other loans and advances	600 999	125 599	534 300	10 002	1 270 900
	1 394 670	1 156 991	8 838 216	170 241	11 560 118

As at 31 December 2024, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	57 046	150 154	106 473	313 673
Outstanding interest	(15 059)	(37 520)	(27 736)	(80 315)
Residual values	2 474	10 003	23 343	35 820
	44 461	122 637	102 080	269 178

As at 31 December 2023, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	57 341	155 443	119 174	331 958
Outstanding interest	(14 909)	(38 071)	(30 379)	(83 359)
Residual values	1 389	9 676	24 341	35 406
	43 821	127 048	113 136	284 005

As regards operating leases, Banco Montepio does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	266 913	342 049
Charge for the year	369 626	389 203
Reversal for the year	(341 315)	(339 412)
Utilization	(91 874)	(130 562)
Exchange rate differences	78	(863)
Transfers	-	6 179
Financial liabilities associated with transferred assets and stage 3 interest	(130)	319
Closing balance	203 298	266 913

The caption Transfers includes, in 2023, the impairment associated with the loans and advances granted by Banco Empresas Montepio that, in the scope of the transfer of assets and liabilities allocated to the activity, came to be recorded in the assets of Banco Montepio.

The use of impairment corresponds, in 2024 and 2023, to loan and advance operations written off and loan sale operations to third-party entities, within the scope of the strategy to reduce non-performing exposures.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2024	2023
Asset-backed loans and finance leases	129 159	199 125
Other secured loans	47 053	38 984
Unsecured loans	27 086	28 804
	203 298	266 913

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)

	2024	2023
Asset-backed loans and finance leases	20 548	86 184
Other secured loans	5 553	8 994
Unsecured loans	65 773	35 384
	91 874	130 562

Banco Montepio has adopted forbearance measures and practices, aligned in terms of risk, to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2024, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 187,597 thousand (31 December 2023: Euro 323,514 thousand) and present an impairment of Euro 46,760 thousand (31 December 2023: Euro 101,831 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 31 December 2024 and 2023, by credit type, is as follows:

(Euro thousand)

	2024	2023
Corporate		
Loans not represented by securities		
Loans	8 475	17 535
Current account loans	551	693
Finance leases	182	794
Other loans	2 770	1 875
Retail		
Mortgage loans	11 530	15 868
Consumer credit and other loans	748	895
	24 256	37 660

As at 31 December 2024, for restructured loans not yet due, the impairment associated with these operations amounts to Euro 6,506 thousand, which corresponds to an impairment rate of 26.8% (31 December 2023: Euro 7,615 thousand, impairment rate of 20.2%).

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity date of the operation is 25 March 2036, and the respective amount is Euro 248,315 thousand as at 31 December 2023. Banco Montepio contracted two guarantees from EIB and EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, supporting, respectively, a commission of 0.3% and 4.5%, with quarterly payments, with the securitization having been liquidated in August 2024.

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 29 December 2050, and the respective amount is Euro 573,689 thousand as at 31 December 2024 (31 December 2023: Euro 672,117 thousand).

On 31 May 2023, Banco Montepio carried out a synthetic securitization, with an underlying portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 4 February 2066, and the amount is Euro 671,444 thousand as at 31 December 2024 (31 December 2023: Euro 755,750 thousand).

21 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2024	2023
Financial assets held for trading		
Securities		
Shares	2 624	2 439
Bonds	10 575	3 543
Investment units	886	211
	14 085	6 193
Derivative instruments		
Derivative instruments with positive fair value	12 366	8 924
	26 451	15 117
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	11 202	12 636
	11 202	12 636

As provided for in IFRS 13, as at 31 December 2024 and 2023, the financial instruments measured in accordance with the valuation levels described in note 44, are as follows:

(Euro thousand)

	2024			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 624	-	-	2 624
Bonds	10 575	-	-	10 575
Investment units	886	-	-	886
	14 085	-	-	14 085
Derivative instruments				
Derivative instruments with positive fair value	-	12 366	-	12 366
	14 085	12 366	-	26 451
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	11 202	-	11 202
	-	11 202	-	11 202

(Euro thousand)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 439	-	-	2 439
Bonds	3 543	-	-	3 543
Investment units	211	-	-	211
	6 193	-	-	6 193
Derivative instruments				
Derivative instruments with positive fair value	-	8 924	-	8 924
	6 193	8 924	-	15 117
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	9 746	2 890	12 636
	-	9 746	2 890	12 636

The analysis of the portfolio of securities recorded in Financial assets held for trading, by maturity, on 31 December 2024, is presented as follows:

(Euro thousand)

	2024			
	Less than 3 months	1 to 5 years	Undetermined	Total
Fixed income securities				
Bonds				
Foreign	1 005	9 570	-	10 575
Variable income securities				
Shares				
Domestic	-	-	445	445
Foreign	-	-	2 179	2 179
Investment units	-	-	886	886
	1 005	9 570	3 510	14 085

The analysis of the portfolio of securities recorded in Financial assets held for trading, by maturity, on 31 December 2023, is presented as follows:

(Euro thousand)

	2023			
	Less than 3 months	1 to 5 years	Undetermined	Total
Fixed income securities				
Bonds				
Foreign	501	3 042	-	3 543
Variable income securities				
Shares				
Domestic	-	-	803	803
Foreign	-	-	1 636	1 636
Investment units	-	-	211	211
	501	3 042	2 650	6 193

As at 31 December 2024, within the scope of liquidity-providing operations, the nominal value of the assets given as collateral to the European Central Bank shown under this caption amounts to Euro 925 thousand (31 December 2023: Euro 900 thousand) after the application of the haircut, as described in note 31.

As at 31 December 2024, the collateral for the loan obtained from the EIB includes a set of bonds from non-resident financial institutions with a nominal value of Euro 7,500 thousand, given as collateral and recorded under the caption Financial assets held for trading, as described in note 32.

These financial assets given as collateral may be executed in the event of non-compliance with the contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts entered.

The book value of the derivative financial instruments as at 31 December 2024 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2024								
		Derivative					Related Asset/Liability			
Derivative	**Related financial asset/liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the period [1]**	**Fair value**	**Changes in fair value in the period**	**Book value**	**Reimbursement amount at maturity date**
Intereste rate swaps	Deposits for customers	100 183	2 541	(535)	2 006	2 744	(1 285)	2 044	99 533	100 122
Intereste rate swaps	Loans and advances to customers	18 384	44	(524)	(480)	(486)	(25)	45	723	702
Intereste rate swaps	-	91 613	2 822	(2 812)	10	2 854	-	-	-	-
Currency swap (Short)	-	59 442	104	(213)	(109)	(74)	-	-	-	-
Currency swap (Long)	-	62 816								
Futures (Short)	-	-	-	-	-	-	-	-	-	-
Futures (Long)	-	-								
Forwards (Short)	-	823	-	-	-	-	-	-	-	-
Forwards (Long)	-	823								
Options (Short)	-	179 146	6 855	(7 118)	(263)	(162)	-	-	-	-
Options (Long)	-	179 066								
		692 296	12 366	(11 202)	1 164	4 876	(1 310)	2 089	100 256	100 824

[1] Includes the result of derivatives disclosed in note 5.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2023 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2023								
		Derivative					Related Asset/Liability			
Derivative	**Related financial asset/liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the period [1]**	**Fair value**	**Changes in fair value in the period**	**Book value**	**Reimbursement amount at maturity date**
Intereste rate swaps	Deposits for customers	98 758	141	(879)	(738)	787	(3 329)	(1 236)	95 299	98 628
Intereste rate swaps	Loans and advances to customers	847	11	(5)	6	5	(70)	4	781	847
Intereste rate swaps	-	483 060	2 986	(5 830)	(2 844)	7 048	-	-	-	-
Currency swap (short)	-	53 945	81	(116)	(35)	(47)	-	-	-	-
Currency swap (long)	-	56 388								
Futures (short)	-	3 864	-	-	-	-	-	-	-	-
Futures (long)	-	15	-	-						
Forwards (Short)	-	1 561	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 562								
Options (Short)	-	172 690	5 705	(5 806)	(101)	(625)	-	-	-	-
Options (Long)	-	172 894								
		1 045 584	8 924	(12 636)	(3 712)	7 168	(3 399)	(1 232)	96 080	99 475

(1) Includes the result of derivatives disclosed in note 5.

The fair value of options corresponds to derivatives traded on organized markets, whose market value is settled daily against the margin account and the fair value of Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of trading derivative financial instruments, by maturity, on 31 December 2024, is as follows:

(Euro thousand)

	2024					
	Notional by remaining maturity date				Fair value	
	Less than 3 months	**3 months to 1 year**	**More than 1 year**	**Total**	**Assets**	**Liabilities**
Interest rate contracts						
Interest rate swap	11 348	53 797	145 035	210 180	5 407	3 871
Options	9 428	50 541	198 061	258 030	6 855	7 118
Exchange rate contracts						
Currency swap	115 525	6 733	-	122 258	104	213
Forwards	1 386	260	-	1 646	-	-
Index/Equities contracts						
Futures	-	-	-	-	-	-
Options	9 284	50 586	40 312	100 182	-	-
	146 971	161 917	383 408	692 296	12 366	11 202

The analysis of trading derivative financial instruments, by maturity, on 31 December 2023, is as follows:

(Euro thousand)

	2023					
	Notional by remaining maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	9 190	32 245	541 131	582 566	3 137	6 713
Options	9 223	74 649	162 952	246 824	5 706	5 807
Exchange rate contracts						
Currency swap	109 245	1 089	-	110 334	81	116
Forwards	1 861	1 262	-	3 123	-	-
Index/Equities contracts						
Futures	3 879	-	-	3 879	-	-
Options	9 188	29 699	59 871	98 758	-	-
	142 586	138 944	763 954	1 045 484	8 924	12 636

22 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2024	2023
Variable income securities		
Investment units	145 133	186 669
Securitization units	585	22 444
Loans and advances to customers at fair value		
Loans not represented by securities	425	544
	146 143	209 657

As at 31 December 2024, the level 3 assets in the caption Variable-income securities – Investment units include investments made in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 145,133 thousand (31 December 2023: Euro 186,669 thousand), of which Euro 82,123 thousand (31 December 2023: Euro 106,563 thousand) are related to real estate investment funds. The caption Variable-income securities – Investment units includes, as at 31 December 2024, the amount of Euro 43,289 thousand (31 December 2023: Euro 56,426 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 51. The securitization units correspond to the residual notes acquired by Banco Montepio.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective Funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the Portuguese Securities Commission (Comissão do Mercado de Valores Mobiliários ("CMVM")).

As at 31 December 2024, for Variable-income securities recorded under level 3, considering a 10% change in the value of the financial assets, an impact of Euro 14,572 thousand (31 December 2023: Euro 20,911 thousand) was determined.

The movements occurring in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	209 113	209 068
Acquisitions	592	7 462
Remeasurements	(8 043)	(14 273)
Disposals	(55 944)	(38 716)
BEM Transfers	-	45 572
Closing balance	145 718	209 113

The movements occurring in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations observed in financial years 2024 and 2023.

23 Financial assets at fair value through other comprehensive income

This caption, as at 31 December 2024, is presented as follows:

(Euro thousand)

	2024				
	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 024	-	(1 173)	(37)	18 814
Foreign	249 765	3 901	(114)	(280)	253 272
Bonds issued by other entities					
Domestic	6 769	52	(662)	(276)	5 883
Foreign	570	-	(12)	(1)	557
Variable income securities					
Shares					
Domestic	5 182	15 385	-	-	20 567
Foreign	6 218	364	(1 201)	-	5 381
	288 528	19 702	(3 162)	(594)	304 474

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2023, is presented as follows:

(Euro thousand)

	2023				
	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 025	-	(1 688)	(40)	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	6 839	-	(705)	(264)	5 870
Foreign	637	-	(19)	-	618
Variable income securities					
Shares					
Domestic	5 222	11 785	-	-	17 007
Foreign	6 233	363	(293)	-	6 303
	38 956	12 148	(2 705)	(304)	48 095

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

As at 31 December 2024 and 2023, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 814	-	-	-	18 814
Foreign	253 272	-	-	-	253 272
Bonds issued by other entities					
Domestic	4 295	-	1 588	-	5 883
Foreign	-	557	-	-	557
	276 381	557	1 588	-	278 526
Variable income securities					
Shares					
Domestic	-	-	19 700	867	20 567
Foreign	-	-	4 966	415	5 381
	-	-	24 666	1 282	25 948
	276 381	557	26 254	1 282	304 474

(Euro thousand)

	2023				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	18 297	-	-	-	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	4 307	-	1 563	-	5 870
Foreign	-	618	-	-	618
	22 604	618	1 563	-	24 785
Variable income securities					
Shares					
Domestic	-	-	16 100	907	17 007
Foreign	-	-	5 893	410	6 303
	-	-	21 993	1 317	23 310
	22 604	618	23 556	1 317	48 095

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 44.

As at 31 December 2024, for securities recorded under level 3, a 10% change in the value of the financial asset was considered, with an impact of Euro 2,625 thousand (31 December 2023: Euro 2,356 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 13,927 thousand (31 December 2023: positive amount of Euro 11,203 thousand) recognized in fair value reserves.

In this caption, Banco Montepio has some securities measured at acquisition cost and it is Banco Montepio's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

As at 31 December 2024, the impairment recorded for these level 3 securities amounted to Euro 251 thousand (31 December 2023: Euro 239 thousand).

The movements occurring in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	2024	**2023**
Opening balance	23 556	32 396
Revaluations	2 698	2 129
Amortization at nominal value	-	(10 969)
Closing balance	26 254	23 556

The movements occurring in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	304	528
Charge for the year	567	19
Reversal for the year	(49)	(106)
Utilization	(228)	(137)
Closing balance	594	304

The analysis of financial assets at fair value through other comprehensive income, by maturity, on 31 December 2024, is as follows:

(Euro thousand)

	2024			
	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities				
Bonds issued by public entities				
Domestic	18 814	-	-	18 814
Foreign	80 765	172 507	-	253 272
Bonds issued by other entities				
Domestic	4 295	-	1 588	5 883
Foreign	-	557	-	557
	103 874	173 064	1 588	278 526
Variable income securities				
Shares				
Domestic	-	-	20 567	20 567
Foreign	-	-	5 381	5 381
	-	-	25 948	25 948
	103 874	173 064	27 536	304 474

The analysis of financial assets at fair value through other comprehensive income, by maturity, on 31 December 2023, is as follows:

(Euro thousand)

	2023			
	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities				
Bonds issued by public entities				
Domestic	18 297	-	-	18 297
Foreign	-	-	-	-
Bonds issued by other entities				
Domestic	4 307	-	1 563	5 870
Foreign	-	618	-	618
	22 604	618	1 563	24 785
Variable income securities				
Shares				
Domestic	-	-	17 007	17 007
Foreign	-	-	6 303	6 303
	-	-	23 310	23 310
	22 604	618	24 873	48 095

In the scope of the liquidity providing operations, the nominal value of the assets pledged as collateral to the European Central Bank included in this caption amounts to Euro 141,682 thousand after haircut (31 December 2023: Euro 18,394 thousand), as described in note 31.

As at 31 December 2024, the collateral for the loan obtained from the EIB includes a set of Spanish sovereign bonds with a nominal value of Euro 35,000 thousand, given in guarantee and recorded under the caption Financial assets at fair value through other comprehensive income, as described in note 32.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts celebrated.

24 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2024	2023
Assets		
Interest rate swaps	30 257	6 174
Liabilities		
Interest rate swaps	27 037	3 525
	3 220	2 649

Banco Montepio contracted interest rate swaps to hedge its interest rate risk arising from bond issues at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether Banco Montepio is exposed to fair value changes, or whether it is hedging future transactions. Banco Montepio performs periodic effectiveness tests of the hedging relationships.

The analysis of the hedging derivatives portfolio, by maturity, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024					
	Maturity date					
	Notional			Fair value		
	3 months to 1 year	More than 1 year	Total	3 months to 1 year	More than 1 year	Total
Fair value hedge derivative with interest rate risk:						
Interest rate swap	350 000	600 000	950 000	1 855	1 365	3 220
	350 000	600 000	950 000	1 855	1 365	3 220

(Euro thousand)

	2023			
	Maturity date			
	Notional		Fair value	
	More than 1 year	Total	More than 1 year	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	200 000	200 000	2 649	2 649
	200 000	200 000	2 649	2 649

In 2024, the Bank contracted hedging operations for interest rate risk on bonds issued. As at 31 December 2024, the fair value hedging operations can be analysed as follows:

(Euro thousand)

	2024						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value derivative** [1]	**Changes in fair value of derivative in the financial period**	**Fair value of hedge element (2)**	**Changes in fair value of the hedged item in the financial period (2)**
Interest rate swap	Debt securities issued	Interest rate	450 000	15 017	12 368	7 435	4 650
Interest rate swap	Other subordinated liabilities	Interest rate	250 000	15 240	15 240	4 582	4 582
Interest rate swap	Other financial assets at amortized cost	Interest rate	250 000	(27 037)	(27 037)	(27 119)	(27 119)
			950 000	3 220	571	(15 102)	(17 887)

[1] Includes accrued interest.
[2] Attributable to the hedge risk.

As at 31 December 2023, the fair value hedging operation can be analysed as follows:

(Euro thousand)

	2023						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value derivative** [1]	**Changes in fair value of derivative in the financial period**	**Fair value of hedge element** [2]	**Changes in fair value of the hedged item in the financial period** [2]
Interest rate swap	Debt securities issued	Interest rate	200 000	2 649	2 619	2 963	2 963
			200 000	2 649	2 619	2 963	2 963

[1] Includes accrued interest.
[2] Attributable to the hedge risk.

25 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2024	**2023**
Fixed income securities		
Bond issued by public entities		
Domestic	1 029 218	1 054 288
Foreign	2 260 275	2 787 013
Bonds issued by other entities		
Domestic	24 094	445 382
Foreign	144 877	30 666
Commercial Paper		
Domestic	-	4 979
Foreign	19 980	-
	3 478 444	4 322 328
Impairment for other financial assets at amortised cost	(4 740)	(6 157)
	3 473 704	4 316 171

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 44.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 b).

As at 31 December 2024, the loan obtained from the EIB is collateralized by Italian, Spanish and Greek sovereign bonds with a nominal value of Euro 296,713 thousand (31 December 2023: Euro 357,282 thousand by Italian, Greek and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 32.

The nominal value of the assets pledged as collateral to the European Central Bank under this caption for liquidity-providing operations amounts to Euro 2,488,388 thousand (31 December 2023: Euro 2,859,409 thousand) after the application of a haircut.

These financial assets pledged as collateral may be forfeited in the event of non-compliance with the contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts signed.

As at 31 December 2024, the nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 15,000 thousand (31 December 2023: Euro 29,000 thousand), as per note 43.

As at 31 December 2024 and 2023, the securities given in guarantee to the Portuguese Securities Market Commission (“CMVM”) within the scope of the Investors’ Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	6 157	6 692
Charge for the year	1 551	1 252
Reversal for the year	(855)	-
Utilizations	(2 113)	(1 788)
Transfers	-	1
Closing balance	4 740	6 157

26 Investments in associated companies

This caption is presented as follows:

(Euro thousand)

	2024	2023
Montepio Holding, S.G.P.S., S.A.	413 750	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, A.C.E.	-	661
CESource, A.C.E.	-	-
	416 950	417 611
Impairment of investments in associated companies	(139 363)	(138 698)
	277 587	278 913

Investments in subsidiaries and associates

Banco Montepio analyses the adequacy of the amount of the impairment of investments made in its subsidiaries, considering the recoverable value of the businesses developed by each one. The recoverable value, in accordance with the accounting policy described in this report, was determined by the higher of fair value less costs to sell and value in use, in the case of continuing subsidiaries, and fair value less costs to sell, in the case of discontinued subsidiaries.

The value in use was determined based on the business plan approved by management and, depending on the specificity of the businesses and the markets in which Banco Montepio's subsidiaries operate, differentiated levels for the discount rate, for the solvency levels required for the banking activity and for the growth of net income in perpetuity, were also considered.

The verification of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these same assumptions and, consequently, in the recoverable value determined for the subsidiaries object of this analysis.

The financial statements have been prepared on the assumption of the continuity of the respective operations, which depend on the future evolution of the assumptions underlying the recoverable value of its financial shareholdings as well as on the success of the initiatives to be taken by the Board of Directors to reinforce the net equity.

Montepio Holding, S.G.P.S., S.A.

As a result of the analyses carried out, we concluded on the need to recognize, in the financial statements as at 31 December 2024, an impairment in Banco Montepio in the amount of Euro 139,363 thousand (31 December 2023: Euro 138,698 thousand) related to the financial shareholding held in Montepio Holding, S.G.P.S., S.A. (Montepio Holding). As at 31 December 2024, Montepio Holding holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., of Montepio Crédito – Instituição Financeira de Crédito, S.A. and of Ssagincentive, Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.. The valuation of Montepio Holding was made considering that the best estimate for determining its fair value corresponded to the amount of its equity adjusted for the fair value effect of assets and liabilities recorded at amortized cost or historical cost.

Montepio Serviços, A.C.E.

In June 2023, Agrupamento Montepio Serviços, A.C.E. was constituted with Banco Montepio holding 85% of the voting rights. The purpose of the Grouping is to improve the conditions for the exercise and the results of the economic activities of the grouped members, essentially aiming to optimize resources, achieve greater operational efficiency and obtain economies of scale through the elimination of replicated cost structures. Montepio Serviços, A.C.E. was incorporated without share capital.

The movements in impairment of investments in subsidiaries and associates are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	138 698	92 606
Charge for the year	2 218	46 092
Reversal for the year	(1 554)	-
Charge-off	1	-
Closing balance	139 363	138 698

The information related to subsidiaries and associates is presented in the following table:

(Euro thousand)

	Number of shares	% Stake	Unit value	Acquisition cost
31 December of 2024				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5,00	3 200
CESource, A.C.E.	-	18.00%	-	-
Montepio Serviços, A.C.E.	-	85.00%	-	-
				416 950
31 December of 2023				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5,00	3 200
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação (*)	661 421	27.00%	1,00	661
CESource, A.C.E.	-	18.00%	-	-
Montepio Serviços, A.C.E.	-	85.00%	-	-
				417 611

(*) Liquidated at 13 May 2024.

The subsidiaries and associates of Banco Montepio are listed in note 53.

27 Other tangible assets

This caption is presented as follows:

(Euro thousand)

	2024	2023
Investments		
Real estate		
For own use	159 266	165 607
Leasehold improvements in rented building	28 596	28 604
Equipment		
IT equipment	95 107	92 501
Fixtures	36 977	33 521
Furniture	16 842	16 808
Security equipment	5 079	4 335
Machinery and tools	2 680	2 674
Transportation equipment	300	302
Other equipment	1	1
Works of art	2 870	2 870
Assets in operating leases	58	58
Right-of-use assets		
Real estate	36 101	32 246
Motor vehicles	12 354	9 052
Other tangible assets	541	540
Work in progress	991	1 369
	397 763	390 488
Accumulated depreciation		
Charge for the year	(14 920)	(12 967)
Accumulated charge in previous years	(197 528)	(198 192)
	(212 448)	(211 159)
Impairment of Other Tangible Assets	(1 101)	(325)
	184 214	179 004

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in note 1 i).

The movements in the caption Other tangible assets, in financial year 2024, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	165 607	-	-	(6 341)	159 266
Leasehold improvements in rented building	28 604	-	8	-	28 596
Equipment					
IT equipment	92 501	10 041	7 435	-	95 107
Fixtures	33 521	422	-	3 034	36 977
Furniture	16 808	34	-	-	16 842
Security equipment	4 335	749	5	-	5 079
Machinery and tools	2 674	6	-	-	2 680
Transportation equipment	302	1	3	-	300
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	58	-	-	-	58
Right-of-use assets					
Real estate	32 246	1 178	1 531	4 208	36 101
Motor vehicles	9 052	6 728	3 381	(45)	12 354
Other tangible assets	540	-	-	1	541
Work in progress	1 369	2 656	-	(3 034)	991
	390 488	21 815	12 363	(2 177)	397 763
Accumulated depreciation					
Real estate					
For own use	21 235	2 417	-	(792)	22 860
Leasehold improvements in rented building	27 983	96	5	-	28 074
Equipment					
IT equipment	82 961	2 891	7434	-	78 418
Fixtures	23 480	1 832	-	-	25 312
Furniture	16 451	108	-	-	16 559
Security equipment	4 113	128	6	-	4 235
Machinery and tools	2 645	24	-	-	2 669
Transportation equipment	292	8	2	-	298
Other equipment	1	-	-	-	1
Assets in operating lease	58	-	-	-	58
Right-of-use assets					
Real estate	24 999	5 410	1 531	(348)	28 530
Motor vehicles	6 432	2 006	3 381	(133)	4 924
Other tangible assets	509	-	-	1	510
	211 159	14 920	12 359	(1 272)	212 448
Impairment of Other Tangible Assets	(325)				(1 101)
	179 004				184 214

The movements in the caption Other tangible assets, in financial year 2023, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	168 621	-	-	(3 014)	165 607
Leasehold improvements in rented building	28 301	-	-	303	28 604
Equipment					
IT equipment	86 864	8 187	2 948	398	92 501
Fixtures	31 548	40	31	1 964	33 521
Furniture	16 879	150	402	181	16 808
Security equipment	4 254	88	26	19	4 335
Machinery and tools	2 686	4	25	9	2 674
Transportation equipment	298	-	-	4	302
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	58	-	-	-	58
Right-of-use assets					
Real estate	25 908	189	617	6 766	32 246
Motor vehicles	7 580	1 263	758	967	9 052
Other tangible assets	540	-	-	-	540
Work in progress	1 342	2 012	-	(1 985)	1 369
	377 750	11 933	4 807	5 612	390 488
Accumulated depreciation					
Real estate					
For own use	19 089	2 488	-	(342)	21 235
Leasehold improvements in rented building	27 778	91	-	114	27 983
Equipment					
IT equipment	83 495	2 040	2948	374	82 961
Fixtures	21 884	1 627	31	-	23 480
Furniture	16 641	108	402	104	16 451
Security equipment	4 041	83	26	15	4 113
Machinery and tools	2 630	33	25	7	2 645
Transportation equipment	278	9	-	5	292
Other equipment	1	-	-	-	1
Assets in operating lease	58	-	-	-	58
Right-of-use assets					
Real estate	20 452	4 816	617	348	24 999
Motor vehicles	5 386	1 672	758	132	6 432
Other tangible assets	507	-		2	509
	202 240	12 967	4 807	759	211 159
Impairment of Other Tangible Assets	(505)				(325)
	175 005				179 004

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	325	505
Charge for the year	4 012	1 592
Transfers	(3 236)	(1 772)
Closing balance	1 101	325

The caption Charge of the year includes, in 2024 and 2023, the recognition of additional impairment losses on certain properties, based on the results of the valuations performed, as described in note 15. Properties that are no longer used in operations are reclassified to 'Other assets – Non-current assets held for sale', in accordance with the criteria described in note 30

In financial year 2024, a reinforcement of impairment was made in Euro 4,012 thousand (2023: Euro 1,592 thousand) related to the closure of branches in the scope of the Distribution network resizing plan.

The caption Transfers relates to the impairment associated with branches closed that were transferred to Other assets – Non-current assets held for sale, as described in note 30.

28 Intangible assets

This caption is presented as follows:

(Euro thousand)

	2024	2023
Investments		
Software	263 939	229 150
Other Intangible Assets	3 012	3 012
Work in progress	9 254	7 629
	276 205	239 791
Accumulated depreciation		
For the current financial year	(29 488)	(23 344)
Relating to previous financial years	(182 254)	(158 910)
	(211 742)	(182 254)
	64 463	57 537

The movements in the caption Intangible assets, during financial year 2024, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	229 150	-	-	34 789	263 939
Other Intangible Assets	3 012	-	-	-	3 012
Work in progress	7 629	36 414	-	(34 789)	9 254
	239 791	36 414	-	-	276 205
Accumulated depreciation					
Software	182 254	29 488	-	-	211 742
	182 254	29 488	-	-	211 742
	57 537				64 463

The movements in the caption Intangible assets, during financial year 2023, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	196 649	-	-	32 501	229 150
Other Intangible Assets	2 658	-	-	354	3 012
Work in progress	6 002	33 859	-	(32 232)	7 629
	205 309	33 859	-	623	239 791
Accumulated depreciation					
Software	158 367	23 344	-	543	182 254
	158 367	23 344	-	543	182 254
	46 942				57 537

29 Income tax

Deferred tax assets and liabilities recognized on the balance sheet in financial years 2024 and 2023, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
Impairment on loans granted on future profitability:						
Impairment on loans granted and guarantees	7 790	35 216	-	-	7 790	35 216
Post-employment and long-term benefits	14 399	16 973	-	-	14 399	16 973
	22 189	52 189	-	-	22 189	52 189
Deferred taxes dependent on future profitability:						
Financial instruments	13 742	17 031	(10 093)	(8 239)	3 649	8 792
Provisions/Impairment:						
Impairment on loans granted	11 847	35 312	-	-	11 847	35 312
Other risks and charges	8 339	5 560	-	-	8 339	5 560
Impairment in securities and non-financial assets	4 374	4 286	-	-	4 374	4 286
Impairment in financial assets	1 574	1 971	-	-	1 574	1 971
Post-employment and long-term benefits	37 184	40 313	-	-	37 184	40 313
IFRS 16	-	4 198	-	-	-	4 198
Tax benefits	2 046	-	-	-	2 046	-
Taxes losses carried forward	231 343	230 928	-	-	231 343	230 928
Other	6 109	5 528	-	-	6 109	5 528
	316 558	345 127	(10 093)	(8 239)	306 465	336 888
Net deferred tax assets/(liabilities)	338 747	397 316	(10 093)	(8 239)	328 654	389 077

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets (“Regime” or “REAID”), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same.

In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employee benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of said Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (as described in note 41).

As at 31 December 2024 and 2023, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio has a special reserve in the amount of Euro 4,809 thousand.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved at the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 1,555 thousand (31 December 2023: Euro 1,845 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of Banco Montepio).

In financial year 2024, deferred taxes recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 21,455 thousand (31 December 2023: Euro 24,592 thousand) related to the referred benefits in excess of the existing limits, of which Euro 2,565 thousand (2023: Euro 4,970 thousand) do not depend on future profitability.

In financial year 2024, and in function of: (i) the IRC tax rate decrease for the year 2025 et. sec. foreseen in the State Budget for 2025 (Law no. 45-A/2024, of 31 December); (ii) the expectation of the conversion into tax-accepted costs and profits and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 29.5% and 20.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 s), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability.

The assessment of the recoverability of deferred tax assets is based on Banco Montepio's medium-/long-term business plan, which constitutes an extension of the strategic planning exercise drawn up for the triennium. The financial projections reflect management's perspectives as to the evolution of the activity and the business model's sustainability, considering the macroeconomic context and financial variables, evolution of economic activity and of credit risk, among others.

Having completed the normalization cycle, Banco Montepio has initiated a new cycle based on 5 key pillars approved at the General Assembly of shareholders, through the execution of a Strategic Plan named Triple A, aimed at delivering an Ambitious, Agile, and Authentic bank. To achieve the plan, 27 operational initiatives grouped into 8 pillars were defined.

In this context, the prospects for sustained improvement in profitability levels arise from the aforementioned 5 key pillars, namely:

- Grow in business and market share: (i) increase the base of active customers and the level of equipment in core growth segments; (ii) strengthen distribution capacity and generate additional margin through the enhancement of internal and external partnerships; (iii) promote an integrated ESG vision, leveraging the mutualist nature and fostering growth;
- Enhance the digitalization of the new business model: (i) evolve in service capacity and delivery of the omnichannel experience; (ii) automate key customer journey processes;
- Converge to the market average profitability: (i) boost productivity and efficiency, combining simplicity and digitalization; (ii) implement a dynamic of tactical detection and exploitation of efficiency pockets, in an always-on logic;
- Simplify the Bank and customer interaction: (i) accelerate the front-to-back simplification and digitalization process; (ii) promote focus and pragmatism at all levels of the organization, aligned with business priorities; (iii) create an agile IT organizational culture with greater delivery capacity and higher integration with business units;
- Value the brand, reputation, and talent: (i) strengthen presence in the lives and key moments of families and be a reference partner for the Portuguese business fabric and Social Economy; (ii) improve external recognition by independent stakeholders; (iii) enhance the talent value proposition and foster rejuvenation and attraction/retention for specific functions.

The Strategic Plan is focused on a cycle of sustainable growth:

- Ambitious: ambition for sustainable growth and optimization of business productivity, ensuring greater relevance in strategic/key segments;
- Authentic: brand rooted in a historical and social legacy with Portuguese DNA, leveraged to attract customers, mobilize people, and reinforce constant support to communities;

- Agile: efficient and agile response capacity to market changes, defining the path to evolve into a more straightforward bank.

Following this assessment, and with reference to financial year 2024, Banco Montepio recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax evolved at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	2024	2023
2032	15 723	15 338
2033	26 289	26 829
Undetermined	189 331	188 761
	231 343	230 928

The expiry years indicated above reflect that stipulated in the State Budget Law for 2023 (Law no. 24-D/2022, of 30 December), which came into force on 1 January 2023, establishes that tax losses calculated in fiscal years beginning on or after 1 January 2023, as well as those calculated previously that have not expired, are carried forward to future years without any time limitation, no longer being subject to a maximum period of deduction. Additionally, it also establishes that the deduction limit against taxable income is reduced to 65%, maintaining the increase of 10 percentage points for tax losses calculated in the 2020 and 2021 tax periods (i.e., the deduction can be made up to 75% of taxable income).

However, regarding the time limitation referred to in the previous paragraph, this does not apply to tax losses calculated in tax periods prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the REAID is verified, with the deduction period in force on 31 December 2022 being applied to tax losses calculated in those tax periods (12 years).

Tax recognized in profit or loss and in reserves in financial years 2024 and 2023 originated as follows:

(Euro thousand)

	2024		2023	
	Charged to net income/(loss)	Recognized in reserves and retained earnings	Recognized in net income/(loss)	Recognized in reserves and retained earnings
Financial instruments	(2 562)	(1 999)	(393)	(1 135)
Impairment/Provision	(48 422)	-	(56 458)	-
Post-employment and long-term benefits	(5 703)	-	(11 132)	20 102
Tax losses carried forward	415	-	11 020	-
Other	(2 153)	-	4 204	-
Deferred taxes/recognized as profit/(loses)	(58 425)	(1 999)	(52 759)	18 967
Current taxes	227	-	1 802	-
	(58 198)	(1 999)	(50 957)	18 967

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2024		2023	
	%	Value	%	Value
Profit/ (loss) before income tax		160 293		157 502
Income tax based on the current nominal tax rate	(21.0)	(33 662)	(21.0)	(33 075)
Fiscal Profit/ (loss) (a)	1.3	2 129	(1.2)	(1 952)
Banking sector extraordinary contribution	(6.0)	(9 607)	(5.8)	(9 186)
Post-employment benefits and pension fund	3.0	4 766	(9.8)	(15 475)
Taxable provisions/impairment	(7.1)	(11 346)	(12.3)	(19 360)
Tax benefits	1.3	2 046	-	-
Autonomous taxation	(0.4)	(599)	(0.3)	(465)
Effect of differences in income tax for the period [b]	(9.0)	(14 441)	5.9	9 322
Deferred tax from taxes losses carried forward	-	-	7.0	11 020
Deductions/(add-backs) for taxable income purposes [c]	1.6	2 516	-	-
Other	-	-	5.2	8 214
Income tax for the year	(36.3)	(58 198)	(32.4)	(50 957)

[a] It encompasses capital gains arising from Ups and shares of capital.
[b] Includes the impact of the reduction of the corporate income tax rate from 21% to 20% as provided for in the State Budget Law for 2025.
[c] Includes, in particular, the amount of the adjustment of the Taxable Patrimonial Value, the fair value of the UPs and fines not accepted for tax purposes.

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes, contemplating a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio opted for the application of the new tax regime on impairment as from financial year 2023, for which reason, for the current and deferred tax assessment related to prior financial years, it estimated its taxes based on the regime that was in force until 31 December 2018, and in the respect of current and deferred tax of financial year 2023 it based same on the new tax regime for impairment.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

Banco Montepio was subject to inspections by the Tax Authority up to and including the 2021 tax period.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the Regime Especial de Tributação dos Grupos de Sociedades ("RETGS"), which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

As at 31 December 2024, Current tax assets, in the amount of Euro 911 thousand (31 December 2023: Euro 1,302 thousand) includes corporate tax recoverable in the amount of Euro 911 thousand (31 December 2023: Euro 1,029 thousand). As at 31 December 2023, this caption also included the amount of Euro 273 thousand related to the tax credit for financial years 2021 and 2020, determined in the scope of the REAID.

As at 31 December 2024, Deferred tax liabilities include the amount of Euro 599 thousand (31 December 2023: Euro 703 thousand) relating to the IRC payable estimate.

30 Other assets

This caption is presented as follows:

(Euro thousand)

	2024	2023
Non-current assets held for sale	223 647	299 806
Post-employment benefits	40 091	48 279
Supplies - Montepio Holding	107 145	107 145
Other debtors	37 302	71 850
Sundry debtors	14 154	16 225
Price deposits	6 212	6 514
Bonifications to be received from the Portuguese Government	5 790	5 368
Deferred costs	6 376	4 781
Other amounts receivable	2 018	8 525
	442 735	568 493
Impairment for non-current assets held for sale	(85 551)	(104 893)
Impairment for other assets	(28 598)	(25 613)
	328 586	437 987

The caption Non-current assets held for sale is presented as follows:

(Euro thousand)

	2024	2023
Non-current assets held for sale	223 647	299 806
Impairment for assets received in recovery of credit	(85 551)	(104 893)
	138 096	194 913

The assets included in the caption include non-current assets held for sale accounted for in accordance with the accounting policy described in note 1 h).

The resolution of loans and advances to customers' contracts results from: (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in Banco Montepio's name or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

Banco Montepio has implemented a plan aimed at the immediate sale of the non-current assts held for sale. According to Banco Montepio's expectation, it is intended that these assets be sold in under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2024, properties for which promissory contracts to buy and sell, in the amount of Euro 18,287 thousand (31 December 2023: Euro 19,683 thousand), have already been celebrated.

The movements in financial years 2024 and 2023 in Non-current assets held for sale are analysed as follows:

(Euro thousand)	2024	2023
Opening balance	299 806	420 119
Acquisitions	5 846	16 037
Disposals	(87 368)	(134 418)
Other movements	(191)	(1 932)
Transfers	5 554	-
Closing balance	223 647	299 806

The movements in impairment of Non-current assets held for sale are analysed as follows:

(Euro thousand)	2024	2023
Opening balance	104 893	116 098
Charge of the year	10 307	18 766
Reversal of the year	(1 851)	(102)
Utilization	(31 034)	(33 835)
Transfers	3 236	3 966
Closing balance	85 551	104 893

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 27.

Despite the impairment losses observed, Banco Montepio recognized in profit or loss, in financial year 2024, gains in the amount of Euro 8,180 thousand (2023: Euro 7,864 thousand) on the sale of non-current assets held for sale, included in the caption Disposal of other assets, as described in note 8.

The captions Supplies – Montepio Holding, Other debtors, Sundry debtors, Bonifications to be received from the Portuguese State and Other amounts receivables, include, in aggregate, the net amount of 140,020 thousand euros (31 December 2024: 189,337 thousand euros) related to the Banco Montepio's exposure to credit risk, as presented in note 49.

The caption Post-employment and long-term employee benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund, as described in note 45.

The caption Supplies – Montepio Holding reflects the amount of loans granted by Banco Montepio to Montepio Holding, which have no maturity and bear no interest.

As at 31 December 2024 and 2023, the caption Other debtors is analysed as follows:

(Euro thousand)	2024	2023
Supplementary capital contributions	14 910	14 910
Other	22 392	56 940
	37 302	71 850

The caption Supplementary capital contributions considers the amounts subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 31 December 2024 and 2023.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors. Additionally, it considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by Banco Montepio with financial settlement in 2025.

As at 31 December 2024 and 2023, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

(Euro thousand)

	2024	2023
Bonifications overdue and not yet claimed	2 264	2 029
Bonifications claimed from state not yet settled	3 385	3 144
Bonifications processed and not yet claimed	141	195
	5 790	5 368

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, which amounts were determined in accordance with the legal provisions applicable to low-interest loans, and which do not bear interest and are regularly claimed.

The movements in the impairment of Other assets are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	25 613	22 132
Charge of the year	7 249	4 967
Reversal for the year	(3 195)	(575)
Utilization	(1 069)	(705)
Transfers	-	(206)
Closing balance	28 598	25 613

As at 31 December 2024, the impairment of Other assets includes the impairment constituted for the exposures of Supplementary capital contributions of Euro 14,910 thousand (identical amount as at 31 December 2023), for Price deposits of Euro 6,212 thousand (31 December 2023: Euro 2,577 thousand), for Guarantee commissions of Euro 601 thousand (31 December 2023: Euro 609 thousand), for Factoring operations of Euro 498 thousand (31 December 2023: Euro 498 thousand) and for Other debtors of Euro 6,377 thousand (31 December 2023: Euro 7,019 thousand).

31 Deposits from central banks

As at 31 December 2023, this caption includes deposits from the European System of Central Banks, which are collateralized by loans to customers, securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 23 and 25, respectively.

For the financing lines under the TLTRO III program, the effective interest rate used in financial years 2024 and 2023 considers the interest rates applicable to each operation in the elapsed period and the confirmation obtained from the European Central Bank regarding the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2024, Banco Montepio had no funds obtained from the European System of Central Banks.

As at 31 December 2023, these funds consisted of two operations with maturities and amounts were as follows: in March 2024, in the amount of Euro 817,437 thousand and in December 2024, in the amount of Euro 56,496 thousand.

32 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2024			2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Deposits repayable on demand	44 559	-	44 559	193 279	-	193 279
Term deposits	-	4 132	4 132	-	12 518	12 518
	44 559	4 132	48 691	193 279	12 518	205 797
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	19 329	-	19 329	34 465	-	34 465
Sales operations with repurchase agreement	-	248 476	248 476	-	548 900	548 900
Other deposits	29 552	-	29 552	7 930	-	7 930
	48 881	548 483	597 364	42 395	848 907	891 302
	93 440	552 615	646 055	235 674	861 425	1 097 099

The EIB loan amount, presented in the previous table, has as its main objective the financing of SMEs and considers the loan obtained in November 2020, in the amount of Euro 300,000 thousand, which has a term of twelve years, a grace period of four years, constant amortizations and a rate of 0.019%.

(Euro thousand)

	2024	2023
Up to 3 months	346 048	784 073
3 to 6 months	-	8 283
6 months to 1 year	-	4 236
More than 5 years	300 007	300 007
Undetermined	-	500
	646 055	1 097 099

As at 31 December 2024, the Bank had entered into Sales operations with repurchase agreement totalling Euro 248,476 thousand (31 December 2023: Euro 548,900 thousand).

The amount of the EIB loan is collateralized by Italian, Spanish and Greek sovereign bonds in the nominal amount of Euro 339,213 thousand (31 December 2023: Euro 357,282 thousand, by Italian, Spanish and Greek sovereign bonds), recorded in the captions Financial assets held for sale (note 21), Financial assets at fair value through other comprehensive income (note 23) and Other financial assets at amortized cost (note 25).

33 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2024			2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 775 624	258 785	6 034 409	5 552 501	105 104	5 657 605
Term deposits	-	9 018 340	9 018 340	-	7 662 456	7 662 456
Saving accounts	-	120 100	120 100	-	112 859	112 859
Other deposits	23 960	-	23 960	19 430	-	19 430
Adjustments arising from fair value option operations	(1 285)	-	(1 285)	(3 329)	-	(3 329)
	5 798 299	9 397 225	15 195 524	5 568 602	7 880 419	13 449 021

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits, pursuant to that stipulated in said Ordinance. The criteria to calculate the annual contributions to the Deposits Guarantee Fund are defined in Banco de Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the remaining period of operations is as follows:

(Euro thousand)

	2024	2023
Deposits repayable on demand	6 034 409	5 657 605
Term deposits and saving accounts		
Up to 3 months	4 422 048	2 222 137
3 to 6 months	2 016 446	1 641 788
6 months to 1 year	1 576 244	2 458 040
1 to 5 years	1 123 702	1 453 350
	15 172 849	13 432 920
Other deposits		
Up to 3 months	23 960	19 430
Adjustments from fair value option operations	(1 285)	(3 329)
	15 195 524	13 449 021

In financial year 2024, Deposits from customers were remunerated at the implicit average rate of 1.53% (in 2023: 0.76%).

34 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2024	2023
EMTN bonds	467 647	205 300
Covered bonds	-	328 483
	467 647	533 783

The caption EMTN Bonds includes issues of Euro 200,000 thousand and Euro 250,000 thousand made, respectively, in October 2023 and May 2024, which contribute to meeting the minimum requirement for eligible own funds ('MREL' or Minimum Requirement for own funds and eligible liabilities).

The residual terms of the caption Debt securities issued, as at 31 December 2024 and 2023, are as follows:

(Euro thousand)

	2024	2023
6 months to 1 year	11 719	3 776
1 to 5 years	448 345	527 044
	460 064	530 820
Adjustments from fair value option operations	7 583	2 963
	467 647	533 783

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in a total of Euro 1,250,000 thousand, at nominal value, as at 31 December 2024 (31 December 2023: Euro 2,300,000 thousand).

As at 31 December 2024, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 8S	1 250 000	1 251 972	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	Aaa/AAA
	1 250 000	1 251 972					

As at 31 December 2024, all covered bonds issues are held in the own portfolio.

As at 31 December 2023, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	302 065	-	November 2016	November 2024	Quarterly	Euribor 3M + 0.80%	Aaa/AA+
Covered bonds - 8S	1 250 000	1 252 517	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	Aaa/AA+
Covered bonds - 9S	250 000	251 303	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	Aaa/AA+
Covered bonds - 11S	500 000	328 483	328 483	November 2019	November 2024	Anually	Fixed at 0.125%	Aaa/AA+
	2 300 000	2 134 368	328 483					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in Banco Montepio's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Banco de Portugal Notices no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of Banco de Portugal.

As at 31 December 2024, the value of the loans collateralizing these issues amounted to Euro 3,201,863 thousand (31 December 2023: Euro 3,046,532 thousand), according to note 20.

The movements in Debt securities issued are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	533 783	327 492
Emissions	250 000	200 000
Reimbursements	(328 600)	-
Other movements [(a)]	12 464	6 291
Closing balance	467 647	533 783

(a) Includes the movement of interest on the balance sheet.

In accordance with the accounting policy described in note 1 b), the purchase of debt securities issued by Banco Montepio is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2024, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
EMTN BONDS 30/10/2026	30/10/2023	30/10/2026	Annual fixed rate of 10.0%	200 000
EMTN BONDS 29/05/2028	29/05/2024	29/05/2028	Annual fixed rate of 5.625% [(1)]	250 000
				450 000
			Accrual based accounting, deferred income, costs and others	17 647
				467 647

[(1)] If at the end of the third year the early repayment option is not exercised, the interest rate for the remaining period will be indexed to the 3-month Euribor plus a spread of 2.6%.

As at 31 December 2023, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
EMTN BONDS 30/10/2026	30/10/2023	30/10/2026	Annual fixed rate of 10.0%	200 000
				700 000
			Repurchase of covered bonds - 11S	(171 400)
			Accrual based accounting, deferred income, costs and others	5 183
				533 783

35 Financial liabilities associated to transferred assets

In the scope of the securitization operations described in note 48, in respect of which Banco Montepio retained the majority of the risks and rewards associated with the securitized loans, the Bank recorded the financial liabilities associated with the assets transferred, which are detailed as follows:

(Euro thousand)

	2024	2023
Pelican Finance No 2	33 334	58 627
Pelican Mortgages No 3	-	82 960
Pelican Mortgages No 4	-	319 541
Aqua Mortgages No 1	-	49 885
	33 334	511 013

In financial year 2024, Banco Montepio proceeded with the early redemption of the Pelican Mortgages no. 4, no. 3 and Aqua Mortgages no. 1 securitization operations.

36 Provisions

This caption is presented as follows:

(Euro thousand)

	2024	2023
Provisions for guarantees and commitments	10 859	10 362
Provisions for other risks and charges	18 458	9 816
	29 317	20 178

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to Banco Montepio's activity, being revised at each reporting date to reflect the best estimate of the amount and probability of payment and includes provisions for legal cases, tax contingencies and fraud.

The movements in provisions for guarantees and commitments assumed, are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	10 362	19 312
Charge of the year	17 947	21 767
Reversal for the year	(17 437)	(30 672)
Utilization	(13)	(71)
Transfers	-	26
Closing balance	10 859	10 362

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2024	2023
Opening balance	9 816	9 312
Charge of the year	13 687	1 702
Reversal for the year	(3 259)	(982)
Utilization	(1 786)	(759)
Transfers	-	543
Closing balance	18 458	9 816

In financial year 2024, the caption Provisions for other risks and charges was reinforced in the amount of Euro 11,384 thousand, related to the remaining value of irrevocable payment commitments associated with the Deposit Guarantee Fund not yet settled, as per note 43.

37 Other subordinated debt

The characteristics of subordinated debt are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest date	2024	2023
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	-	50 056
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	-	107 803
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	-	52 661
CX ECONOMICA MONTEPIOGERAL 8.50 12/06/2034	Mar 2024	Jun 2034	250 000	8.5% in the first 5 years and the 5-year swap rate + 5.815% for the remaining years	265 333	-
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7.0% on the first 4 interest payment dates and Euribor 6M plus 2.75%, with a minimum of 5% for the remaining years	6 491	6 499
					271 824	217 019

In financial year 2024, under the EMTN (Euro Medium Term Note) Programme, Banco Montepio issued subordinated debt securities in the amount of Euro 250,000 thousand, with a fixed interest rate of 8.5% in the first 5 years and with a term of ten years. If the early repayment option is not exercised at the end of the fifth year, the interest rate for the remaining period will be indexed to the five-year swap rate plus a spread of 5.815%. Furthermore, the Bank decided to exercise the early repayment option of subordinated debt issues "EMTN SUB 2018/2028", "EMTN SUB 2019/2029" and "EMTN SUB 2020/2030", in the aggregate amount of Euro 200,000 thousand.

The movements in Other subordinated debt during financial years 2024 and 2023, were as follows:

	2024					2023		
	Balance at 1 January	Issued	Reimbursements	Other movements (a)	Balance on 31 December	Balance at 1 January	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 056	-	(50 000)	(56)	-	50 044	12	50 056
MONTEPIO EMTN SUB 2019/2029	107 803	-	(100 000)	(7 803)	-	107 825	(22)	107 803
MONTEPIO EMTN SUB 2020/2030	52 661	-	(50 000)	(2 661)	-	52 705	(44)	52 661
CX ECONOMICA MONTEPIO GERAL 8.50 12/06/2034	-	250 000	-	15 333	265 333	-	-	-
FINIBANCO VALOR INVEST 2010	6 499	-	-	(8)	6 491	6 455	44	6 499
	217 019	250 000	(200 000)	4 805	271 824	217 029	(10)	217 019

(a) Includes accrued interest not yet settled.

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable Laws or Regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

38 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2024	2023
Domestic and foreign operations pending settlement	110 849	152 422
Sundry creditors	38 148	40 602
Staff costs payable	34 627	29 864
Other expenses	14 160	21 222
Administrative public sector	17 511	13 997
Lease liabilities	13 304	7 915
Suppliers	3 179	10 536
Deferred income	337	311
	232 115	276 869

As at 31 December 2024, the caption Staff charges payable includes the amount of Euro 18,225 thousand (31 December 2023: Euro 16,822 thousand), related to holiday pay and subsidy, Euro 13,372 thousand related to accrued termination charges and variable remuneration (31 December 2023: Euro 10,424 thousand) and Euro 3,030 thousand (31 December 2023: Euro 2,618 thousand) related to end-of-career awards.

The caption Amounts payable corresponds, essentially, to the application of the accruals' principle to General administrative expenses.

As at 31 December 2024 and 2023, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

	(Euro thousand)	
	2024	**2023**
Up to 1 year	3 950	4 073
1 to 5 years	9 354	3 842
	13 304	7 915

39 Share capital

As at 31 December 2024, Banco Montepio's share capital, which is fully realized, amounts to Euro 1,210,000 thousand.

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

The shareholder structure of Banco Montepio's share capital as at 31 December 2024 and 2023 is as follows:

	2024		**2023**	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.993%	2 419 830 580	99.993%
Other shareholders	169 420	0.007%	169 420	0.007%
	2 420 000 000	100.0%	2 420 000 000	100.0%

40 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net income, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2024, the legal reserve amounts to Euro 207,487 thousand (31 December 2023: 196,833 thousand).

41 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

(Euro thousand)

	2024	2023
Fair value reserve		
Financial assets at fair value through other comprehensive income	16 540	9 443
	16 540	9 443
Taxes		
Financial assets at fair value through other comprehensive income	(4 879)	(2 880)
	(4 879)	(2 880)
Fair value reserve net of taxes	11 661	6 563
Other reserves and retained earnings		
Special reserve	4 809	4 809
Post-employment benefits (note 45)	(1 523)	(76 059)
Other reserves and retained earnings	144 847	130 298
	148 133	59 048

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2024					
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment variation	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	(1 688)	512	-	-	3	(1 173)
Bonds issued by foreign public entities	-	-	4 067	-	(280)	3 787
Bonds issued by other entities:						
Domestic	(705)	105	2	-	(12)	(610)
Foreign	(19)	7	-	1	(1)	(12)
	(2 412)	624	4 069	1	(290)	1 992
Variable income securities						
Shares						
Domestic	11 785	3 600	-	-	-	15 385
Foreign	70	(907)	-	-	-	(837)
	11 855	2 693	-	-	-	14 548
	9 443	3 317	4 069	1	(290)	16 540

	2023				(Euro thousand)
	Balance on 1 January	Revaluation	Disposals	Impairment variation	Balance on 31 December
Fixed income securities					
Bonds issued by Portuguese public entities	(2 599)	920	(8)	(1)	(1 688)
Bonds issued by foreign public entities	(765)	-	692	73	-
Bonds issued by other entities:					
Domestic	(496)	(244)	(96)	131	(705)
Foreign	(53)	17	15	2	(19)
Commercial Paper	19	-	(38)	19	-
	(3 894)	693	565	224	(2 412)
Variable income securities					
Shares					
Domestic	10 785	1 000	-	-	11 785
Foreign	(1 171)	1 242	(1)	-	70
	9 614	2 242	(1)	-	11 855
	5 720	2 935	564	224	9 443

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

	2024	2023 (Euro thousand)
Amortized cost of financial assets at fair value through other comprehensive income	288 528	38 956
Recognized accumulated impairment	(594)	(304)
Amortized cost of financial assets at fair value through other comprehensive income net of impairment	287 934	38 652
Market value of financial assets at fair value through other comprehensive income	304 474	48 095
Potential realized gains/(losses) recognized in the fair value reserve	16 540	9 443

The movement of taxes from Financial Assets at fair value through other comprehensive income is presented as follows:

	2024	2023 (Euro thousand)
Opening balance	(2 880)	(1 745)
Taxes related to changes in fair value	(1 999)	(1 135)
Final balance	(4 879)	(2 880)

As described in note 29, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and 2021, and considering the eligible deferred tax assets at the reference date of the aforementioned periods, as a result of the special regime applicable to deferred tax assets, Banco Montepio recorded a Special reserve corresponding to 110% of the amount of the tax credits calculated, which has the following breakdown:

(Euro thousand)

	2024	2023
Special reserve		
2021 (Negative net income of 2020)	4 509	4 509
2022 (Negative net income of 2021)	300	300
	4 809	4 809

The movement of other reserves related to post-employment benefits is presented as follows:

(Euro thousand)

	2024	2023
Opening balance	(76 059)	(127 828)
Loss coverage	76 649	135 667
Remeasurements for the year (note 45)	(2 113)	(83 898)
Final balance	(1 523)	(76 059)

The movement of other reserves and retained earnings is presented as follows:

(Euro thousand)

	2024	2023
Opening balance	130 298	(995 921)
Applications of results	89 891	32 103
Loss coverage	(76 649)	1 074 333
Taxes related to defined benefit plan remeasurements	-	20 102
Realised gains on equity instruments	1 307	9
Other movements	-	(328)
Final balance	144 847	130 298

As at 31 December 2023, Banco Montepio had a tax credit of Euro 273 thousand, as described in note 29.

42 Distribution of dividends

The Annual General Meeting held on 30 April 2024 approved the proposal to apply the Net income for financial year 2023, in the positive amount of Euro 106,544,699.15, to cover actuarial deviations related to the Pension Fund in Euro 76,649,473.12, to reinforce the Legal reserve in Euro 10,654,469.92, to Retained Earnings in Euro 13,240,756.11 and to distribute dividends in Euro 6,000,000.00.

In financial year 2023, Banco Montepio did not distribute dividends.

43 Guarantees and other commitments

The balances of these accounts are analysed as follows:

(Euro thousand)

	2024	2023
Guarantees granted	512 342	516 551
Commitments to third parties	1 608 219	1 625 013
Deposit and custody of securities	7 277 231	7 050 460
	9 397 792	9 192 024

The amounts of Guarantees granted, and Commitments assumed vis-á-vis third parties are analysed as follows:

(Euro thousand)

	2024	2023
Guarantees granted		
Guarantees	473 495	465 754
Letters of credit	38 847	50 797
	512 342	516 551
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	760 763	698 783
Potential liability with the Investors Indemnity System	590	590
Term liability to the Guarantee Deposits Fund	-	22 768
Securities subscription	2 378	5 094
Revocable commitments		
Revocable credit facilities	844 488	897 778
	1 608 219	1 625 013

Guarantees and standby letters granted are banking transactions essentially related to credit transactions in which the Bank provides a guarantee in relation to credit granted to a customer by a third party. In accordance with the specific nature of these transactions, some of these guarantees are expected to expire without having been required and, therefore, these transactions do not necessarily represent a cash outflow. Estimated liabilities are recorded under Provisions, as described in note 36.

Documentary credits correspond to irrevocable commitments, by Banco Montepio, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to Banco Montepio's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, impose the payment of a commission. Credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time of their contracting.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same principles of any commercial operation, namely the solvency of the underlying customer and business, with Banco Montepio requiring, when necessary, that these operations be adequately covered by collaterals. Considering that it is expected that the majority of the commitments expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2023, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by Banco Montepio, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so. In financial year 2024, Banco Montepio paid over to the Fund the amount of Euro 11,384 thousand and set up a provision in the same amount, as described in note 36.

As at 31 December 2024, in the scope of the Deposits Guarantee Fund, Banco Montepio pledged treasury bonds (TB October 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 15,000 thousand (31 December 2023: Euro 29,000 thousand), as described in note 25.

As at 31 December 2023, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that Banco Montepio assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 b). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by Banco Montepio in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

44 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of Banco Montepio.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of Banco Montepio.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13.

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

c) Financial instruments shall be classified in level 2 if they are:

iii. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, such as, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

iv. valued using indicative third-party purchase prices, based on observable market data.

d) For financial instruments that do not have a 30-day history available in the system, the fair value level is assigned based on the available history.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

c) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:

iv. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;

v. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or

vi. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g., degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

The following are the main methods and assumptions used in estimating the fair value of financial assets and liabilities.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market; and
- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

iii. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg; and

iv. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

As 31 December 2024, no funds had been taken from the European Central Bank. The interest rate of the main refinancing operations from the European Central Bank was 13.15% at the end of 2024.

For the remaining funds from credit institutions, the discount rate used reflects the current conditions applied by Banco Montepio to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2024, the average discount rate for the remining deposits was 2.56% (31 December 2023: 2.77%).

For Loans and advances to credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by Banco Montepio to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity.

The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last half year. As at 31 December 2024, the average discount rate was 3.05% for mortgage loans (31 December 2023: 3.70%), 6.99% for private individual loans (31 December 2023: 6.28%) and 4.36% for the remaining loans (31 December 2023: 4.77%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by Banco Montepio to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of Banco Montepio at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2024 was 2.10% (31 December 2023: 2.67%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which Banco Montepio applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of Banco Montepio.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- <u>*Cash, Deposits at central banks and Deposits and deposit equivalents to other credit institutions repayable on demand*</u>

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

	Type of instruments		Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash flow method [2]	Interest rate curves
		Exchange rate options	Black-Scholes Model	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value though profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3]
Financial Assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] Spreads
Derivatives - Hedge accounting	Swaps [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves Spreads

(1) The Bank incorporates specific adjustments (add-ons) into the valuation of derivative instruments held for trading and hedging to reflect its own credit risk based on a market discount curve that reflects its associated risk profile. At the same time, the Bank adopts an analogous methodology to reflect the credit risk of counterparties in derivatives with positive fair value. Therefore, the fair value obtained is composed of the unaffected risk-free valuation of this additional amount. The Credit Value Adjustment and Debt Value Adjustment – CVA/DVA are determined based on the estimated exposure at the

time of default (Exposure at default, EAD) for each transaction and on the application of risk parameters to the estimated EAD in order to determine the expected loss for the Bank (CVA) and for the counterparty (DVA).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with Banco Montepio with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of these adjustments is presented in the table.

Movements in CVA and DVA

(Euro thousand)

	2024		2023	
	CVA	**DVA**	**CVA**	**DVA**
Adjustment	373	108	257	144
Of which : Derivatives expiry	(11)	6	(3)	14

Fair value of Non-current assets held for sale

The fair value and the impairment constituted for non-current assets held for sale are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation; and
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations are carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as “expert appraisers” with the CMVM and seeks to ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of Banco de Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements); and
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

Interest rate curve of the main currencies

As at 31 December 2024, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Yen**
1 day	2.980000	4.450000	4.870000	0.420000	0.050000
7 days	2.910600	4.443571	4.860000	0.390000	0.170000
1 month	2.912400	4.405000	5.030000	0.380000	0.170000
2 months	2.796200	4.415000	4.955000	0.410000	-0.120000
3 months	2.665500	4.435000	4.905000	0.365000	0.100000
6 months	2.383800	4.455000	4.850000	0.285000	0.190000
9 months	2.221700	4.475000	4.795000	0.285000	0.340000
1 year	2.123000	4.515000	4.695000	0.360000	0.380000
2 years	1.985000	4.504899	4.641149	0.081000	0.379463
3 years	1.994000	4.494798	4.641149	0.148500	0.379463
5 years	2.061500	4.474513	4.641149	0.247500	0.379463
7 years	2.130500	4.454199	4.641149	0.341500	0.379463
10 years	2.226500	4.423841	4.641149	0.458000	0.379463
15 years	2.336500	4.402939	4.641149	0.577500	0.379463
20 years	2.316500	4.402000	4.641149	0.577500	0.379463
30 years	2.162500	4.213000	4.641149	0.577500	0.379463

As at 31 December 2023, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Yen**
1 day	3.800000	5.365000	5.230000	1.855000	0.125000
7 days	3.895000	5.306250	5.220000	1.650000	-0.340000
1 month	3.903500	5.420000	5.285000	1.780000	-0.340000
2 months	3.900500	5.460000	5.215000	1.755000	-0.300000
3 months	3.868500	5.530000	5.320000	1.675000	-0.280000
6 months	3.684500	5.500000	5.370000	1.690000	-0.190000
9 months	3.446500	5.410000	5.290000	1.700000	-0.050000
1 year	3.213500	5.340000	5.250000	1.710000	0.080000
2 years	2.565500	5.195685	5.182845	1.242500	0.079931
3 years	2.321500	5.052550	5.182845	1.164000	0.079931
5 years	2.181500	4.765493	5.182845	1.146000	0.079931
7 years	2.197500	4.478436	5.182845	1.189000	0.079931
10 years	2.288500	4.047457	5.182845	1.252500	0.079931
15 years	2.416500	3.759688	5.182845	1.302500	0.079931
20 years	2.416500	3.758500	5.182845	1.302500	0.079931
30 years	2.280500	3.590950	5.182845	1.302500	0.079931

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**2024**	**2023**	**1 month**	**3 months**	**3 months**	**9 months**	**1 year**
EUR/USD	1.0389	1.1050	8.4450	8.1900	8.0450	8.0150	7.9550
EUR/GBP	0.8292	0.8691	4.8750	5.1800	5.3200	5.4250	5.5600
EUR/CHF	0.9412	0.9260	5.5170	5.8320	5.8850	6.0000	6.0500
EUR/JPY	163.06	156.33	10.99	11.16	11.15	11.14	11.05

Regarding exchange rates, Banco Montepio uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of Financial assets and liabilities of Banco Montepio, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024				
	At fair value through profit or loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial assets					
Cash and deposits at central banks	-	-	1 474 536	1 474 536	1 474 536
Loans and deposits to credit institutions payable on demand	-	-	35 084	35 084	35 084
Other loans and advances to credit institutions	-	-	103 275	103 275	103 275
Loans and advances to customers	723	-	11 814 968	11 815 691	12 309 711
Financial assets held for trading	26 451	-	-	26 451	26 451
Financial assets at fair value through profit or loss	146 143	-	-	146 143	146 143
Financial assets at fair value through other comprehensive income	-	304 474	-	304 474	304 474
Hedging derivatives	30 257	-	-	30 257	30 257
Other financial assets at amortized cost	-	-	3 473 704	3 473 704	3 221 417
	203 574	304 474	16 901 567	17 409 615	17 651 348
Financial liabilities					
Deposits from other credit institutions	-	-	646 055	646 055	615 365
Deposits from customers	99 533	-	15 095 991	15 195 524	15 189 171
Debt securities issued	-	-	467 647	467 647	469 788
Financial liabilities related to transferred assets	-	-	33 334	33 334	33 897
Financial liabilities held for trading	11 202	-	-	11 202	11 202
Hedging derivatives	27 037	-	-	27 037	27 037
Other subordinated debt	-	-	271 824	271 824	282 967
	137 772	-	16 514 851	16 652 623	16 629 427

(Euro thousand)

	2023				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 171 397	1 171 397	1 171 397
Loans and deposits to credit institutions payable on demand	-	-	46 065	46 065	46 065
Other loans and advances to credit institutions	-	-	125 067	125 067	125 067
Loans and advances to customers	781	-	11 292 424	11 293 205	11 568 142
Financial assets held for trading	15 117	-	-	15 117	15 117
Financial assets at fair value through profit or loss	209 657	-	-	209 657	209 657
Financial assets at fair value through other comprehensive income	-	48 095	-	48 095	48 095
Hedging derivatives	6 174	-	-	6 174	6 174
Other financial assets at amortized cost	-	-	4 316 171	4 316 171	3 565 959
	231 729	48 095	16 951 124	17 230 948	16 755 673
Financial liabilities					
Deposits from central banks	-	-	873 933	873 933	873 933
Deposits from other credit institutions	-	-	1 097 099	1 097 099	1 056 820
Deposits from customers	95 299	-	13 353 722	13 449 021	13 404 852
Debt securities issued	-	-	533 783	533 783	528 106
Financial liabilities related to transferred assets	-	-	511 013	511 013	529 771
Financial liabilities held for trading	12 636	-	-	12 636	12 636
Hedging derivatives	3 525	-	-	3 525	3 525
Other subordinated debt	-	-	217 019	217 019	203 188
	111 460	-	16 586 569	16 698 029	16 612 831

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2024:

(Euro thousand)

	2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	1 474 536	-	-	-	1 474 536
Loans and deposits to credit institutions payable on demand	35 084	-	-	-	35 084
Other loans and advances to credit institutions	-	-	103 275	-	103 275
Loans and advances to customers	-	723	12 308 988	-	12 309 711
Financial assets held for trading	14 085	12 366	-	-	26 451
Financial assets at fair value through profit or loss	-	-	146 143	-	146 143
Financial assets at fair value through other comprehensive income	276 381	557	26 254	1 282	304 474
Hedging derivatives	30 257	-	-	-	30 257
Other financial assets at amortized cost	3 221 417	-	-	-	3 221 417
	5 051 760	13 646	12 584 660	1 282	17 651 348
Financial liabilities					
Deposits from other credit institutions	-	-	615 365	-	615 365
Deposits from customers	-	99 533	15 089 638	-	15 189 171
Debt securities issued	-	-	469 788	-	469 788
Financial liabilities related to transferred assets	-	-	33 897	-	33 897
Financial liabilities held for trading	-	11 202	-	-	11 202
Hedging derivatives	-	27 037	-	-	27 037
Other subordinated debt	-	-	282 967	-	282 967
	-	137 772	16 491 655	-	16 629 427

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2023:

(Euro thousand)

	2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	1 171 397	-	-	-	1 171 397
Loans and deposits to credit institutions payable on demand	46 065	-	-	-	46 065
Other loans and advances to credit institutions	-	-	125 067	-	125 067
Loans and advances to customers	-	781	11 567 361	-	11 568 142
Financial assets held for trading	6 193	8 924	-	-	15 117
Financial assets at fair value through profit or loss	-	-	209 657	-	209 657
Financial assets at fair value through other comprehensive income	22 604	618	23 556	1 317	48 095
Hedging derivatives	6 174	-	-	-	6 174
Other financial assets at amortized cost	3 565 959	-	-	-	3 565 959
	4 818 392	10 323	11 925 641	1 317	16 755 673
Financial liabilities					
Deposits from central banks	873 933	-	-	-	873 933
Deposits from other credit institutions	-	-	1 056 820	-	1 056 820
Deposits from customers	-	95 299	13 309 553	-	13 404 852
Debt securities issued	-	-	528 106	-	528 106
Financial liabilities related to transferred assets	-	-	529 771	-	529 771
Financial liabilities held for trading	-	9 746	2 890	-	12 636
Hedging derivatives	-	3 525	-	-	3 525
Other subordinated debt	-	-	203 188	-	203 188
	873 933	108 570	15 630 328	-	16 612 831

In 2024 and 2023, there were no transfers between the levels of the fair value hierarchy.

The amount shown in level 3 under the caption Financial assets at fair value through other comprehensive income corresponds, to the extent material, to the financial investments made in SIBS, Unicre and ABANCA, with the amounts recorded in the financial statements as at 31 December 2024 amounting to Euro 23,000 thousand (31 December 2023: Euro 19,400 thousand) and having been determined in accordance with the methodology and assumptions detailed below:

SIBS

The fair value of the 1.74% stake held by the Bank in the share capital of SIBS, shown in the financial statements as at 31 December 2024, is supported by a valuation that considers the methodologies of comparable company multiples (market and transaction) and Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2024, the information contained in the reports and accounts on a consolidated basis for financial years 2022 and 2023, the documents prepared by management and updated to September 2024, the budget for financial year 2025, as well as information on transaction multiples of comparable companies, namely in the Payment Networks and Systems sectors, were considered.

For this valuation, a forecast horizon of four years was considered, for which it was necessary to calculate the forecast cash flows, based on historical cash flows and estimated growth rates, the latter showing growth for 2024, income in 2025 in line with the budget, and from 2026 onwards, inclusive, evolving in line with the Company's growth potential, assuming an increase in prices in line with inflation.

In the valuation method using the DCF methodology, the going concern basis beyond the forecast horizon was assumed, with a scenario with an annual variation of cash flows as well as levels of Investment in CAPEX and depreciation and amortization in perpetuity having been considered. Cash flows were discounted at the equivalent rate to the weighted average cost of capital, thus reflecting the time value of money and industry-specific risk, which stood at 10.11% with reference to 31 December 2024 (31 December 2023: 11.4%).

In the valuation using the market multiples method, multiples relating to financial years 2022 and 2023 were considered, and which include companies from different geographies, supported by the Valutico platform database.

Unicre

The fair value of the 3.84% stake held by the Bank in the share capital of Unicre, shown in the financial statements as at 31 December 2024, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on the Cash flows projected for a five-year forecast horizon, having been based on information obtained from the Reports and accounts of Unicre for financial years 2022 and 2023.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of income, as well as the cost of financing to support the activity of Unicre. As at 31 December 2024, the discount rate considered in the valuation was maintained at 13.20% (31 December 2023: 13.20%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% stake held in the share capital of ABANCA, disclosed in the financial statements as at 31 December 2024, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on the projected cash flows for a five-year forecast horizon, having been based on information obtained from the Earnings Presentations and Reports and Accounts of ABANCA for financial year 2023 and the interim report and accounts for the first half of 2024.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of operating results, having maintained the financing structure stable in relation to previous years, with the assumption that the level of activity and recurring operating results were estimated considering nominal growth equal to inflation.

As at 31 December 2024, the discount rate considered in the valuation of 12.50% was maintained (31 December 2023: 12.50%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

The discount rate has a significant impact on the valuation of these financial investments. In this sense, a sensitivity analysis was carried out to a positive variation and a negative variation of 50 basis points in the discount rate, with a view to determining the effect on the balance sheet value of these financial investments, the impact of which is analysed as follows:

(Euro thousand)

	2024		2023	
	Balance sheet value		Balance sheet value	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% variation)	(916)	1 092	(700)	900

45 Post-employment and long-term employee benefits

Banco Montepio, in accordance with the accounting policy described in note 1 q), has assumed the responsibility to pay its employees and members of the Management Body old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 r).

In accordance with the same policy, Banco Montepio calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

Banco Montepio's pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);
- Retirement due to disability; and
- Survival pension.

The respective beneficiaries are guaranteed all benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of Banco Montepio, or as employees who had been its permanent employees and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund (Caixa Geral de Aposentações ("CGA")) or the National Pensions Centre (Centro Nacional de Pensões ("CNP")), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

Banco Montepio's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to a pension calculated as per the preceding paragraph and proportional to the time of service rendered to Banco Montepio, to be paid by the Pension Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

Banco Montepio has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, Banco Montepio signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2024	2023
Financial assumptions		
Salary growth rate	2.5% in the first year, 2.0% in the second year, and 1.0% in the following years	3.0% in the first year, 2.0% in the second year, and 1.0% in the following years
Pension growth rate	2.0% in the first year, 1.5% in the second year, and 0.75% in the following years	2.5% in the first three years and, 1.5% in the second year, and 0.75% in the following years
Rate of return of Fund	3.55%	3.60%
Discount rate	3.55%	3.60%
Revaluation rate		
Salary growth rate - Social Security	1.50%	1.50%
Monetary correction rate	1.25%	1.25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial valuation method	UCP	UCP

UCP - Unit Credit projected

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds and (ii) duration of the liabilities. As at 31 December 2024, the average duration of the pension liabilities of the employees is 14.6 years (31 December 2023: 14.1 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2024	2023
Active	2 461	2 533
Retirees and survivors	1 731	1 693
	4 192	4 226

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	2024	2023
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(419 357)	(414 413)
Active	(293 581)	(282 496)
	(712 938)	(696 909)
Liabilities with healthcare benefits		
Pensioners	(28 199)	(27 770)
Active	(28 081)	(26 333)
	(56 280)	(54 103)
Liabilities with death benefits		
Pensioners	(2 070)	(1 973)
Active	(1 239)	(1 179)
	(3 309)	(3 152)
Total liabilities	(772 527)	(754 164)
Coverages		
Pension Fund value	812 618	802 443
Net assets/(liabilities) in the balance sheet	40 091	48 279
Accumulated actuarial remeasurements recognized in other comprehensive income	213 840	211 726

The amount of 40,091 thousand euros related to net assets and liabilities recognized in the balance sheet is disclosed under the caption Other assets, as presented in note 30.

The evolution of liabilities for retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2024				2023			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the financial year	696 909	54 103	3 152	754 164	592 991	45 958	2 589	641 538
Recognized in net income/(loss) (note 10)								
Current service cost	2 909	961	45	3 915	2 552	810	37	3 399
Interest cost	25 089	1 948	113	27 150	24 906	1 930	108	26 944
Early retirement, mutually agreed termination and others	4 511	-	-	4 511	6 989	-	-	6 989
Recognized in equities (note 41)								
Actuarial gains/(losses)								
Changes in assumptions	5 925	1 068	84	7 077	85 594	6 738	463	92 795
Not related to changes in assumptions	8 112	(1 800)	(85)	6 227	11 203	(1 333)	(45)	9 825
Other								
Pensions paid by the Fund	(32 258)	-	-	(32 258)	(28 660)	-	-	(28 660)
Pensions paid by Banco Montepio	(614)	-	-	(614)	(991)	-	-	(991)
Participant contributions	2 355	-	-	2 355	2 325	-	-	2 325
Liabilities at the end of the financial year	712 938	56 280	3 309	772 527	696 909	54 103	3 152	754 164

The evolution of the Pension Fund's net asset value as at 31 December 2024 and 2023 can be analysed as follows:

(Euro thousand

	2024	2023
Value of the Fund at the beginning of the financial year	802 443	777 405
Recognized in net income/(loss) (note 10)		
Share of net interest	28 888	32 651
Recognized in equity (note 41)		
Financial deviations	11 190	18 722
Others		
Participant Contributions	2 355	2 325
Pensions paid by the Fund	(32 258)	(28 660)
Fund´s value at the end of the year	812 618	802 443

The amounts paid by the Pension Fund, in 2023, consider the effect of the application of Ordinance no. 141, of 2023.

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2024, Banco Montepio participates in 98.5% (31 December 2023: 98.7%) in the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

As at 31 December 2024 and 2023, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2024				2023			
	Assets of the Fund	%	Quoted	Unquoted	Assets of the Fund	%	Quoted	Unquoted
Variable-income securities								
Shares	26 726	3,3	26 726	-	99 986	12,5	99 986	-
Shares investment funds	125 758	15,5	42 281	83 477	97 988	12,2	40 798	57 190
Bonds	578 462	71,2	534 937	43 525	510 049	63,6	450 065	59 984
Real Estate	4 857	0,6	-	4 857	4 846	0,6	-	4 846
Real Estate investment funds	55 053	6,8	4 154	50 899	54 788	6,8	3 971	50 817
Venture capital funds	3 375	0,4	-	3 375	3 545	0,4	-	3 545
Loans and advances to banks and other	18 387	2,3	-	18 387	31 241	3,9	-	31 241
	812 618	100,0	608 098	204 520	802 443	100,0	594 820	207 623

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of Banco Montepio, are analysed as follows:

(Euro thousand)

	2024	2023
Loans and advances to banks and other	6 602	9 763
Real Estate	4 857	4 846
Bonds	-	382
	11 459	14 991

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2024	2023
Actuarial gains/(losses) at the beginning of the financial year	211 726	127 828
Actuarial gains/(losses) in the financial period		
Changes in discount rate	4 746	56 161
Payroll update	2 219	11 215
Pensions growth rate update	4 501	23 043
Deviation of the Pension Fund return	(11 190)	(18 722)
Resulting from changes in plan conditions	(4 389)	2 376
Other changes	6 227	9 825
Actuarial gains/(losses) recognized in other comprehensive income	213 840	211 726

The costs for the financial year with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2024	2023
Current service cost	3 915	3 399
Net interest income/(expense) on the liabilities coverage balance	(1 738)	(5 707)
Costs with early retirement, mutually agreed termination and other	4 511	6 989
Costs for the financial year	6 688	4 681

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024	2023
At the beginning of the financial year	48 279	135 867
Current service cost	(3 915)	(3 399)
Net interest income/(expense) on the liabilities coverage balance	1 738	5 707
Actuarial gains/(losses)	(13 304)	(102 620)
Financial gains/(losses)	11 190	18 722
Pensions paid by Banco Montepio	614	991
Early retirement, mutually agreed termination and other	(4 511)	(6 989)
At the end of the financial year	40 091	48 279

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to positive and negative changes in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities.

As at 31 December 2024, the impact of these changes is analysed as follows:

(Euro thousand)

	2024			
	Liabilities			
	Increase 0.50 p.p.	Decrease 0.50 p.p.	Increase 1.00 p.p.	Decrease 1.00 p.p.
Discount rate	(46 463)	47 485	(90 509)	94 226
Salary growth rate	28 528	(25 978)	55 572	(53 052)
Pension growth rate	42 991	(39 830)	83 747	(81 339)

(Euro thousand)

	2024	
	Liabilities	
	Decrease in life expectancy by 1 year	Increase in life expectancy by 1 year
Future mortality	(19 200)	18 980

(Euro thousand)

	2024	
	Liabilities	
	€5 Decrease	€5 Increase
SAMS contribution	(2 325)	2 325

As at 31 December 2023, the impact of these changes is analysed as follows:

(Euro thousand)

	2023	
	Liabilities	
	Increase	Decrease
Discount rate (0.5% change)	(47 638)	53 206
Salary growth rate (0.5% change)	30 137	(26 078)
Pension growth rate (0.5% change)	48 008	44 012
SAMS contribution (5€ change)	2 540	(2 540)
Future mortality (1 year change)	(18 502)	18 281

In accordance with the accounting policy described in note 1 s) and as per note 38, as at 31 December 2024, the cost associated with end-of-career awards amounted to Euro 3,030 thousand (31 December 2023: Euro 2,618 thousand).

46 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2024 and 2023, the amount of the funds for which Banco Montepio acts as depository bank is analysed as follows:

(Euro thousand)

	2024	2023
Securities investment funds	397 238	300 641
Real Estate investment funds	806 068	744 824
Pension funds	335 435	301 454
Bank and insurance	20 771	23 235
	1 559 512	1 370 154

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

47 Related parties

As defined in IAS 24, the companies detailed in note 53, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of Banco Montepio. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties. First-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2024, the list of related parties considered by Banco Montepio is presented as follows:

Majority shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chaim of the Board of Directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica
Executive Committee
Chaim of the Executive Committee
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus
Audit Committee
Chaim of the Audit Committee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Other Key Management Personnel
Alípio Dias
Ana Sá Couto
Edite Cheira
Fernando Amaro
Idália Serrão
Jaquelina Rodrigues
João Carvalho das Neves
Licinio Santos
Luís Pinheiro
Manuel Baptista
Paulo Jorge Rodrigues
Pedro Araújo
Pedro Ribeiro
Rui Gama
Rui Heitor
Virgílio Lima

Other related parties
Alexandra Ponciano
Alexandra Quirino Silva
Alexandra Rolo
António Carlos Machado
António Costa
António Figueiredo Lopes
António Longo
Armando Cardoso
Bruno Magalhães
Cláudia Monteiro
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Teixeira
Filipe Guimarães Cizeron
Frederico Tomáz
Joana Correia
Jorge Barros Luís
Jorge Dourado
Luís Montanha Rebelo
Manuel Castanho
Miguel Esteves
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Medeiros
Paula Pinheiro
Paula Viegas
Paulo Amorim
Paulo Soares
Paulo Trindade
Pedro Miguel Mendes
Pedro Oliveira
Pedro Pessoa Fragoso
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Jorge Santos
Sandra Brito Pereira
Sanguini Shirish
Sara Candeias
Tânia Madeira

Other Related Parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
CESource, A.C.E.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação (1)
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Residências para Estudantes, S.A.
Montepio Serviços, A.C.E.
NovaCâmbios - Instituição de Pagamentos, S.A. (2)
Polaris - Fundo de Investimento Imobiliário Fechado
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado (3)
Residências Montepio, Serviços de Saúde, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado

(1) Liquidated at 13 May 2024.

(2) At 2024, NovaCâmbios - Instituição de Pagamentos, S.A. was no longer included in the list of related parties.

(3) Liquidated at 30 December 2024.

As at 31 December 2024, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2024							
Company	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Guarantees and commitments assumed	Provisions for guarantees and commitments assumed	Total
Board of Directors	73	-	-	-	-	-	-	73
Board of Directors of Other Related Parties	620	1	-	-	-	-	-	619
Other key management personnel	2 534	7	-	-	-	-	-	2 527
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	12	-	-	12
CESource, A.C.E.	-	-	-	-	67	-	-	67
Lusitania, Companhia de Seguros, S.A.	4	-	1 839	251	22	-	-	1 614
Moçambique Companhia de Seguros, S.A.R.L.	-	-	375	-	-	-	-	375
Montepio Crédito - Instituição Financeira de Crédito, S.A.	444 429	995	-	-	203	1 300	-	444 937
Montepio Geral Associação Mutualista	4	1	-	-	2 811	49	-	2 863
Montepio Gestão de Activos - S.G.O.I.C., S.A.	1	-	1	-	97	-	-	99
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	107 161	-	-	107 161
Montepio Investimento, S.A.	-	-	-	-	25	181	3	203
Montepio Serviços, A.C.E.	1	-	-	-	1 581	-	-	1 582
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	150	3	147
Residências Montepio, Serviços de Saúde, S.A.	543	3	-	-	11	750	1	1 300
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	-	-	-	11	-	-	11
	448 209	1 007	2 215	251	112 001	2 430	7	563 590

As at 31 December 2023, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2023							
Company	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Guarantees and commitments assumed	Provisions for guarantees and commitments assumed	Total
Board of Directors	105	-	-	-	-	-	-	105
Board of Directors of Other Related Parties	1 903	1	-	-	-	-	-	1 902
Other key management personnel	2 385	1	-	-	-	-	-	2 384
Bolsimo - Gestão de Activos, S.A.	1	-	-	-	10	-	-	11
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	14	-	-	14
CESource, A.C.E.	-	-	-	-	28	-	-	28
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	-	-	-	-	-	-	1
GreenVolt - Energias Renováveis, S.A.	41 127	84	-	-	-	-	-	41 043
Lusitania, Companhia de Seguros, S.A.	1	-	1 802	239	-	-	-	1 564
Moçambique Companhia de Seguros, S.A.R.L.	-	-	371	-	-	-	-	371
Montepio Crédito - Instituição Financeira de Crédito, S.A.	385 083	785	-	-	219	60 550	-	445 067
Montepio Geral Associação Mutualista	4	1	-	-	10 957	120	1	11 079
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	1	-	192	-	-	193
Montepio Gestão de Ativos Imobiliários, A.C.E. - Em Liquidação	-	-	-	-	1 954	-	-	1 954
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	107 176	-	-	107 176
Montepio Investimento, S.A.	-	-	-	-	-	181	-	181
Montepio Serviços, A.C.E.	-	-	-	-	1 618	-	-	1 618
NovaCâmbios - Instituição de Pagamentos, S.A.	408	3	-	-	-	963	-	1 368
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	150	1	149
Residências Montepio, Serviços de Saúde, S.A.	1 024	7	-	-	24	750	1	1 790
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S	-	-	-	-	22	-	-	22
	432 042	882	2 174	239	122 214	62 714	3	618 020

As at 31 December 2024, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2024				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued and Other subordinated debt	Other liabilities	Total
Board of Directors	-	1 059	-	-	1 059
Board of Directors of Other Related Parties	-	1 353	-	-	1 353
Other key management personnel	-	2 339	-	-	2 339
Bolsimo - Gestão de Activos, S.A.	-	1 228	-	-	1 228
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	8 050	-	-	8 050
Empresa Gestora de Imóveis da Rua do Prior S.A	-	377	-	-	377
Fundação Montepio Geral	-	3 122	-	-	3 122
Fundo de Pensões - Montepio Geral	-	6 195	3 100	-	9 295
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	2 113	-	-	2 113
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	28	-	-	28
Lusitania Vida, Companhia de Seguros, S.A.	-	15 003	-	-	15 003
Lusitania, Companhia de Seguros, S.A.	-	6 965	-	-	6 965
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	641	-	-	641
Montepio Geral Associação Mutualista	-	113 007	137 569	-	250 576
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	8 468	-	-	8 468
Montepio Holding, S.G.P.S., S.A.	-	181 239	-	-	181 239
Montepio Investimento, S.A.	38 807	-	-	-	38 807
Montepio Residências para Estudantes, S.A.	-	783	-	-	783
Montepio Serviços, A.C.E.	-	625	-	922	1 547
Polaris-Fundo de Investimento Imobiliário Fechado	-	403	-	-	403
Residências Montepio, Serviços de Saúde, S.A.	-	1 426	-	-	1 426
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 318	-	-	3 318
Sociedade Portuguesa de Administrações, S.A.	-	972	-	-	972
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	45 570	-	-	45 570
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	190	-	-	190
	38 807	404 474	140 669	922	584 872

As at 31 December 2023, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2023				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued and Other subordinated debt	Other liabilities	Total
Board of Directors	-	848	-	-	848
Board of Directors of Other Related Parties	-	2 286	-	-	2 286
Other key management personnel	-	2 326	-	-	2 326
Bolsimo - Gestão de Activos, S.A.	-	193	-	-	193
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	7 828	-	-	7 828
Empresa Gestora de Imóveis da Rua do Prior S.A	-	398	-	-	398
Fundação Montepio Geral	-	2 311	-	-	2 311
Fundo de Pensões - Montepio Geral	-	9 211	401	-	9 612
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 751	-	-	1 751
GreenVolt - Energias Renováveis, S.A.	-	6 205	-	-	6 205
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	99	-	-	99
Lusitania Vida, Companhia de Seguros, S.A.	-	16 037	-	-	16 037
Lusitania, Companhia de Seguros, S.A.	-	8 828	3 051	-	11 879
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	800	-	-	800
Montepio Geral Associação Mutualista	-	129 191	212 829	6 721	348 741
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	7 189	-	-	7 189
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	2 000	-	-	2 000
Montepio Holding, S.G.P.S., S.A.	-	32 397	-	2	32 399
Montepio Investimento, S.A.	187 748	-	-	15	187 763
Montepio Residências para Estudantes, S.A.	-	704	-	-	704
Montepio Serviços, A.C.E.	-	239	-	1 352	1 591
NovaCâmbios - Instituição de Pagamentos, S.A.	-	633	-	-	633
PEF - Fundo de Investimento Imobiliário Fechado	-	174	-	-	174
Polaris-Fundo de Investimento Imobiliário Fechado	-	326	-	-	326
Residências Montepio, Serviços de Saúde, S.A.	-	533	-	-	533
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 628	-	-	3 628
Sociedade Portuguesa de Administrações, S.A.	-	1 099	-	-	1 099
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	40 155	-	2	40 157
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	690	-	-	690
	187 748	278 079	216 281	8 092	690 200

As at 31 December 2024, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	2024						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	Staff costs	General and administrative expenses
Board of Directors	2	10	1	-	-	-	-
Board of Directors of Other Related Parties	20	19	2	-	-	-	-
Other key management personnel	72	47	4	-	-	-	-
Bolsimo - Gestão de Ativos, S.A.	-	17	18	-	-	-	316
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	52	-	508	-	-
CESource, A.C.E.	-	-	-	-	-	(234)	-
Empresa Gestora de Imóveis da Rua do Prior, S.A.	-	7	-	-	-	-	-
Fundação Montepio Geral	-	43	-	-	-	-	-
Fundo de Pensões - Montepio Geral	-	340	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	67	2 633	43	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	153	3 949	(2)	-	(27)	-
Lusitania, Companhia de Seguros, S.A.	-	357	4 933	(32)	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	24 069	18	4	3 907	-	(252)	39
Montepio Geral Associação Mutualista	-	14 517	2 779	846	-	(10 012)	2 058
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	229	1 778	102	-	(760)	-
Montepio Gestão de Ativos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(126)	-	(65)	-
Montepio Hording, S.G.P.S., S.A.	-	1 528	-	-	-	-	-
Montepio Investimento, S.A.	-	2 932	1	81	-	-	-
Montepio Residências para Estudantes, S.A.	-	18	1	-	-	-	-
Montepio Serviços, A.C.E.	-	1	-	(2 959)	-	(3 225)	-
NovaCâmbios - Instituição de Pagamentos, S.A.	38	3	44	7	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	8	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	4	8	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	111	13	18	-	-	(128)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	105	1	-	-	-	-
Sociedade Portuguesa de Administrações, S.A.	-	4	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	1 161	-	36	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	7	6	1	-	-	-
	24 316	21 612	16 241	1 904	508	(14 703)	2 413

As at 31 December 2023, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	2023						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	Staff costs	General and administrative expenses
Board of Directors	3	3	1	-	-	-	-
Board of Directors of Other Related Parties	61	12	5	1	-	-	-
Other key management personnel	68	21	4	1	-	-	-
Bolsimo - Gestão de Ativos, S.A.	40	22	15	1	-	(196)	300
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	62	-	669	-	-
CESource, A.C.E.	-	-	-	-	-	(415)	-
Empresa Gestora de imóveis da Rua do Prior, S.A.	-	3	-	-	-	-	-
Fundação Montepio Geral	-	20	1	-	-	-	-
Fundo de Pensões - Montepio Geral	-	174	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	18	2 399	-	-	-	-
GreenVolt - Energias Renovàveis, S.A.	1 399	33	3	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	73	5 118	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	91	5 188	5	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	17 656	4 375	57	276	-	(417)	40
Montepio Geral Associação Mutualista	3	19 263	2 805	3 641	-	(9 691)	1 958
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	111	1 312	107	-	(733)	-
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(2 924)	-	(2 237)	-
Montepio Hording, S.G.P.S., S.A.	-	226	-	-	-	-	-
Montepio Investimento, S.A.	8 953	125	(39)	652	-	(617)	-
Montepio Residências para Estudantes, S.A.	-	6	-	-	-	-	-
Montepio Serviços, A.C.E.	-	-	-	(810)	-	(867)	-
NovaCâmbios - Instituição de Pagamentos, S.A.	36	1	53	8	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	1	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	4	2	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	118	3	51	-	-	(127)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	57	1	-	-	-	-
Sociedade Portuguesa de Administrações, S.A.	-	5	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	432	1	36	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	15	1	-	-	-
	28 341	25 077	17 069	995	669	(15 300)	2 298

Remuneration and social charges with the members of the Board of Directors (including members of the Audit Committee) and Other key management personnel are detailed in note 10.

In financial years 2024 and 2023, there were no transactions with Banco Montepio's Pension Fund.

48 Securitization of assets

As at 31 December 2024, there was a live securitization operation, originated by Banco Montepio and Montepio Crédito jointly, and which is characterized as presented below.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determination Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operation is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Company (Sociedade de Titularização de Créditos) (Pelican Finance no. 2).

Banco Montepio does not hold any direct or indirect shareholding in the company Ares Lusitani.

The loans covered by the securitization operation referred above were not derecognized from the balance sheet as the Bank retained most of the risks and rewards associated with the securitized loans. If the Bank substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2024, the securitization operation realized by Banco Montepio is presented as follows:

(Euro thousand)

				Loan and advances		Securities issued		
Issue	Settlement date	Currency	Asset transferred	Initial amount	Current amount	Initial nominal amount	Current nominal amount	Third party amount
*Pelican Finance No. 2 **	December 2021	Euro	Mortgage loans	360 301	33 829	360 301	115 879	120 729
				360 301	33 829	360 301	115 879	120 729

* The values shown correspond to the total of the issue (Banco Montepio and Montepio Crédito).

As at 31 December 2023, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

				Loans and advances		Securities issued		
Issue	Settlement date	Currency	Assets transferred	Initial amount	Current amount	Initial nominal amount	Current nominal amount	Third party amount *
Pelican Mortgages No. 3	March 2007	Euro	Mortgage loans	762 375	83 241	762 375	87 968	22 174
Pelican Mortgages No. 4	May 2008	Euro	Mortgage loans	1 028 600	320 836	1 028 600	353 346	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage loans	236 500	50 309	236 500	53 579	-
*Pelican Finance No. 2 ***	December 2021	Euro	Mortgage loans	360 301	59 411	360 301	174 089	174 089
				2 387 776	513 797	2 387 776	668 982	196 263

* Includes nominal value, accrued interest and other adjustments.

** The values shown correspond to the total of the issue (Banco Montepio and Montepio Crédito).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024		2023				
	Pelican Finance n.º 2	Total	*Pelican Mortgage n.º 3*	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	Total
Domestic loans and advances							
Retail							
Mortgage		-	83 234	320 608	50 118	-	453 960
Consumer loans and other	33 586	33 586	-	-	-	59 056	59 056
	33 586	33 586	83 234	320 608	50 118	59 056	513 016
Credit and overdue interest							
Less than 90 days	203	203	6	85	15	3	109
More than 90 days	40	40	1	143	176	352	672
	243	243	7	228	191	355	781
	33 829	33 829	83 241	320 836	50 309	59 411	513 797

In 2024, the credit securitization operations Pelican Mortgages no. 3, Pelican Mortgages no. 4 and Aqua Mortgages no. 1 were liquidated.

As a form of financing, the securitization vehicle created issued bonds the nominal value of which is detailed below, and which were partially subscribed in the case of Pelican Finance no. 2.

In the case of the more senior notes, these are recorded as Other financial assets at amortized cost (note 25), while in the case of the residual notes these are recorded in the caption Financial assets at fair value through profit or loss (note 22), and, as at 31 December 2024, these are analysed as follows:

Issue	Bonds	Initial nominal amount Euros	Current nominal amount Euros	CEMG interest held (nominal amount) Euros	Maturity date	*Rating (initial)*		*Rating (current)*	
						Fitch	DBRS	*Fitch*	DBRS
Pelican Finance n.º 2	Class A	285 400 000	91 789 762	-	2035	AA-	AA	AA	AAH
	Class B	20 700 000	6 657 491	-	2035	A	A	A	AH
	Class C	17 500 000	5 628 314	-	2035	BBB+	BBB	BBB+	BBBH
	Class D	19 300 000	6 207 226	-	2035	BB+	BH	BB+	BB
	Class E	17 400 000	5 596 152	-	2035	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.

As at 31 December 2023, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount Euros	Current nominal amount Euros	CEMG interest held (nominal amount) Euros	Maturity date	*Rating (initial)*				Rating (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	79 163 483	56 989 873	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	2 043 889	2 043 889	2054	AA-	Aa2	AA-	n.a.	A+	Aa2	A+	n.a.
	Class C	12 000 000	1 721 170	1 721 170	2054	A	A3	A	n.a.	A-	A1	BBB+	n.a.
	Class D	6 375 000	914 371	914 371	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	256 116 689	256 116 689	2056	AAA	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AAA
	Class B	55 500 000	22 672 409	22 672 409	2056	AA	n.a.	n.a.	A+	AA	n.a.	n.a.	n.a.
	Class C	60 000 000	24 510 712	24 510 712	2056	A-	n.a.	n.a.	BBB	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	10 212 797	10 212 797	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	11 234 076	11 234 076	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	137 898 949	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AAH
	Class B	20 700 000	10 001 781	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	8 455 612	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	9 325 332	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	8 407 294	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	35 089 309	35 089 309	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	14 989 602	14 989 602	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

49 Risk management

Objectives of the Risk Management Policy

Banco Montepio is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, Banco Montepio is subject to other non-financial risks, namely operating, reputational, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of Banco Montepio.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Directorate, the unit responsible for the Risk Management Function of Banco Montepio, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

Banco Montepio's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a delegated non-executive body of the Board of Directors with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of Banco Montepio and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to guarantee the coverage of potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Banco Montepio has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

Banco Montepio's Risk Management Policy is the norm that regulates the entire monitoring and control process of risk matters and densifies the activities to be developed by the Bank that assure the adequacy of internal and regulatory capital, considering the business strategy defined.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and also, whenever possible, the level of recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Sole traders ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the guidelines of Supervisors (higher decision levels) in terms of prudential requirements.

The derogation of the response of scoring systems, internal ratings, and internal price lists is allowed, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Directorate, a body independent of the commercial structure. The Risk Directorate is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are presented in note 1 b).

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 10%: impact of 1.00% of total impairment of the loan portfolio; and
2. Macroeconomic projection improvement scenario of 10%: impact of -0.97% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.91% of total impairment of the loan portfolio; and
2. Parameter improvement scenario of 5%: impact of -7.66% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2024	2025	2026	2027	2028
Unemployment rate (2)					
Base Scenario	6.24%	5.60%	5.23%	5.07%	4.92%
Worst-case Scenario	6.24%	7.57%	7.08%	6.22%	5.40%
Best-case Scenario	6.24%	5.23%	4.89%	4.82%	4.79%
GDP growth rate (2)					
Base Scenario	1.86%	2.06%	1.82%	1.47%	1.24%
Worst-case Scenario	1.86%	-3.29%	2.34%	2.53%	1.35%
Best-case Scenario	1.86%	4.07%	1.58%	1.34%	1.24%
3-Month Euribor Interest Rate (1)					
Base Scenario	3.01%	2.20%	2.25%	2.31%	2.36%
Worst-case Scenario	3.01%	0.78%	0.69%	0.71%	0.75%
Best-case Scenario	3.01%	2.45%	2.25%	2.31%	2.36%
Housing Price Index Growth Rate (2)					
Base Scenario	13.48%	6.90%	2.84%	2.17%	1.84%
Worst-case Scenario	13.48%	-6.56%	3.13%	8.95%	4.08%
Best-case Scenario	13.48%	9.31%	2.53%	1.51%	1.77%
Growth Rate of Disposable Income Per Capita(1)					
Base Scenario	7.99%	1.61%	2.04%	1.04%	1.06%
Worst-case Scenario	7.99%	-1.15%	0.59%	1.91%	1.50%
Best-case Scenario	7.99%	2.82%	2.44%	0.94%	0.98%
Growth Rate of Exports of Goods and Services (2)					
Base Scenario	3.92%	2.75%	3.05%	3.15%	3.58%
Worst-case Scenario	3.92%	-3.04%	1.81%	3.69%	3.78%
Best-case Scenario	3.92%	5.19%	3.97%	3.65%	4.07%
Growth Rate of Family Comsumption (2)					
Base Scenario	1.76%	1.84%	0.09%	0.58%	0.50%
Worst-case Scenario	1.76%	-5.01%	0.26%	1.52%	1.35%
Best-case Scenario	1.76%	3.42%	0.56%	0.56%	0.23%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: National Institute of Statistics; Projections: Moody's Analytics

Banco Montepio's credit risk exposure can be analysed as follows:

(Euro thousand)

	2024	2023
Loans and deposits at credit institutions repayable on demand	35 084	46 065
Other loans and advances to credit institutions	103 275	125 067
Loans and advances to customers	11 815 691	11 293 205
Financial assets held for trading	22 941	12 467
Financial assets at fair value through profit or loss	1 010	22 988
Financial assets at fair value through other compensative income	278 526	24 785
Hedging derivatives	30 257	6 174
Other financial assets at amortized cost	3 473 704	4 316 171
Other assets	140 020	189 337
Guarantees granted	512 342	516 051
Irrevocable credit lines	760 763	698 783
Revocable credit lines	844 488	897 778
	18 018 101	18 148 871

The analysis of the main credit risk exposures by sector of activity, for financial year 2024, can be analysed as follows:

(Euro thousand)

2024

Activity	Loans and deposits at others credit institutions repayable	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Revocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value			Provisions
Corporate																
Agriculture, forestry, and fishing				113 528	4 927	-	-	-	-	-	-	-	783	5 962	6 151	50
Extractive industries				12 747	960	-	-	-	-	-	7 580	2	2 247	1 872	747	6
Manufacturing industries				981 248	38 725	-	7	-	-	-	14 778	6	17 865	120 159	67 392	888
Electricity generation and distribution, gas steam and air conditioning				211 881	1 495	-	-	-	-	-	36 923	38	616	24 797	241	24
Water supply				46 615	769	-	-	-	-	-	-	-	2 628	11 216	1 446	183
Construction				357 233	12 768	-	159	-	-	-	-	-	142 701	134 290	100 474	4 316
Wholesale and retail trade				746 146	29 941	-	203	-	-	-	17 081	3	48 816	130 650	67 493	751
Transport and storage				250 712	8 620	-	-	-	-	-	-	-	4 776	15 817	17 791	260
Accommodation and catering activities				551 446	12 755	-	-	-	-	-	-	-	19 665	20 008	28 170	210
Information and Communication				45 915	2 190	-	-	-	-	-	-	-	7 031	31 657	4 366	69
Financial and insurance activities	35 084	103 300	25	800 182	5 711	22 941	-	1 839	251	30 257	105 846	12	206 253	38 811	7 852	104
Real estate activities				496 622	28 135	-	56		-	-	2 735	1	11 079	93 136	26 528	550
Consulting, scientific, technical and similar				377 371	5 290	-	-	-	-	-			25 884	70 846	25 166	217
Administrative and supporting service activities				101 290	2 583	-	-	-	-	-	1 000	1	7 604	17 717	10 937	108
Public administration and defence, compulsory social security				35 810	285	-	-	272 403	317	-	3 289 493	4 659	85	1 050	7 700	3
Education				62 102	1 385	-	-			-			197	7 243	4 740	68
Human Health Services and Social action activities				337 499	7 039	-	-	4 320	25	-	3 008	18	2 287	22 092	52 973	92
Artistic activities, shows and recreational				42 110	1 588	-	-	-	-	-	-	-	5 654	7 493	2 194	24
Other services				61 930	1 481	-	-	-	-	-	-	-	4 446	5 947	6 543	42
Retail																
Mortgage Loans				6 030 863	24 603	-	585	558	1	-	-	-	-	-	-	-
Others				355 739	12 048	-	-	-	-	-	-	-	1 725	-	405 584	2 894
	35 084	**103 300**	**25**	**12 018 989**	**203 298**	**22 941**	**1 010**	**279 120**	**594**	**30 257**	**3 478 444**	**4 740**	**512 342**	**760 763**	**844 488**	**10 859**

The analysis of the main credit risk exposures by sector of activity, for financial year 2023, can be analysed as follows:

(Euro thousand)

2023

Activity	Loans and deposits at others credit institutions repayable	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Revocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value			Provisions
Corporate																
Agriculture, forestry, and fishing	-	-	-	127 661	2 525	-	-	-	-	-	-	-	802	5 127	6 622	52
Extractive industries	-	-	-	13 771	800	-	-	-	-	-	5 026	1	1 383	2 266	1 482	11
Manufacturing industries	-	-	-	1 076 087	37 216	501	50	-	-	-	4 714	16	33 813	116 700	103 211	1 244
Electricity generation and distribution, gas steam and air conditioning	-	-	-	123 002	5 008	-	-	-	-	-	14 689	24	359	16 068	238	10
Water supply	-	-	-	54 400	1 436	-	-	-	-	-	-	-	2 200	9 431	3 015	84
Construction	-	-	-	377 609	23 418	-	200	-	-	-	-	-	135 098	94 538	104 979	4 443
Wholesale and retail trade	-	-	-	804 675	29 157	-	218	-	-	-	12 983	3	53 800	145 780	80 571	1 009
Transport and storage	-	-	-	287 754	8 585	-	-	-	-	-	3 109	-	5 274	19 350	21 212	163
Accommodation and catering activities	-	-	-	513 787	13 529	-	-	-	-	-	-	-	13 125	23 370	20 438	164
Information and Communication	-	-	-	45 366	966	-	-	-	-		-	-	2 149	23 995	4 765	92
Financial and insurance activities	46 065	125 096	29	768 789	44 228	11 966	-	1 802	239	6 174	501	-	203 892	79 900	10 594	86
Real estate activities	-	-		522 593	29 849	-	65	-	-	-	2 683	2	16 624	79 253	25 722	1 164
Consulting, scientific, technical and similar	-	-	-	315 263	6 792	-	-	-	-	-	-	-	23 624	33 508	30 238	198
Administrative and supporting service activities	-	-	-	108 023	1 824	-	-	-	-	-	-	-	6 358	14 919	14 438	123
Public administration and defence, compulsory social security	-	-	-	24 182	619		-	18 336	40	-	3 841 300	6 111	74	896	1 436	5
Education	-	-	-	61 336	1 205	-	-	-	-	-	-	-	191	3 891	4 549	43
Human Health Services and Social action activities	-	-	-	322 671	8 131	-	-	4 332	25	-	-	-	4 024	14 641	64 006	387
Artistic activities, shows and recreational	-	-	-	47 443	1 639	-	-	-	-	-	-	-	7 431	5 185	6 605	24
Other services	-	-	-	62 605	2 009	-	10	-	-	-	-	-	3 703	9 965	7 626	72
Retail																
Mortgage Loans	-	-	-	5 541 139	33 273	-	22 445	619	-	-	437 323	-	-	-	-	-
Others	-	-	-	361 962	14 704	-	-	-	-	-	-	-	2 127	-	386 031	988
	46 065	**125 096**	**29**	**11 560 118**	**266 913**	**12 467**	**22 988**	**25 089**	**304**	**6 174**	**4 322 328**	**6 157**	**516 051**	**698 783**	**897 778**	**10 362**

As regards credit risk, the portfolio of financial assets at amortized cost is dominated by bonds of sovereign issuers, essentially the Portuguese Republic.

In terms of credit quality, an increase in the average level of the counterparties was observed, due to the improved rating of the Portuguese sovereign debt.

Banco Montepio's total credit portfolio, in addition to Loans and advances to customers includes the guarantees and standby letters provided and the documentary credits in the aggregate amount of Euro 512,342 thousand (31 December 2023: Euro 516,551 thousand), the irrevocable credit facilities amounting to Euro 760,763 thousand (31 December 2023: Euro 698,783 thousand) and the revocable credit facilities in the amount of Euro 844,488 thousand (31 December 2023: Euro 897,778 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	2024			2023		
Stage impacts	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Collective analysis	**13 862 343**	**166 350**	**13 695 993**	**13 125 349**	**176 458**	**12 948 891**
Stage 1	11 678 000	35 353	11 642 647	10 789 067	26 466	10 762 601
Stage 2	2 009 457	65 604	1 943 853	2 133 113	70 401	2 062 712
Stage 3	174 886	65 393	109 493	203 169	79 591	123 578
Individual Analysis	**274 239**	**47 807**	**226 432**	**547 881**	**100 817**	**447 064**
Stage 1	94 826	824	94 002	185 803	2 028	183 775
Stage 2	64 563	5 469	59 094	148 457	10 580	137 877
Stage 3	114 850	41 514	73 336	213 621	88 209	125 412
	14 136 582	**214 157**	**13 922 425**	**13 673 230**	**277 275**	**13 395 955**

As at 31 December 2024 and 2023, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

	2024			2023		
Stage impacts	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Amortized cost (AC)	**3 478 444**	**4 740**	**3 473 704**	**4 322 328**	**6 157**	**4 316 171**
Stage 1	3 478 444	4 740	3 473 704	4 322 328	6 157	4 316 171
Fair value (FVOIC)	**279 120**	**594**	**278 526**	**25 089**	**304**	**24 785**
Stage 1	277 174	343	276 831	23 287	65	23 222
Stage 2	1 946	251	1 695	1 802	239	1 563
Loans and advances to other institutions	**103 300**	**25**	**103 275**	**125 096**	**29**	**125 067**
Stage 1	99 427	7	99 420	124 652	16	124 636
Stage 2	3 873	18	3 855	444	13	431
	3 860 864	**5 359**	**3 855 505**	**4 472 513**	**6 490**	**4 466 023**

As at 31 December 2024 and 2023, the transfer between Stages, related to the gross amount of Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Gross value at the beginnig of the year	4 322 328	-	4 322 328	4 616 632	5 791	4 622 423
Exposure of new net derecognition credits, refunds and other variations	(843 884)	-	(843 884)	(294 304)	(5 791)	(300 095)
Gross value at the end of the year	3 478 444	-	3 478 444	4 322 328	-	4 322 328

As at 31 December 2024 and 2023, the transfer between Stages, related to Impairment losses of Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment losses at the beginnig of the year	6 157	-	6 157	6 050	642	6 692
Exposure of new net derecognition credits, refunds and other variations	(1 417)	-	(1 417)	107	(642)	(535)
Impairment losses at the end of the year	4 740	-	4 740	6 157	-	6 157

As at 31 December 2024 and 2023, the transfer between Stages, related to the gross amount of Financial assets at fair value through other comprehensive income, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	23 287	1 802	25 089	70 347	2 284	72 631
Transfer to stage 1	-	-	-	(119)	119	-
Transfer to stage 2	106	(106)	-			
Exposure of new net derecognition credits, refunds and other variations	253 781	250	254 031	(46 941)	(601)	(47 542)
Gross value at the end of the year	277 174	1 946	279 120	23 287	1 802	25 089

As at 31 December 2024 and 2023, the transfer between Stages, related to Impairment losses of Financial assets at fair value through other comprehensive income, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment losses at the end of the year	65	239	304	157	371	528
Transfer to stage 1	-	-	-	(14)	14	-
Exposure of new net derecognition credits, refunds and other variations	278	12	290	(78)	(146)	(224)
Impairment losses at the end of the year	343	251	594	65	239	304

As at 31 December 2024 and 2023, the transfer between Stages, related to the gross amount of Loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	2024			2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross value at the beginnig of the year	124 652	444	125 096	398 649	17	398 666
Transfer to stage 2	(3 285)	3 285	-	-	-	-
Exposure of new net derecognition credits, refunds and other variations	(21 939)	143	(21 796)	(273 997)	427	(273 570)
Gross value at the end of the year	99 428	3 872	103 300	124 652	444	125 096

As at 31 December 2024 and 2023, the transfer between Stages, related to Impairment losses of Loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	2024			2023		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment losses at the beginnig of the year	16	13	29	1 356	-	1 356
Exposure of new net derecognition credits, refunds and other variations	(9)	5	(4)	(1 340)	13	(1 327)
Impairment losses at the end of the year	7	18	25	16	13	29

As at 31 December 2024 and 2023, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	2024			2023		
Segment	Book value	Impairment	Net value	Book value	Impairment	Net value
Retail	**6 792 704**	**39 526**	**6 753 178**	**6 290 063**	**48 926**	**6 241 137**
Mortgage loans	*6 130 417*	*24 584*	*6 105 833*	*5 627 991*	*33 234*	*5 594 757*
Stage 1	5 119 771	1 350	5 118 421	4 622 655	1 569	4 621 086
Stage 2	957 341	10 247	947 094	956 272	20 054	936 218
Stage 3	53 305	12 987	40 318	49 064	11 611	37 453
Consumer credit	*389 951*	*10 152*	*379 799*	*397 677*	*13 601*	*384 076*
Stage 1	344 043	2 315	341 728	341 395	1 770	339 625
Stage 2	36 821	2 584	34 237	41 150	3 370	37 780
Stage 3	9 087	5 253	3 834	15 132	8 461	6 671
Credit cards	*272 336*	*4 790*	*267 546*	*264 395*	*2 091*	*262 304*
Stage 1	257 661	3 755	253 906	243 763	851	242 912
Stage 2	13 111	352	12 759	17 926	248	17 678
Stage 3	1 564	683	881	2 706	992	1 714
Corporate	**7 069 639**	**126 824**	**6 942 815**	**6 835 286**	**127 532**	**6 707 754**
Non Construction	*6 366 380*	*115 939*	*6 250 441*	*6 216 123*	*112 395*	*6 103 728*
Stage 1	5 395 740	26 389	5 369 351	5 127 861	20 657	5 107 204
Stage 2	888 159	46 643	841 516	991 950	42 827	949 123
Stage 3	82 481	42 907	39 574	96 312	48 911	47 401
Construction	*703 259*	*10 885*	*692 374*	*619 163*	*15 137*	*604 026*
Stage 1	560 784	1 544	559 240	453 394	1 619	451 775
Stage 2	114 025	5 779	108 246	125 815	3 902	121 913
Stage 3	28 450	3 562	24 888	39 954	9 616	30 338
	13 862 343	**166 350**	**13 695 993**	**13 125 349**	**176 458**	**12 948 891**

As at 31 December 2024 and 2023, impairment is detailed as follows:

(Euro thousand)

	2024						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	273 033	47 788	7 069 638	126 824	7 342 671	174 612	7 168 059
Mortgage loans	1 206	19	6 130 417	24 584	6 131 623	24 603	6 107 020
Other loans	-	-	662 288	14 942	662 288	14 942	647 346
	274 239	47 807	13 862 343	166 350	14 136 582	214 157	13 922 425

(Euro thousand)

	2023						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	546 686	100 777	6 835 286	127 533	7 381 972	228 310	7 153 662
Mortgage loans	1 195	40	5 627 991	33 234	5 629 186	33 274	5 595 912
Other loans	-	-	662 072	15 691	662 072	15 691	646 381
	547 881	100 817	13 125 349	176 458	13 673 230	277 275	13 395 955

As at 31 December 2024, the transfer between Stages, related to gross Loans and advances to customers is presented as follows:

(Euro thousand)

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross value at the beginnig of the year	10 974 870	2 281 570	416 790	13 673 230
Transfer to stage 1	657 922	(643 600)	(14 322)	-
Transfer to stage 2	(650 386)	672 994	(22 608)	-
Transfer to stage 3	(34 475)	(60 484)	94 959	-
Write-Offs	(261)	(2 499)	(93 388)	(96 148)
Exposure of new net derecognition credits, refunds and other variations	825 156	(173 961)	(91 695)	559 500
Gross value at the end of the year	11 772 826	2 074 020	289 736	14 136 582

As at 31 December 2023, the transfer between Stages, related to gross loans and advances to customers is presented as follows:

(Euro thousand)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross value at the beginnig of the year	10 558 514	2 392 752	677 182	13 628 448
Transfer to stage 1	805 835	(800 633)	(5 202)	-
Transfer to stage 2	(836 911)	895 977	(59 066)	-
Transfer to stage 3	(46 616)	(71 478)	118 094	-
Write-Offs	(30)	(3 910)	(126 690)	(130 630)
Exposure of new net derecognition credits, refunds and other variations	494 078	(131 138)	(187 528)	175 412
Gross value at the end of the year	10 974 870	2 281 570	416 790	13 673 230

As at 31 December 2024, the transfer between Stages, related to Impairment losses of Loans and advances to customers is presented as follows:

(Euro thousand)

	2024			
	Stage 1	Stage 2	Stage 3	Total
Impairment losses at the beginnig of the year	28 494	80 981	167 800	277 275
Transfer to stage 1	2 312	(2 206)	(106)	-
Transfer to stage 2	(21 351)	22 385	(1 034)	-
Transfer to stage 3	(15 020)	(22 073)	37 093	-
Write-Offs	(261)	(2 499)	(93 388)	(96 148)
Exposure of new net derecognition credits, refunds and other variations	42 003	(5 515)	(3 458)	33 030
Impairment losses at the end of the year	36 177	71 073	106 907	214 157

As at 31 December 2023, the transfer between Stages, related to Impairment losses of Loans and advances to customers is presented as follows:

((Euro thousand))

	2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment losses at the beginnig of the year	30 175	69 404	261 782	361 361
Transfer to stage 1	2 548	(2 527)	(21)	-
Transfer to stage 2	(29 062)	32 459	(3 397)	-
Transfer to stage 3	(13 419)	(23 833)	37 252	-
Write-Offs	(30)	(3 910)	(126 690)	(130 630)
Exposure of new net derecognition credits, refunds and other variations	38 282	9 388	(1 126)	46 544
Impairment losses at the end of the year	28 494	80 981	167 800	277 275

As at 31 December 2024 and 2023, the fair value analysis of collaterals associated with Banco Montepio's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collaterals	2024	2023
Individual analysis		
Securities and other financial assets	*18 028*	*18 786*
Real estate - Construction and CRE	*185 157*	*213 360*
Other real estate	*151 038*	*367 207*
Other guarantees	*69 658*	*108 453*
Collective analysis - Stage 1		
Securities and other financial assets	*798 541*	*861 359*
Real estate - Mortgage loans	*11 880 737*	*10 746 489*
Real estate - Construction and CRE	*2 052 481*	*1 661 021*
Other real estate	*2 179 652*	*1 736 434*
Other guarantees	*576 617*	*393 262*
Collective analysis - Stage 2		
Securities and other financial assets	*253 033*	*345 660*
Real estate - Mortgage loans	*2 057 314*	*2 048 096*
Real estate - Construction and CRE	*327 497*	*361 663*
Other real estate	*537 309*	*550 260*
Other guarantees	*59 587*	*40 276*
Collective analysis - Stage 3		
Securities and other financial assets	*30 108*	*28 280*
Real estate - Mortgage loans	*121 950*	*118 103*
Real estate - Construction and CRE	*24 754*	*41 746*
Other real estate	*46 907*	*72 289*
Other guarantees	*4 596*	*5 851*
	21 374 964	**19 718 595**

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other loan operations. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

Banco Montepio's total loans and advances portfolio, by segment and respective impairment, constituted as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024		2023	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 980 019	128 292	6 024 864	168 869
Construction and CRE	1 362 652	46 320	1 357 108	59 441
Retail mortgage loans	6 131 623	24 603	5 629 186	33 274
Retail other loans	662 288	14 942	662 072	15 691
	14 136 582	214 157	13 673 230	277 275

The loans and advances portfolio, by segment and by production year, as at 31 December 2024, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	308	14 735	293	503	20 052	1 350	28 081	668 402	3 828	15 971	13 402	291
2005	68	8 430	292	116	3 467	36	7 650	318 256	2 029	4 345	4 049	96
2006	101	11 983	91	98	3 572	158	9 245	399 501	2 330	11 713	9 339	172
2007	183	6 170	253	123	4 727	220	9 373	405 417	2 214	29 883	31 306	631
2008	771	25 422	1 148	292	7 679	712	4 915	213 551	1 425	47 726	61 440	908
2009	1 085	28 061	628	311	9 855	760	2 625	125 966	507	37 365	39 575	724
2010	1 253	37 636	933	194	7 217	824	2 692	146 187	563	27 219	17 880	373
2011	1 366	58 237	1 260	260	4 431	358	1 009	52 353	174	21 565	19 014	449
2012	1 670	38 571	758	224	8 629	1 374	592	31 009	201	15 294	8 951	323
2013	2 296	96 583	2 078	179	9 915	510	746	38 994	178	14 145	10 391	342
2014	3 365	176 760	6 830	1 551	42 429	699	897	50 398	285	15 465	14 984	695
2015	3 273	88 108	3 212	336	11 379	326	1 063	57 566	366	12 867	13 423	626
2016	4 118	295 539	6 409	639	29 522	3 576	1 508	96 565	496	20 905	16 914	645
2017	4 353	154 578	3 929	387	77 645	11 659	2 067	142 641	608	14 598	12 834	396
2018	5 097	142 462	3 779	697	47 577	1 068	2 171	156 111	677	23 708	30 592	839
2019	5 663	221 709	5 441	816	63 609	1 219	2 668	199 855	534	17 375	29 529	774
2020	8 335	784 114	10 315	1 100	74 694	3 705	2 985	253 788	927	14 194	28 414	882
2021	9 632	395 092	13 026	1 576	94 569	2 748	5 399	504 389	1 909	20 847	50 194	1 522
2022	13 400	1 058 947	25 859	1 787	242 801	4 029	4 637	467 280	2 247	18 342	54 722	1 554
2023	9 020	727 323	19 911	1 413	213 936	4 230	6 418	625 343	1 347	24 757	81 427	1 314
	16 013	1 609 559	21 847	2 492	384 947	6 759	11 017	1 178 051	1 758	26 785	113 908	1 386
	91 370	5 980 019	128 292	15 094	1 362 652	46 320	107 758	6 131 623	24 603	435 069	662 288	14 942

The loans and advances portfolio, by segment and by production year, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	348	17 044	327	534	26 998	5 320	31 128	793 538	5 546	17 620	14 294	262
2005	85	8 896	131	124	4 153	380	8 344	360 474	2 880	4 605	4 489	71
2006	123	14 969	267	109	5 136	587	10 108	450 627	4 016	12 315	9 971	151
2007	216	8 538	542	143	13 617	3 702	10 279	457 919	3 450	32 137	33 917	417
2008	880	27 492	500	317	11 250	755	5 361	241 608	2 412	51 454	66 257	563
2009	1 338	39 782	1 901	337	13 329	984	2 936	143 137	819	40 491	42 941	703
2010	1 341	47 949	1 918	226	16 512	2 458	2 968	168 336	1 418	29 371	19 492	475
2011	1 876	60 228	2 387	300	11 610	3 012	1 099	58 804	330	23 542	20 732	439
2012	1 867	46 980	1 488	416	13 258	3 058	652	35 923	339	16 529	9 734	196
2013	2 745	108 227	2 253	211	10 759	719	825	44 631	319	15 523	11 643	347
2014	3 747	231 829	18 503	1 646	47 746	717	997	56 800	362	17 553	17 863	1 035
2015	3 694	122 891	4 685	396	16 234	535	1 173	66 065	577	14 471	17 151	1 379
2016	4 524	335 526	7 590	706	34 488	3 823	1 688	112 715	976	23 735	21 889	718
2017	7 022	222 643	10 539	522	93 853	11 830	2 296	163 047	1 152	16 413	17 210	471
2018	7 008	195 982	11 990	872	56 752	2 167	2 437	183 551	1 425	25 948	36 468	708
2019	7 298	323 357	31 855	1 103	77 508	1 790	2 982	230 707	977	19 899	37 988	888
2020	9 958	999 838	13 020	1 353	128 195	4 873	3 304	290 112	1 134	16 406	39 310	1 281
2021	11 973	553 567	17 322	2 091	144 239	4 369	5 943	575 025	2 392	23 653	68 777	2 270
2022	14 909	1 347 530	25 624	2 268	304 445	4 722	5 041	521 950	1 838	20 465	72 384	2 140
2023	15 428	1 311 596	16 027	1 788	327 026	3 640	6 715	674 217	912	25 777	99 562	1 177
	96 380	6 024 864	168 869	15 462	1 357 108	59 441	106 276	5 629 186	33 274	447 907	662 072	15 691

The gross exposure of loans and advances and impairment, individual and collective, by segment, as at 31 December 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	180 840	25 859	92 193	21 929	1 206	19	-	-	274 239	47 807
Collective	5 799 179	102 433	1 270 459	24 391	6 130 417	24 584	662 288	14 942	13 862 343	166 350
	5 980 019	128 292	1 362 652	46 320	6 131 623	24 603	662 288	14 942	14 136 582	214 157

(Euro thousand)

	2023									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	376 396	70 233	170 290	30 544	1 195	40	-	-	547 881	100 817
Collective	5 648 468	98 636	1 186 818	28 897	5 627 991	33 234	662 072	15 691	13 125 349	176 458
	6 024 864	168 869	1 357 108	59 441	5 629 186	33 274	662 072	15 691	13 673 230	277 275

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for Companies, as at 31 December 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	32 004	6 725	24 064	8 007	38 698	4 662	60 189	15 204	118 078	13 190	273 033	47 788
Collective	703 258	10 885	1 180 286	32 572	954 461	26 053	567 201	13 506	3 664 432	43 808	7 069 638	126 824
	735 262	17 610	1 204 350	40 579	993 159	30 715	627 390	28 710	3 782 510	56 998	7 342 671	174 612

(Euro thousand)

	2023											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	93 675	13 263	37 919	8 267	39 646	3 937	76 615	17 281	298 831	58 029	546 686	100 777
Collective	619 163	15 138	1 311 633	31 005	1 045 310	26 239	567 655	13 759	3 291 525	41 392	6 835 286	127 533
	712 838	28 401	1 349 552	39 272	1 084 956	30 176	644 270	31 040	3 590 356	99 421	7 381 972	228 310

The amount of restructured loans and advances by stage and by segment, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024									
	Corporate		Construction and CRE		Retail - Mortgage loans		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	44 093	2 753	6 381	534	25 861	320	3 190	180	79 525	3 787
Stage 3	63 010	21 699	25 152	15 054	16 786	4 170	3 170	2 050	108 118	42 973
	107 103	24 452	31 533	15 588	42 647	4 490	6 360	2 230	187 643	46 760

(Euro thousand)

	2023									
	Corporate		Construction and CRE		Retail - Mortgage loans		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	72 943	4 294	11 246	1 240	35 129	599	3 275	321	122 593	6 454
Stage 3	129 346	66 328	50 590	22 247	16 053	3 776	4 939	3 027	200 928	95 378
	202 289	70 622	61 836	23 487	51 182	4 375	8 214	3 348	323 521	101 832

The gross exposure of performing and non-performing loans and advances, as at 31 December 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 379 137	-	-	526	526	526	-	8 273	-	301	-	-	-
Other balance sheet credit exposures (b)	12 849 060	12 186	79 767	238 284	238 284	238 284	107 247	97 486	3 784	102 597	42 957	97 160	111 815
Off-balance sheet exposures (c)	2 117 593	689	101	50 294	50 294	50 294	855	7 450	3	3 409	-	-	-

(a) Includes debt instruments of the financial asset available for sale and commercial paper and bonds recognised under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

(Euro thousand)

	2023												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 959 530	-	-	314	314	314	-	9 971	-	314	-	-	-
Other balance sheet credit exposures (b)	12 164 230	41 428	122 853	355 427	355 427	355 416	200 384	100 732	6 452	162 386	95 374	150 031	184 335
Off-balance sheet exposures (c)	2 113 112	1 337	92	60 444	60 444	60 444	551	5 870	2	4 491	-	-	-

(a) Includes debt instruments of the financial asset available for sale and commercial paper and bonds recognised under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate ("CRE") and Mortgage segments, as at 31 December 2024, is presented as follows:

(Euro thousand)

	Corporate, Construction and Real Estates				**Mortgage**			
	Real estate		**Other collateral**		**Real estate**		**Other collateral**	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	3 170	483 670	9 886	745 745	85 100	13 062 433	171	5 555
>= 0,5 M€ and <1M€	452	317 667	310	204 134	1 259	792 458	1	500
>= 1 M€ and <5M€	538	1 203 320	207	381 804	123	178 988	-	-
>= 5 M€ and <10M€	98	656 434	27	189 543	2	15 438	-	-
>= 10 M€ and <20M€	56	804 959	10	118 169	-	-	-	-
>= 20 M€ and <50M€	19	546 977	1	29 375	-	-	-	-
>= 50M€	9	1 393 490	2	102 541	-	-	-	-
	4 342	5 406 517	10 443	1 771 311	86 484	14 049 317	172	6 055

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate and Mortgage segments, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Corporate, Construction and Real Estates				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	3 605	522 227	10 543	772 742	84 746	12 242 001	183	5 570
>= 0,5 M€ and <1M€	454	318 756	320	212 244	833	522 084	1	500
>= 1 M€ and <5M€	511	1 149 832	210	356 300	87	133 165	-	-
>= 5 M€ and <10M€	79	533 307	18	127 370	2	15 438	-	-
>= 10 M€ and <20M€	44	633 110	10	126 747	-	-	-	-
>= 20 M€ and <50M€	15	426 372	1	30 000	-	-	-	-
>= 50M€	9	1 307 411	2	133 343	-	-	-	-
	4 717	4 891 015	11 104	1 758 746	85 668	12 912 688	184	6 070

The LTV (loan-to-value) ratio of the Corporate, Construction and Real Estates and Mortgage segments, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

	2024			2023		
Segment/Ratio	No. Of real estate	Total exposure	Impairment	No. Of real estate	Total exposure	Impairment
Corporate						
With out real estate (*)	-	4 774 218	94 345	-	4 865 331	97 737
< 60%	1 779	567 236	11 925	2 070	545 325	15 943
>= 60% and < 80%	541	275 803	10 014	550	228 477	11 103
>= 80% and < 100%	504	341 916	10 257	621	328 043	19 814
>= 100%	18	20 847	1 750	17	57 689	24 273
Construction and Real Estates						
With out real estate (*)	-	596 914	14 431	-	661 278	18 477
< 60%	708	516 050	9 949	766	431 678	18 925
>= 60% and < 80%	391	146 272	6 967	246	160 513	7 399
>= 80% and < 100%	389	95 496	14 372	376	83 236	11 583
>= 100%	12	7 919	600	71	20 404	3 057
Mortgage						
With out real estate (*)	-	23 337	474	-	28 167	991
< 60%	61 980	3 096 575	10 602	60 624	2 801 856	13 361
>= 60% and < 80%	19 357	1 927 556	7 270	19 695	1 816 651	9 917
>= 80% and < 100%	5 029	1 065 749	5 655	5 200	964 808	7 952
>= 100%	119	18 407	602	149	17 704	1 053

(*) Includes operations with other associated collaterals, namely financial collaterals.

The fair value and the net value of real estate received in recovery of loans, by asset type, as at 31 December 2024 and 2023, are presented as follows:

(Euro thousand)

Assets	2024		
	Number of properties	Fair value assets	Book value
Land	**705**	**82 026**	**78 487**
Urban	533	57 852	55 642
Rural	172	24 174	22 845
Buildings under construction	**135**	**14 406**	**12 456**
Commercial	17	1 119	1 103
Housing	101	13 147	11 222
Other	17	140	131
Constructed buildings	**582**	**54 640**	**45 609**
Commercial	268	36 063	31 433
Housing	126	15 987	11 860
Other	188	2 590	2 316
Other	**-**	**-**	**1 544**
	1 422	151 072	138 096

(Euro thousand)

Assets	2023		
	Number of properties	Fair value assets	Book value
Land	**867**	**116 762**	**103 851**
Urban	684	86 507	77 093
Rural	183	30 255	26 758
Buildings under construction	**231**	**33 621**	**29 303**
Commercial	44	2 933	2 665
Housing	145	30 256	26 221
Other	42	432	417
Constructed buildings	**711**	**75 366**	**61 759**
Commercial	347	52 863	45 062
Housing	151	17 947	13 036
Other	213	4 556	3 661
	1 809	225 749	194 913

The carrying amount reported in the table above takes into account, upon initial recognition and as defined in the accounting policy described in note 1 h), the lower value between its fair value net of selling expenses and the carrying amount of the credit existing on the date on which the transfer was made, and is subsequently updated due, in particular, to changes in the appraised value of the property and/or estimated selling expenses. In situations where a potential capital gain is determined, same is not recognized in the financial statements.

The time elapsed since the receipt in recovery of real estate, as at 31 December 2024 and 2023, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2024				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**-**	**754**	**2 433**	**75 300**	**78 487**
Urban	-	76	2 137	53 429	55 642
Rural	-	678	296	21 871	22 845
Buildings under construction	**-**	**-**	**585**	**11 871**	**12 456**
Commercial	-	-	-	1 103	*1 103*
Housing	-	-	585	10 637	*11 222*
Other	-	-	-	131	*131*
Constructed buildings	**3 475**	**6 780**	**8 337**	**27 017**	**45 609**
Commercial	2 542	5 127	5 869	17 895	31 433
Housing	418	1 546	2 143	7 753	11 860
Other	515	107	325	1 369	2 316
Other	**-**	**-**	**-**	**1 544**	**1 544**
	3 475	7 534	11 355	115 732	138 096

(Euro thousand)

Elapsed time since recovery/execution	2023				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**200**	**1 095**	**6 377**	**96 179**	**103 851**
Urban	-	174	5 427	71 492	77 093
Rural	200	921	950	24 687	26 758
Buildings under construction	**-**	**377**	**2 117**	**26 809**	**29 303**
Commercial	-	159	461	2 045	*2 665*
Housing	-	218	1 461	24 542	*26 221*
Other	-	-	195	222	*417*
Constructed buildings	**4 835**	**5 819**	**12 561**	**38 544**	**61 759**
Commercial	3 508	3 909	7 998	29 647	45 062
Housing	1 327	1 640	2 963	7 106	13 036
Other	-	270	1 600	1 791	3 661
	5 035	7 291	21 055	161 532	194 913

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In Banco Montepio, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for Banco Montepio and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Directorate. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Directorate. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

Banco Montepio regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income (these portfolios represent a low materiality in the Bank’s total assets), with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

Banco Montepio's investment portfolio is mainly concentrated in debt instruments and as at 31 December 2024 this represented 95.6% (31 December 2023: 94.8%) of the total portfolio (excluding notes held of own securitizations not derecognized), with the dominant position being held by bonds of sovereign issuers of the Eurozone.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2024 and 2023.

In terms of credit quality of the debt securities (bonds and commercial paper), circa 99.3% of the portfolio is investment grade (31 December 2023: 99.2%). Of note are the Portuguese, Spanish and Italian sovereign bonds with rating A-, BBB+ and BBB-, respectively, and that represent 85.2% (31 December 2023: 91.3%) of the debt portfolio. The main changes in the portfolio composition, by issuer, refer to the decrease in exposure to Italian sovereign debt and to the increase in exposure to supranational debt from the Eurozone, which is the primary responsible for the increase in AAA ratings. However, it should also be pointed out that there is an increase in covered bond positions, which due to their nature of secured bonds are mainly included in the AAA rating class. It should be noted that the decrease in debt without a risk rating (NR) is essentially due to the credit quality of the positions taken in commercial paper.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income (excluding notes of own securitizations held) and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2024		2023		Variation	
	Amount	%	Amount	%	Amount	%
AAA	187 070	5.0	34 607	0.9	152 463	440.6
AA+	95 188	2.5	87 503	2.2	7 685	8.8
AA	4 928	0.1	4 861	0.1	67	1.4
AA-	160 102	4.3	139 879	3.6	20 223	14.5
A+	10 340	0.3	7 089	0.2	3 251	45.9
A	2 506	0.1	501	-	2 005	400.2
A-	1 046 824	27.8	1 056 639	27.0	(9 815)	(0.9)
BBB+	1 079 605	28.7	1 031 009	26.4	48 596	4.7
BBB	42 810	1.1	34 395	0.9	8 415	24.5
BBB-	1 107 828	29.4	1 478 053	37.8	(370 225)	(25.0)
BB+	13 740	0.4	14 177	0.4	(437)	(3.1)
NR	11 864	0.3	18 463	0.5	(6 599)	(35.7)
Total	3 762 805	100.0	3 907 176	100.0	(144 371)	(3.7)

The position in bonds (excluding notes held of own securitizations not derecognized) recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 278,526 thousand (31 December 2023: Euro 24,785 thousand), the position in Other financial assets at amortized cost stood at Euro 3,473,704 thousand (31 December 2023: Euro 3,878,848 thousand) and the position in Financial assets held for trading stood at Euro 10,575 thousand (31 December 2023: Euro 3,543 thousand).

Regarding the trading portfolio, as at 31 December 2024 and 2023, the main VaR indicators are as follows:

(Euro thousand)

	2024	Average	Minimum	Maximum	2023
Market VaR	462	358	94	714	134
Interest rate risk	265	318	7	235	35
Exchange risk	18	119	7	534	45
Price risk	173	168	80	149	118
Spread risk	10	65	72	222	7
Diversification effect	(4)	(312)	(72)	(426)	(71)

The value of the VaR of the trading portfolio increased from 31 December 2023 to 31 December 2024, having remained at moderate or reduced levels during financial year 2024 and in line with that observed in the previous year.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating Banco Montepio (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, as at 31 December 2024 and 2023:

(Euro thousand)

	Below 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Above 5 years	Total
31 December 2024						
Assets						
Debt securities	74 910	189 728	512 002	1 405 211	1 624 964	3 806 815
Loans and advances	5 548 134	2 506 738	1 330 131	2 303 787	396 252	12 085 042
Others	1 202 802	(1)	(2)	(65)	(712)	1 202 022
Off-balance sheet	102 465	28 581	22 285	-	-	153 331
Total	6 928 311	2 725 046	1 864 416	3 708 933	2 020 504	17 247 210
Liabilities						
Debt securities issued	138 240	14 488	220 365	615 393	5 596	994 082
Term deposits	4 765 714	2 079 519	1 625 587	494 529	-	8 965 349
Others	2 717 882	640 910	49 845	568 503	2 628 023	6 605 163
Total	7 621 836	2 734 917	1 895 797	1 678 425	2 633 619	16 564 594
GAP (Assets - Liabilities)	(693 525)	(9 871)	(31 381)	2 030 508	(613 115)	682 616
31 December 2023						
Assets						
Debt securities	36 441	795 387	61 512	1 576 179	1 464 794	3 934 313
Loans and advances	6 492 482	2 886 053	1 221 513	1 082 939	1 146 487	12 829 474
Others	921 625	-	-	-	-	921 625
Off-balance sheet	10 007	9 133	40 901	280 745	-	340 786
Total	7 460 555	3 690 573	1 323 926	2 939 863	2 611 281	18 026 198
Liabilities						
Debt securities issued	64 914	100 000	550 635	255 184	2 973	973 706
Term deposits	2 444 747	1 692 745	2 553 660	1 081 129	-	7 772 281
Others	1 390 240	-	58 603	150 000	150 492	1 749 335
Off-balance sheet	39 158	264 833	12	93	853	304 949
Total	3 939 059	2 057 578	3 162 910	1 486 406	154 318	10 800 271
GAP (Assets - Liabilities)	3 521 496	1 632 995	(1 838 984)	1 453 457	2 456 963	7 225 927

The following table presents the interest rate gaps, in financial years 2024 and 2023:

(Euro thousand)

	2024				2023			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Interest rate GAP	682 616	3 313 240	7 225 926	682 616	7 225 926	6 742 763	7 225 926	6 259 599

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2024, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a decrease in the economic value expected from the banking portfolio of circa Euro 36,845 thousand (31 December 2023: increase of Euro 21,754 thousand).

The following table presents the average interest rates, in relation to Banco Montepio's major asset and liability categories, in financial years 2024 and 2023, as well as the respective average balances and interest for the financial year:

(Euro thousand)

	2024			2023		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest assets generators						
Deposits at central banks and other credit institutions	1 327 061	3.30	44 581	833 568	2.84	23 997
Loans and advances to credit institutions	115 532	3.51	4 118	324 637	3.42	11 267
Loans and advances to customers	11 752 435	5.09	608 741	11 383 129	4.53	522 883
Securities portfolio	3 992 288	1.07	43 293	4 641 973	0.82	38 441
Other assets at fair value	459	3.43	16	401	4.67	19
Other (Includes derivatives)	-	-	103	-	-	3 407
	17 187 775	**4.01**	**700 852**	**17 183 708**	**3.44**	**600 014**
Interest liabilities generators						
Deposits from ECB	202 309	3.80	7 806	1 817 590	3.16	58 164
Deposits from other credit institutions	1 005 481	2.32	23 715	538 338	2.38	13 007
Deposits from customers	14 278 245	1.53	222 807	10 895 033	0.76	84 354
Senior debt	930 961	4.77	45 188	470 639	6.47	30 855
Subordinated debt	261 949	8.32	22 164	181 716	10.63	19 584
Other (includes derivatives)	-	-	9 679	-	-	10 847
	16 678 945	**1.95**	**331 359**	**13 903 316**	**1.54**	**216 811**
Net interest income		**2.11**	**369 493**		**2.20**	**383 203**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, as at 31 December 2024 and 2023, is analysed as follows:

(Euro thousand)

	2024						
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Other foreign currencies	Total
Assets by currency							
Cash and deposits at central banks	1 460 091	10 494	1 347	666	1 779	159	1 474 536
Loans and advances to credit institutions payable on demand	20 742	11 882	224	103	1 093	1 040	35 084
Other loans and advances to credit institutions	65 627	37 624	7	-	17	-	103 275
Loans and advances to customers	11 804 394	11 297	-	-	-	-	11 815 691
Financial assets held for trading	25 497	874	-	-	80	-	26 451
Financial assets at fair value through profit or loss	146 143	-	-	-	-	-	146 143
Financial assets at fair value through other comprehensive income	304 474	-	-	-	-	-	304 474
Hedging derivatives	30 257	-	-	-	-	-	30 257
Other financial assets at amortized cost	3 396 877	76 827	-	-	-	-	3 473 704
Investments in associated companies	277 587	-	-	-	-	-	277 587
Other tangible assets	184 214	-	-	-	-	-	184 214
Intangible assets	64 463	-	-	-	-	-	64 463
Current tax assets	911	-	-	-	-	-	911
Deferred tax assets	328 654	-	-	-	-	-	328 654
Other assets	328 578	5	-	-	3	-	328 586
Total assets	**18 438 509**	**149 003**	**1 578**	**769**	**2 972**	**1 199**	**18 594 030**
Liabilities by currency							
Deposits from other credit institutions	644 135	1 166	39	116	418	181	646 055
Deposits from customers	14 982 786	154 999	20 788	31 042	3 072	2 837	15 195 524
Debt securities issued	467 647	-	-	-	-	-	467 647
Financial liabilities related to transferred assets	33 334	-	-	-	-	-	33 334
Financial liabilities held for trading	11 202	-	-	-	-	-	11 202
Hedging derivatives	27 037	-	-	-	-	-	27 037
Provisions	29 317	-	-	-	-	-	29 317
Current tax liabilities	599	-	-	-	-	-	599
Other subordinated debt	271 824	-	-	-	-	-	271 824
Other liabilities	228 063	1 016	-	2 465	471	100	232 115
Total liabilities	**16 695 944**	**157 181**	**20 827**	**33 623**	**3 961**	**3 118**	**16 914 654**
Exchange forward transactions		(2 888)	19 296	32 580	1 062	2 160	
Exchange gap		(11 066)	47	(274)	73	241	
Stress Test		2 213	(9)	55	(15)	(48)	

(Euro thousand)

	2023						
	Euro	**US Dollar**	**Sterling Pound**	**Canadian dollar**	**Swiss Franc**	**Other foreign currencies**	**Total**
Assets by currency							
Cash and deposits at central banks	1 162 806	5 493	906	476	1 446	270	1 171 397
Loans and advances to credit institutions payable on demand	22 847	20 601	199	243	1 415	760	46 065
Other loans and advances to credit institutions	68 000	57 043	7	-	17	-	125 067
Loans and advances to customers	11 281 418	11 787	-	-	-	-	11 293 205
Financial assets held for trading	14 725	210	87	-	95	-	15 117
Financial assets at fair value through profit or loss	209 657	-	-	-	-	-	209 657
Financial assets at fair value through other comprehensive income	48 095	-	-	-	-	-	48 095
Hedging derivatives	6 174	-	-	-	-	-	6 174
Other financial assets at amortized cost	4 237 133	79 038	-	-	-	-	4 316 171
Investments in associated companies	278 913	-	-	-	-	-	278 913
Other tangible assets	179 004	-	-	-	-	-	179 004
Intangible assets	57 537	-	-	-	-	-	57 537
Current tax assets	1 302	-	-	-	-	-	1 302
Deferred tax assets	389 077	-	-	-	-	-	389 077
Other assets	429 990	7 996	-	-	1	-	437 987
Total assets	**18 386 678**	**182 168**	**1 199**	**719**	**2 974**	**1 030**	**18 574 768**
Liabilities by currency							
Deposits from central banks	873 933	-	-	-	-	-	873 933
Deposits from other credit institutions	1 076 611	20 238	72	32	133	13	1 097 099
Deposits from customers	13 279 555	118 940	18 615	25 724	3 160	3 027	13 449 021
Debt securities issued	533 783	-	-	-	-	-	533 783
Financial liabilities related to transferred assets	511 013	-	-	-	-	-	511 013
Financial liabilities held for trading	12 636	-	-	-	-	-	12 636
Hedging derivatives	3 525	-	-	-	-	-	3 525
Provisions	20 156	22	-	-	-	-	20 178
Current tax liabilities	703	-	-	-	-	-	703
Other subordinated debt	217 019	-	-	-	-	-	217 019
Other liabilities	270 711	2 111	230	2 640	1 093	84	276 869
Total liabilities	**16 799 645**	**141 311**	**18 917**	**28 396**	**4 386**	**3 124**	**16 995 779**
Exchange forward transactions		(45 423)	17 720	27 592	1 404	2 242	
Exchange gap		(4 566)	2	(85)	(8)	148	
Stress Test		913	-	17	2	-	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects Banco Montepio's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 31 December 2024, the LCR value was 199.5% (31 December 2023: 230.2%).

As regards the net stable funding ratio, designated NSFR, same stood at 137.0% (31 December 2023: 126.6%).

As at 31 December 2024, Banco Montepio's financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from other credit institutions	646 055	-	346 048	-	-	300 007
Deposits from customers	15 195 524	-	10 479 132	2 016 446	1 576 244	1 123 702
Debt securities issued	467 647	-	-	-	11 719	455 928
Financial liabilities associated with transferred assets	33 334	-	-	-	-	33 334
Financial liabilities held for trading	11 202	-	861	547	1 466	8 328
Other subordinated debt	271 824	-	168	11 760	-	259 896
Other liabilities	232 115	232 115	-	-	-	-
Total funding	**16 857 701**	**232 115**	**10 826 209**	**2 028 753**	**1 589 429**	**2 181 195**

As at 31 December 2023, Banco Montepio's financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	873 933	-	817 437	-	56 496	-
Deposits from other credit institutions	1 097 099	500	784 073	8 283	4 236	300 007
Deposits from customers	13 449 021	-	7 895 843	1 641 788	2 458 040	1 453 350
Debt securities issued	533 783	-	-	-	3 776	530 007
Financial liabilities associated with transferred assets	511 013	-	-	-	-	511 013
Financial liabilities held for trading	12 636	-	107	10	774	11 745
Other subordinated debt	217 019	-	-	-	10 696	206 323
Other liabilities	276 869	276 869	-	-	-	-
Total funding	**16 971 373**	**277 369**	**9 497 460**	**1 650 081**	**2 534 018**	**3 012 445**

In the context of the European Banking Authority's guidance on the disclosure of encumbered and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Board, and in accordance with Commission Implementing Regulation (EU) 2021/637 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of encumbered and unencumbered assets, we present the following information, with reference to 31 December 2024 and 2023, relating to assets and their collateral:

(Euro thousand)

Assets	2024			
	Carrying amount of encumbered assets	**Fair value of encumbered assets**	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**
Assets from the reporting institution	651 226	-	17 942 804	-
Equity instruments	-	-	174 592	179 764
Debt securities	624 176	338 307	3 756 962	3 192 776
Other assets	-	-	1 389 324	-

(Euro thousand)

Assets	2023			
	Carrying amount of encumbered assets	**Fair value of encumbered assets**	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**
Assets from the reporting institution	2 416 932	-	16 157 836	-
Equity instruments	-	-	212 629	220 155
Debt securities	1 003 226	359 853	3 949 562	3 696 368
Other assets	-	-	1 508 240	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2024	2023
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	559 417	1 469 650
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	635 064	2 383 400

The encumbered assets are mostly related to Banco Montepio's funding operations, namely of the EIB in repos operations, with the issuance of covered bonds and securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repos transactions in the money market are collateralized, essentially, by sovereign debt bonds.

The amounts presented in the previous tables correspond to the position as at 31 December 2024 and 2023 and reflect the high level of collateralization of the wholesale funding of Banco Montepio. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2024 to Euro 4,103,487 thousand (31 December 2023: Euro 3,765,706 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2024, amounts to Euro 3,935,192 thousand (31 December 2023: Euro 4,666,394 thousand) with a usage of Euro 22,460 thousand associated with the Bank's intraday credit line (31 December 2023: Euro 924,754 thousand):

(Euro thousand)

	2024	2023
Total eligible collateral	**4 656 132**	**5 562 498**
Total collateral in the pool	3 935 192	4 666 394
Collateral outside the pool	720 940	896 104
Used collateral	**552 645**	**1 796 792**
Collateral used for ECB	22 460	924 754
Collateral committed to other financing operations	530 185	872 038
Collateral available for ECB	**3 912 732**	**3 741 640**
Total available collateral	**4 103 487**	**3 765 706**

Note: collateral amount considers the applied haircut

As at 31 December 2024, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	2024							
Liabilities	Total	In cash [1]	Up 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Deposits from other credit institutions	647 071	93 438	253 375	29	37 529	37 550	112 607	112 543
Deposits from customers	15 297 903	6 058 346	4 434 143	2 027 556	1 632 740	721 910	423 208	-
Debt securities issued	541 892	-	-	14 063	20 000	231 248	276 581	-
Financial liabilities associated with transferred assets	39 672	40	4 636	4 436	7 985	12 364	10 136	75
Financial liabilities held for trading	11 202	11 202	-	-	-	-	-	-
Other subordinated debt	472 718	-	206	21 250	171	21 580	65 063	364 448
Other liabilities	262 032	-	262 032	-	-	-	-	-
	17 272 490	**6 163 026**	**4 954 392**	**2 067 334**	**1 698 425**	**1 024 652**	**887 595**	**477 066**

[1] Includes trading liabilities, including derivatives, considered at fair value.

As at 31 December 2023, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	2023							
Liabilities	Total	In cash (1)	Up 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Deposits from central banks	883 362	-	824 759	-	58 603	-	-	-
Deposits from other credit institutions	1 099 464	235 663	550 758	8 409	4 378	37 557	112 628	150 071
Deposits from customers	13 569 027	5 677 022	2 348 443	1 721 497	2 389 570	501 934	930 561	-
Debt securities issued	586 364	-	-	-	349 011	20 000	217 353	-
Financial liabilities associated with transferred assets	181 916	68	9 233	8 995	16 979	29 739	52 177	64 725
Financial liabilities held for trading	12 636	12 636	-	-	-	-	-	-
Other subordinated debt	353 876	-	216	15 250	5 289	23 360	124 126	185 635
Other liabilities	297 750	-	297 750	-	-	-	-	-
	16 984 395	**5 925 389**	**4 031 159**	**1 754 151**	**2 823 830**	**612 590**	**1 436 845**	**400 431**

(1) Includes trading liabilities, including derivatives, considered at fair value.

Additionally, as of 31 December 2024, the Banco Montepio has irrevocable commitments related to credit lines amounting to 760,763 thousand euros (31 December 2023: 698,783 thousand euros), as described in note 43, which represent potential liquidity outflows.

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2024 and 2023, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	2024	2023
Real estate in recovery of credit	136 553	194 894
Real Estate Fund Participation Units	86 901	111 047
	223 454	305 941
Stress test	(22 345)	(30 594)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Also with regard to real estate risk, Banco Montepio has defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of credit. This prudential deduction, with no impact on the financial statements, is carried out through the application of a gradual haircut plan applicable to the properties considering their ageing in the balance sheet. Regarding the portfolios of properties received in recovery of credit and investment properties, the Bank considered, as at 31 December 2024, a specific prudential deduction of Euro 57,806 thousand.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Directorate exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

Regarding operational risk monitoring as at 31 December 2024, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Directorate.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which supports the level of risk considered acceptable to the institution and which allows to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

Information and Communication Technologies Risk

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

As part of the management of this risk, Banco Montepio's Risk Directorate ensures the identification, measurement, assessment, management, monitoring and communication of information and communication technology risk events and security. Considering the ongoing digital transformation and the Bank's increased technological dependence, as well as the increase in cyberattacks in Portugal and around the world, in 2022 the Bank created a Cybersecurity Office independent of the Information Systems Directorate, in order to centralize and focus teams on implementing a process framework to mitigate security events as well as defining and implementing an action plan whenever they occur. This Office is in direct contact with the Bank's Risk Directorate within the scope of management and security risk monitoring.

Environmental, Social and Governance Risks

The guiding principles followed by Banco Montepio, regarding ESG risk, seek alignment with the expectations referenced in the ECB - Guide on climate-related and environmental risks, published in November 2020.

The materialization of climate risks occurs through other risks, notably credit risks, market risks, liquidity risks and operational risk.

For reporting and analysis purposes, time horizons were defined, namely short term (up to 3 years), medium term (3 to 8 years) and long term (8 to 30 years), considering the nature of climate and environmental risks.

ESG Risks are based on the assessment of the environmental, social and governance (ESG) components. Environmental risks ("climate and environmental risk via physical risk" and "climate risk via transition risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. Social and governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

To streamline the management of these risks, Banco Montepio has a team, since 2023, in the Risk Directorate specializing in the management and monitoring of this risk (ESG Risk Management Centre).

Pension Fund risk

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

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Directorate ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Within the scope of emerging risks, among which ESG risks stand out, the Bank is implementing its own framework for the management of these risks, ensuring their interconnection with credit, market, liquidity, operational and real estate risks, among others. Within the scope of this framework, the Management and Supervisory bodies will monitor the current and prospective evolution of the institution's risk profile to these risks. It should be noted that, within the scope of the review of the Bank's risk appetite, KRI's have been included to regulate the exposure to ESG risks (namely, climatic risks) since 2022.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

Banco Montepio does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at Banco Montepio has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and Banco de Portugal add-ons of in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy and economic capital adequacy is carried out monthly. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Executive Commission, Risk Committee, Audit Committee and Board of Directors, as well as the Bank's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Bank level, as well as of the entities that assume the risk management function, lies with the Risk Directorate. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Directorate carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable; and
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Directorate, together with the first-line organic units.

The own funds of Banco Montepio are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council and Notice no. 10/2017 of Banco de Portugal. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

- Level 1 Core Own Funds or Common Equity Tier 1 (CET1): this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings, if existing, is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. The book value of the amounts related to goodwill, if existing, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 through 2023. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. Also in accordance with Regulation (EU) no. 575/2013, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. Banco Montepio also deducts the amount of the Irrevocable Payment Commitments (IPC) associated with the FUR (Euro 11.3 million). In addition to the regulatory deductions, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties considering their ageing on the balance sheet. Regarding portfolios of property received in recovery of credit and investment properties, the Bank considered, as at 31 December 2024, a specific prudential deduction of Euro 57,806 thousand (with a negative impact of 61 basis points on CET1) resulting from the internal prudential haircut policy. Bearing in mind the plan defined in its own internal regulations, an additional impact of - Euro 75, 793 thousand is estimated until the end of 2025 (*ceteris paribus* in Banco Montepio’s portfolio as at 31 December 2024, and considering the coefficients defined in Circular Letter no. CC/2024/00000050). However, Banco Montepio continues to make efforts to reduce its exposure to properties, namely on those with a greater ageing in its portfolio, to reduce the amount of this potential prudential impact;

- Level 1 Own Funds or Tier 1 (T1): includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by Banco de Portugal. Non-controlling interests relating to additional own funds’ minimum requirements of the institutions in which Banco Montepio does not hold full ownership, if they exist, are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital; and

- Level 2 Own Funds or Tier 2 (T2): includes capital equivalent instruments, which conditions are in accordance with article 63 of Regulation (EU) no. 575/2013 and that have been approved by Banco de Portugal. Non-controlling interests relating to the own fund’s minimum requirements of the institutions in which Banco Montepio does not hold full ownership, if they exist, are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Total Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250.0% of deferred tax assets associated with timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets associated with timing differences that do not depend on future profitability, these are subject to a 100.0% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

Regulation 2020/873 of the European Parliament and Council introduced an additional transitional plan regarding the impacts of increased IFRS 9 impairments occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 75% in 2024 and 100% in 2025.

The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds’ minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1 of 6.0% for Tier 1 and 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions). For 31 December 2024, Banco de Portugal maintained a Counter-Cyclical Reserve of 0% for exposures to Portuguese non-financial companies. However, taking into account the geographic dispersion of its exposures and capital requirements, Banco Montepio, as at 31 December 2024, had a Counter-Cyclical Reserve of 0.028%. Regarding the Conservation Reserve, its value is 2.5%. Pursuant to these provisions, as at 31 December 2024 and 2023, the Common Equity Tier 1, Tier 1 and Total regulatory ratios were 7.03%, 8.53% and 10.53%, respectively.

The summary of the calculation of Banco Montepio's capital requirements as at 31 December 2024 and 2023, under phase-in, is presented as follows:

(Euro thousand)

	2024	2023
Capital Common Equity Tier 1		
Realized share capital	1 210 000	1 210 000
Net income/(loss), reserves and retained earnings	438 747	362 989
Other regulatory adjustments	(354 763)	(325 647)
	1 293 984	1 247 342
Capital Tier 2		
Subordinated loans	256 323	206 323
Regulatory adjustments	-	(89)
	256 323	206 234
Total own funds	1 550 307	1 453 576
Own funds requirements		
Credit risk	549 670	519 188
Market risk	1 379	1 681
Operating risk	56 048	49 114
Other requirements	20 223	29 595
	627 320	599 578
Prudential Ratios		
Common Equity Tier 1 Ratio	16.50%	16.64%
Tier 1 Ratio	16.50%	16.64%
Total Capital Ratio	19.77%	19.39%

It should be noted that the ratios, as at 31 December 2024 and 2023, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 29.

If the transitional plan was not applied to the initial impacts of the adoption of IFRS 9, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2024 and 2023, would be:

(Euro thousand)

	2024	2023
Capital Common Equity Tier 1	1 289 389	1 236 690
Capital Tier 1	1 289 389	1 236 690
Total own funds	1 545 712	1 442 924
Own funds requirements	627 356	599 660
Prudential ratios		
Common Equity Tier 1 Ratio	16.44%	16.50%
Tier 1 Ratio	16.44%	16.50%
Total Capital Ratio	19.71%	19.25%

On 1 January 2025, the revision of Regulation 575/2013, usually referred to as CRR3, came into force, and Banco Montepio does not anticipate any material negative impacts from this revision at this date, namely it is estimated that the reductions in credit risk requirements will more than offset the increase in operational risk requirements and market risk requirements.

50 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2024, for annual periods beginning on 1 January 2024:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2024:

b) **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with "covenants"'. These amendments clarify that liabilities are classified as current or non-current balances depending on the right of an entity to defer payment beyond 12 months after the reporting date. They also clarify that "covenants", which an entity is obliged to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if its verification only occurs after the reporting date. When an entity classifies liabilities arising from financing contracts as non-current and these liabilities are subject to "covenants", it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the "covenants" and the dates of fulfilment; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the "covenants" on the due dates. These amendments apply retrospectively.

d) **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements, to enable: (i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows and (ii) the understanding of the impact of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020**.**

e) **IAS 16** (amendment), 'Lease liabilities in sale and leaseback transactions'. This amendment introduces guidance on the subsequent measurement of lease liabilities in sale and leaseback transactions that qualify as 'sales' under the principles of IFRS 15, with greater impact when some or all of the lease payments are variable and not dependent on an index or rate. When subsequently measuring lease liabilities, seller-lessees shall determine 'lease payments' and 'revised lease payments' such that they do not recognize gains/(losses) in respect of the retained Right-of-use asset. This amendment applies retrospectively.

Banco Montepio did not record any significant impact resulting from the application of these amendments on its financial statements.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, already endorsed by the European Union:

b) **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025). This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined. This amendment is applied retrospectively without restating the comparative, and the translation of the financial information must be recorded in retained earnings (if conversion from foreign currency to functional currency) or in foreign exchange reserves (if conversion from functional currency to presentation currency).

Banco Montepio does not anticipate any significant impact resulting from the application of these amendments on its financial statements.

3. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, not yet endorsed by the European Union:

f) **IFRS 9** and **IFRS 7** (amendment), 'Amendments to the classification and measurement of financing' (effective for annual periods beginning on or after 1 January 2026). This amendment is still subject to endorsement by the European Union. The amendments relate to: i) clarification of the concept of the date of recognition and derecognition of some financial assets and liabilities, introducing a new exception for financial liabilities settled through an electronic payment system; ii) clarification and examples of when a financial asset meets the criterion that contractual cash flows correspond to "principal and interest payments only" ("SPPI"), such as: 1) non-recourse assets; 2) contractually linked instruments and 3) instruments with features linked to compliance with environmental, social and governance ("ESG") goals; iii) new disclosure requirements for instruments with contractual terms that may alter cash flows in terms of period and amount; and iv) new disclosures required for equity instruments designated at fair value through other comprehensive income. These changes apply on the date they become effective without restatement of the comparative.

g) **IFRS 9** (amendment) and **IFRS 7** (amendment), 'Contracts negotiated with reference to electricity generated from a renewable source' (effective for annual periods beginning on or after 1 January 2026). This amendment is still subject to endorsement by the European Union. The amendments aim to improve the reporting of the financial effects of negotiated contracts based on the production of electricity from renewable sources, subject to variability in the amount generated due to the fact that this is dependent on uncontrollable natural conditions. These amendments are intended to: i) clarify the application of the requirements of the IFRS 9 "own use" exemption; (ii) allow the application of hedge accounting when renewable electricity purchase agreements are designated as a hedging instrument; and iii) add new disclosure requirements to IFRS 7 to better understand the impact of these contracts on the entity's financial performance and cash flows. This amendment will apply retrospectively without restating the comparative periods, except for the designation of coverage, which must be applied prospectively.

h) **Annual Improvements – 'Volume 11'** (effective for annual periods beginning on or after 1 January 2026). The annual IFRS improvement cycles aim to clarify application issues or correct inconsistencies in the standards. This volume of improvements affects the following standards: IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. These amendments are still subject to endorsement by the European Union.

i) **IFRS 18** (new standard), 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 18 will replace the current IAS 1. While maintaining many of the principles in IAS 1, IFRS 18 places greater focus on specifying a structure for the income statement, consisting of mandatory categories and subtotals. Income statement items will be classified into one of three categories: operating, investing, financing. Specified subtotals and totals will be required, with the main change being the mandatory inclusion of the subtotal "Operating profit/(loss)". This standard also includes improvements in the disclosure of management performance measures, including reconciliation with the closest subtotal required by IFRS. This standard also reinforces the guidance on the principles of aggregation and disaggregation of information contained in the financial statements and related notes, based on their shared characteristics. This standard applies retrospectively.

j) **IFRS 19** (new standard), 'Non-publicly reporting subsidiaries: Disclosures' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 19 is a voluntary standard that allows eligible subsidiaries to use IFRS with reduced disclosure requirements. IFRS 19 is a standard that only deals with disclosures and is applied in conjunction with the requirements of the other IFRS for the purposes of recognition, measurement and presentation. A subsidiary is considered eligible if: (i) it is not subject to a public reporting obligation; and (ii) the parent entity prepares consolidated financial statements for public reporting in accordance with IFRS. IFRS 19 may be applied by eligible subsidiaries in the preparation of their own consolidated, separate or individual financial statements. Full comparative information is required unless an exemption applies.

51 Transfer of assets

Banco Montepio carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of Banco Montepio, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from Banco Montepio are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same.

These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the fund has as main responsibilities to:

- Define the objective of the fund; and
- Manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which Banco Montepio holds minority positions, incorporate companies under Portuguese law to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by Banco Montepio, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, Banco Montepio subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where Banco Montepio has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end; and
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, Banco Montepio, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, Banco Montepio derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2024 Amounts associated with the transfer of assets			2023 Amounts associated with the transfer of assets		
	Net assets transferred	**Amount received**	**Result obtained with the transfer**	**Net assets transferred**	**Amount received**	**Result obtained with the transfer**
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	-	-	-	45 349	45 509	160
	54 615	72 024	17 409	99 964	117 533	17 569

As at 31 December 2024 and 2023, the assets received under these operations are as follows:

(Euro thousand)

	2024	2023
	Senior securities	
Fundo Vega, FCR	20 652	20 874
Discovery Portugal Real Estate Fund	14 118	13 647
Fundo Aquarius, FCR	8 518	10 579
Fundo de Reestruturação Empresarial, FCR	-	11 328
	43 288	56 428

Although the subordinated securities are fully provided against, Banco Montepio also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

52 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (“RGICSF “) and by its regulations and its mission is to provide financial support for the resolution measures implemented by Banco de Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, Banco Montepio is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by Banco de Portugal based, among others, on the amount of its liabilities. As at 31 December 2024, the periodic contribution made by Banco Montepio amounted to Euro 1,872 thousand (31 December 2023: Euro 2,131 thousand), based on a contribution rate of 0.032%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, Banco de Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. (“BES”) a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. (“Novo Banco”), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, Banco de Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco’s status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million.

On 23 December 2021, the Resolution Fund made the payment of Euro 112 million, after having obtained all analyses from a financial, economic and legal point of view, which was pending verification in June 2021 and was already provided against.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of Banco de Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. (“Banif”) was “at risk or in a situation of insolvency” and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State; and
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority ("CA") on administrative process PRC-2012/9 ("Decision"), in which that entity applied a Euros 13 million fine on Banco Montepio for the breach of article 9 of Law no. 19/2012, of 8 May (according to the wording in force) and of article 101 of the Treaty on the Functioning of the European Union ("TFEU").

Banco Montepio, as well as several other institutions targeted by the CA's process, filed an appeal to challenge this Decision to the Competition, Regulation and Supervision Court ("CRSC") on 21 October 2019 (process no. 225/15 4YUSTR). The judicial challenge suspended the effects of the CA Decision, and in particular the obligation to pay the fine, following the CRSC ruling and the subsequent provision of security under the terms determined by the Court. In April 2022, the CRSC decided to stay the proceedings and refer two preliminary questions to the Court of Justice of the European Union ("CJEU"), pursuant to article 267 of the TFEU.

By judgment handed down on 29 July 2024, the CJEU concluded that article 101 of the TFEU should be interpreted as meaning that an exchange of information between competing credit institutions such as that described by the CRSC in the referral can be qualified as a restriction of competition by object.

Through sentence issued on 20 September 2024, the CRSC confirmed the decision of the CA and maintained the fine applied on Banco Montepio in the amount of Euro 13 million.

On 15 October 2024, Banco Montepio appealed the CRSC Sentence to the Lisbon Court of Appeal ("LCA").

On 10 February 2025, the Lisbon Court of Appeal declared the administrative process against all defendants, including Banco Montepio, to be time-barred and ordered the process to be closed. The process awaits the delivery of the final decision by the Lisbon Court of Appeal. The Competition Authority announced that it has filed an appeal with the Constitutional Court, but to date Banco Montepio has not been notified of same.

Considering all the relevant circumstances, it is considered that there is a serious and significant probability that the fine applied on Banco Montepio will be annulled.

In March and April 2024, Banco Montepio was summoned to the collective actions brought by ASSOCIAÇÃO IUS OMNIBUS (processes no. 2/24.1YQSTR and no. 6/24.4YQSTR) and by AMPEMEP - Associação de Micro, Pequenas e Médias Empresas Portuguesas (Process no. 10/24.1YQSTR) to the CRSC, in which other Credit Institutions are also defendants.

These processes take the form of private enforcement cases for the alleged violation of competition law arising from information sharing that is the subject of the aforementioned process no. PRC/2012/9, of the Competition Authority. The cases brought allege general estimates of damages based on economic studies and do not include specific compensation claims against each of the defendants.

By ruling issued in process no. 2/24.1YQSTR, the CRSC decided to suspend the proceedings until delivery of the final decision to be issued or already issued in process no. 225/15.4YUSTR-W. Banco Montepio filed objections in processes no. 6/24.4YQSTR and no. 10/24.1YQSTR.

In January 2025, the TCRS appended processes no. 6/24.4YQSTR and no. 10/24.1YQSTR, which await further developments.

Banco de Portugal

As at 31 December 2024 and 2023, the Bank has been subject to some administrative offense processes instituted by Banco de Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, having, to the effect, made provisions in the global amount of Euro 180,000.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Directorate and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For most of these processes, Banco de Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine, and, as regards one of the two processes still underway, same is still in a preliminary phase, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions that might hypothetically be imputed to it.

Thus, and notwithstanding the Board of Directors considering as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to any of the infractions that are imputed to it, even if the respective risk of being sentenced still exists, it is the Board's conviction that the amount of the consequent sanctions will not exceed the amount of provisions recognized by the Bank as at 31 December 2024.

53 Subsidiaries and associates

As at 31 December 2024, the companies directly or indirectly held by Banco Montepio are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group % of control	Group % of effective part
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	Euro	Managements of shareholding	100.00%	100.00%
Montepio Serviços, A.C.E.	Lisbon	-	-	Managements of support services	85.00%	85.00%

(Euros)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accommodation, catering and similar/hotels with restaurant	20.00%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

As at 31 December 2023, the companies directly or indirectly held by Banco Montepio are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	% of control	% of effective part
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	Euro	Managements of shareholding	100.00%	100.00%
Montepio Serviços, A.C.E.	Lisbon	-	-	Managements of support services	85.00%	85.00%

(Euros)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accommodation, catering and similar/hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação (*)	Lisbon	2 449 707	Management of real estate	26.00%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

(*) Liquidated at 13 May 2024.

As at 31 December 2024, Banco Montepio held investment units in investment funds as follows:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

As at 31 December 2023, Banco Montepio held investment units in investment funds as follows:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund (*)	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

(*) Liquidated at 30 December 2024.

54 Subsequent events

Banco Montepio analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue, and during that period no subsequent events were identified.

Competition Authority

On 10 February 2025, the Lisbon Court of Appeal declared the administrative process against all defendants, including Banco Montepio, to be time-barred and ordered the process to be closed, which awaits the delivery of the final decision, given that the Competition Authority announced it would appeal to the Constitutional Court, appeal which Banco Montepio has not been notified of as yet, as described in note 52.

DECLARATION OF CONFORMITY

2017

We have had countless songs that defined generations. However, it was in 2017 that, with Salvador Sobral's harmonious voice and the sweet lyrics of his sister Luísa, we claimed our first victory at the Eurovision Song Contest. It was an achievement that resonated around the world.

DECLARATION OF CONFORMITY

This declaration is issued under the terms of paragraph c) of no. 1 of article 29-G of the Securities Code approved by Decree-Law no. 486/99, of 13 November, in the wording introduced by Law No. 99-A/2021, of 31 December.

It is the responsibility of the Board of Directors to prepare the management report and the financial statements, presenting, in a true and appropriate manner, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), the result of operations as well as the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system to prevent and detect any errors or irregularities.

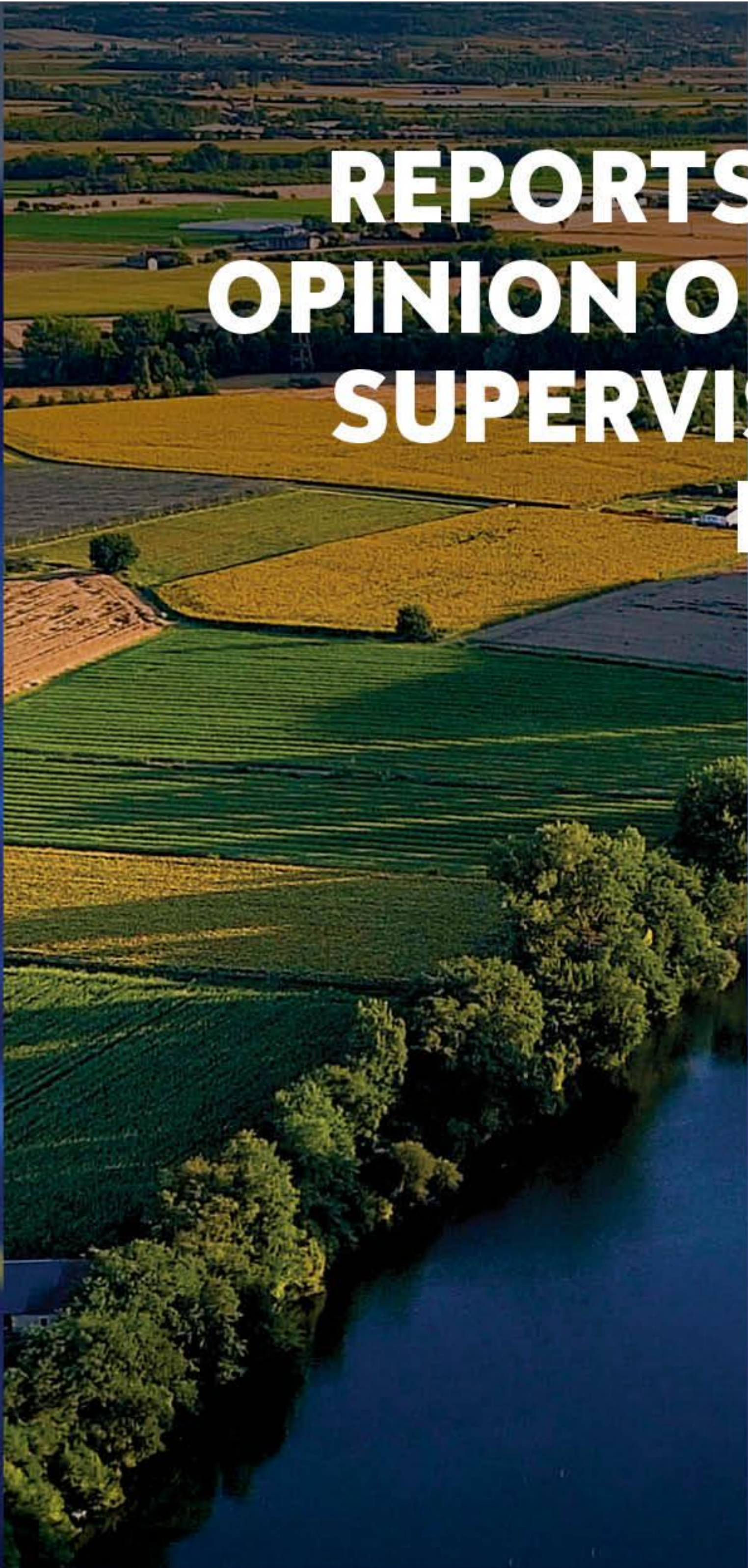
We confirm, to the best of our knowledge and belief, that:

- All individual and consolidated financial information contained in the accounting documents, with reference to 31 December 2024, was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of Banco Montepio and the companies included in the consolidation perimeter;
- The management report truly exposes the evolution of the business, the performance and the position of the Institution and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties they face.

BOARD OF DIRECTORS

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

Lisbon, 04 April 2024



REPORTS AND OPINION OF THE SUPERVISORY BODY

2021

A member of the European Community since 1986, Portugal held the presidency of the Council of the European Union for the fourth time. During its presidency, Portugal prioritised the environment, digital transition, social policies, resilience, and the strengthening of Europe's role on the global stage, with a particular focus on fostering a more cohesive and fair EU.

Banco Montepio

ACTIVITY REPORT

Audit Committee

2024

Valores que
crescem consigo.

Table of Contents

Activity of the Audit Committee in 2024

1. Framework

The current Audit Committee (“CAUD”) of Caixa Económica Montepio Geral, caixa económica bancária S.A. (“CEMG | BM”), was appointed for the term of office 2022-2025 by the General Meeting of Shareholders held on 29 April 2022 and after completion of the fit and proper process and the authorisation granted by Banco de Portugal (“BdP”) and took office on 25 July 2022.

The Audit Committee, in compliance with Article 18(3)(f) of the Articles of Association of “CEMG | BM”, reflected in Article 4(2)(c) of its Regulations, approved at its meeting of 30 October 2024 and brought to the attention of the Board of Directors (“CA”) on 29 November 2024[1], prepared the annual report on its supervisory action during 2024.

On 30 January 2025, the Audit Committee Regulation was amended to include opportunities for improvement identified by Banco de Portugal as a result of the horizontal analysis of the supervisory bodies' regulations.

2. Composition

Banco Montepio's Audit Committee ("CAUD") is made up of a minimum of 3 (three) and a maximum of 5 (five) members, including a Chairman, all of whom are non-executive directors elected at the General Meeting.

The majority of the members of the Audit Committee, including the Chairman, must be independent and at least one of the independent members of the Audit Committee must have an appropriate academic qualification and knowledge of auditing or accounting. The members of the Audit Committee must, individually and collectively, in accordance with the law and regulations, have adequate and sufficient knowledge, experience and skills to carry out their duties (including previous training and experience in the sector).

The members of the Audit Committee must comply in terms of incompatibilities with the provisions of the Legal Framework for Audit Supervision and Article 414-A of the Commercial Companies Code, as established in the Policy for the Selection and Assessment of the Members of the Management and Supervisory Bodies and Key Function Holders.

On 25 July 2022, Banco Montepio’s governing bodies took office for the term 2022-2025, namely the Audit Committee as the Supervisory Body.

[1] The Audit Committee Regulations were revised and approved by this Committee on 30 October 2024, and presented to the Board of Directors on 29 November 2024.

The current composition of this body is as follows:

- Clementina Maria Dâmaso de Jesus Silva Barroso (Chairman);
- Florbela dos Anjos Frescata Lima;
- Maria Lúcia Ramos Bica;
- Maria Cândida de Carvalho Peixoto.

3. Responsibilities and Competencies

3.1 Competencies

The Audit Committee has responsibilities at the level of Banco Montepio Group (“GBM”) and is equipped with the necessary competencies to fulfil its responsibilities, taking into account the requirements of knowledge, qualification, experience and independence, in accordance with the applicable regulations. In the exercise of its competencies, the Audit Committee has access to all the entities of the Banco Montepio Group, in particular to the areas of internal control and external auditors.

The competencies assigned to the supervisory body, arising from the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the Commercial Companies Code ("CSC") and other applicable regulations, as well as the terms of the BM Articles of Association, are set out in article 2 of the respective Regulation, namely:

3.1.1. General competencies

a) Supervise the management of Banco Montepio;
b) Monitor compliance with applicable legal and regulatory provisions and the Articles of Association;
c) Prepare an annual report on the Audit Committee's supervisory action;
d) Call the General Meeting when the Chairman of its Board, who should do this, does not;
e) Assess needs in terms of the Audit Committee’s composition and organisation;
f) Issue an opinion on the proposed annual Action Plan and Budget, prior to its approval by the Board of Directors.

3.1.2. Competencies to supervise the preparation and rendering of accounts and financial reporting

a) Verify that the accounting policies and procedures and the valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and results and are consistent with generally accepted principles, as well as supervise, in conjunction with the Statutory Auditor (“ROC”), the correct application of said policies, procedures and criteria in force;

b) Verify the correctness of the accounting documents and issue an opinion on the report, accounts and proposals submitted by the Management, including the proposed appropriation of net income, to be submitted to the General Meeting;
c) Verify the correctness of the accounting ledgers, accounting records and supporting documents;
d) Appraise, with the Board of Directors and the Statutory Auditor, any matters and decisions of material relevance to the preparation of the financial statements, including changes in regulatory or accounting standards and in accounting policies, practices or procedures, the impact of unusual transactions on the financial information, and estimates and judgements made and their consistent application;
e) Follow-up and supervise the preparation and disclosure of financial information and the main prudential indicators, issue recommendations or present proposals so as to ensure the reliability of the process;
f) Oversee the integrity and effectiveness of internal information and communication management systems (namely with regard to prudential and other reporting and accounting and financial aspects) and internal control, internal audit and risk management systems with regard to the process of preparation and disclosure of financial information.

3.1.3. Competencies within the scope of its functions and responsibilities regarding supervision of the Statutory Auditor’s activity and independence

a) Select and propose the election of the Statutory Auditor to the General Meeting, issue a prior opinion on the selection and appointment policy of the Statutory Auditor and on the remuneration to be paid for the statutory audit of Banco Montepio Group's accounts, and monitor the implementation and review of that policy;
b) Annually appraise the Statutory Auditor audit plan, as well as supervise and assess the Statutory Auditor’s activity, and monitor and supervise the statutory audit of the financial statements on an individual and consolidated basis;
c) Verify and follow-up the Statutory Auditor’s independence and objectivity, amongst other aspects, on an annual basis and with respect to the provision of additional services by the Statutory Auditor;
d) Proceed with the prior approval, duly justified, of the hiring of non-prohibited additional services, to be provided by the Statutory Auditor to Banco Montepio Group entities, as well as the respective remuneration conditions;
e) Under the annual Opinion on the Accounts, inform the Board of Directors annually about the results of the statutory audit, its contribution to the integrity of the process of preparation and disclosure of financial information, as well as the role played by Audit Committee in this process.

3.1.4. Competencies within the scope its functions and responsibilities regarding supervision of the effectiveness of risk management, governance and internal control systems

A) Regarding the governance and internal control systems

a) Control and assess the effectiveness of systems in terms of internal control and compliance, risk management, prevention of money laundering and financing of terrorism, internal auditing and corporate governance policies and practices, in particular by issuance of a prior opinion on the various policies in relation to each of these systems, ensuring consistency and risk control at the level of Banco Montepio and its branches, and carrying out control actions;

b) Periodically monitor the implementation of the activity plans of the control functions and assess the conclusions of the respective actions and identified deficiencies, as well as the analyse and monitor the periodic reports of the control functions (including, among others, the reports provided for in Articles 27, 28 and 32 of Banco de Portugal Notice no. 3/2020 and in particular issue an opinion on the respective self-assessment reports), and convey to the Executive Committee and the Board of Directors the recommendations deemed appropriate;

c) Prepare annual assessment reports, opinions, statements, opinions and summaries regarding the organisational culture and governance and internal control systems for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020;

d) Promote, in articulation with the Board of Directors, periodic and independent assessments, to be carried out by an entity outside the institution, on the Audit Committee's conduct and values;

e) Be informed and monitor the conclusions of all inspections, specific determinations or recommendations of Banco de Portugal, the Securities Market Commission, the Insurance and Pension Funds Supervisory Authority, the Tax and Customs Authority, and, if applicable, the IGF - Audit Authority;

f) Receive communications of irregularities submitted by shareholders, employees of Banco Montepio or others and, in articulation with the Irregularities Commission, promote their processing, completion and filing, and periodically assess reports on management of complaints submitted by customers;

g) Issue a prior opinion and monitor implementation of the selection, suitability assessment, succession and remuneration policies of the members of the management and supervisory bodies and of the control functions, as well as assess the principles applicable to the respective remuneration policies of Banco Montepio Group employees for the purposes of Article 53 of Notice no. 3/2020;

h) Issue binding prior opinions on the nomination, dismissal and replacement of the persons in charge of the control functions, based on the assessment made by the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG"), and issue opinions concerning the definition of the assessment criteria and goals of the control functions, participate in the respective performance assessment process, and comment on the attribution of variable remuneration to these functions;

i) Issue a binding prior opinion on all issues related to the organisational structure of Banco Montepio, as defined in the Regulations of the Board of Directors, to the extent that they refer to the organisation of the Audit Committee or the control functions, as well as a prior opinion on policies for subcontracting and outsourcing services and activities and business continuity management;

j) Issue a prior opinion regarding changes to the group structure for the purposes of Articles 49 and 50 of Banco de Portugal Notice no. 3/2020;

k) Issue a prior opinion on the code of conduct and ethics and the internal policies and regulations that develop and implement it and on subsequent revisions, as well as on Banco Montepio's whistleblowing policy, and periodically monitor their compliance;

l) Issue a detailed opinion, that includes a summary of the deficiencies detected by any functional unit, in the context of the implemented processes and controls, and the identification of the recommendations issued on the efficacy and adequacy of the governance and risk management systems, under the terms defined in Banco de Portugal Notice no. 3/2020;

m) Issue a prior opinion on policies for the management of conflicts of interest and transactions with related parties, know the list of related parties and issue a prior opinion on transactions subject to this, in accordance with said policies and applicable legal and regulatory provisions;

n) Issue an opinion on the internal control system for combating and preventing money laundering and financing of terrorism in accordance with the applicable legal and regulatory provisions;

o) Issue an opinion prior to the Board of Directors' approval on the control functions' Articles of Association, regulations, activity plan (including the audit action plan) and resources (material and technical);

p) Issue prior authorisations for the subcontracting of specific operational tasks of the internal control functions.

B) Regarding the risk management system

q) Supervise the strategy defined by Banco Montepio concerning risks, including on risk appetite and the risk management framework to which Banco Montepio is subject, and oversee decisions that involve significant risk-taking, in particular for the purposes of Article 27 of Notice no. 3/2020;

r) Analyse the decision to exclude risk categories under Article 21 of Notice no. 3/2020 and periodically supervise the implementation of the overall risk policy, the risk appetite statement and the policy on capital and liquidity;
s) Periodically analyse the key prudential indicators and compliance with the capital and liquidity requirements, and the valuation exercises of materially relevant assets;
t) Issue a prior opinion and periodically monitor the implementation and effectiveness of the risk management processes, taking into account the assessments that have been made and opinions issued by the Risk Committee ("CR" or "CRI"), as well as any of its communications to the Audit Committee, regarding situations of which it is aware that affect the institution's risk situation;
u) Issue a prior opinion with and periodically monitor the implementation of the policy for approval of new products and services.

The Audit Committee is responsible, within the scope of its competencies, and together with the Board of Directors, to ensure that the Bank's organisational culture and the governance and internal control systems, including remuneration practices and policies and other matters discussed in Banco de Portugal Notice no. 3/2020, are appropriate, and promote sound and prudent management.

3.2 Training

During 2024, the Audit Committee's members received a series of training courses, the following of which are highlighted due to their relevance:

Name	Training	Date
Clementina Maria Dâmaso de Jesus Silva Barroso	PBCFT - Trade Finance (KPMG Advisory)	Jan/24
	PBCFT– Regulatory Changes (KPMG Advisory)	Jan/24
	Internal Control	Jan/24
	Cybersecurity Program 2024 (KnowBe4)	Jun/24
	GDPR 2024 (5 modules)	Nov/24
	Advanced Program for Non-Executive Directors (Instituto Português de Corporate Governance)	Nov/24
	Advanced Program in Artificial Intelligence for Directors *(Instituto Português de Corporate Governance*)	Dec/24
Name	**Training**	**Date**
Florbela dos Anjos Frescata Lima	Internal Control	Jan/24
	PBCFT - Trade Finance (*KPMG Advisory*)	Feb/24
	GDPR 2024 (5 modules)	Sep/24

Name	Training	Date
Maria Cândida de Carvalho Peixoto	PBCFT - Trade Finance (*KPMG Advisory*)	Mar/24
	Internal Control	Mar/24
	Cybersecurity Program 2024 (KnowBe4)	Jun/24
	GDPR 2024 (4 modules)	Sep/24

Name	Training	Date
Maria Lúcia Ramos Bica	Internal Control	Jan/24
	PBCFT - Trade Finance (*KPMG Advisory*)	Feb/24
	PBCFT– Regulatory Changes (KPMG Advisory)	Mar/24
	Cybersecurity Program 2024 (KnowBe4)	Jun/24
	GDPR 2024 (6 modules)	Oct 24

4. Summary of Audit Committee meetings

In compliance with in its Regulations, the Audit Committee ordinarily holds meetings at least eleven times a year and whenever deemed by the Chairman or requested by any of the other members or by the Chairman of the Board of Directors, and minutes are prepared with the topics discussed and decisions taken. The Audit Committee meetings, totalling 23 in 2024, were held on the dates mentioned below, and were attended by all its members, as expressed in the following table:

Meeting	Nature	Date	# Attendances
1	Ordinary	29/01/2024	4
2	Ordinary	15/02/2024	4
3	Ordinary	26/02/2024	4
4	Extraordinary	27/02/2024	4
5	Ordinary	14/03/2024	4
6	Ordinary	27/03/2024	4
7	Extraordinary	10/04/2024	4
8	Ordinary	23/04/2024	4
9	Ordinary	26/04/2024	4
10	Ordinary	20/05/2024	4
11	Ordinary	29/05/2024	4
12	Ordinary	17/06/2024	4

13	Ordinary	26/06/2024	4
14	Ordinary	17/07/2024	4
15	Ordinary	30/07/2024	4
16	Ordinary	05/09/2024	4
17	Ordinary	27/09/2024	4
18	Ordinary	17/10/2024	4
19	Ordinary	30/10/2024	4
20	Ordinary	14/11/2024	4
21	Ordinary	27/11/2024	4
22	Ordinary	12/12/2024	4
23	Ordinary	19/12/2024	4

5. Summary of the activities carried out

The Audit Committee exercised its functions on an ongoing basis, with the examination, among other matters, of the periodic reports of the internal auditing, compliance and risk, accounting and financial reporting, internal control and monitoring of the execution of the respective activity plans, as well as the reports and development of the work of the Statutory Auditor (PwC) and, also, the specific audit reports, the monitoring of the implementation of the respective recommendations, as well as the internal policies and regulations and other matters to which it was called to give an opinion, in accordance with the applicable provisions.

The Audit Committee has a multi-annual activity plan, in compliance with the provisions of Article 31(9) of Banco de Portugal Notice no. 3/2020. This plan, in addition to the ongoing monitoring of the activity of the internal control functions (Internal Audit, Risk Management and Compliance) and regular interactions with the external auditors, within the scope of its competencies concerning supervision of the quality and integrity of financial information, includes periodic interactions to monitor the activity of several areas of the Bank, particularly the following:

- Internal Control Office (“GCI”)[2], as part of the follow-up of the internal control system, monitoring the remediation of internal control deficiencies;
- Accounting and Financial Reporting Division ("DCRF"), as part of supervision of the process to prepare and disclose of financial information and main indicators, as well as the monitoring of the measures issued by Banco de Portugal within the scope of the Supervisory Review and Evaluation Process ("SREP") and the monitoring of the Pension Fund;

[2] To date, integrated into the Organisation and Quality Division ("DOQ"), as the Internal Control Department.

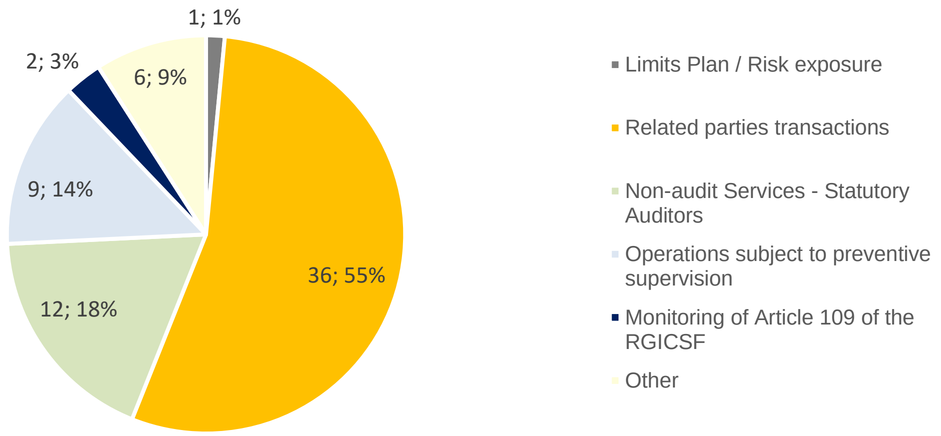
- Strategic Planning and Control Division (DPEC), within the scope of the preparation of the Action Plan and Budget, the monitoring of the strategic plan and budget execution, including the monitoring of the goals of the FCP (Funding & Capital Plan), the deleveraging plans in non-performing assets (non-performing loans and real estate);
- Cybersecurity Office, in the context of monitoring the cybersecurity plan, reports of severe incidents and Information Security Policy;
- Credit Recovery Division, in the context of monitoring Credit Recovery and its policy, and the monitoring of wholesale selling and its policy;
- Marketing Division, within the scope of product risk monitoring;
- People Management Division, within the scope of the evaluation criteria and objectives of the Control Functions and the structure and variable remuneration criteria of the Control Functions.

The Audit Committee also interacted with the supervisory bodies of the subsidiaries, having held half-yearly meetings to monitor their internal control system and financial reporting.

Globally, the activity plan defined for 2024 was accomplished, with some of the activities identified in the plan having been rescheduled, which are considered for inclusion in the activity plan for 2025.

In addition, unplanned activities were carried out arising from the necessity of the Audit Committee's intervention, for purposes of the issue of an opinion on specific transactions involving the sale of assets, financial and loan operations, transactions with related parties, alteration of risk limits, and other operations.

In 2024, the Audit Committee issued 66 autonomous opinions, all approved unanimously[3]:



Autonomous opinions of the Audit Committee in 2024

[3] The situations in which some Audit Committee members were excused from giving opinions in situations of potential conflict of interest were duly identified.

Note: It should be noted that the graph above refers to autonomous opinions, not exhausting the opinions issued by this Committee. In addition to these, are the opinions issued by the Audit Committee in minutes, in the context of the respective meetings.

Under the supervision of the governance and internal control systems, the Audit Committee issued on 19 December 2024, and submitted, on 23 December 2024, to Banco de Portugal, the assessments inherent to the Individual and Group Self-Assessment Reports – pursuant to Notice no. 3/2020 – and to the Securities Market Commission ("CMVM") pursuant CMVM Regulation no. 9/2020 (amended by CMVM Regulation no. 7/2022).

5.1. Audit by the Statutory Auditor (ROC)

The Audit Committee, as part of its supervision of the Statutory Auditor, monitored the work carried out, appraised the reports and memoranda issued, namely:

i. Approval of the External Auditor's activity plan and monthly follow-up of its execution;

ii. Appraisal of the Desktop Review – Individual and consolidated accounts with reference to 31 March 2024, and 30 September 2024, which included i) the identification of the main variations; ii) the investigation and justification of unusual variations; and iii) specific analyses of risk areas;

iii. Appraisal of the conclusions of the limited review of the individual and consolidated financial statements of Banco Montepio with reference to 30 June 2024;

iv. Appraisal of the conclusions of the statutory audit of the individual and consolidated financial statements of Banco Montepio and its subsidiaries with reference to 31 December 2023 (Legal Certification of Accounts);

v. Appraisal of the report with the conclusions on the processes for preparing prudential and financial reports[4] on the processes for preparing information disclosed to the public and on the adequate compliance, by Banco Montepio, with the duties of disclosure to the public[5];

vi. Monitoring Banco Montepio Group's loan portfolio impairment report with reference date of 30 June 2024, issued on 31 October 2024, and with a reference date of 31 December 2023, issued on 30 April 2024;

vii. Monitoring of the independent reasonable assurance report on the reliability of the procedures and measures adopted by the financial intermediary under Articles 306 to 306-G of the Securities Code, for the period from 1 January to 31 December 2023;

viii. Monitor the follow-up on the evolution of the implementation of the deficiencies reported in the Self-Assessment Report with reference date of 30 November 2023;

ix. Assessment of the performance and control functions activities for the purpose of providing

[4] As required in Article 56(1)(f) of Banco de Portugal Notice no. 3/2020.
[5] Pursuant to Article 56(1)(g) and (h) of Banco de Portugal Notice no. 3/2020, respectively.

an opinion on the quality of performance and adequate independence of control functions; and

x. Analysis of the Memorandum on the Assessment of the Internal Control System - Limited Statement of Assurance issued by PwC, with reference to 30 November 2024.

5.2. Supervision of the Internal Audit Function

In addition to the analysis of the quarterly monitoring reports of the activity plan of the Internal Audit Division ("DAI"), the Audit Committee carried out the monthly analysis of the specific internal audit reports issued by the Internal Audit Division.

The Audit Committee assessed, in addition to the analysis of the reports of the internal audit function of the parent company, the specific internal audit reports and other activities, the reports issued by the Internal Audit Division within the Group, highlighting the audits carried out in 2024 regarding the coherence of the Group's Internal Control System, the annual reports on the evaluation of Internal Governance and Risk Culture, the audit reports on compliance with the remuneration policies of the Banco Montepio Group entities and the report on the audit of the process of preparation, monitoring and execution of the 2024 Recovery Plan.

The Audit Committee appraised and approved the annual Internal Audit Plans for 2025 for the Banco Montepio Group entities on 12 December 2024. The Internal Audit Independence Self-Assessment Report was also appraised on 19 December 2024 (under the terms of Article 32(1)(d) of Banco de Portugal Notice 3/2020).

5.3. Supervision of the Risk Management Function

Under its follow-up of the Risk Management Function, the Audit Committee carried out the quarterly analysis of the evolution of the activity plan of the Risk Division ("DRI") and the periodic analysis of the specific reports issued by the Risk Division, namely:

- Issuance of an opinion on the review of the Internal Regulations of the Risk Management Function (PLT 8/2024);
- Issuing an opinion on the revision of Risk Division’s Organic Statute
- Analysis of and opinion on the 2023 Internal Capital Adequacy Assessment Process (ICAAP) and 2023 Internal Liquidity Adequacy Assessment Process (ILAAP) reports;
- Monthly monitoring of the limits foreseen in Article 109 of the RGICSF, reported quarterly to Banco de Portugal;
- Appraisal and issuance of an opinion on the Risk Management Function Activity Plan for 2024;

- Annual assessment of Material Risks and Risk Appetite Statement (RAS);
- Appraisal of the monthly RAS monitoring reports and the attached Risk Reports;
- Half-yearly analysis of the ESG Risk report;
- Analysis of the Market Discipline report.

Additionally, a review and elaboration of risk management and monitoring policies was carried out, highlighting in 2024 the following on which the Audit Committee issued an opinion:

- Credit Risk Policy;
- Investment and Market Risk Management Policy;
- Banco Montepio Group Risk Management Policy;
- Banco Montepio Group Risk Appetite Policy;
- Business Continuity Management Policy;
- Pension Fund Risk Management Policy;
- Liquidity Risk Management Policy;
- Resolvability Policy;
- Stress Testing Policy;
- ESG Risk Management Policy;
- Default Exposure, Non-Performing Exposure (NPE), Impairment Exposure (IFRS 9) and Financial Distress Restructuring Policy;
- Loan Granting Policy (formerly Credit Risk Regulation).

With regard to the appraisal and issuance of opinions on policies related to material risks, and the monitoring of the activity carried out by the Risk Management Function, reflected in the reports listed above, the Audit Committee, within the scope of its duty to supervise the effectiveness of the risk management system, carried out the following activities:

- Analysis and issuance of an opinion on the Banco Montepio Group's 2024 Recovery Plan, as part of the annual review, prepared to ensure alignment with other management and risk mechanisms and instruments, such as the Risk Appetite Statement (RAS), ICAAP, ILAAP, the contingent management mechanisms related to the Business Continuity Plan and the Solvability Plan.
- Appraisal of the Risk Independence Report (pursuant to Article 27(1s) of Banco de Portugal Notice no. 3/2020);
- Analysis of the status of activities within the scope of the resolvability exercise.

5.4. Supervision of the Compliance Function

In the context of monitoring the effectiveness of the internal control system, in particular in the context of risks related to compliance, Money Laundering and Financing of Terrorism, the Audit Committee followed the activity carried out by the Compliance area, appraising and issuing opinions, whenever applicable, on the following matters:

- Assessment and issuance of an opinion on the Compliance Plan for 2024;
- Monitoring of the 2024 Compliance Function Activity Plan and its deficiencies;
- Analysis of the Compliance Division's monthly, quarterly, half-yearly and annual reports;
- Assessment and issuance of an opinion on the Report on Prevention of Money Laundering and Financing of Terrorism 2023;
- Assessment of the Compliance Independence Report (pursuant to Article 28(1)(p) of Banco de Portugal Notice no. 3/2020);
- Assessment of the critical review of the operations examined by the Compliance Division under prevention of Money Laundering and Financing of Terrorism;
- Assessment of the Report on non-compliance with the Code of Conduct;
- Assessment of the Monitoring Report of Transactions with Related Parties.
- Assessment of the Control Report on Regulatory Reporting.

Regarding the regulatory review, the issuance of an opinion by the Audit Committee, in the period, to the following compliance policies stands out:

- Code of Conduct
- Banco Montepio Group Subsidiaries Compliance Reporting Policy;
- Policy for the Selection and Appointment of the Statutory Auditor (ROC), in accordance with Article 38(1) of Notice 3/2020;
- Transactions with Related Parties Policy;
- Policy on Prevention of Money Laundering and the Financing of Terrorism;
- Policy on Sanctions;
- Policy on Customer Acceptance and Maintenance;
- Market Abuse Regulation Policy;
- Policy for the prevention, communication and resolution of conflicts of interest;
- Policy on Reporting of Irregularities (Whistleblowing);
- Policy applicable to non-conventional or non-transparent structures and activities;
- Reputational Risk Management Policy;
- Product Governance Policy;

Reference is also made to the follow-up in 2024 of different topics concerning Prevention of Money Laundering and Financing of Terrorism, in particular, on 27 September 2024, the issuance of the Opinion on the Internal Control System regarding the Prevention of Money Laundering and Financing of Terrorism ("RPB"), in compliance with the legal and regulatory rules in force, namely the requirements of that system, defined in Banco de Portugal Notice no. 1/2022.

5.5. Monitoring the Internal Control Deficiency Resolution

As part of its functions and responsibilities in terms of overseeing the effectiveness of the internal auditing, risk management, internal control and compliance systems, the Audit Committee regularly monitors the deficiency resolution process, the implementation of which is monitored by the Internal Control Office ("GCI").

5.6. Supervision of the process of preparation and disclosure of financial information

Under its competencies in terms of overseeing the quality and integrity of financial information, during the year 2024, the Audit Committee monitored monthly the preparation of the financial statements, on an individual and consolidated basis, the main financial indicators, and the closing process of the accounts for 2023, having issued an opinion on the Management Report, the Individual and Consolidated Financial Statements and the respective explanatory notes for 2023.

Reports analysing the Individual and Consolidated Financial Statements for 2024 and the Half-Yearly Report and Accounts for June 2024 have been submitted to the Audit Committee for analysis on a monthly basis, and the process of closing the annual accounts for 2024 is being monitored.

The Audit Committee also closely checked the monitoring process of SREP measures, in collaboration with the Accounting and Financial Reporting Division, throughout 2024.

In addition, the Audit Committee analysed the information regarding the Futuro Pension Fund Report, presented by the Accounting and Financial Reporting Division, and issued an opinion on the Accounting Derecognition of Financial Assets (Write-Off) Policy.

5.7. Monitoring the Strategic Plan and budget execution

In the context of Strategic Planning and Control, the Audit Committee ensured the quarterly follow-up of the Strategic Plan and budget implementation, including control of the Funding & Capital Plan and Budget objectives, activities, and risk, prudential capital and liquidity, efficiency and profitability indicators.

On 19 December 2024, the Audit Committee issued a favourable opinion on the Planning and Budget for 2025 and Projections up to 2027, analysing, among other things, the assumptions underlying the exercise and the respective reasoning, economic risks, the expected evolution of results and activity indicators.

The Audit Committee also considered the alignment with the strategic plan contained in the Triple A Programme, with the various planned initiatives being considered in the planning exercise.

5.8. Monitoring of non-productive assets

The Credit Recovery Division ("DRC") submits to the Audit Committee every six months, according to the defined plan, an Credit Recovery Overview, covering the wholesale sale of Non-Performing Loans (NPL), and in this context, the reports presented by Strategic Planning and Control Division regarding the control of Non-Performing Loans (NPL) and real estate activity are also assessed by the Audit Committee, on a quarterly basis.

5.9. Participation in delegated Commissions and other work meetings

- **Internal Control Commission ("COMCI")**

Participation of the Audit Committee's Chair, Clementina Barroso, as an advisory member, in five meetings of the Internal Control Commission.

- **Irregularities Commission**

The Irregularities Commission (COMIR) is a structure designated by the Audit Committee, to which it has delegated competencies concerning the procedures for receiving, analysing and dealing with communications of irregularities foreseen in the Policy for the reporting of irregularities. The Irregularities Commission main mission is therefore to support the Audit Committee in the process of analysing and dealing with irregularities received at Banco Montepio under the aforementioned Policy for the reporting of irregularities.

Composed of the directors of the Compliance Division and Internal Audit Division and chaired by a member of the Audit Committee (Maria Lúcia Bica), the Irregularities Commission took office in January 2023. In 2024, in addition to the specific irregularities' reports received, the Audit Committee analysed the Irregularities Commission half-yearly activity reports and approved the annual irregularities report for 2024.

In 2024, the Audit Committee promoted the revision of the Policy for the reporting of irregularities (Whistleblowing), with the contribution of the Irregularities Commission, and the Operational Manual on the process of analysis and treatment of Irregularities was also revised in 2024.

The Irregularities Commission Regulation was revised and approved by the Commission on 17 July 2024, with the aim of updating the Committee's competencies and clarifying its operating rules.

- **Sustainability Working Group**

Participation of Florbela Lima (as an observer), as the Audit Committee's representative for ESG issues, at meetings of the Working Group on ESG risk monitoring.

- **Meetings with the Supervisor**

Participation of the Audit Committee's Chair, Clementina Barroso, in meetings with Banco de Portugal.
The Audit Committee participated in a meeting with Banco de Portugal.

6. Decisions and recommendations issued

A series of decisions of the Audit Committee were implemented, by the areas, during 2024, in particular those related to the different opinions on the Policies referred to above. Recommendations were also issued, aimed at enhancing the indicators, methodologies of analysis and monitoring, development and timeliness of processes. These include: (i) recommendations resulting from the autonomous opinions issued and related to transactions with related parties; and (ii) recommendations issued following the deliberations on the reports of irregularities.

Every month, at formal Audit Committee meetings, the execution and adoption of resolutions and recommendations is monitored.

7. Conclusion

The activity carried out throughout 2024 is considered to have resulted in a satisfactory overall level of execution of the 2024 Activity Plan, despite the opportunities to improve the level of implementation in some areas and the need to ensure the timeliness of the underlying activities. In particular, it will be relevant to maintain the effort that has been undertaken by the organisational units in the timely preparation and review of internal regulations.

The breadth and depth of all the information made available to the Audit Committee throughout the year should be highlighted, as well as the excellent participation of the various officials in the meetings, attesting to their technical capacity, dedication and professionalism.

The Audit Committee highlights the good institutional cooperation in the relations established with the Board of Directors, the Executive Committee, the Risk Committee, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, the Divisions and Offices belonging to the Institution's organisational structure and the Statutory Auditor – PwC, as well as with the Supervisor.

The Audit Committee notes with great appreciation the sense of collaboration, the technical quality and the dedication to Banco Montepio of managers and employees of the Organisational Structure with whom it works directly.

Finally, the Audit Committee highlights the appropriateness and timeliness of all the written and oral information that was provided to it, indispensable support to the performance of the competencies and responsibilities inherent to its activity, a fact that greatly contributed to its proper operational functioning as a supervisory body.

Lisbon, 30 January 2025

The Audit Committee

Clementina de Jesus Silva Barroso
(Chairman)

Florbela dos Anjos Frescata Lima

Maria Cândida de Carvalho Peixoto

Maria Lúcia Ramos Bica

OPINION OF THE AUDIT COMMITTEE

ON THE

REPORT AND ACCOUNTS FOR THE FINANCIAL YEAR 2024

1. The Audit Committee ("CAUD"), under regulatory terms and within the scope of its statutory powers and in accordance with the respective Regulations, reviewed the Management Report and the Consolidated and Individual Financial Statements and respective Notes to the Consolidated and Individual Accounts ("Report and Accounts") for the year ended 31 December 2024 of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio").

2. The Audit Committee considered the Additional Report to the Supervisory Body (“RAOF”), issued by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (“PwC”) as well as the Legal Certification of Accounts (“CLC”) and the Audit Reports on the Financial Statements for the year ended 31 December 2024, on an Individual and Consolidated basis, which do not contain any reservation or emphasis. According to the Legal Certification of Accounts issued on an Individual and Consolidated basis, the PwC audit was carried out in conformity with the International Standards on Auditing (“ISA”) and other technical and ethical standards and guidelines established by the Association of Statutory Auditors.

3. The Audit Committee monitored the preparation of the Report and Accounts 2024, drawn up in accordance with the applicable regulatory requirements, and the accounts were prepared in compliance with the International Financial Reporting Standards adopted in the European Union ("IFRS"), namely through: i) meetings, held throughout 2024, with the Accounting and Financial Reporting Division ("DCRF") on the preparation of the accounts; ii) the various interactions with the Statutory Auditor within the scope of the respective audit and review of the financial statements, including the discussion of topics materially relevant to the preparation of the financial reporting documents, iii) meetings with those responsible for the control functions on the evolution of risks and compliance with regulatory provisions and policies (art. 508 of the Commercial Companies Code), iv) the presence of Audit Committee Members at the meeting of the Executive Committee that approved the respective final version for submission to the Board of Directors for approval, and v) interactions with various managers, namely the Executive Directors with the Financial and Risk areas, the Director of Accounting and Financial Reporting, the Director of Strategic Planning and Control, the Director of Risk, the Director of Compliance and the Company Secretary, obtaining all the information and clarifications it deemed relevant.

4. The Legal Certification of Accounts and Audit Reports on Banco Montepio's Individual and Consolidated Financial Statements include the "Relevant Audit Matters", which PwC has identified as being:
   (i) Impairment losses on loans and advances to customers;
   (ii) Measurement of the non-current assets held for sale classified under Other assets;
   (iii) Recoverability of the deferred tax assets;
   (iv) Fair value of financial instruments measured by fair value not listed in active markets – level 3 of the fair value hierarchy;
   (v) Liabilities related to pensions and other benefits;
   (vi) Contingent liabilities.

   The issues in question were systematically monitored by the Audit Committee throughout the year, as evidenced in its minutes.

   PwC concludes in the Legal Certification of Accounts that the Financial Statements represent truthfully and appropriately, in all material respects, the Consolidated and Individual financial position of Caixa Económica Montepio Geral and its financial performance and Consolidated Cash Flows as at 31 December 2024.

5. To the best of the Audit Committee's knowledge, the Individual and Consolidated Financial Statements were prepared in accordance with the applicable Accounting Standards in force on 31 December 2024, reporting, truthfully and appropriately, in all material respects, the financial situation and results of Banco Montepio and the companies included in its consolidation perimeter. Likewise, and with the same assumptions, the Audit Committee considers that the Management Report reliably describes the business evolution, performance and financial position of Banco Montepio and the companies included in the consolidation perimeter and contains a description of the relevant risks and challenges to which they are exposed. Also noteworthy is the inclusion, in the Management Report, of a chapter on Sustainability, which includes the disclosure of non-financial information, within the framework of legal requirements.

6. In conclusion, the Audit Committee expresses its agreement with the content of the Legal Certification of Accounts and the Audit Reports prepared by PwC and issues a favourable opinion on Banco Montepio's Report and Accounts, which includes the Financial Statements, on an Individual and Consolidated basis, for the year ended 31 December 2024.

7. In view of the above, taking into account the information provided to the Audit Committee, its supervisory action and not being aware of any circumstance that hinders the issuance of this opinion,

and in compliance with the provisions in Article 423-F(1")(g), in Article 420(5) and (6), *ex vi* of Article 423-F(2), all of the Commercial Companies Code ("CSC), the Audit Committee is of the opinion that the General Meeting of Banco Montepio should approve:

a) the Report and Accounts, including the various Individual and Consolidated financial statements for the year ended 31 December 2024;
b) the information on Corporate Governance for the 2024 financial year, included in the Corporate Governance Report included in the Report and Accounts, and the disclosure of non-financial information on Sustainability;
c) the Board of Directors' proposal on the allocation of the positive net income of the value of 102,094,991.99 euros recorded in the Individual Balance sheet relative to 2024, as follows:
    i. To reinforce the Legal Reserves: 10,209,499.20 euros;
    ii. For Dividend Distribution: 30,613,000.00 euros;
    iii. To Retained Earnings: 61,272,492.79 euros.

Finally, the Audit Committee expresses its thanks to the Board of Directors, the Executive Committee and the managers and employees of the various departments, as well as the Audit Firm, for the collaboration and work carried out within the scope of their respective duties.

Lisbon, 7 April 2025

The Audit Committee

Clementina de Jesus Silva Barroso (Chairman)

Florbela dos Anjos Frescata Lima

Maria Cândida de Carvalho Peixoto

Maria Lúcia Ramos Bica

Annual Self-Assessment Report Summary (Group)

for the period from 1 December 2023 to 30 November 2024

This document is submitted pursuant to Article 60(1) of Banco de Portugal Notice no. 3/2020 (hereinafter referred to as "Notice no. 3/2020" or "Notice") and is intended to be published as an annex to the annual financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as "Banco Montepio" or "Bank").

The Annual Self-Assessment Report (hereinafter abbreviated as "Report"), prepared in accordance with the provisions set forth in Article 54 of Notice no. 3/2020 and Banco de Portugal Instruction no. 18/2020 (hereinafter "Instruction no. 18/2020" or "Instruction"), includes the assessments of the Group's Supervisory Body and Management Body, pursuant to Article 56 of the Notice, approved, respectively, at the Audit Committee ("CAUD") meeting of 19 December 2024 and at the Board of Directors ("CA") meeting of 20 December 2024, and contains the results of the assessment carried out by Banco Montepio, as the parent company of the Banco Montepio Group (hereinafter abbreviated to "Group" or "GBM"), on the adequacy and effectiveness of the organisational culture in force at the Group and its instituted governance and internal control systems, as well as the coherence between the internal control systems of subsidiaries and the internal control system of the parent company, with reference to the period from 1 December 2023 to 30 November 2024.

The Report includes a description of the Group's organisational structure and governance model, which are considered to be aligned with the best market practices in terms of corporate governance, as well as a description of the functioning of the corporate internal control functions and identification of the persons responsible for them.

In this regard, it should be noted that with the completion of the transfer of the business of Montepio Investimento, S.A. (Banco de Empresas Montepio – "BEM") to Banco Montepio (Carve-Out), the governance and internal control structure of BEM was adjusted, in accordance with a the judgement of proportionality, in view of the reduction of its activity and balance sheet, up to the closing date of the equity stake's sale - subject to obtaining the necessary authorisations from the supervisory and regulatory authorities, ensuring compliance with the legal and regulatory reporting obligations applicable to BEM.[1]

Furthermore, the Group Report includes the current situation of the measures defined in the Gap Analysis carried out in 2021, respecting to compliance with Notice no. 3/2020, and which continued outstanding on the reference date of 30 November 2024. On the other hand, the Group Report includes an overall analysis of the internal control deficiencies of all the Group entities, which includes the description and characterisation of the outstanding deficiencies on the reference date with a high or severe risk classification.

During the preparation of the Group Report, the individual self-assessment reports of the Group entities subject to compliance with the Notice and Instruction were incorporated, which in turn include the annual self-assessment/independence reports of those responsible for the risk management, compliance and internal audit functions, pursuant to Articles 27, 28 and 32, respectively, of the Notice. In these annual self-assessment reports, the independence of each of the internal control functions is confirmed by the respective persons in charge. The Report also considered the assessments of the Supervisory and Management Bodies of the different Group entities covered, pursuant to Articles 56 and 57 of the Notice, respectively.

As part of the assessment of the Group's parent company Supervisory Body, the Audit Committee of Banco Montepio states that it has become aware, on a quarterly basis, of the evolution of the Group's universe of internal control deficiencies, taking into account their classification and seniority, as well as the areas responsible for implementing the respective action plans, namely those classified as F3 ("High") and F4 ("Severe"), reported under Article 2(c) of Banco de Portugal Instruction no. 18/2020. In this regard, the Audit Committee concludes, based on the work carried out, the information and clarifications provided, the evidence analysed and the appraisals made, that, although there are opportunities to improve the governance and internal control system, as well as the process of remedying deficiencies in the entities and Group, the principle of coherence is reasonably applied throughout the organisational culture and the governance and internal control systems as a whole within the Group.

[1] In this regard, it is stressed that the Individual Self-Assessment Report of BEM was prepared pursuant to the terms agreed with Banco de Portugal, namely, via submission, on 23 December 2024, of the simplified template indicated by Banco de Portugal.

Banco Montepio

Audit Committee

In turn, under the assessment of Management Body of the Group's parent company, the Board of Directors of Banco Montepio, having analysed F3 deficiencies and F4 deficiency or others that, as a whole together, could jeopardise the Group’s control environment, and based on the work and assessment carried out, concluded that the Group's internal control system is adequate and efficient, in view of the requirements defined in the Notice.

Lisbon, 27 March 2025

The Audit Committee

____

Clementina de Jesus Silva Barroso (Chairman)

____

Florbela dos Anjos Frescata Lima

____

Maria Cândida de Carvalho Peixoto

____

Maria Lúcia Ramos Bica

Banco Montepio

Audit Committee

Annual Self-Assessment Report Summary (Individual)
for the period from 1 December 2023 to 30 November 2024

This document is submitted in compliance with Article 60(1) of Banco de Portugal Notice no. 3/2020 (hereinafter referred to as “Notice”) and is intended to be published as an annex to the annual financial statement documents of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “Banco Montepio” or “Bank”).

The Annual Self-Assessment Report (hereinafter referred to as “Report”), prepared in accordance with the provisions of Article 54 of the Notice and Banco de Portugal Instruction no. 18/2020, includes the Assessment of the Supervisory Body, pursuant to Article 56 of the Notice, approved at the Audit Committee (“CAUD”) meeting of 19 December 2024, the Assessment of the Management Body, pursuant to Article 57 of the Notice, approved at the Board of Directors (“CA”) meeting of 20 December 2024, and contains the results of the assessment carried out by Banco Montepio on the adequacy and effectiveness of the organisational culture in force at the Institution and its governance and internal control systems, including remuneration practices and policies and other matters covered in the Notice, with reference to the period from 1 December 2023 to 30 November 2024.

The Report describes Banco Montepio's organisational structure and governance model, as well as the methodology underlying the continuous monitoring of the Internal Control System. In addition, the Report includes a global analysis of internal control deficiencies, which includes a description and characterisation of the outstanding deficiencies at the reporting date, showing a clear improvement in the timely resolution of deficiencies by the areas, which led to a decrease in old and/or overdue deficiencies. Regarding this, the favourable evolution observed in the rate of resolution of deficiencies from previous years is noteworthy.

The Report’s preparation involved the drafting of the annual self-assessment reports of the Risk Management, Compliance and Internal Audit Functions, pursuant to Articles 27, 28 and 32 of the Notice, which confirm the inexistence of constraints that materially compromise, currently or in the future, the independent performance of those functions, and describe the deficiencies pointed to each of the Control Functions referred to above.

Regarding the assessment carried out under the terms of article 56 of the Notice, the Audit Committee, based on the work carried out and on the information gathered, concluded that the organisational culture and its governance and internal control systems were adequate and effective in all materially relevant aspects, in accordance with the requirements set out in the Notice.

The Audit Committee noted that there are still deficiencies whose current and potential impacts have been considered for the purposes of the conclusions drawn above, requiring, nevertheless, implementation of the appropriate procedures and controls with a view to the continuous strengthening of the organisational culture and of the governance and internal control systems, in order to ensure the full adoption of the requirements set out in the Notice.

The deficiencies identified are known to the Audit Committee, namely the deficiency F4 ("severe" risk level) and the deficiencies F3 ("high" risk level), which are subject to corrective measures and a systematic monitoring process and were reported in accordance with the provisions of Article 2(c) of Instruction of Banco de Portugal No. 18/2020.

The Audit Committee assessed the adequacy of the quality, performance and independence of the internal control functions, including the operational tasks that are subcontracted to the level of the internal control functions.

The Audit Committee concluded that the processes for preparing prudential and financial reports, including those carried out under Committee Implementing Regulation (EU) No 680/2014 of 16 April 2014 in the reporting period, are reliable, as well as the processes for preparing publicly disclosed information by the Bank under applicable laws and regulations, including financial and prudential information. It also noted that the duties to publish information released to the public by the Bank under applicable laws and regulations, which relate to matters foreseen in the Notice, were adequately fulfilled during the reference period.

As final notes, the Audit Committee understands that the Bank should continue to make the best efforts to remedy the deficiencies identified, with special focus on those of high (F3) or severe (F4) risk, ensuring timely compliance with the defined action plans and deadlines, promoting the continuous improvement of the effectiveness of controls associated with the Bank's main processes and the robustness of the internal governance system and risk culture.

In view of the work carried out and on the information available, identified in the Self-Assessment Report, and considering the opinion issued by the Audit Committee, the Board of Directors of Banco Montepio issued an opinion considering that the organisational culture, the governance and internal control systems, the remuneration practices and policies, and the other matters discussed in the Notice, in force at Banco Montepio, reveal an adequate and effective response to the requirements defined by the Notice, considering the deficiencies identified by the Bank's control functions, the External Auditor and the Supervisory Entities.

Lisbon, 27 March 2025

The Audit Committee

____

Clementina de Jesus Silva Barroso (Chairman)

____

Florbela dos Anjos Frescata Lima

____

Maria Cândida de Carvalho Peixoto

____

Maria Lúcia Ramos Bica

EXTERNAL AUDITOR REPORTS

United Nations
Global Compact

2022

With the winds of the pandemic clearly subsiding, came the news that Banco Montepio was joining the UN Global Compact, committing to align its mission with 10 principles in the areas of human rights, labor practices, environmental protection, and anti-corruption, reporting its progress annually to the United Nations. We were 178 years old.

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Group"), which comprise the consolidated Balance sheet as at 31 December 2024 (which shows total assets of Euros 18.414.778 thousand and total shareholders' equity of Euros 1.674.359 thousand including a consolidated net gain of Euros 109.887 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. as of 31 December 2024, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law, we are independent of entities that make up the Group, and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Audit Approach
Impairment losses on loans and advances to customers *<u>Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point c), 13, 21 and 53 to the consolidated financial statements of the Group</u>*	
As of 31 December 2024, the gross amount of loans and advances to customers amounts to Euros 12.161.896 thousand and the corresponding impairment losses recognized at that date amounts to Euros 216.891 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires the processing a significant volume of data, a set of complex assumptions and judgements, in particular the adaptation to complex macroeconomic scenarios, from the Group's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount, justify that this has been a key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the loan's portfolio and for the remaining portfolio determined through collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Group and the possible existence of signs of default, the Group performs an individual analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities; and/or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual impairment quantification analysis, the Group	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Group for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, and the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients with the objective of: (i) reviewing the conclusions and results obtained by the Group in the staging analysis and in the impairment quantification; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk or default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. Our sample selection was based on risk and materiality criteria, selecting clients within Banco Montepio's individual analysis perimeter based on the criteria defined in internal regulations, as well as other clients in the credit portfolio deemed relevant. For the clients individually analysed by Banco Montepio, it was also confirmed that the individual analysis perimeter included all exposures that met the criteria defined by the Group in its internal policies. Thus, for the sample of exposures selected, the procedures we developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the capacity and compliance with debt service; (iii) examining the criteria for determining significant increases in credit risk (stage 2) and impairment situations (stage 3) on an individual basis; (iv) reviewing the incorporation of forward-looking information into the analysis; (v) assessing the evolution of exposures; and (vi) understanding the Group's management body's view regarding the economic and financial situation of the clients and the predictability of expected cash flows from their businesses, as well as the prospects of credit collectability. For the specific case of individual

Key Audit Matter	Summary of the Audit Approach
developed collective analysis models to determine expected credit losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of its credit risk since the date of its recognition and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the economic context and simultaneously to incorporate a perspective of future economic evolution, these models also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the housing price index, (iv) the expected variation rate of the private consumption; or (v) the prospects for the evolution of exports of goods and services. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment of the Group's loan portfolio, based on a probability of occurrence. Considering the above, changes in the assumptions or methodologies used by the Group in the analysis and quantification of impairment losses of the customer loan portfolio, as well as different recovery strategies, condition the estimate of recovery flows and the timing of their receipt, and may have relevant impacts on the amount of impairment losses determined at any given time.	impairment quantification analysis (stage 3), we performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for the purpose of determining impairment, with the respective contracts; (ii) the most relevant collaterals, including their most recent appraisals, confirming the respective registration in benefit of Banco Montepio; and (iii) the discounted cash flows underlying the impairment calculation. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Group, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Group's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) analysis of the Group's definition of default and the criteria applied in the classification of staging, on a sample basis; (iv) review and testing of the main risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) the analysis of the documentation of the backtesting exercise of the risk parameters and its results, when available; (vii) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (viii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2024. Additionally, for a sample of relevant sales operations carried out during the year, our procedures also included obtaining the documents that formalized these operations and analysing the impact reflected in the Group´s financial statements. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented in the Group's notes to the consolidated financial statements, considering the applicable accounting standards in force.

Key Audit Matter	Summary of the Audit Approach
Measurement of non-current assets held for sale classified in Other Assets *Measurement and disclosures related to the valuation of non-current assets held for sale classified in Other assets presented in notes 1 point h) and 33 to the consolidated financial statements of the Group*	
As of 31 December 2024, the net value of non-current assets held for sale classified in Other Assets amounts to Euros 144.472 thousand. According with the policies in force at the Group, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Group's consolidated balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management body for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	The audit procedures developed included the assessment of the key controls implemented by the Group to identify the real estate properties with impairment risk, to determine the corresponding amounts of impairment losses. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Group, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Group's notes to the consolidated financial statements, considering the applicable accounting standards in force.
Recoverability of deferred tax assets *Measurement and disclosures related to deferred tax assets presented in notes 1 points s) and 32 to the consolidated financial statements of the Group*	
As of 31 December 2024, the deferred tax assets amounts to Euros 333.817 thousand, of which the recoverability of Euros 311.628 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime	The audit procedures developed included the identification and understanding of key controls established by Banco Montepio related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the

Key Audit Matter	*Summary of the Audit Approach*
applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 11.993 thousand related to the impairment losses for loans and guarantees; (ii) Euros 28.678 thousand related to other impairment losses, provisions and other taxed amounts; (iii) Euros 37.483 thousand related to employee benefits and; (iv) Euros 233.474 thousand originated by tax losses. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Despite the extension of the time horizon for recovering tax losses, the management body carried out the recoverability analysis of deferred tax assets and based it on projections of the Banco Montepio's activity and results for the period from 2025 to 2035. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Banco Montepio's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the consolidated financial statements of the Group and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonableness of the Banco Montepio's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2025-2035, taking into account the main assumptions used, the profit before taxes presented in the past years, the Banco Montepio's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by Banco Montepio that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, our internal specialists in tax matters. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Group's notes to the consolidated financial statements, considering the applicable accounting standards in force.
Fair value of financial instruments measured at fair value not listed in an active market – level 3 of the fair value hierarchy *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presented in note 47 to the consolidated financial statements of the Group.* As of 31 December 2024, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 129.329 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income; (ii) derivatives classified as financial assets held for trading; and (iii) investments in real estate and venture capital funds classified in the financial assets	The audit procedures we developed included the identification and understanding of the key controls instituted by the Group underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of financial instruments whose measurement was substantially based on

Key Audit Matter	*Summary of the Audit Approach*
at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Group determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and data to be used. Due to its expression in the context of the Group’s consolidated financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	unobservable data (level 3 of the fair value hierarchy), our procedures included: (i) understanding the methodologies and main assumptions used by the Group; (ii) the assessment of whether the models developed by the Group and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes to the Group's consolidated financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits *Measurement and disclosures related to employees’ post-employment benefits presented in notes 1 point r), 10, 33 and 48 to the consolidated financial statements of the Group.*	
As of 31 December 2024, the liabilities resulting from past services in relation to its pensioners, employees and directors amounts to Euros 781.473 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement (“Acordo Coletivo de Trabalho”) of Banco Montepio. These responsibilities are mostly financed by the allocated Pension Fund, whose asset value at the end of 2024 financial year amounts to Euros 823.415 thousand. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority. These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behavior of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market	The audit procedures developed included the identification and understanding of the key controls instituted by the Group to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the pension fund’s assets fair value estimation process. The audit work included the analysis of the actuarial study prepared by the independent actuary with reference to 31 December 2024 and the performance of meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained, when available. A compliance review was also performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of costs related to past services and of other changes in assumptions and estimates that

Key Audit Matter	*Summary of the Audit Approach*
rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. Thus, this subject was considered a key matter for the purposes of our audit.	occurred during the year; and (iii) the fair value of the Pension Fund's assets, independently calculating its value for a sample of assets. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Group's notes to the financial statements, considering the applicable accounting standards in force.
Contingent Liabilities *Disclosures related to contingent liabilities presented in notes 1 point u) and 56 attached to the consolidated financial statements of the Group.* From the contingent liabilities disclosed in note 56 to the consolidated financial statements of the Group as of 31 December 2024, highlights the process of administrative offense initiated by the Competition Authority. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of Euros 13 million was imposed on the Banco Montepio. Banco Montepio understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision ("TCRS"). By decision of the aforementioned Court, Banco Montepio posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by Banco Montepio. In April 2022, the TCRS issued a decision in which it analysed the facts that were proven, but did not rule on any sanctions, deciding instead to suspend the proceedings and refer two preliminary questions to the Court of Justice of the European Union ("TJUE") under Article 267 of the TFEU. On 29 July 2024, the TJUE issued its judgment declaring that the matter reviewed should be classified as an infringement by object. Subsequently, on 20 September 2024, the TCRS confirmed the fine imposed on Banco Montepio by the Competition Authority, amounting to Euros 13 million,	The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by Banco Montepio with regard to the identification and monitoring of contingent liabilities. Given the significance and complexity of the judgments required from the management body, in the context of our audit, we carried out, among others, the following procedures regarding the process initiated by the Competition Authority and related proceedings: (i) analysis of Banco Montepio's assessment regarding the nature and status of the said proceedings, which underpins the decision not to make provisions; and (ii) evaluation of the information obtained from the Banco Montepio's external lawyers who are handling the cases, as well as a review of the interpretation of applicable legislation with the involvement of specialists in the matters under consideration. We also analysed the information available on developments that occurred in these proceedings after 31 December 2024. Our audit procedures also included a review of the disclosures on contingent liabilities, contained in the notes to the Group´s financial statements, considering the accounting standards applicable and in force.

Key Audit Matter	*Summary of the Audit Approach*
with Banco Montepio appealing the decision to the Lisbon Court of Appeal. On 10 February 2025, the Lisbon Court of Appeal ruled that the case is statute-barred, and later that month, the Competition Authority appealed the decision to the Constitutional Court, but as of now, the aforementioned appeal has not been notified to Banco Montepio. Additionally, during the first semester of 2024, three declarative class actions were filed against a group of financial institutions, including Banco Montepio, by consumer protection associations (“class actions”), seeking compensation for damages caused to consumers resulting from the alleged competition infringement attributed by the Competition Authority. Banco Montepio has contested two of these class actions, while the third is suspended until the completion of the judicial challenge proceedings against the administrative offense. The financial statements as of 31 December 2024 reflect the management body’s expectation that the likelihood of the proceedings initiated by the Competition Authority and the class actions concluding without Banco Montepio having to pay a fine is higher than the likelihood of the opposite occurring. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Banco Montepio's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which Banco Montepio is a party and, to that extent, this was a matter considered relevant for the purposes of our audit.	

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union;

b) the preparation of the consolidated Directors' report, the corporate governance report and the consolidated non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) we planned and performed our audit to obtain sufficient and appropriate audit evidence relating to the financial information of entities or units within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and reviewing the work performed for the Group audit and are ultimately responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the consolidated Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters.

Report on other legal and regulatory requirements

Consolidated Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the consolidated Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Group's consolidated financial statements for the year ended on 31 December 2024 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the consolidated financial statements, in XBRL format using iXBRL technology. the identification and assessment of the risks of material misstatement associated with the marking of information in the consolidated financial statements, in XBRL format using iXBRL technology.

This assessment was based on an understanding of the process implemented by the Group to mark the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Consolidated Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group will prepare a separate report of the Directors' report that includes the consolidated non-financial statement set forth in article No. 508-G of the Portuguese Company Law, which should be published on its website until the legal deadline.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first elected auditors of the Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A. in the General Meeting of Shareholders of 27 May 2019 for the period from 2019 to 2021, keeping us in office until the present period. Our last election took place at the general General Meeting of Shareholders held on 28 April 2023 for the term between 2023 and 2025.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of the same date; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Group in conducting our audit.

7 April 2025

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

Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Bank"), which comprise the individual balance sheet as at 31 December 2024 (which shows total assets of Euros 18.594.030 thousand and total shareholders' equity of Euros 1.679.376 thousand including a net gain of Euros 102.095 thousand), the individual statement of income, the individual statement of comprehensive income, the individual statement of changes in equity and the individual statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. as of 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law, we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183
e na CMVM sob o nº 20161485

Key Audit Matter	Summary of the Audit Approach
Impairment losses on loans and advances to customers	
Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point b), 13, 20 and 49 to the financial statements of the Bank	
As of 31 December 2024, the gross amount of loans and advances to customers amounts to Euros 12.018.989 thousand and the corresponding impairment losses recognized at that date amounts to Euros 203.298 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires the processing a significant volume of data, a set of complex assumptions and judgements, in particular the adaptation to complex macroeconomic scenarios, from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount, justify that this has been a key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the loan's portfolio and for the remaining portfolio determined through collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities and/or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual impairment quantification analysis, the Bank	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, and the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the staging analysis and in the impairment quantification ; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk or default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. Our sample selection was based on risk and materiality criteria, selecting clients within the Bank's individual analysis perimeter based on the criteria defined in internal regulations, as well as other clients in the credit portfolio deemed relevant. For the clients individually analysed by the Bank, it was also confirmed that the individual analysis perimeter included all exposures that met the criteria defined by the Bank in its internal policies. Thus, for the sample of exposures selected, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the capacity and compliance with debt service; (iii) examining the criteria for determining significant increases in credit risk (stage 2) and impairment situations (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information into the analysis; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, and the predictability of expected cash flows from their businesses, as well as the prospects of credit collectability. For the specific case of individual impairment quantification analysis (*stage* 3), we

Key Audit Matter	*Summary of the Audit Approach*
developed collective analysis models to determine expected credit losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of its credit risk since the date of its recognition and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the housing price index, (iv) the expected variation rate of the private consumption; or (v) the prospects for the evolution of exports of goods and services. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment of the Bank's loan portfolio, based on a probability of occurrence. Considering the above, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses of the customer loan portfolio, as well as different recovery strategies, condition the estimate of recovery flows and the timing of their receipt, and may have relevant impacts on the amount of impairment losses determined at any given time.	performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for the purpose of determining impairment, with the respective contracts (ii) the most relevant collaterals and its most recent appraisals, confirming the respective registration in benefit of the Bank; and (iii) the discounted cash flows underlying the impairment calculation. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis; (iv) review and testing of the main risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) the analysis of the documentation of the backtesting exercise of the risk parameters and its results, when available; (vii) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (viii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2024. Additionally, for a sample of relevant sales operations carried out during the year, our procedures also included obtaining the documents that formalized these operations and analysing the impact reflected in the Bank's financial statements. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented in the Bank's notes to the financial statements, considering the applicable accounting standards in force.

Key Audit Matter	Summary of the Audit Approach
Measurement of non-current assets held for sale classified in Other Assets	
Measurement and disclosures related to the valuation of non-current assets held for sale classified in Other assets presented in notes 1 point h) and 30 to the financial statements of the Bank As of 31 December 2024, the net value of non-current assets held for sale classified in Other assets amounts to Euros 138.096 thousand. According with the policies in force at the Bank, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Bank's balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management body for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	The audit procedures developed included the assessment of the key controls implemented by the Bank to identify the real estate properties with impairment risk to determine the corresponding amounts of impairment losses. Our procedures also included the execution of analytical procedures to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Bank, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Bank's notes to the financial statements, considering the applicable accounting standards in force.
Recoverability of deferred tax assets	
Measurement and disclosures related to deferred tax assets presented in notes 1 points r) and 29 to the financial statements of the Bank As of 31 December 2024, the deferred tax assets amounts to Euros 338.747 thousand, of which the recoverability of Euros 316.558 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 11.847 thousand related to the impairment losses for loans and guarantees; (ii) Euros 36.184 thousand related to other impairment losses, provisions and other taxed amounts; (iii) Euros 37.184 thousand related to	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonableness of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the

Key Audit Matter	Summary of the Audit Approach
employee benefits and; (iv) Euros 231.343 thousand originated by tax losses. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Despite the extension of the time horizon for recovering tax losses, the management body carried out the recoverability analysis of deferred tax assets and based it on projections of the Bank's activity and results for the period from 2025 to 2035. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the Bank's financial statements and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	period 2025-2035, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, our internal specialists in tax matters. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's notes to the financial statements, considering the applicable accounting standards in force.
Fair value of financial instruments measured at fair value not listed in an active market – level 3 of the fair value hierarchy *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 44 to the financial statements of the Bank.* As of 31 December 2024, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 172.397 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income; (ii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of instruments whose measurement was substantially based on unobservable data (level 3 of the fair value hierarchy), our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with

Key Audit Matter	*Summary of the Audit Approach*
assumptions and data to be used. Due to its expression in the context of the Bank's financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the Bank's notes to the financial statements, considering the applicable accounting standards in force.
Post-employment benefits and other benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point g), 10, 30 and 45 to the financial statements of the Bank.* As of 31 December 2024, the liabilities resulting from past services of the Bank in relation to its pensioners, employees and directors amounts to Euros 772.527 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement ("Acordo Coletivo de Trabalho") of the Bank. These responsibilities are mostly financed by the allocated Pension Fund, whose asset value at the end of the 2024 financial year amounts to 812.618 thousand Euros. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority. These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behavior of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the pension fund's assets fair value estimation process. The audit work included the analysis of the actuarial study prepared by the independent actuary with reference to 31 December 2024 and the performance of meetings with the management and the independent actuary to identify the methodologies and options considered in the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained, when available. A compliance review was also performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the Pension Fund's assets, independently calculating its value for a sample of assets. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank's notes to the financial statements, considering the applicable accounting

Key Audit Matter	*Summary of the Audit Approach*
assets held to meet these liabilities. Thus, this subject was considered a key matter for the purposes of our audit.	standards in force.
Contingent Liabilities *<u>Disclosures related to contingent liabilities presented in notes 1 point t) and 52 to the financial statements of the Bank.</u>* From the contingent liabilities disclosed in note 52 to the financial statements of the Bank as of 31 December 2024, we highlight the process of administrative offense initiated by the Competition Authority: On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of Euros 13 million was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision ("TCRS"). By decision of the aforementioned Court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. In April 2022, the TCRS issued a decision in which it analyses the facts that were proven, but did not rule on any sanctions, deciding instead to suspend the proceedings and refer two preliminary questions to the Court of Justice of the European Union ("TJUE") under Article 267 of the TFEU. On 29 July 2024, the TJUE issued its judgment declaring that the matter reviewed should be classified as an infringement by object. Subsequently, on 20 September 2024, the TCRS confirmed the fine imposed on the Bank by the Competition Authority, amounting to Euros 13 million, with the Bank appealing the decision to the Lisbon Court of Appeal. On 10 February 2025, the Lisbon Court of Appeal ruled that the case is statute-barred, and later that month, the Competition Authority appealed the decision to the Constitutional Court, but as of now, the aforementioned appeal has not been notified to the Bank. Additionally, during the first semester of 2024, three	The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank regarding the identification and monitoring of contingent liabilities. Given the significance and complexity of the judgments required from the management body, in the context of our audit, we carried out, among others, the following procedures regarding the process initiated by the Competition Authority and related class actions: (i) analysis of the Bank's assessment regarding the nature and status of the said proceedings, which underpins the decision not to make provisions; and (ii) evaluation of the information obtained from the Bank's external lawyers who are handling the cases, as well as a review of the interpretation of applicable legislation with the involvement of specialists in the matters under consideration. We also analysed the information available on developments that occurred in these proceedings after 31 December 2024. Our audit procedures also included a review of the disclosures on contingent liabilities, contained in the Bank´s notes to the financial statements, considering the accounting standards applicable in force.

Key Audit Matter	*Summary of the Audit Approach*
declarative class actions were filed against a group of financial institutions, including the Bank, by consumer protection associations (“class actions”), seeking compensation for damages caused to consumers resulting from the alleged competition infringement attributed by the Competition Authority. The Bank has contested two of these class actions, while the third is suspended until the completion of the judicial challenge proceedings against the administrative offense. The financial statements as of 31 December 2024 reflect the management body’s expectation that the likelihood of the proceedings initiated by the Competition Authority and the class actions concluding without the Bank having to pay a fine is higher than the likelihood of the opposite occurring. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party and, to that extent, this was a matter considered relevant for the purposes of our audit.	

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors’ report, the corporate governance report and the non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Bank's financial statements for the year ended on 31 December 2024 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others, obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format.

In our opinion, the financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation. In our opinion, the financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank will prepare a separate report of the Directors' report that includes the non-financial statement set forth in article No. 66-B of the Portuguese Company Law, which should be published on its website until the legal deadline.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Bank in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021, keeping us in office until the present period. Our last election took place at the Shareholders' General Meeting held on 28 April 2023 for mandate between 2023 and 2025.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board as of the same date; and

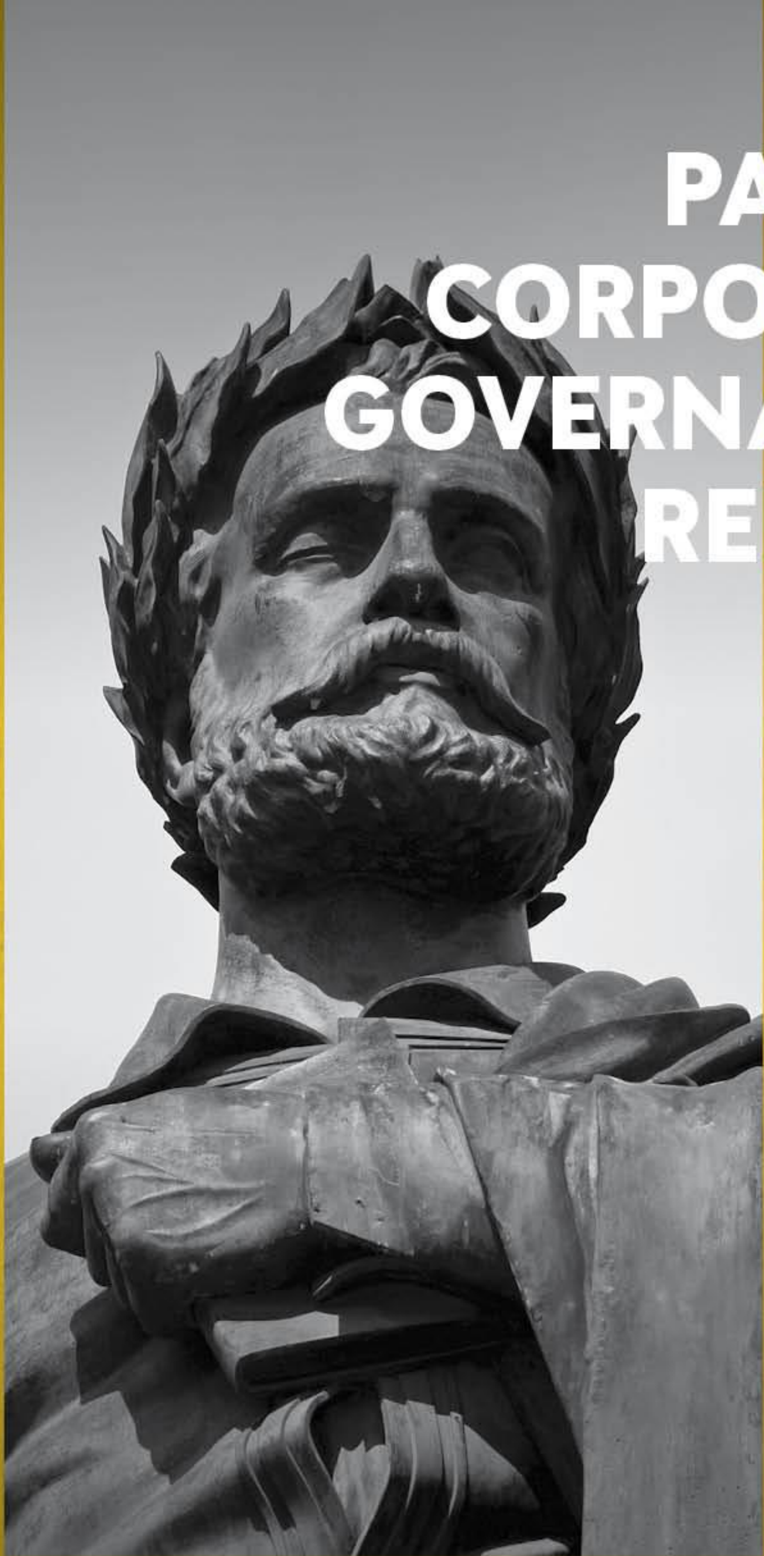
d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Bank in conducting our audit.

7 April 2025

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

Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

PART III CORPORATE GOVERNANCE REPORT



2024

We celebrated the 500th anniversary of the birth of Luís de Camões while Banco Montepio completed 180 orbits around the sun, reminding that, just like the poet, we were also faithful representatives of the Portuguese community abroad through our presence in France, Switzerland, Germany, Canada, and the United States.

CORPORATE GOVERNANCE REPORT

CONTENTS

INTRODUCTION

This Corporate Governance Report, relative to the financial year of 2024, is produced by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “CEMG” or “Banco Montepio”), in compliance with the duty to provide annual information on the corporate governance structure and practices, under the terms established in Article 70(2)(b) of the Commercial Companies Code (“CSC”) and Article 29-H of the Securities Code (“CVM”), as well as in compliance with the principles and recommendations of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (“IPCG”), of which it is a member since October 2023.

This report, which is part of the annual management report, was drafted in accordance with the various regulations and guidelines issued by the competent regulatory and supervisory entities concerning corporate governance, namely Securities Market Commission (“CMVM”) Regulation no. 4/2013 on Corporate Governance, the CMVM guidelines in the Circular “The supervision of the Corporate Governance recommendatory framework – new rules and procedures for 2019” of 11/01/2019 on Corporate Governance, Banco de Portugal Notice no. 3/2020, amended by Notice no. 2/2025, of 20 March, which regulates governance and internal control systems, and the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05).

PART I

A. SHAREHOLDER STRUCTURE

I. Capital structure

1. Capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of the shares not admitted to trading, different categories of shares, rights and obligations associated with shares, and the percentage of capital represented by each category

As at 31 December 2024, Banco Montepio's share capital stood at 1,210,000,000 euros, represented by 2,420,000,000 registered book-entry shares, each of the nominal value of 0.5 euros (fifty cents), of which 2,419,830,580 are held by Montepio Geral - Associação Mutualista ("MAM"), which owns a qualified participation of 99.99% in the share capital, with the remaining capital (0.01%), corresponding to 169,420 shares, being dispersed over 37 social economy entities (see point 7, below).

The shares that represent the share capital are all of the same type and category, conferring equal rights upon the respective holders, namely voting and profit-sharing rights. Under these terms, there are no shareholders with special rights.

2. Restrictions to the transfer of shares, namely consent clauses for the sale of shares or limitations on the ownership of shares

The Articles of Association of Banco Montepio do not establish any restrictions, of any type, to the transfer of shares, or any limitations on the ownership of shares.

3. Number of own shares and the corresponding percentage of share capital and voting rights

As at 31 December 2024, Banco Montepio had no own shares; no purchases or sales of own shares were executed during the period considered.

4. Significant agreements to which the company is a party, which may come into effect, be amended or cease in the event of a change of control resulting from a public takeover bid, as well as the respective effects, unless this disclosure, due to its nature, causes serious harm to the company, with the exception of situations where the company is specifically obliged to disclose the information in question, by virtue of other legal imperatives

Banco Montepio has not signed any agreements which entry into effect depends on any change to Banco Montepio's shareholder structure following a public takeover bid, or which are amended or ceased as a result thereof.

Moreover, Banco Montepio is not a party in any significant agreements that determine any demand for payment or the incurring of expenses by the Company, in case of a change of control or alteration to the composition of the management body, which may be perceived as likely to compromise the free transfer of Banco Montepio's shares and the free assessment by the Shareholders of the performance of the Directors.

5. Regime applicable to the renewal or revoking of defensive measures, particularly measures limiting the number of votes that can be held, or the right to vote that can be exercised, by a single shareholder, individually or jointly with other shareholders

There are no statutory clauses that impose limits on the number of votes that can be held, or the right to vote that can be exercised, by a single Shareholder, individually or jointly with other Shareholders.

In accordance with the provisions included in the Articles of Association of Banco Montepio, each share corresponds to one vote and the General Meeting is composed of the shareholders with the right to vote, who will be required to prove share ownership, by sending a statement issued for this purpose, under the terms of the Law, by the financial intermediary responsible for share registration, to the Chairman of the Board of the General Meeting, by the fifth business preceding the scheduled date of the General Meeting of Shareholders. Shareholders may exercise their right to vote by correspondence; however, voting by electronic means is not permitted (pursuant to articles 7 and 8 of the Articles of Association of Banco Montepio Artist

Moreover, no share incentive plans are in place for the Employees of Banco Montepio.

6. Shareholders' agreements known to the company that might lead to restrictions on matters of transmission of securities or voting rights

The Company has no knowledge of any shareholders' agreement entered into by its Shareholders.

II. Shareholdings and bonds held

7. Identification of the natural or legal persons that, directly or indirectly, own qualifying holdings, including a detailed indication of the percentage of capital and votes imputable and the source and causes of imputation

As at 31 December 2024, holdings in the share capital of Banco Montepio were distributed as shown in the following table:

	Shareholders	No. Shares	% of capital	% of voting rights
1	Montepio Associação Mutualista	2,419,830,580	99.993000%	99.993000%
2	Santa Casa da Misericórdia de Lisboa	75,000	0.003100%	0.003100%
3	CSC - Associação de Socorros Mútuos de Empregados no Comércio de Lisboa	10,000	0.000410%	0.000410%
4	Santa Casa da Misericórdia do Porto	10,000	0.000410%	0.000410%
5	Fundação INATEL	10,000	0.000410%	0.000410%
6	União das Misericórdias Portuguesas	7,500	0.000310%	0.000310%
7	Irmandade da Santa Casa da Misericórdia de Grândola	5,000	0.000210%	0.000210%
8	Montepio Rainha D. Leonor - Associação Mutualista	5,000	0.000210%	0.000210%
9	AME - Associação Mutualista dos Engenheiros	5,000	0.000210%	0.000210%
10	Liga das Associações de Socorros Mútuos de Vila Nova de Gaia	5,000	0.000210%	0.000210%
11	Mutualidade Popular - Associação Mutualista	5,000	0.000210%	0.000210%
12	União Mutualista Nossa Senhora da Conceição - Associação Mutualista	3,000	0.000120%	0.000120%
13	Santa Casa da Misericórdia de Póvoa do Lanhoso	2,420	0.000100%	0.000100%
14	Santa Casa da Misericórdia de Albufeira	1,000	0.000040%	0.000040%
15	Santa Casa da Misericórdia de Alhos Vedros	1,000	0.000040%	0.000040%
16	Irmandade da Santa Casa da Misericórdia de Vila Cova de Alva	1,000	0.000040%	0.000040%
17	Santa Casa da Misericórdia do Barreiro	1,000	0.000040%	0.000040%
18	A "Benéfica e Previdente" - Associação Mutualista	1,000	0.000040%	0.000040%
19	Associação e Socorros Mútuos João Deus	1,500	0.000060%	0.000060%
20	A Lacobrigense - Associação de Socorros Mútuos	1,500	0.000060%	0.000060%
21	Santa Casa da Misericórdia de Alcácer do Sal	1,500	0.000060%	0.000060%
22	Santa Casa da Misericórdia de Évora	1,000	0.000040%	0.000040%
23	Santa Casa da Misericórdia de Boticas	1,000	0.000040%	0.000040%
24	Santa Casa da Misericórdia de Idanha-a-Nova	1,000	0.000040%	0.000040%
25	Santa Casa da Misericórdia de Vagos	1,000	0.000040%	0.000040%
26	Santa Casa da Misericórdia de Soure	1,000	0.000040%	0.000040%
27	Santa Casa da Misericórdia de Santiago do Cacém	1,000	0.000040%	0.000040%
28	Santa Casa da Misericórdia de Vila Verde	1,000	0.000040%	0.000040%
29	CEEPS - Centro de Estudos em Economia Pública e Social	1,000	0.000040%	0.000040%
30	Santa Casa da Misericórdia da Vila de São Sebastião	1,000	0.000040%	0.000040%
31	Santa Casa da Misericórdia de Arganil	1,000	0.000040%	0.000040%

	Shareholders	No. Shares	% of capital	% of voting rights
32	A Associação Vilanovense de Socorro Mútuo	1,000	0.000040%	0.000040%
33	Santa Casa da Misericórdia de Tomar	1,000	0.000040%	0.000040%
34	Santa Casa da Misericórdia de Castelo Branco	1,000	0.000040%	0.000040%
35	A Mutualidade da Moita - Associação Mutualista	1,000	0.000040%	0.000040%
36	Santa Casa da Misericórdia do Bom Jesus de Matosinhos	1,000	0.000040%	0.000040%
37	Associação de Intervenção Social de Grândola (AISGRA)	1,000	0.000040%	0.000040%
38	Santa Casa da Misericórdia de Arcos de Valdevez	1,000	0.000040%	0.000040%
	TOTAL	**2,420,000,000**	**100%**	**100%**

Pursuant to article 16 of the CVM, the minimum limit for a shareholding to be considered a qualifying holding is 5%. In this sense, only Montepio Geral - Associação Mutualista, as the holder of 99.99% of the share capital of Banco Montepio and an equal percentage of the voting rights, owns a qualifying holding.

8. Information on the number of shares and bonds held by members of the management and supervisory bodies

As at 31 December 2024, the members of the management and supervisory bodies of Banco Montepio did not hold any shares issued by Banco Montepio, nor had they performed during 2024 any transactions involving such securities, as relevant for the purposes of Article 447 of the Commercial Companies Code, with the text currently in effect.

9. Special powers of the management body, namely in what regards deliberations to increase share capital, including, with respect to the latter, the date on which such powers were conferred, the period during which they can be exercised and the maximum quantitative limit of the share capital increase

Pursuant to Article 4(3) of the Articles of Association of Banco Montepio, whose text results from the statutory review approved at the General Meeting of 29 December 2023, the Board of Directors can deliberate a share capital increase, by cash entries, once or more times, up to a maximum amount corresponding to 10% of the share capital.

In accordance with Article 456(2)(b) of the Commercial Companies Code, the competence statutorily conferred upon the Board of Directors can be exercised until 29 December 2028, without prejudice to any renewal that may be eventually deliberated by the General Meeting.

Up to the present date, the Board of Directors has not deliberated any share capital increase under the aforementioned statutory provision.

10. Information on any significant business relationships between the owners of qualifying holdings and the company.

Transactions conducted between the Company and any owner of a qualifying holding, or natural or legal persons related thereto, shall comply with the principles and rules established in the Policy on Transactions with Related Parties currently in force at Banco Montepio, observing the procedures defined in Work Order on the Assessment and Control of Transactions with Related Parties, internal regulations established in compliance with the provisions included in Banco de Portugal Notice no. 3/2020,.

Information regarding transactions with the owners of qualifying holdings during the financial year of 2024 is included in the notes to the financial statements of Banco Montepio, in the section concerning Transactions with Related Parties.

B. Governing Bodies and Commissions

I. General Meeting

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the Board of the General Meeting and the respective terms of office (start and end)

Pursuant to Article 9(1) of the Articles of Association of Banco Montepio, the Board of the General Meeting is composed of a Chairman and a Secretary.

The Chairman and the Secretary of the Board of the General Meeting were elected for the term 2018-2021 on 16 March 2018 and reappointed by the General Meeting on 29 April 2022 for the quadrennium 2022-2025.

Under these terms, the composition of the Board of the General Meeting as at 31 December 2024 was as follows:

Member	Position
António Manuel Lopes Tavares	Chairman
Appointed ad hoc by the Chairman of the Board at each General Meeting, in view of the decease of the appointed Secretary	*Secretary*

b) Exercise of the right to vote

12. Any restrictions on the right to vote, such as limitations on voting rights depending on ownership of a certain number or percentage of shares, deadlines for exercising voting rights or systems highlighting ownership rights

The Articles of Association of Banco Montepio do not provide for any limitations on voting rights or systems highlighting ownership rights.

Pursuant to Article 7(2) of the Articles of Association of Banco Montepio, each share corresponds to one vote, and the shareholders owing at least one share at zero hours (GMT) of the fifth business day preceding the scheduled date may participate in the General Meeting. Shareholders may exercise their right to vote by correspondence, for which purpose they shall be required to submit a declaration of vote on each of the items on the agenda to the Chairman of the Board of the General Meeting, by the second business day preceding the scheduled date of the General Meeting.

13. Indication of the maximum percentage of voting rights that may be exercised by a single Shareholder, or by related Shareholders, under any of the relationships set out in Article 20(1) of the Securities Code

The Articles of Association of Banco Montepio do not provide for any limitation on the voting rights that may be exercised by a single Shareholder, individually or with related Shareholders, under any of the relationships set out in Article 20(1) of the Securities Code.

See point 5 above.

14. Identification of the deliberations of Shareholders that, pursuant to the Articles of Association, can only be made by a qualified majority, in addition to those provided for by law, and indication of those majorities

In accordance with Article 11(2) of the Articles of Association, deliberations of the General Meeting, concerning the amendment of the Articles of Association, merger, demerger, transformation and dissolution require the approval of a majority of third thirds of the votes cast.

II. Management and Supervision

a) Composition of the Board of Directors

15. Identification of the corporate governance model adopted

Banco Montepio adopted the Anglo-Saxon governance model in 2018, according to which management and supervision are structured as established in Article 278(1b) of the Commercial Companies Code, with a Board of Directors that includes the Audit Committee (elected at the General Meeting from the non-executive members) and a Statutory Auditor, as established in Article 6(1) of the Articles of Association.

16. Statutory rules on the procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors

The members of the governing bodies are elected by the General Meeting for four-year terms, with the exception of the Statutory Auditor, whose term of office may be set by the General Meeting as a minimum of one to a maximum of four years, with re-election being allowed in any of the cases.

Governing bodies are elected as lists, with voting being cast on the lists presented, unless the election concerns a single member is elected.

In case of definitive absence, the Board of Directors will be responsible, under the terms legally and statutorily established, for proceeding with the replacement of directors by co-optation, which must be submitted for ratification at the following General Meeting.

The Articles of Association of Banco Montepio do not establish any other procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors.

The selection and assessment of the members of the management and supervisory bodies (“MOAF”) are subject to the rules established in the Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders (“TFE”), approved at the General Meeting. This aims to ensure the existence of an appropriate and effective process of identification and selection of the profiles and promote the continuity of the development of the institution’s activity and of a sustainable medium and long-term strategy that is compatible with the institution’s risk appetite, thus protecting the interests of its shareholders, depositors, investors, customers and other counterparts, as well as its employees.

The Assessment, Nominations, Ethics, Sustainability and Governance Committee (“CANESG”) is a specialised committee of the Board of Directors responsible, among other matters, for the annual assessment of the suitability of the structure, size, composition and performance of the management and supervisory bodies, through collective assessment of the bodies and individual assessment of their members.

CANESG conducts the process of assessment of suitability considering the criteria of being fit and proper, qualification and professional experience, availability, diversity, and independence established in Articles 30 and following of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”) and in Article 64 of the Commercial Companies Code, as well as the requirements stipulated in the Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders in force at Montepio (published on the Bank’s website), Notice no. 3/2020, the joint European Banking Authority (EBA) and European Securities and Markets Authorities (ESMA) Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06| ESMA35-36-2319 of 2 July 2021), and European Central Bank (ECB) Guide to fit and proper assessments (December 2021), taking account of, on the one hand, the nature, size and complexity of Banco Montepio’s activity, and on the other hand, the legal and regulatory requirements and responsibilities associated with specific duties to be performed by the management and supervisory bodies.

17. Composition of the Board of Directors, including the minimum and maximum statutory number of members, the statutory term of office, the number of effective members, the date of first appointment and the end date of the term of office of each member

Pursuant to Article 13(1) of the Articles of Association of Banco Montepio, the Board of Directors of Banco Montepio is composed of a minimum of twelve and a maximum of nineteen members, including a Chairman without executive functions, all elected at the General Meeting for four-year terms, subject to renewal.

The General Meeting of Banco Montepio, held on 29 April 2022, elected the members of the Institution's management and supervisory bodies for the term of office 2022-2025, having subsequently submitted to Banco de Portugal the competent request for authorisation of the performance of the respective duties by the elected members, under the terms of Article 30-B of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), which was granted by deliberation of the Board of Directors of Banco de Portugal on 19 July 2022, following which the members of the management and supervisory bodies elected for 2022-2025 took office on 25 July 2022.

The composition of the Board of Directors during the financial year to which this Report refers was as follows:

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term	Independence
Manuel Ferreira Teixeira	Chairman of the Board of Directors	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Clementina Maria Dâmaso Barroso	Non-Executive Member | Chairman of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Eugénio Baptista	Non-Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Florbela dos Anjos Frescata Lima	Non-Executive Member | Chairman of the Risks Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Maria Cândida de Carvalho Peixoto	Non-Executive Member | Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG")	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Maria Lúcia Ramos Bica	Non-Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Pedro Manuel Moreira Leitão	Executive Member | Chairman of the Executive Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Ângela Isabel Sancho Barros	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Helena Catarina Gomes Soares de Moura Costa Pina	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Isabel dos Santos Pereira da Silva	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Jorge Paulo Almeida e Silva Baião	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
José Carlos Sequeira Mateus	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent

The Board of Directors of Banco Montepio is thus the only with equal gender representation of Portuguese banks, surpassing the national goal of 40% of women in management positions.

Banco Montepio prioritises and values a culture of diversity, widely evidenced by its mutualist, transgenerational, multicultural activity. The guiding principles that govern the activity of Banco Montepio, in terms of inclusion and diversity in human resources, including governing bodies, are defined in its Diversity and Inclusion Policy, available on the Banco Montepio institutional website, in [Policies and Regulations | Banco Montepio].

In order to ensure compliance with the aforementioned principles, the Bank has implemented a Policy on Selection and Assessment of MOAFs and Key Function Holders that promotes a diversified composition of the management bodies, so as to ensure a wide range of qualities and competencies, with a view to benefiting from a variety of perspectives and experiences, and encouraging the independence of opinions, constructive discussion and the making of solid decisions by these bodies. The following aspects should be particularly considered with respect to meeting diversity requirements: qualifications and professional experience, gender, age, nationality and cultural background.

The aforementioned Policy on Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, which was reviewed at the General Meeting of 30 April 2024, established the target of achieving at least 33% of the under-represented gender in the composition of the Board of Directors. This target has already been achieved in the composition of the governing bodies elected for the term of office 2022-2025, with 58% of the Board of Directors being women.

18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members who may be considered independent

The Board of Directors of Banco Montepio is composed of a total of 12 directors, 6 of whom are executive and 6 non-executive, hence, incorporating a sufficient number of members to efficiently perform their duties, suited to the Bank's size and complexity of the risks associated with its activity, namely taking into account the diversity of academic competencies, career paths and professional experience of each of these members, enabling the Bank to efficiently secure the duties entrusted to the Board of Directors and safeguarding the interests of all Stakeholders, in their different aspects, all matters, as well as the effective supervision and evaluation of executive performance, which Banco Montepio considers to be appropriate and aligned with its interests.

Excluding the executive directors, the 5 non-executive directors of the Board of Directors, out of a total of 6, are independent, thus representing 83% of the non-executive members and 42% of the total Board of Directors, where it is considered that, in view of their supervisory function, the proportion of independent non-executive directors in relation to the total number of directors is appropriate, taking into account the adopted governance model and the size of Banco Montepio. The Supervisory Body - the Audit Committee ("CAUD") - is made up of 4 non-executive directors, 3 of whom are qualified as independent, including its Chairman, and is subject to annual reassessment of the individual and collective suitability of its members by the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG"), under the terms of the RGICSF and the Policy for the Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders.

Identification of the independent members in the Table presented in point 17 above.

19. Professional qualifications and other relevant curricular information of each of the members of the Board of Directors

Information relating to the professional qualifications and other relevant curricular information of each of the members of the Board of Directors is presented in Annex I to this Report.

20. Customary and significant family, professional or commercial relationships between the members of the Board of Directors and Shareholders owning qualifying holdings that correspond to more than 2% of the voting rights

Banco Montepio was not informed of the existence of any customary and significant family, professional or commercial relationships between the members of the Board of Directors and any Shareholders owning qualifying holdings in the share capital of Banco Montepio or the respective associative bodies.

Under the terms of the Conflict of Interest Policy in force, conflicts of interest at the level of the governing bodies or supporting committee, should be notified to the Chairman of the respective body. If the actual Chairman of one of the bodies of Banco Montepio is the person subject to a situation of conflict of interest, the situation should be notified directly to the Audit Committee. If the conflict refers to the Chairman of the Audit Committee, the fact should be notified to the Chairman of the Board of Directors. Furthermore, Article 5(3) of the Regulations of the Board of Directors establishes that directors cannot vote on issues in which they have on their own behalf or on behalf of third parties, a direct or indirect interest that could conflict with that of the Company, where the statement concerning that situation should be recorded in the minutes and they should abstain from participating in the discussion and decision in question.

21. Organisational charts or functional maps related to the allocation of competencies to the various governing bodies, commissions and/or company departments, including information on delegation of competencies, particular regarding delegation of the company's daily management

In accordance with the corporate governance model adopted by Banco Montepio, the Board of Directors, as a management body, established two specialised Committees – the Risks Committee ("CR" or "CRI") and the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG") – to which it delegated the monitoring of certain specific matters.

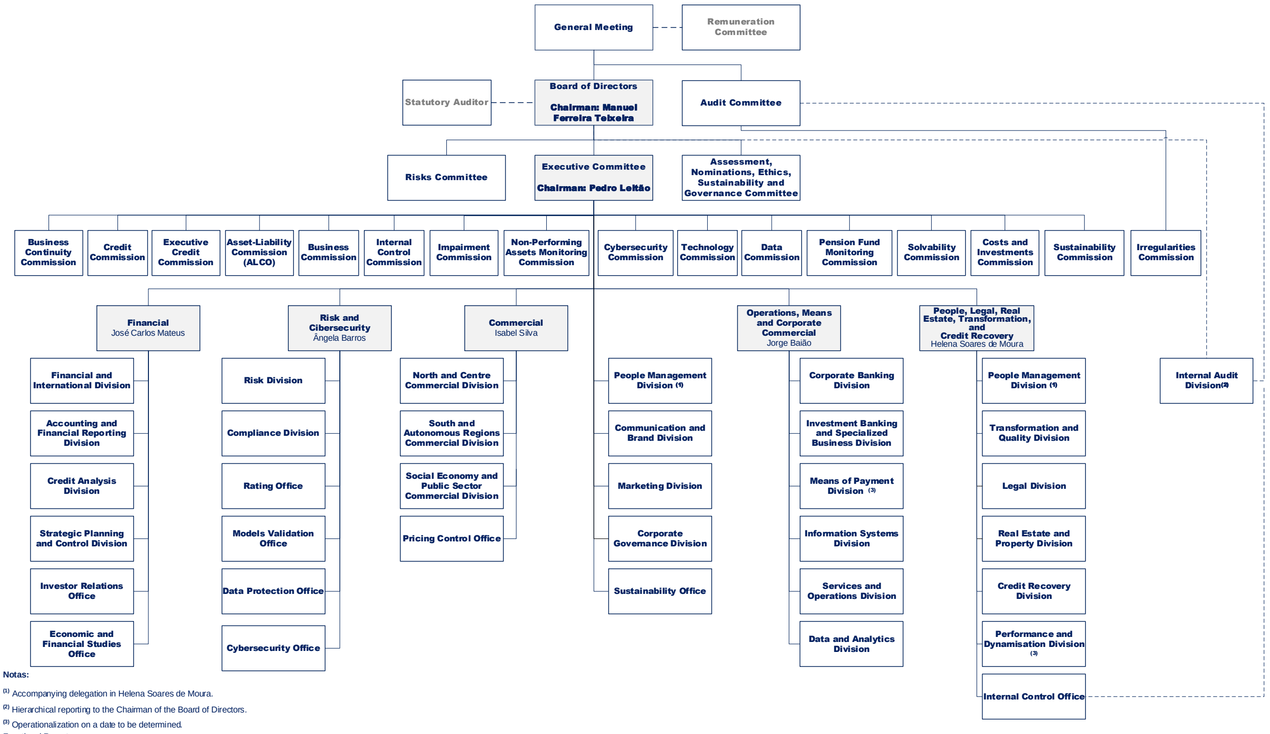
The Board of Directors has delegated the daily management of Banco Montepio on an Executive Committee, with the exception of the powers related to matters whose delegation is prohibited by law, or those that the Board of Directors reserves for itself, under the terms of its Regulations, and has established its composition and mode of operation, and appointed the respective Chairman, as specified in Article 15 of the Articles of Association.

For its part, the Executive Committee, under Article 2(4) of its Regulation, has entrusted the monitoring of certain specific matters to operational delegated committees, all chaired by an Executive Committee member.

The Audit Committee, as a supervisory body, appointed a specific Committee to deal with matters relating to reports of irregularities – Irregularities Commission ("COMIR").

It should also be noted that, pursuant to Article 12(c) of the Articles of Association, a Remuneration Committee, composed of three members, was also elected by the General Meeting for the term 2022-2025. Amongst other tasks, the Remuneration Committee, with competence for setting the remunerations of the members of the governing bodies, in accordance with Article 399(1) of the Commercial Companies Code.

In these terms, the organisational structure of Banco Montepio, as at 31 December 2024, was as shown in the table below, with the competencies detailed below:



Notas:

(1) Accompanying delegation in Helena Soares de Moura.

(2) Hierarchical reporting to the Chairman of the Board of Directors.

(3) Operationalization on a date to be determined.

Functional Report: – – – – – –

The organizational structure and the competencies and responsibilities of each body, structural unit or function are reviewed at least every two years and whenever necessary.

Banco Montepio has a document management platform (On Board | Smart Governance) to which all members of the Board of Directors have access, in accordance with the bodies and commissions or delegated committees of which they are part, promoting the timely circulation and dissemination of all information necessary for the exercise of their competences, namely with regard to the agendas and minutes of the meetings, as well as the supporting documentation.

Banco Montepio's Governing Bodies do not use any artificial intelligence mechanisms when making decisions.

21.1. Board of Directors

The Board of Directors is granted the broadest Company management and representation powers, as established in the Law and the Articles of Association and is responsible for the overall definition and implementation of major strategic guidelines and general policies, in order to ensure the sustainability of the Institution in the medium and long term, and the prudent exercise of its activity.

In addition to the remaining non-delegable matters provided for in the applicable Law and Regulations, the Board of Directors reserves the following competencies for itself:[35]

a) Approval of strategic and business plans, and annual and multiannual budgets, with submission of the general guidelines for multiannual action plans and the respective updates to the General Meeting;

b) Approval of the investment and funding policy;

c) Approval of the overall risk policy and strategy, risk appetite statement, capital and liquidity strategy and policy, and services and product policy;

[35] Pursuant to the Regulations of the Board of Directors approved on 29 February 2024

d) Approval and periodic review of policies and practices related to corporate governance, internal control and risk management, including but not limited to the following:

   (i) the organisational structure of Banco Montepio, comprising:

      1. the constitution of commissions under the Board of Directors and establishment of their internal regulations;
      2. the approval of the areas of responsibility of the Executive Committee, as well as the definition of objectives, reporting lines and responsibilities, and the creation or extinction of the various functional units that perform control functions or other essential functions, or that perform executive functions and report directly to the Executive Committee or the Board of Directors (Senior Management), excluding the mere merging or separation of functional units that do not perform control functions, or the mere clarification of the respective scope of competencies;
      3. the assessment of the structure, size, composition and performance of the management and supervisory bodies and the suitability of their members;

   (ii) the selection, assessment of adequacy and succession policies, as well as succession plans, pertaining to Members of the Management and Supervisory Bodies, Key Function Holders and Senior Management, as applicable, under the terms of the Law and applicable regulations;

   (iii) the policy on remuneration of key function holders due to their remunerative status and impact on the risk profile of Banco Montepio;

   (iv) the policies and systems on risk management, internal control and compliance, prevention of money laundering and financing of terrorism, management and security of information, and subcontracting;

e) Approval and review of the Code of Ethics and Conduct, as proposed by the Executive Committee, after having obtained the prior opinion of the Assessment, Nominations, Ethics, Sustainability and Governance Committee and the Audit Committee;

f) Promotion of periodic and independent assessments, to be carried out by an external entity, on the conduct and organisational culture, in articulation with the Audit Committee and the Assessment, Nominations, Ethics, Sustainability and Governance Committee;

g) Approval of the assessment reports on the adequacy and efficacy of the organisational culture, governance system and internal control system, at an individual and group level, pursuant to Articles 54 to 60 of Banco de Portugal Notice no. 3/2020;

h) Approval of the results and conclusions of the SREP (Supervisory Review and Evaluation Process), the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) exercises and the respective implementation plans;

i) Appointment of Directors by co-optation;

j) Appointment of Company Secretary and the respective alternate;

k) Appointment and dismissal of the persons responsible for control and approval of organic statutes, regulations, activity plans and budgets of each of these functions, as well as the respective reports, for the purposes of Articles 27, 28 and 32 of Banco de Portugal Notice no. 3/2020;

l) Appointment and dismissal of Senior Management members and the Ombudsman, if applicable;

m) Approval of investments, divestments, extensions or reductions of activity, or other operations not included in the budget, which have an impact greater than 5% on the consolidated assets of Banco Montepio;

n) Approval of credit transactions related to customers with increased or aggravated risk, or any other transactions expressly identified in the policies in effect at Banco Montepio, as well as operations and transactions involving related parties and conflicts of interest, in accordance with the policies in effect at Banco Montepio;

o) Authorisation of the creation or acquisition of shareholdings or other forms of lasting cooperation with other companies representing more than 15% of total own funds;

p) Approval, under the terms of the Law and the Articles of Association, for issuance of shares or other securities that entail, or may entail, an increase in the consolidated regulatory own funds of Banco Montepio, and establishments of issuance conditions, with observance of any limits set by the General Meeting and the Articles of Association;

q) Approval of any draft amendments to the Articles of Association of Banco Montepio.

21.2. Audit Committee

Under the terms of the Law, the Bank's Articles of Association and its Regulations, the Audit Committee is responsible for the continuous supervision of Banco Montepio, particularly concerning its financial performance, the definition of the institution's strategy and general policies, the Group's corporate structure and the decisions that should be considered strategic due to their value and risk, and in particular[36]:

a) Supervise the management of Banco Montepio;
b) Monitor compliance with applicable legal and regulatory provisions and the Articles of Association;
c) Produce annual reports on its supervisory action;
d) Call the General Meeting when the Chairman of its Board, who should do this, does not;
e) Assess needs in terms of the Audit Committee's composition and organisation;
f) Issue an opinion on the proposed annual Action Plan and Budget, prior to its approval by the Board of Directors.

The Audit Committee is especially responsible for the following competencies concerning supervision of the preparation of the accounts and financial reporting:

a) Verify that the accounting policies and procedures and the valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and results and are consistent with generally accepted principles, as well as supervise, in conjunction with the Statutory Auditor (ROC), the correct application of said policies, procedures and criteria in force;
b) Verify the accuracy of the accounting documents and issue an opinion on the report, accounts and proposals submitted by the Management, including the proposed appropriation of net income, to be submitted to the General Meeting;
c) Verify the correctness of the accounting ledgers, accounting records and supporting documents;
d) Review, with the Board of Directors and the Statutory Auditor, any matters and decisions of material relevance to the preparation of the financial statements, including changes in regulatory or accounting standards and in accounting policies, practices or procedures, the impact of unusual transactions on the financial information, and estimates and judgements made and their consistent application;
e) Follow-up and supervise the preparation and disclosure of financial information and the main prudential indicators, issue recommendations or present proposals so as to ensure the reliability of the process;
f) Oversee the integrity and effectiveness of internal information and communication management systems (namely with regard to prudential and other reporting and accounting and financial aspects) and internal control, internal audit and risk management systems with regard to the process of preparation and disclosure of financial information.

Within the scope of its functions and responsibilities concerning the supervision of the activity and independence of the Statutory Auditor, the Audit Committee is competent to:

[36] Pursuant to the Regulations of the Audit Committee approved on 31 January 2025.

a) Select and propose the election of the Statutory Auditor to the General Meeting, issue a prior opinion on the selection and appointment policy of the Statutory Auditor and on the remuneration to be paid for the statutory audit of Banco Montepio Group's accounts, and monitor the implementation and review of that policy;
b) Annually assess the activities plan of the Statutory Auditor, as well as annually supervision and assessment of the Statutory Auditor's activity, follow-up and supervise the legal review of the financial statements on an individual and consolidated basis;
c) Verify and follow-up the Statutory Auditor's independence and objectivity, amongst other aspects, on an annual basis and with respect to the provision of additional services by the Statutory Auditor;
d) Proceed with the prior and substantiated appraisal of the hiring of additional non-prohibited services to be rendered by the Statutory Auditor to Banco Montepio Group entities, and respective remuneration conditions;
e) Under the annual Opinion on the Accounts, inform the Board of Directors annually about the results of the statutory audit, its contribution to the integrity of the process of preparation and disclosure of financial information, as well as the role played by Audit Committee in that process.

Under its functions and responsibilities with respect to the supervision of the efficacy of the risk management, governance and compliance systems, the Audit Committee is competent to:

Regarding the governance and internal control systems

a) Control and assess the effectiveness of systems in terms of internal control and compliance, risk management, prevention of money laundering and financing of terrorism, internal audit and corporate governance policies and practices, in particular by issuance of a prior opinion on the various policies in relation to each of these systems, so as to ensure consistency and risk control at the level of Banco Montepio and its branches, and perform control actions;
b) Monitoring the implementation of the activity plans of the control functions, on a periodical basis, and evaluating the completion of the respective actions and the deficiencies identified, as well as analysing and monitoring the periodic reports of the control functions (including, amongst others, the reports specified in Articles 27, 28 and 32 of Banco de Portugal Notice no. 3/2020, namely the issuing an opinion on the respective self-assessment reports), and communicating the recommendations deemed opportune to the Executive Committee and the Board of Directors;
c) Draw up annual assessment reports, reviews, statements, opinions and summaries with regard to organisational culture and governance and internal control systems for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020;
d) Promote, in articulation with the Board of Directors, periodic and independent assessments, to be carried out by an entity outside the institution, on the Audit Committee's conduct and values;
e) Be informed of and monitor the conclusions of all inspection actions, specific determinations, or recommendations issued by Banco de Portugal, the Securities Market Commission ("CMVM"), the Insurance and Pension Funds Supervisory Authority ("ASF"), the Tax and Customs Authority ("AT") and, if applicable, the Audit Authority ("IGF");
f) Receive communications of irregularities submitted by Shareholders, Banco Montepio Employees or others and, in articulation with the Irregularities Commission, promote their processing, completion and filing, and periodically assess reports on management of complaints submitted by Customers;
g) Issuing a prior opinion and monitoring the implementation of the policies related to the selection, assessment of adequacy, succession and remuneration of members of the management and supervisory bodies and control functions, as well as evaluating the principles applicable to the remuneration policies of Banco Montepio Group's Employees, for the purposes of Article 53 of Banco de Portugal Notice no. 3/2020;
h) Issue binding prior opinions on the nomination, dismissal and replacement of the persons in charge of the control functions, based on the assessment made by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, and issue opinions concerning the definition of the assessment criteria and goals of the control functions, participate in the respective performance

assessment process, in this context, it is responsible for evaluating the performance of the head of the Internal Audit Function, and comment on the attribution of variable remuneration to these functions;

i) Issue a binding prior opinion on all issues related to the organisational structure of Banco Montepio, as defined in the Regulations of the Board of Directors, to the extent that they refer to the organisation of the Audit Committee or the control functions, as well as a prior opinion on policies for subcontracting and outsourcing services and activities and business continuity management;
j) Issue a prior opinion regarding changes to the group structure for the purposes of Articles 49 and 50 of Banco de Portugal Notice no. 3/2020;
k) Issue a prior opinion on the code of conduct and ethics and the internal policies and regulations that develop and implement it and on subsequent revisions, as well as on Banco Montepio's policy on communication of irregularities, and periodically monitor their compliance;
l) Issue a detailed opinion, that includes a summary of the deficiencies detected by any functional unit, in the context of the implemented processes and controls, and the identification of the recommendations issued on the efficacy and adequacy of the governance and risk management systems, under the terms defined in Banco de Portugal Notice no. 3/2020;
m) Issue a prior opinion on policies for the management of conflicts of interest and transactions with related parties, know the list of related parties and issue a prior opinion on transactions subject to this, in accordance with said policies and applicable legal and regulatory provisions;
n) Issue an opinion on the internal control system for combating and preventing money laundering and financing of terrorism in accordance with the applicable legal and regulatory provisions;
o) Issue an opinion prior to the Board of Directors' approval on the Articles of Association and regulations, the activity plan (including the audit action plan) and the resources (material and technical) of the control functions;
p) Issue prior authorisations for the subcontracting of specific operational tasks of the internal control functions.

Regarding the risk management system

a) Supervise the strategy defined by Banco Montepio concerning risks, including on risk appetite and the risk management framework to which Banco Montepio is subject, and oversee decisions that involve significant risk-taking, in particular for the purposes of Article 27 of Banco de Portugal Notice no. 3/2020;
b) Analyse the decision to exclude risk categories under Article 21 of Notice no. 3/2020 and periodically supervise the implementation of the overall risk policy, the risk appetite statement and the policy on capital and liquidity;
c) Periodically analyse the key prudential indicators and compliance with the capital and liquidity requirements, and the valuation exercises of materially relevant assets;
d) Issue a prior opinion with periodic follow-up of the implementation and effectiveness of the risk management processes, taking into account the assessments that have been made and opinions issued by the CRI, as well as any of its communications to the Audit Committee, regarding situations of which it is aware that affect the institution's risk situation;
e) Issue a prior opinion with periodic follow-up of the implementation of the approval policy for new products and services.

21.3. Delegated committee under the Audit Committee

Pursuant to no. 3 of the Policy on the Reporting of Irregularities (Whistleblowing) – Policy 18/2024, the Audit Committee delegated the duties of analysis and processing of irregularities to the Irregularities Commission (COMIR), whose main mission is to support the Audit Committee, so as to ensure autonomy and transparency in the processing of irregularities received by the Bank.

21.4. Risks Committee

Under the terms of the respective Regulation, the mission of the CRI is to assist the Board of Directors and Audit Committee in the performance of their competencies, with regard to the definition, implementation and supervision of the risk strategy and risk appetite, for which purpose, and without prejudice to any other competencies pursuant to the applicable legislation of regulations, or under the Articles of Association, the internal policies of Banco Montepio or by resolution of the Board of Directors, the Risks Committee is entrusted with the following competencies[37]:

a) Advise the Board of Directors and the Audit Committee on the overall risk policy and strategy, present and future, the risk appetite statement, and the capital and liquidity policies;

b) Advise the Board of Directors on the risk management system, including the policies, processes and methodologies of identification, assessment, follow-up and control of risks, and support to the Audit Committee in the monitoring and supervision of the implementation of the risk management strategy;

c) Analyse whether the conditions of the products and services offered to the Customers take into account the business model and risk strategy of Banco Montepio and analysis of the risks associated to them, and submit a correction plan to the Board of Directors, when this analysis indicates that these conditions do not adequately reflect the risks;

d) Examine whether the incentives established in Banco Montepio's remuneration policies and practices take into account the current and future risks, the capital and liquidity position, verify their alignment with the Bank's risk strategy and appetite, and expectations concerning results;

e) Follow-up of the process of definition of the risk strategy and the process of identification and assessment of significant risks;

f) Follow-up of the process of review of the Risk Appetite Framework (RAS), issuance of an opinion prior to the Board of Directors' approval, sent to the Audit Committee, and follow-up of the evolution of the RAS indicators;

g) Supervise the execution of the strategies concerning own funds, liquidity and all the other material risks faced by Banco Montepio at any given time (including new risks such as environmental, social and governance (ESG risks), through appropriate indicators that enable follow-up of their management process and adequacy in relation to the Risk Appetite Framework and the defined policies, as well as in relation to the Bank's risk strategy and appetite;

h) Issue recommendations to the Board of Directors regarding necessary adjustments to the risk strategy, namely as a result of changes to the business model, market evolution or the business context in which Banco Montepio and its subsidiaries operate, as well as recommendations issued by the risk management function;

i) Follow-up of the Internal Capital Adequacy Assessment Process (ICAAP) and Adequacy Assessment Process (ILAAP), issuance of an opinion prior to the Board of Directors' approval, sent to the Audit Committee, on the respective review proposals and follow-up of the monitoring of ICAAP and ILAAP;

j) Analyse the outcomes of the test exercises conducted by the Risk Management Function (FGR) on a series of possible scenarios, including stress tests, in order to assess how Banco Montepio's risk profile would respond to external and internal events;

k) Follow-up of the process of preparation and review of the Recovery Plan and issue an opinion prior to the Board of Directors' approval, sent to the Audit Committee, on the proposed review;

l) Comment, and inform the Audit Committee, prior to the Board of Directors' approval, on the Market Discipline Report;

[37] Pursuant to the Regulations of the Risks Committee approved on 29 February 2024.

m) Comment, prior to the Board of Directors' approval and prior to the Audit Committee's issuance of an opinion, on policies and internal regulations, when applicable and strictly within the sphere of its competencies;

n) Follow-up of the evolution of the efficacy of the internal risk models, appraise the results obtained in the different phases of the models (development, validation and monitoring);

o) Issue an opinion on decisions to appoint or replace the person responsible for the risk management function;

p) Comment on the activity plan of the risk management function and follow-up of its implementation, inform the Audit Committee and the Board of Directors, appraisal and follow-up of the activity plan of the Model Validation Office, and monitoring of the adequacy of resources of these areas;

q) Assessing the recommendations issued by external auditors and the reports produced by control functions, for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020, and monitoring the adequate implementation of the measures adopted in connection with the matters for which the Risks Committee is responsible.

21.5. Assessment, Nominations, Ethics, Sustainability and Governance Committee

Under the terms of the respective Regulation, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is responsible for assisting the Board of Directors and the Remuneration Committee in carrying out their duties with respect to (i) selection and assessment of adequacy, profile and performance of the Members of the Management and Supervisory Bodies and Key Function Holders; (ii) remuneration and incentives created within this scope for risk, capital and liquidity management purposes; and (iii) ethics, sustainability and corporate governance.

Without prejudice to the remaining competencies conferred upon it by the applicable legislation or regulations, the Articles of Association and the internal policies of Banco Montepio, or by deliberation of the Board of Directors, the Assessment, Nominations, Ethics, Sustainability and Governance Committee has the following competencies[38]:

Regarding selection and assessment of suitability, profile and performance, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to:

a) Produce, review and submit to the Board of Directors, on an annual basis, the Policies for selection and assessment of suitability of members of the management and supervisory bodies and key function holders, and their succession Policies (in case of succession of the key function holders, following a proposal from the Executive Committee and monitor their implementation;

b) Evaluate, at least once a year, the individual suitability of the MOAF, namely in terms of suitability, availability, knowledge, skills, experience and performance, as well as evaluating, at a collective level, the suitability of the structure, size, composition and performance of the management body (and its delegated committees), as well as the supervisory body, making recommendations, if applicable, to the Board of Directors and the Audit Committee (CAUD);

c) Ensure existence and updating:

    i. of the functional profiles of the members of the management and supervisory bodies, including the description of the responsibilities and functions of each member, and suitable knowledge, competencies, experience and availability to fulfil them, as part of the MOAF's Succession Policy;
    ii. of the succession plan, by updating the MOAF Succession List every six months, ensuring that diversity criteria are applied (including, but not limited to, gender);

d) Formulating and transmitting to the Board of Directors recommendations on MOAF candidates and a proposal for a report assessing the suitability of MOAF candidates for appointment;

[38] Pursuant to the Regulations of the Assessment, Nominations, Ethics, Sustainability and Governance Committee approved on 21 February 2025.

e) Annually select the evaluation criteria of the executive directors (Key Performance Indicators – KPIs), as well as carry out the final evaluation of the degree of compliance with them, in accordance with the Remuneration Policy applicable to MOAF and respective Implementing Regulations;

f) Assess the knowledge, competencies, professional qualification, fit and proper aspects and availability of the key function holders, and prepare the respective draft assessment report on suitability to be submitted to the final appraisal of the Board of Directors, for purposes of appointment of the key function holders and annual reassessment of their suitability, in conformity with the applicable internal policy;

g) Ensure the implementation of the Succession Policy for Key Function Holders, and update the respective Succession Policy, in accordance with the applicable policy;

h) Assessing the implementation of the adequacy assessment Policy applicable to the Members of the Management and Supervisory Bodies and Key Function Holders of subsidiaries, on an annual basis, and monitoring the respective appointment process.

Regarding remuneration and incentives created in this context for purposes of risk, capital and liquidity management, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to:

i) Prepare and propose annually the revision of (i) the Remuneration Policy applicable to MOAFs; (ii) the respective Implementing Regulations; and (iii) whenever necessary, the Implementing Regulations for Variable Remuneration Instruments within the scope of the Remuneration Policy applicable to MOAFs in Remuneration Units, submitting such proposals to the Remuneration Committee opinion;

j) Issue an annual opinion, prior to approval by the Board of Directors, on (i) the remuneration policy applicable to Significant Function Holders (TFS) due to their remuneration status and impact on Banco Montepio's risk profile, as defined in the Employee Remuneration Policy and (ii) the respective implementing regulations;

k) Follow-up the process of identification of key function holders, under the terms of the respective remuneration Policy and the applicable law and regulations (namely Commission Delegated Regulation (EU) no. 2021/923 of 25 March);

l) Submit to the Remuneration Committee, in terms of the remuneration of MOAFs, in accordance with the Remuneration Policy for Members of the Governing Bodies (i) a proposal for the attribution and payment of variable remuneration to executive directors and (ii) an assessment of the need to apply risk adjustment mechanisms, including the application of reduction «*malus*» and 'clawback' mechanisms;

m) To issue an opinion on the evaluation criteria and objectives, as well as on the structure and criteria for the remuneration of the Key Function Holders and other employees in the internal control functions (participating in the performance evaluation process of those responsible for the Compliance Function and the Risk Management Function), also being heard on the respective allocation of variable remuneration and, if applicable, on the application of adjustment mechanisms, in accordance with the respective remuneration policy;

n) Monitor the diversity plan, as well as the neutrality of remuneration practices, to ensure that there are no disparities based on gender, including the conditions for awarding and paying remuneration;

o) Comment on the adequacy of the proposals of retirement pension supplements due to old age or disability, to be approved under a specific Regulation by the General Meeting, pursuant to Article 402 of the Commercial Companies Code, after comments by the Remuneration Committee;

p) Carry out an annual verification of the implementation and verification of compliance with the Remuneration Policy and remuneration practices, as well as an assessment of the consistency of remuneration practices at the level of the Banco Montepio Group, the independence between the remuneration of Employees who perform control functions and the results of Banco Montepio and, in general, supervise the remuneration of Employees who perform internal control functions, as well as to report the conclusions to the General Meeting, the Remuneration Committee, the Board of Directors and the Audit Committee for the purposes of the reports provided for in article 44 of Notice of Banco de Portugal no. 3/2020 and in paragraph 6 of article 115-C of the Legal Framework of Credit Institutions and Financial Companies (RGICSF);

Regarding ethics, sustainability and corporate governance, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to:

q) Assist the Board of Directors on matters pertaining to the conduct standards applicable to Banco Montepio and the Banco Montepio Group, including the following:

   i. issue an opinion, prior to approval by the Board of Directors, on the Policies for the Management of Conflicts of Interest and Transactions with Related Parties, Whistleblowing, the Prevention of Market Abuse, the Code of Conduct and other documents that define ethical principles, when requested by the Board of Directors or the Executive Committee;
   ii. issue an opinion, prior to approval by the Board of Directors, on the Anti-Corruption and Anti-Bribery Policy and on the Plan for the Prevention of Risks of Corruption and Related Offenses (PPRC), as well as assessing the periodic reports on the implementation of the PPRC;
   iii. support the Board of Directors in the definition policies on topics of social responsibility, diversity, equality and non-discrimination, protection of human rights, sustainable development and environmental protection, in the context of Banco Montepio’s corporate conduct, taking into account the strategy and Banco Montepio's risk management policy;
   iv. Follow-up the Sustainability Office’s work, including supervision of the production of the Annual Sustainability Report.

r) Assist the Board of Directors in the following corporate governance areas:

   i. support the Board of Directors, when requested by this body, with regard to the operating regulations of the Board of Directors and its Committees;
   ii. analyse the governance and organisational structure of the Company (as defined in the Regulations of the Board of Directors), within the scope of the duties of the Board of Directors, and propose changes to improve the decision-making process and performance of the inherent functions;
   iii. supervising the production of the Annual Corporate Governance Report.

CANESG annually conducts a reassessment of the adequacy of the management and supervisory bodies, within the scope of which the structure, composition and performance of the Board of Directors and the respective Delegated Committees (Executive Committee, Risks Committee and the Evaluation, Appointments, Ethics, Sustainability and Governance Committee) as well as the Supervisory Body (CAUD) are evaluated, thus ensuring the self-and hetero-evaluation by the members of the Committees regarding their performance.

21.6. Executive Committee

The Executive Committee is responsible for the day-to-day management of Banco Montepio, under the terms of the delegation of powers made by the Board of Directors.

Under the proposal of the Executive Committee, the Board of Directors approved, under the terms of Article 2(2) of the Regulations of the Board of Directors[39], the specific allocation of the following areas of responsibility:

[39] Regulations of the Board of Directors approved on 29 February 2024.

Areas of Responsibility (as at 31 December 2024)

Manuel Teixeira Chairman of the Board of Directors	Internal Audit Division (DAI) *(with functional report to the Audit Committee and to the Board of Directors)*
Pedro Leitão Chairman of the Executive Committee	People Management Division (DGP) (1) Communication and Brand Division (DCM) Marketing Division (DMK) Corporate Governance Division (DGC) Sustainability Office (GS) APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) (2) AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado (Association of Company Issuers of Market-Listed Securities) (2) Montepio Crédito (3)
Ângela Barros Executive Member	Risk Division (DRI) Compliance Division (DCOMP) Rating Office (GR) Model Validation Office (GVM) Data Protection Office (GPD) Cybersecurity Office (GCS)
Helena Soares de Moura Executive Member	People Management Division (DGP) (1) Organisation and Quality Division (DOQ) Legal Division (DJ) Transformation and Quality Division (DIP) Credit Recovery Division (DAC) Performance and Dynamisation Division (DPD) Montepio Serviços, ACE (4) APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) (2)
Isabel Silva Executive Member	North and Centre Commercial Division (DCNC) South and Autonomous Regions Commercial Division (DCSI) Social Economy and Public Sector Commercial Division (DCESSP) Pricing Control Office (GCP)
Jorge Baião Executive Member	Corporate Banking Division (DBE) Investment Banking and Specialized Business Division (DBINE) Means of Payment Division (DMP) Information Systems Division (DSI) Services and Operations Division (DSO) Data and Analytics Division (DDA) SIBS (2)
José Carlos Mateus Executive Member	Financial and International Division (DFI) Accounting and Financial Reporting Division (DCRF) Credit Analysis Division (DAC) Strategic Planning and Control Division (DPEC) Investor Relations Office (GRM) Economic and Financial Studies Office (GEEF) Banco de Empresas Montepio (3)

(1) *With a delegation of follow-up by Helena Soares de Moura.*
(2) *Position held on behalf of Banco Montepio.*
(3) *Monitoring of an entity that is part of the Banco Montepio Group.*
(4) *Complementary Grouping of Companies (ACE) of which Banco Montepio is a Grouped Member.*

Delegated committees set up by the Executive Committee, whose composition and method of operation are laid down in the respective Regulations:

- **Credit Commission (CdC) and Executive Credit Commission (CEC)**, with decision-making competencies delegated by the Executive Committee on credit operations that are not reserved to the Board of Directors, within the framework of the Regulations applicable to Credit Risk, Credit Recovery and Loans to Employees;
- **Asset-Liability Commission (ALCO)**, whose main responsibilities are the definition of capital planning and management measures, asset allocation, and financing and liquidity strategy, as well as the prudent management of the structural, market and liquidity risks of the Banco Montepio Group, contributing to their effective implementation;
- **Business Commission**, whose mission is to: (i) analyse and propose for deliberation on the proposals for production and distribution of new products and services and/or significant changes to the offer being marketed (new products), with a view to submission for approval by the Board of Directors; (ii) monitor compliance with the defined business goals, analyse and propose commercial action priorities; and (iii) monitor the approved strategic actions for business development;
- **Internal Control Commission (COMCI)**, whose main mission is to support the Executive Committee with regard to the process of implementation of an effective internal control system on the level of the Banco Montepio Group, namely through a continuous and effective process of follow-up and monitoring of the detected deficiencies, so as to contribute to the promotion of a robust control environment and solid risk management;
- **Impairment Commission (COMIMP)**, whose mission is to analyse and make decisions on the loan impairments of Banco Montepio, on an individual and consolidated basis, monitor the loan portfolio and ensure the follow-up of non-performing exposures (NPE);
- **Non-Performing Assets Monitoring Commission (COMAANP)**, empowered to propose the strategy for the adequate management of the non-performing asset (NPA) portfolio, monitor the evolution of the NPA portfolio and the main indicators of performance and real estate risk, monitor the evolution of stock and flows of non-performing exposures (NPE), and analyse the non-performing asset (NPL) portfolios managed by the Credit Recovery Division;
- **Cybersecurity Commission (COMCIBER)**, whose main mission is to support the Executive Committee with the definition and follow-up of cybersecurity (information security) management objectives, aligned with business requirements, the requirements and expectations of the stakeholders, and relevant laws and regulations, as well as the follow-up of the implementation and continuous improvement of the information security management system (SGSI);
- **Technology Commission (COMTECH)**, with competence to propose the strategy for the development of Information Systems and technology-based systems at Banco Montepio, confirm structural and strategic IT projects, monitor the evolution of the most relevant IT projects, promote the ongoing survey of needs and define implementation priorities;
- **Data Commission (COMDATA)**, whose main mission is to support the Executive Committee with regard to the definition and monitoring of implementation of the data strategy, aligned with business requirements, the requirements and expectations of the stakeholders and the regulatory framework in effect, with a view to the transformation of data into an increasingly predominant asset in the sustainable growth of the organisation;
- **Pension Fund Monitoring Commission (COMAFP)**, with delegated competencies, at the Banco Montepio Group level, to monitor the Pension Fund investment policy, the evolution of the asset portfolio and its profitability, ensure the determination of the liabilities associated with the post-employment and long-term benefits of employees and directors, and review the actuarial reports produced by the Actuary, as well as the certification issued by an external consultant, if applicable;

- **Solvability Commission (CRES)**, with the competencies to propose and monitor the implementation of the solvability programme in the Banco Montepio Group, ensure that the Institution complies and will continue to comply with solution planning requirements;
- **Costs and Investments Commission (COMCINTO)**, with competence to develop, follow-up and monitor the action programmes so as to ensure the optimisation of the costs and investments approved under each budget year, as well as the respective control, on an individual and consolidated basis;
- **Sustainability Commission (COMSESG)**, whose main mission is to assess, debate, implement and monitor (i) the Sustainability, Sustainable Finance & ESG and Social Responsibility strategy and planning of Banco Montepio and of all entities comprising the Banco Montepio Group; and (ii) the policies, voluntary codes and co-responsibility of the Bank's areas in the promotion and communication of sustainability issues within the scope of management, organisational culture and current operations;
- The **Operational Resilience Commission (COMRO)** - formerly the **Business Continuity Commission**, with changing its name in January 2025 - whose main mission is to ensure Banco Montepio's compliance with the legal and regulatory requirements relating to operational resilience, proposing and monitoring the implementation of the Operational Resilience Management System.

b) Functioning of the Board of Directors

22. Existence and location where the operating regulations of the Board of Directors, Audit Committee and Executive Committee can be consulted

The Regulations of the Board of Directors (as well as other general corporate information on Banco Montepio, namely its Articles of Association and Regulations of the Audit Committee, Executive Committee and remaining commissions) are available on the Banco Montepio institutional website, at Policies and Regulations | Banco Montepio.

23. Number of meetings held and attendance level of each member of the Board of Directors

Under the terms of the Articles of Association and its Regulations, the Board of Directors shall meet whenever called for such purpose by the Chairman or by two Directors and should meet at least monthly.

During the financial year of 2024, the Board of Directors held 15 meetings, with all the minutes having been drawn up, including the contents defined in Article 8 of Banco de Portugal Notice no. 3/2020, namely records of the presence of its members and occasional absences due to holidays, duly justified and accepted by the Board, as shown in the table below:

Member	Term of Office	Position	No. of meetings held in 2024	Representative Delegation
Manuel Ferreira Teixeira	2022-2025	Chairman of the Board of Directors	15/15	0
Clementina Maria Dâmaso Barroso	2022-2025	Non-Executive Member of the Board of Directors	15/15	0
Eugénio Luís Correia Martins Baptista	2022-2025	Non-Executive Member of the Board of Directors	15/15	0
Florbela dos Anjos Frescata Lima	2022-2025	Non-Executive Member of the Board of Directors	14/15	1
Maria Cândida de Carvalho Peixoto	2022-2025	Non-Executive Member of the Board of Directors	14/15	1
Maria Lúcia Ramos Bica	2022-2025	Non-Executive Member of the Board of Directors	14/15	*Justified absence*
Pedro Manuel Moreira Leitão	2022-2025	Chairman of the Executive Committee	15/15	0
Ângela Isabel Sancho Barros	2022-2025	Non-Executive Member of the Board of Directors	15/15	0

Member	Term of Office	Position	No. of meetings held in 2024	Representative Delegation
Helena Catarina Gomes Soares de Moura Costa Pina	2022-2025	Non-Executive Member of the Board of Directors	15/15	0
Isabel Cristina dos Santos Pereira da Silva	2022-2025	Non-Executive Member of the Board of Directors	15/15	0
Jorge Paulo Almeida e Silva Baião	2022-2025	Executive Member of the Board of Directors	15/15	0
José Carlos Sequeira Mateus	2022-2025	Executive Member of the Board of Directors	14/15	1

24. Indication of the governing bodies with competence to conduct the assessment of performance of the executive directors

The Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG") is competent to ensure the assessment of performance of the Executive Directors and propose the attribution of variable remuneration to the Remuneration Committee, if applicable.

This performance assessment should cover successive periods of 4 (four) years and allow *ex post* reassessment, individual and collective, on risk-taking, and the dilution of any eventual effects resulting from extraordinary non-recurring results.

As established in the Remuneration Policy of the Members of the Management and Supervisory Body, the attribution of the variable component of remuneration depends on an annual (as to frequency) and multiannual (as to the scope) assessment of (i) the performance of each member of the Executive Committee, based on financial and non-financial criteria; (ii) the collective performance of the Executive Committee; and (iii) the global performance and results of the Bank.

25. Predetermined criteria for assessing the performance of executive directors

Quantitative and qualitative criteria are defined for the purpose of assessing the performance of the executive directors, under the terms of the Remuneration Policy applicable to the Members of the Management and Supervisory Bodies and their Implementing Regulation, weighted at 80% and 20%, in the following assessment dimensions:

(i) the performance of individual Executive Committee member, which should consider financial and non-financial criteria (with a weight of 30%, except for the director responsible for the risk and compliance areas with a weight of 50%);

(ii) corporate performance (with a weight of 70%, except for the director responsible for the risk and compliance areas with a weight of 50%).

The assessment criteria should reflect Banco Montepio's strategic goals and include risk indicators in order to ensure the alignment of the risk profile of the members of the Board of Directors with the risk level considered tolerable by Banco Montepio.

26. Availability of each of the members of the Board of Directors, including information on the positions held simultaneously in other companies, within and outside the Group, and other relevant activities carried out by the members of the aforementioned body during the financial year

Information on the positions held simultaneously by each of the members of the Board of Directors in other companies, inside and outside the Banco Montepio Group, and other relevant activities carried out, is presented in Annex II to this Report.

In addition, the Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders that the availability of Banco Montepio's Members of the Management and Supervisory Bodies must be assessed on the basis of the time actually dedicated to carrying out their duties, the accumulation of positions, the executive or non-executive nature of the position to be performed and the complexity of the inherent functions.

The executive members of Banco Montepio's Board of Directors perform their duties full-time and exclusively, although this does not apply when exercising functions in a management or supervisory body in other entities that fall within the same perimeter of supervision on a consolidated basis as Banco Montepio or in which Banco Montepio holds a qualifying holding, or when assuming positions in entities whose primary purpose is the pursuit of a non-commercial activity, such as non-profit or charitable organisations, provided that the exercise of management or supervisory functions in these entities is not likely to adversely affect the performance of functions at Banco Montepio, taking into account the requirements set out in the Policy for Selecting and Assessing the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders.

c) Internal Committees of the Board of Directors and Executive Committee

27. Identification of the committees created within the Board of Directors and location where the respective operating regulations can be consulted

The Board of Directors in office appointed the following specialised committees, composed solely of non-executive members, mostly independent, including the respective Chairmen, whose operating Regulations may be consulted on the Banco Montepio institutional website, in Policies and Regulations | Banco Montepio:

RISKS COMMITTEE

Member	Position	No. of meetings held in 2024
Florbela dos Anjos Frescata Lima	Chairman	22/22
Eugénio Luís Correia Martins Baptista	Member	22/22
Maria Lúcia Ramos Bica	Member	22/22

Pursuant to Article 1 of its Regulations, the Risks Committee (CRI) is composed of a minimum of 3 (three) and a maximum of 5 (five) members, including the Chairman, appointed by the Board of Directors from among its non-executive members.

The majority of the members of the Risks Committee, including the Chairman, should be independent, in accordance with the criteria set out in the applicable legal and regulatory provisions, and the internal policy for selection and assessment of the suitability of the members of management and supervisory bodies, and are required to have, individually and as a group, the necessary and appropriate knowledge, experience and competencies to perform their functions.

As established in the respective Regulations, the Risks Committee holds ordinary meetings at least eleven (11) times a year, and whenever a meeting is called by the respective Chairman or requested by any of the other members, or upon request by the Audit Committee, the Board of Directors or any of its committees, or by the Chief Risk Officer. During the financial year of 2024, the Risks Committee held 22 meetings, which were attended by all members, as shown in the tables above.

ASSESSMENT, NOMINATIONS, ETHICS, SUSTAINABILITY AND GOVERNANCE COMMITTEE

Member	Position	No. of meetings held in 2024
Maria Cândida de Carvalho Peixoto	Chairman	13/13
Clementina Maria Dâmaso de Jesus Silva Barroso	Member	13/13
Eugénio Luís Correia Martins Baptista	Member	13/13

Pursuant to Article 1 of the Regulations of the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, it is composed of 3 (three) members, including its Chairman, all appointed by the Board of Directors from among its non-executive members.

The majority of the members of the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, including the Chairman, should be independent, in accordance with the criteria set out in the applicable legal and regulatory provisions, and the internal policy for selection and assessment of the suitability of the members of management and supervisory bodies, and are required to have, individually and as a group, the necessary and appropriate knowledge, experience and competencies to perform their functions.

As established in its Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee ordinarily holds at meeting least one every two months and whenever called by the Chairman or requested by any of the other members.

The Assessment, Nominations, Ethics, Sustainability and Governance Committee held 13 meetings in 2024, which were attended by all its members, Table.

Pursuant to Banco Montepio's Articles of Association, the Board of Directors is authorised to constitute any commissions and committees deemed necessary to perform its functions and appoint its members and Chairman from among its non-executive members, of whom the majority, including the Chairman, should be independent.

28. Composition of the Executive Committee

During the financial year of 2024, the composition of the Executive Committee was as follows:

Member	Position
Pedro Manuel Moreira Leitão	Chairman
Ângela Isabel Sancho Barros	Member
Helena Catarina Gomes Soares de Moura Costa Pina	Member
Isabel dos Santos Pereira da Silva	Member
Jorge Paulo Almeida e Silva Baião	Member
José Carlos Sequeira Mateus	Member

Under the terms of the respective Regulations, the Executive Committee holds meetings at least weekly, and whenever a meeting is called by the respective Chairman or requested by any of the other members.

During the financial year of 2024, the Executive Committee held 54 meetings sessions, with all the minutes having been drawn up, including the contents defined in Article 8 of Banco de Portugal Notice no. 3/2020, namely records of the presence of its members and occasional absences due to holidays, training or other reasons, duly justified and accepted by the Executive Committee, as shown in the table below:

Member	Term of Office	Position	Attendance	Representative Delegation	Justified absences
Pedro Manuel Moreira Leitão	2022-2025	Chairman	41/54	13	n.a.
Ângela Isabel Sancho Barros	2022-2025	Member	52/54	1	1
Helena Catarina Gomes Soares de Moura Costa Pina	2022-2025	Member	51/54	2	1
Isabel Cristina dos Santos Pereira da Silva	2022-2025	Member	50/54	2	2
Jorge Paulo Almeida e Silva Baião	2022-2025	Member	53/54	0	1
José Carlos Sequeira Mateus	2022-2025	Member	45/54	9	n.a.

29. Indication of the competencies of each of the commissions created and summary of the activities carried out in the performance of those competencies

Information on these matters is included in point 21, above.

III. Supervision

a) Composition of the Audit Committee

30. Identification of the supervisory body corresponding to the model adopted

The Audit Committee, elected at the General Meeting, is the Company's supervisory body, is competent to supervise internal and external audit activities, the quality and integrity of financial information and reporting, as well as the process of preparation and disclosure of financial information, the effectiveness of the internal control, internal audit, risk management and compliance systems, and the activity and independence of the Statutory Auditor.

31. Composition of the Audit Committee, including the minimum and maximum statutory number of members, the statutory term of office, the number of effective members, the date of first appointment and the end date of the term of office of each member

Pursuant to Article 18(1) of the Articles of Association, the Audit Committee is composed of a minimum of three and a maximum of five members, elected at the General Meeting from among the non-executive members of the Board of Directors.

During the financial year of 2024, the composition of the Audit Committee was as follows:

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term
Clementina Maria Dâmaso Barroso	Chairman of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Florbela dos Anjos Frescata Lima	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Maria Cândida de Carvalho Peixoto	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Maria Lúcia Ramos Bica	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025

32. Identification of the members of the Audit Committee considered independent, under the terms of Article 414(5) of the Commercial Companies Code

Information on these matters is included in points 17 and 18, above.

33. Professional qualifications and other relevant curricular information of each of the members of the Audit Committee

Information relating to the professional qualifications and other relevant curricular information of each of the members of the Board of Directors is presented in Annex I to this Report.

b) Functioning of the Audit Committee

34. Existence and location where the operating regulations of the Audit Committee can be consulted

The Audit Committee's Regulations are available on the Banco Montepio institutional website, in Policies and Regulations | Banco Montepio.

35. Number of meetings held and attendance level of each member of the Audit Committee

Under the terms of the Articles of Association and the respective Regulations, the Audit Committee holds ordinary meetings at least once a month, and whenever a meeting is called by the respective Chairman, on their own initiative or at the request of any of the other members, or of the Chairman of the Board of Directors.

In the financial year of 2024, the Audit Committee held 23 meetings, which were attended by the members indicated in the following tables.

Member	Position	No. of meetings held in 2024
Clementina de Jesus Silva Barroso	Chairman	23/23
Florbela dos Anjos Frescata Lima	Member	23/23
Maria Cândida de Carvalho Peixoto	Member	23/23
Maria Lúcia Ramos Bica	Member	23/23

36. Availability of each of the members of the Audit Committee, including information on the positions held simultaneously in other companies, within and outside the Group, and other relevant activities carried out by the members of the aforementioned body during the financial year

Information on the positions held simultaneously by each of the members of the Audit Committee in other companies, inside and outside the Banco Montepio Group, and other relevant activities carried out, is presented in Annex II to this Report.

c) Responsibilities and functions of the Audit Committee

37. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of hiring additional services from the external auditor

The hiring of any non-audit services from the Statutory Auditor is regulated by the Policy for the Selection, Appointment and Evaluation of the Statutory Auditor ("ROC"), or Audit Firm ("SROC"), and Hiring of Services from the ROC/SROC, published on the Banco Montepio institutional website, in Policies and Regulations | Banco Montepio.

Within the scope of its competencies as the supervisory body of Banco Montepio, the Audit Committee assesses and controls the independence of the ROC/SROC with respect to the provision of the respective audit services and other non-prohibited services.

As part of the hiring of audit services and other non-prohibited services, the Audit Committee defines adequate measures to ensure the independence of the ROC/SROC, by the identification of situations of potential conflicts of interest that may compromise such independence, namely personal, financial and representative interests, directly or through any related person or entity, including any direct or indirect relationships, and, if applicable, involving the respective network, managers, auditors, employees or any other natural person whose services are available to or under the control of the ROC/SROC, or any person directly or indirectly linked to the ROC/SROC by a domain relationship.

In addition, the ROC/SROC is responsible, within the scope of the services provided, to identify any threats to their independence and the safeguard measures instituted and will be required to immediately report any situation that may affect the independent performance of their functions to the Audit Committee.

The hiring of non-audit services from the Statutory Auditor, which falls within the remit of the Executive Committee, is subject to prior evaluation and approval by the Audit Committee. For this purpose, the grounds for the proposal to be submitted to the Audit Committee must include an assessment of eventual threats to independence, as a result of the provision of the aforementioned services, and the safeguard measures adopted, in accordance with Article 73 of the Statutes of the Statutory Auditors Association ("EOROC").

In this regard, the Audit Committee may approve the hiring of non-audit services from the ROC/SROC, provided that the latter has conducted an appropriate assessment of the threats to their independence and presented the appropriate safeguards, and the following conclusions are reached:

a) The provision of a prohibited service is not an issue, nor is it intended that such as service be provided, directly or indirectly, by any member of the network to which the ROC/SROC belongs;

b) The Group's hiring of these services has kept the value of non-audit services hired in the last three years or more below 70% of the average fees paid, in the last three consecutive years, for the statutory audit or statutory audits of the accounts of the audited entity and, if applicable, its parent company, of the entities under its control and of the consolidated financial statements of this group of entities.

The Executive Committee is competent to ensure that the hiring of the aforementioned services complies with the limit established, being required to submit evidence of the control performed for this purpose to the Audit Committee.

38. Other functions of the Audit Committee

Information on these matters is included in point 21, above.

IV. Statutory Auditor

The Statutory Auditor is especially duty-bound to conduct all examinations and verifications required for the legal review and certification of accounts, in a conscientious, impartial manner, namely being responsible, for this purpose, to:

a) Verify the correctness of the accounting ledgers, accounting records and supporting documents;

b) Verify, when considered convenient and as deemed adequate, the extent of treasury and of any type of assets or values owned by Banco Montepio, or received by the Bank as collateral, deposit or other security;

c) Verify the accuracy of the accounting documents;

d) Verify whether the accounting policies and procedures and valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and liabilities and results.

The first recipient of the final reports issued by the Statutory Auditor is the Audit Committee.

39. Identification of the statutory auditor and partner representing it

The current Statutory Auditor of Banco Montepio is *PricewaterhouseCoopers* & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PwC"), represented by Aurélio Adriano Rangel Amado (Statutory Auditor number 1074, registered at the CMVM under number 20160686).

40. Indication of the number of consecutive years during which the statutory auditor performs duties for the Company and/or Group

Under the duties entrusted to it, in the second half of 2022, the Audit Committee embarked on the process of selection of the Statutory Auditor of the entities included in the Banco Montepio Group, with, by decision of the General Meeting of 28 April 2023, PwC having been reappointed as Statutory Auditor for the three-year period 2023-2025.

Thus, PwC has been performing duties for about five (5) consecutive years, currently serving its third term.

41. Description of other services provided by the Statutory Auditor to the Company

The rules to be observed when hiring audit and additional, non-audit services from the Statutory Auditor are specified in the Policy for Selection and Assessment of the ROC or SROC (published on the institutional website), under whose terms the Audit Committee, within the scope of its competencies as the supervisory body of Banco Montepio, and as a specialised committee tasked with the duties legally and statutorily assigned thereto, is competent to assess and control the independence of the ROC/SROC with respect to the provision of the respective audit services and other non-prohibited services.

The non-audit services provided by PwC to Banco Montepio during the financial year of 2024, as listed in the table below, refer to reliability assurance services and other services allowed under the applicable regulatory and professional standards, namely those established in the Statutes of the Statutory Auditors Association, which are provided under a regime of total functional and hierarchical independence in relation to Banco Montepio.

GBM Entity	Ref. Date	Non-Audit Services – 2024
Banco Montepio	31/12/2024	Certification of the Single Resolution Fund (SRF)
	-	Operação Côa opinion for reporting to Banco de Portugal
	-	Operação Zêzere opinion for reporting to Banco de Portugal
	-	Support for the PBC/CFT Audit Committee - 2023
	-	Board of Directors Support - PBC/CFT 2024
	31/03/2024	CL Drawdown
	31/12/2023 e 30/06/2024	Assessment of loan portfolio impairment (Banco de Portugal Instruction no. 18/2018)
	31/12/2023	Revision of the procedures for safeguarding the assets of relative clients in order to comply with Article 304 - C of the CVM
	-	Financial Services Risk and Regulation (FSRR) Newsletter: new legislation and regulatory developments
	-	Support for the implementation of the Standard Audit File for Tax purposes (SAF-T)
	-	Banco de Portugal Report - Correspondence Relations
	-	Banco de Portugal Report - UBOs 2023
	31/05/2024	Comfort letter - Euro Medium Term Notes (EMTN) Programme Update
	30/06/2024	Limited review of individual and consolidated financial information
	30/11/2024	Review of the Internal Control System (Banco de Portugal Notice 3/2020)
	30/11/2024	Review of the implementation of corrective measures regarding interest rate risk in the banking book (IRRBB)
	31/12/2023	Verification of the Sustainability Report
Montepio Crédito	31/12/2023	Support to the Supervisory Board in the Review of the Internal Control System - BCFT (Banco de Portugal Notice no. 1/2022)
	F31/12/2024	Certification of the Single Resolution Fund (SRF)
	31/12/2023 e 30/06/2024	Assessment of loan portfolio impairment (Banco de Portugal Instruction no. 18/2018)
	31/12/2023	Letter from Banco de Portugal - PBC/CFT
	30/11/2023	Support to the Supervisory Board in the Review of the Internal Control System (Banco de Portugal Notice no. 3/2020)
Montepio Investimento (BEM)	31/12/2024	Certification of the Single Resolution Fund (SRF)
	30/11/2023	Support to the Supervisory Board in the Review of the Internal Control System (Banco de Portugal Notice no. 3/2020)

V. External Auditor

42. Identification of the Statutory Auditor appointed for the purposes of Article 8 and of the partner representing it in the performance of these duties, as well as the respective registration number with the Securities Market Commission ("CMVM")

The duties of Auditor are performed by PwC, registered at the CMVM under number 20161485, represented by Aurélio Adriano Rangel Amado (Statutory Auditor no. 1074, registered at the CMVM under number 20160686).

43. Indication of the number of consecutive years during which the Statutory Auditor and the partner representing it perform duties for the Company and/or Group

PwC was elected for the first time on 27 May 2019 and reappointed to office in 2022, and again in 2023 for the three-year period 2023-2025, having thus been performing these duties for about five consecutive years, and is currently serving its third term of office.

44. Policy and frequency of rotation of the Statutory Auditor and the representing partner in the performance of these duties

The policy and frequency of rotation of the ROC are established in the current Policy for the Selection, Appointment and Evaluation of the Statutory Auditor ("ROC"), or Audit Firm ("SROC"), and Hiring of Services from the ROC/SROC, which specifies minimum and maximum periods for the performance of duties concerning the legal review of accounts by the Statutory Auditor and the partner responsible for guidance or direct performance of the legal review of accounts, in compliance with the applicable legal regime, as established in Article 17 of Regulation (EU) no. 537/2014 of 16 April, and Article 54 of the Statutes of the Statutory Auditors Association (approved by Law 140/2015 of 7 September), with the text provided in Law 99-A/2021 of 31 December.

45. Indication of the body responsible for the assessment of the external auditor and periodicity of the assessment

The Audit Committee is responsible for the conduct of an annual assessment of the quality of the services provided by the external auditor and respective partner Statutory Auditor, as described in point 21, above, regarding the Audit Committee's competencies with respect to the supervision of the Statutory Auditor's activity and independence.

This assessment examines the quality, competence, rigour, impartiality, professionalism and independence of the auditors. The Audit Committee ensures the follow-up of the external auditor's activity, in particular, appraises the conclusions of the audit to the annual financial statements, on an individual and consolidated basis and the limited review of the six-monthly financial statements, and also analyses the conclusions of the desktop reviews to the financial statements of the first and third quarters. The Audit Committee regularly holds meetings with the external auditor and whenever necessary.

46. Identification of non-audit services provided by the external auditor to the company and/or companies in a control relationship therewith, and indication of the internal procedures in place for approving the hiring of these services, as well as the reasons for the respective hiring

Information on these matters is included in points 37 and 41, above.

47. Indication of the amount of annual remuneration paid by the company and/or legal persons in a control or group relationship therewith to the auditor and other natural or legal persons that are part of the same network, and breakdown of the percentages pertaining to the legal review of accounts, reliability assurance, tax consulting and non-audit services

Fees for services provided in 2024 (In Euros)	Audit	Non-audit services required by law	Non-audit services not required by law	Total
Banco Montepio	1,073,400	253,500	628,327	1,955,227
Montepio Holding	20,580			20,580
Montepio Crédito	51,110	14,710	61,900	127,720
Montepio Investimento	7,500		6,200	13,700
Ssagincentive	19,555			19,555

C. Internal Organisation

I. Articles of Association

48. Rules applicable to the alteration of the company's Articles of Association

Pursuant to Article 10(2) of the Articles of Association of Banco Montepio and Article 386(3) of the Commercial Companies Code, the deliberations of the General Meeting concerning the alteration of the Articles of Association require approval by a majority of two thirds of the votes cast.

II. Whistleblowing

49. Means and policy for reporting irregularities within the company

The Policy on the Reporting of Irregularities (Whistleblowing) in effect at Banco Montepio, reviewed in June 2024, sets out the general principles of action of the Institution with respect to the communication and processing of irregularities, ensures independence and autonomy in the assessment of reports, the possible anonymity of the whistleblowers, and the confidential nature of the identity of the whistleblowers and of any third parties referred to in the reports.

Accordingly, Banco Montepio has implemented specific, independent, autonomous that are appropriate to receive, process and record the reports of irregularities related to its management, accounting organisation and internal supervision, as well as serious signs of breach of the duties to which it is bound, infringement of the values or ethical standards defined in the Code of Conduct, and non-compliance with the policies or other internal regulations of Banco Montepio or related to Banco Montepio Group entities.

In this context, it should be noted that a new channel has been implemented for communication of irregularities – the **Ethics Channel** – and changes introduced to the governing of the communication of irregularities process, namely through the creation of a **Irregularities Commission (COMIR)**, with delegated competencies of the Audit Committee on this matter, so as to ensure autonomy and independence in the processing of the irregularities received by Banco Montepio.

The Irregularities Commission is composed of a member of the Audit Committee, appointed by the latter, who chairs this commission and has a casting vote, and the Directors of the Compliance and Internal Audit Divisions. On 22 November 2022, the Audit Committee appointed the Director Maria Lúcia Bica to chair the Irregularities Commission.

Considering the scope of action of the Irregularities Commission, it has been stipulated that this body will meet whenever an irregularity is reported. Therefore, no regular periodicity has been established for the holding of the respective meetings.

The Policy provides clear guidelines on the issues that may be reported and the various stages of the procedure, to guarantee the confidentiality of the reports received and the protection of the personal data of whistleblowers. Additionally, it is ensured that the information reported by the whistleblowers is effectively analysed, the measures deemed necessary for correcting any irregularity are implemented, and whistleblowers acting in good faith are protected against any disciplinary measures, direct or indirect, or equivalent decisions. Banco Montepio's Policy on the Reporting of Irregularities (Whistleblowing) is published on its institutional website and available to all employees on the institutional intranet site.

III. Internal Control and Risk Management

50. Persons, bodies or commissions responsible for internal audit and/or implementation of internal control systems

The internal control system of Banco Montepio includes a series of strategies, policies, procedures, systems and controls so as to ensure the adequate identification, assessment, monitoring and control of the risks to which the Bank is or may eventually be exposed, namely through the assured availability of timely, objective, complete, reliable accounting, financial and management information, as well as independent reporting mechanisms for communication of this information to the management and supervisory bodies and internal control functions.

In line with the applicable regulatory requirements, namely those set out in Banco de Portugal Notice no. 3/2020, and best practice, the internal control system of Banco Montepio is based on five components, namely the following: (i) control environment; (ii) risk management system; (iii) control procedures; (iv) information and communication; and (v) independent assessment.

With a view to the continuous existence of an adequate, effective organisational culture, based on high standards of ethics and conduct of its employees, the following bodies and structural units of Banco Montepio undertake the following main responsibilities, with respect to the governing and internal control system of the Banco Montepio Group:

The **Board of Directors** is competent to implement and maintain an appropriate and effective internal control system, able to ensure business continuity, through the efficient allocation of resources, execution of operations, risk control, prudential assessment of assets and liabilities, accounting and financial information system integrity, compliance with the applicable legislation and regulations, and security and control of access to information and communication systems.

The **Audit Committee** is competent to perform the role of the continuous supervision of the Institution, and is competent to conduct an annual assessment, in a comprehensive, conclusive and reasoned manner, of the suitability and effectiveness of its organisational culture and internal governance and control systems, in order to reflect upon the adoption of the necessary measures to correct any shortcomings identified, and supervise the integrity of information and financial reporting, the internal control system and the risk management model, through the adoption or proposal to the Board of Directors the adoption of adequate measures to correct any deficiencies detected, or alerting the latter, when necessary, whenever risk evolution harms or may cause harm to the institution.

The mission of the **Risks Committee ("CRI")** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Audit Committee and Board of Directors in these spheres.

The **Executive Committee** ensures that current business management is carried out in accordance with the strategy and risk appetite limits defined by the management body, through supervision of current risk management activities and the operationalisation of the implemented controls, as well as the prudential assessment of assets and liabilities, accounting and financial information system integrity, compliance with the applicable legislation and regulations, and security and control of access to information and communication systems.

The **Internal Control Commission** ("COMCI") is competent to promote and support the continuous monitoring and assessment of effectiveness of the internal control system of Banco Montepio, so as to ensure that the system promotes for a robust control environment and solid risk management, and benefits from a fluid, reliable information and communication system, and an effective, continuous process to monitor and correct the detected shortcomings.

The **Internal Audit Division** ("DAI") is constituted as the **Internal Audit Function**, integrated in the internal control system monitoring process, with its assessment incident on the Bank's activities, systems and processes, and so as to promote the continuous monitoring of the identified deficiencies, with a periodicity deemed adequate to the associated risk, in order to ensure the adequacy and timely implementation of the measures aimed at their correction, with the ultimate purpose to ensure the continuous improvement of Banco Montepio's internal processes.

The head of the Internal Supervision Function is appointed by the Board of Directors and reports hierarchically to its Chairman and functionally to the management body and the Audit Committee, as the supervisory body

The **Risk Division** ("DRI"), entrusted with the **Risk Management Function**, is competent to ensure that all material risks to which Banco Montepio and/or the Group is or may eventually be exposed are properly identified, assessed, monitored, controlled and reported. For this purpose, the risks associated to the Bank's activity are identified in an individual, aggregated, current and prospective manner, and assessed by determining exposure, based on adequate methodologies.

The head of the **Risk Management Function** is appointed by the Board of Directors and reports hierarchically to a member of the Executive Committee (Chief Risk Officer – CRO), and functionally to the Risks Committee, Audit Committee and Board of Directors.

The Compliance Division ("DCOMP") is entrusted with the **Compliance Function** and is responsible for the prevention and/or detection of situations that entail, or may eventually entail, compliance risks for Banco Montepio (among others, criminal or administrative offence penalties and/or financial losses or reputational damages, on an individual and consolidated basis). Accordingly, it acts to prevent the occurrence of situations of internal or external fraud, actions tending to jeopardise internal control, and obstructions to information that should be known by the management and supervisory bodies, amongst others.

The head of the Compliance Function is appointed by the Board of Directors and reports hierarchically to the Chief Risk Officer (CRO), and functionally to the Risks Committee, Audit Committee and Board of Directors.

The following are the heads of Banco Montepio's Internal Audit Control, Compliance and Risk Management Functions:

Control Function	Head
Risk Management (FGR)	Bruno Manuel Ferro Espadanal Torres de Magalhães
Compliance (FC)	António Miguel Coelho Oliveira
Internal Audit (FAI)	Maria Fernanda Infante Melo Costa Correia (to 31.12.2024), and from 16/01/2025 took over as Head of FAI Frederico Caldeira Neto Tomaz

The mission of the **Internal Control Department** ("DCI") of the Organisation and Quality Division ("DOQ")[40], with functional reporting to the Audit Committee on internal control matters is to support the management and supervisory bodies in maintaining an adequate and effective internal control system, through the permanent monitoring of the process of remedying internal control shortcomings.

Under their respective competencies, the Board of Directors and Audit Committee are competent to draft an annual self-assessment report on the adequacy and efficacy of the organisational culture, its governance and internal control systems, as established in Banco de Portugal Notice no. 3/2020 and CMVM Regulation no. 9/2020, relative to the Group and each of the entities subject to supervision on a consolidated or sub-consolidated basis, including the parent company and its subsidiaries.

51. Information, even if through an organisational chart, on the hierarchical and/or functional dependency in relation to other bodies or commissions

The hierarchical and functional dependency relationships of the internal control functions are shown in the organisational chart included in point 21, above.

52. Existence of other functional areas with risk control competencies

The **Data Protection Office** ("GPD") ensures compliance with personal data protection principles, duties and obligations, namely through support to the Data Protection Officer (DPO) with respect to their duties as guarantor of compliance with the General Data Protection Regulation (GDPR) and the Data Protection Act (Law 58/2019 of 8 August), which ensures the implementation, in the national legislation, of the GDPR and other applicable legislation on privacy and data protection matters.

The **Data Protection Officer** (DPO), in its advisory function and to monitor the compliance of the activities undertaken by the entities comprising the Banco Montepio Group, according to a risk-based approach, assesses and controls, with independence and objectivity, the compliance of the activities, systems and processes with the policies and procedures of the Banco Montepio Group, as well as with the applicable legal and regulatory obligations concerning the protection of personal data.

The mission of the **Corporate Governance Division** ("DGC") is to provide functional support to the Board of Directors, Audit Committee, Executive Committee and specialised committees, promote the good management and effectiveness of Banco Montepio's governance system, in particularly competent to assist the management and supervisory bodies with the production of the respective self-assessment reports, under

[40] The DOQ integrated the former Internal Control Office ("GCI") in January 2025.

the terms of Banco de Portugal Notice no. 3/2020, in coordination with the Internal Control Department and the remaining internal control areas.

The middle management, composed of Division/Organic Unit managers (excluding control functions), develops control actions over their areas of responsibility, through implementation of the processes and control mechanisms deemed necessary to ensure that all risks taken are identified, assessed, monitored and controlled in an adequate, timely manner, so as to guarantee that they remain within the risk tolerance limits defined in the risk management policy and the risk appetite policy of the Banco Montepio Group, as defined in the Risk Appetite Framework (RAF).

53. Identification and description of the main types of risk (economic, financial and legal) to which the company is exposed as a result of its activity

Information regarding this matter is included in the "Risk Management" subchapter of the Management Report.

54. Description of the risk identification, assessment, monitoring, control and management process

Information regarding this matter is included in the "Risk Management" subchapter of the Management Report.

55. Main elements of the internal control and risk management systems implemented in the company with respect to the financial information disclosure process

Banco Montepio's financial statements are produced in accordance with the international financial reporting standards, with the definition of a series of procedures to ensure the reliability, accuracy, timeliness, consistency and integrity of the disclosed information.

The information preparation process is based on separation of responsibilities, such as to mitigate the risks associated with the production of financial statements.

The disclosure of financial information to the market is prepared by the Investor Relations Office, based on the financial statements and management information provided by the Accounting and Financial Reporting Division and the Strategic Planning and Control Division.

IV. Investor Support

56. Service responsible for investor support, composition, duties, information provided and contact information

The **Investor Relations Office** (GRM) is the organic unit of Banco Montepio competent to ensure compliance with the duties of communication and provision of information to investors, rating agencies and the market in general, under the applicable legal and regulatory framework.

The GRM is composed of a manager and two employees, who are responsible for Banco Montepio's relationship with the market.

In the performance of its duties, the GRM carries out the following main activities:

- Replying to requests from investors, financial analysts and other Stakeholders, national and international, regarding financial and other public information pertaining to the activity of Banco Montepio, in accordance with the applicable legislation and regulations;
- Prepare press releases and presentations for disclosure of information and communication with investors and the market, in cooperation with the Communication and Brand Division;
- Coordinate relations with rating agencies, through the preparation of the meetings and production of the respective information and presentation documents;
- Coordinate the updating of debt instrument programs and prospectuses;

- Keep updated information on critical debt market factors and agency ratings available, on a quarterly basis;
- Monitor legal and regulatory changes regarding information duties.

In 2024, Banco Montepio continued to engage in extensive communication with the market, having adopted the recommendations of the Securities Market Commission ("CMVM") and the best practices in matters of financial and institutional communication.

In order to ensure the fulfilment of reporting obligations, legal and regulatory, the Institution discloses information on the respective results and activity on a quarterly basis and publishes all relevant and mandatory information through the CMVM's information disclosure system.

Contact information for the Investor Relations Office is available on the Banco Montepio institutional website, in Investor Relations Office | Banco Montepio.

57. Representative for investor relations

The representative for relations with the market and with the CMVM, appointed by Banco Montepio, is the head of the Investor Relations Office, Fernando Emanuel Mendes Teixeira.

58. Information on the proportion and deadline for replying to information requests received during the year or pending from previous years

Banco Montepio's Investor Relations Office engages with investors, analysts and the market in general on a continuous basis, to ensure the provision of all relevant information on the Bank's activity and provide the clarifications requested within a maximum of one business day, when the information in question is of public domain. Requests are occasionally received by e-mail, in which case a longer period may be required for the collection of information, owing to its technical complexity. These requests are processed and answered in less than five business days.

At the end of the financial year of 2024, no requests for information and/or clarification referring to previous years were pending.

V. Website

59. Address

Banco Montepio publishes all essential information to ensure an adequate knowledge of its activity on its institutional website – www.bancomontepio.pt.

60. Location where information about the company, the status of public limited company, the head office and the remaining items mentioned in Article 171 of the Commercial Companies Code are available

All general corporate information about Banco Montepio is available on the Institution's website, on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio.

61. Location where the articles of association and the operating regulations of the bodies and/or committees are available

The Articles of Association of Banco Montepio are available on http://www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio.

The Regulations of the Board of Directors, the Audit Committee, the Executive Committee and the remaining internal commissions established, as well as the Institution's policies and regulations, and the Code of Conduct, are available on https://www.bancomontepio.pt/institucional/politicas-regulamentos.

62. Location where the identity of the members of governing bodies, the representative for investor relations and the members of the Investor Relations Office, and information about the respective functions and means of access, is available

The list of members of the governing bodies of Banco Montepio is available on https://www.bancomontepio.pt/institucional/orgaos-sociais.

The identity, description of functions and contact information of the representative for investor relations is available on www.bancomontepio.pt/institucional/informacao-investidores/gabinete-relacoes-mercado.

63. Location where the financial statements, which should be available for at least five years, as well as the six-monthly company event calendar, published at the start of each half-year, including general meetings of shareholders and the disclosure of annual, half-yearly and quarterly results, if applicable, are available.

The financial statements and financial information documents of Banco Montepio are published on https://www.bancomontepio.pt/institucional/investor-relations, related press releases are available on www.bancomontepio.pt/institucional/informacao-investidores/comunicacao-resultados.

64. Location where the notice convening the general meeting and all the preparatory and subsequent information related thereto is available

The calls and preparatory information for the General Meetings of Banco Montepio are available, subject to the legally established deadlines for this purpose, on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/assembleias-gerais.

65. Location where the historical archive on the deliberations made at the company's general meetings, represented share capital and voting results referring to the previous three years are available

Information regarding the deliberations made at the General Meetings of Banco Montepio is available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/assembleias-gerais.

D. Remunerations

I. Power to Establish

66. Indication regarding the power to establish the remunerations of the governing bodies, the members of the executive committee and the company's directors

Pursuant to Article 12(c) of the Articles of Association of Banco Montepio, a Remuneration Committee was elected at the General Meeting held on 19 April 2022, which is responsible, under the terms of Article 17 of the Articles of Association of Banco Montepio, to establish the remunerations of the members of the Governing Bodies and the Statutory Auditor.

Regarding the establishment of the remunerations of the members of governing bodies, the Remuneration Committee is responsible for the following, after consulting the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, the Risks Committee and the Audit Committee, whenever relevant and within the scope of their competencies:

a) Issuing an opinion on the revisions of the Remuneration Policy of Members of the Governing Bodies (applicable to the Members of the Management and Supervisory Bodies);

b) Issue an opinion to the Regulations for the Implementation of the Remuneration Policy applicable to the Members of the Management and Supervisory Bodies, namely including the relevant criteria, objectives and adjustment indicators, for the purposes of eventual attribution and payment of variable remuneration to executive directors, in compliance with the Remuneration Policy;

c) Establish the fixed and variable remuneration components, as applicable, of the members of the management and supervisory bodies, in compliance with the Remuneration Policy and as provided for Article 399(1) of the Commercial Companies Code;

d) Deliberate on the verification of adjustments to the variable remuneration of executive directors, in compliance with the remuneration policy;

e) Issue an opinion on the adequacy of the proposals concerning the supplementary pension scheme, applicable to retirement due to old age or disability, of the directors, to be approved as a separate regulation at the General Meeting, under the terms of Article 402 of the Commercial Companies Code, as well as compensation for termination of term and any other benefits attributed to the members of the management and supervisory bodies.

In performing its duties, the Remuneration Committee takes into account the long-term interests of Banco Montepio, the sustainability of its activity, and the long-term interests of the shareholders, Customers and other Stakeholders, as well as the public interest.

The Assessment, Nominations, Ethics, Sustainability and Governance Committee is responsible for drawing up the proposals to be submitted to the Remuneration Committee and preparing the Board of Directors' decisions, in accordance with its competences, concerning the remunerations of the members of the management and supervisory bodies and key function holders, with impact on the strategy and risk management and/or the liquidity and capital levels of Banco Montepio, including, but not limited to, the issuance of opinions on the attribution, payment and adjustment of the variable remuneration of executive directors, and the structure and remuneration criteria of key function holders, in accordance with the respective Remuneration Policies.

In addition, the Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee is competent to produce and submit to the annual General Meeting a Report concerning the alignment of the remuneration policies of Banco Montepio and the Banco Montepio Group with adequate risk management and the Institution's long-term strategy and interests, in accordance with Article 115-C(6) of the RGICSF and Article 44 of Banco de Portugal Notice no. 3/2020, within the scope of the independent analysis of the implementation of the Remuneration Policy and remuneration practices, as well as an assessment of the consistency of remuneration practices on the Group level.

II. Remuneration Committee

67. Composition of the Remuneration Committee, including the identification of the natural or legal persons hired to provide support and a statement about the independence of each of the members and advisers

The Remuneration Committee elected by the General Meeting held on 29 April 2022, and one of the members appointed by the General Meeting held on 28 April 2023, presented the following composition as at 31 December 2024:

Member	Position
Paulo Câmara Pires dos Santos	Chairman
António Miguel Lino Pereira Gaio	Member
Soledade Carvalho Duarte (*)	Member
(*) appointed at the General Meeting of 28 April 2023	

All members of the Remuneration Committee are independent from the members of the management body.

The members of the Remuneration Committee are invited to attend Banco Montepio's Annual General Meeting. At the meeting held on 30 April 2024, which took place in person, the Members Dr. António Miguel Lino Pereira Gaio, and Dr. Soledade Carvalho Duarte were present.

Pursuant to the Regulations of the Remuneration Committee, its meetings may be attended by any Employees, consultants, experts, members of governing bodies or committees of the Board of Directors or other guests purposely called by the Chairman, on his/her own initiative or at the request of any other member of the Remuneration Committee.

The Remuneration Committee or the Assessment, Nominations, Ethics, Sustainability and Governance Committee may propose that Banco Montepio contract external services that are necessary or convenient for the performance of its duties, and must ensure that such services are provided independently, as well as submit their approval to the management body, in accordance with the established approval process and taking into account existing budgetary constraints.

68. Knowledge and experience of the members of the Remuneration Committee in matters of remuneration policy

All members of the Remuneration Committee possess adequate professional qualifications, gained as a result of academic qualifications, professional experience, or specialised training suited to the performance of their duties.

III. Remuneration Structure

69. Description of the remuneration policy of the management and supervisory bodies

The Assessment, Nominations, Ethics, Sustainability and Governance Committee is responsible for drafting, monitoring and reviewing the Remuneration Policy applicable to the Members of the Management and Supervisory Bodies, being supported by the Corporate Governance Division to this end.

Under proposal of the Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG"), and after obtaining the opinion of the Remuneration Committee, and prior obtaining of the opinions of the Compliance Division and Risk Division, the aforesaid Policy review is submitted to the approval of the General Meeting.

The final review of the Remuneration Policy of the Members applicable to the Management and Supervisory Bodies in force was approved by the General Meeting on 30 April 2024.

The aforementioned Policy constitutes an important instrument for strategic business management, as it focuses on the following goals:

a) Reward professional responsibility and ensure internal equity and external competitiveness;
b) Strengthen the commitment and motivation of people, and promoting excellent performance, by recognising and rewarding merit;
c) Ensure the achievement of the strategic objectives, values and long-term interests of Banco Montepio, in a sustainable manner, always taking into account its risk management and risk appetite.

To this end, the Remuneration Policy applicable to the Members of the Management and Supervisory Bodies takes into account Banco Montepio's activity, risk appetite, structure and size, as well as market practices, thus being based on objective, transparent, consistent criteria, compatible with the chain of responsibilities and competencies of the members of the management and supervisory bodies, with a view to the creation of incentives that ensure a level of risk-taking compatible with Banco Montepio's strategy, tolerance and risk culture, and with sound and prudent management.

At least 50% (fifty percent) of the variable remuneration, deferred and non-deferred, should be paid as specified in the RGICSF, namely in the form of instruments issued by Banco Montepio, with a residual amortisation period of at least five years, which are part of the classes of instruments listed in Commission Delegated Regulation (EU) no. 527/2014 of 12 March 2014.

During the deferral period, Banco Montepio is the holder of the instruments and cash attributed as variable remuneration.

Pursuant to the provisions of the aforementioned Remuneration Policy, if other instruments are issued, the identification and management of potential conflicts of interest that may be generated by the payment of the instruments issued as part of the variable remuneration will be ensured, and appropriate procedures will be implemented to ensure compliance with the requirements applicable to the management of privileged information and the avoidance of measures that may have a short-term impact on the price of the instruments in question.

The aforementioned instruments will only be issued if they contribute to ensure the alignment of variable remuneration with the performance and risks of Banco Montepio.

A performance reassessment and, if necessary, a risk-based adjustment, will be carried out prior to the payment of deferred variable remuneration, or acquisition of the right to deferred-payment instruments, such as to ensure alignment between the variable remuneration and the additional risks identified or materialised after the respective attribution.

70. Information on how remuneration is structured such as to allow alignment between the interests of the members of the management body and the long-term interests of the company, and on how remuneration is based on the assessment of performance and discourages excessive risk-taking

The Remuneration Policy applicable to the Members of the Management and Supervisory Bodies is materialised taking into account the scope and complexity of the activity pursued, the risk appetite, structure, size and internal organisation, with its definition based on objective and transparent criteria, as well as on mission and values to which it is inherently bound and market practices.

The remuneration consists of the following components:

i. Fixed component, paid on a monthly basis;
ii. Variable component.

The definition of these two remuneration components is based on objective, transparent, consistent criteria, compatible with the chain of responsibilities and competencies of the remunerated employees, taking sector and national remuneration standards into account.

The remuneration of the members of the Audit Committee and non-executive members of the Board of Directors is exclusively composed of a monthly fixed component.

The remuneration of the members of the Executive Committee is composed of a fixed component, which should reflect the necessary responsibilities, experience, competencies and knowledge associated with the position, and a variable component, the attribution of which is not assured, but rather, is dependent on achievement of at least 80% of the established performance goals and subject to partial deferral of payment, so as to ensure a balance between the short and long-term.

In 2024, the Bank decided to attribute variable remuneration to the Executive Directors with respect to the financial year of 2023.

71. Reference, if applicable, to the existence of variable component of remuneration and information on the eventual impact of performance assessment on this component

The remuneration structure of Executive Directors includes, in addition to a fixed component, an eventual variable component, based on measurable criteria and predefined assumptions.

The total amount of the variable component of remuneration is defined based on the following criteria: (i) individual performance assessment; (ii) collective assessment of the Executive Committee; (iii) performance of Banco Montepio. Financial and non-financial should be considered, which should reflect the strategic objectives of Banco Montepio and include risk indicators, in order to ensure alignment with the risk profile considered tolerable by Banco Montepio.

This variable component depends on a multiannual assessment of the performance of each member, and must be approved by the Remuneration Committee, under proposal of the Assessment, Nominations, Ethics, Sustainability and Governance Committee, or by the General Meeting, in the event of the attribution of a higher ratio between the fixed and variable remuneration, under the terms of Article 115-F(3-5) of the RGICSF.

The following criteria are considered in the process of attribution of variable remuneration:

- The attribution of the variable remuneration of the Executive Committee's members depends on achievement of at least 80% of the performance goals, observing the regulations in force and taking into account the established ratio between the variable component and the fixed component which should not, as a rule, exceed 100% of the value of the annual fixed component of remuneration;

- When justified by exceptional circumstances and provided this is duly substantiated by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, a variable remuneration higher than the established ratio may be attributed, at the most corresponding to double the value of the fixed remuneration, pursuant to Article 115-F(3) of the RGICSF;
- The variable component of the remuneration of the Executive Committee's members is structured in order to ensure that it does not limit Banco Montepio's capacity to maintain or strengthen its base of own funds and liquidity;
- The variable remuneration structure should be in line with the risk management policy related to Banco Montepio's activity which should consider financial and non-financial risks;
- The ascertainment of the degree of achievement of the goals and the proposed attribution of variable remuneration to be submitted to the Assessment, Nominations, Ethics, Sustainability and Governance Committee to the Risks Committee, establishing the variable remuneration, is carried out after the approval of the duly audited annual net income for the year by the Board of Directors and General Meeting of Banco Montepio.

72. Deferred payment of variable remuneration, including information on the deferral period

Whenever it is decided to attribute variable remuneration to the members of the Executive Committee, payment of 50% (fifty percent) of this remuneration, or 60% (sixty percent), when the respective amount is particularly, will be deferred for a minimum of four years (deferral period). The deferral period begins after the date of attribution of the non-deferred percentage of the variable remuneration, after which the first deferred instalment will be paid 12 months after the start of the deferral period, and the following instalments 12 months after each deferred payment.

The right to receive the deferred percentage of the variable remuneration is acquired over the deferral period, on an annual proportional basis, being conditional upon the confirmation and sustainability of the economic and financial performance indicators of Banco Montepio that justify the attribution of variable remuneration, the non-occurrence of facts that may have negative impacts during the respective financial year, the favourable performance assessment of employee involved, and the assessment of the current and future risks taken by Banco Montepio.

73. Criteria on which the attribution of variable remuneration in the form of shares is based, as well as information concerning the holding, by the executive directors, of those shares, the eventual signature of contracts concerning the shares, namely hedging or risk transfer contracts, as well as the respective limit and ratio with respect to the total annual remuneration

No variable remuneration will be attributed in the form of shares.

74. Criteria on which the attribution of variable remuneration in the form of options is based and indication of the deferral period and price for exercise

No variable remuneration will be attributed in the form of options.

75. Main parameters and grounds underlying any annual bonus scheme and other non-monetary benefits

The value of the variable component of remuneration is defined in accordance with the performance assessment carried out, based on quantitative and qualitative criteria for assessing the performance of executive directors, set on an annual basis, and with the established methodology and rules, in compliance with the Remuneration Policy applicable to the MOAF.

Under the terms of the Remuneration Policy applicable to the MOAF currently in effect, the following benefits are attributable to the members of the management and supervisory body:

a) Supplementary pension scheme, applicable to retirement due to old age, disability and survival[41], approved at the General Meeting;

b) Compensation for damages resulting from occupational accidents and illnesses, similar to the scheme applicable to the Employees;

c) Health insurance providing coverage similar to that of Employees, if they do not have direct access to this protection.

Pursuant to the Remuneration Policy applicable to the Members of the Management and Supervisory Bodies, the last revision having been approved at the annual General Meeting of 30 April 2024, in addition to the mandatory public or private pension schemes, as applicable in accordance with the respective contributory careers, the members of the management and supervisory body, under an arrangement of exclusivity, are offered a pension supplement, paid by the Institution, in the event of disability or when they have reached the retirement age in effect for Bank employees, as well as in the event of survival, based on a percentage of the fixed remuneration earned as members of the Board of Directors, in accordance with the Regulations approved at the General Meeting. No discretionary pension benefits are attributed.

76. Main characteristics of supplementary pension or early retirement schemes for directors, and date of approval at the general meeting, on an individual basis

In accordance with the Regulation of Implementation of the Supplementary Pension Scheme of the Members of the Management and Supervisory Bodies, approved at the General Meeting held on 30 June 2020, the amount of this supplement is calculated based on 4% or 5% of the fixed base remuneration earned in each year as a member of the Board of Directors, for each full year of office, depending on whether the time served in office totalled up to five (5) or more years.

IV. Disclosure of remunerations

77. Indication of the annual values of remuneration received, on an aggregate and individual basis, by the members of the management bodies, including fixed and variable remuneration, and, regarding the latter, indication of the various components that originated it

In compliance with Article 47 of Banco de Portugal Notice no. 3/2020 and Article 450 of Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013, quantitative information on the remuneration values paid in 2024 by Banco Montepio to the Employee categories listed in Article 115-C(2) of the RGICSF are disclosed, namely the following:

a) Members of the management and supervisory bodies;

b) Senior management;

c) Persons in charge of the Institution's significant business units;

d) Persons in charge of the internal control functions; and

e) Employees whose remuneration places them in the same remuneration bracket as the previous categories a), b) or c), whose professional activities have a material impact on the Institution's risk profile.

77.1. Members of the management and supervisory bodies

In the financial year of 2024, the values of remuneration received, on an aggregate and individual basis, by the members of the management and supervisory bodies of Banco Montepio was as shown in the following tables:

[41] Since 2022, only applicable to non-executive members on an exclusive basis, with due safeguard of rights already acquired.

A. Fixed Remuneration received in 2024 (gross amounts expressed in Euros)

Members of the Board of Directors	Position	Total fixed remuneration paid in 2024
Manuel Ferreira Teixeira	Chairman of the Board of Directors	€ 298,641
Clementina Barroso	Chairman of the Audit Committee	€ 162,000
Eugénio Baptista	Non-Executive Member	€ 127,000
Florbela Lima	Non-Executive Member	€ 155,000
Maria Cândida Peixoto	Non-Executive Member	€ 155,000
Maria Lúcia Bica	Non-Executive Member	€ 155,000
Pedro Leitão	Chairman of the Executive Committee	€ 411,141
Helena Soares de Moura	Executive Member	€ 298,641
Isabel Silva	Executive Member	€ 298,641
Ângela Barros	Executive Member	€ 298,641
José Carlos Mateus	Executive Member	€ 298,641
Jorge Baião	Executive Member	€ 298,641
	TOTAL	**€ 2,956,976**

B. Variable Remuneration Awarded in 2024 (paid and deferred) (gross amounts expressed in Euros)

Member of the Executive Committee	Total Variable Remuneration Attributed in 2024 (1)	Of which		
		Total variable remuneration paid in cash in 2024 (1)	Total Remuneration Units acquired in 2024 (1) (withheld for the period of 1 year)	Total variable remuneration deferred for a period of 4 year (1)
Pedro Leitão	€ 388,000	€ 97,000	€ 97,000	€ 194,000
Helena Soares de Moura	€ 271,000	€ 67,750	€ 67,750	€ 135,500
Isabel Silva	€ 218,000	€ 54,500	€ 54,500	€ 109,000
Ângela Barros	€ 262,500	€ 65,625	€ 65,625	€ 131,250
José Carlos Mateus	€ 262,500	€ 65,625	€ 65,625	€ 131,250
Jorge Baião	€ 271,000	€ 67,750	€ 67,750	€ 135,500
TOTAL	**€ 1,673,000**	**€ 418,250**	**€ 418,250**	**€ 836,500**

(1) relative to the financial year of 2023

The variable remuneration attributed to the Executive Directors (relative to the financial year of 2023) is subject to the rules defined in the Remuneration Policy of the Members of the Management and Supervisory Bodies, with 50% of the attributed remuneration being directly subject to deferral for a period of 4 (four) years and subject to adjustment mechanisms ("malus" reduction and "clawback" reversal mechanisms).

Likewise, pursuant to the Remuneration Policy applicable to the Members of the Management and Supervisory Bodies, 50% of the variable remuneration (deferred and not deferred) was attributed in cash and 50% in Remuneration Units ("UR"), as defined in the Implementing Regulation on Remuneration Instruments (Implementing Regulation on Remuneration Units) approved by the Assessment, Nominations, Ethics, Sustainability and Governance Committee, after having obtained the opinion of the Remuneration Committee, Risks Committee, Risk Division and Compliance Division.

It should be noted that all the attributed Remuneration Units are withheld for a period of 1 year after their acquisition date and subject to all the other adjustment mechanisms, as established and defined in Article 15-E(12) and (13) of the RGICSF.

The value of each Remuneration Unit, on its attribution date, corresponded to 6.25% of the value in euros of the variable remuneration attributed to each Executive Committee member relative to the year to which that remuneration component refers (Notional Value), pursuant to the rules established in the Implementing Regulation on Remuneration Units, approved by the Assessment, Nominations, Ethics, Sustainability and

Governance Committee, after having obtained the opinion of the Remuneration Committee, preceded by the opinion of the Compliance Division, Risk Division and Risks Committee. Pursuant to said Implementing Regulation, upon payment (at the end of the retention period), the value of the Remuneration Unit may be adjusted downwards, according to the negative variation of total own funds (Payment Value).

C. **Deferred variable remuneration from previous years paid in 2024** (gross amounts expressed in euros)

Member of the Executive Committee	Total Variable Remuneration paid in 2024, relating to deferred amounts attributed in 2023 (1)	Of which	
		Payment made in cash (1)	Allocation of deferred acquisition Remuneration Units (1) (with a retention period of 1 year)
Pedro Leitão	€ 39,750.00	€ 19,875.00	€ 19,875.00
Helena Soares de Moura	€ 25,500.00	€ 12,750.00	€ 12,750.00
Isabel Silva	€ 11,250.00	€ 5,625.00	€ 5,625.00
Ângela Barros	€ 11,625.00	€ 5,812.50	€ 5,812.50
José Carlos Mateus	€ 25,500.00	€ 12,750.00	€ 12,750.00
Jorge Baião	€ 25,875.00	€ 12,937.50	€ 12,937.50
TOTAL	**€ 139,500.00**	**€ 69,750.00**	**€ 69,750.00**

(1) relative to the financial year of 2022

In 2024, the executive directors acquired the Remuneration Units corresponding to the first deferral period (in the amount shown in the table above) in respect of the variable remuneration attributed in 2023 (relating to the 2022 financial year) and paid the equivalent amount in cash.

77.2. Senior Management, persons in charge of significant business units, persons in charge of the internal control functions and other employees whose activity has a material impact on the Institution's risk profile

The current Remuneration Policy of the Employees in force, covering the employees with impact on the risk profile, qualified as key function holders, approved by the Board of Directors on 31 May 2024, also represents a strategic instrument of Banco Montepio. This policy takes into account risk management by adopting clear and accessible remuneration practices for all the Employees, with a view to ensure the sustainable growth and profitability of Banco Montepio, as well as the protection of customers and investors, through the implementation of incentive policies aligned with Banco Montepio's long-term interests. In order to pursue these purposes, the aforementioned Policy establishes a maximum ratio of 60% between variable and fixed remuneration, which is calculated and defined by occasion of the determination of the percentage of earnings do be distributed, taking into account, in the respective granting, all types of risks, current and future, as well as the cost to own funds and the liquidity needed by the Institution.

The total remuneration values paid in 2024 to the aforementioned employees[42] were as follows, detailed by:

D. **Activity area[43]:**

(gross amounts expressed in Euros)

	Fixed Remuneration	Variable Remuneration (1)	No. of Beneficiaries
Business Areas	€ 1,487,766	€ 149,025	17
Internal Control Functions	€ 1,315,705	€ 145,188	19
Support Areas	€ 2,525,603	€ 320,850	24
	€ 5,329,074	**€ 615,063**	**60**

[42] Classified as Key Function Holders (TFS), included in the report produced in December 2023, pursuant to Banco de Portugal Notice no. 3/2020 and Instruction no. 18/2020.
[43] For the purposes of Article 450(1)(g) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013.

(1) Variable remuneration paid in 2024, relative to the financial year of 2023. There are no deferred amounts as, pursuant to the Remuneration Policy of the Employees in force, and in light of Article 15-E(20) of the RGICSF, the rules for deferral are not applicable to employees for whom the annual variable component of their remuneration is less than €50.000 and does not represent more than one third of their total annual remuneration.

E. Senior management and key function holders[44]

(gross amounts expressed in Euros)

	Fixed Remuneration	Variable Remuneration (1)	No. of Beneficiaries
Senior Management (2)	€ 3,411,566	€ 437,375	32
Persons in charge of significant business units (3)	€ 947,956	€ 81,500	12
Persons in charge of the control functions (4)	€ 969,552	€ 96,188	16
Employees whose remuneration places them in the same remuneration bracket as the previous categories, provided that the respective professional activities have a material impact on the Institution's risk profile	-	-	-
	€ 5,329,074	**€ 615,063**	**60**

(1) Variable remuneration paid in 2024, relative to the financial year of 2023. There are no deferred amounts as, pursuant to the Remuneration Policy of the Employees in force, and in light of Article 15-E(20) of the RGICSF, the rules for deferral are not applicable to employees for whom the annual variable component of their remuneration is less than €50.000 and does not represent more than one third of their total annual remuneration.
(2) Includes Senior Management (1st Lines) of the Internal Control Functions (Risk Division, Compliance Division and Internal Audit Division).
(3) Includes the 2nd line management staff of the business areas.
(4) Includes the 2nd line management staff of the control functions.

According to the information provided by the People Management Division, the structural unit that ensures the processing of the Institution's remunerations, no situations were found that are stipulated under Article 450(1)(i) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013, and Article 155-C(2)(e) of the RGICSF.[45]

No sign-in and severance payments were paid during the financial year of 2024.

78. Amounts paid, for any reason, by other companies in a control or group relationship, or under common control

During the financial year of 2024, no remuneration or other amounts were paid, for any reason, to the members of the Board of Directors of Banco Montepio by companies in a control or group relationship with the Company.

79. Remuneration paid as profit shares and/or bonuses, and reasons for the attribution of such bonuses and/or profit shares

In 2024, no remuneration in the form of profit shares or bonuses was paid to the members of the Board of Directors.

80. Compensation paid or due to former executive directors in connection with the termination of their term during the financial year

In the year to which this Report refers, no compensation was paid or due to former executive directors of Banco Montepio in connection with the termination of their term during the financial year.

[44] For the purposes of Article 450(1)(h) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013.

[45] Article 450(1)(i) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013 - *"i) The number of individuals remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million."*

81. Indication of the annual values of remuneration received, on an aggregate and individual basis, by the members of the company's supervisory bodies

Information on these matters is included in point 77, above.

82. Indication of the remuneration of the Chairman of the Board of the General Meeting in the year to which this report refers

During the financial year of 2024, the values of the remuneration, exclusively fixed, received by the Chairman of the General Meeting were as follows:

Member of the Board of the General Meeting	Position	Remuneration
Dr António Manuel Tavares	Chairman	€ 4,000

V. Agreements with remuneration implications

83. Contractual limitations established for due compensation in case of unjustified dismissal of a director and relation to the variable component of remuneration

No contracts related to compensation matters were signed with the members of the governing bodies; the rules legally established within this scope, namely in Article 403(5) of the Commercial Companies Code, applied.

In accordance with Remuneration Policy applicable to the Members of the Management and Supervisory Bodies (MOAF), the members of the Board of Directors are entitled to receive compensation for the damages suffered in the event of unjustified dismissal, whose maximum amount corresponds to the fixed monthly remunerations presumptively received until the end of the respective term of office.

Regarding the variable component of remuneration, the respective attribution to the members of the Executive Committee is conditional upon their prior written acceptance of reduction ("malus*") and clawback mechanisms, as provided for and defined in Article 115-E(9-10) of the RGICSF. These reduction and clawback mechanisms will remain applicable during the total period of deferral and withholding of remuneration.

The attribution of variable remuneration to the members of the Executive Committee is also conditional upon their prior written commitment not to enter into any risk coverage or risk transfer contracts, in relation to any deferred component, that may minimise the effects of the risk associated with the established remuneration system.

84. Reference to the existence and description of agreements, including the amounts involved, between the company and the members of the governing body, whereby the payment of compensation is established in the event of resignation, unjustified dismissal or termination of employment following a change of control of the company

No agreements exist between the Company and the members of the Board of Directors, or any other Employee, whereby the payment of compensation is established in the event of resignation, unjustified dismissal or termination of employment following a change of control of the Company.

VI. Share attribution plans or stock options

As no share attribution plans or stock options are in place, this chapter does not apply to Banco Montepio.

E. Transactions with Related Parties

I. Control mechanisms and procedures

89. Mechanisms implemented by the company for the purpose of controlling Transactions with Related Parties

The Policy on Transactions with Related Parties of Banco Montepio defines the internal procedures implemented for the purpose of assessing, identifying, controlling and monitoring transactions between Banco Montepio and related parties, as well as the respective disclosure, including the scope of consolidation of the Banco Montepio Group and other entities in a control relationship.

In this sense, the workflow that characterises the process of identification and monitoring of transactions with related parties is adequately defined, as well as the list of entities to be included in the transaction system, so that an alert can be triggered in the event of any compromising business situation, allowing Banco Montepio to prevent conflicts of interest pertaining to Transactions with Related Parties, comply with the applicable legal and regulatory requirements, and ensure transparency and objectivity in the management of the aforementioned transactions.

The monitoring of the policy on the identification and analysis of transactions with related parties and respective disclosure are carried out by the Risk Management and Compliance Functions, with periodic reporting of the activities carried out within this scope to the Audit Committee.

The Related Party Transactions Policy provides for a simplified approval process for certain transactions that fall within the Aggregate Approval Conditions (“CAA”), approved quarterly by the Board of Directors, following a prior opinion from the Audit Committee, the Compliance Division and the Risk Division, in accordance with risk and materiality criteria.

Transactions relating to persons or entities that are part of Banco Montepio's list of related parties that do not fall under the CAA require approval by a minimum of two-thirds of the members of the Board of Directors, after obtaining a prior opinion from the Audit Committee and having collected the opinions of the Compliance Division and the Risk Division as to the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other constraints applicable to them, namely in terms of risk.

90. Indication of the transactions subject to control during the year to which this report refers

In the 2024 financial year, a total of thirty-six (36) Related Party Transactions were subject to an Audit Committee opinion and subsequent approval by the Board of Directors.

Quantitative information on transactions with related parties is presented in detail in the financial statements of Banco Montepio.

91. Description of the applicable procedures and criteria used by the supervisory body for the prior assessment of business to be conducted between the company and owners of qualifying shareholdings, or entities related thereto

The Audit Committee (“CAUD”) has the responsibility to control significant or relevant transactions (transactions whose value totals at least one hundred thousand euros, individually or cumulatively in a given financial year) with related parties, through the issuance of a prior opinion, for which purpose it should receive complete information from the proponent area, as well as the opinions of the Compliance Division and the Risk Division, which identify the risks, potential or real, that the operations in question may entail for Banco Montepio.

II. Business-related elements

92. Location of the accounting documents where information about business conducted with related parties is available

Detailed information on transactions with related parties is available in Note 47 to the financial statements of Banco Montepio.

PART II - Assessment of implementation of the IPCG Corporate Governance Code Recommendations and Sub-recommendations

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
I.1	The company explains how its strategy seeks to ensure the achievement of its long-term goals, and the main contributions derived thereof to the community in general.	Report and Accounts 2024 - Part I – Management Report (RA) Sustainability Report (SR) 2024	**Implemented**
I.2	The company identifies the main policies and measures adopted with respect to the achievement of its environmental goals and concerning the achievement of its social goals.	Report and Accounts 2024 (Part I – Management Report) Sustainability Report 2024	**Implemented**
II.1.1	The company institutes mechanisms that ensure the appropriate, rigorous and timely disclosure of the necessary information to its bodies, the company secretary, shareholders, investors, financial analysts, all other stakeholders and the market in general.	Point: 21 Points: 55 to 65 (Information disclosure)	**Implemented**
II.2.1.	The companies establish, previously and in abstract, criteria and requirements relative to the profile of the members of the company's bodies suited to the function to be performed, considering, namely, individual attributes (such as competence, independence, integrity, availability and experience), and requirements on diversity (with particular attention to gender equality), which could contribute to the improved performance of the body and balance of its composition.	Points: 16, 17 and 19 - established practices and policies (Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, and Succession Policy of the Members of the Management and Supervisory Bodies) Point: 21.4 (Competencies of the CANESG)	**Implemented**
II.2.2.	The management and supervisory bodies and their internal committees have regulations – namely on the performance of their responsibilities, chair, frequency of meetings, functioning and framework of duties of their members – fully disclosed on the company's website, and minutes should be drawn up of their meetings.	Points: 20 to 23, 27, 34 and 61	**Implemented**
II.2.3.	The composition and number of meetings each year of the management and supervisory bodies and their internal committees are disclosed on the company's website.	Points: 17, 23, 27, 28, 31 and 35	**Implemented**
II.2.4.	The companies adopt a policy on the reporting of irregularities (whistleblowing) which explains the main rules and procedures to be	Point: 49	**Implemented**

[46] To be disclosed after the date of publication of this Report and Accounts.

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
	followed for each communication and an internal channel which is also accessible to non-employees, under the terms of the applicable law.		
II.2.5.	The companies have committees specialised in corporate governance, remunerations, nomination of members of governing bodies and performance assessment, separately or cumulatively. If the Remuneration Committee stipulated in Article 399 of the Commercial Companies Code has been created, this recommendation can be implemented through assignment of responsibility in said matters, when not prohibited by law.	Points: 21.4 and 27 (CANESG), 67 and 68 (Remuneration Committee)	**Implemented**
II.3.1.	The articles of association or other equivalent means adopted by the company establish mechanisms to ensure, within the limits of the applicable legislation, that the members of the management and supervisory bodies should have permanent access to all the necessary information to assess the performance, situation and outlook on the development of the company, including, in particular, the minutes, documentation supporting the decisions taken, call notices and archive of the executive management body's meetings, without prejudice to any other documents or people from whom clarifications may be requested..	Points: 21 and 23	**Implemented**
II.3.2.	Each company body and committee ensure the timely and appropriate inter-organic flow of the necessary information for performance of the legal and statutory duties of each of the remaining bodies and committees.	Points: 21, 22 and 27	**Implemented**
II.4.1.	By internal regulations or equivalent means, the members of the management and supervisory bodies and of the internal committees are bound to inform the body of committee concerned whenever there are facts that could constitute or give rise to a conflict between their interests and the company's interest.	Points: 10, 20 to 22, 49, 89 to 91 (Conflicts of Interest Policy, Policy on Transactions with Related Parties, Code of Conduct and Regulations of the Board of Directors)	**Implemented**
II.4.2.	The company adopts procedures that ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, committee or their members.	Points: 10, 20 to 22, 49, 89 to 91 (Conflicts of Interest Policy, Policy on Transactions with Related Parties, Code of Conduct and Regulations of the Board of Directors)	**Implemented**
II.5.1.	The management body discloses, in the governance report or via another publicly available method, the internal procedure for verification of transactions with related parties.	Points: 10, 89 to 91	**Implemented**
III.1.	The company should establish an excessively high number of shares required to confer the right to one vote, and the governance report	-	**Not applicable**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
	should disclose its option whenever each share does not correspond to one vote.		
III.2.	If a company has issued shares with special right to multiple-vote, the governance report should disclose the matters which, pursuant to the company's articles of association, are excluded from multiple-vote.	-	**Not applicable**
III.3.	The company should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that foreseen by law.	Points: 5, 12 and 14 (Articles of Association of Banco Montepio)	**Implemented**
III.4.	The company implements the appropriate means for the participation of the shareholders in the General Meeting, through non-physical attendance, in terms proportional to their size.	Point: 12	**Implemented**
III.5.	The company also implements the appropriate means for the non-physical exercise of the right to vote, including by correspondence and electronically.	Point: 12 (Only postal voting is permitted, and electronic voting is not permitted – Article 8 of Banco Montepio's Articles of Association)	**Not implemented**
III.6.	The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, should also foresee that, at least every five years, the general meeting should deliberate on the amendment or maintenance of this statutory provision – without higher quorum requirements than that legally in force – and that in said resolution, all votes cast should be counted, without applying this restriction.	-	**Not applicable**
III.7.	Measures should not be adopted that require payments or the incurring of expenses by the company in the event of transfer of control or change in the composition of the management body and which appear likely to jeopardise the economic interest in the transfer of shares and free appraisal by shareholders of the performance of the directors.	Point: 4	**Implemented**
IV.1.1.	The management body ensures that the company acts in a manner consistent with its purpose and does not delegate powers, namely, with respect to: i) definition of the company's strategy and main policies; ii) organisation and coordination of the corporate structure; iii) matters that should be considered strategic due to their value, risk or special features	Point: 21 (Regulations of the Board of Directors)	**Implemented**
IV.1.2.	The management body approves, through regulations or equivalent means, the framework of action of the executive directors applicable to their performance of executive duties in entities outside the group.	Point: 26	**Implemented**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
IV.2.1.	Notwithstanding the legal duties of the chairman of the board of directors, if he/she is not independent, the independent directors – or, if there are not in a sufficient number, the executive directors – appoint from among one another a coordinator to, namely, (i) act, whenever necessary, as an agent of communication with the chairman of the board of directors and with the other directors, (ii) strive to ensure that they have the set of necessary conditions and means to perform their duties; and (iii) coordinate them in the performance assessment by the management body established in recommendation VI.1.1. Alternatively, the company may establish another equivalent mechanism to ensure that coordination.	-	**Not applicable**
IV.2.2.	The number of non-executive members of the management body should be appropriate to the company's size and the complexity of the risks inherent to its activity, but sufficient to efficiently ensure the duties with which it is entrusted, where the formulation of that judgement on appropriateness should be presented in the governance report.	Point: 18	**Implemented**
IV.2.3.	The number of non-executive directors is higher than that of executive directors	Point: 18	**Not implemented**
IV.2.4.	The number of non-executive directors who comply with the requirements of independence should be plural and cannot be less than one third of the total number of non-executive directors. For the purposes of this recommendation, an independent person is considered one who is not associated with any group of specific interests, nor is in any circumstance that could affect that person's impartiality in analysis or decision-making, namely by virtue of the fact that he/she: i) Has performed for more than twelve years, in a continuous or intermittent manner, duties in any of the company's bodies, where this time limit is counted independently of coinciding, or not, with the term of office; ii. Has been employed at the company or a company which is in a controlling or group relationship with the former in the last three years; iii. Has, in the last three years, rendered services or established significant commercial relations with a company which has been in a controlling or group relationship, whether directly as a partner, director or manager of a legal person; iv. Has received remuneration paid by a company which has been in a controlling or group relationship, apart from the remuneration arising from the performance of directorship duties;	Points: 17 and 18	**Implemented**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		**Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]**	**Implemented**
	v. Lives in non-marital cohabitation or is the spouse, parent or similar in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of legal or natural persons directly or indirectly holding qualifying stakes; vi. Is the holder of a qualifying stake or representative of a shareholder with qualifying stakes.		
IV.2.5.	The provisions in paragraph (i) of the previous recommendation do not preclude the classification of a new director as independent if at least three years have elapsed between the end of his/her duties in any body of the company and his/her new appointment (cooling-off period).	-	**Not applicable**
V.1.	With respect to the competencies conferred by law, the supervisory body is aware of the strategic lines and appraises and comments on the risk policy prior to its final approval by the management body.	Point: 21 (Competencies of the Audit Committee)	**Implemented**
V.2.	The number of non-executive members of the supervisory body and financial matters committee should be appropriate to the company's size and the complexity of the risks inherent to its activity, but sufficient to efficiently ensure the duties with which it is entrusted, where the formulation of that judgement on appropriateness should be presented in the governance report	Point: 21	**Implemented**
VI.1.1.	The management body – or committee with competencies on the matter, composed of a majority of non-executive members – annually assesses their performance, as well as the performance of the executive committee, executive directors and committees of the company, taking into account the fulfilment of the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member to this end, and the relationship between the company's bodies and committees.	Points: 16, 21.4, 24 and 25	**Implemented**
VI.2.1.	The company has created a remuneration committee, whose composition ensures its independence in relation to the management, which may be the designated Remuneration Committee pursuant to Article 399 of the Commercial Companies Code.	Points: 66 to 68	**Implemented**
VI.2.2.	The establishment of the remunerations of members of the management and supervisory bodies and company committees is entrusted to the Remuneration Committee or to the general meeting, under proposal of that committee.	Points: 67 and 68	**Implemented**
VI.2.3.	The company discloses in the governance report, or in the remunerations report, the termination of duties of the members of the company's bodies and committees, indicating the values of all the	Points: 77 to 81	**Implemented**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
	company's expenses related to that termination of duties, in any capacity, in the year in question.		
VI.2.4.	In order to provide information or clarifications to shareholders, the chairman or other member of the remuneration committee should be present at the annual general meeting and in any others if the respective agenda includes issues related to the remuneration of the members of the company's bodies and committees, or if that presence has been requested by shareholders.	Point: 67	**Implemented**
VI.2.5.	Within the company's budgetary constraints, the remuneration committee may freely decide on the hiring, by the company, of the consulting services deemed necessary or convenient for the performance of its duties.	Point: 67	**Implemented**
VI.2.6.	The remuneration committee ensures that those services are rendered with independence.	Points: 67	**Implemented**
VI.2.7.	The providers of these services shall not be hired, by the actual company or by others with which it is in a controlling or group relationship, to render to the company any other services related to the remuneration committee's competencies, without express authorisation of that committee.	Points: 67	**Implemented**
VI.2.8.	With a view to the alignment of interests between the company and the executive directors, part of the latter's remuneration is of a variable nature reflecting the company's sustained performance and does not stimulate excessive risk-taking.	Points: 69 to 74 (Remunerations Policy of the Members of the Management and Supervisory Bodies and Key Function Holders – disclosed on Banco Montepio's institutional website – www.bancomontepio.pt)	**Implemented**
VI.2.9.	A significant part of the variable component is partially deferred for a period of not less than three years, is associated, under terms defined in the company's remuneration policy, with the confirmation of the sustainability of the performance.	Points: 72 and 74 (Remunerations Policy of the Members of the Management and Supervisory Bodies and Key Function Holders – disclosed on Banco Montepio's institutional website – www.bancomontepio.pt)	**Implemented**
VI.2.10.	When the variable remuneration includes options or other instruments directly or indirectly dependent on share values, the beginning of the period of exercise is deferred for a period of not less than three years.	-	**Not applicable**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
VI.2.11.	The remuneration of the non-executive directors does not include any component whose value depends on the company's performance or its value.	Points: 69 and 77.1	**Implemented**
VI.3.1.	The company endeavours to ensure, in the terms deemed most appropriate, but in a demonstrable manner, that the proposals for election of the members of the company's bodies should be accompanied by evidence of the suitability of each of the candidates to the position to be held.	Points: 16 and 17 (Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, and Succession Policy of the Members of the Management and Supervisory Bodies)	**Implemented**
VI.3.2.	The committee for nomination of members of governing bodies includes a majority of independent directors.	Points: 17 and 27 All the members of the CANESG are independent	**Implemented**
VI.3.3.	Unless unjustified by the company's size, the function of follow-up and support to the nomination of senior management is attributed to a nominations committee.	Point: 21	**Implemented**
VI.3.4.	The committee for nomination of senior management provides its terms of reference and promotes, to the extent of its competencies, the adoption of transparent selection processes that include effective mechanisms for identification of potential candidates, and ensure the proposal for selection of those who show greatest merit, who are best suited to the position's requirements and foster an appropriate diversity, within the organisation, including gender equality.	Points: 16 and 17 (Policy for Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, and Succession Policy of the Members of the Management and Supervisory Bodies)	**Implemented**
VII.1.A	The management body debates and approves the company's strategic plan and risk policy, which includes the establishment of limits with respect to risk-taking.	Point: 21.1 (Competencies of the Board of Directors) and 21.3 (Competencies of the Risks Committee)	**Implemented**
VII.2.A	The company has a specialised commission or committee composed of specialists in risk matters that regularly reports to the management body.	Risks Committee	**Implemented**
VII.3.	The supervisory body is internally organised and implements periodic control mechanisms and procedures, so as to ensure that the risks effectively incurred by the company are consistent with the goals established by the management body.	Point: 21.2 (Competencies of the Audit Committee)	**Implemented**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
VII.4.	The internal control system, comprising the risk management, compliance and internal audit functions, is structured appropriately to the company's size and the complexity of the risks inherent to its activity. The supervisory body should assess the internal control system, under its competence to supervise this system's efficacy, and propose the adjustments deemed necessary.	Points: 21.2 and 50 to 55	**Implemented**
VII.5.	The company establishes procedures for supervision, periodic assessment and adjustment of the internal control system, including an annual assessment of the degree of internal compliance and performance of this system, as well as the outlook on change of the previously defined risk framework.	Points: 21.1, 21.2 and 50	**Implemented**
VII.6.A	Based on its risk policy, the company has instituted a risk management function, to identify (i) the main risks faced during the development of its activity; (ii) the likelihood of their occurrence and corresponding impact; (iii) the instruments and measures to be taken with for their mitigation; and (iv) the monitoring procedures, with a view to their follow-up.	Point: 50 to 55	**Implemented**
VII.7.	The company has instituted procedures to compile and process data related to environmental and social sustainability, to warn the management body on the risks that the company may be taking and propose strategies for their mitigation.	Sustainability Report 2024 Report and Accounts 2024 (Chapter 8 - Sustainability)	**Implemented**
VII.8.	The company discloses how climate change is considered in the organisation and how the analysis of climate risk is taken into account in the decision-making processes.	Point: 53	**Implemented**
VII.9.	The company discloses, in the governance report, how artificial intelligence mechanisms have been used as decision-making instruments by the governing bodies.	Point: 21	**Implemented**
VII.10.	The supervisory body comments on the work plans and resources allocated to the internal control services, including the risk management, compliance and internal audit functions, and may approve adjustments that prove necessary.	Points: 21.2	**Implemented**
VII.11.	The supervisory body receives the reports produced by the internal control services, including the risk management, compliance and internal audit functions, at least when involving matters related to the presentation of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities.	Points: 21.2 and 50	**Implemented**
VIII.1.1.	The regulations of the supervisory body require it to supervise the adequacy of the process of preparation and disclosure of information by the management body, including the adequacy of the accounting policies, estimates, judgements, relevant disclosures and their	Points: 21.2 and 34	**Implemented**

IPCG Corporate Governance Code Recommendations and Sub-recommendations		Reference to Points of Part I of this Corporate Governance Report, Report and Accounts and Sustainability Report[46]	Implemented
	consistent application throughout financial years, in a duly documented and communicated manner.		
VIII.2.1.	Through regulations, the supervisory body defines, under the terms of the applicable legal system, the supervisory procedures so as to ensure the statutory auditor's independence.	Points: 21.2, 34 and 45	**Implemented**
VIII.2.2.	The supervisory body should be the main agent for communication with the company's statutory auditor and first receiver of the respective reports, and is responsible, namely, to propose the statutory auditor's remuneration and ensure the existence of the appropriate conditions for the provision of the services within the company.	Chapter IV	**Implemented**
VIII.2.3.	The supervisory body should annually assess the statutory auditor's work, independence and suitability to perform functions, and propose, to the competent body, the statutory auditor's dismissal or termination of service contract whenever there are fair grounds for the effect.	Point: 45	**Implemented**

Annex I

Relevant curricular information of the members of the Board of Directors

MANUEL FERREIRA TEIXEIRA

Academic and professional qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Governance & The Future of Banking Programme at INSEAD - Institut Européen D'Administration des Affaires (2020)
- Corporate Governance Programme - Board Leadership, at Nova - School of Business and Economics, Lisbon (2018)
- Master's degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa (1989)
- Post-graduate degree in European Economics from Universidade Católica de Lisboa (1985)
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa (1981)

Positions held at Banco Montepio

- Chairman of the Board of Directors

Professional activities performed over the last 10 years

- Non-Executive Member of the Board of Directors, Chairman of the Audit Committee, Member of the Risks Committee and Alternate Member of the Remuneration, Nominations and Assessment Committee (which he chaired from its creation until 2020) of Banco Montepio in the term of office 2018-2021
- Executive Member of the Board of Directors of CVP – Sociedade de Gestão Hospitalar, S.A. (Hospital da Cruz Vermelha) and Chairman of the referred Board of Directors (2020-2022)
- Visting professor at Universidade Nova – IMS (2015 – 2022)
- Secretary of State for Health of the XIX Constitutional Government (2011-2015)

CLEMENTINA MARIA DÂMASO DE JESUS SILVA BARROSO

Academic and professional qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- PhD in Applied Business Management from ISCTE – Instituto Universitário de Lisboa (2015)
- Statutory Auditor (ROC) (1990)
- Degree in Business Management and Organisation from ISCTE – Instituto Universitário de Lisboa (1981)

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Audit Committee
- Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee

Positions held outside Banco Montepio

- Professor at the Department of Finance of ISCTE – Instituto Universitário de Lisboa
- Member of the Board of Directors of IPCG – Instituto Português de Corporate Governance

Professional activities performed over the last 5 years

- Chairman of the Board of Directors of Greenvolt – Energias Renováveis, S.A. (2022-2024)
- Member of the Board of Directors of Banco CTT, S.A. (2015-2022)
- Member of the General and Supervisory Board of EDP – Energias Renováveis, S.A. (2018-2021)
- Chairman of the Board of the General Meeting of Science 4 You, S.A. (2014-2020)

EUGÉNIO LUÍS CORREIA MARTINS BAPTISTA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- Degree in Electrical and Computer Engineering from Instituto Superior Técnico, Universidade de Lisboa (1986)

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Member of the Risks Committee
- Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee

Professional activities performed over the last 5 years

- Central Director of Information Systems at Caixa Geral de Depósitos (2003-2022)

FLORBELA DOS ANJOS FRESCATA LIMA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- Diploma in Corporate Governance from the Corporate Governance Institute
- Post-graduate degree in Finance and Controlling from CEMAF/ISCTE
- Degree in Business Management and Administration from Universidade Católica Portuguesa (1998)

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Risks Committee
- Member of the Audit Committee

Positions held outside Banco Montepio

- Managing partner of Relatório Urgente, Lda.

Professional activities performed over the last 5 years

- Partner in the SAT team at Ernst & Young, S.A., in Portugal, responsible for the Strategy team (2015-2020)

MARIA CÂNDIDA DE CARVALHO PEIXOTO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- New governance and Internal Control Rules, Prevention of Money Laundering and Terrorist Financing and General Compliance course at Instituto de Formação Bancária (2019-2021)
- Complexities of Board Chairing in Modern Governance in Banking Programme at INSEAD - Institut Européen D'Administration des Affaires (2019)
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa (1978)

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee
- Member of the Audit Committee

Professional activities performed over the last 5 years

- Chair of Banco Atlântico Europa, undertaking the leadership of the Board of Directors and the institutional representation of the Institution (2021-2022)
- Non-Executive Director of Banco Atlântico Europa, with the functions of Person Responsible for Regulatory Compliance, coordination of the Internal Control Commission and member of the Nominations and Remuneration Committee (2018-2021)

MARIA LÚCIA RAMOS BICA

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- Corporate Governance Board Leadership, at Nova School of Business & Economics (2023)
- Risk Management, at Instituto de Formação Bancária (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa (1982)

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Member of the Audit Committee, responsible for chairing the Irregularities Commission
- Member of the Risks Committee

Positions held outside Banco Montepio

- Managing partner of Quinta de Serra, Sociedade Unipessoal, Lda.

Professional activities performed over the last 5 years

- Non-Executive Member of the Board of Directors of Residências Montepio, Serviços de Saúde, S.A. (2017-2022)
- Non-Executive Member of the Board of Directors of Nova Câmbios, Instituição de Pagamento, S.A. (2019-2021)
- Director of the corporate Centre of Montepio Geral – Associação Mutualista (2016-2021)

PEDRO MANUEL MOREIRA LEITÃO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Strategic Leadership Program, ISEG + Columbia Business School
- Business Sustainability Programme at INSEAD - Institut Européen D'Administration des Affaires, France
- Stakeholder Management for Boards, IMD, Switzerland
- Customer Focused Innovation, Stanford University, USA
- Value Creation for Owners and Directors – Corporate Governance for Long Term Value Creation at INSEAD, France
- Senior Executive Program (SEP), London Business School, UK
- Leading Digital Business Transformation IMD, Switzerland
- Leading Businesses into the Future and Senior Executive Programme at the London Business School, UK
- Post-graduate degree in Management Consulting from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), in Lisbon
- Post-graduate degree in e-Business, Master's Degree in Management and MBA, all from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Degree in Economics from Universidade de Évora (1994)

Positions held at Banco Montepio

- Chairman of the Executive Committee

Positions held at the Banco Montepio Group

- Chairman of the Board of Directors of Montepio Holding, SGPS, S.A.
- Chairman of the Board of Directors of Montepio Crédito, S.A.
- Chairman of the Board of Directors of Montepio Investimento, S.A.

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Member of Board A of APB – Associação Portuguesa de Bancos (Portuguese Association of Banks)
- Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado
- Member of the Directive Board of the WSBI-ESBG (World Savings and Retail Banking Institute / European Savings and Retail Banking Group)

b) Other positions

- Member of the Supervisory Board of Oeiras International School

Professional activities performed over the last 10 years

- Chairman of the Board of Directors of Montepio Investimento, S.A. (since 2022)
- Vice-Chairman of the Board of Directors of Montepio Holding, SGPS, S.A. (since 2021)
- Chairman of the Executive Committee of Banco Montepio (since 2020)
- Executive Director (Chief Digital Officer) of Banco Atlântico Europa, Portugal (2016-2019)
- Executive Director of Banco Millennium Atlântico, Angola (2011-2015)

ÂNGELA ISABEL SANCHO BARROS

Academic qualifications

- INSEAD Executive Programme "Executive Presence and Influence" (2024)
- Corporate Governance – Action in Boards, at Nova School of Business & Economics (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Oxford Executive Leadership Programme course at the University of Oxford
- Leadership Development Programme at the School of Economics of Universidade Católica Portuguesa
- International Certification in Banking Risk and Regulation by GARP
- Degree in Business Management and - Organisation from ISCTE – Instituto Universitário de Lisboa (2000)

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Member of the Board of Directors of Montepio Investimento, S.A.
- Non-executive member of the Board of Directors of Montepio Crédito, S.A.

Professional activities performed over the last 5 years

- Senior Manager to Associate Partner at Ernst & Young, S.A. (2012-2022)

HELENA CATARINA GOMES SOARES DE MOURA COSTA PINA

Academic qualifications

- Strategic Leadership Program, ISEG + Columbia Business School (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- Rising to the ESG Challenge: Routes towards effective Governance, at INSEAD-International Business School
- International Directors Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Corporate Governance Programme - Board Leadership, at Nova - School of Business and Economics, Lisbon
- Cross-Border Dispute Resolution course at the Lex Mundi Institute, USA
- Attendance of post-graduate course in Industrial Law at the Law School of Universidade de Lisboa (FDUL)
- Post-graduate degree in Information Society Studies and Electronic Commerce from FDUL
- Law degree from FDUL (1997)

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Non-executive member of the Board of Directors of Montepio Crédito, S.A.
- Member the Board of Directors of Montepio Holding, SGPS, S.A.
- Member of the Board of Directors of Montepio Serviços, A.C.E.

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Member of Board B of APB - Associação Portuguesa de Bancos

b) Other positions

- Member of the Business Council of APA - Associação Portuguesa de Arbitragem

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2018)
- Member of the Board of Directors of SIBS, SGPS, S.A. (2018-2021), Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A. (2018-2021), and Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E. (since 2022), as representative of Banco Montepio

ISABEL CRISTINA DOS SANTOS PEREIRA DA SILVA

Academic qualifications

- Risk Management, at Instituto de Formação Bancária (2023)
- Corporate Governance – Action in Boards, at Nova School of Business & Economics (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Corporate Governance - Board Leadership, at Nova School of Business & Economics
- Training course for insurance and reinsurance intermediaries, APS-Associação Portuguesa de Seguradores
- Specialisation in Management (curricular component of the Master's degree in Management) from Universidade do Minho
- Post-graduate degree in Social Economy – Cooperativism, Mutualism and Solidarity from the School of Economics of Universidade de Coimbra
- Degree in Business Management from Universidade do Minho (1993)

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Professional activities performed over the last 5 years

- Employee of Banco Montepio, having occupied several positions in the management structure of Retail Banking, namely Area Manager, Regional Manager, Deputy Director and Director of the North and Centre Commercial Division (1994-2022)
- Member of the Board of Directors of Norgarante – Sociedade de Garantia Mútua, S.A., as representative of Banco Montepio (2021-2022)

JORGE PAULO ALMEIDA E SILVA BAIÃO

Academic qualifications

- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Corporate Governance Programme: Board Leadership, at Nova School of Business & Economics
- Specialisation Diploma in Bank Management from Instituto de Formação Bancária
- ISPA University attendance – 4th year of Applied Psychology – Social and Organisations Branch (1988)

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Plenary Meeting of CISP - Comissão Interbancária para os Sistemas de Pagamentos
- Resilience and Cybersecurity Forum
- Member of the Board of Directors of SIBS, SGPS, S.A.
- Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A.

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2021)
- Member of the Board of Directors of SIBS, SGPS, S.A. (since 2021) and Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A. (since 2021), as a representative of Banco Montepio;
- CIO of Grupo Crédito Agrícola - CA Serviços, ACE and CFO of CA Serviços, ACE and CA Informática, S.A. (2013-2021).

JOSÉ CARLOS SEQUEIRA MATEUS

Academic qualifications

- Strategic Leadership Program, ISEG + Columbia Business School (2023)
- New challenges for Governance, at Católica Lisbon School of Business and Economics (2023)
- ESG as a Strategy, at Católica Lisbon School of Business and Economics (2023)
- Governance & The Future of Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Master's degree in Mathematics Applied to Economics and Management (without presentation of dissertation) from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa (1990)

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Member the Board of Directors of Montepio Holding, SGPS, S.A.
- Executive Member of the Board of Directors of Montepio Investimento, S.A.

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2018)
- Executive Director of the Board of Directors of Montepio Holding, SGPS, S.A. (since 2018)
- Executive Director of the Board of Directors of Montepio Investimento, S.A. (since 2018)
- Executive Director of the Board of Directors of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. (2014-2021)

Annex II - Accumulation of positions by the members of the Board of Directors

Accumulated positions, including additional responsibilities at commissions and committees

(as at 31 December 2024)

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Manuel Ferreira Teixeira	**Caixa Económica Montepio Geral** • Chairman of the Board of Directors	• Does not hold other positions
Clementina Barroso	**Caixa Económica Montepio Geral** • Chairman of the Audit Committee • Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Professor at the Department of Finance of ISCTE, Instituto Universitário de Lisboa • Member of the Board of Directors of IPCG – Instituto Português de Corporate Governance
Eugénio Baptista	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Risks Committee • Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Does not hold other positions
Florbela Lima	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee • Chairman of the Risks Committee	• Managing partner of Relatório Urgente, Lda.
Cândida Peixoto	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee • Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Does not hold other positions
Maria Lúcia Bica	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee, responsible for chairing the Irregularities Commission • Member of the Risks Committee	• Managing partner of Quinta de Serra, Sociedade Unipessoal, Lda.

<table>
<tr><th>Members of the Board of Directors</th><th>Within the consolidation perimeter – Banco Montepio Group</th><th>Outside the consolidation perimeter</th></tr>
<tr><td>Pedro Leitão</td><td>Caixa Económica Montepio Geral
• Chairman of the Executive Committee
• Chairman of the Credit Commission
• Chairman of the Business Commission
• Chairman of the Sustainability Commission
• Member of the Asset-Liability Commission (ALCO)*
• Member of the Internal Control Commission
• Member of the Impairment Commission*
• Member of the Technology Commission*
• Member of the Data Commission*
• Member of the Pension Fund Monitoring Commission*
• Member of the Solvability Commission*
• Member of the Operational Resilience Commission*
* Optional presence
Montepio Holding, SGPS, S.A.
• Chairman of the Board of Directors
Montepio Investimento, S.A.
• Chairman of the Board of Directors
Montepio Crédito, S.A.
• Chairman of the Board of Directors</td><td>As a representative of Banco Montepio:
• Member of Board A of APB – Associação Portuguesa de Bancos (Portuguese Association of Banks)
• Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado
• Member of the Directive Board of the WSBI-ESBG (World Savings and Retail Banking Institute / European Savings and Retail Banking Group)
Other positions:
• Member of the Supervisory Board of Oeiras International School</td></tr>
<tr><td>Ângela Barros</td><td>Caixa Económica Montepio Geral
• Executive Member of the Board of Directors
• Chairman of the Impairment Commission
• Chairman of the Solvability Commission
• Chairman of the Cybersecurity Commission
• Member of the Credit Commission
• Member of the Asset-Liability Commission (ALCO)
• Member of the Business Commission
• Member of the Internal Control Commission
• Member of the Technology Commission
• Member of the Data Commission
• Member of the Non-Performing Assets Monitoring Commission
• Member of the Pension Fund Monitoring Commission
• Member of the Operational Resilience Commission
• Member of the Sustainability Commission
Montepio Investimento, S.A.
• Executive Member of the Board of Directors
Montepio Crédito, S.A.
• Non-Executive Member of the Board of Directors</td><td>• Does not hold other positions</td></tr>
<tr><td>Helena Soares de Moura</td><td>Caixa Económica Montepio Geral
• Executive Member of the Board of Directors
• Chairman of the Pension Fund Monitoring Commission
• Chairman of the Internal Control Commission
• Chairman of the Non-Performing Assets Monitoring Commission
• Member of the Impairment Commission
• Member of the Asset-Liability Commission (ALCO)
• Member of the Business Commission
• Member of the Solvability Commission*
• Member of the Costs and Investments Commission
• Member of the Credit Commission*
• Member of the Operational Resilience Commission
* Optional presence
Montepio Holding, SGPS, S.A.</td><td>As a representative of Banco Montepio:
• Member of Board B of APB - Associação Portuguesa de Bancos
Other positions:
• Member of the Business Council of APA - Associação Portuguesa de Arbitragem</td></tr>
</table>

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
	• Member of the Board of Directors **Montepio Crédito, S.A.** • Non-Executive Member of the Board of Directors **Montepio Serviços, A.C.E.** • Member of the Board of Directors	
Isabel Silva	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Member of the Credit Commission • Member of the Asset-Liability Commission (ALCO) • Member of the Impairment Commission • Member of the Business Commission • Member of the Technology Commission • Member of the Solvability Commission* • Member of the Sustainability Commission * Optional presence	• Does not hold other positions
Jorge Baião	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Technology Commission • Chairman of the Data Commission • Member of the Cybersecurity Commission • Member of the Business Commission • Member of the Impairment Commission • Member of the Internal Control Commission • Member of the Costs and Investments Commission • Member of the Solvability Commission • Member of the Operational Resilience Commission	As a representative of Banco Montepio: • Plenary Meeting of CISP - Comissão Interbancária para os Sistemas de Pagamentos • Resilience and Cybersecurity Forum • Member of the Board of Directors of SIBS, SGPS, S.A. • Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A.
José Carlos Mateus	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Asset-Liability Commission (ALCO) • Chairman of the Costs and Investments Commission • Member of the Credit Commission • Member of the Business Commission • Member of the Impairment Commission • Member of the Non-Performing Assets Monitoring Commission • Member of the Pension Fund Monitoring Commission • Member of the Sustainability Commission • Member of the Cybersecurity Commission • Member of the Data Commission • Member of the Solvability Commission • Member of the Technology Commission • Member of the Internal Control Commission **Montepio Holding, SGPS, S.A.** • Member of the Board of Directors **Montepio Investimento, S.A.** • Executive Member of the Board of Directors	• Does not hold other positions

Banco Montepio

bancomontepio.pt

CAIXA ECONÓMICA MONTEPIO GERAL, caixa económica bancária, S.A., referred to as Banco Montepio, registered at Banco de Portugal, under number 36. | Head Office: Rua Castilho, 5, 1250-066 Lisboa | Share Capital €1.210.000.000 | Registered at the Commercial Registry of Lisbon under the single registration and tax identification number 500792615.