



Banco Montepio

Market Discipline Report

2022

**Valores que
crescem consigo.**

Table of Contents

Declaration of responsibility	2
Declaration on the overall risk profile and its relation with the business strategy	3
1. Introductory Note	9
2. Scope	10
3. Risk management in the Banco Montepio Group	13
3.1 Risk management policy and governance	14
3.2 Additional information on the governance system	20
3.3 Process of identification, measurement and control of each risk	23
3.4 Hedging policies and risk mitigating	35
4. Capital adequacy	36
4.1 Own funds and capital ratios	36
4.2 Capital requirements	46
4.3 Assessment and adequacy of own funds	48
4.4 Prudential reserves of own funds	51
4.5 Leverage ratio	52
5. Indicators of global systemic importance	56
6. Counterparty credit risk	56
7. Credit risk	59
7.1 Accounting policies	59
7.2 Portfolio structure	60
7.3 Performing and non-performing exposures and provisions	62
7.4 Concentration risk	70
7.5 Use of ECAs	70
8. Credit risk mitigation techniques	71
9. Wrong way risk	74
10. Securitisation operations	74
11. Position, credit, counterparty and settlement risks on the trading book	80
12. Foreign exchange and commodity risks in the banking and trading books	82
13. Exposures to banking book shares	83
14. Operational Risk	84
15. Banking book interest rate risk	87
16. Liquidity and funding risk	90
17. Environmental, Social and Governance (ESG) Risks	95
17.1 Qualitative Information on Environmental Risks	97
17.2 Qualitative Information on Social Risk	102
17.3 Qualitative Information on Governance Risk	103
17.4 Credit quality of exposures to risk	104
17.5 Energy efficiency of the collateral	105
17.6 Exposure to the 20 most carbon intensive companies worldwide	106
17.7 Exposures subject to physical risk	106
17.8 Other measures of climate change mitigation	107
18. Encumbered and unencumbered assets	107
19. Remuneration policy	109

Declaration of responsibility

The present declaration of responsibility is issued by the Board of Directors (BD) with regards to the Market Discipline Report within the scope of the disclosure requirements laid down in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26th June 2013, concerning the prudential requirements for credit institutions and for investment companies, so as to complement the information required within the scope of the financial statements and under the terms of Article 70(2) of the Commercial Companies Code.

Since there was no provision in the regulations, this report has not been audited by Banco Montepio's Statutory Auditor. However, this report includes information disclosed in the consolidated and audited Financial Statements reported in the Annual Report for 2022.

The relevant events occurred during 2022, as well as Banco Montepio's Social Commitment Charter Proposal, which can be consulted on pages 23 to 24 and 116 to 117 of the Annual Report for 2022.

The year 2022 was unquestionably marked by the invasion of Ukraine by Russia, which led to the application of economic sanctions against Russia by the West and an increase in commodity prices, which inevitably entailed a change in the outlook for growth in activity and prices in most economies, albeit at different intensities.

The situation created by the invasion of Ukraine has direct and indirect implications for the banking system. The direct effects include the impact on the deterioration of the quality of direct exposure to these geographies or to others interconnected with them, amplified by international sanctions, which will also increase operational risk. The Banco Montepio (BM) Group's exposure to the 23 member states of the United Nations (UN) that make up the Eastern Europe Regional Group, which include Russia and Ukraine, corresponding to positions in the credit portfolio, is residual, totalling 0.6 million euros (0.003% of the BM Group's total assets). In the case of the exposure to Russia and Ukraine, the exposure, under the same criteria, is only 0.04 million euros and 0.003 million euros, respectively, as at 31st December 2022. Regarding indirect implications, a conflict of this nature could adversely affect profit-making in the banking sector, via enhanced uncertainty in economic activity, both through a reduction in demand for new loans and through the increased credit risk arising from that slowdown. Furthermore, the economic scenario, and consequent behaviour of economic agents, has generated a considerable shift of inflation levels, leading to more aggressive monetary policies by central banks, reflected in a new paradigm concerning interest rates. This new paradigm may have consequences both in terms of the reduction in purchasing power and increased financial expenses of families and companies, and in terms of the funding costs of the actual banks.

It is also important to highlight the growing trends of evolution in the sphere of innovation and digital transformation, operational efficiency and transition to a sustainable economy, where the financial sector will play a determinant role.

Further information regarding the framework in which the activity is taking place and the main uncertainties for next year can be consulted on pages 50 to 56 of the Annual Report for 2022.

Regarding the information disclosed in the Market Discipline Report, Banco Montepio's Board of Directors:

- Confirms that all procedures deemed necessary were carried out and that, to its knowledge, all the provided information is true and accurate;
- Ensures the quality of all provided information; including information relative to or originating in entities included in the BM Group;
- Informs that information related to the provisions laid out in Article 432(2) of Regulation (EU) 575/2013 of the European Parliament and of the Council was not omitted;
- Undertakes to disclose, in due time, any significant changes which may take place during the financial year following that which this document refers to.

The Board of Directors, to the best of its knowledge, declares that the risk management system implemented in the BM Group is appropriate for ensuring the correct execution of the business strategy, considering its profile and size, as well as the procedures and measures aimed at ensuring compliance with the prudential and risk limits.

The management and supervisory bodies receive regular information on the risks to which the institution's activity is subject, as well as on the methodologies used in their mediation and control, requesting from the Risk Management Function all the changes and information they need for compliance with the BM Group's Risk Management Policy.

The Bank has an independent Risk Management Function, whose functions and hierarchical and functional reporting lines are formalised, thus ensuring that the function has adequate authority, independence and status.

Declaration on the overall risk profile and its relation with the business strategy

The risk appetite is based on certain principles – namely soundness, sustainability and profitability – and defined according to the business strategy and positioning in the intended market, whose responsibility falls under the Board of Directors. Within the scope of the annual process of identification and review of risks, the BM Group examines the risks that it faces in its activities, from a consolidated perspective, and identifies those that are materially relevant.

The Risk Appetite Statement reflects the principles of risk acceptance that guide and form part of the BM Group's strategy, which includes a series of comprehensive high-level limits in terms of material (financial and non-financial) risks.

The definition of risk appetite ensures its alignment with the other organisational components (business strategy and overall vectors of risk strategy), as well as with the planning and budgeting exercises, the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan. In addition, it seeks to ensure that the risk appetite is well understood by the whole organisation, mainly by the business units responsible for decision-making, origination and investment, which can affect risk exposure and its monitoring.

The establishment of risk appetite takes into account the maintenance of solid balance sheet ratios, through a strong capital position and a stable and safe liquidity profile, enabling stress situations to be faced. The Board of Directors aims to ensure that there are sufficient levels of capital to cover potential losses, above the minimum limits required by the supervisory authorities, with an efficient balance sheet structure enabling the maintenance of a stable financing capacity and strong liquidity reserves, limiting the risk of potential liquidity problems and ensuring the continuity of its operations, without the intervention of the supervisory authorities, and the protection of its depositors and holders of non-subordinated debt.

Related party transactions are regularly monitored pursuant to Article 109 of the General Framework of Credit Institutions and Financial Companies (RGICSF), and no intra-group or related party transactions with a significant impact on the Bank's risk profile were identified.

Hence, under the business strategy, the defined risk appetite aims at ensuring sustained growth with adequate levels of liquidity and capital while maintaining support for companies and families in this context of rising inflation and interest rates, ensuring its historical vocation to provide financial services with added value and appropriate to the nature of social economy institutions and social entrepreneurs. Accordingly, the BM Group operates under the following pillars of action in risk management:

- Use risk-adjusted profitability and increase the Bank's profitability; strengthen the recurring component of total operating income with a focus on credit, but reduce exposure to non-performing assets: non-performing loans (NPL), real estate, financial holdings and units of participation; increase the *core* business of retail and commercial banking and increase operational efficiency by reducing the Bank's cost to income.
- Promote technological innovation in its services and operations in the understanding that technology should be used by people and communities to improve their quality of life and support processes of social and environmental innovation while improving operational efficiency and reducing operational risk.
- Improve the risk profile of the credit portfolio: aim towards business growth with suitable risk levels, with the reference being an average rating of 10 for individuals and 11 for companies, as well as compliance with the macroprudential recommendation with respect to consumer credit.

- Diversify risk: maintain an appropriate credit concentration per Economic Group and a suitable portfolio in terms of distribution by activity sectors.
- Uphold the paradigm of real estate financing risk: finance projects in which the capital risk is unequivocally assumed by the investors and not by the Bank. As such, it should not, as a principle, finance the land and the own funds brought in by the borrowers should be more than 25% (except in the financing the purchase of the Bank's own real estate, where it can be higher than 20%).
- Optimise the use of capital: promote the granting of credit in operations with lower capital consumption, such as, for example, Government guaranteed lines of the Mutual Guarantee Companies (*Sociedades de Garantia Mútua* (SGM)) and financing lines backed by the European Investment Fund (EIF) and European Investment Bank (EIB), operations with pledge of deposits, granting of permanent mortgage loans, and other retail and small and medium-sized enterprise (SME) loans.
- Manage liquidity and interest rate risk, and capital adequacy, considering regulatory requirements, maximisation of profitability, and the business and market environment, within the limits defined in the risk appetite of the BM Group.
- Adopt best international practices and the highest ethical standards in compliance with the law and contracts, in particular with respect to money laundering, terrorism financing, tax evasion, breaches of labour or environmental legislation.
- Respect and protect the environment, adopting sustainable practices in its operations, and boosting economic, social and environmental sustainability among all its stakeholders.
- Maintain a robust reputational position among customers, investors and the public in general, supported by the solidity of the image of a centenary institution in the banking market alongside fair and ethical treatment of its suppliers.

The high-level definition of risk management and risk appetite is supported by a series of capital metrics, quality of assets (non-performing loans (NPL), real estate property, average rating and concentration in terms of sectors, among others), profitability and liquidity, which stem from the BM Group's business plan and strategy, conduct and reputation risk indicators.

CRD IV/CRR Phasing-in	Dec/2022	Dec/2021
CET1 ratio (phasing in)	13.7%	12.7%
T1 ratio (phasing in)	13.7%	12.7%
Total Capital Ratio (phasing in)	16.2%	15.1%
Leverage Ratio (phasing in)	5.9%	5.6%
LCR Ratio	249.6%	264.1%
NSFR Ratio	125.3%	125.0%
NPE Ratio (EBA)	5.2%	7.8%
Earnings before Tax/Average Net Assets	0.4%	0.2%
Earnings before Tax/ Average Equity	4.7%	2.4%

NPE ratios: the indicators do not include Finibanco Angola (entity subject to the application of IFRS 5); considering Finibanco Angola, the NPE ratio, with reference to 31 December 2022, would be 5.3%, and to 31 December 2021, 8%.

Index of Tables and Charts

Table 1 Template EU LI3: Entities of the consolidation perimeter of the BM Group	12
Table 2 Template EU LIA: Explanation of the differences between the accounting and regulatory exposure amounts	13
Table 3 Template EU KM1: Template for baseline indicators	13
Table 4 Template EU CC2: Reconciliation of regulatory own funds to the balance sheet in the audited financial statements	40
Table 5 Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments	41
Table 6 Full terms and conditions of own funds instruments	42
Table 7 Template EU CC1: Composition of regulatory own funds (1/2)	43
Table 8 Uniform disclosure of the transitional regime to reduce the impact of IFRS 9	45
Table 9 Template EU LIB: Other qualitative information on the scope	46
Table 10 Template EU OV1: Overview of risk-weighted assets	47
Table 11 Capital Requirements	48
Table 12 Capital indicators	49
Table 13 Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	51
Table 14 Template EU CCyB2: Amount of institution-specific countercyclical capital buffer ...	52
Table 15 Leverage ratio	52
Table 16 Template EU LRA: Disclosure of leverage ratio quantitative information	53
Table 17 Template EU LR2: Common disclosure of leverage ratio	54
Table 18 Template EU LR1: Summary reconciliation of accounting assets and leverage ratio exposures	55
Table 19 Template EU LR3: Breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	55
Table 20 Template EU CCR1: Analysis of CCR exposure by approach	58
Table 21 Template EU CCR2: Transactions subject to own funds requirements for CVA risk	58
Table 22 Template EU CCR3: Standardised Approach - CCR exposures by regulatory exposure class and risk weights	59
Table 23 Template EU CCR5: Composition of collateral for exposures to CCR	59
Table 24 Total amount and average amount of net exposures	60
Table 25 Distribution of exposures that are not past due and past due and impaired	61
Table 26 Credit and counterparty risk capital requirements	62
Table 27 Template EU CR1: Performing and non-performing exposures and related provisions.	63
Table 28 Template EU CQ6: Collateral valuation - loans and advances	64
Table 29 Template EU CQ7: Collateral obtained by taking possession and execution processes	64
Table 30 Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown.	64
Table 31 Template EU CQ1: Credit quality of restructured exposures	65
Table 32 Template EU CQ2: Quality of forbearance	65
Table 33 Template EU CQ3: Credit quality of performing and non-performing exposures by past due days	65
Table 34 Exposures by sector or type of counterparty	66
Table 35 Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry	67
Table 36 Geographical distribution of exposures	68

Table 37 Template EU CQ4: Quality of non-performing exposures by geography	69
Table 38 Template EU CR2: Changes in the stock of non-performing loans and advances....	69
Table 39 Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries.	69
Table 40 Template EU CR1-A: Maturity of exposures	70
Table 41 Concentration indices	70
Table 42 Concentration analysis – Personal and property credit protection.....	72
Table 43 Template EU CR3: Overview of CRM techniques: Disclosure of the use of credit risk mitigation techniques.....	72
Table 44 Template EU CR4 Standard Method: Credit exposures and CRM effects	73
Table 45 Template EU CR5: Standardised Approach - Exposure by Risk Category	73
Table 46 Securitisation operations	78
Table 47 Template EU-SEC1: Securitisation exposures in the non-trading book	79
Table 48 Template EU-SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor or as sponsor	79
Table 49 Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor.	79
Table 50 Template EU-SEC5 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor.	80
Table 51 Capital Requirements: Trading book.....	81
Table 52 Capital Requirements: Foreign exchange and commodities risks	82
Table 53 Template EU MR1: Market risk under the standardised approach	83
Table 54 Equity exposures in the banking book	84
Table 55 Activity segments and activities list	85
Table 56 Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts.....	87
Table 57 EU IRRBB1 - Interest rate risks of the activities not included in the trading portfolio	88
Table 58 Template EU LIQ1: Quantitative information on liquidity coverage ratio (LCR).....	92
Table 59 Template EU LIQB: Qualitative information on LCR, which complements template EU LIQ1	92
Table 60 Template EU LIQ2: Net Stable Funding Ratio	94
Table 61 Banking book – Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity.....	105
Table 62 Banking book – Indicators of potential climate change transition risk: Loans collateralised by real estate property – Energy efficiency of the property given as collateral	106
Table 63 Banking book – Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms	106
Table 64 Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk	107
Table 65 Banking book – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852.....	107
Table 66 Template EU AE1: Encumbered and unencumbered assets	108
Table 67 Template EU AE2: Collateral received and own debt securities issued	108
Table 68 Template EU AE3: Sources of encumbrance	108
Table 69 Template EU REM1: Remuneration awarded for the financial year	117
Table 70 Template EU REM2: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	117
Table 71 Template EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	117
Table 72 Template EU REM3: Deferred compensation.....	118
Table 73 Template EU REM4: Remuneration of 1 million euros or more per year	118

Table 74 List of Tables identified in the EBA Guidelines but not reported.....	120
Table 75 Mapping tables	121

1. Introductory Note

1. Caixa Económica Montepio Geral, caixa económica bancária, S.A. - with registered office at Rua Castilho, no. 5, 1250 066 Lisbon and registered at the Lisbon Commercial Registry under the unique registry and tax identification number 500792615 - incorporated in 1844 (hereinafter referred to as Banco Montepio or BM), is a credit institution, a type of savings bank which has adopted the form of a public limited liability company that is governed by the applicable legal provisions and respective Articles of Association. BM's share capital amounts to 1,210,000¹ thousand euros and is fully paid up.
2. This document was prepared taking into consideration Banco de Portugal Instruction 11/2021 (which implements the EBA/2016/11, EBA/GL/2017/01 and EBA/ITS/2020/04 guidelines in the Portuguese legal system), the EBA/GL/2018/01 guideline, Implementing Regulations (EU) 2021/637 and 1423/2013 and the requirements set out in Part VIII of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26th June 2013 (also known as CRR - Capital Requirements Regulation), concerning the prudential requirements for credit institutions and for investment companies, so as to complement the information required within the scope of the financial statements and its objective is to disclose information on the risk management processes and the adequacy of the capital on a consolidated basis, as well as detailed information on own funds, own funds requirements and the risks assumed by Banco Montepio.
3. The information presented complies with the prudential requirements and regulations, the international accounting standards or recommendations of the regulatory authorities at a European level, when applicable, and reflect the information on a consolidated basis for the Banco Montepio Group (hereinafter referred to as BM Group or Group), with reference to 31st December 2022.
4. Unless otherwise specified, the amounts presented are expressed in thousands of euros.
5. The references to the governing bodies and corporate structure are based on the governance model in force at the reference date of this report, relative to 31st December 2022.

¹ Pursuant to the unanimous decision at the General Meeting held on 10th February 2023 to reformulate the equity headings for the specific purpose of reinforcing the funds that could be qualified by regulatory authorities as distributable, aimed at covering negative retained earnings by reducing the share capital by 1,210,000,000.00 Euros, without changing the number of existing shares or altering the total value of net equity. This was achieved by reducing the nominal unit value of each share from 1.00 to 0.50 euro, with the subsequent change in Article 4(1) of the Articles of Association of Banco Montepio.

2. Scope

6. BM is a savings bank, incorporated in the form of a public limited liability company (S.A.), with 99% of its share capital subscribed by Montepio Geral – Associação Mutualista and the remainder of its share capital subscribed by other shareholders.
7. BM holds several capital participations in entities that aim to offer a broad and diversified range of banking and financial products and services, and which contribute with their earnings to the mutualist goals. In this context, the Group positions itself as a diversified banking and financial group, a centennial institution of reference in the national market made up of Portuguese capital, aligned with its mutualist nature and objectives, which lend it unique features in the sectors in which it operates and in Portuguese society. Further information can be consulted at <https://www.bancomontepio.pt/institucional>.
8. The scope of the information disclosed in this Report is the consolidated basis for prudential purposes of the BM Group which does not differ from the accounting consolidation perimeter. The EU LI1 and EU LI2 templates will thus not be disclosed.
9. Under the strategic redefinition of the international holdings, and with a view to refocusing exclusively on the national market, Banco Montepio continues committed to pursue measures to deconsolidate Finibanco Angola, S.A. Hence, its subsidiary Montepio Holding, SGPS, S.A. agreed, on 4th October 2022, to sell the participation held in the share capital of Finibanco Angola, S.A. to Access Bank Plc, with expected closing of the sale transaction during 2023.
10. Also, as part of the strategic redefinition of international investments, and with a view to focusing on the domestic market, the Board of Directors of Banco Montepio, faced with the new legal framework of Cape Verde and considering all relevant strategic options, in 2021, concluded that it had not promoted the necessary changes to adapt its subsidiary Banco Montepio Geral Cabo Verde as a generic authorisation bank. Therefore, by unanimous Written Resolution dated 30th November 2021, Banco Montepio, as sole shareholder, approved the procedural initiatives provided for by law tending to the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde, a process that was concluded on 30th September 2022.
11. In view of the resolutions taken by the Board of Directors, also aiming at simplifying the Group's corporate structure, in addition to the provisions of IFRS 5, the activities developed by the investee Finibanco Angola, S.A. was considered a discontinued operation. However, the application of this accounting standard does not change the prudential reporting and the calculation of capital requirements on a consolidated basis, since the total assets and liabilities are considered under the full consolidated method (i.e., not considering the reclassification of assets and liabilities under IFRS 5). Likewise, in the present report, the tables presented relative to the prudential information include the balance sheet (and off-balance sheet) components of the entities subject to the application of IFRS 5, which correspond to the subsidiary Finibanco Angola, S.A.
12. Without prejudice to the principles and rules that govern intra-group relations, and as far as BM is aware, there is no significant, current or foreseen, impediment to the prompt transfer of own funds or repayment of liabilities among BM and its subsidiaries. With regards to Angola, the rules in force in the country can condition the fluidity of fund transfers. Based on the amounts of deposits of the BM Group in Finibanco Angola, as well as on the liquidity indicators of BM, we do not anticipate significant impacts on the Group's liquidity in a scenario where the fluidity of funds is conditioned.

13. In accordance with Article 436 (g) and (h) of the CRR, there are no subsidiaries included in the consolidation perimeter for prudential purposes and that are subject to the calculation of own funds.
14. The following table shows the entities included in the consolidation perimeter in accordance with the international accounting standards and applicable prudential rules. In addition, the information presented is relative to the country in which each entity is based, BM's equity stake in its share capital, as well as its activity sector. The accounting consolidation methods of BM shown in the table below correspond to the full consolidation method or the equity method:

Equity method: considered for associated companies, from the date the BM Group acquires significant influence until the date it ceases. Associates are those entities in which the BM Group has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the BM Group has significant influence when it directly or indirectly holds 20% or more of the voting rights of the associate. Conversely, if the BM Group directly or indirectly holds less than 20% of the voting rights, it is presumed that the BM Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the BM Group is usually evidenced in at least one of the following ways:

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

The consolidated financial statements include the part attributable to the BM Group of the total results and reserves of associated companies accounted on an equity basis. When applying the equity method, unrealised gains or losses on transactions between the BM Group and its associates are eliminated. Dividends attributed by associates are reduced to the amount of the investment in the consolidated balance sheet. The accounting policies of associates are changed whenever necessary to ensure that they are applied consistently by all BM Group companies. When the BM Group's share of losses exceeds its interest in an associate, the carrying amount of the investment and any other medium and long-term interests in that associate is reduced to nil and recognition of further losses is discontinued except to the extent that the BM Group has a legal obligation to assume those losses on behalf of an associate.

Full consolidation: is considered for subsidiaries (including investment funds and securitisation vehicles) controlled by the BM Group. The BM Group controls an entity when:

- it is exposed, or has rights, to variability in returns from its involvement with that entity,
- it may appropriate them through its power over the relevant activities of that entity (de facto control);
- it has the capability to affect those variable returns through the power it exercises over the relevant activities of the entity.

As established in IFRS 10, the BM Group analyses the purpose and structure of the way in which the operations of an entity are carried out in order to assess the control over that entity.

The financial statements of subsidiaries are fully consolidated from the date on which the BM Group acquires control until the date on which control ceases. Third party stakes in these companies are presented under the heading “Non-controlling interests”.

Accumulated losses are attributed to non-controlling interests in the proportions held, which may imply the recognition of negative non-controlling interests.

The accounting policies of subsidiaries are changed whenever necessary to ensure that they are applied consistently by all BM Group companies.

Table 1 | Template EU LI3: Entities of the consolidation perimeter of the BM Group

							Ref: Dec 22
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated or deducted	Deducted	
Caixa Económica Montepio Geral, caixa económica bancária, S.A.	Full consolidation	X					Banking
Montepio Holding S.G.P.S., S.A.	Full consolidation	X					Holding company
Montepio Investimento, S.A.	Full consolidation	X					Banking
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Full consolidation	X					Specialised Credits
Finbanco Angola, S.A.	Full consolidation	X					Banking
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Full consolidation	X					Real estate management
Montepio - Gestão de Activos Imobiliários, A.C.E.	Equity Method			X			Management of real estate assets
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	Equity Method			X			Hotels, restaurants and similar activities
CESource, ACE	Equity Method			X			Management of IT resources
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	Full consolidation	X					Real estate investment fund
Polaris - Fundo de Investimento Imobiliário Fechado	Full consolidation	X					Real estate investment fund
PEF - Fundo de Investimento Imobiliário Fechado	Full consolidation	X					Real estate investment fund
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIA)	Full consolidation	X					Real estate investment fund
Pelican Mortgages No. 3	Full consolidation	X					Securitisation of Credits
Pelican Mortgages No. 4	Full consolidation	X					Securitisation of Credits
Aqua Mortgages No. 1	Full consolidation	X					Securitisation of Credits
Pelican Finance No. 2	Full consolidation	X					Securitisation of Credits
							Ref: Dec 21
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated or deducted	Deducted	
Caixa Económica Montepio Geral, caixa económica bancária, S.A.	Full consolidation	X					Banking
Montepio Holding S.G.P.S., S.A.	Full consolidation	X					Holding company
Montepio Investimento, S.A.	Full consolidation	X					Banking
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Full consolidation	X					Specialised Credits
Finbanco Angola, S.A.	Full consolidation	X					Banking
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	Full consolidation	X					Banking
Montepio - Gestão de Activos Imobiliários, A.C.E.	Equity Method			X			Management of real estate assets
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	Equity Method			X			Hotels, restaurants and similar activities
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	Full consolidation	X					Real estate investment fund
Polaris - Fundo de Investimento Imobiliário Fechado	Full consolidation	X					Real estate investment fund
PEF - Fundo de Investimento Imobiliário Fechado	Full consolidation	X					Real estate investment fund
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	Full consolidation	X					Real estate investment fund
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Full consolidation	X					Real estate management
CESource, ACE	Equity Method			X			Management of IT resources
Pelican Mortgages No. 3	Full consolidation	X					Securitisation of Credits
Pelican Mortgages No. 4	Full consolidation	X					Securitisation of Credits
Aqua Mortgages No. 1	Full consolidation	X					Securitisation of Credits
Pelican Finance No. 2	Full consolidation	X					Securitisation of Credits
Pelican Finance No. 4	Full consolidation	X					Securitisation of Credits

Table 2 | Template EU LIA: Explanation of the differences between the accounting and regulatory exposure amounts

Row No.	Qualitative Information	Comments
a)	Differences between columns a) and b) in the template EU LI1	Not applicable
b)	Qualitative information on the main sources of differences between the accounting and regulatory consolidation perimeter presented in the EU LI2 template	Not applicable for the reason that there are no sources of difference between the perimeters

3. Risk management in the Banco Montepio Group

15. During 2022, the Group presented the following ratios and risk indicators:

Table 3 | Template EU KM1: Key metrics template

		(thousands of euros)				
Available own funds (amounts)		Dec/22	Sep/22	Jun/22	Mar/22	Dec/21
1	Common equity tier 1 (CET1) capital	1,135,384	1,100,682	1,111,480	1,096,312	1,121,521
2	Tier 1 capital	1,136,146	1,101,131	1,112,425	1,096,573	1,121,721
3	Total capital	1,342,890	1,307,904	1,319,672	1,303,156	1,328,243
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	8,276,388	8,654,029	8,689,352	8,752,001	8,799,976
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	13.72%	12.72%	12.79%	12.53%	12.74%
6	Tier 1 ratio (%)	13.73%	12.72%	12.80%	12.53%	12.75%
7	Total capital ratio (%)	16.23%	15.11%	15.19%	14.89%	15.09%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.25%	3.25%	3.25%	3.25%	3.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.83%	1.83%	1.83%	1.83%	1.83%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.44%	2.44%	2.44%	2.44%	2.44%
EU 7d	Total SREP own funds requirements (%)	11.25%	11.25%	11.25%	11.25%	11.25%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.01%	0.01%	0.01%	0.01%	0.01%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global systemically important institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other systemically important institution buffer (%)	0.25%	0.25%	0.19%	0.25%	0.19%
11	Combined buffer requirement (%)	2.76%	2.76%	2.69%	2.76%	2.69%
EU 11a	Overall capital requirements (%)	14.01%	14.01%	13.94%	14.01%	13.94%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.98%	3.86%	3.94%	3.64%	3.84%
Leverage ratio						
13	Total exposure measure	19,391,937	19,933,227	20,042,503	19,973,507	20,106,313
14	Leverage ratio (%)	5.86%	5.52%	5.55%	5.49%	5.58%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of the total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of the total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high quality liquid assets (HQLA) (weighted value - average)	3,957,572	3,735,685	3,854,545	3,898,437	3,706,730
EU 16a	Cash outflows - Total weighted value	1,727,516	2,345,985	1,598,507	1,620,044	1,597,716
EU 16b	Cash inflows - Total weighted value	141,738	143,353	131,420	152,762	194,036
16	Total net cash outflows (adjusted value)	1,585,777	2,202,632	1,467,086	1,467,282	1,403,681
17	Liquidity coverage ratio (%)	249.6%	169.6%	262.7%	265.7%	264.1%
Net Stable Funding Ratio						
18	Total available stable funding	14,563,661	15,034,446	15,357,281	16,023,735	16,291,021
19	Total required stable funding	11,653,021	12,361,958	12,679,869	12,945,617	12,997,744
20	NSFR ratio (%)	125.0%	121.6%	121.1%	123.8%	125.3%

3.1 Risk management policy and governance

Global risk management principles

16. The Group's overall risk management includes a series of policies, procedures, limits and controls that enable, in an appropriate and integrated manner, identifying, assessing, monitoring, mitigating and reporting the risks derived from the activities developed in the different business lines and entities of the Group, supported by, among others, the following main elements:
- Identification of material risks;
 - Risk appetite table;
 - Risk management strategy;
 - Organisational structure, policies and procedures;
 - Risk identification and assessment;
 - Internal capital and liquidity planning and management;
 - Monitoring and overall reporting of risk and internal capital;
 - Stress tests;
 - Contingency planning.
17. The elements mentioned are developed within the scope of the global risk reporting table, which is the responsibility of the Risk Management Function (RMF), which performs its duties independently of the other risk-taking areas.
18. The RMF regularly reports information to the Risk Committee (CRI), an autonomous body composed of non-executive members, with a minimum of three and a maximum of five members including the Chairman, appointed by the Board of Directors, from among its non-executive members, who have the knowledge, skills and experience to understand and supervise the Bank's risk management strategy. The role of Banco Montepio's Risk Committee is to assist the Board of Directors and the Audit Committee (CAUD) in performing their duties concerning definition, implementation and monitoring of the risk strategy and risk appetite. In this sense, the development and changes to the risk management framework of the Group and the Bank, namely regarding the definition of its risk appetite, are subject to opinion issued by the Risk Committee and Audit Committee, with the Board of Directors being responsible for the final approval.
19. Still within the scope of the Risk Management Function, the Audit Committee stands out as Banco Montepio's supervisory body, which oversees the effectiveness of the risk management system. It is responsible, without prejudice to the other duties attributed to it by law or the Articles of Association, for exercising a role of continuous assessment of Banco Montepio, particularly with regard to the process of preparation and disclosure of financial information and the key prudential indicators, 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 amount and risk.

20. Additional information on the Risk Management Function can be found on pages 94 to 97 of the Annual Report for 2022.
21. Throughout 2022, in articulation with the Board of Directors and the various departments of BM's organic structure, particularly with the Risk Department (DRI), as the entity responsible for the Risk Management Function, the Risk Committee conducted a detailed analysis of the themes related to its attributed duties. During this year, the Risk Committee held fourteen meetings, with participation of the members of the Board of Directors, the Chief Risk Officer (CRO) and the various departments of BM or of the Group.
22. In addition, as at the reference date of this report, there were various Committees providing support to the management body had been constituted, as forums of debate and support to decision-making, through formulation of proposals and recommendations to the management body in the areas of their scope of intervention.
23. Committees providing support to the Executive Committee have been constituted, as forums of debate and support to decision-making, through formulation of proposals and recommendations in the areas of their scope of intervention. The Credit Committee (CC) meets on a weekly basis, where credit transactions are reviewed and decided in accordance with the credit granting policy and regulations. The Assets and Liabilities Committee (ALCO), which holds monthly meetings, is responsible for following up the management of Capital, 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. As part of its risk management function, Risk Department also participates in the Impairment Committee (COMIMP), the Non-Performing Assets Monitoring Committee (COMAANP), the Business Committee (COMNEG), the Pension Fund Monitoring Committee (COMAFP), the Technology Committee (COMTECH), the Internal Control Committee (COMCI), the Resolvability Committee (CRES) and the Cybersecurity Committee (COMCIBER), as well as participating in the regular meetings of the Crisis Management Office (whose last meeting was held on the 29th July 2022, and in which its deactivation was approved) and business recovery activated as part of the Bank's response to the Covid-19 pandemic crisis in order to ensure the operational continuity of the Bank's critical functions as well as the continuity of the business. While not in the form of a committee, the Bank has dedicated working groups both for the diagnosis of data events and their proposed solution, and for enhancing the robustness of the control environment for regulatory reporting.

Risk appetite framework

24. The risk appetite framework (RAF) comprises the main element of the Group's risk management system, consisting of a global and integrated management approach, according to which the strategy and risk appetite are established, communicated and monitored within the organisation.
25. This framework is supported by the risk management policies, governance processes, indicators and their limits, as well as by the information systems necessary for its establishment, and its objective is to promote:

- The effective transmission to and awareness raising of all of the Group's employees regarding the risks that the Group is exposed to;
 - The knowledge of the strategy outlined by the management body to manage and control those risks;
 - Informed decision-making, at the different operational levels, consistent with the Group's objectives and risk management principles.
26. The risk limits underlying the implementation of the risk management strategy and the maintenance of appropriate levels of capital and liquidity result from the Risk Appetite Statement (RAS) approved by the Board of Directors, taking into account:
- The definition of the high-level risk strategy and risk appetite;
 - The recognition of the relevant risks, based on the identification and assessment exercises, from which the relevant risk categories and factors are defined for the pursuit of the strategic objectives;
 - The analysis of the risk-taking capacity and materialisation of the risk appetite, which consists in the assessment of the internal risk-taking capacity taking into account, namely, the available internal capital and liquidity;
 - The identification of risk metrics, which involves the definition of quantitative metrics, for each material risk category, enabling the implementation of objectives and risk limits, in conformity with the defined appetite;
 - The establishment of objectives and risk limits, where for each category risk limits and/or risk objectives are defined, underpinned by the assessment metrics that result from the previously described process;
 - The integration in the strategic planning processes, whereby the RAS must integrate by principle, in an interdependent scheme, the planning and management processes of BM and of each of the entities of its consolidation perimeter.
27. There is an instituted process of monitoring and reporting of the approved risk limits and objectives. The risk appetite statement must be reviewed and updated at least annually, approved by the Board of Directors and supported by the Risk Management Function, within the scope of the strategic planning processes, or as the result of a change in business strategy or of an exceptional event.

Risk management strategy

28. The risk management strategy is established in conformity with the Group's risk appetite statement and takes into account the following aspects:
- Solvency;
 - Liquidity;

- Profitability based on risk adjusted return.
29. The risk management strategy includes the main business segments and must be sufficiently granular - so that each of the material risk categories must be associated to the entity's plans to accept, manage and control those risks.
30. Global risk management is based on the identification and assessment of the financial and non-financial risks of the institution, and on the implementation of management and control approaches, differentiated according to the relevance of each risk category and its factors. The process is supported by a Risk Taxonomy, which includes the risk categories and concepts defined transversally for the Group:

Risk category	Risk Subcategory/Risk Factor
Strategy risk	Risk of changes in the business environment Business model risk
Internal Governance risk	Internal governance structure Risk management structure and risk culture Infrastructure, data and reporting
Credit risk	Default risk Country risk Credit risk (spread) Sovereign risk Specialised lending risk Counterparty credit risk Migration risk Counterparty concentration risk Sectoral concentration risk Regional concentration risk Securitisation risk Residual risk Risk of reduction of amounts receivable Settlement and delivery risk
Market Risk	General position risk (debt instruments) Specific position risk (debt instruments) Credit spread risk Equity instrument risk Migration risk Default risk Commodities risk Options risk Credit valuation adjustment risk Basis risk Sovereign risk Trading book interest rate risk Concentration risk / Liquidity risk
Financial holdings risk	
FX risk	Transaction risk Conversion risk Economic risk
Interest Rate Risk of the Banking Book	Revaluation risk Yield curve risk Basis risk

Risk category	Risk Subcategory/Risk Factor
Operational Risk	Option risk
	Internal fraud
	External fraud
	Employment practices and safety at work practices
	Customers, products and commercial practices
	Damage to physical assets
	Disruption of activity
	Implementation, delivery and management of processes
Information and communication technologies	Outsourcing risk
	Information Security Risk (Cybersecurity)
	Project Risk / Development requests
	System Risk
Liquidity and Financing Risk	Wholesale funding risk
	Retail funding risk
	Cost of funding risk
	Intraday risk
	Liquidity and/or financing foreign exchange risk
	Intra-group liquidity and/or funding risk
	Liquidity concentration and/or funding risk
Model risk	Cash flow mismatch risk
Compliance risk	Regulatory Compliance Risk
	Legal and contractual risk
	Conduct Risk
	Financial crime risk
Pension fund risk	
Real estate risk	
Climate and Environmental Risks	Physical Risk
	Transition risk
Capital Risk	Capital adequacy risk
	Risk of Excessive Leverage
Other	Insurance risk
	Step-in risk
	Other concentration risks
	Group risk

31. In the risk identification and assessment procedures, prospective scenarios must be considered, according to the Group's business strategy, enabling a prospective analysis of the risks. In addition to that, the RMF must challenge the results of those procedures based on the history of risk events and their impacts. The RMF is responsible for implementing and coordinating a risk identification and assessment process, which guarantees, at least once a year, that the main financial and non-financial risks are identified, assessed, reported and managed/controlled.

Internal capital and liquidity planning and management

32. The capacity to absorb risks depends on internal capital and available liquidity. Therefore, the Group develops consistent and coherent processes over time, for the planning of its capital and liquidity levels, basing itself on (i) the current and long-term objectives of the risk management strategy; (ii) the indicators and limits of the risk appetite framework; and (iii) the assessment of the adequacy of that capital and liquidity.
33. The regulatory requirements are used as a minimum reference to calculate and assess internal capital adequacy. Taking into consideration the risk profile of the institution and its business strategy, the Risk Management Function develops its own methodologies and models to quantify the risks that the Group is materially exposed to.
34. The quantification of risks is used by the Risk Management Function to analyse and control the adequacy of the institution's internal capital, assessing in a comprehensive manner the sufficiency of the capital and financing plans relative to the risk profile of the entity and the market environment. The analyses conducted by the Risk Management Function are presented on a regular basis to the Board of Directors, which is responsible for defining and approving any action plans, objectives and risk limits with a view to controlling the adequacy of internal capital.
35. The assessment of the adequacy of the institution's liquidity is guided by the principles of (i) maintenance of an adequate structure of financing of the Group's activity, considering the characteristics of its assets, liabilities and off-balance sheet items, as well as the respective residual or behavioural maturities; and (ii) existence of sufficient levels of liquidity to cope with adverse scenarios.

Stress tests and contingency planning

36. Within the scope of overall risk management, the Risk Management Function must conduct stress tests on key risks on a regular basis, in order to: (i) identify new risks or emerging risks; (ii) assess exposure to material risks; and (iii) support the internal capital adequacy assessment; The management body is responsible, under the Risk Management Function's proposal, for defining objectives and limits for the results of the stress tests.
37. Pursuant to the regulatory terms, the Group carries out 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.
38. 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.
39. 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.

40. 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 considered adverse scenarios.
41. 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 European Central Bank (ECB), ratings (of the Group and counterparties), portfolio loss ratios, collateral, among others.
42. 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).
43. Based on the results of the internal capital monitoring processes, the evaluation of the overall risk profile of the entity and, in particular, the results of the stress tests, the presentation of a capital or liquidity contingency plan may be requested.
44. The plan aims to identify the measures that can be adopted to promptly correct a situation in which the entity is in financial imbalance, or at risk of becoming financially imbalanced.
45. In addition, the BM Group, and each of its entities, has a business continuity management framework, based on concrete plans for an alternative recovery of its activities that allows them to deal with the occurrence of any disruptive events, in accordance with the defined business continuity policy.

3.2 Additional information on the governance system

46. During 2022, a one-tier governance model was enforced at Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter BM), composed of a Board of Directors which includes an Audit Committee (elected at the General Meeting from among the non-executive members) and a Statutory Auditor.
47. Pursuant to Article 13(1)(m) of the Articles of Association of Banco Montepio, the Board of Directors approved the constitution of two internal committees composed exclusively of non-executive members: the Risk Committee (CRI) and the Assessment, Appointments, Ethics, Sustainability and Governance Committee (CANESG), and delegated the current management of Banco Montepio to an Executive Committee:
 - The mission of the **Risk Committee (CRI)** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check if 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. Further details on the Risk Committee can be found on pages 613 and 614 of the Annual Report for 2022.

- The **Assessment, Appointments, Ethics, Sustainability and Governance Committee (CANESG)** 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; (ii) remuneration and incentives created within this scope for risk, capital and liquidity management purposes; and (iii) ethics, sustainability and corporate governance. Further details on CANESG can be found on pages 614 a 616 of the Annual Report for 2022.
 - 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, by supervising current risk management activities and the operationalisation of the controls implemented, 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. Further details on Executive Committee can be found on pages 616 a 618 of the Annual Report for 2022.
48. Pursuant to Article 2 of the CANESG Regulation, it is responsible for matters relating to Remunerations, Nominations and Assessments, in addition to those attributed by law, by BM's Articles of Association and Board of Directors.
 49. Regarding Remunerations, CANESG is responsible for ensuring that the remuneration policy and practices encourage the sustainable development of the institution. CANESG should formulate informed and independent judgements on the remuneration policy and practices at least on an annual basis, in order to annually submit to the General Meeting a statement on the remuneration policy of the members of the management body, forwarding to the General Meeting the reports prepared on the remuneration policy and practices, proposing to the Board of Directors the criteria to be used in the annual process of assessment and establishment of the variable component of the remuneration of the Executive Committee's members, commenting on the adequacy of the proposed arrangement of supplementary retirement pensions of the directors, due to old age or disability, approved by the General Meeting, pursuant to Article 402 of the Commercial Companies Code, and verifying the implementation of and compliance with the remuneration procedures adopted by the competent governing body, including verification of independence between the remuneration of the employees who perform risk management and control functions, and the institution's results.
 50. Concerning Nominations, CANESG is responsible for formulating and conveying to the Board of Directors recommendations on candidate members of the management and supervisory bodies, including the "fit & proper" process, appraising the respective profile in terms of suitability, professional qualification, independence and availability to hold the position, commenting on supervenient alterations or nominations for new duties and about nominations in terms of knowledge, skills, diversity and experience.
 51. Finally, on matters of Assessment, CANESG is responsible for proposing to the Board of Directors, the approval, at the General Meeting, of the Policy of Selection and Evaluation of the Adequacy of the members of the management and supervisory bodies.
 52. Banco Montepio endorses the good practice of safeguarding diversity. Hence its Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Body (MOAF) and Key Function Holders (TFE) and Succession Policy for

MOAF highlight the importance of fostering gender balance in the composition of the management and supervisory body and, in general, establish that it is imperative to ensure sufficient diversity concerning qualifications and professional experience, and ensure that there is no discrimination based on birth, gender, language, religion, colour, ethnic or social origin, wealth, disability, age, political or ideological beliefs, education, economic situation, social condition or sexual orientation, or any other personal or social circumstance or condition irrelevant for compliance with the necessary competence and skills required to perform the job.

53. The Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Body and Key Function Holders sets the target of achieving a percentage not less than 33% for under-represented gender in the Board of Directors, Audit Committee and Executive Committee. In the same vein, a target of no less than 33% of the under-represented gender was also set for key function holders (TFE).
54. In 2022, Banco Montepio achieved the National Goal for Gender Equality, defined as 40% of women in management positions by 2030, including the Board of Directors, Executive Committee and First Line Directors. The gender representation of members of the management and supervisory body and key function holders in December 2022 is presented below, indicating the achievement of the delineated targets referred to above.

Banco Montepio		
Género	Nº de elementos	%
F	7	58%
M	5	42%
Montepio Holding		
Género	Nº de elementos	%
F	3	75%
M	1	25%
Banco de Empresas Montepio		
Género	Nº de elementos	%
F	4	50%
M	4	50%
Montepio Crédito		
Género	Nº de elementos	%
F	2	40%
M	3	60%

Regarding key function holders

Género	Nº de elementos	%
F	3	38%
M	5	63%

55. Further information on the Inclusion and respect for diversity can be consulted on pages 134 to 136 of the Annual Report for 2022.
56. Moreover, the Policy on Diversity and Inclusion in force at the Banco Montepio Group, applicable with the due adaptations to the employees of the Banco Montepio Group companies, defines the institution's goals in the dimensions in question and the following commitments:

- Promote diversity, including in the composition of the various hierarchical levels and corporate bodies;
 - Promote the enrichment of the organisation by attracting and bringing together a diversity of profiles (with different cultures, gender and ages) in order to stimulate creativity and innovation;
 - Guarantee a work environment free of prejudice and discrimination, with respect and appreciation for individuality and guided by fairness;
 - Monitor the alignment of this Policy, with the principles set out in the Code of Conduct, as well as with the best practices and applicable legislation, namely:
 - i) Implement positive discrimination measures and prohibit any form of discrimination or harassment on the basis of gender, age, nationality and residence, among others;
 - ii) Promote equal treatment and opportunities in the recruitment and selection process, in training and professional development, in performance evaluation, in career progression, and in remuneration conditions;
 - iii) Implement measures that enable the integration of people with special needs and promote the adaptation of jobs, whenever necessary.
57. On the other hand, the Succession Policies for Members of the Management and Supervisory Body (MOAF) and Key Function Holders (TFE) establish the process for identifying the profiles of future MOAF and TFE, defining the professional profiles with the qualifications and experience required to assume the responsibilities inherent to the position and the exercise of those functions.
58. Additional information relative to the governance system and the corporate bodies of BM can be consulted in the "Institutional" area (<https://www.bancomontepio.pt/institucional/modelo-governo>).

3.3 Process of identification, measurement and control of each risk

Credit risk

59. 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.
60. Credit risk management benefits from an adequate process of credit analysis and decision-making, based on a series of tools to support the decision-making process. The quantification of credit risk is also supported by credit risk management models, including the calculation of impairment losses.
61. One of the fundamental principles of credit risk analysis is independence with regards to business decisions. In the analysis, instruments are used and rules are defined according to the materiality of the exposures, the familiarity with the types of risk in question (i.e., the capacity of modelling of those risks) and the liquidity of the instruments.
62. The credit risk models play an essential role in the credit-decision procedure. Therefore, the decision process for loan portfolio operations is based on a set of policies using scoring models for retail portfolios and rating models for the non-retail segment.

63. Within the scope of the credit risk, regarding the analysis methodologies, the risk control techniques and models are essentially based on statistical models, supported by the experience of the institution in granting various types of credit and also, whenever possible, at the level of recovery.
64. The credit decisions depend on the risk classification and compliance with various rules on financial capacity and bidding behaviour.
65. There are acceptance scoring models for lending to individuals in retail portfolios, namely for mortgage loans, personal loans and for credit cards. Sole Proprietorships (ENI) and Microenterprises are classified as retail, and, therefore, the respective scoring models are applied. For the retail portfolios, there are also behavioural scoring models, which are used in the monitoring of the credit portfolio, as well as in the assessment of new credit proposals, which are, when applicable, combined with acceptance scoring information.
66. In the field of credit to the non-retail segment, internal rating models are used for small, medium-sized and large companies, differentiated by sectors of activity, such as the tertiary sector, or by the number of years of company activity, namely startups.
67. Regardless of the type of applicable model, any proposal, contract or customer is classified in a category of the single risk scale, in ascending order of Probability of Default. This scale is composed of 18 categories, of which the first 15 correspond to performing risk categories, categories 16 to 17 correspond to procedural categories of delay, and category 18 corresponds to the definition of default, according to the definition in force, which follows the guidelines of the regulatory authorities in terms of prudential requirements.
68. Limits delegated by different decision levels, by operation amount and client global exposure, type of operation/collateral and risk rating attributed are defined. In this regard, the greatest exposures must be scaled to higher hierarchical levels and delegation of powers in the various levels depends on the risk rating. The highest decision level corresponds to the Board of Directors, which in turn empowers the Credit Committee in accordance with the established internal regulations. In the intermediate levels, without intervention of the members of the management bodies, a loan approval can only be granted with the unanimity of the two agents - the four-eyes principle– one belonging to the commercial network and the other to the Credit Analysis Department (DAC), a body that is independent from the commercial structure and the Risk Management Function. The Risk Department is the unit responsible for the development of the credit risk models (scoring and rating), and for the control and monitoring of the Group's risk in overall terms, including BM in individual terms.
69. Within the scope of credit risk, weekly, monthly and quarterly reports on the evolution of credit risk for the various levels of the organisation, including the management bodies, are prepared by the Risk Department. The internal reports contain the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. With regards to preventive monitoring, an alerts system is in force for indicators of increased credit risk (Early Warning Signs).

70. IFRS 9 is divided into three pillars:
- Classification and Measurement;
 - Impairment; and
 - Hedge accounting.
71. Regarding impairment, IFRS 9 establishes the need to recognise Expected Credit Losses (ECL) as impairment for all financial assets that comply with the Solely Payment of Principal and Interest (SPPI) criteria, considering the expected credit loss of one year, or the expected credit loss up to the maturity of the financial instrument (ECL lifetime).
72. The Expected Credit Loss model (IFRS 9) replaces the incurred loss model (IAS 39).
73. According to this change, financial assets are classified into segments, based on the evolution of their credit risk.
- Stage 1: regular financial assets, i.e., without any indication of a significant increase in credit risk since initial recognition and which are not in default.
 - Stage 2: financial assets with a significant increase in credit risk since initial recognition, based on the criteria that are defined in the internal standard on the recognition of a significant increase in credit risk. It should be noted that restructured credit due to financial difficulties is considered an indicator of a significant increase in credit risk, which is why the portfolio of credit marked as restructured is included in Stage 2;
 - Stage 3: Non-performing financial assets, based on the non-performing loan indicators that are defined in the internal standard on default.
74. The measurement of expected credit losses (ECL) for the segment of homogeneous populations is the result of the product of probability of default (PD) of the financial asset, the loss given default (LGD) and the exposure on the date of default (EAD), discounted at the effective interest rate of the contract up to the reporting date.
75. The main difference between the measured impairment losses for financial assets classified in the stages refers to the time horizon of the probability of default.
76. The probability of default (PD) is one of the main differences in the calculation of IFRS 9 impairment (ECL), with two types of probability of default being estimated:
- 12-month PD: the probability of a default occurring in the next 12 months (for contracts belonging to Stage 1), which considers forward-looking information;
 - 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; and

- PD = 100% for all contracts belonging to Stage 3.

77. For individually significant customers, the exposures are subject to individual assessment focused on the customer's credit quality, as well as on the expectations of credit recovery, namely considering the customer's economic and financial viability, existing collateral and guarantees provided and the other factors considered relevant for this analysis.
78. Impairment for the segment of individually significant customers is ascertained through the discounted cash flow method, with its value corresponding to the difference between the contractual financial flows payable by the customer and the financial flows that the Bank expects to receive, updated at the original effective interest rate.
79. The individual analysis is the responsibility of the Specialised Credit Analysis Department (DAEC) [where it should be noted that this responsibility shifted to the Individual Impairment Office at the beginning of 2023] and the following factors are essentially considered in the assessment of impairment losses:
 - Exposure of each customer and/or economic group, internal risk rating of the customer and/or economic group, stage associated to each operation and signs of impairment;
 - Economic and financial viability of the customer or economic group and capacity to generate future cash flows to meet debt repayment;
 - Real collateral and guarantees provided;
 - Assets of clients and/or guarantors;
 - Bankruptcy or insolvency of customers and/or guarantors;
 - Expectation regarding period of recovery of outstanding debt.

Concentration risk

80. The Banco Montepio Group's established risk appetite defined limits and strategic objectives for key indicators, with concentration risk being one of the relevant dimensions, namely in the sub-components of credit risk, liquidity risk and sovereign risk. The limits currently in force were approved in 2022 by the respective management body. As a process subject to annual review, it must be reassessed during this year.
81. In this way, based on the defined limits, the evolution of the Banco Montepio Group's risk profile in relation to the risk appetite is monitored regularly, which includes the concentration risk, with the respective reporting to the Executive Committee, Risk Committee, Audit Committee and Board of Directors as a whole, in accordance with the Banco Montepio Group's Risk Management Policy. The Risk Department issues monthly reports containing information on concentration risk to the Executive Committee and Risk Committee, as well as quarterly to the Executive Committee, Risk Committee, Audit Committee and Board of Directors.
82. Credit concentration risk management considers four sub-categories of this risk that are considered materially relevant in the activity:

- **Counterparty concentration:** possibility of occurrence of significant losses arising from risk assumed before the counterparty or before a group of related counterparties.

Within the scope of the control of the concentration risk of the counterparty credit risk, the Major Risks procedure aims to assess, among other objectives, compliance with the CRR requirements regulated by Banco de Portugal Notice 9/2014 regarding prudential limits by economic group. These limits correspond to a percentage of the eligible own funds of the Institution under analysis.

The procedure in question covers all the exposures assumed before the counterparties, both in terms of assets and of the off-balance sheet items, on consolidated and individual basis, for the entities subject to the prudential supervision of Banco de Portugal. Under this procedure, reports are prepared at least quarterly for the Executive Committee in the context of the risk appetite monitoring, as well as for the Risk Committee on a regular basis.

Within the scope of the control of the counterparty concentration risk, the procedure of the Largest Exposures aims to complement the control undertaken in terms of Major Risks. To this end, internally defined concepts, methodologies and metrics are used.

- **Concentration by risk category:** possibility of occurrence of significant losses arising from an exposure or a series of exposures assumed vis-à-vis high-risk ratings.

In the individual approval of the activity of specific business areas, limit matrices are defined by rating and by counterparty type. Exposure is monitored on a daily basis to ensure that the limits are respected.

In addition, according to the internal policy of concentration risk, the monitoring of exposures to the Economic Groups is undertaken, taking into account the respective ratings. Within the scope of this procedure, reports are prepared at least every quarter for the Executive Committee within the context of risk appetite monitoring.

- **Sectoral concentration:** possibility of occurrence of significant losses arising from an exposure or a series of exposures assumed vis-à-vis a specific sector of economic activity.

The process of sectoral distribution of the exposure aims to monitor the concentration at the level of the sectors of activity which are based on internally defined groupings, namely taking into account the existence of correlation between sectors (such as, for example, the aggregation of NACEs related to construction and real estate activities, regarding which limits are defined within the scope of the RAS. Within the scope of this procedure, reports are prepared at least every quarter for the management bodies within the context of risk appetite monitoring.

- **Geographic concentration:** possibility of occurrence of significant losses arising from an exposure or a series of exposures assumed vis-à-vis a specific country or geographic area.

Market risk

83. The concept of market risk reflects the possible loss that may be registered by a given portfolio as a result of changes to rates (interest and exchange rates) and/or to the prices of the different financial instruments composing it, taking into account both the correlations existing between them and the respective volatilities.
84. With respect to market risk information and analysis, there is regular reporting on own financial assets portfolios. Therefore, for the own portfolios of each Group entity, if applicable, various risk limits are defined and the value at risk (VaR) methodology is also used. Different exposure limits are also defined, including global VaR limits, by issuer taking into account the level of credit quality (rating), by country and by asset type/category. There are also Stop Loss limits and Loss Trigger limits defined for the positions held for negotiation and available for sale (positions accounted for as at fair value through other comprehensive income).
85. The VaR is calculated on a regular basis both for the trading book and for the other securities portfolios, and that value is ascertained on the basis of a time horizon of 10 business days and at a significance level of 99% by the historical simulation method. The types of risk taken into account by the methodology are the interest rate risk, the exchange rate risk, the price risk, the credit risk and the commodities risk.
86. 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 cover the analysis of scenarios, namely the sensitivities of securities portfolios to changes in interest rates and spreads, as well as analyses of stress scenarios based on extreme events that have occurred, such as the Sovereign Debt Crisis of 2011 and the Covid-19 pandemic. Regarding the trading book, specific risk reports are produced.
87. The Risk Department produces specific reports for the Executive Committee, Audit Committee, Risk Committee and Board of Directors on exposure to market risk.

Banking book interest rate risk

88. The interest rate risk assessment arising from banking book operations is carried out by analysing risk sensitivity, in a consolidated perspective.
89. The interest rate risk is assessed according to the impacts on net interest income and on economic value and own funds caused by changes to 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).

90. Based on the financial characteristics of each contract, the respective forecast of the expected cash flows is carried out, according to the rate repricing dates and possible behaviour assumptions taken into consideration.
91. The aggregation, for each of the analysed currencies, of the expected cash flows on each time interval makes it possible to determine the interest rate gaps by repricing time period.
92. Following the Basel recommendations and Banco de Portugal Instruction 34/2018 of 26th December, the Group calculates, at least quarterly, its exposure to the exchange rate risk based on the methodology of the Bank of International Settlements (BIS), classifying all the assets, liabilities and off-balance items, which do not belong to the trading book, by levels of repricing.
93. In this context, limits are defined for exposure to interest rate risk factors which are monitored by ALCO, where any overrunning of the established limits requires the Board of Directors' approval or the implementation of measures to cover the exposure.
94. At the same time, a stress test is conducted with six shock scenarios on the interest rate curve. The test also measures impacts on net interest income at one year and on economic value arising from shocks on the interest rate curve specified in the BIS document of April 2016, Standards – Interest rate risk in the banking book.
95. The Risk Department provides monthly interest rate risk monitoring reports to the Risk Committee and ALCO, as well as quarterly reports on the evolution of key performance indicators (KPIs) and indicators related to interest rate risk to the Executive Committee, Risk Committee, Audit Committee and Board of Directors.

Foreign exchange risk

96. Concerning the exchange rate risk of the banking book, in general, the different resources attracted are invested in different currencies through 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.
97. The defined limits of exposure to exchange rate risk include limits of position by currency (in consolidated and individual terms), as well as in terms of VaR, also being disaggregated in terms of the trading book and banking book. These limits are monitored by ALCO. In this regard, the established limits may only be exceeded in case of approval and the respective action plan must be analysed, which may involve the coverage of the exchange rate risk.
98. The Risk Department produces specific reports for the Executive Committee, Risk Committee and ALCO on exposure to foreign exchange risk, and quarterly to ALCO, the Executive Committee, Audit Committee and Board of Directors, with information on the evolution of the risk appetite statement indicators associated with this risk.

Liquidity and funding risk

99. The liquidity risk reflects the Group's inability in fulfilling its obligations at the respective maturity, without incurring in significant losses arising from a disintegration of the financing conditions (financing risk) and/or from the sale of its assets at values inferior to the market values (market liquidity risk).

100. Liquidity risk is assessed using defined regulatory indicators, as well as other internal metrics for which there are established internal limits. This control is strengthened with the regular carrying out of stress tests, with the purpose of characterising the risk profile and ensuring that the Group complies with its obligations under normal business conditions, but also in a scenario of any stress or liquidity crisis.
101. The objective of controlling the liquidity levels is to maintain a satisfactory level of liquid assets so as to meet financial needs in the short, medium and long term. Liquidity risk is monitored on a daily basis, and various reports are drawn up for the purpose of control and follow-up and to support the decision-taking process in the context of the ALCO.
102. The development of the liquidity situation is carried out, specifically, based on the future cash flows estimated for various time horizons, considering the Group'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.
103. In addition to that, a follow-up of the liquidity positions from a prudential perspective is also carried out, as well as a follow-up of the level of compliance with 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 deposit to loans, concentration of financing sources, short-term financing and eligible assets.
104. Limits are defined for various indicators of liquidity risk, which are monitored through monthly reports that are submitted by the Risk Department to the Executive Committee, Risk Committee, Audit Committee and Board of Directors.
105. In addition, the liquidity risk is reported on a weekly basis by the Risk Department to the Board of Directors.

Real estate risk

106. Real estate risk results from possible negative impacts on results or own funds, due to fluctuations in the market price of real estate assets.
107. Real estate risk arises from exposure in real estate assets, whether from properties given in lieu of repayment or judicial auction sale in the context of recovery procedures for loans or participation 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 changes to the real estate market on the portfolios of these real estate assets and provide the necessary information for the definition of the real estate risk management policy.
108. Monthly reports are prepared by the Strategic Planning and Control Department (DPEC) within the scope of control of the real estate activity, as detailed below:
109. These monthly reports present Banco Montepio's performance in terms of controlling the reduction of exposure to real estate risk, on a consolidated basis and by entity, comparing it with that observed at the end of the previous year and with the ambition set out in the Funding and Capital Plan (FCP), identifying any deviations. This document is subject to review and appraisal by the Executive Committee and the Non-Performing Asset Monitoring Committee (COMAANP);

110. BM updated its internal policy on haircuts, henceforth defining the prudential haircut applied to the book value of the portfolios of real estate received in lieu of payment and investment properties, which evolves in a growing form according to the age of these properties in the Group's assets.
111. The ALCO Committee monitors, on a monthly basis, the degree of achievement of the plan's target to reduce exposure to real estate risk.
112. The evolution of the real estate activity is also monitored, on a monthly basis, within the scope of BM's strategic planning control, which is reported to the Board of Directors.
113. Limits are defined for property risk indicators that are monitored, in addition to the quarterly Risk Appetite Statement reports, through monthly reports submitted by the Risk Department to the Executive Committee, Risk Committee, Audit Committee and Board of Directors.

Operational Risk

114. Operational risk is regarded as the potential loss arising from failures or inadequacies in the internal procedures, in people or systems, or even the potential losses arising from external events.
115. The BM Group has Banco de Portugal's approval to use the standard approach to quantify its own fund requirements for operational risk, supported by an implemented operational risk management system that is based on identifying, assessing, monitoring, measuring, mitigating and reporting this type of risk.
116. 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.
117. At the level of risk monitoring, the main activities carried out consist in the process of collection and analysis of events of operational risk loss, in the analysis of the Key Risk Indicators, in the assessment of the exposure to operational risk and in the drawing up of periodic reports on the operational risk profile of the Institution. Specifically, quarterly reports on follow-up of the events of operational risk loss and of implemented mitigation measures are drawn up and submitted to the Executive Committee and Risk Committee. A report covering the analysis of all operational risk management instruments is also produced annually for the Executive Committee and Risk Committee. These reports may also be submitted to the Board of Directors whenever the Board deems this appropriate.
118. Within the scope of the mitigation measures, action plans are prepared for the more significant risks, identified based on the previously referred to operational risk management tools.
119. In addition to that, a business continuity management procedure has been implemented, supported by a series of activities of assessment, of design, of implementation and monitoring, integrated in an ongoing improvement cycle.

120. This procedure is crucial as a risk mitigating instrument, making the business procedures more resilient and enabling the continuity of operations in case of occurrence of events which cause the interruption of the activity, and also taking into account the defined Recovery Time Objective (RTO).
121. The following powers are defined within the operational risk management governance:
- **Board of Directors:** responsible for establishing a culture of operational risk control through the involvement of the entire institution. The Board of Directors is responsible for defining and approving the policy for management of operational risk at BM, from an individual and Group perspective. The Board of Directors is responsible for ensuring the resources that allow the operational risk to be managed appropriately and effectively. In particular, the Board of Directors is responsible for:
 - i. Approval of the risk level deemed acceptable, taking into account the identification of the operational risk sub-categories for which additional mitigation measures should be considered as a result of the assessment process for these risks and controls applied;
 - ii. Analysing and deciding on the policies, methodologies, models and limits for quantifying operational risks relevant to BM's activity;
 - **Executive Committee:** responsible for ensuring the implementation of the policy approved by the Board of Directors for the management of the operational risk and deciding on the action plans proposed to it.
 - **Risk Committee:** as an advisory body to the Board of Directors and Executive Committee on specialised risk matters, this body is responsible for following up and monitoring compliance with the policy approved for operational risk management. The Risk Committee regularly monitors the evolution of operational risk indicators and, at least once a year, or whenever justified, shall assess the adequacy of the operational risk management policy.
 - **Risk Department:** responsible for the BM Group's corporate operational risk management, supported by interlocutors in different organic units and entities of the Group who ensure the proper implementation of the operational risk management cycle.
 - **Other organic units:** as the first line of defence, all employees of the organic units are responsible for identifying operational risk focuses and recording events in order to provide the Risk Department with information that enables it to identify measures and action plans to mitigate the operational risk.
122. The operational risk management system is based on the 3 lines of defence model. Thus, the responsibility for operational risk management lies with the functional areas, designated by:
- **1st Lines of Defence,** which have the responsibility of identifying and reporting on operational risk events. As a first line of defence, all employees of the Organic Units are responsible for identifying operational risk focuses and recording events in the available internal application (MGIRO), in order to provide the Risk Department with information that enables it to identify measures and action plans to mitigate operational risk. It is also the responsibility of the Organic Units to carry out annual Self Assessment exercises of the operational risks related to their business functions.

- The Risk Department, as a **2nd Line of Defence**, performs the corporate function of operational risk management for the Banco Montepio Group. It is supported by the existence of interlocutors in the Group's different Organic Units and entities that ensure the appropriate implementation of the operational risk management cycle.
- The operational risk management function is assigned to an internal department of the Risk Department (**Operational Risk Department – DRO**), which is responsible for developing methodologies, metrics and structures to prevent, identify and analyse the organisation's operational risk, with the duty of periodic reporting to the management and supervisory bodies. Operational risk management aims to contribute to the effectiveness of Banco Montepio Group's internal control system, taking into account the established risk appetite, with a view to adequately controlling all activities and processes, in order to limit losses arising from operational risk, while remaining within the limits defined by the Board of Directors and mitigating the relevant negative impacts.

Compliance risk

123. Compliance risk, meaning the risk of legal or regulatory penalties and financial or reputational loss, as a consequence of non-compliance with the laws, regulations, specific determinations, contracts, rules of conduct and customer relations, ethical principles or the internal rules of Banco Montepio, is managed by the compliance function as an integral part of the internal control system.
124. Banco Montepio's compliance function is exercised by the Compliance Department; that has the necessary autonomy to perform its functions independently, reporting functionally to the Board of Directors and Audit Committee, namely on relevant matters such as the activities and training plans, budget, activity reports, compliance policies, as well as any indications of breach of legal obligations or rules of conduct that may cause Banco Montepio to commit unlawful conduct of the nature of an administrative offence.
125. Compliance risk is mitigated by fostering a culture of ethics and compliance, and through the compliance function's intervention in the Bank's processes that embody compliance risks, both *a priori*, through analysis of the compliance of these processes, and *a posteriori* through compliance monitoring actions.
126. For the purpose of compliance and reputational risk management, Banco Montepio has a Policy and Methodological Approach for Compliance Risk Management, available for consultation for all the institution's employees. This policy underpins the adoption of a compliance culture based on the identification, assessment, monitoring and mitigation of compliance risk.
127. 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.
128. For Banco Montepio, the endorsement of ethical conduct in business is an essential element to ensure good service to the Customers, meet the expectations of its Shareholders and other Stakeholders, satisfy and encourage its Employees, and, in general, contribute to consolidate its affirmation as a unique financial institution in the

national panorama due to its origin and mutualist foundations and, consequently due to its vocation as an institution geared towards savings and the provision of universal financial services for Individual Customers, at all stages of their life cycle, for all Business Sector Customers and, in particular, for Social Economy institutions and social entrepreneurs.

129. In the context of compliance risk management, it is also important to highlight the Compliance Plan, which annually considers the main priorities and risks identified by the supervisory entities, the changes in the legal and regulatory framework that have occurred or are expected to occur with a material impact on Banco Montepio, as well as the internally identified compliance risks.
130. Finally, due to its relevance, we highlight the internal control system for prevention of financial crime, under which the Bank has a programme for anti-money laundering and countering the financing of terrorism and sanctions based on policies, procedures and controls, adapted to the annual Business Risk Assessment exercise carried out.
131. Further information on the compliance function can be found on pages 97 to 99 of the Annual Report for 2022.

Pension fund risk

132. Pension fund risk arises from the potential devaluation of the fund's portfolio of assets or from the decrease of the corresponding expected returns, as well as from the increase in the fund's liabilities as a result of the evolution of the different actuarial assumptions. When faced with scenarios of this type, unforeseen contributions are required in order to maintain the benefits defined by the Fund.
133. The Pension Fund Monitoring Committee holds regular meetings to analyse and monitor the management of Banco Montepio's Pension Fund. Moreover, the Risk Department produces monthly reports on the evolution of the market value of the Pension Fund portfolio and associated risk indicators. The Risk Department submits specific reports to the Executive Committee, Risk Committee, Audit Committee and Board of Directors at least on a quarterly basis.
134. Considering the investment policy provisions of the Montepio Geral Pension Fund regarding the exposure to different risks and to the different legal provisions, those limits are controlled on a daily basis, through a detailed review of the "exceeded legal and investment limits". In this regard, there are a series of procedures that are carried out if the limits are exceeded.
135. The Risk Department monitors the effect of the adopted measures and their impact on the investment policy. At the same time, the levels of exposure to the legal and prudential limits that govern the Montepio Geral Pension Fund are also monitored.
136. In addition to verifying compliance with the investment policy and the legal and prudential limits, the managing body (Futuro) decided to strengthen control and monitoring through the use of various risk measures and a number of internal procedures aimed at maintaining a prudent management of risk. On this basis, a risk management model is used based on the technical perspective of the "QIS Pension Funds" studies of the European Insurance and Occupational Pensions Authority (EIOPA). The development of tolerance indicators for this model permits the monitoring of variations in these indicators, according to the defined investment policy for the Pension Fund.

Environmental, social and governance (ESG) risks

137. Climate and environmental risk arise from climate change and environmental deterioration, driving structural changes that affect economic activity and, consequently, the financial system. Environmental risk (“climate and environmental risks”) is defined in Banco Montepio’s risk taxonomy.
138. The ESG Risk Policy envisages a process of identification and assessment of risks that enables reporting and managing the Bank’s main environmental risks. In this context, special reference is made to the Assessment, Appointments, Ethics, Sustainability and Governance Committee (CANESG) which assists the Board of Directors in the definition of a policy of social responsibility, diversity, equality and non-discrimination, protection of human rights, sustainable development and environmental protection within BM’s corporate conduct.
139. The monitoring of the indicators associated to this risk is carried out in the context of the Risk Assessment Statement, with quarterly reporting to the Executive Committee, Risk Committee, Audit Committee and Board of Directors.

Other risks

140. Regarding other risks – reputation risk, strategy and business risk, model risk, capital risk and internal governance risk – these are also followed-up by the Board of Directors, which controls the risks and takes corrective measures considering the obtained results relative to the objectives/limits established. It is important to note, in this regard, the monitoring undertaken within the scope of the ALCO, namely the control of deviations relative to the approved strategic plan and budget, as well as the monitoring of the internal control deficiencies in the Internal Control Committee (COMCI). The Risk Department submits specific reports to the Executive Committee and Risk Committee at least quarterly and to the Board of Directors on a half-yearly basis, which include other risks considered material in addition to those referred to in the previous sections.

3.4 Hedging policies and risk mitigating

141. For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. Specifically, real mortgage guarantees and financial collateral are relevant, as well as the provision of personal credit protection, namely collateral. Different hedging policies are defined for different types of credit.
142. In prudential terms, the direct reduction of the exposure value includes the credit operations collateralised by financial collateral, namely term deposits and securities. In financial collaterals, the market risk of the assets involved is considered, and, when applicable, an adjustment of the value of the collateral is carried out.
143. Regarding real mortgage guarantees, valuation and revaluation models are defined which are applied to the properties that may constitute collateral for credit operations, in the contracting phase and in the monitoring and subsequent follow-up of the risk. The asset evaluation is carried out by independent experts, and the management of evaluations and inspection is centralised in a unit of the Institution, regardless of the commercial area.

144. Pursuant to the CRR, compliance is ensured with the requirements for verification and reassessment of the asset value, depending on the case, by statistical and computerised methods in verification or through revaluation by an expert appraiser. In the Group, the verification process is automatic and is based on the verification of the value of the assets through the application of property indexes. If, when applying the indexes mentioned, a devaluation of more than 15% is estimated in relation to the last real valuation, it will be necessary for the valuation to be reviewed by an expert appraiser. In addition, with regard to other assets received as collateral in credit operations, despite their reduced weight in relation to the real estate component, the respective valuation is at market prices, when available, or resorting to the internal definitions considered in the Bank's internal regulations, in the remaining situations.
145. For personal credit guarantees, the principle of substitution of the customer's risk by that of the protection provider is applied, provided the risk of the latter is better than that of the former.
146. Processes for on- and off-balance sheet netting are not used and neither are credit derivatives held for hedging or mitigating risk of the positions in portfolio.
147. Trading portfolio market risk mitigation techniques essentially consist of hedging exposures for financial products with symmetric risk to decrease the net risk of exposures or the partial or total sale of exposures to reduce exposure or cancel it completely).
148. With regards to the banking book, interest rate and foreign exchange rate risk mitigation techniques consist of hedging operations with derivatives to hedge interest rate or exchange rate risk and close positions through the sale of open exposures, when applicable.

4. Capital adequacy

4.1 Own funds and capital ratios

149. The Group's own funds are established in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV), CRR and Banco de Portugal Notice 10/2017. Own funds include Tier 1 capital and tier 2 capital. Tier 1 includes common equity tier 1 (CET1) capital and additional tier 1 capital with the following composition:
 - *Common Equity Tier 1 (CET1) capital:*

This category includes the paid-up share capital (with deduction of treasury shares), eligible reserves (including the fair value reserves), retained earnings, positive and certified retained earnings for the period or wholly if negative. With regard to fair value reserves, under Regulation 2020/873 Banco Montepio adhered to the possibility of applying a prudential filter on fair value reserves associated with sovereign debt. The value of reserves and retained earnings is adjusted, when existent, by reversal of the results with financial liabilities at fair value through profit or loss in the part corresponding to the institution's own credit risk. Minority interests are only eligible to the extent necessary to cover the Group's capital requirements attributable to the minority shareholders. The book value of the amounts related to goodwill, if existent, other intangible assets (not associated to computer programmes), as well as the difference, if positive, between assets and the pension fund's liabilities, is deducted. This also includes

deduction of the value of the prudent valuation calculated in accordance with Article 34 and 105 of the CRR, as well as the deferred tax assets associated with tax losses. The value of equity tranches pursuant to Article 36(k) of the CRR, arising from synthetic and traditional securitisations carried out between 2021 and 2022 is also deducted. With regards to financial investments in financial sector entities and to deferred tax assets arising from temporary differences that depend on future profitability, the values of those items are deducted, providing that they are, individually, above 10% of CET1, or, subsequently, above 15% of CET1 when considered in aggregate (only in the non-deducted part in the first barrier of 10% and only taking into consideration the significant financial investments). The non-deducted values will be subject to a weight of 250% for the total risk-weighted assets. Regarding financial investments in financial institutions, the eventual deduction is proportionally realised on the respective held capital levels. Under the implementation of the requirements defined in Regulation (EU) 575/2013, a transitional plan was defined that allowed the gradual recognition of some of the deductions, and on this reference date only the transitional plan applicable to deferred tax assets that do not depend on future profitability, in the balance sheet on 1st January 2014 is maintained. This plan allows a gradual recognition of the value calculated subject to deduction, and in 2022 this value is 80%. With the revision of Regulation (EU) 575/2013 on 27/06/2019, the applicable amount of insufficient coverage for non-performing exposures became subject to deduction, if the exposure was originated after 26th April 2019.

- Regarding the portfolios of real estate received in lieu of payment and investment properties, in 2022 the Bank considered a specific prudential deduction arising from the updating of the internal policy on haircuts, applied to the book value of the portfolios referred to above, taking into account the age of these properties in the Bank's assets.
- *Tier 1 (T1) capital*: incorporates quasi-equity instruments, whose conditions comply with the requirements defined in Article 52 of Regulation 575/ 2013 and that have been approved by Banco de Portugal. The non-controlling interests relating to the minimum additional own funds' requirements of the institutions for which the Group does not hold full ownership are also eligible. Furthermore, possible holdings of T1 capital of financial institutions subject to deduction are deducted from the aforesaid capital.

- *Tier 2 (T2) capital:* includes quasi-equity instruments, whose conditions comply with the requirements defined in Article 63 of the CRR and that have been approved by the Banco de Portugal. The non-controlling interests relating to the minimum total own funds' requirements of institutions for which the Group does not hold full ownership are equally eligible. Furthermore, possible holdings of T2 capital of financial institutions subject to deduction are deducted from the aforesaid capital.
150. Total Own Funds or Total Capital consist of the sum of the three levels of own funds previously referred to.
 151. With regards to the calculation of risk-weighted assets, in addition to credit, operating and market risks requirements, it is important to mention the weighting of 250% of deferred tax assets arising from temporary differences which depend on future profitability and investments which are within the limit established for non-deduction to CET1. With respect to deferred tax assets arising from temporary differences which do not depend on future profitability, these are subject to a weighting of 100% for the purposes of capital requirements. The credit valuation adjustment (CVA) requirement is also ascertained.
 152. With the adoption of IFRS 9 – Financial instruments, applicable from 1st January 2018 and considering Regulation (EU) 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phasing-in prudential plan defined in the Regulation, on an ongoing basis, over a period of 5 years. Therefore, on 31st December 2022, Banco Montepio prudentially recognises 75% of the impact related to the adoption of IFRS 9, with the impact being fully recognised in 2023.
 153. With the entry into force of Regulation 2020/873 of the European Parliament and of the Council, the dynamic component of the transitional plan applied to IFRS9 impacts was revised, and an additional plan was introduced regarding the impacts of IFRS9 impairment accruals occurred after 1st January 2020 in Stages 1 and 2. These accruals are subject to a transitional recognition plan of 25% in 2022, 50% in 2023, 75% in 2024 and 100% in 2025. Also under this regulation, Banco Montepio joined the transitory regime applied to unrealised gains and losses assessed at fair value through other comprehensive income, corresponding to exposures to central governments, regional governments or local authorities, in accordance with Article 468 of the CRR (which ended on 31st December 2022).
 154. As mentioned above, the effects related to deferred tax assets, which do not depend on future profitability (albeit rather insignificant) and the effects resulting from the adoption of IFRS 9 are still subject to a gradual recognition. This gradual recognition process is known as phasing-in. The full adoption of the new regulation, without considering transition plans, is known as full implementation. The phasing-in process is currently in force, and it is on this basis that it is checked whether the funds of a given entity are not less than its own funds requirements, thus certifying the adequacy of its capital. This relationship is reflected in the different capital ratios, namely the 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).

155. The following tables exhibit the breaking down of own funds and the reconciliation of own funds with the balance sheet.

Table 4 | Template EU CC2: Reconciliation of regulatory own funds to the balance sheet in the audited financial statements

(thousands of euros)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1	Cash and deposits at central banks	1,383,802	1,383,802
2	Deposits at other credit institutions	52,287	52,287
3	Loans and advances to credit institutions	106,376	106,376
4	Loans and advances to customers	11,713,097	11,713,097
5	Financial assets held for trading	23,070	23,070
6	Financial assets at fair value through profit or loss	147,770	147,770 k)
7	Financial assets at fair value through other comprehensive income	97,222	97,222
	of which: Significant investment in CET1 instruments of financial sector entities	0	0 n)
	of which: Non-significant investment in CET1 instruments of financial sector entities	16,244	16,244 m)
	of which: Non-significant investment in AT1 instruments of financial sector entities	1,566	1,566 o)
8	Hedge derivatives	0	0
9	Other financial assets at amortised cost	4,119,387	4,119,387
10	Investments in associated companies	4,390	4,390
	of which: Significant investment in CET1 instruments of financial sector entities	0	0
11	Non-current assets held for sale	11	11
12	Non-current assets held for sale - discontinued operations	199,687	199,687
13	Investment properties	72,726	72,726
14	Other tangible assets	191,998	191,998
15	Intangible assets	47,551	47,551 g)
16	Current tax assets	5,966	5,966
17	Deferred tax assets	413,604	413,604
	of which: Deferred tax assets which do not depend on future profitability	58,701	58,701
	of which: Deferred tax assets that depend on future profitability and do not arise from temporary differences	225,201	225,201 h)
	of which: Deferred tax assets that depend on future profitability and arise from temporary differences	129,702	129,702 l)
18	Other assets	527,305	527,305
	of which: Defined-benefit pension fund assets	138,572	138,572 j)
19	Total assets	19,106,251	19,124,061
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
20	Resources from central banks	2,889,991	2,889,991
21	Resources from other credit institutions	341,623	341,623
22	Resources from customers	13,115,366	13,115,366
23	Debt securities issued	606,651	606,651
24	Financial liabilities held for trading	17,698	17,698
25	Hedge derivatives	0	0
26	Non-current liabilities held for sale - discontinued operations	101,738	101,738
27	Provisions	30,752	30,752
28	Current tax liabilities	4,438	4,438
29	Deferred tax liabilities	0	0
	of which: Deferred tax liabilities not deductible to deferred tax assets that depend on future profitability	0	0
	of which: Deferred tax liabilities deductible from deferred tax assets that depend on future profitability	0	0
	of which: Deductible deferred tax liabilities associated with deferred tax assets that depend on future profitability and do not arise from temporary differences	0	0 i)
	of which: Deductible deferred tax liabilities associated with deferred tax assets that depend on future profitability and arise from temporary differences	0	0 m)
30	Other subordinated liabilities	217,029	217,029
31	Other liabilities	261,479	261,479
33	Total liabilities	17,586,765	17,586,765
Shareholders' equity			
34	Share capital	2,420,000	2,420,000 a)
35	Legal reserve	193,266	193,266 c)
36	Fair value reserves	4,065	4,065 d)
37	Other reserves and retained earnings	-1,143,080	-1,143,080 b)
38	Consolidated net income for the year attributable to shareholders	33,794	33,794 f)
39	Total shareholders' equity	1,508,044	1,508,044
40	Non-controlling interests	11,442	11,442 e)

156. The following table exhibits the main characteristics of the own funds instruments issued, according to what is described in Article 437(b) and (c) of the CRR. The instruments issued consist of share capital (ordinary shares) and subordinated debt.

Table 5 | Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

Characteristics of Own Funds Instruments ⁽¹⁾		MONTEPIO EMTN 35 SUB 2018/2028	FINBANCO VALOR INVEST 2010	MONTEPIO EMTN 36 SUB 2019/2029	MONTEPIO EMTN 37 SUB 2020/2030
1	Issuer	CEMG	CEMG	CEMG	CEMG
2	Unique identifier (for example, CUSIP, ISIN or Bloomberg identifier for private placement)	PTCMH0AM0027	PTCMGUOM0026	PTFN10M0011	PTCMGBOM0037
2a	Public or private placement	Private	Private	Public	Private
3	Governing law(s) of the instrument	Portuguese	Portuguese	Portuguese	Portuguese
3a	Contractual recognition of write down and conversion powers of resolution authorities		Yes	Yes	Yes
4	Regulatory treatment				
5	Post-transitional CRR rules	Common Equity Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo / group / solo and group	Solo and group	Solo and group	Solo and group	Solo and group
7	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (in millions of euros)	2,420.0	50.0	100.0	50.0
9	Nominal amount issued of the instrument (in millions of euros)	2420	5000%	1500%	10000%
EU-9a	Issuance price	1	100%	100%	100%
EU-9b	Redemption price		Repayment at par	Repayment at par	Repayment at par
10	Accounting classification	Share Capital	Other subordinated liabilities	Other subordinated liabilities	Other subordinated liabilities
11	Date of Issuance	42992	43461	40211	43558
12	Perpetual / Dated		Dated	Perpetual	Dated
13	Maturity Date		47114	No maturity	47211
14	Issuer call subject to prior supervisory approval		Yes	Yes	Yes
15	Optional call date / contingent call dates and redemption amount		45287	42037	45385
16	Subsequent call dates			At any moment after 02/Feb/2010, subject to 30 days' notice	
17	Dividend / Coupon		Fixed + Variable	Fixed + Variable / Minimum limit	Fixed + Variable
18	Coupon rate / Related index if applicable		8% until 27/Dec/2023 Mid Swap Rate + 7.77% after 27/Dec/2023	7% until 2/Feb/2012 Euribor6M+2.75%, with a minimum of 5% after 2/Aug/2012	10.5% until 03/Apr/2024 Mid Swap Rate + 10.514% after 03/Apr/2024
19	Existence of a dividend stopper	Not	Not	Not	Not
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of maturity)	Total	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Total	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem (step up)		Not	Not	Not
22	Non-cumulative or cumulative		N.A.	N.A.	N.A.
23	Convertible or non-convertible		Non-convertible	Non-convertible	Non-convertible
24	if convertible, conversion trigger(s)	N.A.	N.A.	N.A.	N.A.
25	if convertible, fully or partially	N.A.	N.A.	N.A.	N.A.
26	if convertible, conversion rate	N.A.	N.A.	N.A.	N.A.
27	if convertible, mandatory or optional conversion	N.A.	N.A.	N.A.	N.A.
28	if convertible, specify instrument type convertible into	N.A.	N.A.	N.A.	N.A.
29	if convertible, specify issuer of instrument it converts into	N.A.	N.A.	N.A.	N.A.
30	Write-down features	N.A.	N.A.	N.A.	N.A.
31	if write-down, write-down trigger(s)	N.A.	N.A.	N.A.	N.A.
32	if write-down, full or partial	N.A.	N.A.	N.A.	N.A.
33	if write-down, permanent or temporary	N.A.	N.A.	N.A.	N.A.
34	if temporary write-down, description of write-up mechanism	N.A.	N.A.	N.A.	N.A.
34a	Type of subordination (only for eligible liabilities)	N.A.	N.A.	N.A.	N.A.
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	3	3	3
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)		Senior Creditors	Senior Creditors	Senior Creditors
36	Non-compliant transitioned features		Not	Not	Not
37	if yes, specify non-compliant features				
EU-37b	Link to the instrument's full terms and conditions (signage)		https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financiera-montepio/funding-programas/programa-obrigacoes-caixa/montepio-final-terms-obrigacoes-caixa-28122018.pdf	https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financiera-montepio/funding-programas/convocatoria-ag-obrigacionistas/PTFN10M0011-condicoes-finais-atualizadas-30062020.pdf	https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financiera-montepio/funding-programas/programa-obrigacoes-caixa/montepio-final-terms-obrigacoes-caixa-01042019.pdf

157. While already included in the previous table, the table below repeats the addresses where the full terms and conditions relating to issuances eligible for additional Tier 1 own funds and Tier 2 own funds can be found on the following websites.

Table 6 | Full terms and conditions of own funds instruments

ISIN	Address
PTCMGVOM0025	https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/programa-obrigacoes-caixa/montepio-final-terms-obrigacoes-caixa-01042019.pdf
PTCMGUOM0026	https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/programa-obrigacoes-caixa/montepio-final-terms-obrigacoes-caixa-28122018.pdf
PTFNI1OM0011	https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/convocatoria-ag-obrigacionistas/PTFNI1OM0011-condicoes-finais-atualizadas-30062020.pdf
PTCMGBOM0037	https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/programa-obrigacoes-caixa/montepio-final-terms-obrigacoes-caixa-08062020.pdf

158. Pursuant to Article 437(d) and (e) of the CRR, a table is published disclosing the applied filters, deductions and items not deducted from own funds. It should be noted that no restrictions are applied to the calculation of own funds, in accordance with point e) of the abovementioned Article. In order to better understand the information provided, it will be broken down into three parts, in the following tables.

Table 7 | Template EU CC1: Composition of regulatory own funds (1/2)

(thousands of euros)

		a	b
Common Equity Tier 1 (CET1) capital: instruments and reserves		Amounts	Source based on the reference numbers/letters of the balance sheet under the regulatory scope of consolidation
1	Capital instruments and the related share premium accounts	2,420,000	a)
	of which: Instrument type 1	2,420,000	
	of which: Instrument type 2	0	
	of which: Instrument type 3	0	
2	Retained earnings	-706,717	b) + c) + d) reduced by the amount of Accumulated other comprehensive income (and other reserves)
3	Accumulated other comprehensive income (and other reserves)	-239,033	b) + c) + d) reduced by the amount of Retained Earnings
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) of the CRR and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	3,496	e) reduced by the non-eligible amount for minority interests (8,498 million euros)
EU-5a	Independently reviewed interim profits, net of any foreseeable charge or dividend	33,794	f)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,511,541	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative value)	-347	
8	Intangible assets (net of related tax liability)(negative amount)	-9,424	g) Software assets are deducted from CET1 on the basis of prudential accumulated amortisation (30,996 million euros)
9	Not applicable	0	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met) (negative amount)	-220,440	h) - i)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	
15	Defined-benefit pension fund assets (negative amount)	-138,572	j)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment (amount above the 10% threshold and net of eligible short positions)(value)	0	
20	Not applicable	0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1 250 %, where the institution opts for the deduction alternative	-13,415	k) value corresponding to equity tranches held from the synthetic securitisation undertaken in 2020 and the consumer credit securitisation undertaken in 2021.
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	-13,415	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met) (negative amount)	-19,192	k) - m) that exceeds the 10% threshold of CET1 (110,835 million euros)
22	Amount above the 17.65 % threshold (negative value)	0	the sum of: k) - m) not exceeding the 10% threshold of CET1 n) not exceeding the 10% threshold, but exceeding the 17.65% threshold (162,330 million euros)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
24	Not applicable	0	
25	of which: deferred tax assets arising from temporary differences	0	
EU-25a	Losses for the current financial year (negative amount)	0	
EU-25b	Foreseeable tax charges on CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
26	Not applicable	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	25,232	IFRS9 transition (89,001 million euros) + Phase in AID for temporary differences in the balance sheet in January 2024 (2,330 million euros) - NPL hedge (1,612 million euros) + phase in of sovereign debt revaluation reserves CRR Quick fix (-361 million euros)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-376,157	
29	Common equity tier 1 (CET1) capital	1,135,384	
Additional tier 1 (AT1) capital: Instruments			
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) of the CRR and the related share premium accounts subject to phase out from AT1	0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) of the CRR subject to phase out from AT1	0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) of the CRR subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in the consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	763	e) reduced by the non-eligible amount for minority interests (8,498 million euros)
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	Common Tier 1 (AT1) capital before regulatory adjustments	763	

Table 7.1 | Template EU CC1: Composition of regulatory own funds (2/2)

Additional tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0
41	Not applicable	0
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0
42a	Other regulatory adjustments to AT1 capital	0
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0
44	Additional tier 1 (AT1) capital	763
45	Tier 1 capital (T1 = CET1 + AT1)	1,136,146
Tier 2 (T2) capital: Instruments		
46	Capital instruments and the related share premium accounts	206,323
47	Amount of qualifying items referred to in Article 484(5) of the CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) of the CRR	0
EU-47a	Amount of qualifying items referred to in Article 494a(2) of the CRR subject to phase out from T2	0
EU-47b	Amount of qualifying items referred to in Article 494b(2) of the CRR subject to phase out from T2	0
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	420 e) reduced by the non-eligible amount for minority interests (8,498 million euros)
49	of which: instruments issued by subsidiaries subject to phase out	0
50	Credit risk adjustments	0
51	Tier 2 (T2) capital before regulatory adjustments	206,743
Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0
54a	Not applicable	0
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0
56	Not applicable	0
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0
EU-56b	Other regulatory adjustments to T2 capital	0
57	Total regulatory adjustments to Tier 2 (T2) capital	0
58	Tier 2 (T2) capital	206,743
59	Total Capital (TC = T1 + T2)	1,342,890
60	Total risk exposure amount	8,276,388
Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	13.72%
62	Tier 1 capital	13.73%
63	Total capital	16.23%
64	Institution CET1 overall capital requirements	9.08%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical capital buffer requirement	0.01%
67	of which: systemic risk buffer requirement	0.00%
EU-67a	of which: Global systemically important institution (G-SII) or Other systemically important institution (O-SII) buffer requirement	0.25%
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.83%
68	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) available after meeting the minimum capital requirements	4.98%
National minima (if different from Basel III)		
69	Not applicable	0
70	Not applicable	0
71	Not applicable	0
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	17,809 n) + o) which does not exceed the 10% threshold
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	0
74	Not applicable	0
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	110,510 k) - m) which does not exceed the 10% threshold of CET1 and does not exceed the but exceeding the 17.65% threshold (162,330 million euros)
Applicable caps on the inclusion of provisions in T2		
76	Credit risk adjustments included in T2 in respect of exposures subject to the standardised approach (prior to the application of the cap)	0
77	Cap on inclusion of credit risk adjustments in T2 under the standardised approach	86,952
78	Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)	0
79	Cap for inclusion of credit risk adjustments in T2 under the internal ratings-based approach	0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	0
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase-out arrangements	0
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T2 instruments subject to phase-out arrangements	0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

159. Pursuant to Article 437(f) of the CRR, prudential ratios of own funds that are calculated based on legislation that is different from what is set out in the CRR are not disclosed on an individual and consolidated basis.
160. Since the Group decided to recognise the impacts of IFRS9 in phases, pursuant to Article 473-A of the CCR, introduced by Regulation 2017/2395 of the European Parliament, the model comparing own funds, own funds ratios and institutions' leverage with and without application of the transitional regime of IFRS 9 or similar expected credit losses, as referred to in the EBA/GL/2018/01 guidelines, relative to the uniform disclosure of the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds, is shown below.

Table 8 | Uniform disclosure of the transitional regime to reduce the impact of IFRS 9

(thousands of euros)						
AVAILABLE OWN FUNDS (AMOUNTS)		31/Dec/2022	30/Sep/2022	30/Jun/2022	31/Mar/2022	31/Dec/2021
1	Common equity tier 1 (CET1) capital	1,135,384	1,100,682	1,111,480	1,096,312	1,121,521
2	Common equity tier 1 (CET1) capital if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	1,086,615	1,057,221	1,067,854	1,051,530	1,032,520
2a	Common equity tier 1 (CET1) capital if the transitional regime applied to unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR had not been applied	1,135,172	1,100,450	1,111,400	1,096,390	1,121,882
3	Tier 1 capital	1,136,146	1,101,131	1,112,425	1,096,573	1,121,721
4	Tier 1 capital if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	1,087,378	1,057,671	1,068,799	1,051,791	1,032,719
4a	Tier 1 capital if the transitional regime applied to unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR had not been applied	1,135,935	1,100,900	1,112,345	1,096,650	1,122,082
5	Total capital	1,342,890	1,307,904	1,319,672	1,303,156	1,328,243
6	Total capital if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	1,294,121	1,264,443	1,276,046	1,258,374	1,239,242
6a	Total capital if the transitional regime applied to unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR had not been applied	1,342,679	1,307,673	1,319,592	1,303,234	1,328,604
RISK-WEIGHTED ASSETS (AMOUNTS)						
7	Total risk-weighted assets	8,276,388	8,654,029	8,689,352	8,752,001	8,799,976
8	Total risk-weighted assets if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	8,230,423	8,612,752	8,648,045	8,709,883	8,716,773
CAPITAL RATIOS						
9	Common equity tier 1 capital (as a percentage of the amount of the exposures)	13.7%	12.7%	12.8%	12.5%	12.7%
10	Common equity tier 1 capital (as a percentage of the amount of the exposures) if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	13.2%	12.3%	12.3%	12.1%	11.8%
10a	Common Equity Tier 1 capital (as percentage of the exposure amount) if the transitional regime applied to unrealised gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR had not been applied	13.7%	12.7%	12.8%	12.5%	12.7%
11	Tier 1 capital (as a percentage of the amount of the exposures)	13.7%	12.7%	12.8%	12.5%	12.7%
12	Tier 1 capital (as a percentage of the amount of the exposures) if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	13.2%	12.3%	12.4%	12.1%	11.8%
12a	Tier 1 capital (as a percentage of the amount of the exposures) if the transitional regime applied to unrealised gains and losses measured at fair value through other comprehensive income under Article 468 of the CRR had not been applied	13.7%	12.7%	12.8%	12.5%	12.8%
13	Total capital (as a percentage of the amount of the exposures)	16.2%	15.1%	15.2%	14.9%	15.1%
14	Total capital (as a percentage of the amount of the exposures) if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	15.7%	14.7%	14.8%	14.4%	14.2%
14a	Total capital (as a percentage of the amount of the exposures) if the transitional regime applied to unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR had not been applied	16.2%	15.1%	15.2%	14.9%	15.1%
LEVERAGE RATIO						
15	Total leverage ratio exposure	19,391,937	19,933,227	20,042,503	19,973,507	20,106,313
16	Leverage ratio	5.9%	5.5%	5.6%	5.5%	5.6%
17	Leverage ratio if the transitional regime of IFRS 9 or similar expected credit losses had not been applied	5.6%	5.3%	5.3%	5.3%	5.2%

Table 9 | Template EU LIB: Other qualitative information on the scope

Row No.	Qualitative Information	Comments
a)	Impediment to a timely transfer of own funds or prompt repayment of intra-group liabilities	There is no significant, current or foreseen, impediment to the prompt transfer of own funds or repayment of liabilities among BM and its subsidiaries. With regards to Angola, the rules in force in the country can condition the fluidity of fund transfers. Based on the amounts of deposits of the Group in Finibanco Angola, as well as on the liquidity indicators of BM, we do not anticipate significant impacts on the Group's liquidity in a scenario where the fluidity of funds is conditioned.
b)	Subsidiaries not included in the consolidation with lower than required own funds	There are no subsidiaries not included in the consolidation with lower than required own funds.
c)	Use of the derogation referred to in Article 7 of the CRR or individual consolidation method referred to in Article 9 of the CRR	The derogation referred to in Article 7 of the CRR or individual consolidation method provided for in Article 9 of the CRR is not used.
d)	Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation	Not applicable.

4.2 Capital requirements

161. The calculation of the capital requirements for credit and market risk is determined according to the standardised approach.
162. In 2022, the capital requirements for credit risk were fully calculated based on the standard method, based on the business segments of the various group entities.
163. In 2022, the calculation of the capital requirements for operational risk was determined in accordance with the standardised approach for BM, Montepio Crédito and Montepio Investimento, and in accordance with the basic indicator approach for Finibanco Angola. This calculation was carried out in conformity with the requirements foreseen for each of the mentioned calculation approaches, as indicated in the CRD IV and the CRR.
164. The following table presents the distribution of the capital requirements among the various types of risk, including, among others, the requirements relative to deferred taxes and credit valuation adjustment (CVA), pursuant to Article 438(c) to (f) of the CRR - with the exception of point (d) which applies to the Internal Ratings Based (IRB) Approach. Credit and counterparty risk are the most significant, corresponding to about 88% of capital requirements.
165. In December 2022, the value of risk-weighted assets (RWA) came to 8,276 million euros, which represents a decrease of about 5.95% year-on-year, essentially explained by the observed reduction in the credit risk component. Despite the business growth, the reduction of RWA was primarily driven by the reduction of non-core assets and by the completion of a new securitisation transaction, in a synthetic format, which focused on a mortgage loan portfolio, carried out on 21st December 2022. The reduction in the stock of non-performing loans (NPL), real estate and equity units stands out, which significantly contributed to the reduction of RWA, along with a recomposition of the balance sheet, which benefited from efficient management of risk allocation in credit portfolios, with a different credit risk profile and lower consumption of underlying capital.
166. The Group carried out an operation embodying a synthetic securitisation structure on 21st December 2022, based on a portfolio of mortgage-backed loans to individuals. As this was a synthetic operation, it has no inherent credit assignment, being based on the contracting of a financial guarantee incident on the transaction's mezzanine component, with BM continuing to be exposed to the senior, junior and synthetic excess spread component (of dimension equal to 1 year expected loss of the securitised portfolio). The operation's mezzanine risk is thus undertaken by market counterparts, thus materialising a significant transfer of risk, with reference to the underlying portfolio, promoting its prudential derecognition. The securitisation in question was structured in

a manner to be able to be categorised as Simple Transparent and Standardised (STS), as confirmed by Prime Collateralised Securities (PCS).

Table 10 | Template EU OV1: Overview of risk-weighted assets

(thousands of euros)

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		Dec-22	Dec-21	Dec-22
1	Credit Risk (excluding CCR)	7,313,279	7,999,089	585,062
2	Of which the standardised approach	6,912,336	7,550,922	552,987
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	78,554	68,029	6,284
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	34,692	31,815	2,775
9	Of which other CCR	43,862	36,214	3,509
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement Risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	82,970	263	7,556
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	82,970	263	6638
EU 19a	Of which 1250%	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	179,683	97,089	14,375
21	Of which the standardised approach	179,683	97,089	14,375
22	Of which IMA	-	-	-
EU 22a	Large Exposures	-	-	-
23	Operational Risk	621,903	635,507	49,752
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	621,903	635,507	49,752
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	276,275	277,086	22,102
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	Total	8,276,388	8,799,976	662,111

167. The following table exhibits the evolution in 2022 of the Pillar I requirements.

Table 11 | Capital Requirements

	(thousands of euros)	
	Dec/2022	Dec/2021
Own funds requirements	662,111	703,867
For credit, counterparty credit and dilution risks and free deliveries	563,133	606,992
Standardised Approach	563,133	606,992
Standardised Approach Exposure classes, excluding securitisation positions	556,496	606,971
Claims or contingent claims on central governments or central banks	9,733	13,464
Claims or contingent claims on regional governments or local authorities	585	711
Claims or contingent claims on administrative bodies and non-commercial undertakings	5,788	5,819
Claims or contingent claims on multilateral development banks	0	0
Claims or contingent claims on international organisations	0	0
Claims or contingent claims on Institutions	13,083	14,673
Claims or contingent claims on Corporates	152,793	136,719
Retail claims or contingent retail claims	68,520	59,565
Claims or contingent claims secured on real estate property	160,337	186,527
Past due items	26,349	41,254
Items belonging to regulatory high-risk categories	46,527	58,706
Covered bonds	0	0
Exposures on collective investment undertakings (CIU):	13,744	18,254
Other items	59,037	71,277
Securitisation positions under the Standardised Approach	6,638	21
(-) Provisions for general credit risks	0	0
Settlement risk	0	0
Capital requirements for position, foreign exchange and commodities risks	14,375	7,767
Standardised Approach	14,375	7,767
Debt instruments	3,828.75	0.25
Equity securities	219	0
Foreign exchange risks	10,327	7,767
Commodities risk	0	0
Capital requirements for operational risk	49,752	50,841
Basic indicator approach	0	0
Standardised Approach	49,752	50,841
Advanced measurement approaches	0	0
Capital requirements - CVA	2,775	2,545
Transitional or other capital requirements	32,075	35,722

4.3 Assessment and adequacy of own funds

168. Bearing in mind the Risk Appetite Statement, the Board of Directors aims to maintain a capital level more adequate to the evolution of the Group's business in order to ensure that it has satisfactory solvency indicators compatible with the prudential recommendations, as well as from an economic viewpoint.
169. The positive evolution of capital ratios in December 2022 compared to December 2021 benefited from the implementation of a series of measures aimed at improving the ratios of own funds, namely through the reduction of risk weighted assets (RWA), focused on deleveraging the balance sheet via divestment of non-performing or non-strategic assets, fostering the growth of the core business of granting loans in lower risk segments, and with a view to maximising the return on the assigned capital.
170. In this context, reference is made to the reduction of non-core assets, namely in terms of real estate exposure, as well as the materialisation of a new securitisation operation in December 2022, in synthetic format, which was incident on a mortgage loan portfolio.
171. Total own funds showed a positive evolution in 2022 in relation to 2021, reflecting the growth of net income for the year, with an impact on the reduction of deferred tax assets, as well as the foreign exchange reserve due to the appreciation of the Kwanza against the Euro and Dollar, which more than offset the adverse impacts resulting from the phasing-in of IFRS 9. Furthermore, the updating of the Bank's internal policy on haircuts, in the context of real estate risk – with the Bank henceforth defining the prudential haircut applied to the book value of the portfolios of real estate received in lieu of payment and investment properties, which evolves in a growing form according

to the age of these properties in the Group's assets – led to a loss of M€ 20.7 in the Bank's own funds. The prudential deduction associated with real estate assets was incident on properties aged over 9 years old in the Bank's portfolio, with a gradual plan of evolution of haircuts being currently underway, not only for real estate properties aged over 9 years old, but also for the rest.

172. The following table exhibits a summary of the main capital indicators, be they in phasing in or in full implementation.

Table 12 | Capital indicators

Phasing In	Dec-2022	Sep-2022	Jun-2022	Mar-2022	Dec-2021
CET1 Ratio	13.7%	12.7%	12.8%	12.5%	12.7%
T1 Ratio	13.7%	12.7%	12.8%	12.5%	12.7%
Total Capital Ratio	16.2%	15.1%	15.2%	14.9%	15.1%
Leverage Ratio	5.9%	5.5%	5.6%	5.5%	5.6%
Full Implementation	Dec-2022	Sep-2022	Jun-2022	Mar-2022	Dec-2021
CET1 Ratio	13.2%	12.3%	12.3%	12.1%	11.8%
T1 Ratio	13.2%	12.3%	12.3%	12.1%	11.8%
Total Capital Ratio	15.7%	14.7%	14.7%	14.4%	14.2%
Leverage Ratio	5.6%	5.3%	5.3%	5.3%	5.1%

173. Following the annual supervisory procedure, known as the Supervisory Review and Evaluation Process (SREP), the applicable Pillar 2 requirement for the Group is 3.25%.
174. The minimum requirements, which include the minimum requirements components (Pillar 1), specific requirements arising from SREP (Pillar 2) and combined reserve requirements, in December 2022, were the following:

Ratios	2022 capital ratio requirements			
	Phasing In	Pillar 1	Pillar 2	Reserves
CET1	9.08%	4.50%	1.83%	2.76%
T1	11.19%	6.00%	2.44%	2.76%
Total	14.01%	8.00%	3.25%	2.76%

175. As a consequence of the Covid-19 pandemic, and in line with the decision taken by the ECB for significant institutions, Banco de Portugal took a series of measures aimed at enhancing the flexibility of the regulatory and supervision requirements, enabling less significant credit institutions subject to its supervision to operate, temporarily, at a level lower than that of the combined reserve of own funds (Overall Capital Requirement – OCR), considering that the capital reserves were designed to enable credit institutions to overcome especially adverse situations. This granted enhanced flexibility ended on 31st December 2022.
176. With reference to 31st December 2022, the capital ratios reported by Banco Montepio were above the required levels of the overall capital requirement (OCR), including the combined own funds reserves, not only according to the phasing-in criteria, but also on a fully implemented basis. Nevertheless, the Board of Directors remains committed to strengthening capital ratios, and continues to implement a series of initiatives to this end.
177. The Group has established an internal capital adequacy assessment process (ICAAP), which is an essential component in risk management and seeks to develop an analysis of the Group's internal capital, based on a qualitative and quantitative assessment of

the risks to which the Group is exposed in its activity. The measurement of internal controls and of their effectiveness in mitigating exposure to these risks and the simulation of a series of adverse scenarios with an impact on the Group's solvency.

178. The ICAAP exercise is conducted at a consolidated level and at an individual level, when applicable, with the following main objectives:
 - Be a tool to support strategic decision-making;
 - Stimulate a culture of risk that fosters the participation of the entire organisation in the management of the internal capital (Board of Directors, 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 proper documentation of the demonstrated results, by reinforcing the integration of the risk management processes in the risk culture of the Group and in decision-making processes;
 - Foresee a contingency plan to assure the adequacy of the internal capital in the event of a recession or crisis.
179. The results of the ICAAP enable investigating whether the Group's capitalisation is, in a sustainable form, adequate to the risks derived from its activity. This capital adequacy is assessed based on the comparison between the available internal capital and the economic capital requirements, taking into account the risk appetite level established by the Board of Directors.
180. In the first phase, this entails identification of the material risks which the Group's activity is subject to, based on an internal risk classification. 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.
181. 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 by add-on to the regulatory capital. The capital add-on values therefore include the requirements relative to other risks not considered in Pillar I (regulatory vision) and the difference between the regulatory and economic requirements, considering the risk quantification methodologies used internally.
182. Capital adequacy is assessed based on the comparison between the economic capital requirements and the available internal capital to absorb estimated losses, calculated considering the established risk appetite level.

183. 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 capacity to absorb unexpected losses, which involves the identification of potential contingency plans to deal with any insufficiency of internal capital, duly aligned with other capital planning exercises, namely the Funding and Capital Plan (FCP) and the Recovery Plan.
184. In light of the defined strategic plan that is reviewed periodically, no significant changes are foreseen in the materiality of the different types of risk. In addition, measures are planned in the Funding and Capital Plan that will allow the Group's solvency levels to be strengthened from a regulatory and economic perspective.

4.4 Prudential reserves of own funds

185. The buffer rate for each institution is the result of a weighted average of the countercyclical buffer rates applicable in the countries where the (credit) exposures of that institution are located. The countercyclical buffer rate applicable to exposures located in Portugal, defined by Banco de Portugal, during 2022 was 0%.
186. The following table exhibits, in compliance with Article 440(1)(a) of the CRR, the geographical distribution of the relevant credit exposures for the calculation of the countercyclical capital buffer and also the exposures to countries where the countercyclical capital buffer rate is different from 0%.

Table 13 | Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

12/2022														(thousands of euros)	
Relevant countries	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Riskweighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)		
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total					
1 Portugal	16,633,743	0	496	0	834,589	17,468,829	520,072	79	6,629	526,780	6,584,753	93.49%	0.00%		
2 Italy	1,582,093	0	0	0	0	1,582,093	124	0	0	124	1,553	0.02%	0.00%		
3 Spain	1,259,184	0	44	0	550	1,259,778	2,904	7	9	2,920	36,497	0.52%	0.00%		
4 Angola	240,327	0	0	0	0	240,327	14,771	0	0	14,771	184,638	2.62%	0.00%		
5 United Kingdom	140,057	0	0	0	0	140,057	3,832	0	0	3,832	47,896	0.68%	0.00%		
6 Luxembourg	67,754	0	0	0	0	67,754	5,359	0	0	5,359	66,988	0.95%	0.50%		
7 Norway	6,180	0	0	0	0	6,180	107	0	0	107	1,339	0.02%	1.50%		
8 Czech Rep.	191	0	0	0	0	191	6	0	0	6	75	0.00%	0.50%		
9 Hong Kong	182	0	0	0	0	182	5	0	0	5	64	0.00%	1.00%		
10 Bulgaria	1	0	0	0	0	1	0	0	0	0	0	0.00%	0.50%		
11 Other Countries	550,550	0	2,698	0	0	553,248	9,316	231	0	9,546	119,328	1.69%	0.0000%		
12 TOTAL	20,480,263	0	3,238	0	835,139	21,318,641	556,496	317	6,638	563,450	7,043,131	100.00%			

187. The countercyclical capital buffer rate of the relevant geographies (geographies whose exposure represents more than 2% of the total risk-weighted positions) is 0%. Taking into account the remaining geographical distribution of exposures, the applicable specific countercyclical capital buffer tended to be 0.0050552%.
188. The following table shows the countercyclical capital buffer requirement of the Montepio Group's Own Funds as at 31st December 2022.

Table 14 | Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

		(thousands of euros)
		a
		Dec-22
001	Total risk exposure amount	8,276,388
002	Institution specific countercyclical capital buffer rate	0.01%
003	Institution specific countercyclical capital buffer rate	418

189. Regarding the reserve of other systemically important institutions (O-SII), Banco de Portugal defined a capital buffer 0.25% for the Group in 2022.

4.5 Leverage ratio

190. In the calculation of the leverage ratio the regulatory rules in force established in the CRR, updated by the applicable regulations, and the guidelines of the regulatory authorities on the subject, namely Delegated Regulation (EU) 2015/62 and in accordance with the Implementing Regulation (EU) 2016/200, both of the European Commission, are complied with.
191. The leverage ratio is defined as a percentage corresponding to the relation between the capital measure (in the numerator) and the exposure measure (in the denominator).
192. As at 31st December 2022, the leverage ratio was 5.86%, which exceeds the minimum value of 3%. Compared to the previous year, there was an increase of 28 b.p. mainly driven by the decrease in the Bank's total exposure, namely in terms of cash and deposits at central banks, due to the repayment of mortgage bonds issued. Furthermore, this ratio also benefited from the positive evolution occurred in terms of tier 1 capital.
193. The Group chose not to disclose the information related to the leverage ratio based on the definition of the own funds measure provided for in Article 499(1)(b) of the CRR, as shown in the following tables.

Table 15 | Leverage ratio

			(thousands of euros)
Capital and total exposure measure	Dec-22	Dec-21	
Tier 1 capital	1,136,146	1,121,721	
Leverage ratio total exposure measure	19,391,937	20,106,313	
Leverage ratio			
Leverage ratio	5.86%	5.58%	
Choice on transitional arrangements and amount of derecognised fiduciary items			
Choice on transitional arrangements for the definition of the capital measure	Transitional definition		
Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) 575/2013	0	0	

Table 16 | Template EU LRA: Disclosure of leverage ratio quantitative information

Row No.	Qualitative information	Comments
a)	Description of the processes used to manage the risk of excessive leverage	The leverage ratio is a metric calculated monthly, and is periodically monitored by the management and supervisory bodies.
b)	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The Leverage ratio stood at 5.86% in December 2022 versus 5.58% a year earlier. The evolution of the ratio in 2022 represented an increase of 0.28 p.p. which resulted essentially from a reduction in the BM's total assets, namely in terms of deposits at central banks.

Table 17 | Template EU LR2: Common disclosure of leverage ratio

(thousands of euros)

		CRR leverage ratio exposures	
		Dec-22	Dec-21
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	19,086,424	19,700,167
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	-351,913	-231,104
7	Total On-balance sheet exposures (excluding derivatives and SFTs)	18,734,511	19,469,063
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	19,827	12,993
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	63,377	44,098
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under the Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	Total derivatives exposures	83,205	57,091
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0	190,741
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	-190,741
16	Counterparty credit risk exposure for SFT assets	0	8,176
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	Total securities financing transaction exposures	0	8,176
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	2,089,954	1,967,195
20	(Adjustments for conversion to credit equivalent amounts)	-1,515,732	-1,395,212
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	0
22	Off-balance sheet exposures	574,222	571,983
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure according to Article 429a(1)(c) of the CRR)	0	0
EU-22b	(Exposures exempted under Article 429-A(1)(j) of the CRR (on- and off-balance sheet))	0	0
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	0	0
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with Article 429-A(1)(o) of the CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with Article 429-A(1)(p) of the CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	(Total exempted exposures)	0	0
Capital and total exposure measure			
23	Tier 1 capital	1,136,146	1,121,721
24	Total exposure measure	19,391,937	20,106,313
Leverage ratio			
25	Leverage ratio (%)	5.86%	5.58%
EU-25	Leverage ratio (excluding the impact of exemption of public sector investments and promotional loans) (%)	5.86%	
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.86%	5.58%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	N.A.	N.A.
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	19,391,937	20,106,313
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	19,391,937	20,106,313
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.86%	5.58%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.86%	5.58%

194. The following table exhibits the breakdown of the denominator of the ratio (total exposure) and the reconciliation of the total exposure measure with the relevant information disclosed in published financial statements.

Table 18 | Template EU LR1: Summary reconciliation of accounting assets and leverage ratio exposures

(thousands of euros)			
a			
Applicable Amount			
	Dec-22	Dec-21	
001	Total assets as per published financial statements	19,106,251	19,713,160
002	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
003	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0	0
004	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0	0
005	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with Article 429-A(1)(i) of the CRR)	0	0
006	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0	0
007	Adjustment for eligible cash pooling transactions	0	0
008	Adjustments for derivative financial instruments	63,377	44,098
009	Adjustment for securities financing transactions (SFTs)	0	-182,565
010	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	574,222	571,983
011	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429-A(1)(c) of the CRR)	0	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429-A(1)(j) CRR)	0	0
012	Other adjustments	-351,913	-40,363
013	Total exposure measure	19,391,937	20,106,313

Table 19 | Template EU LR3: Breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

(thousands of euros)			
a			
CRR leverage ratio exposures			
	Dec-22	Dec-21	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	19,086,424	19,708,343
EU-2	Trading book exposures	0	0
EU-3	Banking book exposures, of which:	19,086,424	19,708,343
EU-4	Covered Bonds	0	0
EU-5	Exposures treated as sovereigns	5,485,878	5,936,733
EU-6	Exposures to regional governments, MDB, International organisations and PSE <i>not</i> treated as sovereigns	108,889	117,161
EU-7	Institutions	243,003	339,114
EU-8	Secured by mortgages of immovable properties	5,446,430	6,330,709
EU-9	Retail exposures	2,023,542	1,756,059
EU-10	Corporates	2,560,738	2,172,945
EU-11	Exposures in default	305,078	456,182
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,912,867	2,599,439

195. The provisions in Article 429(8) of the CRR do not apply to the Group.
196. Based on the gap between the current level of the leverage ratio which reached 5.86%, corresponding to more than double the indicative minimum of 3%, no excessive leverage is observed, and which derives from the defined risk appetite, namely with defined limits for exposure to sovereign, as well as to market risk of the proprietary portfolios, including trading and banking books. Additionally, the Group has a rather low risk appetite in terms of trading (trading book), with the main aim of the exposure to derivatives being to hedge the interest rate risk of the banking book and to manage the exchange rate risk.

197. In this way, monitoring, on at least a quarterly basis, within the scope of the risk appetite framework and, on a monthly basis, by ALCO, enables regular monitoring by the management bodies and taking any corrective measures that may be necessary.
198. As mentioned above, the leverage ratio of BM does not show evidence of excessive leverage.
199. The leverage ratio is a key performance indicator monitored monthly under the Recovery Plan, so an alert and activation level has been defined for it. Consequently, in a scenario of deterioration of the leverage ratio, the procedures defined in the Recovery Plan will be implemented to strengthen this indicator. In this sense, in a scenario in which the deterioration of this indicator is identified (triggering the Recovery Plan), it will be identified both in the ALCO and via internal reporting, with immediate communication to the Executive Committee. In turn, after identifying the need to implement measures to restore the indicator, and selection of measures, the Executive Committee communicates them to the Board of Directors and Risk Committee for their approval and start of implementation. The measures deemed necessary to implement shall also be reported to the supervisor.

5. Indicators of global systemic importance

200. As at 31st December 2022, BM was not considered a Global Systemically Important Institution (G-SII) in accordance with Article 131 of Directive 2103/36/EU, which is why the obligations of information disclosure provided for in Article 441 of the CRR do not apply.

6. Counterparty credit risk

201. One of the most significant risks associated with the activity of derivatives trading and repurchase operations is related to the risk of default by the counterparty before the final settlement of all the financial flows.
202. The exposure to derivative and repo instruments (sales operations with repurchase agreement, purchase operations with resale agreement and the underwriting or assigning of securities borrowing or lending transactions are considered as repos) is followed up with regards to the trading and monitoring of the proprietary positions, in terms of management and within the scope of the risk control activity and definition of the internal limits for the exposure to derivative instruments, as well as with regards to the possibility of combined settlement of operations regulated by the same contract, with the possibility of offsetting receivables and payables.
203. The contracts signed with the various counterparties to classify their repo and derivatives activity are, mostly, standard contracts: ISDA Master Agreement with Credit Support Annex (CSA) and Global Master Repurchase Agreement (GMRA).
204. The exposure to derivatives and repos is monitored on a daily basis, with emphasis on the fact that these instruments fall under the following dedicated contracts: ISDA with CSA and GMRA and, as such, are subject to the establishment or release of collateral according to the market value of the exposure of one of the counterparties in relation to the other.

205. The CSAs govern the conditions of posting of collateral between the counterparties that have contracted derivatives under an ISDA Master Agreement and constitute the most effective credit risk mitigation mechanism in over-the-counter transactions. The CSAs thus permit the implementation for OTC instruments (interest rate swaps, exchange rate swaps, exchange rate forwards, among others) of a mechanism similar to the periodic settlement of gains and losses that the clearing houses ensure for instruments traded in an organised market (such as futures, for example). The CSAs establish the frequency of the evaluations, the thresholds amounts above which collateral calls may be requested (request for constitution or reinforcement of collateral), the minimum transfer amounts to be respected in the reinforcements or constitutions of collateral, the eligible assets for the posting of collateral (mostly in cash, although sovereign debt securities and debt securities from other issuers with an appropriate credit risk and corresponding applicable haircuts are also accepted).
206. The security repos are considered for the purposes of monitoring of risk, such as loans and advances to another institution, where the security involved is treated as collateral received (or posted).
207. The GMRAs govern the collateral posting conditions between the counterparties that have contracted operations involving the underwriting or assignment of funds, against the posting or receipt of collateral.
208. The value of the current exposure with each counterparty is the substitution value of the operation, estimated daily for the derivative operations and/or repurchase agreements.
209. For all counterparties, the current exposure to derivatives is calculated daily based on the market value of the operations in portfolio, in order to control the exposure value allocated to derivatives.
210. Currently, any further downgrading of BM's credit rating would have no impact on the amount of guarantees provided.
211. For prudential purposes, the exposures to derivatives are calculated in accordance with the initial risk method described in Article 282 (Part III, Title II, Chapter 6, Section 5) of the CRR.
212. The following table exhibits the risk exposures and risk-weighted assets, as well as the approaches used to calculate the credit and counterparty risk exposure (excluding the CVA requirements):

Table 20 | Template EU CCR1: Analysis of CCR exposure by approach

		(thousands of euros)							
	Dec-2022	a	b	c	d	e	f	g	h
		Replacement Cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original exposure method (for derivatives)	11,651	63,377		1.4	105,040	105,040	105,040	43,862
EU2	EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
1	SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
2	IMM (for derivatives and SFTs)			0	0	0	0	0	0
2a	Of which securities financing transactions netting sets			0		0	0	0	0
2b	Of which derivatives and long settlement transactions netting sets			0		0	0	0	0
2c	Of which from contractual cross-product netting sets			0		0	0	0	0
3	Financial collateral simple method (for SFTs)					0	0	0	0
4	Financial collateral comprehensive method (for SFTs)					0	0	0	0
5	VaR for SFTs					0	0	0	0
6	Total					105,040	105,040	105,040	43,862

213. The capital requirements for CVA risk of the portfolio are determined according to the standardised approach, as set out in Article 384 of the CRR, Part III, Title VI of the CRR.
214. The following table shows the amount of exposure and the amount of the corresponding risk-weighted positions, at risk of transactions subject to capital requirements for CVA:

Table 21 | Template EU CCR2: Transactions subject to own funds requirements for CVA risk

		(thousands of euros)			
		a	b	a	b
	Dec-22	Dec-21			
		Exposure value	RWEA	Exposure value	RWEA
1	Total transactions subject to the advanced method	0	0	0	0
2	VaR component (including the 3x multiplier)		0		0
3	Stressed VaR component (including the 3x multiplier)		0		0
4	Transactions subject to the standardised method	85,611	34,692	64,336	31,815
EU4	Transactions subject to the alternative approach (based on the original exposure method)	0	0	0	0
5	Total transactions subject to own funds requirements for CVA risk	85,611	34,692	64,336	31,815

215. The standardised approach to calculate the CVA requirement considers the exposure determined for the calculation of the risk-weighted positions. THE RWA corresponds to the capital requirement value for CVA multiplied by 12.5, according to Article 92(4)(b) of the CRR.
216. The following table exhibits, by risk category and weight, within the context of the exposures subject to CCR, the value of the net exposure of impairment following the application of conversion factors and risk mitigation techniques (EAD) and the RWA.

Table 22 | Template EU CCR3: Standardised Approach - CCR exposures by regulatory exposure class and risk weights

(thousands of euros)

Dec-22		Risk weight											Total exposure value
		a	b	c	d	e	f	g	h	i	j	k	
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Other	
1	Central Governments or Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional Governments or Local Authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International Organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	31,345	72,203	-	-	262	-	-	103,809
7	Corporates	-	-	-	-	-	-	-	-	1,227	-	-	1,227
8	Retail	-	-	-	-	-	-	-	3	-	-	-	3
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other Items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	-	-	-	31,345	72,203	-	3	1,489	-	-	105,040

217. As at 31st December 2022, there were no credit risk coverage operations through the use of credit derivatives, and thus the procedure described in Article 439, points g) and i) of the CRR was not applied.
218. As at 31st December 2022, there were no derivative operations carried out through central counterparties (CCP). template EU CCR8 - Exposures to CCP
219. The following table presents, in accordance with Article 442(e) of the CRR, the impact of the netting agreements and collateral received on the calculation of the final exposure value subject to weighting, as well as the details on the composition of the collateral given and received.

Table 23 | Template EU CCR5: Composition of collateral for exposures to CCR

(thousands of euros)

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

7. Credit risk

7.1 Accounting policies

220. The main accounting policies used in the financial statements can be consulted in the notes to the consolidated financial statements, namely Note 1 which is included in the

Annual Report² on pages 203 and 204 (Impairment of financial assets section) and 204-209 (Definition of default section).

221. It should be noted that the past due items presented in this document are based on the requirements in the definition of default used to calculate capital requirements, which takes into consideration the provisions in Article 178 of the CRR and are described in Note 1 of the consolidated financial statements, point c) Loans to Customers, in section c.12.) Definition of default' (page 205 of the Annual Report).
222. Regarding the definition of impaired credit, it is included in Note 1 to the consolidated financial statements, item c.10.1) Loans to customers impairment model (page 179 and 180 of the Annual Report).

7.2 Portfolio structure

223. As at 31st December 2022, the net exposure value was 20,575 million euros and was broken down by the risk categories defined in Article 112 of the CRR as exhibited in the table below.

Table 24 | Total amount and average amount of net exposures

(thousands of euros)

Exposure classes	Net exposure		Net exposure (average throughout the period)	
	Dec-2022	Dec-2021	Dec-2022	Dec-2021
Central Governments or Central Banks	5,486,649	5,938,503	5,537,034	5,334,710
Regional Governments or Local Authorities	37,047	45,711	36,315	32,901
Public Sector Entities	72,598	72,993	72,626	72,563
Multilateral Development Banks	0	0	0	0
International Organisations	0	0	0	0
Institutions	507,620	604,502	638,785	727,871
Corporates	3,194,055	2,647,179	2,769,017	2,566,259
Retail	2,850,008	2,590,015	2,771,110	2,797,423
Positions Guaranteed by Real Estate	5,630,193	6,514,777	6,348,029	6,444,070
Past due Items	377,555	532,056	514,442	558,637
Exposures associated with Particularly High Risks	501,444	621,466	643,904	731,901
Covered bonds	0	0	12,048	21,687
Institutions and Corporates with a Short-Term Credit Assessment	0	0	0	0
Exposures on Collective Investment Undertakings	133,959	189,466	196,493	234,196
Shares	25,468	26,765	44,666	59,572
Other Items	923,617	1,062,236	1,075,907	1,149,323
Securitisations	835,139	1,313	94,202	1,822
TOTAL	20,575,351	20,846,984	20,754,579	20,732,936

224. According to Article 442(c) of the CCR, the distribution of exposures, relative to credit risk, by exposure class, a higher concentration in the exposure classes of Positions with Collateral of Real Estate Property, Governments and Central Banks, Companies and Retail is observed, which correspond to about 85% of the net positions.
225. The individual contributions of the original exposures were registered in loans secured on real estate (27%), to Central Government or Central Banks (27%), to companies (16%) and to retail (14%). As in the previous year, the positions classified under "Positions with Collateral of Real Estate Property" consist mainly of mortgage loans for

² www.bancomontepio.pt/resources/SiteMontepio/documentos/institucional/informacao-financeira/relatorio-contas-anual-banco-montepio-2022.pdf

individuals and credit for corporate investment. The exposures of Central Governments or Central Banks essentially arise from Cash and Deposits at Banco de Portugal (1,135 million euros)

226. Relative to the previous period, it is important to mention that the net exposure decreased by approximately 272 million euros (-1.03%), mainly in the exposure classes of Governments and Central Banks, Retail and Positions with Real Estate Property Collateral, Companies and Retail.
227. The distribution of exposures that are not past due and past due and impaired is shown in the following table:

Table 25 | Distribution of exposures that are not past due and past due and impaired

(thousands of euros)

Dec-2022	Gross carrying values of		Specific credit	General credit	Accumulat	Credit risk	Net values
Exposure classes	Defaulted exposures	Non-defaulted exposures	risk adjustment	risk adjustment	ed write-offs	adjustment charges of the period	
Central Governments or Central Banks	0	5,491,263	4,613	0	0	-563	5,486,649
Regional Governments or Local Authorities	0	37,099	52	0	0	-74	37,047
Public Sector Entities	0	72,600	2	0	0	-1	72,598
Multilateral Development Banks	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0
Institutions	0	508,186	566	0	0	543	507,620
Corporates	44	3,221,130	27,119	0	0	-11,949	3,194,055
<i>of which SMEs</i>	44	1,861,203	19,892	0	0	-7,470	1,841,354
Retail	0	2,884,322	34,314	0	0	285	2,850,008
<i>of which SMEs</i>	0	2,182,209	28,891	0	0	-37	2,153,319
Positions Guaranteed by Real Estate	0	5,655,896	25,703	0	0	1,524	5,630,193
<i>of which SMEs</i>	0	1,133,892	8,518	0	0	-2,322	1,125,373
Past due Items	621,774	0	244,220	0	0	-160,572	377,555
Exposures associated with Particularly High Risks	111,323	431,216	41,095	0	0	-31,586	501,444
Covered Bonds	0	0	0	0	0	0	0
Institutions and Corporates with a Short-Term Credit Assessment	0	0	0	0	0	0	0
Positions on Collective Investment Undertakings (CIU):	0	148,869	14,910	0	0	0	133,959
Shares	0	25,468	0	0	0	0	25,468
Other Items	0	1,271,073	347,456	0	0	-5,829	923,617
Securitisations	0	835,139	0	0	0	0	835,139
TOTAL	733,141	20,582,262	740,051	0	0	-208,222	20,575,351
<i>Of which: Loans</i>	669,662	12,025,265	366,572	0	0	-202,217	12,328,355
<i>Of which: Debt securities</i>	0	0	0	0	0	0	0
<i>Of which: Off-balance sheet exposure:</i>	62,927	368,556	6,457	0	0	9	425,025

228. In December 2022, the distribution of the portfolio among the various categories and risk weights is shown in detail in the table below in terms of credit and counterparty risk.

Table 26 | Credit and counterparty risk capital requirements

(thousands of euros)

Dec-2022		Risk Weights								Other	Total
		0%	10%	20%	35%	50%	75%	100%	150%		
1. Original exposure by exposure class	Central Governments or Central Banks	5,369,605	0	0	0	0	0	121,658	0	0	5,491,263
	Regional Governments or Local Authorities	0	0	37,099	0	0	0	0	0	0	37,099
	Public Sector Entities	0	0	0	0	0	0	72,600	0	0	72,600
	Institutions	201,051	0	114,244	0	153,079	0	39,805	7	0	508,186
	Corporates	0	0	22,008	0	4,930	0	3,192,632	1,603	0	3,221,174
	Retail	0	0	0	0	0	2,884,322	0	0	0	2,884,322
	Positions guaranteed by real estate	0	0	0	4,596,417	596,680	261,585	201,214	0	0	5,655,896
	Past due Items	0	0	0	0	0	0	497,321	124,453	0	621,774
	Exposures associated with Particularly High Risks	0	0	0	0	0	0	0	542,539	0	542,539
	Covered Bonds	0	0	0	0	0	0	0	0	0	0
	Positions on Collective Investment Undertakings (CIU):	0	0	0	0	0	0	58,288	90,581	0	148,869
	Shares	0	0	0	0	0	0	25,468	0	0	25,468
	Other Items	159,304	0	32,941	0	0	0	1,078,828	0	0	1,271,073
	Securitisation positions under the Standardised Approach	0	804,771	1,069	0	0	0	0	0	29,300	835,139
TOTAL original exposures:		5,729,960	804,771	207,361	4,596,417	754,689	3,145,907	5,287,814	759,183	29,300	21,315,403
2. Exposure by exposure class (reserve base of risk weight):	Central Governments or Central Banks	5,364,220	0	0	0	0	0	121,658	0	0	5,485,878
	Regional Governments or Local Authorities	0	0	36,561	0	0	0	0	0	0	36,561
	Public Sector Entities	0	0	0	0	0	0	72,346	0	0	72,346
	Institutions	187,520	0	110,243	0	153,079	0	39,473	7	0	490,321
	Corporates	0	0	22,008	0	4,930	0	2,619,968	1,559	0	2,648,464
	Retail	0	0	0	0	0	2,031,614	0	0	0	2,031,614
	Positions guaranteed by real estate	0	0	0	4,578,720	576,079	122,744	170,541	0	0	5,448,084
	Past due Items	0	0	0	0	0	0	234,926	77,621	0	312,547
	Exposures associated with Particularly High Risks	0	0	0	0	0	0	0	409,595	0	409,595
	Covered Bonds	0	0	0	0	0	0	0	0	0	0
	Positions on Collective Investment Undertakings (CIU):	0	0	0	0	0	0	58,288	75,671	0	133,959
	Shares	0	0	0	0	0	0	25,468	0	0	25,468
	Other Items	159,304	0	32,941	0	0	0	731,372	0	0	923,617
	Securitisation positions under the Standardised Approach	0	804,771	1,069	0	0	0	0	0	211	806,050
TOTAL exposures:		5,711,044	804,771	202,821	4,578,720	734,088	2,154,359	4,074,040	564,451	211	18,824,504
3. TOTAL risk weighted exposures (=Σ (2."x" risk weights))		0	80,477	40,564	1,602,552	367,044	1,615,769	4,074,040	846,677	0	8,627,123
Capital requirements by exposure class (2."x" risk weights "x" 8%)	Central Governments or Central Banks	0	0	0	0	0	0	9,733	0	0	9,733
	Regional Governments or Local Authorities	0	0	585	0	0	0	0	0	0	585
	Public Sector Entities	0	0	0	0	0	0	5,788	0	0	5,788
	Institutions	0	0	1,764	0	6,123	0	3,158	1	0	11,046
	Corporates	0	0	352	0	197	0	152,102	142	0	152,793
	Retail	0	0	0	0	0	68,520	0	0	0	68,520
	Positions guaranteed by real estate	0	0	0	126,199	18,977	5,467	9,694	0	0	160,337
	Past due Items	0	0	0	0	0	0	17,528	8,822	0	26,349
	Exposures associated with Particularly High Risks	0	0	0	0	0	0	0	46,527	0	46,527
	Covered Bonds	0	0	0	0	0	0	0	0	0	0
	Positions on Collective Investment Undertakings (CIU):	0	0	0	0	0	0	4,663	9,080	0	13,744
	Shares	0	0	0	0	0	0	2,037	0	0	2,037
	Other Items	0	0	527	0	0	0	58,510	0	0	59,037
	Securitisation positions under the Standardised Approach	0	6,438	17	0	0	0	0	0	182	6,638
TOTAL capital requirements:		0	6,438	3,245	126,199	25,297	73,988	263,212	64,572	182	563,133

7.3 Performing and non-performing exposures and provisions

229. In accordance with Article 442(c) of the CRR, and with regard to the performing and non-performing exposures and related provisions, the following table shows their breakdown, notwithstanding their classification as to default status.

230. The table also shows, in accordance with Article 442(c), the distribution of exposures, where it can be observed that around 96% are in the performing state, with a higher concentration in loans and advances (about 58%), in the counterparties "Households" (about 60%) and "Non-financial companies" (about 37%), of which 86% are SMEs.

Table 27 | Template EU CR1: Performing and non-performing exposures and related provisions.

		(thousands of euros)														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received		
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	of which, stage 1	of which, stage 2		of which, stage 2	of which, stage 3		of which, stage 1	of which, stage 2		of which, stage 2	of which, stage 3					
005	Cash balances at central banks and other demand deposits	1,253,948	1,253,948	0	0	0	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	11,053,959	8,984,967	2,050,317	598,434	0	492,305	-88,593	-22,658	-65,443	-249,530	0	-193,404	-128,198	8,858,017	281,741
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	101,654	99,623	2,031	2,356	0	2,356	-232	-116	-116	-250	0	-250	0	6,687	0
040	Credit institutions	145,348	145,332	17	0	0	0	-24	-24	0	0	0	0	0	21	0
050	Other financial corporations	92,259	90,488	1,741	67,043	0	25,337	-507	-426	-77	-32,531	0	-14,835	-600	75,794	27,724
060	Non-financial corporations	4,117,210	3,079,157	1,021,093	412,537	0	359,024	-60,572	-17,444	-42,682	-169,739	0	-135,035	-127,598	2,671,342	196,281
070	of which, SMEs	3,541,848	2,663,243	867,776	386,469	0	333,031	-54,344	-15,230	-38,677	-161,704	0	-127,063	-99,598	2,437,429	188,604
080	Households	6,597,487	5,570,367	1,025,435	116,498	0	105,589	-27,258	-4,647	-22,568	-47,010	0	-43,284	0	6,104,172	57,735
090	Debt securities	4,732,709	4,724,603	8,106	33,000	0	33,000	-9,373	-8,360	-1,013	-14,272	0	-14,272	0	3,699	0
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	4,131,978	4,131,978	0	0	0	0	-6,144	-6,144	0	0	0	0	0	0	0
120	Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	89,580	87,315	2,265	33,000	0	33,000	-730	-359	-371	-14,272	0	-14,272	0	0	0
140	Non-financial corporations	511,151	505,309	5,841	0	0	0	-2,500	-1,857	-642	0	0	0	0	3,699	0
150	Off-balance sheet exposures	2,012,880	1,634,531	378,304	78,113	0	75,321	10,623	4,557	6,065	8,894	0	8,758	0	0	0
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170	General governments	5,760	5,735	25	0	0	0	11	10	0	0	0	0	0	0	0
180	Credit institutions	194,700	61,816	132,884	0	0	0	559	12	547	0	0	0	0	0	0
190	Other financial corporations	25,875	18,808	7,067	10	0	10	53	24	30	0	0	0	0	0	0
200	Non-financial corporations	1,295,514	1,086,104	209,401	74,692	0	72,018	8,026	3,098	4,928	8,861	0	8,725	0	0	0
210	Households	491,032	462,069	28,927	3,411	0	3,292	1,974	1,413	560	33	0	33	0	0	0
220	Total	19,053,496	16,598,048	2,436,727	709,547	0	600,625	-87,343	-26,461	-60,390	-254,907	0	-198,918	-128,198	8,861,716	281,741

231. It is important to mention that the gross value of these exposures came to approximately 19,763 million euros, of which about 709 million euros (3.59%) corresponded to non-performing exposures.
232. Regarding the stages, it can be seen that 84% of the exposure is concentrated in stage 1, while 12.33% and 3.04% represent stage 2 and stage 3, respectively.
233. In addition, the previous table was prepared taking into account the financial statements of the Group, to which the accounting standard IFRS 5 is applied.
234. "Loans and advances" and "Debt securities" accounted for about 83% of the performing exposures, accounting for 58% and 25% respectively.
235. The following table presents a breakdown of the value backed by collateral, real estate assets and other, by type of performing and non-performing exposure.

Table 28 | Template EU CQ6: Collateral valuation - loans and advances

(thousands of euros)

	a	b	c	d	e	f	g	h	i	j	k	l
	Loans and advances											
	Performing				Non Performing							
					Of which: past due > 90 days							
					Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which: past due > 90 days ≤ 180 days		Of which: past due > 180 days ≤ 1 year	
									Of which: past due > 1 year ≤ 2 years		Of which: Past due > 2 years ≤ 5 years	
									Of which: Past due > 5 years ≤ 7 years		Of which: Past due > 7 years	
10	Gross carrying amount	11,652,393	11,053,959	31,625	598,434	342,968	255,466	20,046	30,221	60,706	44,089	12,253
20	Of which: secured	9,726,663	9,231,266	25,157	495,397	293,986	201,411	12,492	15,110	45,221	38,048	12,194
30	Of which secured with immovable property	7,279,858	6,883,459	16,310	396,399	229,991	166,408	4,402	9,634	39,155	23,600	11,839
40	Of which instruments with LTV higher than 60 % and lower or equal to 80 %	2,240,252	2,196,556		43,696	15,484	28,212					
50	Of which instruments with LTV higher than 80 % and lower or equal to 100 %	741,803	698,443		43,360	34,019	9,341					
60	Of which instruments with LTV higher than 100 %	244,688	129,639		115,050	76,031	39,018					
70	Accumulated impairment for secured assets	-252,829	-62,840	-2,010	-189,989	-101,735	-88,254	-4,296	-4,364	-15,989	-19,598	-6,929
80	Collateral											
90	Of which value capped at the value of exposure	8,618,052	8,349,109	20,020	268,944	162,826	106,118	7,091	10,300	26,777	17,183	5,205
100	Of which immovable property	6,928,032	6,701,935	15,210	226,096	131,978	94,119	3,080	7,732	25,192	13,909	5,153
110	Of which value above the cap	291,142	133,214	1,482	157,929	74,760	83,169					
120	Of which immovable property	153,971	39,330	1,062	114,641	44,737	69,905					
130	Financial guarantees received	521,706	508,908	2,172	12,798	11,403	1,395	925	380	59	30	0
140	Accumulated partial write-off	-128,198	0	0	-128,198	-35,222	-92,976	0	0	0	-11,247	-13,470

236. The following tables show that the guarantees obtained by acquisition of possession and enforcement proceedings are mostly residential and commercial real estate in the forbore > more than 5 years bucket.

Table 29 | Template EU CQ7: Collateral obtained by taking possession and execution processes

(thousands of euros)

	a	b
	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	0
020	Other than PP&E	-122,092
030	Residential immovable property	-51,774
040	Commercial immovable property	-57,311
050	Movable property (auto, shipping, etc.)	-47
060	Equity and debt instruments	0
070	Other collateral	-12,959
080	Total	-122,092

Table 30 | Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown.

(thousands of euros)

	a	b	c	d	e	f	g	h	i	j	k	l
	Debt balance reduction		Total collateral obtained by taking possession		Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held for sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
10	Collateral obtained by taking possession classified as PP&E	0	0	0	0							
20	Collateral obtained by taking possession other than those classified as PP&E	228,510	-104,195	446,237	-122,092	34,389	-11,531	54,665	-7,939	357,182	-102,622	58
30	Residential immovable property	44,388	-20,549	249,183	-51,774	12,234	-497	34946.033	-4375.813	202,004	-46,901	10
40	Commercial immovable property	177,700	-75,487	161,595	-57,311	21,320	-10,768	16885.215	-2771.694	123,389	-43,772	0
50	Movable property (auto, shipping, etc.)	0	0	48	-47	48	-47	0	0	0	0	48
60	Equity and debt instruments	0	0	0	0	0	0	0	0	0	0	0
70	Other collateral	6,423	-8,159	35,410	-12,959	787	-219	2834.0023	-791.1609	31,789	-11,949	0
80	Total	228,510	-104,195	446,237	-122,092	34,389	-11,531	54,665	-7,939	357,182	-102,622	58

237. Regarding the nominal amount of exposures that are subject to restructuring measures, the following tables present their breakdown in terms of quality. The restructured exposures account for about 24% of the total exposure and about 76% of the non-performing exposure.

Table 31 | Template EU CQ1: Credit quality of restructured exposures

(thousands of euros)

	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which, collateral and financial guarantees received on non-performing exposures with forbearance measures
		Of which defaulted	Of which impaired					
005 Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010 Loans and advances	127,128	393,534	393,534	393,410	-4,971	-159,203	301,714	198,676
020 Central banks	0	0	0	0	0	0	0	0
030 General governments	0	2,356	2,356	2,356	0	-250	0	0
040 Credit institutions	0	0	0	0	0	0	0	0
050 Other financial corporations	38	65,295	65,295	65,295	-2	-32,027	26,680	26,659
060 Non-financial corporations	80,073	271,550	271,550	271,426	-3,777	-107,191	201,313	140,276
070 Households	47,017	54,334	54,334	54,334	-1,192	-19,735	73,722	31,741
080 Debt securities	0	0	0	0	0	0	0	0
090 Loan commitments given	47	326	326	326	1	0	0	0
100 Total	127,175	393,860	393,860	393,736	-4,970	-159,203	301,714	198,676

Table 32 | Template EU CQ2: Quality of forbearance

(thousands of euros)

	a
	Gross carrying amount of forborne exposures
10 Loans and advances that have been forborne more than twice	68,299
20 Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	0

238. The following table presents, in accordance with Article 442(d), the analysis of the age of past due exposures by type of counterparty and days of default, in December 2022.

Table 33 | Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

(thousands of euros)

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
005 Cash balances at central banks and other demand deposits	1,253,948	1,253,948	0	0	0	0	0	0	0	0	0	0
010 Loans and advances	11,053,959	11,022,334	31,625	598,434	342,968	20,046	30,221	60,706	44,089	12,253	88,151	598,434
020 Central banks	0	0	0	0	0	0	0	0	0	0	0	0
030 General governments	101,654	101,654	0	2,356	0	0	0	2,356	0	0	0	2,356
040 Credit institutions	145,348	145,348	0	0	0	0	0	0	0	0	0	0
050 Other financial corporations	92,259	92,259	0	67,043	19,334	144	1,331	34,028	11,842	0	364	67,043
060 Non-financial corporations	4,117,210	4,107,624	9,587	412,537	246,903	12,439	18,201	12,942	27,385	10,541	84,127	412,537
070 of which, SMEs	3,541,848	3,532,262	9,587	386,469	221,021	12,264	18,201	12,931	27,385	10,541	84,127	386,469
080 Households	6,597,487	6,575,449	22,038	116,498	76,731	7,463	10,689	11,380	4,862	1,713	3,659	116,498
090 Debt securities	4,732,709	4,732,709	0	33,000	0	0	0	0	33,000	0	0	33,000
100 Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110 General governments	4,131,978	4,131,978	0	0	0	0	0	0	0	0	0	0
120 Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0
130 Other financial corporations	89,580	89,580	0	33,000	0	0	0	0	33,000	0	0	33,000
140 Non-financial corporations	511,151	511,151	0	0	0	0	0	0	0	0	0	0
150 Off-balance sheet exposures	2,012,880			78,113								78,113
160 Central banks	0			0								0
170 General governments	5,760			0								0
180 Credit institutions	194,700			0								0
190 Other financial corporations	25,875			10								10
200 Non-financial corporations	1,295,514			74,692								74,692
210 Households	491,032			3,411								3,411
220 Total	19,053,496	17,008,991	31,625	709,547	342,968	20,046	30,221	60,706	77,089	12,253	88,151	709,547

239. The non-performing portion of the portfolio, corresponding to about 3.59% of the total original nominal exposure, presents about 48% aged less than 1 year, about 11% in the “Past due > 2 years ≤ 5 years” bucket, and about 12% in the “Past due > 7 years” bucket.

240. Within the scope of the defined risk appetite, the Group has been reducing the exposure to the construction and real estate sector. In terms of different sectors, the exposure to the commercial sector (wholesale and retail) remains the most relevant, as in the previous period, reaching about 1,115 million euros. This table does not include non-classified exposures by sector, such as for example mortgage loans for individuals.

Table 34 | Exposures by sector or type of counterparty

(thousands of euros)													
Dec-2022		Secondary Sector					Tertiary Sector					Total	
Exposure classes	Primary Sector	Construction	Other	Professional, Activities	Wholesale and retail trading	Professional, Insurance businesses	Lodging, restaurant and similar activities	Transport and Storage	Public Sector (1)	Professional, scientific and technical activities	Other		
Central Governments or Central Banks	-	-	-	-	-	-	-	845	2,674	-	-	3,519	
Regional Governments or Local Authorities	-	-	-	-	-	-	-	-	18,590	-	-	18,590	
Public Sector Entities	-	-	-	-	-	72,598	-	-	-	-	-	72,598	
Institutions	-	-	-	-	-	230,133	-	-	-	-	-	230,133	
Corporates	66,623	288,319	969,859	195,361	392,277	185,107	249,792	176,810	100,511	211,452	224,316	3,060,428	
Retail	52,599	176,916	438,969	64,961	591,881	8,347	129,848	101,375	181,416	83,583	182,315	2,012,209	
Positions guaranteed by real estate	12,657	27,028	103,754	121,357	108,480	12,528	125,712	100,861	114,772	23,544	75,051	825,743	
Past due Items	5,488	64,415	59,700	11,173	25,197	53,447	54,145	12,480	14,122	6,028	14,270	320,466	
Exposures associated with Particularly High Risks	-	133,631	1,755	295,067	784	8,697	41,205	-	-	6,280	547	487,966	
Total	137,368	690,309	1,574,038	687,919	1,118,620	570,857	600,702	392,371	432,084	330,885	496,499	7,031,652	
	Of which SMEs	125,113	497,348	797,024	395,372	405,968	676,587	959,373	252,345	588,990	190,095	231,832	5,120,046

(1) Public Administration and Defence; Compulsory Social Security; Human health and social support activities

Dec-2021	Secondary Sector					Tertiary Sector						Total
Exposure classes	Primary Sector	Constructio n	Other	Professio nal, Activities	Wholesale and retail trading	Profession al, Insurance businesses	Lodging, restaurant and similar activities	Transpor t and Storage	Public Sector (1)	Professional, scientific and technical activities	Other	
Central Governments or Central Banks	-	-	-	-	-	-	-	-	9,921	-	-	9,921
Regional Governments or Local Authorities	-	-	-	-	-	-	-	-	24,445	-	-	24,445
Public Sector Entities	-	-	-	-	-	72,597	-	-	396	-	-	72,993
Institutions	-	-	-	-	-	288,055	-	-	-	-	-	288,055
Corporates	56,789	207,125	718,848	235,478	291,753	208,726	259,316	163,462	61,834	159,145	226,965	2,589,443
Retail	50,848	161,727	440,292	47,623	561,431	12,387	113,422	101,411	151,141	78,111	177,604	1,895,997
Positions guaranteed by real estate	8,858	41,828	98,450	74,183	121,048	17,604	141,771	109,963	98,435	30,341	67,928	810,410
Past due Items	2,982	78,520	71,690	15,791	60,265	70,610	62,948	14,727	20,694	6,704	10,652	415,582
Exposures associated with Particularly High Risks	-	193,766	2,064	347,472	587	23,529	34,384	-	-	15,727	414	617,943
Total	119,477	682,966	1,331,344	720,547	1,035,084	693,509	611,841	389,563	366,865	290,028	483,564	6,724,788
Of which SMEs	105,072	471,231	769,362	694,118	851,104	153,344	529,375	212,425	302,972	182,241	382,019	4,653,262

241. Also with regard to the quality of exposures by sector/type of counterparty, and in accordance with Article 442, point e) of the CRR, the table (loans and advances to non-financial corporations) is broken down by sector of activity and uses, as in the table above, the Portuguese classification of economic activities (CAEs rev3.0) as shown on the INE website³.

³ INE's website: <https://www.ine.pt/>

Table 35 | Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

(thousands of euros)

	a	b	c	d	e	f
	Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted			
010 Agriculture, forestry and fisheries	100,961	4,505	4,505	100,961	-4,435	0
020 Mining and quarrying	17,962	695	695	17,962	-406	0
030 Manufacturing	1,018,088	98,759	98,759	1,017,877	-71,603	0
Electricity, gas, steam and air conditioning supply	46,322	13,943	13,943	46,322	-7,799	0
050 Water supply	57,433	729	729	57,433	-626	0
060 Construction	395,454	88,633	88,633	395,389	-43,608	0
070 Wholesale and retail trade	813,935	40,357	40,357	808,201	-34,900	0
080 Transport and storage	367,431	16,752	16,752	367,431	-12,285	0
Accommodation and food service activities	550,078	62,358	62,358	550,078	-17,009	0
090 Information and communication	56,684	1,778	1,778	56,684	-1,763	0
100 Financial and insurance activities	513,919	61,490	61,490	513,848	-22,281	0
120 Real estate activities	0	0	0	0	0	0
130 Professional, scientific and technical activities	169,061	6,815	6,815	166,244	-4,625	0
140 Administrative and support service activities	121,737	9,228	9,228	121,737	-2,656	0
150 Public administration and defence, compulsory social security	0	0	0	0	0	0
160 Education	42,741	595	595	42,741	-876	0
170 Human health services and social work activities	119,963	2,306	2,306	119,963	-2,177	0
180 Arts, entertainment and recreation	50,807	2,291	2,291	50,807	-1,485	0
190 Other services	87,170	1,302	1,302	87,147	-1,775	0
200 Total	4,529,748	412,537	412,537	4,520,827	-230,311	0

242. The following table shows the geographic distribution of the credit portfolio, according to the Territorial Units for Statistic Purposes of Level II (NUTS II) of the exposures by risk category.

Table 36 | Geographical distribution of exposures

(thousands of euros)

Dec-2022	Geographic distribution of exposures (as a % of the original exposure)								
	Portugal							Angola	TOTAL
	Exposure classes	Alentejo	Algarve	Centre	Lisbon	North	A.R. of Madeira		
Central Governments or Central Banks	0	0	64	5,364,114	814	0	0	121,658	5,486,649
Regional Governments or Local Authorities	220	10	3,170	18,945	323	13,902	477	0	37,047
Public Sector Entities	0	0	0	72,598	0	0	0	0	72,598
Multilateral Development Banks	0	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0	0
Institutions	161	2,329	13,881	477,224	13,724	300	0	0	507,620
Corporates	72,416	146,654	330,594	1,647,088	882,549	46,633	36,026	32,095	3,194,055
Retail	113,428	144,050	643,484	657,430	1,189,268	40,197	57,061	5,090	2,850,008
Positions Guaranteed by Real Estate	282,943	368,001	981,004	2,162,616	1,464,921	132,877	237,830	0	5,630,193
Past due Items	18,689	8,656	56,365	181,314	93,982	10,429	2,630	5,489	377,555
Exposures associated with Particularly High Risks	7,321	40,381	27,881	324,110	85,233	16,298	220	0	501,444
Covered Bonds	0	0	0	0	0	0	0	0	0
Institutions and Corporates with a Short-Term Credit Assessment	0	0	0	0	0	0	0	0	0
Positions on Collective Investment Undertakings (CIU):	0	0	0	133,959	0	0	0	0	133,959
Shares	0	0	0	25,468	0	0	0	0	25,468
Other Items	341	634	1,644	885,570	31,055	392	65	3,917	923,617
Securitisations	0	0	0	835,139	0	0	0	0	835,139
Total	495,519	710,715	2,058,088	12,785,575	3,761,870	261,027	334,309	168,249	20,575,351

Dec-2021	Geographic distribution of exposures (as a % of the original exposure)								
	Portugal							Angola	TOTAL
	Exposure classes	Alentejo	Algarve	Centre	Lisbon	North	A.R. of Madeira		
Central Governments or Central Banks	0	0	11	5,828,272	994	0	0	109,226	5,938,503
Regional Governments or Local Authorities	260	34	3,262	21,623	253	19,483	796	0	45,711
Public Sector Entities	0	0	0	72,993	0	0	0	0	72,993
Multilateral Development Banks	0	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0	0
Institutions	161	2,330	13,887	558,977	28,847	300	0	0	604,502
Corporates	57,766	148,247	265,187	1,447,980	621,993	51,742	31,331	22,933	2,647,179
Retail	106,564	128,958	584,918	577,951	1,090,198	41,113	53,298	7,016	2,590,015
Positions Guaranteed by Real Estate	314,532	407,572	1,055,459	2,597,669	1,700,113	175,151	264,282	0	6,514,777
Past due Items	22,475	13,962	87,623	257,842	132,545	12,078	4,490	1,040	532,056
Exposures associated with Particularly High Risks	12,284	44,764	40,526	390,153	110,754	10,732	711	11,542	621,466
Covered Bonds	0	0	0	0	0	0	0	0	0
Institutions and Corporates with a Short-Term Credit Assessment	0	0	0	0	0	0	0	0	0
Positions on Collective Investment Undertakings (CIU):	0	0	0	189,466	0	0	0	0	189,466
Shares	0	0	0	26,765	0	0	0	0	26,765
Other Items	301	569	1,630	1,021,024	35,881	250	63	2,519	1,062,236
Securitisations	0	0	0	1,313	0	0	0	0	1,313
Total	514,343	746,435	2,052,504	12,992,028	3,721,578	310,848	354,971	154,275	20,846,984

243. It is important to mention that, in relation to previous years, in Portugal there were no significant changes in the concentration of exposures, which means that the areas with the highest population density (Lisbon and Northern Portugal) continue to concentrate the majority of exposures (about 80%). The Group has, nonetheless, a commercial presence in most of the regions of the country.
244. Regarding the exposures of BM subsidiaries in African countries, there was a slight increase in Angola, largely due to the fluctuation of the Kwanza against the Euro; hence, the conversion of the subsidiary's balance sheet to the reporting currency of the parent company reflected its contribution (primarily in the risk class of Government and Central Banks).
245. In terms of geographic distribution of the exposures with past due loans, as in previous years, there is a larger concentration in the areas of Greater Lisbon and Northern Portugal, reflecting the geographic structure of the total portfolio.

246. The following table shows the breakdown of geographical areas by materially relevant countries and it can be observed that most of the exposures, whether defaulted on or not, are concentrated in Portugal (around 85%).

Table 37 | Template EU CQ4: Quality of non-performing exposures by geography

(thousands of euros)

	a	b	c	d	e	f	g
	Gross carrying amount/nominal amount			Of which subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted				
010 On-balance-sheet exposures	46,124,956	2,007,118	2,007,118	45,780,736	-1,119,140		0
020 Portugal	38,736,997	1,843,662	1,843,662	38,464,331	-996,077		0
030 Italy	3,161,078	84	84	3,158,861	-5,808		0
040 Spain	2,496,085	38	38	2,495,777	-3,851		0
050 Angola	242,466	504	504	216,429	-588		0
070 Other Countries	1,488,331	162,830	162,830	1,445,338	-112,816		0
080 Off-balance sheet exposures	2,090,993	78,113	78,113			19,517	0
090 Portugal	2,067,088	77,953	77,953			19,394	
100 Italy	39	0	0			0	
110 Spain	774	2	2			2	
120 Angola	1,444	28	28			3	
140 Other Countries	21,649	131	131			118	
150 Total	48,215,950	2,085,231	2,085,231			19,517	0

247. The following tables present the default or impaired (stage 3) exposures, their movement in 2022 and accumulated net recoveries:

Table 38 | Template EU CR2: Changes in the stock of non-performing loans and advances

(thousands of euros)

	a
	Gross carrying amount
010 Initial stock of non-performing loans and advances	942,302
020 Inflows to non-performing portfolios	119,648
030 Outflows from non-performing portfolios	-463,515
040 Outflows due to write-offs	-45,538
050 Outflows due to other situations	-417,976
060 Final stock of non-performing loans and advances	598,434

Table 39 | Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries.

(thousands of euros)

	a	b
	Gross carrying amount	Related net cumulated recoveries
10 Initial stock of non-performing loans and advances	942,302	
20 Inflows to non-performing portfolios	119,648	
30 Outflows from non-performing portfolios	-463,515	
40 Outflow to performing portfolio	-67,586	
50 Outflow due to loan repayment, partial or total	-115,100	
60 Outflow due to collateral liquidations	-4,254	5,232
70 Outflow due to taking possession of collateral	-6,166	0
80 Outflow due to sale of instruments	-200,471	81,336
90 Outflow due to risk transfers	0	0
100 Outflows due to write-offs	-45,538	
110 Outflows due to other situations	0	
120 Outflow due to reclassification as held for sale	-24,400	
130 Final stock of non-performing loans and advances	598,434	

248. In accordance with Article 442(g) of the CRR, the table below breaks down the net positions by residual maturity type of instrument (debt securities and loans and

advances) It is currently observed that approximately 69% of assets are long-term (remaining maturity of more than 5 years).

Table 40 | Template EU CR1-A: Maturity of exposures

(thousands of euros)

	a	b	c	d	e	f
	Net exposure value					
	On demand	≤ 1 year	> 1 Year ≤ 5 Year	> 5 years	No stated maturity	Total
1 Loans and advances	13,875	1,021,094	2,118,651	8,093,606	67,044	11,314,270
2 Debt securities	-	576,226	2,307,660	1,856,612	1,566	4,742,064
3 Total	13,875	1,597,320	4,426,311	9,950,218	68,610	15,026,867

7.4 Concentration risk

249. As mentioned, the Group is currently pursuing a strategy of diversification of its activity, in order to reduce the weight of the exposure to the construction and real estate sector. The impact of the concentration risk on the capital requirements is ascertained through an approach based on the calculation of the sectoral and individual concentration indices (CI), pursuant to Banco de Portugal Instruction 5/2011.
250. The calculation of the individual concentration index⁴ is based on the 100 greatest exposures in portfolio, aggregated by client/economic group. The weight of these exposures in December 2022 corresponded to approximately 18.5% of the credit portfolio, in comparison with 19.4% in 2021.
251. The sectoral concentration index⁵ is calculated from the classification of economic activities associated with the counterparties in the portfolio.

Table 41 | Concentration indices

	Credit Portfolio	
	Dec-22	Dec-21
Individual CI	0.31	0.36
Sectoral CI	7.82	8.07

252. It should be noted that the value of the gross exposure of the 100 largest exposures by counterparty fell by 48 million euros, essentially due to the sale of credit and write-offs that took place in 2022.
253. The reduction of the sectoral concentration index in 2022 reflects the ongoing business diversification strategy that has been implemented in the credit portfolio.

7.5 Use of ECAs

254. The calculation of the credit and counterparty capital requirements is determined according to the Standardised Approach whose requirements are defined in CRR and in CRD IV. Depending on the nature of the counterparty, the portfolio positions are distributed among the various risk categories and ratings provided by the Moody's, S&P and Fitch agencies are used for attributing the respective risk weights.
255. This practice runs through all risk categories and the allocation is carried out in accordance with what was provided in the previously mentioned diplomas, as follows:

⁴Individual Concentration Index = $\sum x^2 / (\sum x \cdot \sum y) \cdot 100$, in which x represents the value of the total exposure to each counterparty/economic group belonging to the 100 biggest counterparties of the Institution, and $\sum y$ corresponds to the total portfolio exposure.

⁵Sectoral Concentration Index = $\sum x^2 / (\sum x)^2 \cdot 100$, in which x represents all the exposures to each sector of economic activity.

- When there are simultaneously different ratings provided simultaneously by recognised agencies, the second highest rating of the two lowest ratings is applied:
 - In the case of similar bonds and securities, priority is given to the rating of the issue or, where there is no such rating, the issuer's rating is used;
 - Ratings, where they exist, are used consistently for all exposures at default in all classes.
256. Based on the calculated external rating, a credit quality grade is assigned in accordance with Implementing Regulation (EU) 634/2018. For exposures to Sovereigns, Public Sector Entities, Corporates, Institutions and Collective Investment Bodies (Funds), the risk weight is determined based on credit quality assessments provided by the External Credit Assessment Institutions (ECAIs) which are considered eligible.
257. Taking into account the guarantees and collateral associated to the exposures, CRR provides for the application of risk mitigation techniques for reclassification (personal protection) and/or mitigation (property protection) of exposures. Exposures are subject to a weight according to their final risk category (after a possible reclassification) defined in Chapter 4, Title II, Part III of the CRR.
258. The value of the risk-weighted positions is ascertained on the basis of the adjusted exposure of value corrections and provisions and following the application of the adjustments related to the credit risk mitigation techniques, namely the application of conversion factors to off-balance sheet items and exercising the property and personal credit protection.

8. Credit risk mitigation techniques

259. For the purpose of the reduction of the credit risk of the positions held, both the personal protection collaterals with a substitution effect on the exposure and the financial collaterals enabling a direct reduction of the position value are considered. Likewise, the mortgage collaterals are also relevant as mitigation of the risk with an impact on the capital requirement weight.
260. In the table below, the collaterals referred to therein correspond to the collaterals complying with the eligibility criteria as effective guarantees as provided for in the prudential regulatory rules, namely regarding the requirements defined in CRR, and do not correspond to all collaterals received.

Table 42 | Concentration analysis – Personal and property credit protection

(Thousands of euros)

	Net exposure		Personal credit protection		Funded credit protection – comprehensive financial collateral approach.	
			Guarantees		Eligible (financial) collaterals	
	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21
Total exposures	20,575,351	20,846,984	1,241,443	927,683	111,866	140,260
Central Governments or Central Banks	5,486,649	5,938,503	0	0	0	0
Regional Governments or Local Authorities	37,047	45,711	0	0	0	0
Public Sector Entities	72,598	72,993	0	0	0	0
Institutions	507,620	604,502	0	0	0	0
Corporates	3,194,055	2,647,179	467,718	297,488	28,974	39,493
Retail	2,850,008	2,590,015	664,494	551,150	72,931	85,696
Positions Guaranteed by Real Estate	5,630,193	6,514,777	66,897	37,469	5,358	6,590
Past due Items	377,555	532,056	19,940	8,582	855	2,072
Exposures associated with Particularly High Risks	501,444	621,466	22,395	32,995	3,748	6,409
Covered Bonds	0	0	0	0	0	0
Positions on Collective Investment Undertakings (CIU):	133,959	189,466	0	0	0	0
Shares	25,468	26,765	0	0	0	0
Other Items	923,617	1,062,236	0	0	0	0
Securitisation positions under the Standardised Approach	835,139	1,313	0	0	0	0

261. The direct reduction encompasses the credit operations collateralised by financial collaterals, namely, term deposits, gold, bonds and shares included in a main index listed on a recognised exchange, as stipulated in Section 4, Chapter 4, Title II of Part III of the CRR, with the haircuts defined in the mentioned Regulation being applicable.
262. With regards to mortgage collateral, the assessment of the assets is carried out by independent assessors, and the management of the assessments and inspections is centralised in a unit of the Institution's structure, independent from the commercial department. The reassessment of the assets is carried out according to the requirements defined in Article 208 of the CRR, by applying the property variation rates or by carrying out assessments on-site, by an assessor. With regards to financial collateral, its value is updated according to the relevant market information.
263. The following table, following the risk mitigation techniques, exhibits the breakdown of the gross book value of the exposures, according to the type of risk coverage and type of instrument (collateral, financial guarantees and credit derivatives), even though these techniques are recognised as eligible in Part III, Title II, Chapter 4 of the CRR. It is important to mention that the guarantees/collateral provided by individual customers and sole proprietorships are also not considered within this framework.

Table 43 | Template EU CR3: Overview of CRM techniques: Disclosure of the use of credit risk mitigation techniques

(Thousands of euros)

	a	b	c	d	e
	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1 Loans and advances	3,428,460	9,139,758	8,618,052	521,706	-
2 Debt securities	4,738,365	3,699	3,699	-	-
3 Total	8,166,825	9,143,457	8,621,752	521,706	-
4 Of which non-performing exposures	85,892	281,741	268,944	12,798	-
EU-5 Of which defaulted	85,892	281,741			

264. In December 2022, no positions covered by credit derivatives were held.
265. The table below presents, according to the standardised approach, the impact of the mitigation techniques considered eligible by risk category of the exposures before and after application of credit conversion factors (CCF) and risk mitigation techniques (RMT), as well as risk-weighted assets (RWA) density (%).

Table 44 | Template EU CR4 Standard Method: Credit exposures and CRM effects

							(thousands of euros)						
	Dec-22	a		b		c		d		e		f	
		Exposures before CCF and before CRM				Exposures post CCF and post CRM				RWAs and RWAs density			
		On-balance-sheet exposures		Off-balance-sheet exposures		On-balance-sheet exposures		Off-balance-sheet exposures		RWEA		RWEA density (%)	
1	Central governments or central banks	5,485,878		772		6,488,470		17,749		121,658		1.87%	
2	Regional governments or local authorities	36,543		504		36,543		18		7,312		20.00%	
3	Public sector entities	72,346		252		90,415		0		72,346		80.02%	
4	Multilateral development banks	0		0		198,360		0		0		0.00%	
5	International Organisations	0		0		0		0		0			
6	Institutions	197,993		205,786		197,993		188,518		95,439		24.69%	
7	Corporates	2,559,511		630,162		2,072,101		109,131		1,908,691		87.51%	
8	Retail	2,023,538		821,070		1,305,919		63,632		856,503		62.54%	
9	Secured by mortgages on immovable property	5,446,430		183,546		5,374,817		6,370		2,004,213		37.24%	
10	Exposures in default	305,078		52,242		284,695		7,912		329,364		112.56%	
11	Exposures associated with particularly high risk	343,869		156,850		320,320		67,405		581,587		150.00%	
12	Covered bonds	0		0		0		0		0			
13	Institutions and corporates with a short-term credit assessment	0		0		0		0		0			
14	Collective investment undertakings (CIUs)	133,959		0		133,959		0		171,794		128.24%	
15	Equity	25,468		0		25,468		0		25,468		100.00%	
16	Other items	923,617		0		923,617		0		737,960		79.90%	
17	Total	17,554,230		2,051,183		17,452,679		460,735		6,912,336		39%	

Notes: The breakdown of the exposure classes and all the quantitative information is in accordance with COREP C07.001
This table contains credit risk exposures (does not include Derivatives; Securitisations)

266. Under Article 5 of Banco de Portugal Instruction 5/2018, we inform that the table identical to the previous table which includes information relative to the previous period is not disclosed
267. The net effect of inflows and outflows is especially relevant in the risk category of Central Governments or Central Banks, which comes to approximately 1,200 million euros.
268. The following table breaks down, according to the standardised approach, by weight and risk category the amount of exposures net of impairment, following application of the credit conversion factors (CCF) (applicable to the off-balance sheet items) and after risk mitigation techniques.

Table 45 | Template EU CR5: Standardised Approach - Exposure by Risk Category

(thousands of euros)																	
Exposure classes	Risk weight															Of which unrated	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		TOTAL
1 Central Governments or Central Banks	6,384,562	-	-	-	-	-	-	-	-	121,658	-	-	-	-	-	6,506,219	-
2 Regional Governments or Local Authorities	-	-	-	-	36,561	-	-	-	-	-	-	-	-	-	-	36,561	-
3 Public Sector Entities	18,069	-	-	-	-	-	-	-	-	72,346	-	-	-	-	-	90,415	-
4 Multilateral Development Banks	198,360	-	-	-	-	-	-	-	-	-	-	-	-	-	-	198,360	-
5 International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	187,520	-	-	-	-	78,898	-	80,876	-	39,211	7	-	-	-	-	386,512	-
7 Corporates	-	-	-	-	22,008	-	-	4,930	-	2,152,736	1,559	-	-	-	-	2,181,232	-
8 Retail	-	-	-	-	-	-	-	-	1,369,551	-	-	-	-	-	-	1,369,551	-
9 Positions Guaranteed by Real Estate	-	-	-	-	-	4,578,130	563,596	-	97,406	142,055	-	-	-	-	-	5,381,187	-
10 Exposures in default	-	-	-	-	-	-	-	-	-	219,094	73,513	-	-	-	-	292,607	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	387,725	-	-	-	-	387,725	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	58,288	75,671	-	-	-	-	133,959	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	25,468	-	-	-	-	-	25,468	-
16 Other items	159,304	-	-	-	-	32,941	-	-	-	731,372	-	-	-	-	-	923,617	-
17 Total exposure value	6,947,814	-	-	-	170,408	4,578,130	649,403	-	1,466,957	3,562,227	538,474	-	-	-	-	17,913,414	-

269. It is also worth mentioning that about 39% of the exposure is reflected in the credit risk weight of 0%. This weight is essentially associated to positions on Central Governments or Central Banks, as well as assets with reference to cash and equivalents (Other Items risk category)

270. In December 2022, about 26% of the exposure was classified in the credit risk weight of 35%. This weight is applicable to the exposures guaranteed by residential real estate, which indicates the significant weight of mortgage loans.
271. The second most significant credit risk weight is that of 100%, which corresponds to 20% of the exposure. This weight is essentially applicable to exposures to Companies and Other Items (mostly properties and tangible fixed assets).

9. Wrong way risk

272. In its specific component, the 'wrong way risk' or risk of unfavourable correlation corresponds to the type of risk that occurs when the net exposure of collateral is adversely correlated with the credit quality of that same counterparty. This risk occurs, for example, when credit is granted to a specific company, in which the collateral received for risk mitigation corresponds to securities issued by that same company (shares or bonds).
273. Taking into account the policies in terms of granting and exposure to credit risk and the type of collateral accepted, the risk of unfavourable correlation is negligible. With regards to the credit portfolio, the accepted property collateral corresponds mainly to property and financial collaterals, which are mostly composed of term deposits, and the securities given as collateral to cover credit risk represent a reduced weight.
274. In terms of counterparty credit risk management, Credit Support Annex (CSA) contracts signed with the counterparties, as well as Global Master Repurchase Agreement (GMRA), in the case of repos, only foresee the delivery of collateral in the form of funds deposited at BM.
275. Additionally, in the case of repos and reverse repos operations, there are no operations whose underlying asset corresponds to issues or assets issued by the counterparty.

10. Securitisation operations

276. The Group's securitisation operations have been used mainly as a funding tool. The first three securitisations (Pelican Mortgages 1, 2 and 3) were public and placed through a syndicate, with the majority of the remaining performing traditional credit securitisations having been retained by the institution for the purpose of being used as collateral in secured funding operations (except for the Pelican Finance No. 2 operation). As at 31st December 2022, the Group took on the role of originator institution in traditional credit securitisation operations, namely in the following operations: Pelican Mortgages No. 3, Pelican Mortgages No. 4, Aqua Mortgage 1, Pelican Finance No. 1 and Pelican Finance No. 2.
277. As originator, the Group runs the risk of not receiving the funds due for the sale of the credit to the Financial Vehicle Corporation, whether at the beginning or in successive revolvings. Another risk results from the possible request, by the investor, to buyback positions due to breach of contract by the originator. Given the current securitisations in which the Group acts as originator, the previously identified risks are residual, with no operations being contracted to cover those risks.

278. As an interest rate risk management policy of the securitisation operations in which it acts as the originator, the risk hedging is ensured, whenever necessary, taking into account the features of the structuring, the underlying portfolios and the goals of placement of the notes resulting from the securitisation. In the traditional securitisation operations mentioned above, the underlying credit continues to be recognised on a consolidated basis. In relation to credit risk, hedging and personal credit protection operations aimed at reducing the risk of the securitised positions which correspond to the retention of risk defined in Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council are not used. There is prudential recognition of the risk ex-retention components, and there may be hedging of the credit risk associated with them.
279. As an investor in securitisation operations, the Group incurs the following risks:
- Credit risk arising from possible issuer default or from the adverse variation in assets driven by the deterioration of the credit quality of the issuer or of the collateral of the operation;
 - Market risk arising from adverse variations in asset prices or in the interest rate;
 - Liquidity and funding risk arising from the impossibility of disposing of assets if necessary;
 - “Pre-payment” risk associated with any early repayments which differ from projected repayments, resulting in a repayment structure that differs from that which was outlined.
 - Legal risks arising from changes to and incorrect analyses of the legal framework applicable to these positions.
280. The credit and market risks of the securitisation positions held as an investor are monitored according to the procedures established for the management of credit and market risk, respectively. For further information on the management procedures of these risks, consult the Credit Risk and Market Risk sections of chapter 3.4 of this document.
281. The Pelican Finance No. 2 operation is framed under Article 243(1)(b) of the CRR. The remaining traditional securitisations still in force, in which Banco Montepio acts as originator and assignor do not comply with the requirements established in the aforesaid article relative to derecognition. Hence, the exposures are treated, both for accounting and prudential purposes, as if the credit was detained by the institution (and as if they had not been sold, being subject to the main risks and benefits). Regarding traditional securitisation operations in which Article 243 of the CRR is not applicable, capital requirements for the securitisation positions held in the form of notes are not calculated, but rather relative to the underlying credit portfolios. In the case of the Pelican Finance No. 2 operation (Simple, Transparent and Standardised - STS), the full deduction is made to CET1 of the exposure arising from the retention of class X and, in the case of securitisations in which it acts as investor, capital requirements with reference to the securitisation positions in portfolio (non-STs) are calculated.

282. Regarding the securitisations in which the Group acted as an investor, the method of calculation of the risk weighted positions is the one defined in Section 3, chapter 5, Title II of Part III of the CRR, stipulated for the Standardised Approach. For determining the credit quality degree associated with each securitisation position, the respective external ratings of the rating agencies Fitch and Moody's were taken into consideration.
283. In December 2020, BM carried out an operation that configures a synthetic securitisation structure. This operation is based on a portfolio of small and medium-sized enterprise (SME) loans. In this operation there was no sale of credit to third parties, issue of bonds or participation of Credit Securitisation Companies, Credit Securitisation Vehicles and Credit Securitisation Funds, or need to maintain Reserve Accounts. Likewise, there was no transfer of collections. The operation followed a risk tranche pattern similar to that of a traditional securitisation, and was divided into the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and synthetic excess spread (0.54%). For the senior and mezzanine tranche the Bank transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge not subject to mark-to-market (MTM). For this purpose, the EIB and the EIF shall be the guarantors of the senior and mezzanine tranches. Banco Montepio retained the risk of the junior tranche and the excess spread.
284. On 6th December 2021, Banco Montepio and Montepio Crédito signed, with Ares Lusitani - STC, S.A., the contracts leading to the securitisation of a consumer credit portfolio. The securitisation operation, with the name Pelican Finance No. 2, has a legal maturity of 13 years (25th January 2035), and the associated bonds have a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding principal of the securitised credit (Aggregate Principal Amount Outstanding) was, on the reference date of 31st October 2021 (Portfolio Determinative Date), 356,774 thousand euros, being a static portfolio, with no revolving mechanisms. The sale was made through a syndicated public placement model, with class A placed above par (100.606%) and the others at par.
285. The credit covered by the above securitisation operations were not derecognised from the balance sheet since the Bank retained most of the risks and benefits associated with the securitised credit.
286. However, prudentially, in accordance with Article 244(1) of the CRR, the exposures underlying the securitisation are excluded from the RWA calculation since BM deducts all securitisation positions it holds in the securitisation from core tier 1 capital in accordance with Article 36(1)(k).

287. On 21st December 2022, Banco Montepio completed a collateralised synthetic securitisation operation of a performing mortgage loan portfolio. The securitisation operation, named PT Towers 2022-1, consisted of a private place of the portfolio's mezzanine risk. The significant transfer of the risk of the underlying portfolio stems from the placement of the mezzanine risk, via credit-linked notes (CLN) (underpinned by financial backing) issued by a designated activity company (DAC) based in Ireland, with specialised investors. The operation was structured in order to comply with the requirements of a Simple, Transparent and Standardised (STS) operation. The risk tranching was incident on a credit portfolio with outstanding principal of 834,905 thousand euros (as at the reference date of 31st October 2022). Banco Montepio retains the senior tranche and junior tranche, calculating the capital requirements of the senior tranche using SEC-SA methodology and fully deducting the junior tranche from the capital.

288. With regard to accounting policies:

- the Group does not derecognise from assets the receivables sold in securitisation transactions when:
 - it maintains control over operations;
 - it continues to receive a substantial part of their remuneration; and
 - it retains a substantial portion of the risk on the transferred receivables.
- The securitisation operations were undertaken with the objective of complementing the Bank's normal funding through operations placed in the market with investors and maximising its liquidity position through the creation of assets eligible as collateral in refinancing operations with the Eurosystem (more senior tranches) or, in the case of operations carried out since 2020, in order to strengthen its capital base, with the prudential derecognition of the underlying credit.
- Loans sold and not derecognised for accounting purposes are recorded under the heading "Loans to customers" and are subject to the same accounting criteria as other credit operations. The retention of risk and/or benefit is represented by the highest risk rated bonds issued by the securitisation vehicle. The amount recorded in Banco Montepio's assets and liabilities in its individual financial statements represents the proportion of the risk/benefit held by Banco Montepio (continued involvement). The bonds issued by the securitisation vehicles and held by Banco Montepio are eliminated in the consolidation process.
- When the assets are sold to securitisation operations, the group records gains or losses in the financial statements if the securitisation vehicle is not consolidated at inception, which corresponds to the difference between the sale value and the book value. If the securitisation vehicle is consolidated, there are no initial results. If during the current period, in the situation where the securitisation vehicle remains in the consolidation perimeter, if the group proceeds to partial or total disposal of the securities held, it will record a gain or loss (i) in the partial sale and maintaining the need to consolidate the securitisation vehicle, being incorporated in the effective rate until maturity of the operation and (ii) in the case of total disposal of the issues and deconsolidation of the securitisation vehicle, which will result in the sale of the assets.

- For positions held as an investor the ratings-based method shall be used for securitisation positions which have an external rating assigned by an External Credit Assessment Institution (ECAI).
 - The Group has no positions in assets awaiting securitisation in the reference period.
 - The Group records the net value of the credit transferred to the securitisation vehicles under the heading “Financial liabilities associated to transferred assets”, in order to reflect the Group's responsibility to deliver the financial flows originated by them.
289. The main accounting policies used in the financial statements relative to securitisation operations can be consulted in the notes to the consolidated financial statements, namely Note 1 ((page 194, 209 and 210), Note 37 (pages 271 and 274), Note 51 (pages 304-307), presented in the Annual Report for 2022.
290. The following tables meet the definitions in Implementing Regulation (EU) 637/2021 concerning securitisation and the positions in traditional securitisations, both relative to the Bank's own operations (originators) and in situations in which BM acts as investor.

Table 46 | Securitisation operations

(thousands of euros)																
Originator Institution: BM (100%)		Sponsor Institutions: Sagres STC, SA						Rating							2022	
Pelican Mortgage 3	Class	Securitised assets (nominal)	Amount in debt (nominal)	Interest retained (nominal)	Legal maturity	Fitch	Moody's	S&P	DBRS	Step-up clause (date)	Spread	Implicit support situations	Past due principal	Impairment		
X50293657416	Class A	717,375	93,414	99,598	set/54	AA- (sf)	A1 (sf)	AA+ (sf)	n.a.	3/15/2016	0.20%	no	105	165		
X50293657689	Class B	14,250	2,412	2,412	set/54	A- (sf)	Baa3 (sf)	BBB (sf)	n.a.	3/15/2016	0.30%					
X50293657846	Class C	12,000	2,031	2,031	set/54	BBBsf	Ba2 (sf)	BB (sf)	n.a.	3/15/2016	0.36%					
X50293657929	Class D	6,375	1,079	1,079	set/54	BBB- sf	B3 (sf)	B+ (sf)	n.a.	3/15/2016	0.68%					
X50293658067	Class E	8,250	0	0	set/54	n.a.	n.a.	n.a.	n.a.	-	-					
X50293658141	Class F	4,125	4,125	4,125	set/54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Originator Institution: BM (100%)		Sponsor Institutions: Sagres STC, SA						Rating							2022	
Pelican Mortgage 4	Class	Securitised assets (in millions of euros)	Amount in debt (in millions of euros)	Interest retained (nominal)	Legal maturity	Fitch	Moody's	S&P	DBRS	Step-up clause (date)	Spread	Implicit support situations	Past due principal	Impairments		
X50365137990	Class A	832,000	288,301	288,301	set/56	AA(sf)	n.a.	n.a.	AAsf	6/15/2017	0.30%	no	200	1,210		
X50365138295	Class B	55,500	25,521	25,521	set/56	AA- sf	n.a.	n.a.	n.a.	6/15/2017	0.45%					
X50365138964	Class C	60,000	27,591	27,591	set/56	BBB sf	n.a.	n.a.	n.a.	6/15/2017	0.60%					
X50365139004	Class D	25,000	11,496	11,496	set/56	BB sf	n.a.	n.a.	n.a.	6/15/2017	0.90%					
X50365139699	Class E	27,500	12,646	12,646	set/56	B sf	n.a.	n.a.	n.a.	6/15/2017	1.25%					
X50365139939	Class F	28,600	28,600	28,600	set/56	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Originator Institution: BM (100%)		Sponsor Institutions: Tagus STC, SA						Rating							2022	
Aqua Mortgage 1	Class	Securitised assets (in millions of euros)	Amount in debt (in millions of euros)	Interest retained (nominal)	Legal maturity	Fitch	Moody's	S&P	DBRS	Step-up clause (date)	Spread	Implicit support situations	Past due principal	Impairments		
X50400981279	Class A	203,176	41,701	41,701	dez/63	n.a.	n.a.	A+	AAA	-	0.15%	no	71	857		
X50400982087	Class B	29,824	16,443	16,443	dez/63	n.a.	n.a.	n.a.	n.a.	-	0.40%					
X50400983051	Class C	3,500	3,500	3,500	dez/63	n.a.	n.a.	n.a.	n.a.	-	n.a.					
Originator Institution: CEMG (60%) / MC (40%)		Sponsor Institutions: ARES LUSITANIS						Rating							2022	
Pelican Finance 2	Class	Securitised assets (nominal)	Amount in debt (nominal)	Interest retained (nominal)	Legal maturity	Fitch	Moody's	S&P	DBRS	Step-up clause (date)	Spread	Implicit support situations	Past due principal	Impairment		
PTLSNTOM0007	Class A	285,400	200,401,356	0	jan/35	AA- sf	n.a.	n.a.	AA (sf)	-	0.70%	no	5,119	3,304		
PTLSNUOM0004	Class B	20,700	14,535,067	0	jan/35	Asf	n.a.	n.a.	A (sf)	-	1.35%					
PTLSNVOM0003	Class C	17,500	12,288,100	0	jan/35	BBB+sf	n.a.	n.a.	BBB(sf)	-	2.25%					
PTLSNWOM0002	Class D	19,300	13,552,019	0	jan/35	BB+sf	n.a.	n.a.	BH(sf)	-	4.25%					
PTLSNYOM0000	Class E	17,400	12,217,882	0	jan/35	NRsf	n.a.	n.a.	NR	-	3.4% (fixed rate)					
PTLSNXOM0001	Class X	1	1	0	jan/35	NRsf	n.a.	n.a.	NR	-	n.a.					
Originator Institution: BM (100%)		Sponsor Institutions: BEI/FEI						Rating							2022	
Janus	Class	Securitised assets (in millions of euros)	Amount in debt (in millions of euros)	Interest retained (nominal)	Legal maturity	Fitch	Moody's	S&P	DBRS	Step-up clause (date)	Spread	Implicit support situations	Past due principal	Impairments		
	Senior	316,823	148,891	148,891	dez/35	n.a.	n.a.	n.a.	n.a.	-	0.38% (fixed rate)	no	547	194		
	Mezzanine	70,019	33,375	33,375	dez/35	n.a.	n.a.	n.a.	n.a.	-	6.5% (fixed rate)					
	Junior	6,707	6,707	6,707	dez/35	n.a.	n.a.	n.a.	n.a.	-	-					
Originator Institution: BM (100%)		Sponsor Institutions: 400Capital						Rating							2022	
Towers I	Class	Securitised assets (in millions of euros)	Amount in debt (in millions of euros)	Interest retained (nominal)	Legal maturity	Fitch	Moody's	S&P	DBRS	Step-up clause (date)	Spread	Implicit support situations	Past due principal	Impairments		
	Senior	804,771	804,771	804,771	dez/35	n.a.	n.a.	n.a.	n.a.	-	-	no	9	184		
	Mezzanine	29,300	29,300	29,300	dez/35	n.a.	n.a.	n.a.	n.a.	-	12.00%					
	Junior	835	835	835	dez/35	n.a.	n.a.	n.a.	n.a.	-	-					

Table 47 | Template EU-SEC1: Securitisation exposures in the non-trading book

(thousands of euros)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as originator						Institution acts as sponsor				Institution acts as an investor				
	Traditional		Non-STS		Synthetic		Subtotal	Traditional		Synthetic	Subtotal	Traditional		Synthetic	Subtotal
Dec-22	STS	of which SRT	of which SRT	of which SRT	of which SRT	of which SRT	of which SRT	STS	Non-STS	STS	Non-STS	STS	Non-STS	STS	Non-STS
001 Total exposures	-	-	-	-	805,896	805,896	805,896	-	-	-	-	-	1,069	-	1,069
002 Retail (total)	-	-	-	-	805,896	805,896	805,896	-	-	-	-	-	1,069	-	1,069
003 residential mortgage	-	-	-	-	805,896	805,896	805,896	-	-	-	-	-	1,069	-	1,069
004 credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
005 other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
006 re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
007 Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
008 loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
009 commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
010 lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
011 other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
012 re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 48 | Template EU-SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor or as sponsor

(thousands of euros)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
Dec-22	≤ 20 % RW	> 20 % to 50 % RW	> 50 % to 100 % RW	> 100 % to < 1 250 % RW	1 250 % RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1 250 % RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1 250 % RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1 250 % RW/ deductions
001 Total exposures	805,689	-	-	207	-	-	-	805,896	-	-	-	82,756	-	-	-	6,620	-
002 Traditional securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
003 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
004 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
005 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
006 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
007 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
008 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
009 Synthetic securitisation	805,689	-	-	207	-	-	-	805,896	-	-	-	82,756	-	-	-	6,620	-
010 Securitisation	805,689	-	-	207	-	-	-	805,896	-	-	-	82,756	-	-	-	6,620	-
011 Retail underlying	805,689	-	-	207	-	-	-	805,896	-	-	-	82,756	-	-	-	6,620	-
012 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
013 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 49 | Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor.

(thousands of euros)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
Dec-22	≤ 20 % RW	> 20 % to 50 % RW	> 50 % to 100 % RW	> 100 % to < 1 250 % RW	1 250 % RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1 250 % RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1 250 % RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1 250 % RW/ deductions
001 Total exposures	1,069	-	-	-	-	-	-	1,069	-	-	-	214	-	-	-	17	-
002 Traditional securitisation	1,069	-	-	-	-	-	-	1,069	-	-	-	214	-	-	-	17	-
003 Securitisation	1,069	-	-	-	-	-	-	1,069	-	-	-	214	-	-	-	17	-
004 Retail underlying	1,069	-	-	-	-	-	-	1,069	-	-	-	214	-	-	-	17	-
005 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
006 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
007 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
008 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
009 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
010 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
011 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
012 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
013 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 50 | Template EU-SEC5 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor.

(thousands of euros)

Dec-22	a	b	c
	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount	Of which exposures in default	Total amount of specific credit risk adjustments made during the period
001 Total exposures	834,071	-	-
002 Retail (total)	834,071	-	-
003 <i>residential mortgage</i>	834,071	-	-
004 <i>credit card</i>	-	-	-
005 <i>other retail exposures</i>	-	-	-
006 <i>re-securitisation</i>	-	-	-
007 Wholesale (total)	-	-	-
008 <i>loans to corporates</i>	-	-	-
009 <i>commercial mortgage</i>	-	-	-
010 <i>lease and receivables</i>	-	-	-
011 <i>other wholesale</i>	-	-	-
012 <i>re-securitisation</i>	-	-	-

291. For further information relative to securitisation operations, Note 51 (pages 304-307) of the notes attached to the financial statements of the Annual Report for 2022 can be consulted.

11. Position, credit, counterparty and settlement risks on the trading book

292. The trading book is composed of the positions held with the purpose of obtaining short-term gains, be it from sales or reassessment. The capital requirements relative to this portfolio are calculated based on the standardised approach, according to Title IV, Part III of the CRR. The positions that are considered as part of the trading book in prudential terms and, as such, subject to the calculation of capital requirements for market risk, are formalised in a regulation of the Institution.
293. Internal models to calculate capital requirements are not used, such that in accordance with the standardised approach applicable to market risk, the financial products in portfolio are broken down into two asset categories: debt instruments (including derivatives on debt instruments and comparable instruments) and capital securities (including derivatives on equity requirements and comparable instruments). In turn, the capital requirements for market risk are broken down into specific risk or exposure and general risk
294. The capital requirement for each category of assets is calculated according to the needs of coverage of specific risk and general risk for each one of the categories of assets. This way, according to the standardised approach, the following methodologies are applied to each exposure category:

Debt instruments

- General risk: corresponds to the risk of loss caused by unfavourable variations in the interest rate. For the calculation of the capital requirements

for the general risk, the method used is the one based on maturity, according to Subsection 2, Section 2, Chapter 2, Title IV of Part III of the CRR.

- Specific risk: corresponds to the risk of loss due to factors associated with the issuer. The capital requirements for these risks are based on the application of the methodology described in Subsection 1, Section 2, Chapter 2, Title IV of Part III of the CRR, which results in the weighting of assets according to the sector and credit quality of the issuer.

Equity

- General risk: corresponds to the risk of loss caused by unfavourable variations in the share market. For the calculation of the capital requirements for the general risk, the method used is the one provided for in Section 3, Chapter 2, Title IV of Part III of the CRR.
- Specific risk: corresponds to the risk of loss due to factors associated with the issuer. For the calculation of the capital requirements for the specific risk, the method used is the one provided for in Section 3, Chapter 2, Title IV of Part III of the CRR.
- For the calculation of the capital requirements for positions on CIUs, the method used is the one provided for in Section 6, Chapter 2, Title IV of Part III of the CRR.

Table 51 | Capital Requirements: Trading book

(thousands of euros)

Trading book risks	Requirements Own funds	
	Dec-22	Dec-21
Total trading book risk (1 + 2)	6,783	2,093
Position risk	4,048	0
Standardised approach for the trading book	4,048	0
Debt instruments		
Specific risk	0	0
General risk	3,829	0
Equity securities		
Specific risk	155	0
General risk	64	0
Collective investment undertakings (CIU)	0	0
Counterparty credit risk	2,736	2,092
Bonds	0	0
Derivative instruments	2,736	2,092
Other	0	0

295. In quantitative terms, using the methods described above, a capital requirement of 2.74 million euros was calculated for the trading book risks in December 2022.

12. Foreign exchange and commodity risks in the banking and trading books

296. The method used by the institution to calculate the minimum capital requirements for the exchange and commodity risks is the method provided for in chapters 3 and 4, Title IV of Part III of the CRR.
297. For the calculation of the capital requirements for the exchange risk, the method used is the one prescribed in Chapter 3, Title IV of Part III of the CRR. This method provides for the application of a weight of 8% (or 4% in the case of strictly correlated foreign currencies) to the sum of the liquid position in foreign currencies, in case this sum exceeds 2% of the total own funds.
298. With regards to the commodity risk, the calculation of the capital requirements is ascertained according to the Maturity Ladder Approach prescribed in chapter 4, Title IV of Part III of the CRR.
299. The Group's exchange risk requirements result essentially from the positions arising from the consolidation of the international subsidiaries, namely Finibanco Angola, and also of assets denominated in Brazilian Reais.
300. The following tables present the RWAs and the capital requirements for market risk by the standardised approach.

Table 52 | Capital Requirements: Foreign exchange and commodities risks

(thousands of euros)

OWN FUND REQUIREMENTS - FOREIGN EXCHANGE AND COMMODITIES RISKS		
Foreign Exchange and Commodities Risk	Dec-22	Dec-21
1. Foreign Exchange Risk (=1.1.+1.2.)	10,327	7,767
1.1. Standardised Approach	10,327	7,767
1.2. Internal Models Approach		
2. Commodities Risk (=Σ(2.1. to 2.2.))	0	0
2.1. Standardised Approach (=Σ(2.1.1. to 2.1.4.))	0	0
2.1.1. Maturity Ladder Approach or Simplified Approach		
2.1.2. Exchange-traded commodity futures and options		
2.1.3. OTC-traded commodity futures and options		
2.1.4. Other		
2.2. Internal Models Approach		
3. Settlement Risk	0	0

Table 53 | Template EU MR1: Market risk under the standardised approach

(thousands of euros)

Dec-22	RWEAs	Capital Requirements
Outright products		
Interest rate risk (general and specific)	1,879	150
Equity risk (general and specific)	2,736	219
Foreign exchange risk	129,088	10,327
Commodities risk	-	-
Options		
Simplified approach	45,980	3,678
Delta-plus method	-	-
Scenario approach	-	-
Securitisations (specific risk)	-	-
Total	179,683	14,375

301. With regard to market risk requirements, the increase in comparison to the previous year essentially results from foreign exchange risk, particularly the devaluation of the Kwanza resulting from Finibanco Angola's activity.
302. With regards to the valuation of the financial instruments of the trading book and banking book, the notes attached to the financial statements of the Annual Report for 2022 should be consulted, in particular Notes 22 and 23 on pages 427 to 433.

13. Exposures to banking book shares

303. Equity exposures can be classified in terms of objectives as belonging to the (i) trading book (those whose aim is to obtain a short-term profit from changes in their value and which can be short or long); (ii) banking book (those whose aim is to also obtain profit from changes in the value of the shares, but where the institution holds a more stable position over time); (iii) portfolio of holdings in associates (those in which the company does not have control of the company).
304. The recording of losses in equity exposures is carried out according to the portfolios in which those exposures are classified. The gains or losses in shares belonging to the trading book are promptly recognised in profit or loss.
305. The changes in value observed in shares classified at fair value through other comprehensive income are recorded under revaluation reserves, affecting equity. The instruments classified at fair value through other comprehensive income, according to IFRS 9, are not subject to impairment with the respective accumulated potential gains or losses (in revaluation reserves) being transferred to Retained Earnings on derecognition. Dividends received are recognised in profit or loss.
306. With regards to unlisted shares the fair value is estimated based on the use of the valuation methods: discounted cash flow (DCF) method, multiples method or adjusted book value method, according to the characteristic of those shares. Where it is not possible to obtain a market value for the share or a reliable fair value using the methods identified previously, the equity instruments will be recognised at historical cost and subject to impairment tests.

Table 54 | Equity exposures in the banking book

(thousands of euros)

	Listed shares		Unlisted shares		Other Equity Instruments		Total	
	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21
Acquisition cost	2,943	2,943	8,408	8,423	48,579	49,923	59,930	61,289
Fair value	2,600	2,700	18,365	19,435	38,357	40,480	59,322	62,615
Market price	2,600	2,700					2,600	2,700
Gains or losses arising from sales and settlements in the period:							1,899	3,750
Total unrealised gains or losses:							-609	-27,348
Total latent revaluation gains or losses							-609	-27,348

Note:

Other Equity Instruments consider venture capital funds (excludes real estate funds)

The portfolios "Non-marketable financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" were considered

307. Concerning the shares in the trading portfolio, as at 31st December 2022, the position in shares in that portfolio amounted to 1,373 thousand euros, all of which corresponded to listed shares (as at 31st December 2021 there were no positions in shares in this portfolio).
308. Further details on the portfolio of shares can be consulted in the notes attached to the financial statements of the Annual Report for 2022, in particular Note 22 (page 244 and 245) and Note 24 (page 248 and 253).

14. Operational Risk

309. With regard to capital requirements for operational risk, Regulation (EU) 575/2013 of the European Parliament and of the Council of 26th June considers operational risk to be a significant risk for credit institutions and therefore this type of risk requires specific coverage in terms of Own Funds.
310. The Banco Montepio Group calculates the own funds requirements for operational risk in accordance with the Standardised Approach, since 2010.
311. As referred to in Article 317, Chapter 3, Title III, Part III of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26th June, in the standard method the relevant indicator must be calculated by activity segments, which implies the existence of a prior mapping between the activities developed by the Institution and the proposed activity segments.
312. The following table shows the eight business segments and the list of associated activities, as well as the risk weights associated with each segment.

Table 55 | Activity segments and activities list

Activity Segments	List of Activities	Risk Weight
Corporate finance	<ul style="list-style-type: none"> - Underwriting of financial instruments and/or placing of financial instruments on a firm underwriting basis; - Services related to underwriting; - Investment advisory services; - Corporate advisory services on capital structure, industrial strategy and related matters; - Advisory services relating to mergers and acquisitions; - Investment analysis and Financial analysis and other forms of Generic advisory services relating to transactions in financial instruments. 	18%
Negotiation and sales	<ul style="list-style-type: none"> - Dealing on Own account; - Monetary markets intermediation; - Receiving and giving orders related to one or more financial instruments. - Orders carried out according to client's demands; - Placing of financial instruments without underwriting; - Exploration of multilateral trading facilities. 	18%
Payment and settlement	<ul style="list-style-type: none"> - Payment transactions; - Issuing and management of payment options. 	18%
Commercial banking	<ul style="list-style-type: none"> - Booking deposits and other reimbursable funds; - Loans; - Leasing; - Guarantee concession and undertaking commitments. 	15%
Agency services	<ul style="list-style-type: none"> - Custody and management of financial instruments according to client's demands, namely custody and related services such as treasury management and security deposits. 	15%
Retail banking	<ul style="list-style-type: none"> - Booking deposits and other reimbursable funds; - Loans; - Leasing; - Guarantee concession and undertaking commitments. 	12%
Retail brokerage	<ul style="list-style-type: none"> - Receiving and giving orders related to one or more financial instruments. - Orders carried out according to client's demands; - Placing of financial instruments without underwriting. 	12%
Asset management	<ul style="list-style-type: none"> - Portfolio management - Management of OICVM. - Other forms of asset management. 	12%

313. The principles for the allocation of activities across activity segments that institutions should observe are as follows:
314. All activities should be distributed over the activity segments listed in the previous table so that each activity corresponds to only one segment and no activity remains unallocated;
315. Any activity that cannot be easily allocated to the defined activity segments, but which represents an auxiliary function of an included activity, should be allocated to the activity segment to which it provides support. If this auxiliary activity supports more than one activity segment, objective allocation criteria should be used;
316. If an activity cannot be allocated to a specific activity segment, it should be allocated to the activity segment to which the highest percentage corresponds. Any related auxiliary activity should be allocated to the same activity segment;
317. Institutions may use in-house price-fixing methods to distribute the relevant indicator over different activity segments. Costs generated in one activity segment that are imputable to a different activity segment can be reallocated to the activity segment to which they belong;
318. The distribution of activities over the activity segments, for purposes of determining own fund requirements to cover operational risk should be consistent with the categories used for credit and market risk;

319. The management is responsible for the distribution policy, under control of the institution's management body;
320. Under the standardised approach, own funds requirement to cover operational risk consists of the average of the last three years of the sum of the relevant indicators, calculated in each year, weighted by the risk related to the activity segments referred to above.
321. The relevant indicator consists of the sum of net interest income and other net income, on an annual basis, reported at the end of the financial year.
322. Relevant Indicator
- + Interest and equivalent income
 - Interest and equivalent costs
 - + Income from shares and other variable/fixed yield securities
 - + Commissions and fees received
 - Commissions and fees paid
 - + Net trading income
 - + Other operating income
323. These items should be adjusted, if necessary, in order to meet the following conditions:
- a) The relevant indicator should be calculated before deducting any provisions and operating costs, with the latter including commissions and fees paid for services provided by third parties (outsourcing) that are not the parent company or subsidiary of the institution, nor subsidiary of a parent company that is also parent company of the institution;
 - b) Commissions and fees paid for outsourcing services provided by third parties that are the parent company or subsidiary of the institution, subsidiary of a parent company that is also parent company of the institution, can contribute to reduce the relevant indicator if charged by a company that is subject to supervision by virtue of the regulations herein or equivalent rules;
 - c) Commissions and fees received for the provision of outsourcing services should contribute to increase the relevant indicator;
 - d) When not arising from the current activity of the institutions, the profit/loss from the sale of items not included in the trading book, extraordinary results, income from insurance activity specifically (excluding the mere activity of insurance intermediation, understood as an activity auxiliary to the current activity of the institutions) and the indemnities received arising from insurance taken out (for example, to meet operational losses) should not be considered to calculate the relevant indicator.
324. The following table presents, according to the standardised method, the calculation of the capital requirements allocated to operational risk in the last three years.

Table 56 | Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

(thousands of euros)

	Approach	Relevant indicator			Own funds requirements	Risk exposure amount
		2020	2021	2022		
1	Banking activities subject to the basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	364,066	378,798	399,790	49,752	621,903
3	Subject to TSA:	364,066	378,798	399,790		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches (AMA)	-	-	-	-	-

15. Banking book interest rate risk

325. The potential loss in the positions of a bank arising from the adverse variation of prices in the market is known as market risk. The interest rates are one of the main risk factors in the activity of a bank. The interest rate risk occurs not only in the trading book but also in the banking book.
326. The interest rate risk assessment arising from banking book operations is carried out by analysing risk sensitivity.
327. Following the Basel recommendations and Banco de Portugal Instruction 34/2018 of 26th December, the Group calculates its exposure to the exchange rate risk based on the methodology of the Bank of International Settlements (BIS), classifying all the assets, liabilities and off-balance sheet items, which do not belong to the trading book, by repricing levels. Principal and interest cash flows are distributed over time bands of maturities based on prepayment rates and early withdrawals gauged by the historical analysis of this behaviour.
328. Interest rate risk management is conducted with the aim of optimising both net interest income and the economic value of the balance sheet. This risk is monitored on at least a quarterly basis. However, this management is conducted by always taking account of the defined limits in terms of risk appetite.
329. These limits are used in the sensitivity analysis of net interest income and the economic value of different stress scenarios:

Parallel up	Parallel 200 bps increase in the interest rate curve.
Parallel down	Parallel 200 bps decrease in the interest rate curve.
Steepener	250 bps increase of the minimum point on the interest rate spot curve, with the increase dropping to zero at the maximum point (25 years).
Flattener	250 bps decrease of the minimum point on the interest rate spot curve, with the decrease dropping to zero at the maximum point (25 years).
Short rates up	160 bps decreases in the short term gradually evolving to 90 bps increases in the long term
Short rates down	197 bps increases in the short term that gradually evolve to decreases of 60 bps in the long term.

330. The following table summarises the results of the impact of simulated shocks on net interest income and on economic value. Disaggregated values by currency are not presented since the EUR currency represents approximately 98% of the position.

Table 57 | EU IRRBB1 - Interest rate risks of the activities not included in the trading portfolio

(thousands of euros)

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	Dec-22	Dec-21	Dec-22	Dec-21
1 Parallel up	88,326	-176,500	100,870	82,700
2 Parallel down	-189,817	223,900	-100,870	-82,700
3 Steepener	50,695	25,800		
4 Flatteners	-106,020	14,400		
5 Short rates up	-21,630	-118,500		
6 Short rates down	26,386	88,400		

331. The impacts on the economic value and on the estimated 1-year net interest income are based on the repricing gaps calculated as described below and on the standard shock on the interest rates to be applied to the amounts that reprice at each moment. The standard shock is applied as described in Article 4 of Banco de Portugal Instruction 34/2018, using as risk-free yield curve the EURIBOR curve for maturities up to 12 months and the euro swap curve for subsequent maturities. A repricing gap is the difference between the value of assets and the value of liabilities that renew the interest rate in a certain period. The gap will be positive (negative) if the total assets are higher (lower) than the total liabilities that reset the rate in that period. The following aspects are considered in the construction of the repricing model:

- The cash flows of principal and interest relating to assets, liabilities and hedging derivatives, remunerated at a variable rate, are grouped according to the interest rate reset period;
- Cash flows of principal and interest relating to assets, liabilities and hedging derivatives, remunerated at a fixed rate, are considered as interest rate resets on the maturity date;
- Interest cash flows include the spread component;
- A static model is applied on a consolidated basis, i.e., the balance sheet positions on the reference date are considered, including hedging derivatives, in which the total volume and composition of cash flows that mature or that reprice are replaced by new cash flows with identical characteristics in terms of amount, repricing period and spread, considering, however, the incorporation of the following behavioural aspects, whose modelling is unconditional to the interest rate scenario:
 - The cash flows of principal and interest on loans and time deposits are distributed over the time band of maturities based on prepayment rates and early withdrawal rates, respectively, gauged through historical analysis of these behaviours at Banco Montepio.
- There are no materially significant positions in currencies other than the Euro. A currency is considered material whenever the exposure to this currency represents more than 5% of total assets or liabilities of the banking portfolio, in line with what is stipulated in Banco de Portugal Instruction 34/2018;

- It is verified that positions with automatic options are not material, as they are not treated differently from the other positions. These positions are considered material whenever they represent more than 1% of total assets or liabilities;
 - Cash flows are distributed by time bands with at least the granularity stipulated in Banco de Portugal Instruction 34/2018;
 - Excluded from the calculation are trading book positions and non-interest rate sensitive positions, such as property and other tangible assets, intangible assets, equity securities, investment fund units, cash, current and deferred tax assets and liabilities, provisions and shareholder's equity;
 - Cash flows related to recoveries on non-performing positions were calculated based on the recovery rates implicit in the LGD of the homogeneous populations impairment model;
 - As for the behavioural maturity of deposits with no defined maturity, the distribution by maturity was assumed in accordance with the internal statistical model developed. The maximum review period for the rates on deposits without defined maturity assigned to the various maturities is six-monthly. On average this calculation is quarterly.
332. The risk measures disclosed make it possible to assess the impact on economic value and earnings of a varied set of movements in the interest rate curve. The interest margin and economic value sensitivity measures are measures that complement each other and allow an overview of the structural interest rate risk that is more focused on the short and medium term in the case of the margin sensitivity and on the medium and long term in the case of the economic value. The profile of repricing gaps changed from the last report due to the inclusion of deposits without defined maturity, which motivated exposure to a decline in rates rather than a rise.
333. In addition to the impacts on economic value and results mentioned above, Banco Montepio regularly monitors the following metrics and associated limits on a monthly basis:

RAS Limit:
Economic capital requirements in the interest rate (M€) - RAS
Gap risk
Impact on net interest income of a 100 basis points change in the interest rate curve (parallel risk)
Impact on own funds of a 100 basis point change in the interest rate curve (parallel risk)
Impact on net interest income of a variation estimated through VaR on the interest rate curve (parallel risk)
Impact on economic value of a variation estimated through VaR on the interest rate curve (parallel risk)
Impact on net interest income of a change estimated through VaR on the interest rate curve (non-parallel risk or yield curve risk)
Impact on economic value of a change estimated through VaR on the interest rate curve (non-parallel risk or yield curve risk)
Basis risk:
Impact on net interest income of a change estimated through VaR on the interest rate curve by indexer
Impact on economic value of a variation estimated through VaR on the interest rate curve by indexer
Option risk:
Impact on net interest income against fixed rate credit prepayments as a result of a decline in the interest rate curve estimated through VaR
Impact on net interest income due to early withdrawals of callable term deposits and fixed rate deposits as a result of an increase in the interest rate curve estimated through VaR

334. For further information on interest rate risk, see Note 49 on Risk Management, in the chapter on Interest Rate Risk of the Banking Book, on pages 507 to 5089 of the Annual Report for 2022.

16. Liquidity and funding risk

335. Liquidity risk is assessed using defined regulatory indicators, as well as other internal metrics for which there are established internal limits. This control is strengthened with the monthly conduct of stress tests, aimed at characterising the risk profile and ensuring that the Group complies with its obligations in a liquidity crisis scenario. Liquidity risk management includes processes to identify relevant risk factors, as well the establishment of action plans and procedures that permit risks to be controlled and monitored.
336. The aim of the liquidity risk management strategy is to provide the Bank, at all times, with sufficient levels of liquidity to meet its liabilities without placing at risk the funding structure and the equilibrium of the Bank's balance sheet structure. This strategy is also regulated by the internal limits of appetite risk.
337. The aim of liquidity risk management is to maintain a sufficient buffer of liquidity and guarantee compliance with the various regulatory requirements relative to liquidity risk, ensuring that treasury needs are met and the maintenance of a portfolio of liquid assets. Within this scope of liquidity management and control, prudential information, namely information on LCR and NSFR, is prepared for the supervisory authority on a regular basis. The following tables present information on the average quarterly value of the LCR, the annual value of the NSFR and the main components of both, in accordance with the EBA guidelines (EBA/GL/2020/04)
338. The BM Group defines a liquidity risk strategy, which is approved by the Board of Directors, which incorporates the liquidity risk appetite, as an integral part of the RAS. In addition to the strategic risk appetite limits, whose governance is laid down in specific regulations, other operating limits may be established (for example, funding concentration, depositor concentration, etc.), in accordance with the Liquidity Risk Management Policy in force, which also defines the governance procedures in the event of breaches of the defined limits. The liquidity strategy should serve as a guideline for the BM Group's investment policy, and which should take into account concentration limits for the liquidity buffer.
339. The Board of Directors should discuss and approve the strategic initiatives to improve the liquidity risk management processes, mitigating the risk to which it is exposed and establishing the main objectives to be met in the coming years and demonstrating that the Bank is committed to the future development of its structure in managing this materially relevant risk.

340. The various components that make up ILAAP should provide the Board of Directors and the supervisory body with an appropriate perspective of the evolution of the Group's liquidity and financing risk profile, as well as its current global exposure to risk, providing information on the available sources of liquidity and the Group's liquidity adequacy. ILAAP interlinks with the risk appetite process to define or adjust liquidity and funding risk management metrics, as well as providing valuable information for the planning process to achieve business, capital and funding objectives.
341. Liquidity risks, including the main sources identified in the materiality risk assessment process, set the basis for the ILAAP and ICAAP processes and should adequately reflect the specific position of the BM Group resulting from its business strategy. Thus, vulnerabilities and the main sources of liquidity risk must be addressed when defining internal limits and stress scenarios.
342. Thus, under the BM Group's established risk appetite, limits and strategic objectives are defined for key indicators, with liquidity risk being one of the risks considered materially relevant, namely in the subcomponents of Liquidity Risk and Funding.
343. Therefore, based on the defined limits, the evolution of the risk profile of the BM Group in relation to the risk appetite, including liquidity and funding risk, is regularly monitored and reported to the Bank's management and supervisory bodies.
344. In addition, liquidity risk management also includes carrying out scenario analyses, stress tests and reverse stress tests on liquidity risk indicators, as well as drawing up a Liquidity Contingency Plan and monthly monitoring of the Survival Period (time until occurrence of liquidity difficulties if corrective measures are not implemented beforehand), as defined in the Bank's internal regulations. For the purpose of day-to-day monitoring and management of liquidity risk, the development of univariate or multivariate stress tests and reverse stress tests is ensured, as well as their calibration, with a view to reporting them both to the ALCO and to the management and supervisory bodies.
345. The stress tests carried out for the purposes of day-to-day monitoring and management of liquidity risk shall consider at least one idiosyncratic risk factor consisting in an outflow of deposits and one systemic risk factor consisting in a downgrade of the rating of assets eligible for funding operations with the ECB. The reporting of these stress tests should include the impacts on the liquidity reserve, the 1-month, 3-month, 6-month and 12-month cumulative liquidity gaps and the survival period, on a consolidated basis.

Table 58 | Template EU LIQ1: Quantitative information on liquidity coverage ratio (LCR)

		(thousands of euros)							
		a	b	c	d	e	f	g	h
		Total non-weighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	31/Dec/2022	30/Sep/2022	30/Jun/2022	31/Mar/2022	31/Dec/2022	30/Sep/2022	30/Jun/2022	31/Mar/2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					3,847,645	3,897,594	3,772,399	3,553,893
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	10,621,678	10,560,908	10,510,518	10,477,277	402,512	394,001	383,482	372,878
3	Stable deposits	4,707,323	4,645,348	4,576,639	4,490,493	235,366	232,267	228,832	224,525
4	Less stable deposits	1,607,364	1,555,786	1,488,407	1,427,767	167,146	161,733	154,650	148,354
5	Unsecured wholesale funding	2,384,451	2,353,273	2,306,359	2,208,032	978,964	968,814	954,634	921,931
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	672,376	665,390	622,931	580,768	168,094	166,347	155,733	145,192
7	Non-operational deposits (all counterparties)	1,712,075	1,687,883	1,683,428	1,627,196	810,870	802,466	798,901	776,671
8	Unsecured debt	-	-	-	68	-	-	-	68
9	Secured wholesale funding	-	-	-	-	0	0	0	0
10	Additional requirements	2,019,986	2,016,381	2,019,333	2,018,131	194,340	192,213	190,601	188,441
11	Outflows related to derivative exposures and other collateral requirements	37,695	35,902	33,919	32,122	37,695	35,902	33,919	32,122
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	1,982,291	1,980,479	1,985,414	1,986,009	156,645	156,311	156,683	156,319
14	Other contractual funding obligations	127,037	124,424	62,119	64,039	109,549	106,359	43,730	45,672
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					1,685,365	1,661,387	1,572,448	1,528,921
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	207,871	220,256	235,732	248,785	129,421	145,596	165,255	182,182
19	Other cash inflows	19,858	18,967	18,688	18,791	19,858	18,967	18,688	18,791
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	227,729	239,223	254,420	267,576	149,279	164,563	183,942	200,973
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	227,729	239,223	254,420	267,576	149,279	164,563	183,942	200,973
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					3,847,645	3,897,594	3,772,399	3,553,893
22	TOTAL NET CASH OUTFLOWS					1,536,086	1,496,824	1,388,505	1,327,948
23	LIQUIDITY COVERAGE RATIO					250%	260%	272%	268%

346. The LCR ratio relates the stock of unencumbered high-quality liquid assets with the short-term net fund requirements, and seeks to ensure that the Bank holds sufficient (free and unencumbered) assets to deal with situations of stress, in terms of liquidity, for a minimum period of at least 30 days.

Table 59 | Template EU LIQB: Qualitative information on LCR, which complements template EU LIQ1

Row No.	Qualitative Information	Comments
a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	LCR results stem from BM's very comfortable liquidity position. LCR's calculation has maintained the same criteria and interpretation of the legislation in force over time.
b)	Explanations of the changes in the LCR over time	The average 12-month LCR was 250% in December 2022, a negative evolution from 260% in September 2022. This negative evolution is mainly explained by the increase in liabilities to the ECB, due to the effect of the rise in interest rates, although the positive effect of the issue of covered bonds in the fourth quarter of 2022 should be noted.
c)	Explanations on the actual concentration of funding sources	BM's financing structure is essentially based on customer resources (about 75%), on recourse to ECB facilities (about 16%) and on a reduced level of funding from capital and money markets.
d)	High-level description of the composition of the institution's liquidity buffer.	At the end of December 2022, BM held a liquidity buffer made up essentially of 99% by deposits in central banks and HQLA level 1 assets. The remaining 1% is derived almost entirely from cash values deducted from the cash equivalents associated with the Bank of Portugal's reserves.
e)	Derivative exposures and potential collateral calls	BM considers the known payments and receipts arising from expected derivative transactions over 30 days. It also considers an additional outflow for derivative operations subject to CSA, calculated in accordance with the legislation in force.
f)	Currency mismatch in the LCR	There are no currency inconsistencies in the LCR.
g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	The items relevant for the calculation of the LCR, are provided in the template for the LCR disclosure.

347. The minimum ratio of 100% required on a prudential basis implies that the high-quality liquid assets (after being subject to the regulatory haircuts) must exceed the value of the net cash outflows in the 30 subsequent days (estimated net outflows based on regulatory weights).

348. The NSFR is a structural ratio that aims to assess the liquidity profile over the medium term. The regulator has set a minimum ratio of 100%, requiring banks to provide a stable amount of funding (dependent on their capital, type and terms of liabilities) that is sufficient to meet their stable funding needs (arising from the liquidity characteristics of their assets and potential commitments).
349. The prudentially required minimum ratio of 100% implies that the amount of available stable funding must be greater than the amount of stable funding required.

Table 60 | Template EU LIQ2: Net Stable Funding Ratio

(thousands of euros)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,136,146	-	-	206,743	1,342,890
2	Own funds	1,136,146	-	-	206,743	1,342,890
3	Other capital instruments		-	-	-	-
4	Retail deposits		6,119,268	995,886	2,207,670	8,956,566
5	Stable deposits		5,927,400	977,741	2,170,679	8,730,562
6	Less stable deposits		191,868	18,145	36,992	226,004
7	Wholesale funding		4,558,417	678,519	1,851,616	3,695,424
8	Operational deposits		-	-	-	-
9	Other wholesale funding		4,558,417	678,519	1,851,616	3,695,424
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	17,698	752,812	25,387	556,088	568,782
12	NSFR derivative liabilities	17,698				-
13	All other liabilities and capital instruments not included in the above categories		752,812	25,387	556,088	568,782
14	Total available stable funding (ASF)					14,563,661
Required Stable Funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					371,969
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		29,302	26,957	1,476,305	1,302,679
16	Deposits held at other financial institutions for operational purposes		60,740	-	151,768	182,138
17	Performing loans and securities:		732,545	439,170	8,734,294	7,455,647
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		45,439	6,265	37,315	44,992
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		681,317	432,904	8,686,774	7,399,087
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		203,630	157,558	4,747,502	3,522,381
22	Performing residential mortgages, of which:		-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,789	0	10,204	11,568
25	Interdependent assets		-	-	-	-
26	Other assets:		127,265	-	2,167,164	2,167,164
27	Physically traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			-		-
29	NSFR derivative assets			-		-
30	NSFR derivative liabilities before deduction of variation margin posted			-		-
31	All other assets not included in the above categories		127,265	-	2,167,164	2,167,164
32	Off-balance sheet items				2,091,423	173,424
33	Total Stable Funding Required (RSF)					11,653,021
34	Net Stable Funding Ratio (%)					125%

350. In 2022, the funding structure was primarily based on customer deposits, and on the use of medium-term financing lines of the ECB (TLTRO). Liquidity inflows were essentially due to revenue derived from the repayment and settlement of credit operations, as well as the sale of assets related to real estate exposure.
351. In 2022 the Group recorded comfortable levels of liquidity, with a liquidity buffer that allows it to meet its responsibilities towards customers and commercial partners, even in a scenario of general stress such as the one considered by the Liquidity Coverage Ratio (LCR).

352. For further information, see Note 53 on Risk Management, in the chapter on liquidity risk, on pages 338 to 341 of the Annual Report for 2022.

17. Environmental, Social and Governance (ESG) Risks

353. This chapter seeks to comply with the disclosure of environmental, social and governance (ESG) risks, as delineated in Article 449-A of Regulation (EU) 2019/876 of the European Parliament and of the Council. This article requires large institutions that have issued securities listed for trading on a regulated market of any Member State to disclose information on ESG risk, including physical risks and transition risks, from 28th June 2022 onwards.

354. ESG risks are currently a key topic in our economy. In 2018, the European Commission presented the “Action Plan for Financing Sustainable Growth”, in which sustainable growth is deemed the process of considering environmental, social and governance issues, as follows:

- Environmental: attenuation and adaptation to climate change and to the environment in a wider form (such as loss of biodiversity, scarcity of resources) and related risks (such as natural disasters);
- Social: inequality, inclusion, human rights, labour relations, investment in human capital and communities;
- Governance: management structures, labour relations and remuneration of executives.

355. Environmental and social issues are usually interlinked. In the case of climate change, they can intensify existing systems that boost inequality. Governance issues must ensure the inclusion of social and environmental considerations in the decision-making process. This same document highlights that the financial system will play fundamental role in fostering a greener and more sustainable economy, with the redirection of private capital towards more sustainable investments, requiring a profound evolution in the functioning of the financial system. As a goal, it is envisaged that the European Union (EU) should be able to ensure more sustainable economic growth, the stability of the financial system and foster transparency and a long-term vision in the economy.

356. In 2021, the European Commission presented the “European Pillar of Social Rights Action Plan” which demonstrated that “Europe is home to the most equal societies in the world, the highest standards in working conditions, and broad social protection”. This document presents three major targets of the European Union (EU) to be achieved by 2030 in the spheres of employment, skills and social protection:

- At least 78% of the population aged 20 to 64 should be in employment by 2030;

- At least 60% of all adults should participate in training every year by 2030;
- The number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030.

357. Climate change must imperatively be addressed in the world, and especially in Europe, in particular:

- The Paris Agreement, adopted in 2015, covering the need to strengthen the global response to the threat of climate change, in the context of sustainable development and the efforts to eradicate poverty, by:
 - Maintaining the world's average temperature below 2°C in relation to pre-industrial levels and progressing the efforts to limit the temperature increase to 1.5°C above pre-industrial levels;
 - Increasing the adaptation capacity, enhancing the resilience to these changes and promoting development with low greenhouse gas emissions, not placing food production at risk;
 - Ensuring that financial flows are consistent with a pathway towards low greenhouse gas emission and climate-resilient development.
- The United Nations 2030 Agenda, dated 2015, contained in the document *"Transforming our world: The 2030 Agenda for Sustainable Development"*, which establishes the Sustainable Development Goals (SDG) and sets out targets for a transition to low-carbon and more circular economies;
- The European Green Deal, presented in 2019 by the European Commission, which establishes the goal of transforming Europe, where *"the EU aims to be climate-neutral by 2050 – an economy with net-zero greenhouse gas emissions and in which economic growth is dissociated from the use of resources"*.

358. Banks perform a crucial role in this topic, as indicated by the European Commission, in 2018, in the "Action Plan for Financing Sustainable Growth", as they will also be exposed to higher losses driven by lower profitability of the companies more exposed to climate change or that are strongly dependent on increasingly more scarce natural resources. This document highlights the need to integrate environmental and social goals in the financial decision-making process, in order to reduce the financial impact of social and environmental risks, as "an increase of temperatures in the planet by 2 degrees centigrade could have destabilising effects on Europe's economy and financial system".

359. Accordingly, BM has successively developed its work in the area of sustainability, with the year of 2022 having been marked by the start of the implementation of the management framework for climate risks and other ESG risk factors, crucial for gradual progress in this topic. The main risks arising from its activity may directly or indirectly affect the Banco Montepio Group's sphere of sustainability and social responsibility.

360. With more than 178 years of existence, BM has greatly invested in the social economy and solidarity area, being at the side of those in need, supporting those who help to improve the life of many, investing in innovation (social and environmental) and in the entrepreneurial spirit. BM thus seeks to contribute on a daily basis to the social, economic and environmental sustainability of our country.
361. It has sought to respond to each one of the qualitative issues delineated in European Commission Implementing Regulation (EU) 2022/2453. Templates 1, 2, 4 and 5 are disclosed in the quantitative templates, pursuant to the regulation referred to above.
362. It should be noted that the quantitative templates related to ESG risks are being completed for the first time, based on exposure methodologies developed for the purpose, whose results are highly dependent on the assumptions used. It should also be noted that the routines underlying data extraction were carried out for the first time, with no historical records to validate various other tables contained in the Market Discipline document. Moreover, the limitations of underlying data in the calculation of these exposures are known. Consequently, the data extractions and methods underlying the completion of the quantitative tables will be revised in the future due to the still preliminary stage of the ESG risk assessment. Due to these observations, a warning is given, similar to that issued by the ECB at the time of disclosure of the first climate risk indicators of the system in January of this year. The quantitative indicators presented are still work in progress and should, therefore, be read with due caution.

17.1 Qualitative Information on Environmental Risks

17.1.1 Business strategy and processes for environmental risks

363. This subchapter will address the qualitative information on environmental risk, namely the points on business strategy and processes, corresponding to questions a), b), c) and d).
364. Sustainability is part of Banco Montepio's DNA, demonstrating since the very beginning a commitment to society, to each Person and to the Planet. The year of 2022 was marked by the implementation of the sustainability strategy with a global and more comprehensive vision of the challenges and opportunities faced, in order to present a relevant contribution in relation to ESG.
365. Climate and environmental risks were included in Banco Montepio's risk taxonomy, revised in 2022. Information about performance in 2022 in terms of environmental risks can be found on pages 156 to 157 of the Annual Report.
366. The Bank formalised risk goals for sustainability incorporated in the Risk Appetite Statement with: recognition of additional risk factors in the process of identification of risks in the existing categories; and, at an initial stage, the implementation of RAS metrics, with no indication or definition of limits in the Risk Appetite Framework and Risk Appetite Statement. After the analysis of their evolution, RAS limits were defined for specific indicators framed under ESG risks in the Bank's RAS 2023.

367. Banco Montepio officially endorsed the UN Global Compact as a participant of its principles, aimed at aligning the financial sector's activity with the Sustainable Development Goals (SDG) and Paris Agreement on climate change. Additionally, the Bank subscribed the Letter of Commitment for Sustainable Financing in Portugal and the Charter for Responsible Business of the European Savings Banks Group (ESBG / WSBI).

368. In the environmental area, we highlight:

- The commitment to reduce its environmental and carbon footprint, maintaining in progress, among other initiatives, the plan to replace the combustion vehicle fleet with plug-in, hybrid and 100% electric vehicles. Alongside this, the Bank ensure the collection and recycling of bank cards, under the *Merece* initiative;
- In its digital transition strategy, the Bank is investing in refrigeration systems and data centres with lower energy consumption and lower carbon impact, in order to reduce the environmental impact associated with the exponential growth of technological and digital activities and contents;
- The expansion of Mortgage Loans for housing with energy certificates A or A+ and credit for renovation works, promoting energy efficient, comfortable, affordable and sustainable housing;
- The provision of a Protocolled Credit Line for Decarbonisation and Circular Economy and the support to the Recovery and Resilience Plan (PRR) for acquisition of 100% electric vehicles, directed at Social Economy and Solidarity Entities (EESS) for provision of home support services;
- The promotion of sustainable financing through the structuring of bonds with a sustainability focus (green project bonds, green bonds and sustainability linked bonds) and the granting of loans for green purposes, thus strengthening its commitment to climate transition. Provision to the customer of a specialised multidisciplinary team and a service focused on supporting Portuguese companies that wish to act and mitigate the effects of climate change, promoting the transition to a greener economy;
- The beginning of the implementation of the Supplier Qualification Process, which will include endorsement of the Code of Conduct, in order to contribute positively and responsibly to the sustainable development of the economy and communities.

369. In terms of policies and procedures related to the counterparties on their environmental strategies, it should be noted that the current Risk Management Policy in force assumes the management of risks of diverse nature, including climate and environmental risks. Furthermore, the Bank approved its ESG Risk Policy, which envisages that ESG risk control should be carried out by 3 lines of defence, in which the 1st line of defence should carry out an initial assessment of the risks of new customers and suppliers (or when revisions are made to existing customers and suppliers) and interact with the customers in order to understand their contribution to the level of carbon and emissions, as well as business plans to mitigate climate risk.

17.1.2 Governance of Environmental Risks

370. This subchapter will address the qualitative information on environmental risk, namely the points on governance, corresponding to questions e), f), g), h) and i).

371. The ESG Risk Management Policy foresees the following duties of the Board of Directors in relation to the definition of the framework for risk, supervision and management of the execution of objectives, the strategy and policies on environmental risk:

- The approval of the Banco Montepio Group's ESG strategy and establishment, supervision and monitoring of the implementation of strategic objectives, the risk strategy and governance provisions of the institution, as well as the definition and supervision of progress in the institution's ESG objectives and/or limits; the approval of the Banco Montepio Group's ESG risk management policy, including the monitoring of the evolution of the risk profile, the appraisal of the reports submitted and the definition of risk limits in individual and consolidated terms;
- Guarantee the existence of the necessary resources to enable ESG Risk to be managed properly and effectively, as well as its integration in Banco Montepio's organisational structure; ensure that the organisational structure considers potential interactions between ESG risks and financial risks.

372. The ESG Risk Policy determines that the Board of Directors is responsible for guaranteeing the existence of the necessary resources to enable ESG Risk to be managed properly and effectively, as well as the incorporation of responsibilities, under ESG risks, in Banco Montepio's organisational structure, ensuring that the organisational structure considers potential interactions between ESG risks and financial risks.

373. Moreover, Banco Montepio's CANESG Regulation in force foresees that this Committee should support the Board of Directors in the definition of a social responsibility policy, including sustainable development and environmental protection, in the context of Banco Montepio's corporate conduct and the definition of the risk management strategy and policy. Complementing this, the control of ESG risk should be carried out by the 3 lines of defence.

374. Adding to what has already been referred to in the previous points, it should be noted that Banco Montepio has a Risk Committee that, as an advisory body of the Board of Directors and Executive Committee on specialised risk matters, is entrusted with the following duties, among others:

- Follow-up and monitoring of compliance with the approved policy for ESG risk management;
- Assessing the consistency between the business model, the ESG strategy, the recovery plan, the remuneration policies and the budget, as well as the efficacy and effectiveness of the structure, procedures and instruments associated with the implementation and execution of the risk strategies;
- Analysing whether the conditions of the products and services offered to the customers take into account Banco Montepio's ESG risk strategy, and submitting a correction plan to the Board of Directors, when this analysis indicates that these conditions do not adequately reflect the risks.

375. The risk management framework establishes that the Risk Committee should:

- Advise the Board of Directors and Executive Committee on the ESG risk appetite and strategy, and assist the Board of Directors in their supervision, including in the monitoring of the established limits;
- Analysing and assessing the methodology and respective results supporting the process of identification, assessment and measurement of ESG risks;
- Monitoring the evolution of the risk profile through the evolution of the ESG risk indicators, in a Group perspective.

376. Pursuant to the ESG Risk Policy, Banco Montepio has defined reporting lines in accordance with those defined in the Internal Regulation of the Risk Management Function in force, updated at the beginning of 2023. It has also been foreseen that reporting lines should be defined in conformity with that established in the Bank's Sustainability Strategy. In terms of functional reporting, the Sustainability Office reports to the Executive Committee on Sustainability (CESU), which in turn reports to the Executive Committee.
377. The Risk Department (DRI), through the ESG Risk Management Centre, is responsible for the environmental risk management function, supporting the development of methodologies, identification of metrics and structures that enable risk management, with reporting to the management and supervisory bodies being foreseen.
378. In terms of remuneration, note should be made of the Assessment, Appointments, Ethics, Sustainability and Governance Committee (CANESG), whose regulation indicates its role in assisting the Board of Directors and Remuneration Committee in carrying out their duties with respect to: selection and assessment of adequacy, profile and performance; remuneration and incentives created within this scope for risk, capital and liquidity management purposes; and ethics, sustainability and corporate governance.
379. Complementing this, the Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio in force, approved on 29th April 2022, indicates that the variable component of the remuneration of the Executive Committee's members is structured in order to ensure that it does not limit the Bank's capacity to strengthen its base of own funds and liquidity.

17.1.3 Environmental Risk Management

380. This subchapter will address the qualitative information on environmental risk, namely the points on risk management, corresponding to questions j), k), l), m), n), o), p), q) and r).
381. The Risk Management Function should promote the continuous monitoring of the results of the exercises, ensuring the dissemination of the results among the Bank's different bodies, and develop methodologies, identification of metrics and structures to enable the management of these risks, being entrusted with the duty of their periodical reporting to the management and supervisory bodies.
382. The incorporation of ESG risks in the Risk Management Function, as well as their channels of transmission, enables ensuring the consideration of the impact of ESG risks in the long-term, in the decision-making process and in the risk appetite of the Bank.

383. Banco Montepio's ESG Risk Policy is aligned with the national and European guidelines, namely Banco de Portugal Notice 3/2020 of 15th July, on matters of internal governance of credit institutions and financial companies, which considers the existence of a series of policies aimed at identifying, assessing, monitoring and controlling all the risks to which the Bank is currently exposed to, or may be exposed to in the future. It also meets a series of regulatory expectations (European Banking Authority (EBA)/REP/2021/18 on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms and ECB - Guide on climate-related and environmental risks), aimed at developing a common base of guidelines with respect to the reporting and continuous management carried out by institutions in the context of sustainable activities.
384. Environmental risk ("climate and environmental risks") is defined in Banco Montepio's risk taxonomy. At an initial stage, the risk assessment process should be primarily qualitative incorporating a forward-looking perspective, as the climate-related historical events do not provide a base for construction of a quantitative analysis.
385. The ESG Risk Policy estimates that, at a first stage, the Bank should analyse whether its portfolio is aligned with the climate targets, offering a vision of its distance in relation to these targets and enabling adaptation of the strategy accordingly.
386. At Banco Montepio, the ESG Risk Policy envisages a process of identification and assessment of risks that also enables reporting and managing the Group's main environmental risks.
387. The year of 2022 was marked by the approval of the creation of the ESG Risk Management Centre with the responsibility of managing ESG Risk.
388. According to the EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms (EBA/REP/2021/18), there are numerous challenges to incorporating ESG risks in bank management processes, namely concerning the level of uncertainty, insufficient data, methodological restrictions, time lags, the multidimensional impact of ESG risks and non-linearity.
389. This document describes that the scarcity of relevant, comparable, reliable and easily usable data, which inhibits grasping the potential impacts of ESG risks in the performance of financial assets. It also warns that, although ESG data of major companies begins to emerge, in relation to other counterparties such as SMEs they are very scarce. Finally, the report demonstrates the fact that it is difficult to translate the available ESG data into expectations as to the financial performance of a counterparty, added to the fact that ESG data, when available, are primarily on an annual basis, which can vary significantly throughout the year. On this topic, Banco Montepio is embarking on its data collection process.
390. As noted above, climate and environmental risks were included in Banco Montepio's risk taxonomy, revised at the beginning of 2022. In 2022, monitoring indicators for these risks were defined in the Risk Appetite Statement, but without defined risk limits. As mentioned previously, the revision of the Risk Appetite Statement of 2023 included an indicator for these risks, but this time with established risk limits.
391. The Bank's internal rules foresee that climate risk factors should be considered in the management of credit, market, liquidity, operational and real estate risks.

17.2 Qualitative Information on Social Risk

17.2.1 Business strategy and processes for social risk

392. This subchapter will present the qualitative information on social risk, namely the points on business strategy and processes, corresponding to questions a), b) and c).
393. The creation and existence of Montepio are umbilically linked are umbilically linked to mutualism, an intellectual legacy of mutual assistance, solidarity and social transformation, intrinsically with the mission of a savings bank, as an instrument of saving and support to the social sector.
394. The information on the social factor of ESG Risks showing the performance in 2022 can be found on pages 158 to 159 of the Annual Report for 2022.
395. In this area, reference is also made to various initiatives:
- Erasmus programme - “In your shoes” and Ideas Bank;
 - Trainee programme, Summer in-house training and Partnerships with Universities;
 - Various actions are carried out in the Communities, such as the Banco Montepio Talks and Banco Montepio as Main Sponsor of the ESG Week 2022;
 - Award of 6 scholarships under the EPIS (Entrepreneurs for Social Inclusion) plan;
 - Being a member of the Organisations for Equality Forum, the Bank endorsed the MERECE Movement (Business Movement for Recycling Cards with Electronic Components) and the United Nations Women’s Empowerment Principles (WEPS);
 - Bank’s distinction with the Healthy Workplace’22 Award and distinguished for “Recognition of good practices in social responsibility and sustainability” promoted by the APEE - Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics).
396. In the social component and as a Bank of the Social Economy in Portugal, its presence in terms of Social Economy and Solidarity customers has solidified. The work carried out in this sphere can also be consulted on page 41 of Banco Montepio’s Annual Report.
397. In addition to the commitments referred to in the section on environmental strategy, the institution, once again, signed the Renewal of Commitments of the *iGen* - Organisations for Equality Forum, which is has endorsed since 2016.
398. In the context of internal management, Banco Montepio defines a series of policies and regulations to mitigate internal social risks, namely:
- Diversity and Inclusion Policy in force, approved in December 2022, directed at all Banco Montepio’s employees without exception.
 - Code of Conduct, approved in February 2018, applicable to the members of the management and supervisory bodies, as well as the employees, which establishes values of ethics, transparency, rigour and competence, compliance, safety, prudence and independence, non-discrimination and equal treatment, balance between professional, private and family life, and social responsibility;

- Onboarding and Integration Regulation, in force, approved in May 2022.

399. The Social Economy and Public Sector Department (DCESSP), which has a specialised network that is unique in the Portuguese banking market, affirms the Social Economy as a differentiating pillar of the Bank.

17.2.2 Governance of Social Risk

400. This subchapter will present the qualitative information on social risk, namely the points on governance, corresponding to questions d), e), f) and g). Provisions similar to those referred to in Section 17.1.2 for environmental risks are applicable.

17.2.3 Management of Social Risk

401. This subchapter will present the qualitative information on social risk, namely the points on risk management, corresponding to questions h), i), j), k), l) and m). Provisions similar to those described in Section 17.1.3 for climate risk are applicable.

402. Furthermore, it is foreseen that social risks should be incorporated in all the other processes of analysis of material risks, for example in the process of analysis of loans to customers (e.g., verification of the counterpart's type of management).

17.3 Qualitative Information on Governance Risk

17.3.1 Governance

403. This subchapter will describe the qualitative information on governance risk, namely the points on governance, corresponding to questions a), b) and c).

404. The ESG Risk Management Policy foresees that governance risks should be incorporated in all the other processes of analysis of material risks.

405. As noted above, the ESG Risk Policy assumes that the control of ESG risk should be carried out by 3 lines of defence, with the 1st line of defence being responsible for carrying out an initial assessment of the risks of new customers and suppliers (or when revisions are made to existing customers and suppliers).

406. Concerning the incorporation of the governance performance of the counterparties in the governance mechanisms, Banco Montepio seeks to carry this out based on its existing rules, namely:

- Code of Conduct;
- Policy on Customer Identification;
- Policy on Customer Acceptance;
- Policy on Methodological Approach for Compliance Risk Management;
- Policy on Analysis and Monitoring of High-Risk Customers;
- Policy on Management of Conflicts of Interest;

- Policy on Management of the Risk of Money Laundering and Terrorism Financing;
- Succession Policy;
- Product Governance Policy;
- Diversity and Inclusion Policy;
- Onboarding and Integration Regulation.

17.3.2 Governance Risk Management

407. This subchapter will describe the qualitative information on governance risk, namely the points on risk management, corresponding to question d).

408. Complementing what has already been referred to, Banco Montepio foresees that governance risks should be incorporated in the processes of analysis of material risks, for example in the process of analysis of loans to customers (for example, verification of the counterpart's type of management).

17.4 Credit quality of exposures to risk

409. The exposures to non-financial companies operating in carbon-related sectors and the quality of those exposures, including non-performing status, stage 2 classification and maturity buckets are presented below. Only the counterparties with main Nomenclature of Economic Activities (NACE) associated with these sectors were considered.

**Table 61 | Banking book – Indicators of potential climate change transition risk:
Credit quality of exposures by sector, emissions and residual maturity**

Sector / Subsector	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			(thousands of euros)				
	Of which exposures towards companies excluded from EU Paris-aligned benchmarks as specified in Article 12(1)(d) to (g) and Article 13(2) of Regulation (EU) 2020/858.	Of which Stage 2 exposures	Of which, non-performing exposures		Of which Stage 2 exposures	Of which, non-performing exposures	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Weighted average maturity	
1 Exposures towards sectors that highly contribute to climate change ¹	4 257 162	114 479	903 999	388 222	-216 945	-38 500	-161 431	2 705 717	1 142 724	403 341	5 380	4,54
2 A - Agriculture, forestry and fisheries	104 116	0	30 302	4 505	-4 452	-1 671	-2 444	70 619	23 717	9 780	0	4,75
3 B - Mining and quarrying	17 962	0	1 620	695	-406	-24	-329	12 735	4 484	743	0	3,85
4 B.05 - Mining of coal and lignite	0	0	0	0	0	0	0	0	0	0	0	0,00
5 B.06 - Extraction of crude petroleum and natural gas	0	0	0	0	0	0	0	0	0	0	0	0,00
6 B.07 - Mining of metal ores	154	0	0	0	-1	0	0	154	0	0	0	1,96
7 B.08 - Other mining and quarrying	17 809	0	1 620	695	-405	-24	-329	12 581	4 484	743	0	3,87
8 B.09 - Mining and quarrying n.e.c.	0	0	0	0	0	0	0	0	0	0	0	0,00
9 C - Manufacturing	1 204 148	16 386	195 181	98 759	-72 774	-7 010	-60 782	874 939	283 109	42 676	3 424	3,81
10 C.10 - Manufacture of food products	174 109	0	24 051	5 588	-4 565	-1 169	-2 543	111 472	58 343	2 930	1 424	3,84
11 C.11 - Manufacture of beverages	47 739	0	2 577	1 660	-946	-95	-658	38 678	9 002	60	0	3,28
12 C.12 - Manufacture of tobacco products	0	0	0	0	0	0	0	0	0	0	0	0,00
13 C.13 - Manufacture of textiles	118 593	0	6 889	4 329	-3 213	-154	-2 029	85 746	23 342	2 506	0	3,49
14 C.14 - Manufacture of wearing apparel	52 499	0	7 328	3 897	-2 860	-515	-2 133	43 670	8 649	179	0	3,11
15 C.15 - Manufacture of leather and related products	47 564	0	8 533	2 591	-2 096	-297	-1 568	36 819	9 602	1 143	0	3,52
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	51 079	0	14 741	2 084	-1 517	-684	-649	37 445	11 863	1 771	0	3,62
17 C.17 - Manufacture of paper and paper products	17 843	0	1 611	162	-208	-43	-85	14 659	3 072	112	0	3,53
18 C.18 - Printing and reproduction of recorded media	15 821	0	5 943	416	-614	-295	-272	10 298	3 200	2 323	0	4,80
19 C.19 - Manufacture of coke and refined petroleum products	16 386	16 386	9	0	-661	0	0	13 577	2 130	679	0	2,89
20 C.20 - Manufacture of chemicals and chemical products	55 866	0	3 021	149	-496	-89	-127	50 190	5 422	254	0	2,44
21 C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	12 947	0	2 341	117	-181	-62	-62	8 684	4 263	0	0	4,15
22 C.22 - Manufacture of rubber and plastic products	65 179	0	6 518	1 358	-1 430	-222	-910	50 990	13 193	996	0	3,24
23 C.23 - Manufacture of other non-metallic mineral products	143 873	0	5 065	37 280	-28 280	-169	-27 934	94 305	42 519	7 049	0	5,23
24 C.24 - Manufacture of basic metals	23 596	0	4 467	1 407	-1 102	-135	-891	19 759	3 463	374	0	2,82
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	174 791	0	34 867	17 325	-12 738	-1 299	-10 921	118 018	46 693	10 080	0	4,08
26 C.26 - Manufacture of computer, electronic and optical products	5 854	0	330	1	-26	-11	0	1 605	4 022	227	0	4,34
27 C.27 - Manufacture of electrical equipment	36 663	0	13 941	608	-1 026	-523	-373	34 815	1 848	0	0	2,55
28 C.28 - Manufacture of machinery and equipment n.e.c.	28 606	0	6 136	4 218	-2 608	-218	-2 118	16 118	10 930	1 597	0	4,14
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	35 387	0	10 250	6 652	-3 724	-547	-3 006	26 883	8 404	0	0	3,58
30 C.30 - Manufacture of other transport equipment	7 875	0	671	32	-58	-22	-11	6 760	1 135	0	0	2,98
31 C.31 - Manufacture of furniture	50 192	0	11 607	7 186	-3 433	-347	-2 925	32 673	8 861	8 658	0	4,62
32 C.32 - Other manufacturing	13 994	0	1 413	147	-195	-68	-79	9 782	3 606	606	0	3,72
33 C.33 - Repair and installation of machinery and equipment	14 632	0	2 291	1 172	-796	-66	-688	9 911	3 588	1 133	0	4,25
34 D - Electricity, gas, steam and air conditioning supply	98 108	98 093	3 553	13 943	-8 084	-159	-7 472	49 701	26 180	22 227	0	4,93
35 D35.1 - Electric power generation, transmission and distribution	84 998	84 998	3 103	13 943	-8 060	-148	-7 472	48 977	26 090	9 931	0	3,91
36 D35.11 - Production of electricity	84 202	84 202	2 718	13 768	-7 874	-137	-7 297	48 181	26 000	9 931	0	3,94
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	13 095	13 095	451	0	-23	-11	0	709	89	12 296	0	11,53
38 D35.3 - Steam and air conditioning supply	15	0	0	0	0	0	0	15	0	0	0	0,17
39 E - Water supply; sewerage; waste management and remediation activities	72 337	0	5 215	729	-809	-312	-23	50 819	15 509	6 009	0	4,55
40 F - Construction	409 361	0	86 232	88 633	-43 679	-3 636	-38 973	329 603	57 029	22 729	0	2,77
41 F.41 - Construction of buildings	229 358	0	53 429	67 201	-29 996	-2 362	-26 141	171 804	39 111	15 421	0	3,07
42 F.42 - Civil engineering	105 830	0	12 536	18 636	-11 700	-323	-11 053	96 103	7 757	1 971	0	1,83
43 F.43 - Specialised construction activities	75 172	0	20 266	2 797	-2 993	-950	-1 779	59 675	10 161	5 336	0	3,36
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	869 982	0	227 897	40 357	-34 998	-9 572	-21 921	647 755	173 886	47 386	954	3,50
45 H - Transporting and storage	407 607	0	146 551	16 752	-12 397	-5 646	-8 557	242 798	156 646	8 162	0	4,24
46 H.45 - Land transport and transport via pipelines	183 478	0	42 368	7 534	-6 468	-1 836	-4 014	137 173	42 603	2 502	0	3,62
47 H.50 - Water transport	14 502	0	6 231	4 153	-1 212	-416	-778	8 059	2 226	4 218	0	5,12
48 H.51 - Air transport	122 382	0	93 586	4 824	-4 136	-3 285	-631	38 675	83 708	0	0	7,00
49 H.52 - Warehousing and support activities for transportation	85 156	0	4 024	238	-558	-94	-132	57 384	26 329	442	0	3,85
50 H.53 - Postal and courier activities	2 089	0	343	2	-23	-15	-2	1 108	981	0	0	3,79
51 I - Accommodation and food service activities	557 622	0	149 361	62 358	-17 055	-4 337	-11 406	203 638	168 857	184 802	324	7,62
52 L - Real estate activities	515 919	0	68 086	61 490	-22 292	-6 134	-12 524	223 108	233 308	58 825	678	5,60
53 Exposures towards sectors other than those that highly contribute to climate change	779 937	0	125 408	24 316	-15 846	-4 628	-8 307	549 094	148 602	81 243	998	4,29
54 K - Financial and insurance activities	0	0	0	0	0	0	0	0	0	0	0	0,00
55 Exposures to other sectors (NACE codes), M - U	779 937	0	125 408	24 316	-15 846	-4 628	-8 307	549 094	148 602	81 243	998	4,30
56 TOTAL	5 937 099	114 479	1 029 407	412 537	-232 791	-43 138	-169 739	3 254 811	1 291 326	484 584	6 378	4,48

PI: Em conformidade com o Regulamento Delegado (UE) 2020/1818 do Conselho, que complementa o Regulamento (UE) 2016/1011 no que respeita às normas mínimas aplicáveis aos índices de referência da UE alinhados com o Acordo de Paris - Regulamento Normas de Referência Climáticas - Considerando 6: Setores enumerados nas secções A a H e no secção L do anexo I do Regulamento (CE) n.º 1893/2006.

17.5 Energy efficiency of the collateral

410. Information is presented below on the energy efficiency of the loans backed by commercial and residential real estate and the collateral obtained by acquisition of possession. This includes information on the level of energy efficiency of the properties given as collateral, measured in terms of energy consumption in kWh/m2 and in terms of energy certificates.
411. Energy Efficiency Directive (2012/27/EU) and Directive 2010/31/EU (which introduced energy performance certificates) promote policies aimed at achieving a decarbonised and energy efficient real estate stock by 2050. Accordingly, the certificates are mandatory for the sale and lease of real estate properties in Member States.
412. In the document referred to above, the EBA recognises that the application of these certificates is not standardised. The Banco Montepio Group has obtained some energy certificates for the collateral, albeit still of a low number, in its main market – Portugal. When the data on energy certificates are not available, the calculation of energy consumption in kWh/m2 was based on estimates developed internally.

**Table 62 | Banking book – Indicators of potential climate change transition risk:
Loans collateralised by real estate property – Energy efficiency of the property
given as collateral**

(thousands of euros)

	Counterparty sector	Total gross carrying amount														Of which, estimated level of energy efficiency (measured in terms of energy consumption, in kWh/m ² , of the properties given as collateral)			
		Level of energy efficiency (measured in terms of energy consumption, in kWh/m ² , of the properties given as collateral)						Nível de eficiência energética (CDE labelling of the properties given as collateral)							No CDE labelling of the properties given as collateral				
		0; <= 100	>100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Of which, estimated level of energy efficiency (measured in terms of energy consumption, in kWh/m ² , of the properties given as collateral)				
1	Total EU area	7 711 019	2 812 623	2 645 813	1 453 617	688 188	110 777	-	56 248	7 336	13 895	11 611	6 923,98	5 886	-	7 609 117	99%		
2	Of which, loans collateralised by commercial immovable property	1 668 107	565 788	915 888	149 189	32 099	5 143	-	93	633	1 107	218	180	2 968	-	1 662 907	100%		
3	Of which, loans collateralised by residential immovable property	5 596 724	2 083 938	1 590 913	1 212 612	610 902	98 358	-	56 155	6 703	12 788	11 392	6 744	2 921	-	5 500 022	98%		
4	Of which, collateral obtained by taking possession: residential and commercial immovable properties	446 188	162 897	139 012	91 816	45 187	7 276	-	-	-	-	-	-	-	-	446 188	100%		
5	Of which, estimated level of energy efficiency (measured in terms of energy consumption, in kWh/m ² , of the properties given as collateral)	7 609 117	2 750 921	2 626 840	1 440 909	680 993	109 454	-	-	-	-	-	-	-	-	-	-		
6	Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
7	Of which, loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8	Of which, loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
9	Of which, collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
10	Of which, estimated level of energy efficiency (measured in terms of energy consumption, in kWh/m ² , of the properties given as collateral)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

17.6 Exposure to the 20 most carbon intensive companies worldwide

413. The table below presents information on the aggregate exposure to the 20 most carbon intensive companies worldwide.
414. The EBA instructions in the document referred to above do not specify which list to use for this template and mentions two sources, with Banco Montepio having adopted the list of the Carbon Majors Database of the Carbon Disclosure Project.

**Table 63 | Banking book – Indicators of potential climate change transition risk:
Exposures to top 20 carbon-intensive firms**

	a	b	c	d	e
	Gross carrying amount (aggregate) (thousand euros)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)(*)	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	1,548	0.03%	n/a	3.2	1

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

17.7 Exposures subject to physical risk

415. The following table presents information on the exposures subject to acute and chronic physical risk.
416. According to the ECB, physical risk is associated with the financial impact of climate change, due to the more frequent occurrence of extreme weather phenomena, to gradual climate change and to environmental deterioration (pollution of the air, water and soil, pressure on water resources, loss of biodiversity and deforestation). These can be classified as “acute” when derived from extreme events, such as extreme heat (heat waves) or floods, among others, or as “chronic” when derived from progressive change, such as water scarcity or increased sea level. These risks can lead to material damage, to lower productivity, or trigger subsequent events, such as disruptions in supply chains.
417. The assessment of the physical risk of Banco Montepio’s portfolio was made in terms of the credit portfolio of the companies by NACE code. It has not yet been possible to obtain this information on exposures by collateral.
418. The sectors were analysed in detail and the risks to which they were subject were identified. The geographic distribution of the exposures was made using the physical risk mapping methodology of the platform “Think Hazard”, analysed at the level of municipalities in Portugal. The NACE code (level 2) of the counterparties, the associated risks and their location were combined. The risks were classified and the

exposures subject to physical risks were estimated, based on the identified acute, chronic or acute and chronic physical risk.

Table 64 | Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk

(thousands of euros)														
Variable: Geographical area subject to physical risks related to climate change - severe and chronic events	Gross carrying amount													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	Of which, non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average maturity							of which Stage 2 exposures	Of which, non-performing exposures	
1 A - Agriculture, forestry and fisheries	104,116	39,615	11,581	6,158	1,015	4.97	1,919	3,331	53,120	16,123	2,368	-2,211	-849	-1,188
2 B - Mining and quarrying	17,962	5,890	1,372	436	255	4.66	-	6,205	1,748	760	277	-121	-12	-90
3 C - Manufacturing	1,204,148	185,106	52,821	3,887	1,821	3.24	92,419	588	150,629	39,803	7,679	-5,559	-1,444	-3,220
4 D - Electricity, gas, steam and air conditioning supply	98,108	58,773	26,354	34,389	302	5.16	-	817	119,001	4,006	14,385	-8,280	-175	-7,639
5 E - Water supply; sewerage; waste management and remediation activities	72,337	899	2,004	2,920	89	9.87	5	0	5,907	160	4	-11	-4	-1
6 F - Construction	409,361	264,591	28,031	17,153	2,937	2.82	-	216,504	96,208	71,580	55,709	-20,344	-1,775	-17,995
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	869,982	-	-	-	-	-	-	-	-	-	0	0	0	0
8 H - Transporting and storage	407,607	55,092	11,609	1,530	298	3.14	-	65,847	1,905	14,987	5,071	-2,504	-562	-1,732
9 L - Real estate activities	515,919	82,979	42,995	15,839	718	4.80	-	79,235	61,629	22,239	11,677	-6,259	-1,879	-3,480
10 Loans collateralised by residential mortgage	1,668,107	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Loans collateralised by commercial immovable property	5,596,724	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Recovered collateral	446,188	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below, if applicable)	1,337,559	130,557	84,759	110,346	3,248	7.45	49,602	163,360	118,393	82,432	30,268	-7,391	-2,317	-4,314

17.8 Other measures of climate change mitigation

419. Template 10 is named “Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852”, but continue to support the counterparties in the process of transition and adaptation to the climate change mitigation goals and adaptation to climate change. The mitigation measures and actions include the bonds and loans issued under non-EU rules, such as the green bonds.

Table 65 | Banking book – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

Type of financial instrument	Type of counterparty	Gross carrying amount (thousand EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Financial corporations				
2	Non-financial corporations	9 875	YES	NO	Green Bonds - Energia // Green Bond Principles (GBP) - International Capital Market Association (ICMA)
3 Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Of which Loans collateralised by commercial immovable property				
4	Households				
5	Of which Loans collateralised by residential immovable property				
6	Of which building renovation loans				
7	Other counterparties				
8	Financial corporations				
9	Non-financial corporations				
10	Of which Loans collateralised by commercial immovable property				
11	Households				
12	Of which Loans collateralised by residential immovable property				
13	Of which building renovation loans				
14	Other counterparties				

18. Encumbered and unencumbered assets

420. Pursuant to Article 443 of Regulation 575/2013 relative to the disclosure of encumbered and unencumbered assets, the following information is presented with reference to 31st December 2022:

Table 66 | Template EU AE1: Encumbered and unencumbered assets

(thousands of euros)

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	030 of which notionally eligible EHQLA and HQLA	040	050 of which notionally eligible EHQLA and HQLA	060	080 of which EHQLA and HQLA	090	100 of which EHQLA and HQLA
010 Assets of the reporting institution	5,101,814	1,060,340	-	-	14,004,437	3,068,544	-	-
030 Equity instruments	-	-	-	-	161,143	-	163,784	-
040 Debt securities	1,105,221	1,060,340	930,314	930,121	3,638,713	3,068,544	2,780,952	2,712,325
050 of which: covered bonds	-	-	-	-	-	-	-	-
060 of which: securitisations	1,063	870	1,063	870	-	-	-	-
070 of which: issued by general governments	1,073,410	1,028,721	899,399	899,399	3,054,294	3,052,424	2,743,241	2,697,119
080 of which: issued by financial corporations	4,518	4,326	4,397	4,204	103,061	-	1,566	-
090 of which: issued by non-financial corporations	27,293	27,293	26,517	26,517	481,358	16,120	36,145	15,206
120 Other assets	3,996,593	-	-	-	10,204,581	-	-	-

Table 67 | Template EU AE2: Collateral received and own debt securities issued

(thousands of euros)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	010	030 of which notionally eligible EHQLA and HQLA	040	060 of which EHQLA and HQLA
130 Collateral received by the disclosing institution	-	-	-	-
140 Loans on demand	-	-	-	-
150 Equity instruments	-	-	-	-
160 Debt securities	-	-	-	-
170 of which: covered bonds	-	-	-	-
180 of which: securitisations	-	-	-	-
190 of which: issued by general governments	-	-	-	-
200 of which: issued by financial corporations	-	-	-	-
210 of which: issued by non-financial corporations	-	-	-	-
220 Loans and advances other than loans on demand	-	-	-	-
230 Other collateral received	-	-	-	-
240 Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
241 Own covered bonds and securitisations issued and not yet pledged	-	-	-	-
250 TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	5,101,814	1,060,340	-	-

Table 68 | Template EU AE3: Sources of encumbrance

(thousands of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	010	030
010 Carrying amount of selected financial liabilities	3,207,695	5,024,389

421. The encumbered assets are mainly related to financing operations, particularly under the ECB, in repo operations, through the issuance of mortgage bonds and securitisation programmes. The types of assets used as collateral of the financing operations previously referred to are divided into client credit portfolios, which support securitisation programmes and mortgage bonds issuances programmes, be it those placed outside the Group and those destined to strengthen the collateral pool with the ECB, and Portuguese, Italian and Spanish sovereign debt portfolios, which collateralise repo operations in the monetary market.

422. Further information can be consulted in Note 49 on Risk Management, in the notes attached to the financial statements on pages 339 to 340 of the Annual Report for 2022.

19. Remuneration policy

423. With regards to information regarding the remuneration policy and practices applicable to those categories of staff whose professional activities have a significant impact on the respective risk profile, and in accordance with Article 450 of the CRR, the following is reported:

- i) Details of the powers for establishing the remuneration of the corporate bodies, members of the executive committee or chief executive officer and directors of the company.

Pursuant to Article 16 of Banco Montepio's Articles of Association, the remunerations of the members of the governing bodies and statutory auditor are established by the Remuneration Committee, elected in conformity with Article 11(c) of the Articles of Association, which corresponds to the provisions set out in Article 399 of the Commercial Companies Code.

Pursuant to Article 11(c) of the Articles of Association of BM, the General Meeting is responsible for electing a Remuneration Committee composed of three independent members empowered to establish the remunerations of the members of the governing bodies. See Article 399(1) of the Commercial Companies Code.

In turn, CANESG, created within the Board of Directors, is responsible for preparing and submitting 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 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 at the Group level.

Additionally, the CANESG conducts, in coordination with the Compliance Department and the Risk Department, an annual assessment of the impact of the remuneration practices adopted by the subsidiaries of Banco Montepio located abroad, particularly on risk management, with emphasis on capital and liquidity risks, pursuant to Article 53(3) of Banco de Portugal Notice 3/2020.

- ii) Under the provisions in Article 11(c) of the Articles of Association of Banco Montepio, the General Meeting held on 29th April 2022 elected a Remunerations Committee with powers and duties concerning the establishment of remunerations of the Members of the Management and Supervisory Body (MOAF), which is responsible, pursuant to the respective Regulation (after hearing the Assessment, Appointments, Ethics, Sustainability and Governance Committee, the Risk Committee and the Audit Committee, whenever relevant and within the scope of their powers and duties), for:
 - a) Issuing an opinion on the revisions of the MOAF Remuneration Policy;

- b) Issuing an opinion to the Regulations for the Implementation of the MOAF Remuneration Policy, namely including the relevant criteria, objectives and adjustment indicators, for the possible attribution and payment of variable remuneration to executive directors, in compliance with the remuneration policy;
- c) Establishing the fixed and variable remuneration components, as applicable, of the MOAF, in compliance with the remuneration policy and as provided for Article 399(1) of the Commercial Companies Code;
- d) Deciding on the verification of adjustments to the variable remuneration of executive directors, in compliance with the MOAF Remuneration Policy;
- e) Issuing 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, pursuant to Article 402 of the Commercial Companies Code, as well as compensation for termination of term and any other benefits attributed to the MOAF.

The Assessment, Appointments, Ethics, Sustainability and Governance Committee (CANESG) is composed of three members, which includes a chairman, appointed by the Board of Directors from among its non-executive members or from among the Audit Committee's members, the majority of which, including its chairman, must have an independent status,

The Remunerations Committee had the following composition as at 31st December 2022:

Member	Position
Paulo Câmara Pires dos Santos	Chairman
António Miguel Lino Pereira Gaio	Member

CANESG, appointed for the 2022-2025 term of office, which started in July 2022, held 7 meetings in 2022. The Remunerations, Nominations and Assessment Committee (CRNA), appointed for the 2018-2021 term of office, which remained in office until July 2022, held a total of 20 meetings in 2022.

- iii) Knowledge and experience of the members of the remuneration committee on matters of remuneration:

All members of the Remunerations Committee possess adequate professional qualifications, gained as a result of academic qualifications, professional experience, or specialised training suited to the performance of their duties.

- iv) Description of the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law 28/2009 of 19th June:

The Remuneration Policy of the Members of the Management and Supervisory Body⁶ in force in 2022 was approved at the General Meeting held on 29th April 2022. The Policy, with the necessary adaptations, applies to all Members of the Management and Supervisory Bodies of any company in the Banco Montepio Group subject to supervision on a consolidated basis, and must be approved by the respective General Meetings

The Remuneration Policy for Significant Function Holders is approved by the Board of Directors observing the specific rules of the General Framework of Credit Institutions and Financial Companies (RGICSF) on the matter, namely Articles 115-A to 115-I, as well as the European Banking Authority Guidelines on sound remuneration policies and the Guidelines on internal governance. The principles of the policy apply, with the necessary adaptations, to all persons who are employed by any company in the Banco Montepio Group subject to supervision on a consolidated basis, and must be approved by the respective management bodies.

The main changes made to the policy in 2022 were as follows:

- Updated regulatory framework, taking into account Banco de Portugal Notice 3/2020.
- Change of the name of Relevant Employees to Significant Employees, in view of the similarity of definitions, considering Banco de Portugal Notice 2/2018.
- Updating of the scope and intervention of the various Areas of Control and Committees.

Both Policies are applicable to all of the Group's entities, regardless of where they are located, considering the specificities that may arise from the location of each operation and from local legislation.

The Board of Directors is responsible for approving and reviewing the nominative list with the categories of staff whose professional activities have a significant impact on the risk profile of the institution based on the quantitative and qualitative criteria defined in European Commission Delegated Regulation (EU) 923/2014.

The process aimed at identifying these categories of staff is provided for in the Remuneration Policy for Significant Employees and is based on a set of criteria laid down in the Policy, which include, namely:

a) Part of the senior management: this includes all the Employees responsible for areas that report directly to the Executive Committee or Board of Directors or to any of their members.

⁶ The Remuneration Policy of the Management and Supervisory Members is disclosed on Banco Montepio's website, available at <https://www.bancomontepio.pt/resources/SiteMontepio/documentos/institucional/informacao-financeira/politica-remuneracoes-membros-orgaos-administracao-fiscalizacao.pdf>

b) Direct a business unit or perform a control function, being directly accountable to the senior management. In this regard, and assuming the existence of management responsibilities, the second lines of the commercial areas and control functions will be included.

c) Are responsible for risk-taking: this includes the employees with management responsibilities or members with voting rights in committees relative to any of the risk categories defined in Articles 79 to 87 of Directive 2013/36/EU, with responsibilities in taking certain decisions related to risk positions, transactions, new products, in accordance with the qualitative criteria established in Article 5 of Delegated Regulation (EU) 2021/923.

d) Receive a remuneration placing them in the same remuneration bracket as the Executive Committee's members or employees referred to in the previous points and simultaneously fulfil any of the qualitative or quantitative requirements established in Articles 5 and 6 of Delegated Regulation (EU) 923/2021.

e) Are responsible for the control functions, as well as employees who report directly to the persons in charge of the control functions.

- v) Information on how remuneration is structured so as to permit the alignment of the interests of the members of the management body with the long-term interests of the institution, and how it is based on the assessment of performance and discourages excessive risk taking:

The remuneration policy is structured taking into consideration the activity, risk appetite, structure and dimension of the Institution, as well as the nature of duties and market practices.

Remuneration consists of the following components:

- i) A fixed component paid on a monthly basis;
- ii. Variable component, whose attribution is not guaranteed and whose payment is subject to a partial deferral.

The definition of these two remuneration components is based on objective, transparent, consistent criteria, compatible with the chain of responsibilities and the duties of the remunerated employees, taking sector and national remuneration standards into account.

For the payment of a variable remuneration to Executive Directors and Significant Employees, the Institution has adopted a more restrictive policy, setting a maximum ceiling of variable remuneration dependent on the result of the individual performance appraisal and on the Institution's performance, thus preventing excessive risk-taking behaviour.

The executive members of the Board of Directors did not receive any variable remuneration in 2022, in relation to the financial year of 2021.

Further information may be found in the Remuneration Policy of the Members of the Management and Supervisory Body of Caixa Económica Montepio Geral, caixa económica bancária, S.A., points 2.2, 6.2.15 and 6.2.16 and in the Remuneration Policy of Significant Employees, sections IV, V, VI, VII, VIII, IX. Further information can be consulted on the institutional website of BM⁷.

- vi) Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component:

The remuneration structure of the Executive Directors and Significant Employees has, in addition to a fixed component, a possible variable component based on specific measurable criteria and predetermined 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 can only be attributed in years in which no losses are reported and should depend on a multiannual assessment of the performance of each member. Moreover, this component must be approved by the Remuneration Committee, or by the General Meeting, in case of a higher ratio between fixed and variable remuneration, pursuant to Article 115-F(3-5) of the RGICSF if applied to Executive Directors, or by the Board of Directors for Significant Employees.

In 2022, relative to the financial year of 2021, the decision was made not to award variable remuneration to the Executive Directors, with variable remuneration having been awarded to employees identified as relevant in the beginning of 2023, relative to the financial year of 2021.

- vii) Deferral of the payment of the variable component of remuneration, mentioning the period of deferral:

Whenever the General Meeting or the Remunerations Committee, if nominated, decides to attribute variable remuneration to the Members of the Executive Committee, the payment of 50% (fifty per cent) of this remuneration, or 60%, when the respective amount is particularly high, 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

⁷ The Remunerations Policy of the Members of the Management and Supervision available at <https://www.bancomontepio.pt/resources/SiteMontepio/documentos/institucional/informacao-financeira/politica-remuneracoes-membros-orgaos-administracao-fiscalizacao.pdf>

after the start of the deferral period, and the following instalments 12 months after each deferred payment (point 6.2.6 of the MOAF Remuneration Policy).

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 (point 6.2.7 of the MOAF Remuneration Policy)..

If the Board of Directors approves the payment of variable remuneration to the Significant Employees, 40% of that remuneration may be deferred for a period of four years (sections VII and VIII of the Remuneration Policy of Significant Employees).

viii) Criteria underlying the attribution of variable remuneration in shares as well as on the holding, by the executive directors, of these shares, on any conclusion of contracts relative to these shares, namely, hedge or risk transfer contracts, the respective limit, and their relation to the value of the annual total remuneration:

Not applicable.

ix) Criteria underlying the attribution of variable remuneration in options and indication of the deferral period and price for exercise of the option:

At least 50% (fifty per cent) of the variable remuneration, deferred and non-deferred, is 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) 527/2014 of 12th March 2014 (point 6.2.9 of the MOAF Remuneration Policy).

During the deferral period, Banco Montepio is the holder of the instruments and cash ((point 6.2.10 of the MOAF Remuneration Policy).

If any other instruments are issued, the identification and management shall be ensured of potential conflicts of interest that could be generated by the payment of these instruments as part of the variable remuneration. In this regard, procedures shall be adopted to ensure compliance with the requirements applicable to the management of privileged information and the non-adoption of measures that could have a short-term impact on the price of these instruments (point 6.2.11 of the Remuneration Policy of the Members of the Management and Supervisory Body).

The aforementioned instruments will only be issued if they contribute to ensuring the alignment of variable remuneration with the performance and risks of Banco Montepio (point 6.2.12 of the MOAF Remuneration Policy).

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 attribution of the Variable Component of the Remuneration (point 6.2.13 of the MOAF Remuneration Policy).

Further information on points vi) and ix) may be found in the MOAF Remuneration Policy of Banco Montepio, points 6 and 7, and in the Remuneration Policy of Significant Function Holders, sections VI, VII, VIII, IX (see address of the institutional website in point iv and v).

- x) Main parameters and grounds of any system of annual bonuses and any other non-cash benefits:

Pursuant to point 8 of the Remuneration Policy of the Members of the Management and Supervision (approved at the General Meeting held on 29th April 2022), the Members of the Management and Supervisory Body are attributed the following benefits:

- a) Supplementary pension scheme, applicable to retirement due to old age, disability and survival, approved at the General Meeting;
- b) Compensation for any damage derived from work accidents and professional diseases similar to the compensation available for employees;
- c) A health insurance policy with a coverage similar to the one provided for employees, if they do not have direct access to this protection.

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 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.

Regarding significant function holders:

- a) The benefits attributable, or other benefits that may be granted, to the other employees of Banco Montepio are attributable to Significant Function Holders.
 - b) No benefits or pension plans (discretionary or not) other than those attributed to all employees of Banco Montepio are attributable to Significant Function Holders.
- xi) Main characteristics of the supplementary pension or early retirement schemes for directors and date when said schemes were approved at the general meeting, on an individual basis:

In accordance with the Regulation of Implementation of the Supplementary Pension Scheme of the Members of the Management and Supervisory Body, approved at the General Meeting held on 30th June 2020, the amount of this supplement is calculated based on 4% or 5% of the fixed 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 amounts to 5 or more years.

- xii) Amounts paid, for any reason, by other companies in a controlling or group relationship or which are subject to common control:

Members of the Audit Committee and non-executive members of the Board of Directors who are not members of the Audit Committee, who accumulate non-executive positions in governing bodies of entities included in the consolidation perimeter, or in which a qualifying stake is held, can earn, in those entities, an amount of not more than 20% of their monthly fixed basic remuneration earned at BM (point 5.4 of the MOAF Remuneration Policy).

In the case of non-executive members of the Board of Directors, who are not members of the Audit Committee, and were appointed to perform executive duties in entities of the Group, their total remuneration cannot exceed the lowest remuneration of the members of the Executive Committee of BM (point 5.5 of the MOAF Remuneration Policy).

- xiii) Remuneration paid in the form of participation in profit and/or payment of bonuses and the reasons for the concession of such bonuses and/or participation in profit:

In 2022, the Bank decided not to attribute variable remuneration to the Executive Directors with respect to the financial year of 2021.

- xiv) Information on compensation paid or owed to former executive directors relating to the termination of their duties during the year can be found in the notes to the consolidated financial statements, namely in Note 10, pages 232 and 233 of the Annual Report.

- xv) Quantitative information relative to the group of employees that includes the senior managers that perform duties that can have an impact on the risk profile of the Institution, officers in control functions and other employees which, in remuneration terms, are assimilated to senior managers, in accordance with Article 450(1)(g) of Regulation (EU) 575/2013:

Table 69 | Template EU REM1: Remuneration awarded for the financial year

(thousands of euros)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	13	10	31	18
2	Total fixed remuneration	1,164	2,127	3,081	1,254
3	Of which: cash-based	1,164	2,127	3,081	1,254
4	(Not applicable in the EU)				
EU-4a	Of which: shares or equivalent ownership interests				
5	Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x	Of which: other instruments				
6	(Not applicable in the EU)				
7	Of which: other forms				
8	(Not applicable in the EU)				
9	Number of identified staff				2
10	Total variable remuneration				1
11	Of which: cash-based				1
12	Of which: deferred				
EU-13a	Of which: shares or equivalent ownership interests				
EU-14 a	Of which: deferred				
EU-13b	Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b	Of which: deferred				
EU-14x	Of which: other instruments				
EU-14y	Of which: deferred				
15	Of which: other forms				
16	Of which: deferred				
17	Total remuneration (2 + 10)	1,164	2,127	3,081	1,255

Table 70 | Template EU REM2: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(thousands of euros)

	a	b	c	d
	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards	-	-	-	-
1 Guaranteed variable remuneration awards - Number of identified staff				
2 Guaranteed variable remuneration awards - Total amount				
3 Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
Severance payments awarded in previous periods, that have been paid out during the financial year	-	-	-	-
4 Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
5 Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
Severance payments awarded during the financial year	-	-	-	-
6 Severance payments awarded during the financial year - Number of identified staff				
7 Severance payments awarded during the financial year - Total amount				
8 Of which paid during the financial year				
9 Of which deferred				
10 Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11 Of which highest payment that has been awarded to a single person				

In accordance with Article 450(1)(h) of the CCR, the tables below present the information on the remuneration of staff whose activity has a significant impact on the Banco Montepio Group's risk profile.

Table 71 | Template EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(thousands of euros)

	Management body remuneration			Business areas							Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporat e functions	Independent internal control functions	All other		
1 Total number of identified staff											72
2 Of which: members of the MB	6	6	12								
3 Of which: other senior management											
4 Of which: other identified staff											
5 Total remuneration of identified staff	1,164	2,127	3,291	0	920	0	0	853	2,561		
6 Of which: variable remuneration	0	0	0	0	0	0	0	0	0		
7 Of which: fixed remuneration	1,164	2,127	3,291	0	920	0	0	853	2,561		

Table 72 | Template EU REM3: Deferred compensation

	a	b	c	d	e	f	EU - g	EU - h
Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (exchanges of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance periods that has vested but is subject to retention periods
1 MB Supervisory function MB Management function	-	-	-	-	-	-	-	-
2 Cash-based	-	-	-	-	-	-	-	-
3 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5 Other instruments	-	-	-	-	-	-	-	-
6 Other forms	-	-	-	-	-	-	-	-
7 MB Management function	-	-	-	-	-	-	-	-
8 Cash-based	-	-	-	-	-	-	-	-
9 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11 Other instruments	-	-	-	-	-	-	-	-
12 Other forms	-	-	-	-	-	-	-	-
13 Other senior management	-	-	-	-	-	-	-	-
14 Cash-based	-	-	-	-	-	-	-	-
15 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17 Other instruments	-	-	-	-	-	-	-	-
18 Other forms	-	-	-	-	-	-	-	-
19 Other identified staff	-	-	-	-	-	-	-	-
20 Cash-based	-	-	-	-	-	-	-	-
21 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23 Other instruments	-	-	-	-	-	-	-	-
24 Other forms	-	-	-	-	-	-	-	-
25 Total amount	-	-	-	-	-	-	-	-

In 2022, none of the situations specified in Article 450(1)(i) of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26th June 2013, and Article 155-C(2)(e) of the RGICSF, was identified (see the table below).

Table 73 | Template EU REM4: Remuneration of 1 million euros or more per year

	a
	Identified staff that are high earners as set out in Article 450(i) of the CRR
	EUR
1	1 000 000 to below 1 500 000
2	1 500 000 to below 2 000 000
3	2 000 000 to below 2 500 000
4	2 500 000 to below 3 000 000
5	3 000 000 to below 3 500 000
6	3 500 000 to below 4 000 000
7	4 000 000 to below 4 500 000
8	4 500 000 to below 5 000 000
9	5 000 000 to below 6 000 000
10	6 000 000 to below 7 000 000
11	7 000 000 to below 8 000 000

The Remuneration Policy of the Members of the Management and Supervisory Body of Caixa Económica Montepio Geral, caixa económica bancária, S.A. and the Remuneration Policy of Significant Employees, quoted in this chapter, can be consulted on the following page of the Institutional website: <https://www.bancomontepio.pt/politicas-regulamentos>, as well as on pages 636-643 of the Annual Report.

The members of the Board of Directors appointed for the 2018-2021 term of office, who remained in office under Article 91 of the Commercial Companies Code up to the taking of office of the new bodies elected for the 2022-2025 term of office, received the following fixed remuneration during 2022, with no variable remuneration having been attributed in 2022 (relative to the financial year of 2021):

Membros dos Órgãos de Administração e de Fiscalização – Mandato 2018/2021			Membros dos Órgãos de Administração e de Fiscalização – Mandato 2022/2025		
Nome	Função	Total remuneração fixa atribuída em 2022	Nome	Função	Total remuneração fixa atribuída em 2022
Carlos Tavares	Presidente do Conselho de Administração	246.075,46 €	Manuel Ferreira Teixeira	Presidente do Conselho de Administração	225.958,65 €
Manuel Ferreira Teixeira	Presidente da Comissão de Auditoria	-	Clementina Barroso	Presidente da Comissão de Auditoria	70.548,39 €
Amadeu Ferreira de Paiva	Vogal não executivo	77.227,40 €	Eugénio Baptista	Vogal não executivo	55.306,43 €
Carlos Ferreira Alves	Vogal não executivo	77.227,40 €	Floribela Lima	Vogal não executiva	67.500,02 €
José Nunes Pereira	Vogal não executivo	77.227,40 €	Maria Cândida Peixoto	Vogal não executiva	67.500,02 €
Pedro Gouveia Alves	Vogal não executivo	51.484,93 €	Maria Lúcia Bica	Vogal não executiva	67.500,02 €
Rui Heitor	Vogal não executivo	3.149,79 €	Pedro Leitão	Presidente da Comissão Executiva	395.479,09 €
Vitor do Carmo Martins	Vogal não executivo	77.227,40 €	Ángela Barros	Vogal executiva	130.711,47 €
Pedro Leitão	Presidente da Comissão Executiva	-	Helena Soares de Moura	Vogal executiva	282.374,19 €
Dulce Mota	Vice-Presidente da Comissão Executiva	155.854,48 €	Isabel Silva	Vogal executiva	130.574,97 €
Helena Soares de Moura	Vogal executivo	-	Jorge Baião	Vogal executivo	282.569,93 €
Jorge Baião	Vogal executivo	-	José Carlos Mateus	Vogal executivo	282.275,15 €
José Carlos Mateus	Vogal executivo	-			
Leandro Graça Silva	Vogal executivo	155.854,48 €			
Nuno Mota Pinto	Vogal executivo	155.854,48 €			
Pedro Ventaneira	Vogal executivo	155.844,76 €			
TOTAL		1.233.027,98 €	TOTAL		2.058.298,33 €

1) Membros eleitos para o mandato 2022-2025, cujos valores totais de remuneração auferida em 2022 são indicados no quadro seguinte.

The total remunerations paid in 2022 to a set of significant employees who hold senior positions and can affect the institution's risk profile are as follows:

Nome	Remuneração Fixa	Remuneração Variável	N.º titulares
Direção de Topo	2.560.512,80 €	1.485,00 € ⁽¹⁾	28
Responsáveis unidades negócio significativas	920.356,72 €	Não atribuída nem paga remuneração variável em 2022	9
Responsáveis pelas funções de controlo	853.439,67 €	Não atribuída nem paga remuneração variável em 2022	12
Colaboradores cuja remuneração os coloque no mesmo escalão de remuneração que as categorias anteriores a), b) ou c), desde que as atividades profissionais tenham impacto material no perfil de risco da Instituição	Não aplicável	Não aplicável	Não aplicável

xvi) Information on annual process of assessment of individual and collective adequacy

In April 2022, the Remunerations, Nominations and Assessment Committee (CRNA) in office at the time conducted the adequacy assessment process (individual and collective) of the members of the management and supervisory bodies, in the context of the authorisation process with Banco de Portugal for the performance of duties, granted on 19th July 2022, in light of the general rules of Corporate Governance and Article 115-B(2)(c) and (d) of the General Framework of Credit Institutions and Financial Companies (RGICSF), as well as Banco Montepio's applicable policies.

Table 74 | List of Tables identified in the EBA Guidelines but not reported

Model	Description	Motive
EU INS1	positions	Not applicable in the case of Banco Montepio
EU INS2	nerates - information on own funds and capital adequacy ratio	Not applicable in the case of Banco Montepio
EU L1	seen accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk	Not applicable in the case of Banco Montepio
EU L2	differences between regulatory exposure amounts and carrying values in financial statements	Not applicable in the case of Banco Montepio
EU PV1	at Valuation Adjustments (PVA)	Not applicable in the case of Banco Montepio
EU CR6	redit risk exposures by exposure class and PD range	Banco Montepio does not apply the IRB
EU CR6-A	se of IRB and SA approaches	Banco Montepio does not apply the IRB
EU CR7	ffect on the RWEAs of credit derivatives used as CRM techniques	Banco Montepio does not apply the IRB
EU CR7-A	closure of the extent of the use of CRM techniques	Banco Montepio does not apply the IRB
EU CR8	iments of credit risk exposures under the IRB approach	Banco Montepio does not apply the IRB
EU CR9	lack/testing of PD per exposure class (fixed PD scale)	Banco Montepio does not apply the IRB
EU CR9.1	lack-testing of PD per exposure class (only for PD estimates in accordance with Article 180(1)(f) of the CRR)	Banco Montepio does not apply the IRB
EU CR10	ing and equity exposure under the simple risk weight approach	Not applicable in the case of Banco Montepio
EU CCR4	RR exposures by exposure class and PD range	Banco Montepio does not apply the IRB
EU CCR6	exposures	Not applicable in the case of Banco Montepio
EU CCR7	iments of CCR exposures under the IMM	Banco Montepio does not apply the IMM
EU CCR8		Banco Montepio has no positions with CCPs
EU MRB	isure requirements for institutions using the internal market risk models	Banco Montepio does not apply the IMA
EU MR2-A	r the internal Model Approach (IMA)	Banco Montepio does not apply the IMA
EU MR2-B	iments of market risk exposures under the IMA	Banco Montepio does not apply the IMA
EU MR3	iding portfolios	Banco Montepio does not apply the IMA
EU MR4	aR estimates with gains/losses	Banco Montepio does not apply the VaR method
EU-SEC2	posures in the trading book	Not applicable in the case of Banco Montepio

Table 75 | Mapping tables

Tables corresponding to Templates of the EBA/GL/2020/04 Guidelines

Table	Model	Description	Section
Table 1	Template EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Chapter 2. Scope
Table 2	Template EU LIA	Explanations of differences between accounting and regulatory exposure amounts Free text boxes for qualitative information disclosure	
Table 3	Template EU KM1	Template for baseline indicators	Chapter 3. Risk management in the Banco Montepio Group
Table 4	Template EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Chapter 4.1 Own funds and capital ratios
Table 5	Template EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	
Table 7	Template EU CC1	Composition of regulatory own funds	
Table 9	Template EU LI8	Other qualitative information on the scope	
Table 10	Template EU OV1	General view of the risk-weighted assets (RWAs)	Chapter 4.2. Capital requirements
Table 13	Template EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Chapter 4.4 Prudential reserves of own funds
Table 14	Template EU CCyB2	Amount of institution-specific countercyclical capital buffer	
Table 16	Template EU LRA	Disclosure of LR qualitative information	Chapter 4.5. Leverage ratio
Table 17	Template EU LR2	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	
Table 18	Template EU LR1	LRCom: Leverage ratio common disclosure	
Table 19	Template EU LR3	LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
Table 20	Template EU CCR1	Analysis of CCR exposure by approach	Chapter 6. Counterparty credit risk
Table 21	Template EU CCR2	Transactions subject to own funds requirements for CVA risk	
Table 22	Template EU CCR3	Standardised Approach - CCR exposures by regulatory exposure class and risk weights	
Table 23	Template EU CCR5	Composition of collateral for CCR exposures	
Table 27	Template EU CR1	Performing and non-performing exposures and related provisions	Chapter 7.3 Performing and non-performing exposures and provisions
Table 28	Template EU CQ6	Collateral valuation - loans and advances	
Table 29	Template EU CQ7	Collateral obtained by taking possession and execution processes	
Table 30	Template EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown.	
Table 31	Template EU CQ1	Credit quality of restructured exposures	
Table 32	Template EU CQ2	Quality of forbearance	
Table 33	Template EU CQ3	Credit quality of performing and non-performing exposures by past due days	
Table 35	Template EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	
Table 37	Template EU CQ4	Quality of non-performing exposures by geography	
Table 38	Template EU CR2	Changes in the stock of non-performing loans and advances	
Table 39	Template EU CR2-a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries.	
Table 40	Template EU CR1-a	Credit quality of exposures by exposure class and instrument	Chapter 8. Credit risk mitigation techniques
Table 43	Template EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	
Table 44	Template EU CR4	Standardised approach - Credit risk exposure and CRM effects	
Table 45	Template EU CR5	Standardised Approach - Exposure by Risk Category	
Table 50	Template EU SEC1	Securitisation exposures in the non-trading book.	Chapter 10. Securitisation operations
Table 48	Template EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor or as sponsor	
Table 49	Template EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor.	
Table 50	Template EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	
Table 53	Template EU MR1	Market risk under the standardised approach	Chapter 12. Foreign exchange and commodity risks in the banking and trading books
Table 56	Template EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Chapter 14. Operational risk
Table 58	Template EU LIQ1	Quantitative information on liquidity coverage ratio (LCR)	Chapter 16. Liquidity risk
Table 59	Template EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	
Table 60	Template EU LIQ2	Net Stable Funding Ratio	
Table 66	Template EU AE1	Encumbered and unencumbered assets	Chapter 18. Encumbered and unencumbered assets
Table 67	Template EU AE2	Collateral received and own debt securities issued	
Table 68	Template EU AE3	Sources of encumbrance	
Table 69	Template EU REM1	Remuneration awarded for the financial year	Chapter 19. Remuneration policy
Table 70	Template EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	
Table 71	Template EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	
Table 72	Template EU REM3	Deferred compensation	
Table 73	Template EU REM4	Remuneration of 1 million euros or more per year	

List of the remaining quantitative tables including the LCR reporting model according to the EBA/GL/2017/01 guidelines, Implementing Regulation (EU) 2016/200 relative to Leverage Ratios, Implementing Regulation (EU) 1423/2013 of the Commission and EBA/GL/2018/01 with reference to the disclosure of IFRS9 impacts.

Table	Description	Section
Table 6	Full terms and conditions of own funds instruments	Chapter 4.1 Own funds and capital ratios
Table 8	Uniform disclosure of the transitional regime to reduce the impact of IFRS 9	
Table 11	Own funds requirements	Chapter 4.2. Capital requirements
Table 12	Capital indicators	Chapter 4.3. Assessment and adequacy of own funds
Table 15	Leverage ratio	Chapter 4.5. Leverage ratio
Table 24	Total and average amount of net exposures	Chapter 7.2. Portfolio structure
Table 25	Distribution of exposures that are not past due and past due and impaired	
Table 26	Credit and counterparty risk capital requirements	
Table 34	Exposures by sector or type of counterparty	Chapter 7.3 Performing and non-performing exposures and provisions
Table 36	Geographic breakdown of exposures	
Table 37	Concentration index	Chapter 7.4. Concentration risk
Table 38	Concentration analysis – Personal and property credit protection	Chapter 8. Credit risk mitigation techniques
Table 42	Securitisation operations	Chapter 10. Securitisation operations
Table 45	Capital requirements - Trading book	Chapter 11. Position, credit, counterparty and settlement risks of the trading book
Table 46	Capital requirements – Foreign exchange and commodities risks	Chapter 12. Foreign exchange and commodity risks in the banking and trading books
Table 48	Exposures to banking book shares	Chapter 13. Exposures to banking book shares
Table 49	Activity segments and activities list	Chapter 14. Operational risk
Table 57	EU IRRBB1 - Interest rate risk of non-trading book activities	Chapter 15. Banking book interest rate risk
Table 61	Banking book - Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Chapter 17. Environmental, social and governance risks (ESG risks)
Table 62	Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	
Table 63	Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms	
Table 64	Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk	
Table 65	Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852	

List of most often mentioned abbreviations and technical terms in the document

ALMM – Additional Liquidity Monitoring Metrics
Bank – Banco Montepio
ECB – European Central Bank
BM – Banco Montepio
BD – Board of Directors
CAUD – Audit Committee
CE – Executive Committee
ALCO – Asset and Liability Committee
CCF – Credit Conversion Factor
CCP - Central Counterparty
CCR – Counterparty Credit Risk
CET1 – Common Equity Tier 1
CRI – Risk Committee
CRD IV - Directive 36/2013 of the European Parliament and the European Council
CRM – Credit Risk Mitigation
CRR – Regulation 575/2013 of the European Parliament and the European Council
CSA – Credit Support Annex
CVA – Credit Valuation Adjustment
DRI – Risk Department
EAD – Exposure at Default
EBA – European Banking Authority
ECAI – External Credit Assessment Institution
ESG – Environmental, Social and Governance
EU – European Union
RMF – Risk Management Function
GMRA – Global Master Repurchase Agreement
Group – Banco Montepio Group
BM Group – Banco Montepio Group
CI – Concentration Index
ICAAP – Internal Capital Adequacy Assessment Process
ILAAP – Internal Capital Adequacy Assessment Process
IFRS – International Financial Reporting Standard
IRB – Internal Rating Based
ISDA – International Swaps Derivatives Association
LCR – Liquidity Coverage Ratio
NSFR – Net Stable Funding Ratio
CIU – Collective Investment Undertaking
T1 – Tier 1 Capital
T2 – Tier 2 Capital
RAF – Risk Appetite Framework
RAS – Risk Appetite Statement

REPO – Repurchase Agreement

RO – Operational Risk

RWA – Risk-Weighted Assets

SREP – Supervisory Review and Evaluation Process

VaR – Value at Risk



Banco Montepio



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