REPORT & ACCOUNTS

2022

Banco Montepio

Banco Montepio

This report is the English version of the document “Relatório e Contas 2022” delivered by Banco Montepio to the Portuguese Securities Market Commission (CMVM) in accordance with Portuguese Law. Should there be any doubt or contradiction between documents, the aforementioned Portuguese version prevails.

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Banco Montepio

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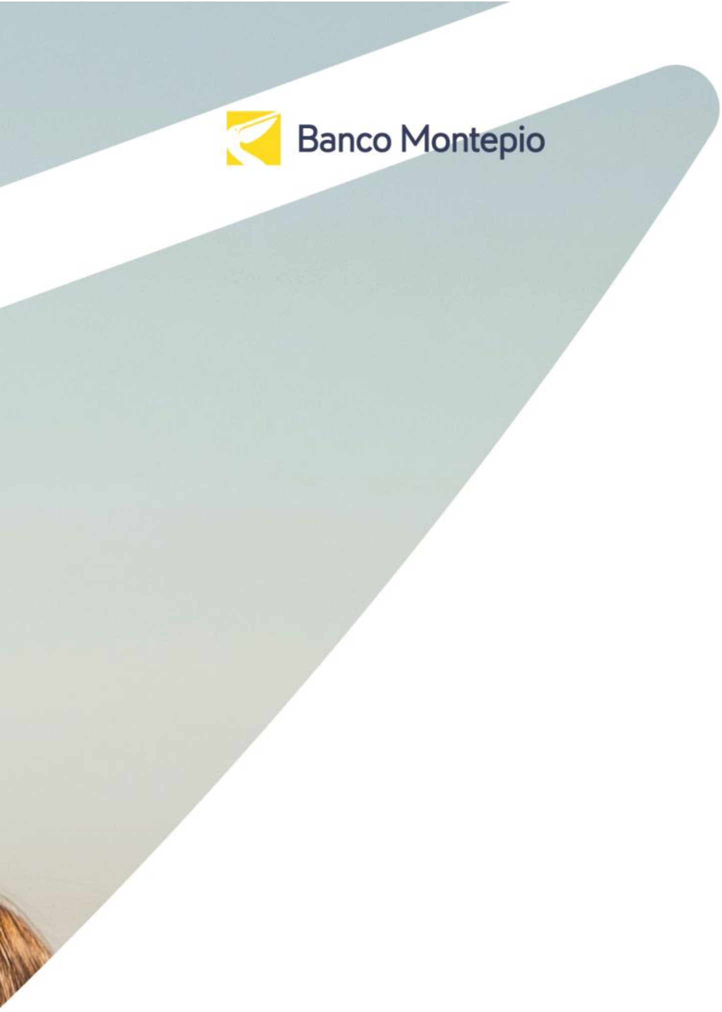
MANAGEMENT REPORT

Banco Montepio



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

The year 2022 retained a characteristic that is today 'the trend' and a context for micro and macro management that is unavoidable: uncertainty. Added to this is another, also with an increasingly structural nature, which is acceleration. The materialisation of unlikely events, like black swans, in an increasingly interconnected world, and propagating at a faster rate, is today a huge and complex challenge for management.

Despite the challenges, Portugal, our natural market, proved resilient. Our economy has shown a good ability, almost across the board, to recover to pre-covid levels, and there are even industries that are better off today than they were in 2019.

For us at Banco Montepio Group, the year was marked by the start of the new mandate of the Governing Bodies 2022-2025, the most parity-based in the history of our Institution and the financial sector.

The financial year 2022, the second of three years of our adjustment plan, also marked the delivery (and even anticipation) of various goals that are part of our commitment to shareholders, customers and other stakeholders.

Today we are a simpler, more agile Institution with levels of capital and liquidity among the highest in our long history. This, while drastically reducing non-performing assets, we continued to grow in the performing loan portfolio and delivered robust results. These are milestones for the implementation of the strategy we outlined, where there is still a path that must be taken, together and with determination.

Certainly for all this, the result of the commitment and merit of our people, as well as the trust of our customers and partners, we have seen the market recognise us, independently, in various fields.

The future, we already know, is uncertain. Understanding the context and acting in a prudent and determined manner, combating scepticism and fear, is the only way to ensure that we continue to be active agents in delivering that future.

We have with us the unique roots of mutualism and the experience of those who have served customers and communities in this country for almost two centuries. With a renewed and cohesive team, on a clear and unyielding path, we are ready for the future.

Pedro Leitão
Chairman of the Executive Committee

Manuel Ferreira Teixeira
Chairman of the Board of Directors

BOARD OF


Manuel Ferreira Teixeira
Chairman of the Board of Directors
Eugénio Baptista
Non-Executive Director
Jorge Almeida Baião
Executive Director
Pedro Leitão
Chairman of the Executive Committee
Clementina Barroso
Chairman of the Audit Committee
Florbela Lima
Non-Executive Director

DIRECTORS


Maria Lúcia Bica
Non-Executive Director
Helena Soares de Moura
Executive Director
Ângela Barros
Executive Director
José Carlos Mateus
Executive Director
Cândida Peixoto
Non-Executive Director
Isabel Silva
Executive Director


Banco Montepio

01
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

GOVERNANCE MODEL

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

CORPORATE BODIES AND COMMITTEES FROM THE BOARD OF DIRECTORS

Banco Montepio's General Meeting, held on 29 April 2022, elected the members of the institution's management and supervisory bodies for the 2022-2025 term of office. The relevant request for authorisation for the elected members to exercise their functions was subsequently submitted to Banco de Portugal, pursuant to Article 30-B of the General Regime of Credit Institutions and Financial Companies ("RGICSF"), and this process was ongoing on the reference date of this Report (30 June 2022).

Accordingly, on 30 June 2022, the composition of the Governing Bodies of Banco Montepio (elected for the 2018-2021 mandate), which remained in office under Article 391 of the Commercial Companies Code, was as follows:

BOARD OF THE GENERAL MEETING

Chairman	António Tavares
Secretary	Cassiano Calvão

BOARD OF DIRECTORS

Chairman	Carlos Tavares
Directors	Manuel Ferreira Teixeira
	Amadeu Paiva
	Carlos Ferreira Alves
	José Nunes Pereira
	Pedro Alves
	Vítor Martins
	Pedro Leitão
	Dulce Mota
	Helena Soares de Moura
	Jorge Almeida Baião
	José Carlos Mateus
	Leandro Graça Silva
	Nuno Mota Pinto
	Pedro Ventaneira

AUDIT COMMITTEE

Chairman	Manuel Ferreira Teixeira
Members	Amadeu Paiva Carlos Ferreira Alves José Nunes Pereira Vítor Martins

STATUTORY AUDITOR

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

- José Manuel Henriques Bernardo, enrolled at the Statutory Auditors Association (OROC) under number 903 and at the Securities Market Commission (CMVM) under number 20160522;
- Carlos José Figueiredo Rodrigues, enrolled at the Statutory Auditors Association (OROC) under number 1737 and at the Securities Market Commission (CMVM) under number 20161347.

On the reference date, the Board of Directors had internal committees, composed only of non-executive members, mostly with independent status, including the respective Chairs, namely the Risk Committee, the Remuneration, Nomination and Assessment Committee, which performs the functions attributed to the Nomination Committee and the Remuneration Committee under the RGICSF, and the Corporate Governance, Ethics and Sustainability Committee.

As at 30 June 2022, the composition of the Internal Committees of the Board of Directors of Banco Montepio was as follows:

RISK COMMITTEE

Chairman	Vítor Martins
Vice-Chairman	Carlos Ferreira Alves
Members	Amadeu Paiva
	Manuel Ferreira Teixeira

REMUNERATIONS, NOMINATIONS AND ASSESSMENT COMMITTEE

Chairman	José Nunes Pereira
Members	Amadeu Paiva
	Carlos Ferreira Alves
Alternate Members	Manuel Ferreira Teixeira

CORPORATE GOVERNANCE, ETHICS AND SUSTAINABILITY COMMITTEE

Chairman	Carlos Tavares
Members	Carlos Ferreira Alves
	José Nunes Pereira
	Pedro Alves

On 30 June 2022 the composition of the Executive Committee of Banco Montepio, to which the Board of Directors delegated the day-to-day management of the Bank, was as follows:

EXECUTIVE COMMITTEE

Chairman	Pedro Leitão
Vice-Chairman	Dulce Mota
Members	Helena Soares de Moura
	Jorge Almeida Baião
	José Carlos Mateus
	Leandro Graça Silva
	Nuno Mota Pinto
	Pedro Ventaneira

By resolution of the Board of Directors of Banco de Portugal dated 19 July 2022, authorisation was granted for the members of the management and supervisory bodies elected for the 2022-2025 term of office to take up office, which commenced on 25 July 2022, with the following composition:

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman	Clementina Barroso
Members	Florbela Lima
	Cândida Peixoto
	Maria Lúcia Bica

STATUTORY AUDITOR

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

- Aurélio Adriano Rangel Amado, enrolled at the Statutory Auditors Association (OROC) under number 1074 and at the Securities Market Commission (CMVM) under number 20160686;
- Carlos José Figueiredo Rodrigues, enrolled at the Statutory Auditors Association (OROC) under number 1737 and at the Securities Market Commission (CMVM) under number 20161347.

At its meeting of 25 July 2022, the Board of Directors appointed the following Internal Committees, composed only of non-executive members, the majority of whom have independent status, including the respective Chairmen:

RISK COMMITTEE

Chairman	Florbela Lima
Members	Eugénio Baptista
	Maria Lúcia Bica

ASSESSMENT, NOMINATIONS, ETHICS, SUSTAINABILITY AND GOVERNANCE COMMITTEE

Chairman	Cândida Peixoto
Members	Clementina Barroso
	Eugénio Baptista

Also at the meeting of 25 July 2022, the Board of Directors delegated the day-to-day management of Banco Montepio to an Executive Committee, except for the powers relating to matters whose delegation is forbidden by law or those reserved to it under the terms of its Regulations, a body which assumed the following composition:

EXECUTIVE COMMITTEE

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

ANNUAL GENERAL MEETING

Banco Montepio held the ordinary general meeting of shareholders on 29 April 2022, with the following decisions having been taken:

1. Report and Accounts of the Financial Year of 2021, of the individual and consolidated activity – Approved unanimously;
2. Allocation of the results of the financial year - Approved unanimously;
3. General appraisal of the management and supervision of the company, under the terms of Articles 376 and 455 of the Commercial Companies Code - Approved unanimously;
4. Amendment to Article 5 of the Articles of Association, modifying the content of the current paragraph 3, adding two new paragraphs corresponding to paragraph 4 and paragraph 5 and renumbering the current paragraphs 4 and 5 - Approved unanimously;
5. Election of the office holders and corporate bodies of Caixa Económica Montepio Geral, caixa económica bancária, S.A., under the terms of the law and the Articles of Association - Approved unanimously;
6. Election of the Remuneration Committee of the General Meeting provided for in item c) of Article 11 of Banco Montepio's Articles of Association - Approved unanimously;
7. Banco Montepio's Mission Charter for the 2022-2025 term of office - Approved unanimously;
8. Report on the assessment of the impact of the remuneration practices of subsidiaries abroad, provided for in paragraph 3 of Article 53 of Notice no. 3/2020 of Banco de Portugal - Approved unanimously;
9. Report assessing the Remuneration Policies and procedures adopted by Banco Montepio and Banco Montepio Group, prepared under paragraph 6 of Article 115-C of the RGICSF and subparagraph b), paragraph 1 of Article 44 of Notice no. 3/2020 of Banco de Portugal - Approved unanimously;
10. Review of the Remuneration Policy for Members of the Management and Supervisory Body (MOAF) - Approved unanimously;
11. Review of the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Body (MOAF) and Key Function Holders (TFE) - Approved unanimously;
12. Policy for the Selection, Appointment and Assessment of the Statutory Auditor (ROC) or Statutory Audit Firm (SROC) and the Contracting of Services to the ROC/SROC- Approved unanimously;
13. Constitution of a special reserve and constitution of conversion rights relating to the special regime for deferred tax assets, reported on 31/12/2021 - Approved unanimously.

EXTRAORDINARY GENERAL MEETING

On 10 February 2023, Banco Montepio held the extraordinary general meeting of shareholders, and the following resolutions were passed:

1. [Single Point] Decide to reformulate the equity items with the special purpose of reinforcing funds susceptible to regulatory qualification as distributable, with a view to covering negative transitional results, by reducing the share capital by 1,210,000,000.00 euros, without altering the total value of the net position, through the reduction of the nominal unit value of each share from 1.00 euros to 0.50 euros, and the subsequent amendment of paragraph 1 of Article 4 of the Articles of Association of Banco Montepio - Approved unanimously.


Banco Montepio

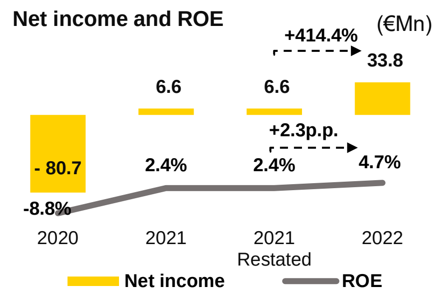
02

2022 IN SUMMARY

2022 IN SUMMARY

HIGHLIGHTS[1]

PROFITABILITY AND EFFICIENCY

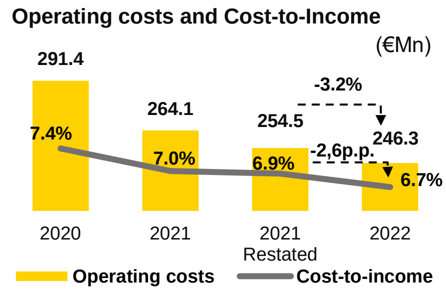


Net income of 33.8M€

- **Positive net income for the sixth consecutive quarter, reaching 33.8 million euros in 2022 (+27.2 million euros compared to 2021),** supported by business growth, the improvement of operational efficiency and the reduction of the cost of risk.

ROE of 4.7% | +2.3 p.p.

- **Significant increase in Return on Equity (ROE[2]) to 4.7% (+2.3 p.p. compared to 2021),** reflecting the increase in Net Income for the year.



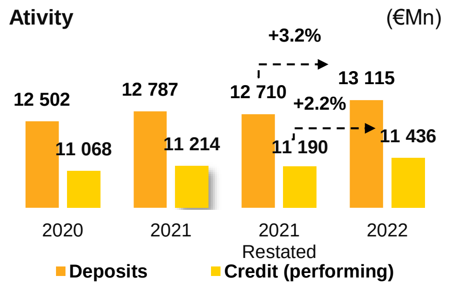
-3.2% Operating costs

- **Reduction of Operating costs by 3.2% (-1.7% without specific impacts)** compared to 2021, materialising the benefits of the Group's operational adjustment plan which is being implemented, aimed at raising the levels of efficiency, profitability and financial sustainability.

Cost-to-income of 66.6% | -2.6 p.p.

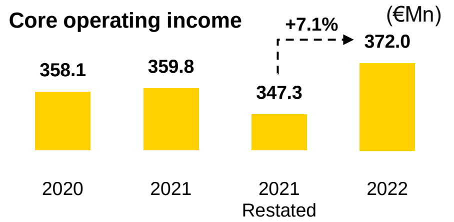
- **Reduction of the Cost-to-Income ratio to 66.6% (63.2% without specific impacts)**, supported by the increase in the core operating income and the reduction of operating costs.

BUSINESS



+2.2% Credit | +3.2% Deposits

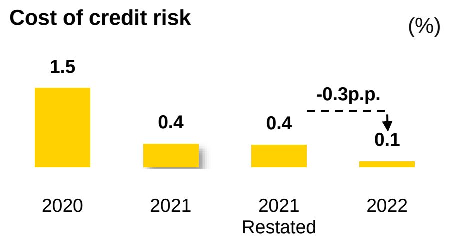
- **Gross performing credit increased by 246 million euros compared to the end of 2021 (+2.2%),** highlighting **Banco Montepio's commitment to supporting Families, Companies and Social Economy Entities**.
- **Deposits amounted to 13,115 million euros** as at 31 December 2022, representing an **increase of 3.2% compared to the end of 2021**.



+7.1% Core operating income

- **Core operating income of 372.0 million euros (+7.1%),** with **Net interest income** and **Net fees and commissions increasing**, respectively, **8.1% and 5.1%** compared to 2021.

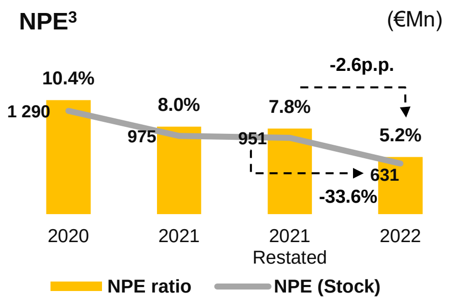
ASSET QUALITY



Cost of risk of 0.1% | -0.3 p.p.

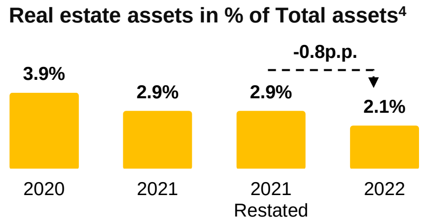
- **Reduction of the cost of credit risk to 0.1%,** compared to 0.4% registered at the end of 2021, reflecting the improvement of the portfolio's risk profile and benefiting from the reduction in exposure to non-performing credit and from positive developments in the recovery processes.

[1] Consolidated activity; 2021 restated refers to the restatement of items in the consolidated financial statements for comparative purposes as, at 31 December 2022, Finibanco Angola, S.A. is considered, by application of IFRS 5, as a discontinued unit.
[2] Gross return on equity, in accordance with Banco de Portugal Instruction No. 16/2004, in the current version.



NPE ratio of 5.2% | -2.6 p.p.

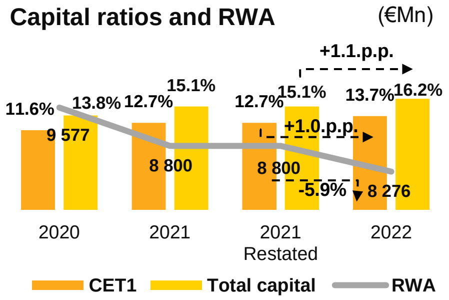
- **The NPE ratio[3] decreased to 5.2%,** maintaining the continuous and sustained downward trajectory, registering an improvement of 2.6 p.p. compared to the end of 2021, accompanied by the reinforcement of coverage levels, which stood at 56.1%.



Weight of Real estate assets in Total assets of 2.1% | -0.8 p.p.

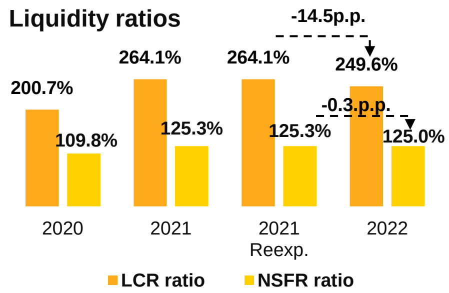
- **Reduction in exposure to real estate risk,** with the weight of Real Estate Assets[4] in total net assets standing at 2.1% at the end of 2022 (-0.8 p.p. compared to the end of 2021), showing a decreasing trend.

CAPITAL AND LIQUIDITY



CET1 of 13.7% | Total capital of 16.2%

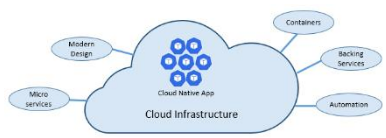
- **Reinforcement of the Common Equity Tier 1 Ratio (CET1[5]) by 1.0 p.p. compared to 2021 to 13.7%** and the **Total Capital Ratio by 1.1 p.p. to 16.2%** (phasing-in), with a comfortable gap compared to the applicable overall capital requirement (OCR), including combined reserves.



LCR of 249.6% | NSFR of 125.0%

- **Maintaining a strong liquidity position translated into the Liquidity Coverage Ratio (LCR)[6] of 249.6% and the net stable funding ratio (NSFR)[7] of 125.0%, materialising the defined funding and liquidity strategy** and the optimisation of the balance sheet structure with a reduction in exposure to non-productive assets, and showing **levels well above regulatory minimums.**

DIGITAL TRANSITION



Continuous improvement in the automation and reengineering of internal processes

- Increasing developments **in advanced analytics, new cybersecurity models and acceleration of the implementation of cloud native architecture**.

APPré-pago Banco Montepio

Continuous improvement of the Customer Experience

- Development of **initiatives aimed at increasing the efficiency and effectiveness of Customers' interaction with the Bank**, namely: the **launch of the APPré-pago app**; the provision of **access to Google Pay**; the **launch of Banco Montepio Collection**; the continued **evolution of the voice bot M.A.R.I.A.;** the **provision of the APProva app**, a strong authentication solution, **on the Huawei store** and the **dematerialisation** of the bank card PIN, which is now sent by sms, contributing to **greater environmental sustainability**.

[3] NPE: Non-Performing Exposures, as defined in the Glossary; with reference to 2022 and 2021 restated, the indicators do not include Finibanco Angola (entity subject to the application of IFRS 5); considering Finibanco Angola, the stock and the NPE ratio, with reference to 31 December 2022, would be 647M€ and 5.3% respectively.
[4] Real estate assets: Non-current assets held for sale (real estate) and Investment properties.
[5] According to CRD IV /CRR (phasing-in); RWA (Risk Weighted Assets): Risk Weighted Assets.
[6] LCR: Liquidity Coverage Ratio, as defined in the Glossary.
[7] NSFR: Net Stable Funding Ratio, as defined in the Glossary.

SUMMARY OF INDICATORS

	2020	2021	2021 Restated	2022	YoY change
ACTIVITY AND RESULTS (million euros)					
Total assets	17 941	19 713	19 713	19 106	(3.1%)
Performing loans to customers (gross)		11 214	11 190	11 436	2.2%
Customer deposits	12 502	12 787	12 710	13 115	3.2%
Net income	(81)	7	7	34	>100%
SOLVENCY (a)					
Common equity tier 1 ratio	11.6%	12.7%	12.7%	13.7%	1.0 p.p.
Tier 1 ratio	11.6%	12.7%	12.7%	13.7%	1.0 p.p.
Total capital ratio	13.8%	15.1%	15.1%	16.2%	1.1 p.p.
Leverage ratio	6.0%	5.6%	5.6%	5.9%	0.3 p.p.
Risk weighted assets (million euros)	9 577	8 800	8 800	8 276	(5.9%)
LIQUIDITY RATIOS					
Liquidity coverage ratio (LCR)	200.7%	264.1%	264.1%	249.6%	(14.5 p.p.)
Net stable funding ratio (NSFR)	109.8%	125.3%	125.3%	125.0%	(0.3 p.p.)
LOAN TO DEPOSIT RATIOS					
Loans to customers (net) / Customer deposits (b)	92.6%	91.2%	91.5%	89.3%	(2.2 p.p.)
Loans to customers (net) / On-balance sheet customer resources (c)	83.9%	81.0%	81.2%	85.4%	4.2 p.p.
CREDIT QUALITY					
Cost of credit risk	1.5%	0.4%	0.4%	0.1%	(0.3 p.p.)
Ratio of loans and interest overdue by more than 90 days	5.1%	3.0%	2.9%	2.2%	(0.7 p.p.)
Coverage of loans and interest overdue by more than 90 days	124.4%	144.4%	143.0%	131.2%	(11.8 p.p.)
NPE ratio (Non-performing exposures (NPE) (d) / Gross customer loans)	10.4%	8.0%	7.8%	5.2%	(2.6 p.p.)
NPE (d) coverage by Impairment for balance sheet loans	60.4%	53.5%	53.8%	56.1%	2.3 p.p.
NPE (d) coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees	93.0%	96.0%	95.9%	100.8%	4.9 p.p.
Forborne exposures ratio (Forborne exposures (d) / Gross customer loans)	6.6%	5.1%	5.0%	4.3%	(0.7 p.p.)
PROFITABILITY AND EFFICIENCY					
Total operating income / Average total assets (b)	2.2%	2.0%	1.9%	1.9%	0.0 p.p.
Return on assets (gross) (Net income before income tax / Average total assets) (b)	(0.7%)	0.2%	0.2%	0.4%	0.2 p.p.
Return on equity (gross) (Net income before income tax / Average total equity) (b)	(8.8%)	2.4%	2.4%	4.7%	2.3 p.p.
Cost-to-income (Operating costs / Total operating income) (b)	74.0%	69.7%	69.2%	66.6%	(2.6 p.p.)
Cost-to-Income, excluding specific impacts (e)	72.5%	69.0%	68.7%	63.2%	(5.5 p.p.)
Staff costs / Total operating income (b)	48.1%	43.3%	43.3%	41.2%	(2.1 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)					
Employees					
Group Banco Montepio	3 721	3 478	3 478	3 406	(72)
Banco Montepio	3 326	3 121	3 121	3 043	(78)
Branches					
Domestic network - Banco Montepio	298	261	261	246	(15)
Of which: BEM Corporate Centres	7	7	7	7	0
International Network	24	20	20	20	0
Finibanco Angola (f)	24	20	20	20	0
Representation Offices - Banco Montepio	5	5	5	5	0

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period.

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

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

(d) EBA Definition; with reference to 2022 and 2021 restated, ratios do not include Finibanco Angola (entity subject to the application of IFRS 5). Considering Finibanco Angola, the NPE ratio, the NPE coverage by Impairment for balance sheet loans ratio and the NPE coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees and the Forborne exposures ratio, with reference to 2022 would stand at 5 .3%, 56.5%, 103.9% and 4.4% respectively.

(e) Excludes Results from financial operations, Other operating results (Net gains arising from the sale of other financial assets and Other operating income), and the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures of +29,5 M€ in 2020, +14,7 M€ in 2021 and 10,5 M€ in 2022.

(f) Includes corporate centres.

2022 MILESTONES

ELECTION OF GOVERNING BODIES FOR THE 2022-25 TERM OF OFFICE

The **new Board of Directors began its four-year term of office 2022-2025** in accordance with the resolution passed at the General Meeting of Shareholders held on 29 April 2022, having adopted a governance composition that lives up to its firm commitment to Gender Equality, the most equal in the national banking sector, comprising seven women (58%) and five men (42%).

IMPROVEMENT OF BANCO MONTEPIO'S RATING

Moody's raised the credit rating of Banco Montepio's unsecured senior bonds to B2, the long-term deposit rating to Ba3 and the **Mortgage Bonds (OHs) to AA2** (the maximum rating awarded by the agency to Portuguese issuers).

Fitch revised **Banco Montepio's long-term credit rating upwards to B**, maintaining the **positive outlook**, the long-term deposits rating to B+ and **of the OHs to AA**.

As early as March 2023, **DBRS revised Banco Montepio's long-term risk rating upwards to B (high), maintaining the trend stable** *and the* Long-term deposit rating to BB (***low).***

SIMPLIFICATION OF THE CORPORATE STRUCTURE AND IMPROVEMENT OF BANCO MONTEPIO GROUP'S OPERATING MODEL

On 30 September 2022, **Banco Montepio concluded the voluntary dissolution and liquidation process of Banco Montepio Geral Cabo Verde**, as part of the strategic redefinition of international investments, with a view to focusing on the domestic market.

On 4 October 2022, **Banco Montepio signed an agreement to sell the stake held** by its subsidiary Montepio Holding, SGPS, S.A. **in the share capital of Finibanco Angola, S.A. to Access Bank Plc**. The sale transaction is expected to close during 2023, and the 2022 result already incorporates the adjustment of the value of this subsidiary, in accordance with the agreed terms.

In August 2022, **Banco Montepio decided to integrate Banco Empresas Montepio** (BEM), wholly owned by its subsidiary Montepio Holding, SGPS, S.A., including the transfer of all its assets, liabilities and operations, which may be carried out through a merger by incorporation, or another that is considered favourable. In December 2022, **it approved the operational integration model, as well as the analysis of the possible sale of the BEM banking licence (after the** carve-out of the entire activity).

ESG INITIATIVES - ENVIRONMENTAL, SOCIAL, GOVERNANCE

As part of the ongoing **sustainability strategy**, **Banco Montepio joined the UN Global Compact**, reaffirming its mission to improve the reality of families and companies, and to support social economy entities, in order to actively contribute to a more conscious and supportive present, and to cooperate in building a more sustainable future for coming generations.

Banco Montepio joined the United Nations' *Women's Empowerment Principles*, as part of the **integration plan for diversity and respect for Universal Human Rights**.

Banco Montepio reaffirmed its commitment to sustainable development and joined the **Associação Portuguesa de Ética Empresarial (APEE) (Portuguese Business Ethics Association) in the 1st edition of ESG WEEK 2022**, an APEE initiative, which included **Banco Montepio** as **host and main sponsor**, where the major topics of Sustainability within the ESG domain were discussed.

Social Responsibility

In 2022, **Banco Montepio** continued to **support entrepreneurship**, ideas, and dreams, through the **naming sponsor competition "Banco Montepio Acredita Portugal"** (Montepio Believes Portugal). Six winners were selected in the 12th edition of the competition, in the categories Social Entrepreneurship, Mobility, Smart Cities, H2O Innovation, Technological Solutions and 'Acredita Portugal'.

In 2022, **Banco Montepio** promoted the **Social Innovation Camp competition,** renewing ties with the non-profit organisation **Junior Achievement Portugal**, the Portuguese counterpart of Junior Achievement, the largest and oldest global entrepreneurship education organisation, nominated in 2022 for the Nobel Peace Prize.

Prizes and Recognitions

In 2022, **Banco Montepio** won the title **"Marca n. º1 na Escolha do Consumidor" (No. 1 Brand) in the Mortgage Loan category**, leading all indices: **notoriety, credibility, exemption and transparency, and purchase motivation**, achieving a level of Satisfaction of 82% and a Recommendation level of 83%.

At the beginning of 2023, **Banco Montepio** was once again **elected 'Escolha do Consumidor' (Consumer Choice)[8], for the second consecutive time, in the Mortgage Loan category,** among the 12 banks evaluated.

Also at the beginning of 2023, **Banco Montepio won the Cinco Estrelas (Five Stars) Award in the Banking — Sustainability category**, with an overall satisfaction of 80.1%.

In 2022, the **Banco Montepio Brand** was awarded the **Superbrands Seal of Excellence[9] for the 13th time,** and received the **'Brand of Excellence Superbrands'** Award for the first time in the same year and the Creativity Award **'Best Cover of the Year'**.

The **Montepio Euro Energy Fund**, managed by Montepio Gestão de Activos, won in 2022, the **'Melhor Fundo Nacional de Ações'** (Best National Stock Fund) Award at the **2nd Edition of the Rankia Portugal Awards**, and was also highlighted as the '**most profitable Equity Fund of 2022'** by **FundsPeople**[10].

The **Valor Prime Fund,** managed by Montepio Valor, won the category of **'Best Open Real Estate Investment Fund'.**

Banco Montepio was awarded the Level 2 **'Healthy Workplaces' Seal** in 2022, an award **from the Association of Portuguese Psychologists** for the encouragement and dissemination of the best guidelines and practices developed in Portugal with regard to Safety, Health and Occupational Well-being.

[8] "Escolha do Consumidor" (Consumer Choice) is the number 1 brand evaluation system in Portugal and the only one with ISO 9001 certification.
[9] Superbrands® is an independent international organisation dedicated to the identification and promotion of Brands of Excellence in 89 countries.
[10] FundsPeople is a reference community for asset management professionals in Spain, Portugal and Italy.

Banco Montepio

BANCO MONTEPIO GROUP

WHO WE ARE

Banco Montepio, founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral – Associação Mutualista, is the oldest financial institution of Portugal.

It is also a unique institution in the national financial panorama due to its origin and mutual base and, consequently, for its vocation of saving and providing universal financial services to Private Customers at all stages of their lives, as well as Clients from the Business Sector and Social Economy Institutions and social entrepreneurs.

Throughout the more than 178 years of its existence, Banco Montepio has consistently supported Families, Small and Medium-sized Entrepreneurs, Companies and the Community. It actively supported successive generations of Portuguese people at many critical moments, going through wars, crises, and revolutions.

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

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

GROUP STRUCTURE

Pursuant to Decree-Law 190/2015, of 10 September, which approved the legal system of Savings Banks, Caixa Económica Montepio Geral is henceforth considered a savings bank, with its transformation into a public limited company arising from the same legal provision.

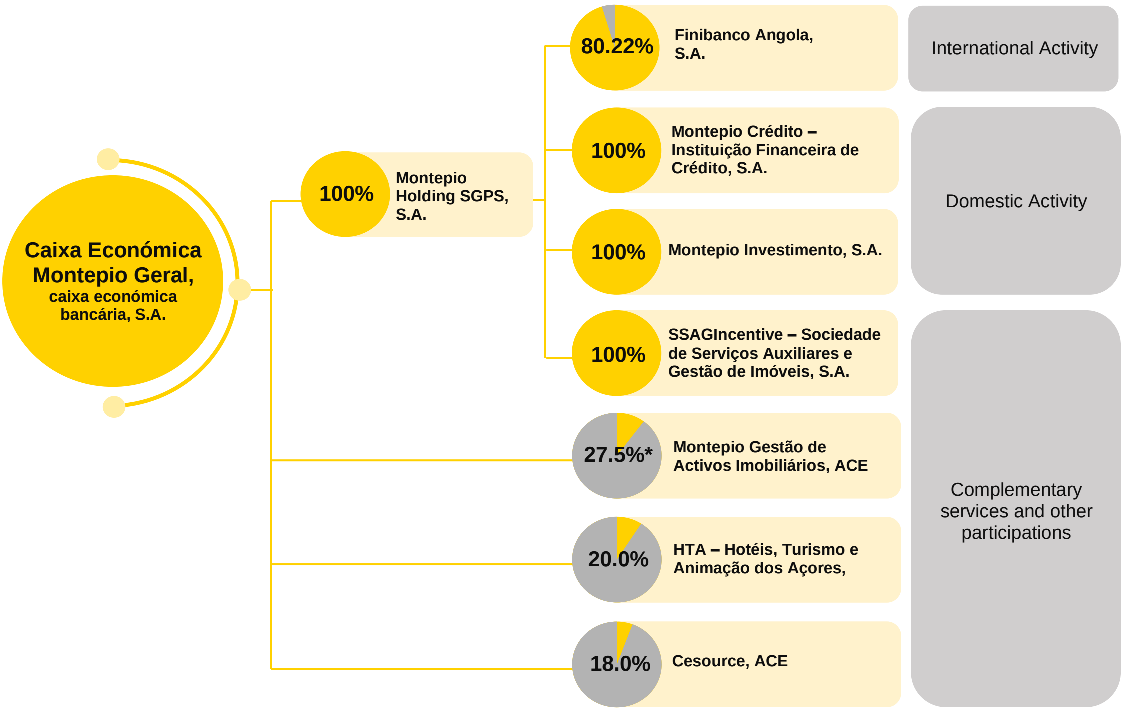
Following this process, its current corporate name is Caixa Económica Montepio Geral, caixa económica bancária, S.A., with the trade name of Banco Montepio having been adopted in 2019.

Banco Montepio holds a number of equity stakes in entities that provide banking and financial services, thus providing a wide and diversified offer of products to Customers, and which contribute with their results to mutualist purposes.

The Banco Montepio Group is a diversified banking and financial group, aligned with its mutualist nature and purpose, which lends it unique features and an unrivalled position in its activity sector and in Portuguese society.

As at 31 December 2022, the Banco Montepio Group was composed of the following entities:

- **Full consolidation:** Caixa Económica Montepio Geral, caixa económica bancária, S.A.; Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.; Finibanco Angola, S.A.; Montepio Crédito - Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A. (Banco de Empresas Montepio, or BEM), and SSAGIncentive — Sociedade de Serviços Auxiliares e Gestimento de Imobilias, S.A.
- **Consolidation by the equity method:** Montepio Gestão de Activos Imobiliários, ACE; HTA – Hotéis, Turismo e Animação dos Açores, S.A.; Cesource, ACE.



*CEMG 26.0%, Montepio Investimento 1.0% and SSAGIncentive 0.5%. (% of equity stake)

Within the scope of the strategic redefinition of its international subsidiaries, and aiming at focusing on the domestic market, Banco Montepio concluded, on 30 September 2022, the process of voluntary winding up and liquidation of Banco Montepio Geral Cabo Verde and pursues the diligences aiming at the deconsolidation of Finibanco Angola, S.A., Montepio Holding, SGPS, S.A. agreed, on 4 October 2022, to sell its equity investment in that subsidiary to Access Bank Plc, and it is estimated that the closing of the sale transaction will take place during 2023.

Continuing the simplification of the corporate structure and improvement of the Group's operating model, it was decided, in August 2022, to integrate BEM into Banco Montepio (fully owned by the subsidiary Montepio Holding, SGPS, S.A.), through the transfer of all its assets, liabilities and operations, and a merger may be carried out by incorporation. Subsequently, in December 2022, the Board of Directors of Banco Montepio approved the operational integration model and analysed other alternatives, namely the possibility of selling the BEM banking licence, after the carve-out of the entire activity.

With reference to 31 December 2022, the scope of consolidation of Banco Montepio Group includes other entities consolidated by the full method, namely: Valor Arrendamento - Fundo de Investimento Imobiliário Fechado; Polaris – Fundo de Investimento Imobiliário Fechado; PEF – Portugal Estates Fund; Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (FEIIA); Pelican Mortgages No 3; Pelican Mortgages No 4; Aqua Mortgages No 1 and Pelican Finance No 2.

THE BANCO MONTEPIO BRAND

PROTECTION AND REINFORCEMENT OF BRAND REPUTATION

In 2022, Banco Montepio obtained the second position in banking in campaign visibility, and rose in Global Image and Communication presents a level of effectiveness in Brand Equity that places it in third position in banking, according to the results of Brand Score - the Brand and Communication barometer corresponding to the year 2022. Brand Score is a cause-effect model whose ultimate objective is to assess the impact of communication on the brand (Brand Equity).

Communication Visibility

In 2022, Banco Montepio reached the second position in banking in campaign visibility. According to Brand Score data, Banco Montepio's mortgage loan campaign "Dá para mais do que imagina" (You can do more than you think) was the second most recalled in the banking sector. In addition to advertising campaigns, Sustainability actions and support for topics in Social Responsibility and Society contributed to increasing the visibility of Banco Montepio.

Brand Image

Banco Montepio improved the Global Image indicator compared to 2021, which means that more Customers evaluate the brand's image in a very positive way in the following dimensions: Values; Reputation; and Relevance / contribution Social Responsibility and Sustainability.

In the Social Responsibility and Sustainability dimension, Banco Montepio ranks first in the banking sector, as evaluated by its Customers.

Banco Montepio registered an increase of 1 p.p. compared to 2021 in the reputational index, which measures the following dimensions: Trust, Solidity, Governance, Ethics and Transparency.

Brand Equity

Banco Montepio maintained a positive trajectory in the valuation of the Brand in 2022, rising 5 p.p. in Brand Equity compared to 2021. This increase is justified, above all, by the improvement in the level of Customer loyalty and the improvement in the balance of attraction of new Customers.

New Board of Directors takes office

The new Board of Directors began its functions for the four-year period 2022-2025, in accordance with the decision taken at the Shareholders' General Meeting held on 29 April 2022. The composition of the Corporate Bodies, approved by the shareholders and Banco de Portugal, follows a more equal governance model, which lives up to Banco Montepio's firm commitment to Gender Equality.

Joining UN Global Compact

Banco Montepio joined the UN Global Compact, reaffirming its mission to improve the reality of families and companies, and to support social economy entities, in order to actively contribute to a more conscious and supportive present, and to cooperate in building a more sustainable future for coming generations.

In the context of this initiative, Banco Montepio's CEO, Pedro Leitão, explained that “the sustainability strategy underway aims to generate value for society and the national economy, through the development and application of its assets, economic progress and technological innovation, social and digital inclusion, respect for human rights and fundamental values, as well as the safeguarding of our common natural heritage”.

Adhering to the Women's Empowerment Principles

Banco Montepio adhered to the United Nations *Women's Empowerment Principles* (WEPs), as part of the integration plan for diversity and respect for Universal Human Rights. Since 2020, the Bank has been implementing initiatives promoting Gender Equality, in accordance with the fifth Sustainable Development Goal (SDG) of the United Nations 2030 Agenda.

By adopting the WEPs, Banco Montepio is investing in the future and sustainability of the Group, by promoting the full empowerment and participation of women in corporate culture, in access to professional career opportunities and to top management, in fair remuneration and distribution of responsibilities, in talent management and appointment to positions of high responsibility, and in the current and cross-cutting application of the principles enshrined in its Equality and Diversity Policy. This commitment is aligned with the National Goal for Gender Equality - 40% of women in decision-making positions by 2030 (Board of Directors, Executive Committee, and First Line Divisions).

Banco Montepio is among the companies with the best reputation in Portugal

Banco Montepio is one of the 100 companies with the best corporate reputation in Portugal, according to the results revealed by the Merco Empresas e Líderes study, in its 3rd edition in Portugal. Banco Montepio was ranked 56th, its best position ever. Merco is a reference monitor that evaluates the reputation of companies and leaders in Portugal every year.

Anniversary of Banco Montepio - 178 years of doing more for the community

Sustainable development was also the motto for the **celebration of Banco Montepio's 178th anniversary**. For three days, personalities from the Portuguese Government and civil society joined Banco Montepio to reflect on concrete ideas and initiatives for Gender Equality, Education and Decent Work and Economic Growth - three UN Sustainable Development Goals to which the Bank wants to actively contribute. “How can gender equality be achieved and empower all women and girls?”, “How can better access to inclusive, quality and equitable education and promotion of lifelong learning opportunities for all be promoted?” and “How can inclusive and sustainable economic growth, full and productive employment and decent work for all be promoted?” were the three themes under discussion. This initiative was supported by the digital newspaper Dinheiro Vivo as media partner.

BRAND AWARDS

In 2022, Banco Montepio won the title “Marca n. º1 (No. 1 Brand) in Escolha do Consumidor” in the Mortgage Loan category, having led all indices: notoriety, credibility, exemption and transparency, and purchase motivation. “Escolha do Consumidor” (Consumer Choice) is the No. 1 brand evaluation system in Portugal and the only one with ISO 9001 certification.

According to Consumer Choice - Consumer Satisfaction Assessment Centre, responsible for awarding this prize, in 2022 the Bank achieved a Satisfaction level of 82%, and 83% in terms of Recommendation. With regard to products and services, the most valued attributes were: “Trust in the Bank”, “Detailed explanation of products”, “Easy delivery of documents”, “Flexible credit period” and “Availability of the Manager to handle the process”.

At the beginning of 2023, Banco Montepio was once again elected Consumer Choice, for the second consecutive time, in the Mortgage Loan category, among the 12 banks evaluated.

Also at the beginning of 2023, Banco Montepio won the Cinco Estrelas (Five Stars) Award in the Banking — Sustainability category, with an overall satisfaction of 80.1%. This index is the result of an evaluation system carried out with consumers with an affinity for the topic of Sustainability, concept tests for Customers and Employees, and market research for the brand.

The Banco Montepio brand was evaluated according to the variables that influence consumers' purchasing decisions in this category, variables defined by an independent Assessment Committee. In the Experimentation Tests phase, Portuguese consumers evaluated the following characteristics:

- Service - proximity, ease of contact, promotion of healthy and sustainable behaviours;

- Responsible offer that promotes responsible and sustainable behaviour - products that promote responsibility towards new generations, incentives for companies with sustainability policies, sustainable financing lines;
- Ethics and integrity in the way in which it relates to Customers, Employees and other partners - taking into account principles of social, environmental and economic sustainability, and responsible consumption;
- Implementation of social responsibility, environmental and economic actions;
- A bank that promotes economic, social and environmental sustainability, and aligned with the best international practices.

This distinction was awarded by Five Stars Consulting.

In a second phase, the result of a market survey of the Banco Montepio brand that assessed the level of trust and innovation recognised by consumers, it was found that the brand inspires trust in more than 7 in 10 of the consumers and employees surveyed, and 7 in 10 consider the actions carried out in Sustainability to be innovative.

Superbrands

In 2022, the Banco Montepio Brand won for the first time, in the same year, the ‘Superbrands Brand of Excellence Award’ and the Creativity Award ‘Best Cover of the Year’.

For the 13th time Banco Montepio was distinguished with the Superbrands Seal of Excellence, a mark of independence and credibility, whose selection of brands is made through an independent study of consumers, who are asked to indicate: Brands they know; Brands they trust the most; Brands they identify with; Brands that most meet their needs; and Brands they consider the most well-known.

In 2022, the year in which the most equal Board of Directors in Portuguese banking took office, Banco Montepio chose Gender Equality as the core theme of the Brand, for Superbrands. Banco Montepio wants and is writing a different story, one that breaks down walls and shortens distances on the road to full equality of rights and opportunities, seeking to make ‘the change it wants to see in the world’. This ambition was the inspiration for the creativity of the Superbrands book cover, created in a mirror image, with a message to invite reflection and action: “Gender Equality doesn't just depend on others. It depends on everyone.”

Superbrands® is an independent international organisation dedicated to the identification and promotion of Brands of Excellence in 89 countries, and according to the organisation “the selection criteria are similar between countries, and the purpose of the programme is to identify the brands that, in each market, are operating above and beyond the competitors in their area of activity”.

Montepio Euro Energy Fund elected “Best National Equity Fund” and “Most Profitable Equity Fund of 2022”

In 2022, the Montepio Euro Energy Fund, managed by Montepio Gestão de Activos, won the ‘Best National Equity Fund’ Award at the 2nd Edition of the Rankia Portugal Awards, and was also highlighted as the ‘Most profitable Equity Fund of 2022’ by FundsPeople, a reference community for asset management professionals in Spain, Portugal and Italy.

Valor Prime elected best open-ended real estate investment fund

The Associação de Fundos de Investimento, Pensões e Patrimónios (APFIPP) (Association of Investment, Pension and Asset Funds), in partnership with Jornal de Negócios, awarded the Best Jornal de

Negócios/APFIPP Funds Awards — 2022 and the real estate fund Valor Prime, managed by Montepio Valor, won the Best Open-end Real Estate Investment Fund category.

The Valor Prime Fund is an open-end real estate investment fund that has a portfolio consisting mainly of real estate. It is aimed at conservative investors, with low risk tolerance and a medium to long-term investment horizon, greater than 3 years.

The value of the Fund is represented by Participation Units (U.P.), and its amount is calculated and disclosed daily by the respective management entity - Montepio Valor - SGOIC, S.A.

CAMPAIGNS AND PARTNERSHIPS

Mortgage Loan Campaign "Dá para mais do que imagina" (You can do more than you think)

Banco Montepio, elected the No. 1 'Escolha do Consumidor' (Consumer Choice) Brand in the 2022 Mortgage Loan category, created a mortgage loan offering with families, the social sector and society in mind, reinforcing its firm commitment to generating value with purpose.

The mortgage loan campaign increases benefits to its Customers while supporting a social cause.

Those who buy a house or transfer the loan to Banco Montepio receive 1.5% of the loan amount on a prepaid card - or 1.7%, if the house has an energy certificate A or A+, an amount that the Customer can use to buy whatever and wherever they want.

In addition to the environmental component, the campaign also has a social and solidarity component. The prepaid card is associated with a donation programme and each time the Customer uses it, they will be contributing at no additional cost to themselves, and through Banco Montepio, to support Caritas with the purpose of "reversing the poverty curve".

Christmas campaign "Um banco de Causas todo o ano" (A bank of Causes all year round)

Banco Montepio seeks to ensure that the Christmas spirit is a state of mind throughout the year, with support for social causes and institutions that reach society, communities and individuals.

Banco Montepio's Christmas campaign "A bank of causes, all year round" told 17 stories, from 17 causes and institutions, representative of each of the UN's Sustainable Development Goals. An initiative that does not end at Christmas and continues to give voice to social causes, some of which Banco Montepio supports throughout the year.

Pirilampo Mágico (Magic Firefly) 2022

In 2022, Banco Montepio continued to support Pirilampo Mágico (Magic Firefly), one of the most emblematic solidarity initiatives in the country. With the mission of making a difference in the lives of families, companies and third sector entities, the Bank joined FENACERCI, with the aim of raising public awareness of the problem of people with intellectual disabilities and multi-disabilities, and with the purpose of promoting a fairer, more inclusive, more sustainable society.

Launch of the online store - Banco Montepio Collection

In 2022, Banco Montepio launched 'COLLECTION', a platform inspired by tradition, which brings together a careful selection of prestigious products. This new online store was created to improve the customer experience when buying prestigious, end-to-end products.

At Banco Montepio's COLLECTION, it is possible to shop online, pay in the most convenient way, either by credit card or personal credit, with access to a comprehensive catalogue of products, without delivery costs. With Banco Montepio's credit solutions allied to the new online platform, the Customer can find everything for the home, without leaving their seat.

Banco Montepio Acredita Portugal Competition

In 2022, Banco Montepio continued to support entrepreneurship, ideas, and dreams, through the naming sponsor competition, "Banco Montepio Acredita Portugal". Six winners were selected in the 12th edition of the competition, in the categories Social Entrepreneurship, Mobility, Smart Cities, H2O Innovation, Technological Solutions and Acredita Portugal.

In the Social Entrepreneurship Category, sponsored by Banco Montepio, the winner was *The Inventors*, which aims to inspire a new generation of inventors through educational experiences for children from 5 to 14 years old in the areas of engineering, arts and creativity. The startup that won the Best Startup of the Year award was also guaranteed a stand at the 2023 edition of the Web Summit.

Social Innovation Camp Competition

The start of another academic year gives each employee of Banco Montepio the opportunity to inspire and prepare our young students for the future, through the teaching of key skills in the fields of Entrepreneurship, Financial Literacy and Employability. In 2022, Banco Montepio renewed its ties with this non-profit organisation, the Portuguese counterpart of Junior Achievement, the world's largest and oldest entrepreneurship education organisation, which was nominated for the Nobel Peace Prize in 2022. From north to south, from the islands to the mainland, schools welcome children and adolescents who know different realities, and many find the school a safe place where they can simply be, grow and evolve. In 2022, Banco Montepio chose to do something different and, therefore, brought a novelty filled with innovation and creativity — the Social Innovation Camp competition.

Merece Movement

In 2022, Banco Montepio joined the Merece movement, a business movement for the recycling of cards with electronic components, which guarantees the referral of plastic to a company that produces urban furniture. With the help of all Customers, the Bank was able to recycle 141,900 cards. 851 Kg of plastic were recycled, which is equivalent to 851 trees planted. The aim is to encourage a new production ethic and be part of a more sustainable future. For every kilo of waste collected, the Merece movement plants a tree and guarantees its maintenance for 5 years.

PEOPLE

New cycle is the word that best defines the year 2022 in the Banco Montepio Group's People plan.

There was a progressive return to a new normal working environment, after 2 years of the pandemic, and the policies implemented during the pandemic phase for psychological and social support for Employees were maintained.

The implementation of the adjustment programme, which was maintained in 2022, resulted in good progress in the four recommended axes: Improvement of the complementary margin; Operational adjustment; Capital preservation; and Group simplification. As a result of this determined and persistent work, with the effort and dedication of our People, it was possible to bring the Bank back to positive results, and in this context, the Executive Committee approved the distribution of variable annual remuneration to Employees.

The Bank also remained attentive to the socioeconomic context of the country and, considering the sharp rise in inflation and the subsequent impact on the lives of families, approved a set of measures that include timely and extraordinary financial support, paid in December 2022, as well as the review of various benefits, with a view to responding in the best possible way to the particularly challenging times that the economic scenario has posed to our People.

At the end of 2022, Banco Montepio Group had 3,406 Employees, with a reduction of 2.1% compared to the same period in 2021, continuing the restructuring process in Banco Montepio's staff.

Domestic activity as at 31 December 2022 represented 93.7% of the Employees of Banco Montepio Group, of which 95.3% were assigned to Banco Montepio. In turn, International activity, with a weight of 6.3%, refers exclusively to Finibanco Angola at 31 December 2022. Finibanco Angola's staff was reinforced and, as a result, international activity increased by 8 employees compared to 31 December 2021.

EMPLOYEES EVOLUTION

	2019		2020		2021		Change 2022/2021	
	No.	%	No.	%	No.	%	No.	%
Domestic Activity (1) (2)	**3 498**	**94.0**	**3 273**	**94.1**	**3 193**	**93.7**	**(80)**	**(2.4)**
Of which: Banco Montepio (2) (3)	3 326	89.4	3 121	90	3 043	89.3	(78)	(2.5)
Internacional Activity	**223**	**6.0**	**205**	**5.9**	**213**	**6.3**	**8**	**3.9**
Banco Montepio Geral Cabo Verde (4)	2	0.1	0	0.0	0	0.0	0	-
Finibanco Angola	221	5.9	205	5.9	213	6.3	8	3.9
Total	**3 721**	**100.0**	**3 478**	**100.0**	**3 406**	**100.0**	**-72**	**-2.1**

(1) Domestic Activity includes Banco Montepio, Montepio Investimento, Montepio Crédito, and Montepio Valor, which as of 30 December 2021 is no longer part of the consolidation perimeter.

(2) The number of Employees on 31 December 2020 considers the departure of 25 Employees who agreed to withdraw from Banco Montepio's staff in 2020 and whose departure took effect in early January 2021.

(3) Includes Employees from Representation Offices.

(4) Settled in September 2022.

	2020	2021	2022	Change 2022/2021	
				Valor	%
Other entities of Banco Montepio Group (1)	**198**	**166**	**165**	**(1)**	**(0.6)**
Montepio Crédito	133	133	131	(2)	(1.5)
Montepio Valor	33	0	0	0	-
Montepio Investimento	32	33	34	1	3.0

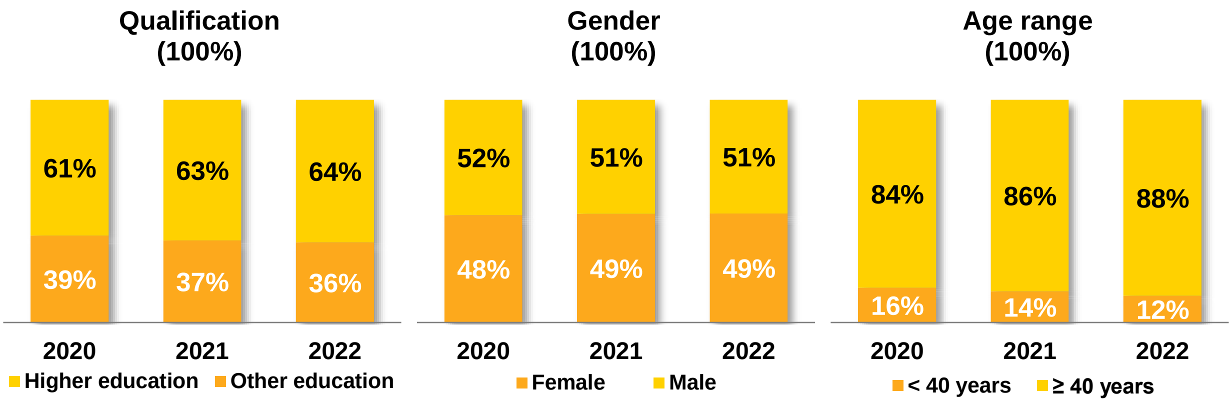
(1) Includes assignments from Banco Montepio Employees.

Employee qualification is a fundamental premise for modern and sustained growth. At Banco Montepio, there was an increase in the number of Employees with higher education, reflecting the trend from last year, thus increasing the representation of employees with higher education from 63% to 64%. This evolution follows as a consequence of the departure of Employees with less qualified education and in return for admissions with higher academic levels.

The distribution of Banco Montepio Employees by gender at the end of 2022 shows, once again, the tendency towards parity between genders, maintaining the levels mirrored in 2021, where 51% are male and 49% female.

Regarding the age range, there is a continuous increase in the percentage of Employees aged 40 years and over, from 86% in 2021 to the current 88% in 2022.

DISTRIBUTION OF BANCO MONTEPIO EMPLOYEES



Chapter 8, concerning non-financial information, deals in greater detail with the integrated management of human capital at Banco Montepio, which, since its inception, has taken into account social and sustainability principles.

TRAINING, DEVELOPMENT AND TALENT MANAGEMENT

In 2022, Banco Montepio ensured the implementation of training and development programmes that included 45,331 participants for a total of 144,888 training hours, covering 3,083 employees.

Banco Montepio Training Indicators

	2019	2020	2021	Change 2022/2021
Training hours	74 736	84 244	144 888	72.0%
Number of participants	2 943	3 008	3 083	2.5%
Number of participations	26 892	81 472	45 331	(44.4%)
Investment in training (thousand euros)	125.2	479.3	582.0	21.4%
	88.5%	**96.4%**	**101.3%**	**4.9 p.p.**

(1) Ratio between the Number of participants and Banco Montepio Employees. In 2022 it includes Employees who were no longer on the staff list on 31/12/2022.

In addition to regulatory training, with a total of 103,218 hours of training, in the Banking and Business area there were two new editions of the Montepio Avança Programme, aimed exclusively at Employees in the Branch Network, with the objective of updating technical knowledge and commercial action in banking, learning about new trends in the sector and training on internal procedures and policies.

Also for the Commercial Network, the Dr. Bell Programme was created with 2 editions in 2022, whose objective is to align the commercial network with good practices over the phone, which enhance the customer experience and, consequently, business results.

Within the scope of Escola de Liderança (Leadership School) and with the objective of reinforcing the knowledge and skills of the Bank's leaders, the Women in Action training offer, aimed at all Employees, and the first edition of the programmes (i) Leadership of Excellence aimed at first-line Directors, in partnership with Católica Lisbon Business & Economics, and (ii) Transforming for a New Tomorrow, aimed at second-line Directors, in partnership with ISEG Executive Education.

For the employees involved in the **Montepio Potencial Programme**, which identifies the Bank's internal potential and defines the strategies necessary for its development, a training offer was provided based on the identified needs, on topics such as Interpersonal Communication, Communication and Influence, Conscious Productivity, Leadership and Non-Verbal Communication.

The Crescemos Juntos (Grow together) programme, a training offer available to the entire Bank on a self-enrollment basis, had 505 entries with 5,410 hours of training on technical banking topics, softskill content and in the field of Well-being.

RECOGNITION OF MERIT AND BENEFITS

In a context of return to positive results, it was possible to re-distribute variable annual remuneration to Employees in 2022, in the form of bonuses or incentives depending on the type of functions, rewarding the contribution of our People in the indicators achieved. The Flex Plan was the solution found so that this variable remuneration could be applied flexibly, through different modalities with tax benefits, thus translating into a higher net amount for Employees.

In terms of offering benefits, the Montepio Group is distinguished positively, by the incorporation of a wide range of support to Employees in the areas of health, education, social and leisure. In view of the socioeconomic context experienced in 2022, in addition to the extraordinary support provided to Employees with lower salary levels, the following benefits in force were reinforced:

ACT Mortgage Loan

- Increase of the individual ceiling to 200,000 euros in new transactions of the 2023 ACT process;
- Reinforcement of the overall ceiling of this credit line, allowing it to cover a greater number of requests from Employees;
- Possibility of extending the period up to 70 years of age (with a limit of 40 years of maturity), in verified situations of accentuated aggravation of family income.

School Support for the children of Employees, reinforcing measures already in force:

- Renewal of supplementary support for all levels of education, material allowance and accommodation for 2023;
- Payment in December of the subsidy for materials and one trimester of school supplement;
- Introduction of a new “Prémio de Excelência Escolar” (School Excellence Award) support that covers the children of all Employees.

Chapter 8, relating to non-financial information, provides additional information on the initiatives developed in the field of talent management and benefits.

PROMOTING HEALTH AND WELL-BEING

Banco Montepio was awarded the **Healthy Workplaces** Level 2 Seal in 2022, a distinction from the Association of Portuguese Psychologists for the encouragement and dissemination of the best guidelines and practices developed in Portugal with regard to Safety, Health and Occupational Well-being.

In 2022, as a response to the Social and Mental Health issues of its employees, the Bank maintained the Psychosocial Assistance Programme with integrated psychological and social counselling. The intervention, performed by a psychologist and social worker, is completely confidential.

As in previous years, Banco Montepio made the seasonal flu vaccine available free of charge to all interested employees.

To celebrate the work and dedication of employees and with the objective of contributing to their happiness and quality of life, Banco Montepio organised the 1st Edition of the Open Day, offering moments of relaxation for the body and mind, through therapeutic sessions, and the 2nd Wellness Weekend Edition, which consisted of 4 days dedicated to healthy eating, mental health and physical exercise, with online activities and in-person activities.

Montepio's Wellness Week is an annual week with daily activities dedicated to the health and well-being of all Employees.

This initiative aims to: Encourage a culture of health and well-being; Contribute to more productive and happier teams; Encourage changes in favour of health; Promote healthier environments.

In view of the success of recent editions, Banco Montepio organised, in 2022, the 4th Edition of the Wellness Week, which reached 2,008 participants in online and in-person activities, and obtained an overall rating of 4 and an importance rating of 4.43 on a scale of 1 to 5.

Chapter 8, relating to non-financial information, provides additional information on the initiatives developed in the context of the integrated well-being of employees.

CHANNELS, NETWORKS AND CUSTOMER RELATIONS

CHANNELS, NETWORKS

On 31 December 2022, Banco Montepio had a network of 246 branches in Portugal, of which 7 business centres of Banco de Empresas Montepio.

In its international activity, on 31 December 2022, Finibanco Angola's distribution network totalled 20 branches, including five Corporate centres.

No. of Branches and Representation Offices

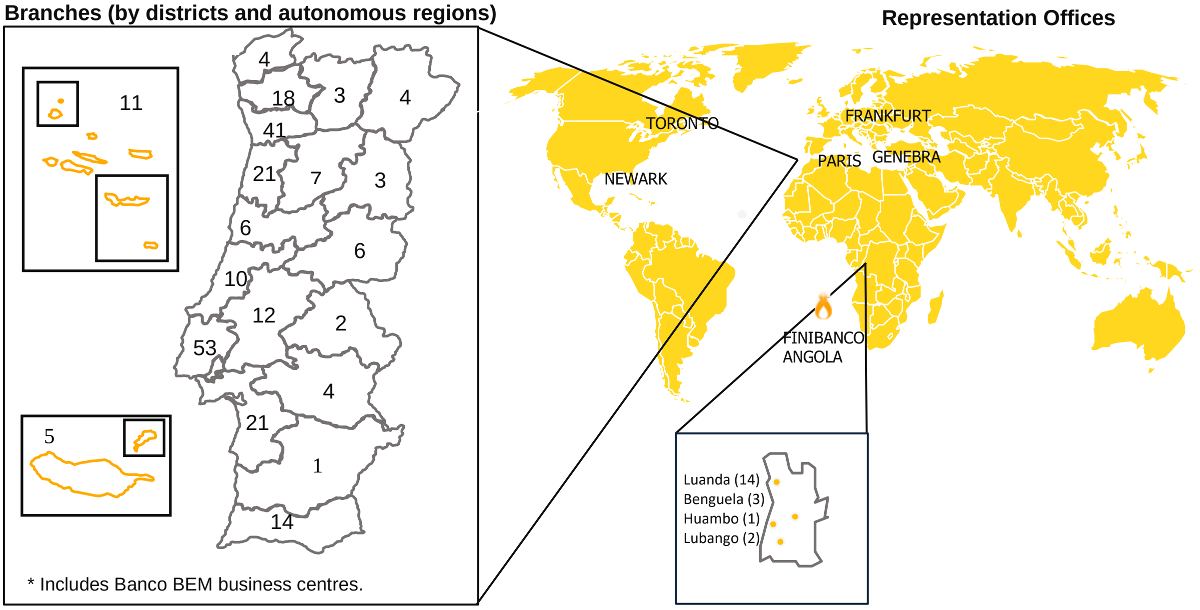
	2020	2021	2022
Domestic network	298	261	246
International network	24	20	20
Finibanco Angola [(a)]	24	20	20
Representation Offices	5	5	5

(a) Includes Corporate Centres.

As at 31 December 2022, Banco Montepio had 5 representation offices (Frankfurt, Geneva, Paris, Newark and Toronto) which ensured the Bank's presence among communities that are resident abroad.

Banco Montepio also offers its individual Customers and companies a series of channels of distribution of products and services being marketed and for Customer relations, namely "Serviço Montepio24" (Montepio24

Service) by telephone, web, sms, app and the dedicated channel "Connect24", the internal network of "Chave24" automatic tellers, the automated teller machines (ATM) and point of sale terminals (POS).



CUSTOMER MANAGERS

Banco Montepio's network of Customer managers totalled 458 managers at the end of December 2022, with a reduction of 16 managers compared to 31 December 2021, related to the progressive adjustment of the distribution model and reorganisation of the Commercial Network, seeking to update the service model and increase efficiency.

On 31 December 2022, the distribution of managers by segment included 167 managers assigned to Small Businesses, 48 to Small and Medium-Sized Companies with a turnover (TO) of up to 20 million euros, 39 to Institutional and Social Economy and 29 to Large Companies (with a TO equal to or greater than 20 million euros) and 175 managers assigned to the Private Sector, thus continuing to offer a personalised service and proximity to the Customer, factors that characterise Banco Montepio.

No. of Managers per Customer Segment

	2020	2021	2022	Change 2022/2021	
				Amount	%
Retail Banking	**428**	**404**	**390**	**(14)**	**(3.5)**
Individuals	184	179	175	(4)	(2.2)
Small Business	191	176	167	(9)	(5.1)
Companies [a)]	53	49	48	(1)	(2.0)
Social Economy	**38**	**40**	**39**	**(1)**	**(2.5)**
Institutions and Social Economy [b)]	38	40	39	(1)	(2.5)
Corporate Banking	**33**	**30**	**29**	**(1)**	**(3.3)**
Companies [c)]	33	30	29	(1)	(3.3)
Total managers	**499**	**474**	**458**	**(16)**	**(3.4)**

a) Turnover up to 20 million euros.

b) Includes Microcredit managers.

c) Turnover equal to or greater than 20 million euros.

Note: Does not include managers of preventive credit monitoring.

MONTEPIO 24

The Montepio24 service brings together Banco Montepio's various digital channels, allowing Customers to manage their daily financial lives remotely, and a continuous evolution has been promoted, either through the expansion of the available operations or through the improvement of the experience in their use. At the end of December 2022, Montepio 24 registered an increase of 7.0% in the number of active Customers compared to December 2021, totalling more than 456 thousand users.

Connect24, a channel dedicated to open banking, where Bank Customers can authenticate themselves and authorise access to information and banking transactions, when requested by other authorised entities, registered, on 31 December 2022, an increase of 236% compared to the end of 2021 in transactions initiated through third-party platforms - Third Party Providers (TPP) or other Banks.

The level of use of digital channels continues to increase, reflected in the growth of subscription numbers (+9.4%) compared to December 2021 and in the frequency of use, with particular emphasis on the increase in accesses (+15.5%) and in the number of transactions (+25.7%) in the mobile channel.

AUTOMATED TELLER MACHINES (ATM)

Banco Montepio's ATM network at the end of December 2022 totalled 922 machines, compared to 882 at the end of 2021, representing an increase of 4.5%. In turn, the ATM machines available in the domestic market of the SIBS Global Network totalled 12,318 units at 31 December 2022 (12,484 at the end of 2021). In this context, Banco Montepio's market share increased to 7.5% in 2022 (7.1% in 2021). Also, the internal Chave24 network stood at 231 machines installed at the end of 2022 (288 on 31 December 2021).

AUTOMATIC PAYMENT TERMINALS (POS)

On 31 December 2022, Banco Montepio's POS network reached 25,833 installed terminals, compared to 24,900 at the end of 2021, representing an increase of 3.7%.

Banco Montepio's market share in terms of POS was 5.9% at the end of December 2022, in line with the value registered on 31 December 2021. The number of POS available in the national market of the SIBS Global Network on 31 December 2022 reached 441,541 units, representing an increase of 4,673 machines (+1.1%) compared to the number recorded at the end of 2021.

COMPLAINTS MANAGEMENT

Complaints management is the responsibility of the Customer and Quality Office, whose mission is to propose and comply with the guidelines defined for Complaints Management. The Customer and Quality Office ensures the receipt and processing of complaints, as well as the respective response to the Claimant and/or Supervisory Entities, acting within the scope of Banco Montepio Group.

In 2022, there was a 21% decrease in the number of complaints filed, especially those related to payment methods. In aggregate terms, there is a decreasing trend in the total number of complaints, despite the growth in activity.

Indicators on Complaints

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total Complaints	**6 779**	**5 641**	**4 457**	**(1 184)**	**(21.0)**
Of which:					
Banco de Portugal	279	300	295	(5)	(1.7)
Complaints Book and Electronic Complaints Book	970	853	740	(113)	(13.2)

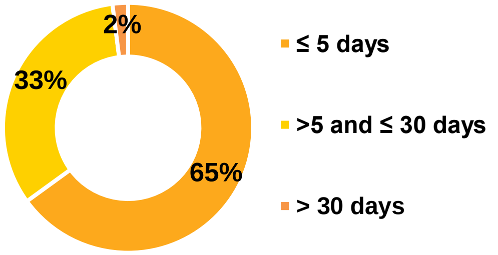
Note: Refers to complaints concerning Banco Montepio.

In relation to the response period registered in 2022, 65% of new complaints were answered within 5 business days or less and 98% were answered within 30 business days.

The average total response time was 7 business days, corresponding to a decrease of 2 business days compared to 2021.

New Complaints in 2022

Average response time (business days)



Concerning the complaints made to Banco de Portugal and through the physical Complaints Book and the Electronic Complaints Book, the average response time was 11 and 8 business days, respectively. It should be noted that the legal deadline for responding to these complaints is 20 business days (if filed with Banco de Portugal) and 15 business days (if presented in the Complaints Book and in the Electronic Complaints Book).

It is also the mission of the Customer and Quality Office to propose and implement the principles of Quality Management, pursuing a policy of Customer orientation and continuous improvement, with the objective of raising service excellence and total Customer satisfaction. In this constructive spirit, complaints are viewed as an opportunity to improve the quality of service provided and to deepen relations with Customers, and an action plan is being implemented that promotes the continuous improvement of processes with an impact on the business and the Customer.

TECHNOLOGY AND INOVATION

Banco Montepio seeks to continuously improve its value proposition for Customers and the efficiency of its internal operations, integrating innovation and quality processes and incorporating best practices in areas such as Customer experience, security and data processing, and ESG (Environmental, Social and Governance) principles.

During 2022, the Bank continued to automate and reengineer processes, made significant advances in data collection and processing models, adjusted the service model, optimised Customer journeys, and reinforced its cybersecurity mechanisms.

Among the various initiatives developed, the following should be highlighted:

- **Launch of the APPré-pago app,** an autonomous smartphone application that aims to simplify the consultation of balances and movements of the Bank's prepaid cards, allowing holders who do not have access to the Montepio24 service to access this information without having to go to an ATM.
- **Availability of access to Google Pay,** which joined the already available Apple Pay, for the Bank's various debit, credit and prepaid cards, allowing Bank Customers access to this form of payment without the need to use a physical card.
- **Launch of Banco Montepio Collection,** an online platform for the purchase of non-financial products, in line with the best e-commerce practices, so far only available for purchase over the counter, using credit granted by the Bank via a Credit Card.
- **Evolution of the voice bot M.A.R.I.A.,** which continued to increase its capacity to interpret contacts and accept operating instructions. At the end of 2022, this service achieved a success rate of 83% in interpreting intentions, and a level of satisfaction also of 83%.
- **Availability of the APProva app,** the Bank's strong authentication solution, **on the Huawei store** (Gallery app), expanding the capacity to all Customers with smartphones. Since May 2021, the launch date of APProva, more than 307 thousand profiles have been registered and more than 14 million transactions have been approved, 89% of which are related to Montepio24.

In addition to these deliveries, the Bank has developed other initiatives that, in addition to improving the service provided to Customers, contribute to greater environmental sustainability, such as the dematerialisation of the PIN for bank cards, which are now sent by text message instead of by mail.

BUSINESS SEGMENTS

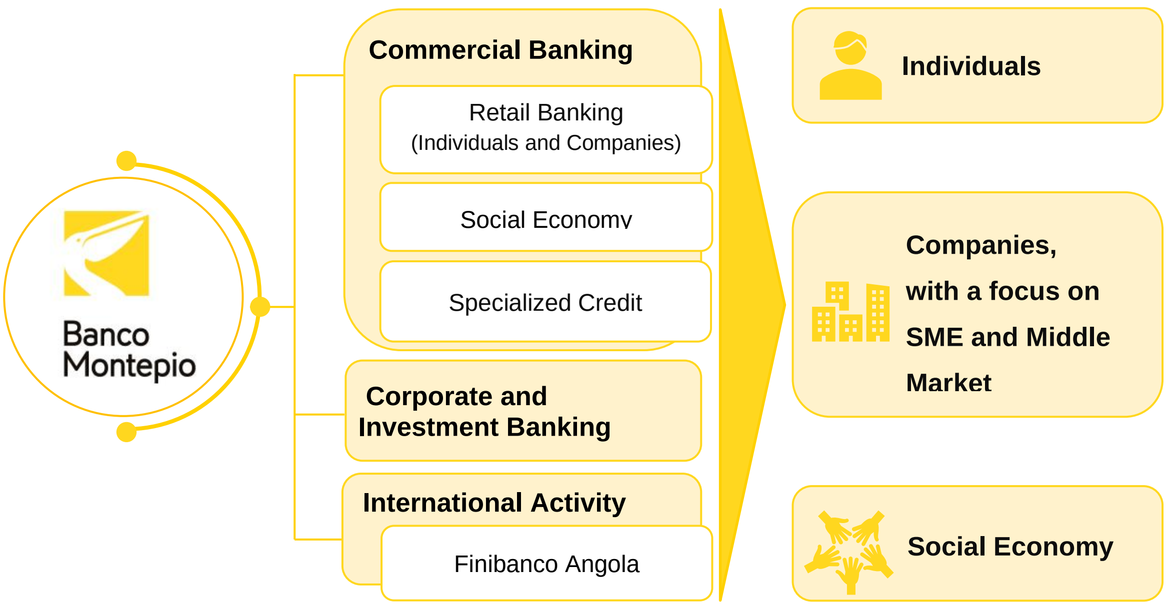
The Banco Montepio Group develops a series of banking and financial service activities, with special focus on retail banking in Portugal, but also abroad.

In 2022, the Group's business segments included: in domestic activity, Commercial Banking, which includes Retail Banking, Social Economy, Specialised credit, provided by Montepio Crédito, and Corporate and Investment Banking, provided by Banco de Empresas Montepio, as well as complementary services, provided through SSAGIncentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A., and abroad, the activity developed by the subsidiary Finibanco Angola.

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

Banco Montepio provides a range of banking products and financial services that include all the services inherent to universal banking, namely deposit taking, credit granting and financial services to companies and individuals, custody, and also the marketing of investment funds and life and non-life insurance.

BUSINESS SEGMENTS OF THE BANCO MONTEPIO GROUP



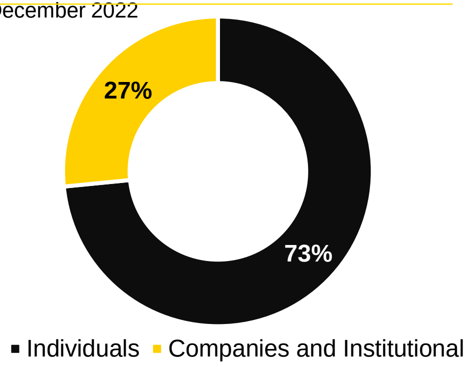
International activity has been carried out through the subsidiaries, Finibanco Angola and Banco Montepio Geral Cabo Verde and by the representative offices. Aiming at focusing on the domestic market, Banco Montepio has been reducing its international activity, so after the liquidation of Banco Montepio Geral Cabo Verde, the process of selling the stake held in the share capital of Finibanco Angola, S.A. to Access Bank Plc, whose agreement was signed in October 2022, and the close of the sale is expected in 2023.

In turn, in the domestic market, and continuing with the strategic objective of simplifying the Group's corporate structure and improving its operating model, Banco Montepio intends to integrate BEM's activity into its parent company. The form of its implementation is being analysed, with consideration being given to a merger by incorporation or the possibility of an eventual sale of BEM's banking licence, after the carve-out of all its activity. This integration will also make it possible to align the Customer portfolio criteria in retail banking with market practices, consolidating its structure with the ongoing adjustment at Banco Montepio and converging on the sector's benchmark.

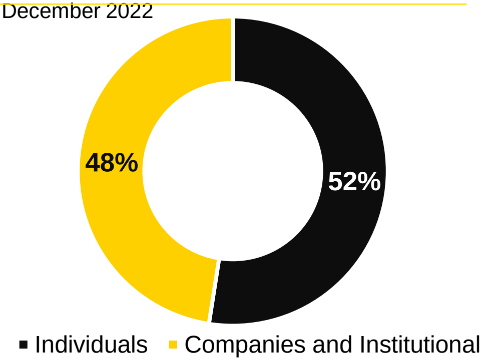
As of 31 December 2022, operations in Portugal represented 99% of total assets. Banco Montepio had a network of 246 branches in Portugal, serving 1,311 thousand Customers, of which 163 thousand Companies and 1,148 thousand Individuals, with market shares of 5% in Deposits and in Credit granted to customers.

Banco Montepio's customer Deposits amounted to 13.1 billion euros, with Private Customers representing 73% of this amount, and gross customer credit reached 12.1 billion euros, divided by 52% of Private Customers and 48% of Business and Institutional Clients.

Structure of Customers Deposits
31 December 2022



Structure of Loans to Customers (Gross)
31 December 2022



The following are the main highlights of 2022 with regard to Banco Montepio Group's offer of financial products and services, by Customer segment.

INDIVIDUALS

Banco Montepio's offer for the Private Individuals segment gives priority to encouraging Families to save, true to its centuries-old vocation as a savings institution, namely by attracting and retaining resources, making available deposits with different characteristics and maturities, as well as promoting credit solutions that meet the needs and desires of Customers.

DEPOSITS

Considering the solidarity aspect that characterises Banco Montepio, in the face of Russia's military invasion of Ukraine, which occurred on 24 February 2022, and which caused the displacement of thousands of refugees to other countries, including Portugal, the specific "Conta Ucrânia" (Ukraine account) current account for Ukrainian refugees was launched in April 2022, in order to support them in this new phase of their lives.

Thinking about diversifying the offer, Banco Montepio continued to invest in structured deposits, having launched four issues of this type of deposit throughout 2022:

- "Banco Montepio Cabaz Ações ESG março.2022" whose remuneration is indexed to the performance of 5 shares of European companies that, in the development of their activity, assume compliance with environmental (such as decarbonisation), social and internal governance ESG criteria.
- "Banco Montepio Cabaz Tecnológico maio.2022", indexed to a set of 5 shares of North American companies linked to the technology sector.
- "Banco Montepio Cabaz Utilities julho.2022", indexed to a set of 5 shares of North American companies linked to the utility sector.
- "Banco Montepio Cabaz Inovação novembro.2022", indexed to a set of 4 shares of North American companies linked to the innovation and technology sectors.

For the underage segment, Banco Montepio continued to offer the Conta Cresce (Grow Account), and the term deposits “Poupança Cresce 1 ano” (Grow 1 year Savings) and “Poupança Cresce 3 anos” (Grow 3 years Savings) with the aim of encouraging saving habits in young people (from 0 to 17 years old).

INVESTMENT AND PENSION FUNDS

Within the scope of the Investment Funds offer, Banco Montepio distributes Securities Investment Funds managed by Montepio Gestão de Activos, Sociedade Gestora de Fundos de Investimento, S.A. and two Real Estate Investment Funds, Valor Prime Fund and VIP Fund, managed respectively by the Management Companies Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. and SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

In this context, the **“Melhor Fundo de Investimento Imobiliário Aberto_2022” (Best Open-end Real Estate Investment Fund_2022)** prize awarded by Jornal de Negócios/APFIPP to Montepio Valor's Valor Prime fund should be highlighted.

Banco Montepio also ensures the distribution of PPR/PPA and Pension Funds from Futuro - Sociedade Gestora de Fundos de Pensões, S.A., and the following quarterly campaigns were carried out throughout 2022 with the objective of attracting new Customers and reinforcing deliveries by current Customers:

- **"Com Poupanças tudo parece Low-Cost" (With Savings everything seems Low-Cost)**;
- **“O melhor da Vida Hoje e no Futuro” (The Best of Life Today and in the Future)**;
- **“Quanto mais cedo melhor. Invista na sua reforma” (The sooner the better. Invest in your retirement)**;
- **“Uma decisão para a vida” (A decision for life)**.

In 2022, with the objective of diversifying the offer, a new equity fund was also launched, called **“Montepio Ações USA”**, whose investment policy consists mostly of a portfolio of shares of companies listed on the US stock exchanges.

In a particularly adverse year for the markets, Montepio Valor's **“Euro Energy Fund”,** marketed on Banco Montepio's commercial network, was considered by the publication Funds People to be the stock fund with the highest return nationwide in 2022.

MUTUALIST SAVINGS MODALITIES

The Bank also ensures the distribution of savings solutions from Montepio Geral - Associação Mutualista (MGAM) in the medium and long term (Mutualist Savings Modalities), exclusive to its members.

PUBLIC SUBSCRIPTION OFFERS

In 2022, Banco Montepio, as Placing Entity, participated in several **Public Bond Subscription Offerings**, such as OPS/OPT FC PORTO SAD 2022-2025, Benfica SAD 2022-2025 Bonds, OPS/OPT Mota Engil 2022 and Volt 2022-2027 Green Bonds, providing its Customers with the possibility of subscribing bonds from recognised entities and providing diversification to their investments.

INSURANCE

Within the scope of Bancasseguros, the simplification of services and processes prevails, in partnership with the Montepio Group's insurance companies, Lusitania, Companhia de Seguros S.A. and Lusitania Vida, Companhia de Seguros, S.A., with a view to increasing efficiency and improving Customer experience.

CREDIT

Pursuing the goal of repositioning itself as a specialist bank in the Mortgage Loans product, and considering that the relevant factors in choosing a mortgage loan are price, service and the relationship established between the Bank and the Customer, Banco Montepio continued to surprise the market with the launch in May 2022 of the Mortgage Loans communication campaign “Dá para mais do que Imagina” (You can do more than you think), differentiating it in relation to the market with the allocation of cashback to the Customer holding the Mortgage Loan.

- **Mortgage Loans and Multi-Functional Credit**

Mortgage Loans and Multifunction Loans are strategic products for reorienting the growth and sustainability of the loan portfolio, considering lower capital consumption and risk-adjusted profitability, having a major impact in relation to the Customer's involvement with the Bank, cross-selling products and commissions, so Banco Montepio continued to develop improvements in product conditions as well as a new communication campaign.

With the objective of continuing to innovate and surprise, the new Mortgage Loans campaign “Dá para mais do que Imagina” (You can do more than you think) returns 1.5% of the loan amount on a prepaid card, so that the Customer can buy whatever they want and wherever they want, up to 1.7% for ‘green’ houses, that is, if the property has an A+ or A energy certificate.

The campaign also reinforces Banco Montepio's DNA as a bank that supports those who need it most, as every time a Customer uses the value offered in the prepaid card, they are supporting Caritas. In this way, Banco Montepio continually strives to reinforce the differentiation of its offer sustained by environmental and social values.

- **Personal Loan Campaign**

Banco Montepio has supported Customers in carrying out their projects, in a responsible manner and with rigorous criteria of risk analysis and management. With an offer based on a multichannel functionality that is flexible, simple, fast, online and available at any time, any Customer can apply for a Personal Loan without needing to go to a branch, in a 100% digital process.

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

COMPANIES

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

CREDIT

In 2022, Banco Montepio maintained its focus on the Business sector, providing credit lines guaranteed by the State, in partnership with Banco Português de Fomento (BPF), in order to support Portuguese companies to overcome challenges and constraints, in particular following the effects of the Covid-19 pandemic, combined with the geopolitical crisis resulting from the invasion of Ukraine, with emphasis on:

- **“Linha Apoio Turismo 2021” (Tourism 2021 Support Line)**

  A line that seeks to expand the range of solutions currently offered to support the sustainable recovery of Tourism, through the reinforcement of the working capital of its agents and the promotion of investments relevant to the sector.

- **“Linha Apoio à Produção” (Production Support Line)**

  A line that aims to support the cash flow of companies in the manufacturing industries, transport and storage sectors, to meet the additional working capital needs resulting from the increase in the costs of raw materials and energy and the disruption in supply chains, following the Covid-19 pandemic.

- **“Linha Tesouraria IFAP” (IFAP Cash Flow Support Line)**

  This line aims to support the cash flow of companies in the pig production sector and cow milk producers faced with reduced profit margins on pork and milk throughout the production chain, aggravated by the context of extreme drought throughout the country and potentially reinforced by uncertainty in the European market.

- **“Linha Crédito Tesouraria Setor Agrícola” (Agricultural Sector Cash Flow Credit Line)**

A credit line with subsidised interest rates, aimed at operators in the production, processing and marketing of agricultural products, with the objective of supporting cash charges to finance their activity.

Banco Montepio reinforced its commitment to facilitate access to European Funds, with better financing conditions, by providing a set of Lines, through agreements with the European Investment Fund (EIF) and the European Investment Bank (EIB).

In this context, the placement objectives were achieved in relation to:

- **"Linha de Crédito FEI EGF" FEI EGF Credit Line**

  A line totalling 1,000 million euros, guaranteed under the Pan-European Guarantee Fund (EGF), aimed at financing SMEs which, as a result of Covid-19, needed financial support to continue their growth trajectory and normal development of their activity.

- **"Linha de Crédito BEI EGF *Midcap* e *Large Corporate*" BEI EGF Midcap and Large Corporate Credit Line**

  Line supported by the Pan-European Guarantee Fund (EGF), aimed at financing loans granted to Midcap and Large Companies, for investment in tangible and intangible assets and working capital needs.

- **"Linha de Crédito BEI PME e *Midcap*" EIB SME and Midcap Credit Line**

  Line aimed at financing loans granted to SMEs and Midcap, whose investment projects take place in Portugal or other countries of the European Union, in various sectors of economic activity (agriculture, industry and services) and which have more advantageous financing conditions.

Lastly, the constant support to the Social and Solidarity Economy Entities (EESS) should be highlighted, with the reinforcement of financing through the specific Protocol Line for the Social Sector and the investment in the +Impacto Social Credit Line, through the financing of projects that will significantly contribute to the expansion of the equipment network, to the increase of quality and to the incorporation of innovation and sustainability in social responses.

"PROGRAMA FINCRESCE | PME LÍDER 2021" (FINCRESCE | SME LEADER 2020 PROGRAMME)

In 2022 the "Estatutos PMR Líder 2021" (SME Leader 2021 Status) was awarded. This corporate reputation seal, created by IAPMEI - Agência para a Competitividade e Inovação, I. P., seeks to distinguish the merit of national small and medium-sized enterprises (SME) with superior performance and is awarded in partnership with Turismo de Portugal, a group of partner banks and the Mutual Guarantee Societies, based on the best risk ratings and economic-financial indicators.

The Management Entities of the SME Leader Status also award the "Estatuto PME Excelência" (SME Excellence Status) to a subset of companies with SME Leader Status with the most outstanding merit of their performance.

SERVICES

Automatic Payment Terminal (POS)

Banco Montepio continues to provide automatic payment terminal at point of sale in various formats: "TPA Fixo" (Fixed POS), "TPA Móvel GPRS" (GPRS Mobile POS) and "TPA WI-FI" (Wi-Fi POS). The Mobile POS (Touch2Pay) solution continues to stand out, allowing payments to be accepted quickly and safely, anywhere. This offer consists of a payment app, available for IOS and Android, and a small Card Reader that connects via Bluetooth and allows you to make payments with an EMV chip card (Europay, MasterCard and Visa), Magnetic Band and Contactless.

"Serviço Net Global" (Net Global Service)

Banco Montepio continues to offer an unlimited number of transfers (including immediate transfers) via the internet, telephone and app, for Customers who subscribe to the Montepio24 Empresas (Business) Service, for a single monthly fee. After activation, the service is valid for all the current accounts held by the company. For the other features (Urgent Transfers, SPGT Transfers, or SEPA+ Credit Transfers by XML File - payments and charges), not included in the service, the defined price is maintained.

SOCIAL ECONOMY

The Social Economy, developed by the various entities of the sector and with different areas of activity, acts on an increasingly wide universe of Portuguese society, assuming themselves as extremely important agents in employment and in the production of wealth.

Assuming its third sector nature, the Social Economy finds in the achievement of social objectives the raison d'être of its existence, complementing the public and private sectors. In the Social Economy, we can find a greater capacity to respond to new social and societal challenges, through innovation and the union of resources and will, in particular in areas where the fight against inequalities, poverty, and social exclusion requires supportive responses from the community.

Along this path, the Social and Solidarity Economy Entities (EESS) need support to innovate and evolve, which is why they count on Banco Montepio, a financial partner with a very specific nature that has always had social concerns reflected in its way of acting. At Banco Montepio, the EESS are monitored by the Social Economy and Public Sector Commercial Division (DCESSP), a complementary area to the branch network, composed by a team from the north to the south of the country with specialised knowledge of the sector, its needs and different areas of activity. Through a partnership relationship, Banco Montepio presents an integrated response to all contacts and requests.

As a result of the work carried out by the commercial teams in this area, Banco Montepio showed a penetration rate among Social and Solidarity Economy Customers (with a social purpose) of 27% in 2022, as a result of the growth of Customers of about 5% compared to the same period last year, thus realising the strategy of continuous growth of the Social Sector Customer base as a differentiating pillar.

Banco Montepio ended 2022 with more than 115 million euros of credit granted in the Social and Solidarity Economy Sector, which reflects a growth of about 10% compared to 2021. This variation reinforces the work already begun as the main driver of action together with the broadening of the Customer base, to the strategy of financing this sector.

A highlight goes to the +Impacto Social Credit Line, with financing of around 34 million euros during 2022 for projects that will contribute significantly to expanding the network of equipment, to increasing quality and to incorporating innovation and sustainability in the social responses of the EESS.

In addition to the internal value chain, the EESS have available **unique solutions** that add value to the daily-- life of the Institutions, examples of which are the **Solução ESocial** (ESocial Solution), an integrated solution of products, services and advantages exclusive to the EESS, the **Conta Acordo** (Acordo Account), an overdraft facility (exclusive ceiling) for the IPSS that facilitates cash management, and, the **Seguro Montepio Voluntariado** (Volunteer Insurance), personal accident, health and civil liability insurance - mandatory for all institutions that rely on the collaboration of volunteers.

It is clear that EESS seek to make their resources profitable, but they also reinvest in the social projects that they manage and promote, outside of a profit logic and distribution of results. The Social Economy distinguishes itself from the rest of the economy mainly by the reinvestment of surpluses and the social relevance of its interventions. Due to the weight it represents in employment, services, socially-rooted goods and the production of wealth, the Social Economy is a sector of great economic and social relevance.

As a reference financial partner, Banco Montepio maintained its “Bolsa de Parceiros Estratégicos” (Pool of Strategic Partners supporting EESS), with the support of four social consultants: “Aposta nas Pessoas”, “Turnaround”, “ValeConsultores” and “4Change”. In addition to these partnerships, the commercial relations between Banco Montepio and the EESS allow the continuation of **commercial protocols** that make a difference in society and in the activity of these institutions, highlighting those with the representative structures of the Social and Solidarity Economy, which give access to a set of benefits and advantages in

Banco Montepio products and services, examples of which are the protocols with the **Casa do Professor** (Teacher's House), the **Federação Nacional de Cooperativas de Solidariedade Social (Fenacerci)** (National Federation of Social Solidarity Cooperatives) and with the **União das Misericórdias Portuguesas (UMP)** (Union of Portuguese Misericórdias).

Regarding Social Economy projects and initiatives, in 2022, Banco Montepio supported the evolution of more than 250 institutions with more than 520 thousand euros. Examples of the projects and initiatives supported include **E-Social,** a communication platform of Banco Montepio, which acts as a meeting point for the best in the Social Economy, Entrepreneurship, Social Innovation and Sustainability in Portugal, the **National Caritas Week**, an initiative to combat poverty and social exclusion, and **ESG Week 2022**, a pioneering national initiative by the Associação Portuguesa de Ética Empresarial (APEE) (Portuguese Association of Business Ethics) to debate the major themes of Sustainability within the ESG field, which counted on Banco Montepio as host and main sponsor.

Chapter 8, concerning non-financial information, provides detailed information on activity in the social economy, one of the ESG vectors, in which Banco Montepio stands out due to its mutualist genesis.


Banco Montepio

04

BUSINESS ENVIRONMENT

BUSINESS ENVIRONMENT

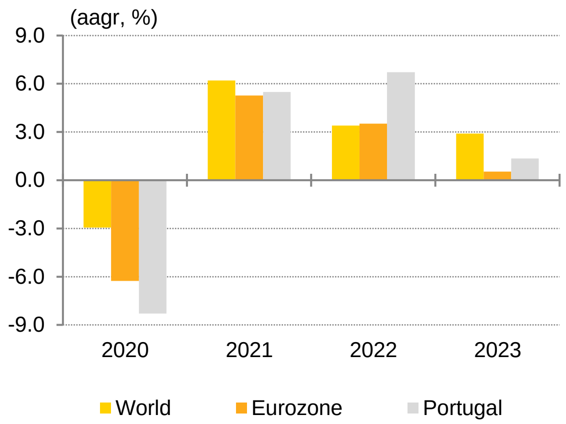
ECONOMY

World economy

In its World Economic Outlook (WEO) update on 31 January, the International Monetary Fund (IMF) forecast a global economic growth (in purchasing power parity) of 2.9% for 2023, 0.2 p.p. more than projected in October, although representing a slowdown from the 3.4% estimated for 2022.

The IMF also expects the global economy to accelerate again in 2024 (+3.1%), but growth should remain below the annual average of 3.8% in the period 2000-2019. According to the IMF, there are two important factors weighing on the global economy: the response to the increase in inflation and the war in Ukraine. Despite this, the IMF considers that the outlook is less bleak than at the beginning of the year, both in relation to economic growth and inflation, whose global average is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024 (although still above the average pre-pandemic value, between 2017 and 2019, of 3.5%).

Gross Domestic Product



Source: Thomson Reuters, Banco Montepio and IMF.

The IMF points out that monetary policy is contributing to the decline in inflation, although core inflation - which excludes energy and food prices - has not yet reached its peak in many countries.

The IMF also identifies the favourable effects of the reopening of the Chinese economy, after the 'Covid-zero' policy adopted in that country, stating that the sudden opening of China creates the conditions for a rapid recovery of activity. International financial conditions also improved because of lower inflation pressure, while the devaluation of the dollar in recent months, since its peak in November, allows for a slight recovery in emerging and developing economies.

Eurozone economy

Economic activity in the region began in 2022 with a quarter-on-quarter growth of 0.6% in the first quarter, accelerated unexpectedly in the second quarter to 0.9% despite the impact of the military conflict in Ukraine, continued to grow in the third quarter, albeit slowing (+0.4%), and stagnated in the fourth quarter.

Consequently, at the end of January 2023, the IMF revised upwards its previous forecast for Eurozone GDP growth (released in October 2022), from 0.5% to 0.7%, the same having been done by the European Commission in mid-February, from 0.3% (forecast in November 2022) to 0.9%. In March 2023, the OECD revised from 0.5% (forecast in November 2022) to 0.8%, while the European Central Bank (ECB) revised from 0.5% (projected in December 2022) to 1.0%.

The year 2022 saw a galloping increase in inflation - the year-on-year growth rate of the Harmonised Index of Consumer Prices (HICP) rose from 5.0% in December 2021 to 9.2% in December 2022, reaching a peak of 10.6% in October, which represented maximums since September 1982 (+10.7%) - which largely reflected the evolution of energy prices (a problem that was already occurring and which was exacerbated with the beginning of the war between Russia and Ukraine), having subsequently started to spread to other goods and services.

In view of this context of high inflation, the ECB began the process of gradually withdrawing monetary stimuli, with the first moment taking place in March 2022, with the end of the asset purchase programme due to the pandemic emergency (*pandemic emergency purchase programme - PEPP*), and a second moment to occur at the end of June, with the end of net asset purchases under its asset purchase programme (APP), and then, throughout the second half of the year, the cycle of increases in its key interest rates, with increases at the July (50 b.p.), September and October (both 75 b.p.) and December (50 b.p.) meetings.

This was the most aggressive cycle of interest rate increases at the ECB, with reference rates increasing 250 b.p. in five months, while in previous cycles these increases, over the same period, were between 50 b.p. and 100 b.p. Consequently, the interest rate applicable to the main refinancing operations (refi rate) closed 2022 at 2.50% and the deposit rate at 2.00%, and the ECB continued this cycle of increases as early as 2023 (it rose by 50 b.p. in February and March).

Portuguese economy

Portuguese GDP started the year 2022 exhibiting an unexpectedly strong 2.3% quarter-on-quarter expansion in Q1, accelerating strongly from the previous quarter (+1.9%) and surpassing previous historical highs recorded in Q4 2019, thus surpassing pre-pandemic levels.

After a slowdown in Q2 2022, with an increase of only 0.2% (partly resulting from the technical correction of the statistical problems of measuring the activity that will have been observed in Q1), GDP accelerated again in the second half of the year, eventually exceeding the expectations of most entities (+0.3% and +0.3% in Q3 and Q4).

In annual terms, GDP thus registered an increase of 6.7% in 2022, the highest rate since 1987, after the expansion of 5.5% in 2021 and the historic decrease of 8.3% in 2020, following the markedly adverse effects of the Covid-19 pandemic on economic activity, with the closing of 2022 around 3.3% above GDP in 2019.

For 2023, a marked slowdown in growth is expected, with the Government assuming in the State Budget for 2023 (OE 2023), published in October 2022, growth of 1.3%, below the 1.8% forecast later (in March 2023) by Banco de Portugal, but above the forecasts of the main international entities (the OECD forecast +1.0% in November 2022, while the IMF projected, still in October 2022, +0.7%, and the European Commission predicted, already in February 2023, +1.0%).

In terms of prices, and as occurred in the Eurozone and practically at a global level, the inflation rate (measured by the HICP) also worsened significantly throughout 2022, rising from 2.8% in December 2021 to 9.8% in December 2022, having reached 10.6% in October, a maximum since the beginning of the historical series in January 1996, with average annual inflation rising to 8.1% for 2022 (+0.9% in 2021). As observed in the Eurozone, inflationary pressures consolidated over the year, spreading from energy and food prices to the general classes of goods and services.

In the labour market, according to the monthly estimates of the National Statistics Institute (INE), the unemployment rate increased from 5.9% in December 2021 to 6.7% in December 2022, reflecting the worsening observed, above all, in the final stretch of the year, but registering, in annual terms, a reduction of this rate, from 6.6% in 2021 to 6.0% in 2022. The differential between apparent labour productivity growth and real wage growth widened very substantially in 2022, reaching a maximum value since 1972. According to the European Commission's November forecasts, real wages should be reduced in 2023 for the 2nd consecutive year, leading to an accumulated loss of about 5% in 2022 and 2023.

Public finances benefited from the dynamism of economic activity and the labour market, the reduction of measures to prevent and combat the Covid-19 pandemic and the effect of the increase in prices on effective revenue, which, on a public accounts basis, rose 11.0% (+14.6% compared to 2019), supported by the increase in tax revenue (+13.8%), with a growth of 16.5% in direct taxes and 11.5% in indirect taxes, namely VAT (+18.6%), which also benefited from the strong recovery in tourism revenue, with the VAT increase being the highest since 1994.

Thus, and in national accounting, the budget deficit (in% of GDP) fell in 2022 from the 2.9% observed in 2021 to 0.4%, a figure well below the 1.9% assumed by the Government in OE 2023, with the public debt-to-GDP ratio registering in 2022 a decrease of 11.5 p.p. compared to the 125.4% recorded in 2021, to 113.9%, which represented the biggest annual drop since, at least, 1973.

The current account deficit worsened in 2022, from 0.8% of GDP observed in 2021 to 1.3%, as a result of the rise in the prices of imported commodities, namely energy.

The household savings rate fell in 2022, from 9.9% in 2021 to 6.1%, prolonging the downward trajectory that began in 2021 (in 2022 exacerbated by the increase in inflation), after the marked rise observed in 2020, to 11.9% (7.2% in 2019), due to the drop in consumption caused by the pandemic.

Angola

In Angola, GDP will have grown 2.9% in 2022, according to IMF estimates (in October 2022), accelerating compared to 2021 (+1.1%), a growth that was probably higher (being a net exporter of oil, the economy ended up benefiting from the high prices of the raw material exacerbated by the military conflict in Ukraine). It should be noted that the economy greatly intensified the rate of decline in 2020, to 5.6% (-0.7% in 2019), reflecting, essentially, the impact of the economic crisis caused by Covid-19.

FINANCIAL MARKETS

The year 2022 was unquestionably marked by the invasion of Ukraine by Russia (24 February), 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. This context caused, right at the beginning of the year, the interruption of the recovery in market sentiment that had begun in mid-2020, leading to corrections in the equity and bond markets, which fell simultaneously for the first time in the last two decades.

Market sentiment was also conditioned by continued concerns over mutations of the virus responsible for Covid-19 (and which led to new restrictive measures in some economies, particularly in China, with the adoption of the “Covid zero” policy, which significantly conditioned economic activity in the country, especially in Q2 and Q4), the intensification of inflationary pressures (greatly aggravated by the outbreak of war in Ukraine and only towards the end of the year did they begin to show signs of relief, although remaining unchanged and the consequent response by the main central banks to tighten their monetary policies.

Also noteworthy are the continued concerns regarding the previous pace of share price increases, reinforced by the increase in sovereign debt yields, especially for the most indebted companies and those most exposed to the economic cycle, as well as the economic data published throughout 2022, which continued, in general, to show a slowdown in activity in the main economies, particularly after the beginning of the conflict.

The year 2022 was even marked by the increase in probability attributed to a global recession in 2023 - although, at the end of January of this year, the IMF stated that this recession could be avoided - triggered by the reduction in real household incomes, resulting from high inflation, and by the impact on aggregate demand of the above-mentioned tightening of monetary policy by central banks, to deal with inflation.

The main US stock indices registered strong declines in 2022, with the S&P 500 falling 19.4% in total for the year and presenting the worst first semester (-20.6%) for over 50 years (although this was after the strong growth of 26.9% in 2021, the best performance in three consecutive years since 1999). Nasdaq had an even greater decline (-33.1%, the biggest drop since 2008), while Dow Jones fell less (-8.8%). In Europe, Eurostoxx 50 lost 11.7%, but with the Portuguese PSI index managing to appreciate 2.8%, in contrast to most European markets (another exception was the British FTSE 100: +0.9%), after having already risen 13.7% in 2021, in what had been the best annual performance since 2017. The global MSCI index fell 19.8%, moving away from the historic highs recorded on 16 November 2021.

Yields on benchmark public debt rose sharply in the main economies, with greater intensity in the shorter maturities, reflecting expectations and the implementation of more restrictive monetary policies.

In Germany, 2-year yields increased by 338 b.p. to 2.764% (+275 b.p. on the 10-year to 2.571%, returning to positive territory), the highest increase since at least the beginning of the 1990s.

In the USA, 2-year yields rose 369 b.p. to 4.426% (on the 10-year, +236 b.p. to 3.875%), the biggest increase since, at least, the beginning of the 1980s.

Credit spreads showed unfavourable movements in investment grade CDS (Credit Default Swaps) indices, in a context of worsening spreads also in the peripheral Eurozone countries, with Italy - also reflecting the political instability observed and the sceptical tone of the markets with the results of the last legislative elections in the country - standing out negatively (+80 b.p., to a spread of 214 b.p.), followed by Greece (+54 b.p., to 205 b.p.) and Portugal (+37 b.p., to 102 b.p.), which ended 2022 with a lower spread than Spain (+35 b.p., to 109 b.p.).

The general commodities indices also recorded strong rises, with the composite CRB Index advancing 19.5% and the GSCI 8.7%, being supported by the energy classes (class with the highest weight in the index and which exhibited the largest increase, of 14.2%), in a context of increases in Brent and WTI (West Texas Intermediate) prices of 10.5% and 6.7% (gas prices in Europe rose 13.0% vs. the close of 2021, after already having risen 243% in 2021, although closing 2022 at a level 76% below the historic high at the end of August), agricultural (they made historic highs for the year in mid-May), livestock and precious metals (only marginally), while being penalised by base metals (but which nevertheless made historic highs for the year at the beginning of March).

FINANCIAL SYSTEM

In 2022 the Portuguese banking system continued to fulfil its role in financing the economy through its lending activity: the balance of credit granted to individuals had a year-on-year growth of 4.2 billion euros, while in the non-financial companies segment, the balance of credit decreased by 0.3 billion euros in the same period. The average interest rate on new mortgage loans followed the evolution of the Euribor indexing rates, increasing from 0.83% (December 2021) to 3.24% (December 2022). Interest rates on new loans granted to companies increased similarly in the private segment (+2.4 p.p.).

With the anticipation and implementation of tighter monetary policy decisions by the ECB, Euribor rates also showed marked rises in 2022 (+270 b.p. in 3 months, +324 b.p. in 6 months and +379 b.p. in 12 months), the biggest increase in a year since the start of the historic series (in 1999), after having closed 2021 close to historic lows (observed in December). Thus, Euribor rates closed 2022 in positive territory in all maturities (2.132% for 3 months, 2.693% for 6 months and 3.291% for 12 months), which had not occurred since the beginning of 2015, reaching maximum levels since late 2008 and early 2009.

In December 2022, the most representative economic sectors in total credit granted by Portuguese banks to companies continued to be “trade, accommodation and catering activities” and “construction and real estate activities” (27.7% and 21.1%, respectively, of total credit granted to companies, compared to 27.6% and 20.5% in 2021).

Consequently, the sectors related to trade and tourism increased their relative weight in the total amount of credit granted to non-financial companies, taking, since 2019, the position that was held by the real estate sector in previous decades. Also noteworthy is the weight of the industrial sector, which between 2021 and 2022 increased from 20.4% to 20.7%, which is close to the values observed for the sectors most related to real estate.

The proportion of non-performing loans maintained the downward trend in 2022 that began in June 2016 (when it reached a peak of 20.1%, according to data from the EBA) placing the average NPL ratio of the Portuguese banking system at 3.0% (-0.7 p.p. from December 2021). The stock of impairments for NPL coverage in 2022 increased slightly, standing at 56.8% in 2022 (54.5% in 2021).

The year 2022 saw a significant improvement in bank profitability, driven by rising short-term interest rates, with return on equity (ROE) rising from 5% to 9% between Q4 2021 and Q4 2022, levels that had not been seen since the subprime crisis, whereas between 2000 and 2007 average ROE levels were around 15%.

MAIN RISKS AND UNCERTAINTIES FOR 2023

In the WEO of 31 January, the IMF stressed that inflation, the war in Ukraine and the resurgence of Covid-19 in China were constraining economic activity in 2022, and that the first two factors will continue to do so in 2023. The outlook for low growth in 2023 also reflects the increase in central bank interest rates to combat inflation - especially in advanced economies - as well as the war in Ukraine. The IMF considers that the balance of risks in the economic forecasts remains tilted to the downward side, but the adverse risks have moderated since the October report. It also stressed that monetary policy tightening is beginning to cool aggregate demand and inflation, but with the full effect expected to materialise only in 2024.

In fact, the effects of monetary policy tend to occur after about 9 months of delay, which is why we are still witnessing the beginning of that period, and in the last 60 years the United States has never achieved a soft landing with inflation above 5%, an unemployment rate below 5% and rising interest rates.

The IMF admits that public health problems in China related to Covid-19 and a possible escalation of the war in Ukraine may also delay the recovery, adding that financial markets may also react suddenly to adverse news about inflation, while greater geopolitical fragmentation may hinder economic progress.

The withdrawal of monetary stimuli in the Eurozone – the monetary aggregate M2 continues to grow by close to 5%, while in the USA it is already falling – also increases the risks of fragmentation between the different public debt markets in the Eurozone, which may lead to the widening of spreads, aggravating the public debt problem of the countries of southern Europe.

The market scenario in early March (before the events at banks in the US and, in Europe, at Credit Suisse) was that reference interest rates in the US and the Eurozone would peak at 5.50% and 4.00%, at levels higher than those anticipated at the end of 2022 (although closing March with values relatively similar to those at the close of 2022), in view of the strengthening of 2nd order effects on inflation resulting from wage increases and corporate profit margins, as well as the resilience of the labour market (despite recent announcements of redundancies in large US companies in the technology and financial sectors).

This context will tend to pressure central banks to prolong the current cycle of interest rate increases, bringing key rates to levels higher than those currently expected by the markets and may generate new corrections in the stock and bond markets, with potential impacts on financial stability. In this context, it will be possible to observe an increase in the credit risk of companies with higher energy consumption and indebtedness, as well as of individuals with greater debt and lower yields, with a potential impact on the cost of risk of banks and Non-Performing Loans (NPLs) (in the USA, credit card default levels have already doubled).

These effects may be accentuated if: (*i*) the sharp slowdown in economic activity (in the stress scenario announced at the end of January by the European Banking Authority (EBA) and the European Systemic Risk Board, a real drop in GDP in Portugal of 1.6% and 3.1%, for 2023 and 2024 respectively) is expected to entail a significant increase in unemployment (in the same scenario, an increase in the unemployment rate in Portugal is estimated to 7.6%, 10.1% and 11.4%, respectively in 2023, 2024 and 2025), bearing in mind that Portugal is the 2nd Eurozone country with the highest exposure to credit to Non-Financial Corporations (SNF) vulnerable to increases in interest rates and energy prices; (*ii*) more restrictive monetary policies increase the risk aversion of the banking system, with the adoption of more conservative credit granting and pricing criteria; and if (*iii*) the possibly greatest increase in interest rates further reduces the demand for credit, with impacts on the real estate market.

On the positive risks side, the IMF points to a stronger boost in suppressed demand in several economies or a faster fall in inflation as plausible.

At a national level, the economy will also be conditioned by the risks identified in the global economy. According to the analysis of Banco de Portugal in the November Financial Stability Report, in the current framework of uncertainty and normalisation of monetary policy, the main vulnerabilities and risks for financial stability are: (*i*) the risk of an additional revaluation of risk premiums, despite the correction that has already occurred, generating a devaluation of asset portfolios and increasing the costs of market financing for new issues; (*ii*) the risk of a reduction in prices in the residential real estate market, resulting from changes in financing conditions, which may also affect the value of asset portfolios, families, or financial institutions, either directly or through guarantees in credit transactions; (*iii*) the risk of greater difficulty in ensuring the expected reduction of the public debt ratio, compared to the real and nominal economic slowdown and an increase, possibly more significant, in interest expenses; (*iv*) the risk of deterioration of the financial situation of individuals in the context of a reduced savings rate, especially among the already most vulnerable, and of the dominance of indebtedness at variable interest rates; (*v*) the risk of deteriorating the financial situation of non-financial corporations, in particular those most exposed to the effects of the pandemic and/or of the increase in energy and raw material costs, which are characterised by lower market power and a more fragile balance sheet structure.

It should be noted that the referred normalisation of monetary policy, the high inflationary pressures, the still relatively recent phasing out of public support to families and companies and the also still recent end of moratorium programmes in line with European requirements (in the meantime succeeded by national credit restructuring initiatives that may have an unfavourable impact on the cost of risk and on banks' capital requirements) will continue to be particularly relevant challenges in 2023, since they contribute to the deterioration of the financial situation of families and companies, increasing the number of insolvencies in some sectors of activity.

Uncertainty is quite high, so the growth outlook remains surrounded by downward risks (and inflation by upward risks) and is naturally very affected by the duration of the military conflict in Ukraine and its impact on financial markets, especially commodity markets, as well as by economic policy reactions, especially the aforementioned normalisation of monetary policy observed throughout 2022 and which will remain in progress for part of 2023.

Similarly to what was observed in relation to the economic context and expectations for financial markets, the Portuguese banking sector may also suffer direct and indirect impacts of the conflict between Russia and Ukraine and its vicissitudes. In the direct effects, the impact on the deterioration of the quality of direct exposures to these geographies or to others interconnected with them stands out. Indirectly, a conflict with these characteristics may adversely impact the generation of results by banks, due to the lower economic activity resulting from the increased uncertainty and the increase in credit risk resulting from this slowdown, the maintenance of inflation levels well above the objectives of the main central banks and the more aggressive monetary policies, with a reduction in purchasing power and the increase in the financial burdens of families and companies.

Interest rate rises could also impact unfavourably on banks with greater exposure to fixed-rate securities of longer maturities, in portfolios at fair value through profit or loss or other income, as well as increasing the cost of issuing securities to meet own funds and liabilities eligible under the bank resolution (MREL). The progressive discontinuation of targeted long-term refinancing operations (TLTRO-III) may also contribute to the unfavourable impact of the rise in interest rates on the cost of funding.

Also of note are the uncertainties regarding the future impacts of the recent crises that have affected the North American and European banking systems, leading to devaluations (Silicon Valley Bank and First Republic Bank) and bank mergers (UBS and Credit Suisse). The ECB, on 22 March 2023, assured that there will be “no trade-off between price stability and financial stability” and that it has the necessary tools to provide liquidity, should the financial system need it.

The ECB has maintained a focus on climate risks and has increased the incentive for banks to include them in the different risk management procedures. This situation requires significant operational effort from the system. Even in the event that the transition or physical risks do not materialise for a few years, these risks could give rise to reputational or sanctioning impacts, due to the topicality of the subject and the regulatory initiatives in progress.

The situation is increasingly challenging in terms of operational risks, namely in the context of digital transformation - thus highlighting the growing importance of cybersecurity procedures.

The growing spectrum of banking regulation may also exacerbate operational risks by increasing the legal risk associated with possible defaults.

Banco Montepio

05

FINANCIAL INFORMATION

FINANCIAL INFORMATION

ACTIVITY BY SEGMENTS

RETAIL BANKING

The Retail Banking segment corresponds to the entire activity developed by the Group with Individual Customers, Sole Proprietorships, Small and Medium-sized Enterprises allocated to this segment and Microenterprises, commercially referred to as the segment of Individuals and Small Businesses, essentially originated through the branch network, electronic channels and network of promoters. The financial information of this segment covers, among other aspects, products and services, mortgage loans, consumer credit and loans for other purposes and ,loans to retail Companies, sight and term deposits, and other investment of savings, retirement solution products, like "PPR" (retirement saving plans), debit and credit cards, services for management of accounts and means of payment, services for placement of investment funds and for purchase and sale of securities and custody, loans for treasury and investment purposes, commercial discount, leasing, factoring and renting, as well as the placement of insurance and non-financial services.

A list of key indicators of the Retail Banking segment is given below, in accordance with the segmental reporting of IFRS 8 and presented in the notes to the financial statements of this report.

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

	2020	2021	2022	Change 2022/2021	
				Amount	%
Income Statement					
Net interest income [1)]	156.5	139.2	160.1	20.9	15.0
Net fees and commissions	94.3	98.4	106.4	8.0	8.1
Total operating income	250.9	241.0	266.9	25.9	10.7
Operating costs [2)]	92.3	85.0	80.3	(4.7)	(5.6)
Operating income before impairment	158.6	156.0	186.6	30.6	19.6
Balance Sheet					
Loans to customers (gross)	8 457	8 630	8 775	144.5	1.7
Customer deposits	10 834	11 187	11 517	329.9	2.9

1) Excluding the liquidity premium and campaign neutralization.
2) Direct operating costs only.

CORPORATE AND INVESTMENT BANKING

The Companies and Investment Banking segment (which follows the internal classification criteria, including Companies and Economic Groups with a turnover equal to or greater than 20 million euros) includes the Group's business with Small, Medium and Large Companies, accounted for by Banco Montepio and Banco de Empresas Montepio (BEM), through the commercial structure dedicated to this segment, as well as business with institutional Clients, namely from the financial sector and the activity developed in BEM's Investment Banking area.

The products and services offered under commercial banking include, in particular, those related to credit for treasury and investment purposes, commercial discount, guarantees provided, leasing, factoring, renting, operations abroad, such as documentary credit, cheques and remittances, payment and receipt services, cards and custody services.

The Corporate and Investment Banking business includes Commercial Banking, which functions, within the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group Companies, as well as Investment Banking, with activities in the areas of Corporate Finance, Capital Markets, Debt and Equity Distribution, Structured Financing, Financial Advisory and Corporate Research and Information.

A summary of the indicators of the Corporate and Investment Banking segment is presented below, reflecting the integrated activity developed with the Companies monitored by Banco de Empresas Montepio, in accordance with the segment reporting under IFRS 8 and presented in the notes to the financial statements of this report.

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

	2020	2021	2022	Change 2022/2021	
				Amount	%
Income Statement					
Net interest income [1)]	41.1	43.2	45.3	2.1	4.8
Net fees and commissions	12.4	12.0	12.7	0.7	6.3
Total operating income	51.1	54.9	57.5	2.6	4.8
Operating costs [2)]	8.8	8.2	9.2	1.0	13.2
Operating income before impairment	42.3	46.7	48.3	1.6	3.3
Balance Sheet					
Loans to customers (gross)	1 919	1 794	1 829	35.9	2.0
Customer deposits	294	299	406	107.3	35.9

1) Excluding the liquidity premium and campaign neutralization.
2) Direct operating costs only.

The remaining segments, which include, namely, specialised credit, are analysed individually, by the respective Subsidiary Company in the section “Subsidiary Companies” and the international activity is analysed in the section “International Activity” of this report.

SOCIAL ECONOMY

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

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

Summary of indicators - Social Economy (million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Income Statement					
Net interest income [1)]	4.0	3.6	3.9	0.3	8.4
Net fees and commissions	1.8	1.5	2.3	0.8	54.2
Total operating income	5.7	5.1	6.0	0.9	19.5
Operating costs [2)]	3.0	3.3	3.3	0.0	2.3
Operating income before impairment	2.7	1.8	2.7	0.9	50.6
Balance Sheet					
Loans to customers (gross)	187	227	333	105.6	46.5
Customer deposits	879	752	690	(62.1)	(8.3)

1) Excluding the liquidity premium and campaign neutralization.
2) Direct operating costs only.

SUBSIDIARIES AND INTERNATIONAL ACTIVITY

SUBSIDIARY COMPANIES

Montepio Investimento, S.A.

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

The Corporate Banking area supports its Customers throughout all the stages of their business cycle, with specific solutions for every need, namely in areas related to international trade, factoring and treasury management. The Investment Banking area - which incorporates the areas of Corporate Finance, Capital Markets, Advisory Services, Financial Structuring, and Debt and Equity Distribution - supports restructuring, capitalisation and enhancement of the robustness of companies, thus contributing to investment and sustainable growth of the Portuguese private sector. To this end, BEM has a team of specialised professionals working side by side in permanent coordination, to assure that the Customers receive an overall and personalised service. In accordance with the defined strategy, this activity and offer of value to Companies will be continued, but in a different organisational logic, centred on Banco Montepio, with a view to greater integration and simplification of the Group.

The integration of BEM's activity will also make it possible to align the criterion for allocating Customers in retail banking with market practices, consolidating its structure with the adjustment underway at Banco Montepio and converging to the sector benchmark.

In 2022, BEM continued to work towards the objective of complementing Banco Montepio Group's offer of products and services directed at the corporate segment, especially the SME and middle market segments.

At the end of the year, BEM had 7 Business Centres distributed across the country, where dedicated managers received their Clients, identified their needs and presented value propositions, cultivating a close relationship.

On 31 December 2022, BEM's net assets stood at 520.1 million euros, representing an increase of 82.4 million euros (+18.8%) compared to the figure recorded at the end of 2021, driven by the growth in loans granted as part of its vocation to support Portuguese businesses (+87.0 million euros), together with the decrease in the securities portfolio (-19.7 million euros), namely in the Financial assets at fair value through other comprehensive income.

Net loans to customers amounted to 427.8 million euros as at 31 December 2022, compared to 340.8 million euros recorded at the end of 2021, showing an increase of 87.0 million euros (+25.5%), driven by the performance of the business, namely the favourable evolution of the headings of Loans and Securitised credit (Bonds and Commercial paper).

As at 31 December 2022, Equity (183.2 million euros) and Resources from other credit institutions (332.7 million euros) constituted the main source of asset funding, representing 99.2% of Total assets, compared to 96.5% at the end of 2021.

In 2022, there was a favourable evolution in the operating component compared to 2021, a period still marked by the economic and pandemic crisis seen worldwide, with an increase in the level of revenues, in parallel with the increase in operating costs resulting from the allocation of resources to the development of the activity.

The 2022 Total operating income reached 10.6 million euros, representing an increase of 1.9 million euros (+22.2%) compared to the amount recorded in 2021, mainly benefiting from the favourable performance of the Net interest income (+1.3 million euros), motivated by the growth of the Customer loan portfolio and Net fees and commissions (+0.4 million euros), determined by the increase in fees related to advice and financial structuring. There was also a favourable development in the Results from financial operations, which reached -0.1 million euros compared to -1.1 million in 2021 (+1.0 million euros), benefiting from the favourable evolution of both Variable Income Securities and Bonds and other fixed-income securities. On the other hand, there was a reduction of 0.7 million euros in Other operating results, motivated by the increase in contributions from the banking sector, the increase in servicing costs and recovery expenses, and the lower values from the sale of properties received as a credit grant, mitigated by the capital gains obtained from the sale of credits under the Alqueva and Alvito operations.

Operating costs in 2022 increased to 5.5 million euros, compared to 4.8 million euros recorded in 2021, as a result of the increase in Staff costs (+0.6 million euros) and General and administrative expenses (+0.2 million euros), in addition to the reduction marked in Depreciations and amortisations (-0.1 thousand euros).

Operating income before impairments and provisions increased to 5.1 million euros in 2022 compared to 3.9 million euros recorded in 2021, reflecting, fundamentally, the favourable evolution of the Total operating income, which more than offset the increase in operating costs, demonstrating the value of an offer focused on the needs of the Companies.

Impairments and provisions stood at 2.2 million euros (0.2 million euros in 2021), penalised by the increase in appropriations for Impairment of other financial assets and for Other provisions, despite the reversal of Credit Impairment and the recovery of credit and interest.

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

Activity and Results (million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total assets	453.0	437.7	520.1	82.4	18.8
Loans to customers (net)	317.1	340.8	427.8	87.0	25.5
Securities portfolio [1)]	82.0	73.8	54.1	(19.7)	(26.7)
Equity	178.5	180.8	183.2	2.4	1.3
Total operating income	4.3	8.7	10.6	1.9	22.2
Operating costs [2)]	5.0	4.8	5.5	0.7	15.4
Net operating income before impairment and provisions	(0.7)	3.9	5.1	1.2	30.4

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

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito), 100% controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., offers specialised credit in the automobile, home and services sectors, and equipment, complemented by a set of solutions for Customers that are Individuals, Companies and Institutions of the Social Economy sector. The specialised credit segment shows one of the vertices of the strategy of the Banco Montepio Group, reflecting the focus on consumer credit.

As a result of the solid relationship established with its partners, based on the experience gained over the years, Montepio Crédito continued to provide a comprehensive offer of specialised credit solutions in the following areas: Automobile, Health, Automobile Repair, Telecommunications and Furniture for the segment of Individuals; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry for the segment of Companies.

Montepio Crédito has an extensive team of professionals in the networks in which it operates, in order to provide the best service and support to its Customers, through the diversity of its specialised offer in the areas of personal credit, linked credit, movable property leases and operating leases (renting). The entire team relies on the centralised support of a specialised back-office.

As at 31 December 2022, net assets totalled 568.7 million euros, compared to 616.9 million euros at the end of 2021 (-48.2 million euros), as a result of the decreases registered in Financial assets at fair value through profit or loss and Loans to customers. It should be noted that in the individual accounts, securitisation operations are reflected in the recording of the notes retained in the securities portfolio, which are, however, eliminated in the consolidated accounts.

Customer loans (net) reached 547.7 million euros at 31 December 2022, representing a decrease of only 2.5 million euros (-0.4%) compared to the amount observed at the end of 2021, notwithstanding the constraints in the automotive sector value chains as a result of the war in Europe, which influenced the dynamics of supply and demand for specialised credit in that sector.

The securities portfolio stood at 10.3 million euros as at 31 December 2022, corresponding to a decrease of 45.3 million euros in relation to the value at the end of 2021, as a result of the reduction recorded in Financial assets at fair value through profit or loss due to the liquidation of the Aqua Finance No. 4 securitisation operation.

Equity stood at 67.9 million euros, showing an increase of 5.5 million euros (+8.9%) compared to the amount of 62.4 million euros recorded at the end of 2021, depending on the accumulated net result for the period and the favourable actuarial deviation of the Pension Fund.

Net operating income reached 20.4 million euros in 2022, representing a reduction of 0.3 million euros (-1.5%) compared to the 20.7 million euros recorded in 2021, penalised by the evolution of Net interest income, which decreased by 6.4 million euros (-52.1%), reflecting the reduction in the Net interest income of the securities portfolio, reflecting the Pelican Finance no. 2 securitisation, and Net fees and commissions, which decreased 0.7 million euros (-15.5%), partially offset by the increase of 5.4 million euros (+104.0%) recorded in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, reflecting the referred to securitisation of consumer credit (jointly with Banco Montepio), an operation aimed at strengthening Banco Montepio Group's own funds ratios.

Operating costs in 2022 were set at 12.9 million euros (12.7 million euros in 2021), with an increase of 0.2 million euros due to the increase registered in Staff Costs.

The Operating income before impairment and provisions for 2022 reached 7.5 million euros, reflecting a reduction of 0.5 million euros (-6.3%) compared to the value registered in 2021, as a result of the decrease in the Total operating income and the increase in Operating costs.

The key indicators of Montepio Crédito are presented in the following table:

Activity and Results (million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total assets	613.8	616.9	568.7	(48.2)	(7.8)
Loans to customers (net)	511.8	550.2	547.7	(2.5)	(0.4)
Equity	56.9	62.4	67.9	5.5	8.9
Total operating income	20.2	20.7	20.4	(0.3)	(1.5)
Operating costs 1)	12.3	12.7	12.9	0.2	1.5
Net operating income before impairment and provisions	7.9	8.0	7.5	(0.5)	(6.3)

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

SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.

SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (SSAGINCENTIVE) is 100% controlled by Banco Montepio through Montepio Holding SGPS, S.A., and its corporate object is the transaction and management of real estate properties.

As at 31 December 2022, the Assets of SSAGINCENTIVE amounted to 53.9 million euros, showing a 1.7% reduction in relation to the value of 54.9 million euros recorded at the end of 2021, as a result of the decrease registered in Inventories of real estate assets, partially offset by the increase in the heading of Cash and deposits at banks, reflecting the value received from the disposal of the real estate properties.

The heading of Inventories refers to the acquisitions made from Banco Montepio, namely related to real estate properties that were intended for sale, in particular subdivisions of properties stated at market value.

As at 31 December 2022 the heading of Inventories amounted to 17.6 million euros, of which 6.1 million euros refer to buildings and 11.5 million euros refer to plots of land, showing a reduction of 6.7 million euros in relation to the value 24.3 million euros recorded as at 31 December 2021, as a result of the sales occurred throughout 2022.

The Cash and bank deposits heading totalled 36.3 million euros 31 December 2022, representing an increase of 5.7 million euros compared to the amount of 30.6 million euros recorded at the end of 2021, due to the deposits made with Banco Montepio and reflecting the amount received from the sale of properties.

On 31 December 2022, Equity stood at 53.5 million euros compared to 54.6 million euros recorded at the end of 2021, reflecting the unfavourable impact of the 2021 Net Income. Equity was the main source of Asset funding, representing 99.2% of Total assets (99.5% in 2021).

Sales and services rendered were set at 5.9 million euros in 2022, which compares with 10.5 million euros revealed in 2021, and which correspond to the amounts derived from inventory sales under SSAGINCENTIVE's current activity.

The Cost of goods sold and materials consumed item reached 5.6 million euros in 2022, marking a reduction of 4.5 million euros compared to 2021, and represents the acquisition cost of the properties sold, after deducting the respective impairment.

The item Inventory impairment totalled 1.1 million euros in 2022, evolving favourably compared to the 1.7 million euros accounted in 2021, reflecting the impacts of the lower constitution of impairments in trading properties.

Other income and gains stood at 0.04 million euros in 2022 (0.09 million euros in 2021) and comprises tax refunds (Property Tax and Stamp Duty) relating to property sold, income obtained from property and other income.

The item Other expenses and losses, which includes the costs with the management, maintenance, legalisation and promotion of the sale of real estate totalled 0.4 million euros in 2022, which compares with 0.6 million euros accounted for in 2021.

The Operating income for 2022 evolved favourably to -1.1 million euros compared to -1.9 million euros in 2021, benefiting from the lower level of impairment of inventories during the year.

The key indicators of SSAGINCENTIVE are presented in the following table:

Activity and Results (million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total assets	56.7	54.9	53.9	(1.0)	(1.7)
Inventories	36.1	24.3	17.6	(6.7)	(27.4)
Equity	56.5	54.6	53.5	(1.1)	(2.1)
Total operating income	(1.2)	(1.9)	(1.1)	0.8	39.2

INTERNACIONAL ACTIVITY

The Banco Montepio Group's international activity has been carried out by the subsidiaries Finibanco Angola, S.A. and Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação.

However, 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 not to promote the changes necessary to adapt its subsidiary Banco Montepio Geral Cabo Verde as a generic authorisation bank.

Therefore, by unanimous Written Resolution dated 30 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 30 September 2022.

In addition, Banco Montepio is continuing the steps to deconsolidate Finibanco Angola, S.A., and its subsidiary Montepio Holding, SGPS, S.A. agreed, on 4 October 2022, to sell the stake held in the share capital of Finibanco Angola, S.A. to Access Bank Plc, with the expected closing of the sale transaction during 2023.

Banco Montepio Group's total international assets reached 267.5 million euros on 31 December 2022, compared to 265.5 million euros recorded at the end of 2021 (-2.0 million euros). This evolution reflects, on the one hand, the liquidation of Banco Montepio Geral Cabo Verde, which resulted in a reduction of -9.5 million euros in the aggregate under consideration, and on the other hand, the increase of 11.5 million euros in the total assets of Finibanco Angola, influenced by the addition of the aggregate of the item Other tangible assets (+14.9 million euros), which more than offset the reduction observed in Loans granted to customers (-6.2 million euros).

On 31 December 2022, Banco Montepio Group's net income from international activities reached 8.9 million euros (8.8 million euros on 31 December 2021), without considering interests that they do not control and exchange rate effects.

The key indicators of the international activity are presented in the following table:

Activity and Results 1) 2)

(million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total assets	395.3	265.5	267.5	2.0	0.7
Loans to customers (net)	37.8	49.0	42.8	(6.2)	(12.6)
Customer deposits	299.4	164.7	177.2	12.5	7.6
Total operating income	33.1	14.3	23.1	8.8	61.9
Operating costs	13.4	13.7	12.8	(0.9)	(6.5)
Cost-to-income	40.3%	96.1%	55.5%	(40.6 p.p.)	
Net income	10.5	8.8	8.9	0.1	1.1

Notes:

1) For comparative purposes the financial statements of 2020, 2021and 2022 of Finibanco Angola were converted using the same exchange rate: AOA/EUR

2) Settled on 30 September 2022.

Finibanco Angola, S.A.

Finibanco Angola, S.A., 80.22% held by Banco Montepio, is a universal bank supporting Small and Medium-sized Enterprises, Individuals and Angolan foreign trade with special incidence on transactions between Portugal and Angola, which seeks to leverage its competitive advantage on the quality of its service. Under its strategy, Finibanco Angola seeks to support and finance Individual Customers and Micro-enterprises, promoting viable business initiatives.

Finibanco Angola completed 14 years of activity in September 2022, having been incorporated on 4 September 2007 and having started its activity in the city of Luanda on 9 June 2008.

As of 31 December 2022, Finibanco Angola had a network of 15 branches (Retail Banking and Small Businesses) and 5 companies centres (Corporate Banking).

The Total assets of Finibanco Angola as at 31 December 2022 stood at 267.5 million euros, compared to 256.0 million euros at the end of 2021 (+4.5%). This evolution was mainly influenced by the increase in Other assets, which more than offset the marked decrease in Loans to customers.

Loans to customers (net) totalled 42.8 million euros as at 31 December 2022, representing a decrease of 12.6% in relation to the value of 49.0 million euros recorded on 31 December 2021.

Customer deposits, on 31 December 2022, stood at 177.2 million euros, compared to 164.7 million euros registered on 31 December 2021, representing an increase of 7.6%.

In 2022, the Total operating income evolved favourably, reaching 23.1 million euros, showing an increase of 9.3 million euros (+67.6%) compared to 2021, driven by the increases recorded in the Net interest income (+4.3 million euros), in Net fees and commissions (+0.6 million euros) and in the Net gains/(losses) from foreign exchange differences (+4.8 million euros).

Operating costs decreased to 12.8 million euros in 2022, representing a reduction of 0.4 million euros (-3.2%) compared to the value calculated in 2021. The reduction in Operating costs in 2022 was motivated by the marked decrease in the items Staff costs (-1.7%) and General and administrative expenses (-14.9%), which more than offset the increase recorded in Depreciation and Amortisation (+23.5%), compared to 2021.

As a result of the favourable operating performance, Finibanco Angola's Cost-to-income ratio stood at 55.5% in 2022, a figure that compares with 96.1% calculated in 2021.

In 2022, Impairments and provisions (net) increased to 0.8 million euros (-7.5 million euros in 2021), influenced by the progression of Credit Impairment, which increased by 6.4 million euros compared to 2021.

In 2022, Finibanco Angola's Net income evolved favourably to 8.9 million euros (7.5 million euros in 2021), without considering non-controlling interests and foreign exchange effects.

The following table presents a summary of the evolution of the main Finibanco Angola indicators, isolating the exchange rate effect (maintaining the same exchange rate, aiming at the comparability of the activity):

Activity and Results (million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total assets	278.7	256.0	267.5	11.5	4.5
Loans to customers (net)	37.8	49.0	42.8	(6.2)	(12.6)
Customer deposits	191.0	164.7	177.2	12.5	7.6
Total operating income	32.4	13.8	23.1	9.3	67.6
Operating costs	12.8	13.2	12.8	(0.4)	(3.2)
Cost-to-income	39.4%	96.1%	55.5%	(40.6 p.p.)	
Net income	11.1	7.5	8.9	1.4	17.9

Note: For comparative purposes the financial statements of 2020, 2021 and 2022 of Finibanco Angola were converted using the same exchange rate: AOA/EUR 537.438.

CAPITAL AND LIQUIDITY

CAPITAL

According to the provisions in force, as of 31 December 2022, the regulatory ratios, as measured by the overall capital requirements (OCR), which include the combined capital reserves, set by the supervisor for Banco Montepio, were 9.08%, 11.19% and 14.01% for Common equity tier 1, Tier 1 and Total capital, respectively.

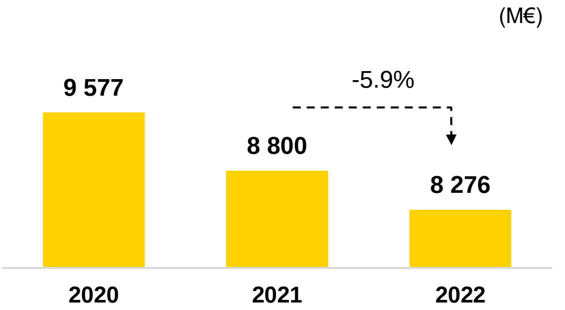
The capital ratios reported by Banco Montepio were above the required prudential levels, namely with significant gaps compared to the overall capital requirement (OCR), including combined own fund reserves, not only according to the phasing-in criteria, but also on a fully implemented basis. Nevertheless, the Board of Directors remains committed to strengthening capital ratios and has promoted a number of initiatives in this regard, and the approved capital plan has been successfully implemented, with favourable deviations from the one outlined.

Thus, and continuing the continuous reinforcement of capital ratios, Banco Montepio continued throughout 2022 to implement of a set of measures aimed at improving solvency levels, through, in particular, the reduction of Risk Weighted Assets (RWA), focusing on deleveraging the balance sheet through the divestment of non-core or non-strategic assets, favouring the growth of the core business of granting credit in segments with lower risk and in a logic of maximising the return on allocated capital.

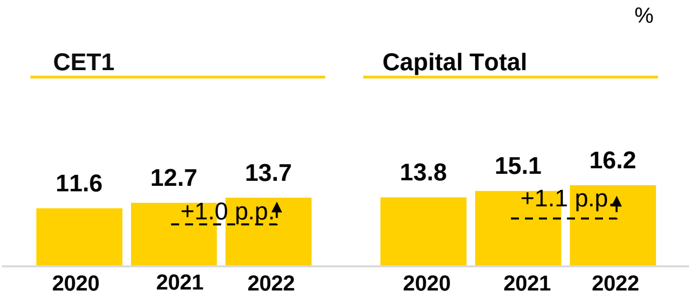
The RWA maintained their downward trajectory, showing a decrease of 524 million euros compared to the end of 2021, despite the growth of the business, mainly motivated by the reduction of non-core assets and by the completion of a new securitisation transaction, in a synthetic format, which focused on a mortgage loan portfolio, carried out on 21 December 2022. The reduction in the stock of non-performing loans (NPL), real estate and Investment 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.

Total Own funds increased to 1,343 million euros on 31 December 2022, compared to 1,328 million euros on 31 December 2021, reflecting the favourable evolution of net results for the year, with an impact on the reduction of deferred tax assets, as well as the exchange reserve due to the appreciation of the Kwanza against the Euro and the Dollar, which more than offset the unfavourable impacts resulting from the phasing-in of IFRS 9.

Risk-weighted assets (phasing-in)



Capital ratios (phasing-in)



Note: The ratios include the accumulated net income for the period.

Thus, as a result of the successful implementation of the outlined capital plan, Banco Montepio's Common equity tier 1 (CET1) and Total capital ratios, according to the phasing-in rules, increased to 13.7% and 16.2% (12.7% and 15.1% at the end of 2021), reflecting an increase of 100 b.p. and 110 b.p., respectively, compared to the end of 2021, consolidating the strengthening trend registered throughout the year, as a result of the continued reduction of risk weighted assets and the contribution of the results of the financial year 2022, standing with a considerable gap in the face of regulatory requirements, namely the OCR.

On a fully implemented basis, there is an even more favourable evolution compared to the end of 2021 to 13.2% in the CET1 ratio and to 15.7% in the total Capital ratio, an increase of 140 b.p. and 150 b.p., respectively, also showing a significant gap compared to the OCR. The differential compared to the phasing-in capital ratios is currently mainly explained by the IFRS 9 component, since at the end of 2019 the phasing-in relative to deferred tax assets was fully recorded and is currently only subject to the transitional prudential regime of IFRS 9. Furthermore, Banco Montepio endorsed the prudential filter relative to the fair-value reserves of public debt, whose impact is immaterial.

As at 31 December 2022, the leverage ratio stood at 5.9% (5.6% at the end of 2021) pursuant to the phasing-in rules, and at 5.6% on a fully implemented basis (5.1% in December 2021), continuing to be above the benchmark minimum defined by the Basel Committee on Banking Supervision (3%).

A summary of the ratios of own funds of the Banco Montepio Group for 2020, 2021 and 2022:

CAPITAL RATIOS AND CAPITAL REQUIREMENTS

(million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Total own funds					
Common Equity Tier 1	1 114	1 122	1 135	13	1.2
Tier 1	1 114	1 122	1 136	14	1.3
Total Capital	1 321	1 328	1 343	15	1.1
Risk-weighted assets	**9 577**	**8 800**	**8 276**	**(524)**	**(5.9)**
Phasing-in ratios					
Common Equity Tier 1	11.6%	12.7%	13.7%	100 bp	
Tier 1	11.6%	12.7%	13.7%	100 bp	
Total Capital	13.8%	15.1%	16.2%	110 bp	
Fully implemented ratios					
Common Equity Tier 1	10.1%	11.8%	13.2%	140 bp	
Tier 1	10.1%	11.8%	13.2%	140 bp	
Total Capital	12.3%	14.2%	15.7%	150 bp	
Leverage ratios					
Phasing-In	6.0%	5.6%	5.9%	30 bp	
Fully implemented	5.2%	5.1%	5.6%	50 bp	

Note: The ratios include the accumulated net income for the period.

LIQUIDITY

In 2022, Banco Montepio continued to promote management measures aimed at maintaining a robust liquidity position, with levels well above the regulatory limits in force and in alignment with the strategic levels of the Funding and Capital Plan.

The management of Banco Montepio's balance sheet enabled the liquidity coverage ratio (LCR) to be set at 249.6% (264.1% as at 31 December 2021), which is 149.6 p.p. above the minimum regulatory requirement of 100%.

At the same time, the Bank maintains a comfortable base of stable funding, as a result of the delineated funding structure, namely using medium and long-term instruments, which enabled the net stable funding ratio (NSFR) to stand at 125.0% (125.3% as at 31 December 2021).

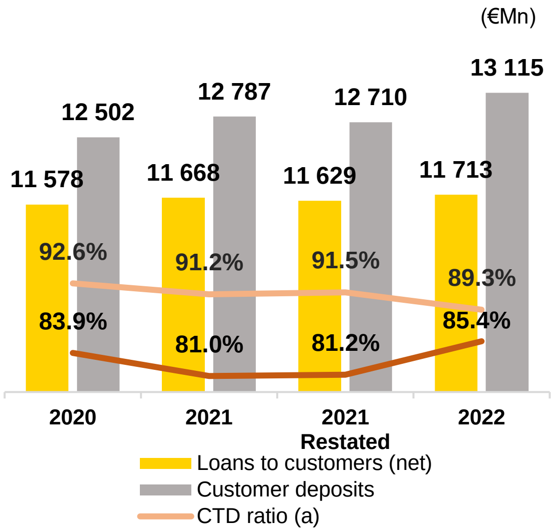
Reflecting Banco Montepio's investment strategy in liquid assets, from the perspective of integrated liquidity and funding sources, on 31 December 2022, the value of the collateral pool for Eurosystem operations was 5,555 million euros, compared to 3,808 million euros registered at the end of 2021, representing an increase of 1,747 million euros. The collateral pool consisted mainly of liquid HQLA securities (essentially public debt securities from European countries) and also of retained issuance securities and credit rights.

The use of the pool of eligible assets at the end of 2022 amounted to 2,984 million euros, which includes financing transactions with the Eurosystem at the nominal value of 2,930 million euros, slightly lower than the nominal value of 2,940 million euros observed on 31 December 2021. As part of funding management aimed at preserving stable funding, financing operations with the Eurosystem are composed in their entirety of several series of TLTRO-III (Targeted Longer-term Refinancing Operations), and in 2022 Montepio Investimento made an early repayment of 10 million euros of TLTRO-III series 6.

In terms of collateral available to obtain liquidity, the increase of 1,747 million euros to 5,555 million euros at the end of December 2021 reflects the policy of investing in eligible assets as a way of applying excess liquidity, optimising net interest income and the maturity profile of the banking portfolio.

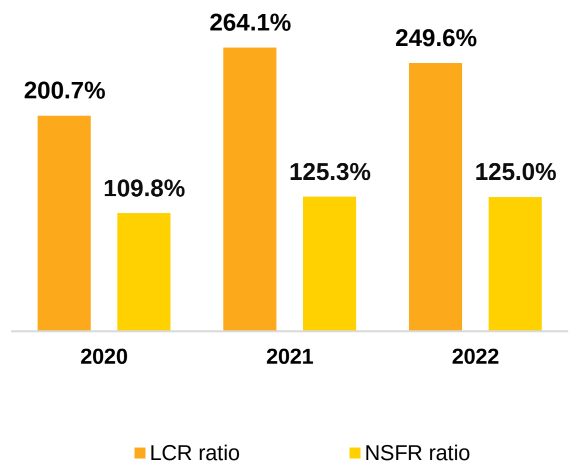
The performance of Customer deposits, on the one hand, and the progression of Loans to customers (net), on the other, determined a Loan-to-deposit ratio, calculated according to Banco de Portugal Instruction No. 16/2004, of 89.3% on 31 December 2022, compared to 91.5% in the previous year.

Loan-to-deposit ratios



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

Liquidity ratios



In the item deposits at Banco de Portugal, which reached 1,222 million euros on 31 December 2022, there was a reduction of 1,560 million euros compared to the end of 2021 as a counterpart to the investment in eligible assets. Accordingly, the liquidity buffer, which reflects the liquidity immediately available, resulting from the aggregation of the value of assets available for obtaining funding from the ECB and Cash and deposits at central banks, came to 3,792 million euros as at 31 December 2022, recording an increase of 154 million euros compared to the end of 2021, reflected in the comfortable position of the liquidity ratios.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(million euros)

	2020	2021	2022	Change 2022/2021	
				Amount	%
Pool of eligible assets [(a)]	3 113	3 808	5 555	1747	45.9
Use of the pool	1 408	2 958	2 984	26	0.9
Pool of available assets	**1 705**	**850**	**2 571**	**1721**	**>100**

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

BALANCE SHEET AND RESULTS

As part of the strategic redefinition of international investments, and with a view to focusing on the domestic market, Banco Montepio concluded the voluntary dissolution and liquidation process of Banco Montepio Geral Cabo Verde on 30 September 2022 and is continuing the steps with a view to the deconsolidation of Finibanco Angola, S.A., having signed a sale agreement in October 2022.

Therefore, as of 31 December 2022, the consolidated financial statements consider the financial statements of Finibanco Angola, S.A. through the application of IFRS 5 as a discontinued unit. In this sense, the 2021 statement was restated, and the assets and liabilities of this entity are presented in the captions Non-current assets and liabilities held for sale - Discontinued operations and the results in Income from discontinued operations, as described in note 58.

For comparative purposes, restated information is presented in this Management Report, where relevant, of balance sheet items for 2021 that reflect the impacts arising from the application of IFRS 5 to the financial statements of Finibanco Angola, S.A. (information that is not audited and not present in the accounts and notes to the accounts of this Report and Accounts).

BALANCE SHEET

Faced with the changing circumstances and challenges faced by the Banco Montepio Group, the banking sector and the Portuguese economy, the Board of Directors adopted a multidimensional and multiannual Adjustment Programme, through the adoption of four main strategic pillars: revision of the business model, operational adjustment, capital preservation, and simplification of the Group.

Accordingly, the deleveraging of the balance sheet continued, materialised in the reductions of non-performing assets and in the ongoing strengthening of its liquidity position, through the capture and retention of Customer deposits and the active management of the securities portfolio, contributing to reinforce the solid liquidity position even more. - The set of initiatives outlined, namely the reinforcement of organic credit recovery, allowed Banco Montepio to continue with the plan to reduce non-performing loans, whose stock reached 598 million euros on 31 December 2022, representing a reduction of 36.5% compared to 942 million euros recorded on 31 December 2021.

On the other hand, with a view to the simplification of the corporate structure of the Banco Montepio Group and the strategic redefinition of the international holdings, the measures stipulated in the Adjustment Programme primarily concern the sale of equity stakes in the national and international market.

In this context, the Board of Directors decided on the sale of all the shareholder shares held in Monteiro Aranha S.A., in March 2021, in Almina Holding S.A., in June 2021, and in Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., on 30 December 2021.

Additionally, with a view to focusing on the domestic market, Banco Montepio concluded, on 30 September 2022, the process of voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde and expects the closing of the sale transaction of the stake in Finibanco Angola during 2023.

SYNTHETIC BALANCE SHEET

(million euros)

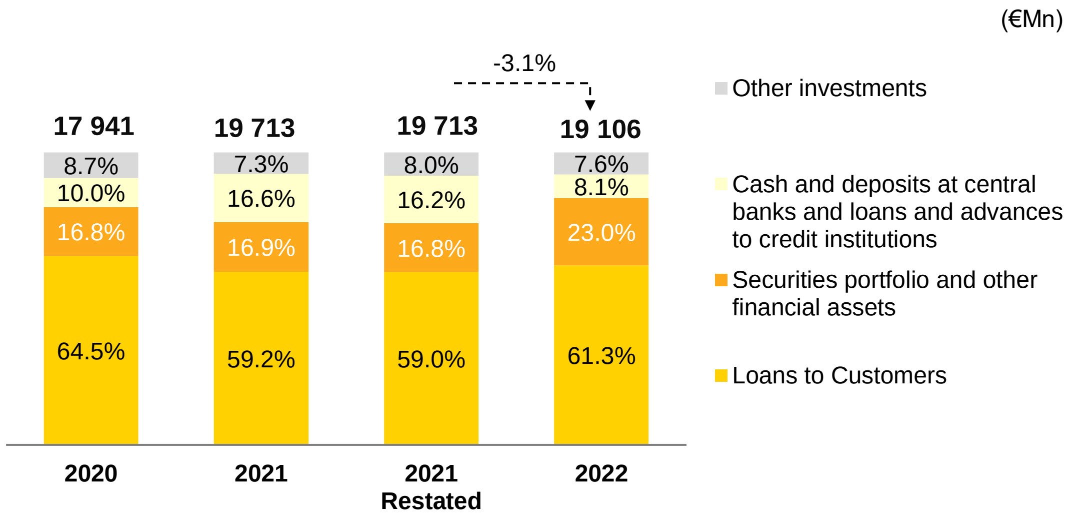
	2020	2021	2021 Restated	2022	YoY Change Amount	YoY Change %
Cash and deposits at central banks and loans and advances to credit institutions	1 793	3 264	3 188	1 542	(1 646)	(51.6)
Loans to customers	11 578	11 668	11 629	11 713	84	0.7
Securities portfolio and other financial assets*	3 013	3 339	3 302	4 387	1 085	32.9
Non current assets held for sale and investment properties	131	142	142	73	(69)	(48.7)
Non current assets held for sale - Discontinued operations	1	0	206	200	(6)	(3.1)
Current and deferred tax assets	500	467	467	420	(47)	(10.2)
Other	925	834	779	771	(8)	(1.0)
Total assets	**17 941**	**19 713**	**19 713**	**19 106**	**(607)**	**(3.1)**
Deposits from central banks and other credit institutions	2 203	3 457	3 457	3 232	(225)	(6.5)
Customer resources	12 502	12 787	12 710	13 115	405	3.2
Debt issued	1 516	1 834	1 834	824	(1 010)	(55.1)
Non current liabilities held for sale - Discontinued operations	110	0	90	102	12	12.4
Other	283	271	259	314	55	21.4
Total liabilities	**16 614**	**18 350**	**18 350**	**17 587**	**(763)**	**(4.2)**
Share capital*	2 420	2 420	2 420	2 420	0	0.0
Reserves, retained earnings and other	(1 012)	(1 063)	(1 063)	(934)	129	12.1
Net income	(81)	7	7	34	27	>100
Total equity	**1 327**	**1 363**	**1 363**	**1 519**	**156**	**11.5**
Total liabilities and equity	**17 941**	**19 713**	**19 713**	**19 106**	**(607)**	**(3.1)**

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

ASSETS

Net assets show a reduction of 607 million euros (-3.1%) compared to the end of 2021, determined mainly by the repayment of 750 million euros of Mortgage Bonds, as well as by the deleveraging of non-core assets (Non-Performing Loans and Real Estate).

Total Assets Structure



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

On 31 December 2022, the liquidity deposited at central banks and other credit institutions stood at 1,542 million euros, compared to 3,188 million euros at the end of 2021, translating a decrease of 1,646 million euros (-51.6%), reflecting, on the one hand, the repayment of mortgage bonds for an amount of 750 million euros and the reinforcement of the HQLA securities portfolio (part of the Liquidity Buffer).

LOANS TO CUSTOMERS

On 31 December 2022, Loans to customers (gross) stood at 12,068 million euros, reflecting a reduction of 73 million euros (-0.6%) compared to the amount of 12,141 million euros recorded on 31 December 2021, an evolution that is impacted by the implementation of the deleveraging strategy on non-productive assets, consisting of a reduction in non-performing loans by 320 million euros (33.6%).

Thus, by purging the NPL component, an increase of 246 million euros in gross performing loans was achieved compared to the end of 2021 (+2.2%), despite the context marked by rising interest rates, high inflation levels and economic growth prospects surrounded by uncertainty, impacting the activity of economic agents.

At the same time, there was an improvement in the credit quality indicators, which benefited from rigorous risk-taking discipline, as well as the measures that were approved and implemented in the credit monitoring and recovery areas. Thus, as a result of the actions that have been implemented, and despite the increase seen at the end of 2022, both in the number of new contracts[11] that were in default (+ 67%) and in the amount in default (+ 93%), compared to 2021, the amounts remained lower than those registered in the premoratory period, -25% and -61%, respectively, compared to the end of 2019.

Of note is the positive performance of the business in terms of credit granted to Companies, with a weight of 47.6% of the total gross credit portfolio (47.1% in 2021), as a result of internal measures adopted, revealing the capacity for action and the potential for business recovery, in a context of economic slowdown and an increase in reference interest rates. On the other hand, there was a lower performance in the Private Sector segment, with mortgage loans representing 88.2% of this segment, and showing a higher level of amortisation compared to the new operations raised.

Throughout 2022, Banco Montepio stood by companies seeking to support them in managing the impact of the crisis caused by the war in Europe, which led to accelerated inflation and the corresponding change in monetary policy by the main central banks, with an impact on the costs of production factors and on the management of the production chain and logistics system.

In view of the challenges facing Portuguese companies, Banco Montepio has provided support mechanisms for developing their business and improving competitiveness, which have resulted in the signing of a protocol with the European Investment Bank (EIB) that will enable support for SMEs and Midcaps in Portugal.

Additionally, it continued to make a series of lines available, already in force, with the European Investment Fund (EIF) and Banco Português de Fomento (BPF), allowing companies to obtain financing with more advantageous market conditions.

[11] Contracts of more than 90 days, excluding sight deposits and cards.

LOANS TO CUSTOMERS
(By sector of activity)

(million euros)

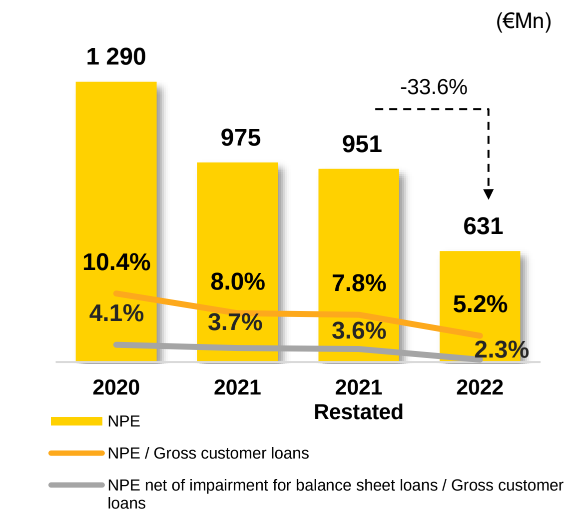
	2020	2021	2022	Change 2022/2021	
				Amount	%
Individuals	**6 377**	**6 453**	**6 327**	**(126)**	**(2.0)**
Housing loans	5 636	5 680	5 581	(99)	(1.7)
Others	740	773	746	(27)	(3.6)
Corporate	**5 980**	**5 736**	**5 741**	**5**	**0.1**
Manufacturing industries	981	1 031	1 185	154	15.0
Wholesale and retail trade	915	860	886	26	3.1
Construction and Public works, and Real estate activities	1 363	1 065	990	(75)	(7.0)
Accommodation and catering activities	533	596	569	(27)	(4.5)
Financial and insurance activities	627	493	372	(121)	(24.6)
Transportation and storage	404	393	385	(8)	(2.0)
Business Services	374	367	406	39	10.3
Other collective service activities	303	340	379	39	11.6
Others	481	592	569	(23)	(3.9)
Gross loans	**12 357**	**12 189**	**12 068**	**(121)**	**(1.0)**
Impairment for credit risk	**780**	**522**	**355**	**(167)**	**(32.1)**
Net loans	**11 578**	**11 668**	**11 713**	**45**	**0.4**

Under Banco Montepio's Adjustment Programme, the improvement of credit quality is also based on a more effective and integrated management of the non-performing exposures, by maximising recoveries and corporate finance solutions, benefiting from the strategic focused on the segments of Individuals and Companies, particularly on Small and Medium-sized Enterprises (SME) and Social Economy Entities.

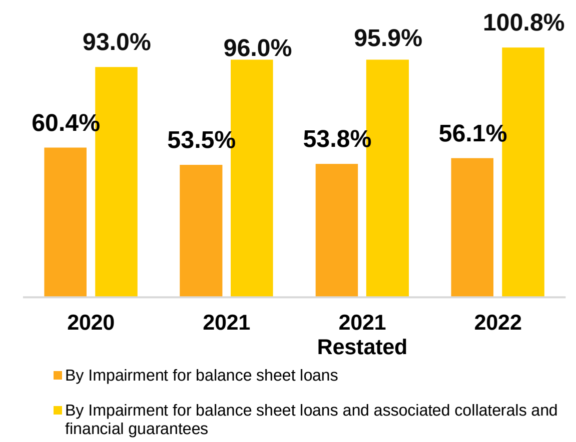
Despite the challenges of the macroeconomic context, and substantiating the effect of the measures mentioned above, Banco Montepio reduced the stock of NPL, resulting in a reduction in the ratio of non-performing exposures (NPE) compared to the total gross loans to customers, which stood at 5.2% on 31 December 2022, compared to 7.8% at the end of 2021.

This favourable evolution reveals, on the one hand, the decrease in the NPE balance compared to the amount recorded at the end of 2021 (-33.6%), which was fixed at 631 million euros on 31 December 2022. In turn the NPE ratio net of on-balance sheet loan impairment stood at 2.3% as at 31 December 2022 evolved favourably in relation to the 3.6% recorded at the end of 2021.

Non-performing exposures (NPE)*



NPE coverage*



** Definição EBA; com referência a 31 de dezembro de 2022 e 2021 reexpresso, os indicadores não incluem o Finibanco Angola (entidade sujeita à aplicação da IFRS 5). Considerando o Finibanco Angola, o stock de NPE e os rácios NPE, NPE líquido, Cobertura de NPE por imparidade para crédito e Cobertura de NPE por imparidade para crédito e colaterais e garantias financeiras associados, com referência a 31 de dezembro de 2022, situar-se-iam em 647M€, 5,3%, 2,3%, 56,5% e 103,9% respetivamente.*

As at 31 December 2022, Banco Montepio also strengthened the level of coverage of balance sheet impairment, which reached 56.1%, compared to 53.8% as at 31 December 2021. In turn, NPE impairment coverage for balance sheet loans and associated collateral and financial guarantees stood at 100.8% on 31 December 2022, compared to 95.9% at the end of December 2021.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

As part of the strategy to rebalance the asset structure, Banco Montepio continued, throughout 2022, with the identification and implementation of measures with the objective of improving the levels of liquidity and active management of the Securities portfolio and other financial assets.

As at 31 December 2022, the securities portfolio and other financial assets amounted to 4,387 million euros, compared to 3,302 million euros recorded as at 31 December 2021, an increase which aimed to reduce the financial cost of excess liquidity.

A positive contribution was made by the increase in Other financial assets at amortised cost of 1,151 million euros due to investment in public debt securities, reflecting the execution of the funding strategy and application of liquidity, and, to a lesser extent, the increase in the Financial assets held for trading portfolio of 15 million euros, due to the increase in Securities held for trading, namely Derivative financial instruments (+12 million euros).

In turn, there was a reduction in the portfolio of financial assets at fair value through profit or loss of 55 million euros, due to the reduction recorded in variable-income securities units, and a reduction in the portfolio of financial assets at fair value through other comprehensive income of 26 million euros compared to 2021, as a result of the deleveraging outlined in the approved Capital Plan, which was successfully implemented, and which contributed, along with other measures, to strengthening the capital ratios.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021	
					Amount	%
Financial assets held for trading	17	8	8	23	15	>100
Financial assets at fair value through other comprehensive income	287	123	123	97	(26)	(21.1)
Other financial assets at amortised cost	2 363	3 004	2 968	4 119	1 151	38.8
Financial assets not held for trading mandatorily at fair value through profit or loss*	347	203	203	148	(55)	(27.4)
Total securities portfolio and other financial assets	**3 013**	**3 339**	**3 302**	**4 387**	**1 085**	**32.9**

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

In analysing the securities portfolio by type of instrument, an increase is observed in relation to 31 December 2021 of 1,129 million euros in Bonds and other debt instruments, which include public debt, that led to the increase recorded in the portfolio of securities and other financial assets of 32.9% in relation to 31 December 2021.

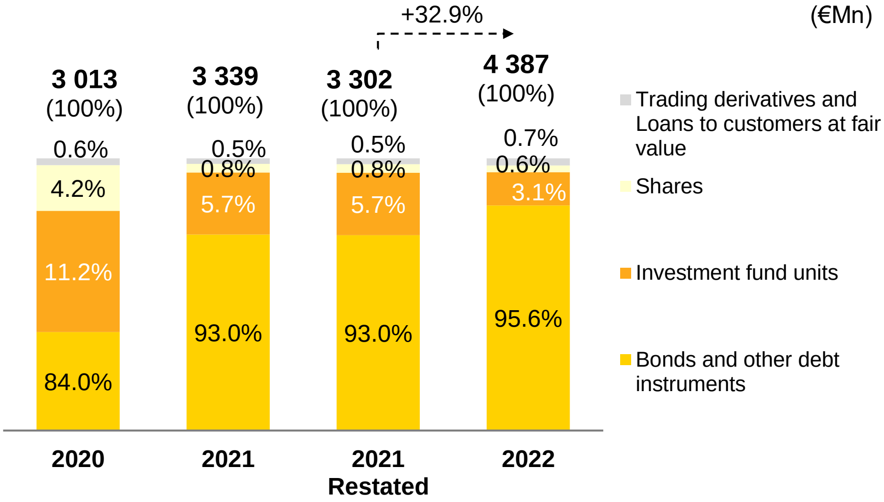
SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS BY TYPE OF INSTRUMENT

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021	
					Amount	%
Bonds and other debt instruments	2 532	3 105	3 069	4 198	1 129	36.8
Shares	126	26	26	27	1	1.5
Investment fund units	336	189	189	134	(55)	(29.1)
Trading derivatives	9	8	8	20	12	>100
Loans to customers at fair value	10	10	10	9	(1)	(8.2)
Total securities portfolio and other financial assets	**3 013**	**3 339**	**3 302**	**4 387**	**1 085**	**32.9**

The structure of the Securities Portfolio and other financial assets remained, as at 31 December 2022, primarily composed of Bonds and other debt instruments, whose total weight in the portfolio increased to 95.6%. In turn, the proportion of Investment fund units and Shares decreased to 3.1% and 0.6% of the portfolio, respectively.

Structure of the Securities portfolio and other financial assets



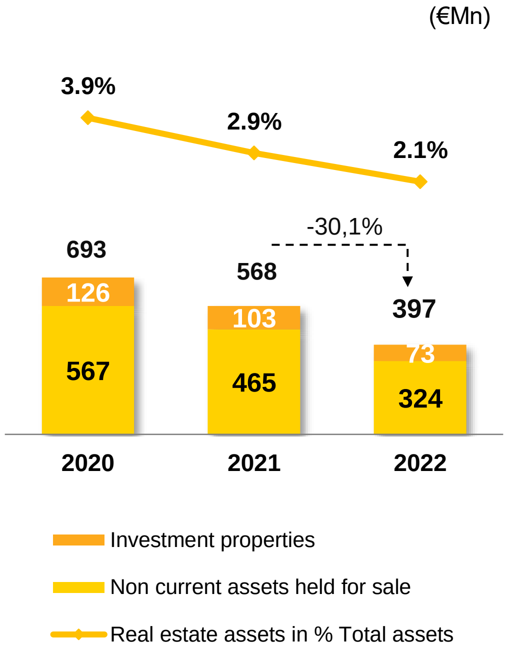
NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

The evolution of these items is influenced by the reclassification of non-current assets held for sale, essentially related to properties held, to the item Other Assets, but without change in terms of the strategy for reducing exposure to real estate risk.

The evolution of exposure to real estate assets, incorporating the above-mentioned reclassification of real estate, showed a decrease of 30.1% on 31 December 2022 compared to the end of 2021, evolving from 568 million euros on 31 December 2021 to 397 million euros on 31 December 2022, in line with the integrated real estate management orientation and the subsequent reduction in exposure to the real estate sector.

The item on Non-current assets held for sale, together with the amount reclassified under Other Assets, shows, above all, the reduction in the amount associated with real estate resulting from the resolution of loan contracts with Customers, which decreased 141 million euros (-30.3%), evolving from 465 million euros at the end of December 2021 to 324 million euros on 31 December 2022, essentially revealing the effect of credit recovery.

Exposure to Real Estate Assets



* Including the amount reclassified to other assets.

Regarding investment properties, the item in which the properties held by the Real Estate Investment Funds under consolidation at Banco Montepio are counted, there was a decrease of 29.3%, increasing from 103 million euros at the end of December 2021 to 73 million euros on 31 December 2022, continuing to achieve the objective of reducing exposure to real estate risk, whose weight in total net assets shows a decreasing trajectory, evident at a ratio of 2.1% at the end of the year (which compares with 2.9% at the end of 2021).

NON-CURRENT ASSETS HELD FOR SALE - DISCONTINUED OPERATIONS

At 31 December 2022 the item Non-current assets held for sale - discontinued operations totalled 200 million euros, corresponding to the value of the assets accounted for by the Group's operations related to the subsidiary Finibanco Angola, S.A., after adjusting for the movements necessary for the consolidation process, having been highlighted following the application of IFRS 5, as per Note 58 to the consolidated financial statements.

CURRENT AND DEFERRED TAX ASSETS

As at 31 December 2022, the aggregate of Current and deferred tax assets amounted to 420 million euros, compared to 467 million euros as at 31 December 2021.

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

OTHER

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

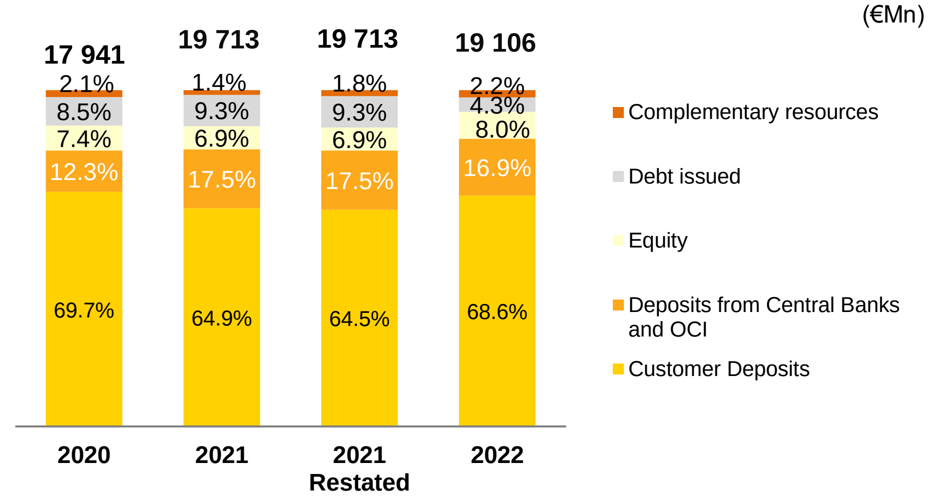
As at 31 December 2022, the aggregate Other stood at 771 million euros, compared to 779 million euros as at 31 December 2021, of which 324 million euros correspond to real estate properties held for sale reclassified from the heading of Non-current assets held for sale to Other assets.

LIABILITIES

On 31 December 2022, the total of Liabilities was 17,587 million euros, showing a decrease of 763 million euros (-4.2%) compared to the amount of 18,350 million euros registered on 31 December 2021, essentially showing the reduction observed in the Resources from central banks and other credit institutions (-225 million euros) and in the Debt issued (-1,010 million euros), despite the increase in Customer resources (+405 million euros).

On 31 December 2022, Equity financed 8.0% of the Assets and Customer deposits remained the main source of balance sheet funding, standing at 68.6% of total liabilities and equity.

Liabilities and equity structure



RESOURCES FROM CENTRAL BANKS AND RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2022, the funding obtained from Central Banks and other credit institutions amounted to 3,232 million euros, compared to 3,457 million euros recorded at the end of 2021, revealing a decrease of 6.5%.

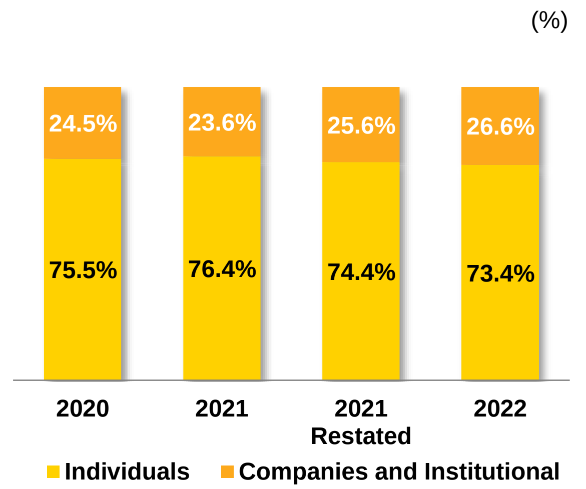
These loans were collateralised by securities from the financial assets portfolio at fair value through other comprehensive income and the other financial assets portfolio at amortised cost, which totalled 2,890 million euros at 31 December 2022 (2,902 million euros at the end of 2021).

Funding obtained from Other credit institutions stood at 342 million euros at 31 December 2022, compared to 555 million euros at 31 December 2021, representing a reduction of 38.4%, determined by the reduction of sale and repurchase agreements amounting to 191 million euros, which denotes the active management of cash and funding costs, in a particular context of negative interest rates experienced until mid-2022.

CUSTOMER RESOURCES

Total customers' resources amounted to 14,477 million euros as at 31 December 2022, of which 13,319 million euros correspond to Customer resources on the balance sheet, with 98.5% referring to Customer deposits.

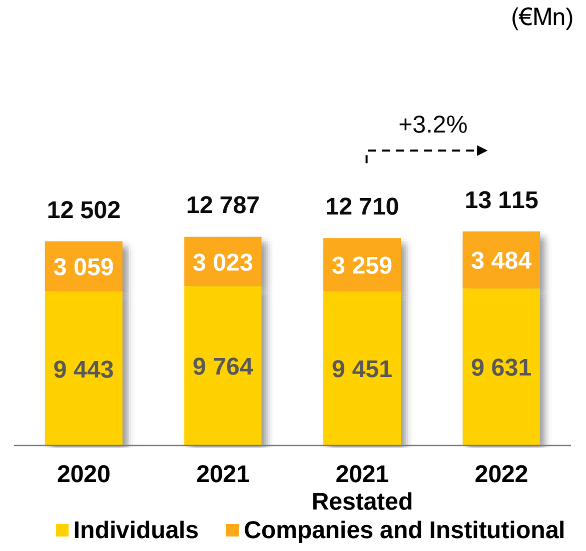
Customer deposit structure



On 31 December 2022, customer deposits amounted to 13,115 million euros, concentrated mainly in Private Customers, which, notwithstanding the increase in the weight of Corporate and Institutional customer deposits, remained the predominant segment, accounting for 73.4% of the total.

On 31 December 2022, Customer deposits increased by 405 million euros compared to 31 December 2021. This favourable evolution is supported by the increases recorded both in Deposits from Corporate and Institutional Customers (+225 million euros) and Deposits from Individual Customers (+180 million euros), with Term Deposits increasing by 135 million euros and Sight Deposits growing by 271 million euros, maintaining the pace of recomposition of the structure of the deposit portfolio with the change in the Sight Deposits / Term Deposits mix, which was set at 51%/49% on 31 December 2022.

Customer deposits



As at 31 December 2022, the heading of Securities placed with customers stood at 204 million euros, compared to 209 million euros at the end of December 2021.

Off-balance sheet funds stood at 1,158 million euros at 31 December 2022, compared with 1,045 million euros at the end of December 2021, representing an increase of 10.8%, supported essentially by the increase in Property investment funds (+118 million euros) and, to a lesser extent, in Securities investment funds (+5 million euros), and which more than offset the reduction noted in Pension Funds (-8 million euros) and Capitalisation Insurance (-2 million euros).

CUSTOMER RESOURCES

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021	
					Amount	%
Customer deposits	**12 502**	**12 787**	**12 710**	**13 115**	**405**	**3.2**
Sight deposits	5 482	6 428	6 366	6 637	271	4.3
Term deposits	7 020	6 359	6 343	6 478	135	2.1
Customer deposits	**12 502**	**12 787**	**12 710**	**13 115**	**405**	**3.2**
Securities placed with customers	210	209	209	204	(5)	(2.1)
Total on-balance sheet resources	**12 712**	**12 996**	**12 919**	**13 319**	**400**	**3.1**
Off-balance sheet resources	844	1 045	1 045	1 158	113	10.8
Total customer resources	**13 556**	**14 041**	**13 964**	**14 477**	**513**	**3.7**

DEBT ISSUED

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

At 31 December 2022 the amount of Debt issued was 824 million euros, representing a reduction of 1,010 million euros (-55.1%) compared to 1,834 million euros at 31 December 2021, as a result of the decrease noted in Mortgage Bonds (-888 million euros) and Securitisations (-123 million euros).

NON-CURRENT LIABILITIES HELD FOR SALE — DISCONTINUED OPERATIONS

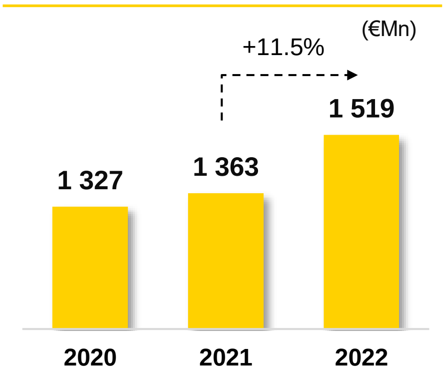
At 31 December 2022 the item Non-current liabilities held for sale - discontinued operations totalled 102 million euros and corresponds to the value of the liabilities accounted for by the Group's operations related to the subsidiary Finibanco Angola S.A., after adjusting for the movements necessary for the consolidation process, having been highlighted following the application of IFRS 5, as per Note 58 to the consolidated financial statements.

OTHER

The aggregate Other, shown under Liabilities in the summary balance sheet, stood at 314 million euro at 31 December 2022 (259 million euro at the end of 2021) and comprises the items Financial liabilities held for trading, Hedging derivatives, Provisions, Current tax liabilities and Other liabilities.

EQUITY

Total equity



Equity amounted to 1,519 million euros on 31 December 2022, an increase of 156 million euros (+11.5%) compared to the value at the end of 2021, reflecting the favourable evolution of net income for the year, which reached 33.8 million euros (6.6 million in 2021), the positive foreign exchange reserve (+9.4 million euros), due to the appreciation, observed during the year, of the Kwanza against the euro and the Dollar, and the positive actuarial deviations in the Pension Fund (+138.5 million euros).

In 2023 (10 February 2023) an extraordinary general meeting of shareholders was held, at which a unanimous decision was taken to reformulate the equity items with the special purpose of reinforcing the funds susceptible of regulatory qualification as distributable, with a view to covering the negative retained earnings, by reducing the share capital by 1,210,000,000.00 euros, without changing the number of existing shares and without altering the total value of the net worth. This change will not have an impact on the amount of the institution's own funds, since it does not entail changes in the level of the Bank's net position.

RESULTS

In 2022, Banco Montepio reported a positive consolidated net income of 33.8 million euros, which represents an increase of 27.2 million euros compared to the 6.6 million euros recorded in 2021, achieving six consecutive quarters with positive net income, supported by business growth, the improvement of operational efficiency and the reduction of the cost of risk.

The 2022 Net income benefited from the positive contribution of the Total operating income, especially the Net interest income and Net fees and commissions, the reduction in Operating costs, and the lower appropriations for Impairments and provisions, in particular those related to credit risk.

The fruits of the operational adjustment programme are particularly visible in the favourable evolution of Staff costs, even excluding the impact of the restructuring costs registered in 2021 and 2022.

In turn, the improvement in the cost of risk, demonstrating the quality of credit origination in recent years, determined lower appropriations for Impairments and provisions.

On the other hand, there was an increase in regulatory contributions, namely in the banking sector and for resolution funds, which amounted to 25.9 million euros in 2022 (22.7 million euros in 2021), denoting a significant burden on pre-tax results.

SYNTHETIC INCOME STATEMENT

(million euros)

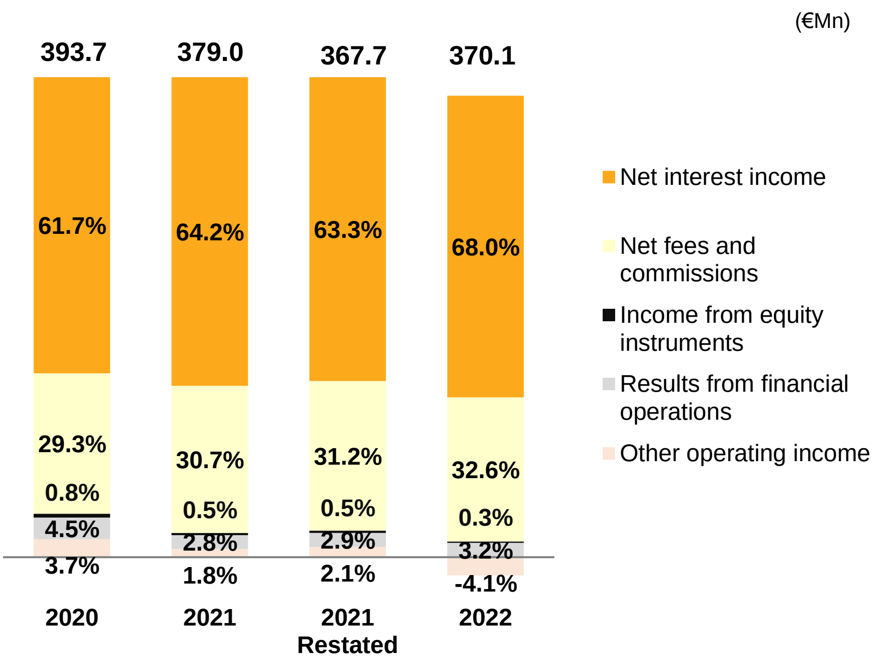
	2020	2021	2021 Restated	2022	Change 2022/2021	
					Amount	%
Net interest income	242.8	243.5	232.6	251.5	18.9	8.1
Net fees and commissions	115.3	116.3	114.7	120.5	5.8	5.1
Core operating income	**358.1**	**359.8**	**347.3**	**372.0**	**24.7**	**7.1**
Income from equity instruments	3.0	1.8	1.8	1.0	(0.8)	(45.8)
Results from financial operations	17.9	10.7	10.8	12.0	1.2	11.1
Other operating income	14.7	6.6	7.8	(14.9)	(22.7)	(<100)
Total operating income	**393.7**	**379.0**	**367.7**	**370.1**	**2.4**	**0.6**
Staff Costs	189.3	164.1	159.1	152.6	(6.5)	(4.1)
General and administrative expenses	67.0	64.7	61.3	59.7	(1.6)	(2.5)
Depreciation and amortization	35.1	35.3	34.1	34.0	(0.1)	(0.1)
Operating costs	**291.4**	**264.1**	**254.5**	**246.3**	**(8.2)**	**(3.2)**
Operating costs, excluding specific impacts [(a)]	**261.9**	**249.4**	**239.8**	**235.8**	**(4.0)**	**(1.7)**
Net operating income before provisions and impairments	**102.3**	**114.8**	**113.1**	**123.8**	**10.7**	**9.4**
Net provisions and impairments	220.8	80.5	82.9	44.5	(38.4)	(46.3)
Share of profit (losses) booked under the equity method	(0.7)	0.0	0.0	0.5	0.5	>100
Net income before income tax	**(119.2)**	**34.3**	**30.2**	**79.8**	**49.6**	**>100**
Income tax	(42.3)	25.3	24.9	35.6	10.7	43.0
Net income after income tax from continuing operations	**(76.9)**	**9.1**	**5.4**	**44.2**	**38.8**	**>100**
Income from discontinued operations	(1.9)	(1.5)	2.3	(13.0)	(15.3)	(<100)
Non-controlling interests	1.9	1.1	1.1	(2.7)	(3.8)	(<100)
Net Income	**(80.7)**	**6.6**	**6.6**	**33.8**	**27.2**	**>100**

(a) Excludes the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures of 29,5 €Mn in 2020, +14,7 €Mn in 2021e 10,5 €Mn in 2022.

TOTAL OPERATING INCOME

The Total operating income in 2022 increased to 370.1 million euros compared to 367.7 million euros in 2021, benefiting from the increases shown in the Net interest income (+18.9 million euros), in the Net fees and commissions (+5.8 million euros) and in the Result of financial transactions (+1.2 million euros), despite the unfavourable evolution of Other results (-22.7 million euros), penalised by the significant weight of regulatory contributions and the costs of the revaluation of liability items.

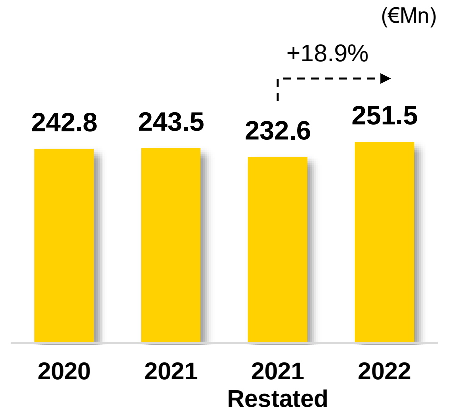
Total operating income



NET INTEREST INCOME

The Net interest income in 2022 reached 251.5 million euros, compared to the amount of 232.6 million euros calculated in 2021, essentially reflecting the increases recorded in the Commercial net interest income, which benefited from the increase in market interest rates[12], which favour the profitability of operations and the repricing of the Credit portfolio, and the increase marked in the Securities portfolio, reflecting the impact of the investment strategy, namely, the acquisition of foreign and national public debt.

Net interest income



In 2022, the evolution of Net Interest Income essentially reflected the price effect, as the higher increase in the implicit lending interest rate (+17.2 p.p.) compared to the increase in the implicit borrowing interest rate (+9.7 p.p.), which stood at 1.64% and 0.28%, respectively, with the increase in the interbank market interest rates determining an additional positive impact on Net interest income, both through explicit indexing and through the renewal of operations.

Consequently, in 2022, the interest on the Customer loans portfolio increased by 8.5 million euros, due to the price effect, and the interest on the Customer deposits portfolio decreased as a result of the management of pricing in attracting new deposits, as well as the renewal of existing deposits, and the increase in the proportion of sight deposits.

[12] Commercial net interest income: sum of the income statement items Income received from Loans and advances granted to customers and the Interest paid on Customer deposits.

Thus, in 2022, the net interest margin rate increased to 1.37% compared to 1.29% in 2021, benefiting from the context of rising market interest rates, notwithstanding the highly competitive environment in the granting of loans, as well as the change in the portfolio structure to lower risk, which continued to condition the performance of this indicator, but with the counterweight of the optimisation of capital consumption, both through the cost of credit risk and through the RWA (risk weighted assets).

BREAKDOWN OF NET INTEREST INCOME BY INTEREST-GENERATING ASSETS AND LIABILITIES

(million euros)

	2021			2022		
	Avg. amount	Avg. rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
Assets						
Cash and deposits	2 185	(0.3)	(7.3)	1 631	1.1	18.5
Loans and advances to OCI	296	0.0	0.1	387	1.0	4.1
Loans to customers	12 329	2.0	250.1	12 215	2.1	258.6
Securities portfolio	2 934	0.2	6.3	3 877	0.4	14.3
Other assets at fair value	10	1.0	0.1	9	1.4	0.1
Other (includes derivatives)	0	0.0	14.6	0	0.0	5.2
subtotal	17 753	1.5	263.8	18 120	1.6	300.9
Liabilities						
Resources from central banks	2 532	(0.9)	(23.6)	2 899	0.3	8.0
Resources from OCI	814	0.0	0.3	373	0.1	0.6
Customer deposits	12 461	0.1	9.6	12 879	0.1	7.0
Senior debt	1 307	0.7	8.8	1 305	0.5	6.8
Subordinated debt	216	9.1	19.9	216	8.8	19.3
Other (includes derivatives)	0	0.0	16.2	0	0.0	7.6
subtotal	17 331	0.2	31.2	17 673	0.3	49.4
Net interest margin		**1.29**	**232.6**		**1.37**	**251.5**

EXPLANATION OF THE EVOLUTION OF THE NET INTEREST INCOME BETWEEN 2021 AND 2022

(million euros)

	Volume effect	Price effect	Residual effect	Total
Assets				
Cash and deposits	1.8	32.1	(8.1)	25.8
Loans and advances to OCI	0.0	3.0	0.9	4.0
Loans to customers	(2.3)	10.9	(0.1)	8.5
Securities portfolio	2.0	4.6	1.5	8.1
Other assets at fair value	(0.0)	0.0	(0.0)	0.0
Other (includes derivatives)	0.0	0.0	(9.3)	(9.3)
subtotal	5.5	30.9	0.6	37.0
Liabilities				
Resources from central banks	(3.4)	30.6	4.4	31.7
Resources from OCI	(0.2)	0.9	(0.5)	0.2
Customer deposits	0.3	(2.8)	(0.1)	(2.6)
Senior debt	(0.0)	(1.9)	0.0	(1.9)
Subordinated debt	0.0	(0.6)	(0.0)	(0.6)
Other (includes derivatives)	0.0	0.0	(8.6)	(8.6)
subtotal	0.6	17.2	0.3	18.1
Change in net interest income	**4.8**	**13.8**	**0.3**	**18.9**

INCOME FROM EQUITY INSTRUMENTS

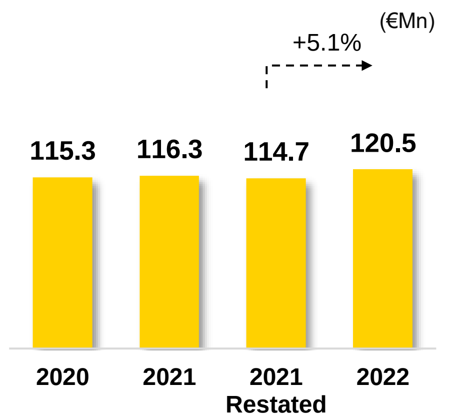
The heading of Income from equity instruments includes the income associated with variable yield securities, namely shares related to investments stated in the portfolio of assets available for sale.

The amount recorded in 2022 totalled 1.0 million euros, essentially including dividends received from Unicre in the amount of 0.5 million euros and from SIBS of 0.4 million euros, and compares with 1.8 million euros in 2021, in this case reflecting, the disposal of Monteiro Aranha's non-strategic position, resulting from the outcome of credit recovery, and complying with measures recommended in the Capital Plan, with dividends received relating to the Unicre and SIBS stakes held in the balance sheet remaining unchanged.

NET FEES AND COMMISSIONS

Net fees and commissions totalled 120.5 million euros in 2022, 5.8 million euros higher than in 2021 (+5.1%), benefiting from higher income related to credit operations (+2.1 million euros), account maintenance and management (+1.6 million euros) and payment services (+1.3 million euros), reflecting the implementation of a set of initiatives aimed at adapting the Bank's value proposition to the service provided to Customers.

Net fees and commissions



RESULTS FROM FINANCIAL OPERATIONS

Results from financial operations reached 12.0 million euros in 2022, reflecting an increase of 1.2 million euros compared to the figure of 10.8 million euros accounted for in 2021, reflecting the higher results from foreign exchange revaluation by 1.7 million euros, the increase, in net terms, of Derivative instruments and Fair value of financial assets and liabilities by 4.1 million euros, partially offset by the decrease in income from the securities portfolio by 3.9 million euros.

It should be noted that, in 2022, the results with financial assets and liabilities evaluated at fair value through results reflect the impacts of the revaluation of the coverage of mortgage obligations, both of the instrument and of the derivative, and incorporate the effect of the variation in the value of credit transactions that do not comply with the SPPI.

RESULTS FROM FINANCIAL OPERATIONS

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021	
					Amount	%
Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	(18.7)	(0.3)	(0.3)	(0.2)	0.1	17.5
Net gains / (losses) from financial assets at fair value through other comprehensive income	23.7	2.0	2.0	1.4	(0.6)	(28.9)
Net gains / (losses) from foreign exchange differences	12.9	9.0	9.1	10.8	1.7	19.2
Results from financial operations	**17.9**	**10.7**	**10.8**	**12.0**	**1.2**	**11.1**
of which: Results from the sale of Portuguese public debt	13.1	1.5	1.5	(1.0)	(2.5)	(<100)

OTHER RESULTS

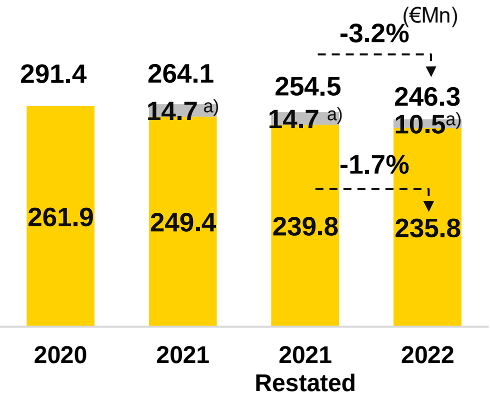
This aggregate incorporates the Net gains from the sale of other assets and Other operating income, which include, among others, the income obtained from the revaluation of investment properties, from services rendered, from investment property rents and from the reimbursement of expenses, as well as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

Other results in 2022 were negative by 14.9 million euros and compare with 7.8 million euros recorded in 2021, reflecting, on the one hand, the higher cost of remeasuring the liabilities associated with TLTRO III by +23.8 million euros, the increase in the cost of actuarial deviations of the Pension Fund by +6.3 million euros, related to assigned employees, the higher contributions from the sector (IFRIC 21) of +3.1 million euros, and on the other hand, the higher gains from the disposal of assets of +3.5 million euros (real estate and financial assets) and the income from the repurchase of Mortgage Bonds in the amount of 4.3 million euros in 2022.

OPERATING COSTS

Operating costs for 2022 totalled 246.3 million euros, representing a reduction of 8.2 million euros (-3.2%) compared with the figure for 2021, capturing the synergies resulting from the implementation of the measures to adjust the workforce (early retirements and mutually agreed terminations) and the reduction of non-strategic assets (in this case only in 2021). Excluding this effect, Operating costs reduced 4.0 million euros (-1.7%) compared to 2021.

Operating costs



a) Impact arising from operating costs associated with operational adjustment measures.

Staff costs in 2022 reached 152.6 million euros, reflecting a decrease of 6.5 million euros (-4.1%) compared to the value of 159.1 million euros accounted for in 2021. These costs incorporate the expenses incurred via the programme of early retirement and rescissions by mutual agreement, and include the components of the Pension Fund, compensations and health charges. Excluding these impacts, Staff costs decreased by 3.2 million euros compared to 2021 (-2.2%).

General and administrative expenses stood at 59.7 million euros in 2022, reflecting a decrease of 1.6 million euros compared to the 61.3 million euros recorded in 2021 (-2.5%), supported by lower spending on Communications and dispatching (-1.9 million euros), on Other specialised services (-1.1 million euros), on Independent work (-0.6 million euros) and on Water, energy and fuel (-0.5 million euros), which offset the increases in the items IT (+1.0 million euros), Advertising and publications (+0.7 million euros), Maintenance and repairs (+0.5 million euros) and Transport and travel, accommodation and representation expenses (+0.6 million euros). Excluding the non-recurring costs incurred with the reduction of non-strategic assets registered in 2021 (0.9 million euros), General and administrative expenses decreased by 0.7 million euros in 2022 (-1.0%).

Depreciation and amortisation totalled 34.0 million euros in 2022 (34.1 million euros in 2021), materialising the investments made as part of the global information technology and digitalisation strategy.

The Cost-to-income efficiency ratio, excluding non-recurring costs related to the adjustment measures of the number of Employees and the costs incurred with the reduction of non-strategic assets, in this case only in 2021, as well as the most volatile components of the results, such as the Results from financial operations and the Other results (Results of the sale of other assets and other operating results), was fixed at 66.6% compared to 69.2% calculated in 2021, reflecting the effect combined with the increase in the Core operating income and the reduction of Operating costs.

OPERATING COSTS

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021 Amount	%
Staff Costs	189.3	164.1	159.1	152.6	(6.5)	(4.1)
General and administrative expenses	67.0	64.7	61.3	59.7	(1.6)	(2.5)
Depreciation and amortisation	35.1	35.3	34.1	34.0	(0.1)	(0.1)
Operating costs	**291.4**	**264.1**	**254.5**	**246.3**	**(8.2)**	**(3.2)**
Operating costs, excluding specific impacts	**291.4**	**249.4**	**239.8**	**235.8**	**(4.0)**	**(1.7)**
Efficiency ratios						
Cost-to-income (Operating costs / Total operating income) [(b)]	74.0%	69.7%	69.2%	66.6%	(2.6 p.p.)	
Cost-to-income, excluding specific impacts [(a) (c)]	72.5%	69.0%	68.7%	63.2%	(5.5 p.p.)	

(a) '1) Excludes the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures of €Mn +29,5 in 2020, €Mn +14,7 M€ in 2021 and €Mn +10,5M€ in 2022.

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

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

IMPAIRMENT AND PROVISIONS

The allocations for Impairments and provisions continued their downward trend, totalling 44.5 million euros in 2022, a decrease of 38.4 million euros (-46.3%) compared to 2021, a year in which, similarly to 2020, the impact of the Covid-19 pandemic was still felt. The decrease observed in 2022 is mainly supported by the reduction in Impairment of loans and advances to customers and to credit institutions by 38.0 million euros, and to a lesser extent, by the decrease in Impairment of other financial assets by 2.1 million euros and Impairment of other assets by 6.1 million euros, along with the increase in Other provisions by 7.8 million euros.

In 2022, Impairment of loans and advances to customers and to credit institutions (net of reversals) stood at 13.4 million euros, which compares with 51.4 million euros in 2021 (-38.0 million euros), determined fundamentally by the lower impairment allocation to customer credit risk, of 22.0 million euros in 2022, compared to 52.6 million euros in 2021 (-30.6 million euros), a year still impacted by the effects of the Covid-19 pandemic, both in the forward looking component and via moratoria and stage transitions. The evolution of Loan Impairment in 2022 also benefited from the higher level of loan recovery and interest on loans already written off from assets, which reached 8.5 million euros compared to 4.8 million euros in 2021. The favourable evolution of Loan impairment led to a reduction in the cost of credit risk to 0.1%, compared to 0.4% at the end of 2021. The Impairment allocation for loans and advances to credit institutions also decreased from 7.4 million euros in 2021 to 1.5 million in 2022.

The aggregate of Other impairments and provisions, related to other financial assets, other assets and provisions, totalled 31.1 million euros in 2022 and compares to 31.5 million euros recorded in 2021, essentially reflecting the reinforcement of impairments for trading properties and the allocations of provisions for off-balance exposures.

Impairment of other financial assets totalled 2.3 million euros, reflecting the increase associated with the acquisition of public debt (mainly Italian and Spanish) for the portfolio of other financial assets at amortised cost.

With regard to Impairment of other assets, the amount disclosed in 2022 amounted to 24.9 million euros (31.0 million euros in 2021), as a result of the allocations made for trading properties (22.5 million euros) and the provisioning of closed branches (1.4 million euros).

In turn Other provisions totalled 3.9 million euros in 2022 (-3.9 million euros in 2021), and result from the appropriations of provisions for off-balance sheet exposures by 3.2 million euros and for legal proceedings by 0.7 million euros.

IMPAIRMENT AND PROVISIONS

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021	
					Amount	%
Impairment of loans and advances to customers and to credit institutions	185.1	54.3	51.4	13.4	(38.0)	(74.0)
Impairment of other financial assets	12.2	(0.2)	4.4	2.3	(2.1)	(47.0)
Impairment of other assets	19.5	31.0	31.0	24.9	(6.1)	(19.8)
Other provisions	4.1	(4.6)	(3.9)	3.9	7.8	>100
Total net impairments and provisions	**220.8**	**80.5**	**82.9**	**44.5**	**(38.4)**	**(46.3)**

INCOME TAX

Deferred tax assets arise, on one angle, from the fact that the accounting treatment diverges from the tax framework, namely with respect to the statement of impairment costs, thus leading to the statement of deferred tax assets associated with temporary differences, as well as other costs not accepted for tax purposes.

Current and deferred taxes for 2022 totalled 35.6 million euros and compare with 24.9 million euros disclosed in 2021, having been calculated in accordance with the International Accounting Standard (IAS) and observing the tax framework applicable to each subsidiary of the Banco Montepio Group.

INCOME FROM DISCONTINUED OPERATIONS

The item Income from discontinued operations stood at -13.0 million euros in 2022 and incorporates the contribution of the subsidiaries Finibanco Angola, S.A., Banco Montepio Geral Cabo Verde, S.A. – Em Liquidação, and Montepio Valor, S.G.O.I.C., S.A.., attributable to Banco Montepio Group under the application of the accounting policy defined in IFRS 5

NON-CONTROLLING INTERESTS

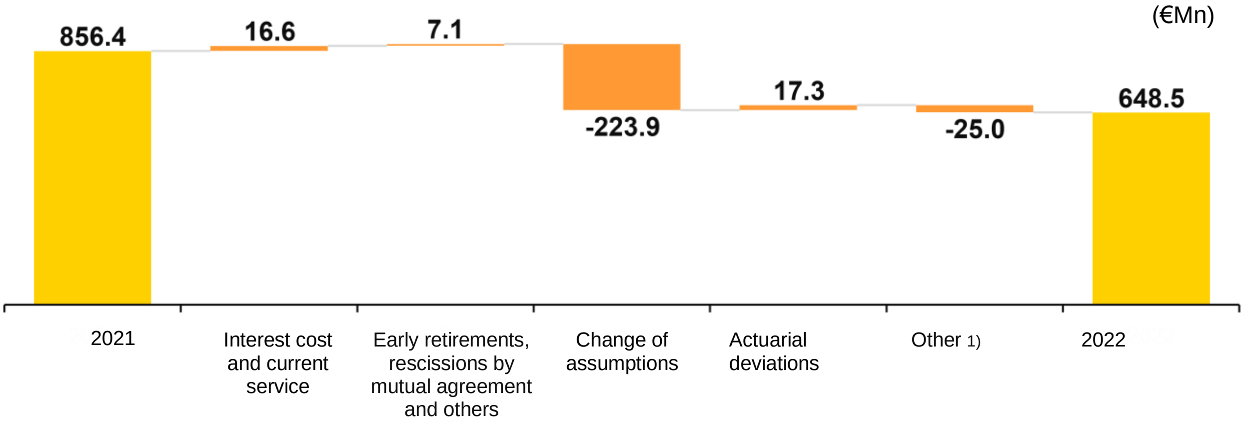
The Non-controlling interests shown in 2022 (-2.7 million euros) correspond to the portion of capital held by third parties in the subsidiary Finibanco Angola, S.A.

PENSION FUND

The liabilities related to post-employment and long-term benefits of Employees amounted to 648.5 million euros as at 31 December 2022, compared to 856.4 million euros recorded as at 31 December 2021, showing a reduction of 207.9 million euros, reflecting the effect of the change in assumptions, in particular the adjustment of the discount rate in the context of rising interest rates.

The evolution of liabilities was determined, on the one hand, by the increase resulting from the cost of interest and current service at 16.6 million euros, by the impact of actuarial deviations at 17.3 million euros, and by the Early retirement, mutually agreed termination and other item, at 7.1 million euros, which includes Pensions paid by the Fund, Pensions paid by Banco Montepio, the Participants' contribution and Others and, on the other hand, by the effect associated with the change in actuarial assumptions, which resulted in a reduction of 223.9 million euros, influenced by the impact of the increase in the discount rate, the growth in salaries and pensions and the mortality tables, along with the reduction in the Others item by -25.0 million euros, as shown in the graph.

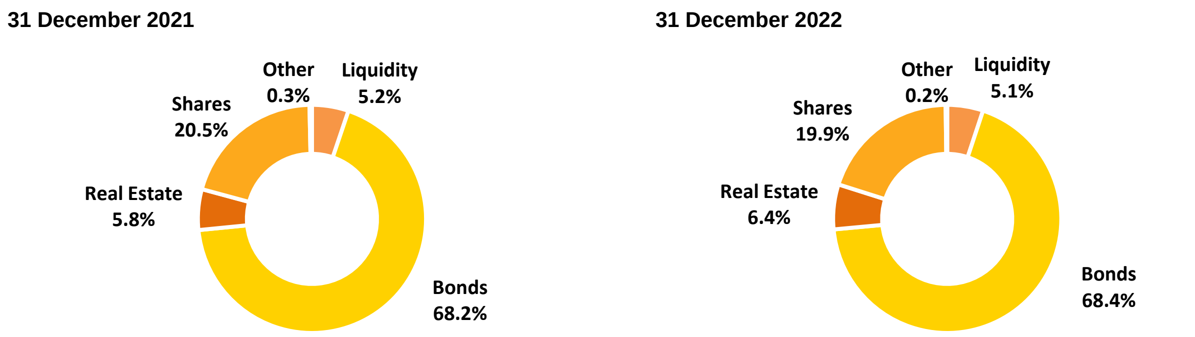
Evolution of pension liabilities in 2022



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

The value of the Pension Fund's assets decreased by 9.1% to 787.0 million euros at 31 December 2022, compared to 866.2 million euros at the end of 2021, reflecting the effect associated with the unfavourable financial actuarial deviations recorded in 2022 and the payment of pensions. The Pension Fund's assets continued to show a conservative distribution, with 68.4% of those assets invested in Bonds, compared to 68.2% at 31 December 2021.

Distribution of the pension fund assets portfolio



The evolution of the main Pension Fund indicators with reference to 2021 and 2022 is presented below, namely the liabilities, the value of the Pension Fund's assets and the respective funding levels.

PENSION FUND

(million euros)

	2021	20222	Change 2022/2021	
			Amount	%
Total liabilities	856.4	648.5	(207.9)	(24.3)
Minimum liabilities to be financed	835.0	634.3	(200.7)	(24.0)
Value of the Pension Fund's assets	866.2	787.0	(79.2)	(9.1)
Coverage:				
Minimum liabilities (1)	104.8%	125.2%	20.4 p.p.	
Total liabilities (1)	102.1%	122.5%	20.4 p.p.	

(1) Also considering, in 2021 and in 2022, the component directly financed by Banco Montepio referring to employees who are temporarily suspended from employment contracts and the contribution to Social Welfare Services (defined contribution).

Banco Montepio's total liabilities were entirely funded, with a coverage level of 122.5% as at 31 December 2022.

According to Banco Montepio's accounting policy, and following the assessment made on the adequacy of the actuarial assumptions, the discount rate was changed to 4.20% at 31 December 2022, from 1.40% at 31 December 2021, taking into consideration the evolution of the main market indexes for high quality bonds and the duration of the Pension Fund's liabilities. As at 31 December 2022, the average duration of the liabilities related to Bank Montepio Group Employee pensions was 15.9 years (17.5 years as at 31 December 2021), including actively employed and pensioners.

The main actuarial assumptions used to determine liabilities in 2021 and 2022 were those contained in the table below. The information is supplemented by the details presented in Note 48 to the consolidated financial statements.

ACTUARIAL ASSUMPTIONS

	2021	2022
Financial Assumptions		
Salary growth rate	0.50%	2.5% in the first three years and 0.75% in subsequent years
Pension growth rate	0.30%	2.5% in the first three years and 0.75% in subsequent years
Rate of return of the Fund	1.40%	4.20%
Discount rate	1.40%	4.20%
Revaluation rate	0.00%	0.00%
Salary growth rate - Social Security	1.25%	1.50%
Pension growth rate	1.00%	1.25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90	TV 88/90 -1 year
Women	TV 88/90 -3 years	TV 99/01 -2 years
Actuarial Valuation Methods (1)	UCP	UCP

(1) Projected Unit Credit method.

Banco Montepio

06

STRATEGY

STRATEGY

In view of the changing circumstances and the challenges faced by Banco Montepio, the banking sector and the Portuguese economy, the Board of Directors re-evaluated the objectives and measures set out in the Transformation Plan conceived in 2018 and adopted, in 2020, a multidimensional and multiannual adjustment programme, through four main strategic pillars: **(I) updating the business model, (II) operational adjustment, (III) capital preservation, and (IV) simplification of the Group.**

I The **business model** update focuses on **strengthening Customer-oriented banking services** and **improving proximity relationships in a more comprehensive channel mix**, on **strengthening financing to the economy** by **supporting** the financial needs of **Households** and **SMEs**, and on **developing the distribution capacity and complementary margin** in order to reinforce the profitability of Banco Montepio's domestic operation.

II The **operational adjustment** was centred on **accelerating the Bank's digital transition**, by endorsing best market practices, both with respect to the Customer's experience and operational efficiency. In line with the simplification of the activities and operations of the Banco Montepio Group, **the operating and Customer service model is being adjusted, aimed in particular at**:

- Increasing the robustness of the business model, strengthening the focus on products with higher value added for the Customer;
- Accelerating the digital transition, both in-house and on Customer relations platforms;
- Enhancing efficiency, namely through the review of internal procedures and rules;
- Adjust the distribution model by merging geographically redundant branches; and
- Implementing new concepts and forms of working, valuing collaboration and flexibility, and promoting greater balance between personal and professional life.

As part of the optimisation **of distribution channels**, Banco Montepio continued to **resize its physical network** according to geographical coverage, profitability and market size, without prejudice to the adequate coverage of the Customer base and the business stability - since the end of 2019, the Bank closed 91 branches (39 in 2020, 37 in 2021 and 15 in 2022), resulting in savings in operating costs.

At the same time, the Bank approved the **downsizing of staff** through a set of measures, including early retirements, terminations by mutual agreement, and labour flexibility measures to accommodate new forms of work, such as part-time and remote work. For **expansion purposes of the limit of eligibility** for social protection in unemployment, Banco Montepio was declared a "company under restructuring" by order of the Minister of Labour, Solidarity and Social Security, as at 31 December 2020. The measures implemented contributed to a net reduction in the number of employees of the Banco Montepio Group by 556 employees compared to the end of 2019.

III With regard to the **preservation of Capital**, the Bank improved its capital ratios through the adoption of several measures aimed at **reducing risk weighted assets** (RWA) through efficient management of the credit and bond portfolios and **disinvestment in non-productive assets**.

2022 was a year of **consolidation of the growing capital trajectory**, with the Total Capital Ratio reaching 16.2%, above the overall capital requirement (OCR) and the Pillar 2 Guidance (P2G), benefiting from the completion of the first synthetic securitisation of mortgage loans carried out in Portugal.

Also noteworthy is the **preservation of profitability**, with Net income reaching 33.8 million euros in 2022, continuing the growth trajectory that began in 2021.

In addition, there was a **favourable evolution in the NPL ratio**, which was fixed at 5.2% in 2022, due to the reduction of the NPL stock, driven by the outcome of important recovery case files, but without affecting the favourable evolution of capital ratios, which supported the upgrade of the ratings in 2022.

Banco Montepio also fulfilled the objectives outlined in the **Real Estate Risk Reduction Plan** for 2022, having registered a net deleveraging of the real estate portfolio of 181.4 million euros in 2022, and with the Real estate to Net asset ratio reaching 2.1%, anticipating the commitment made by the end of 2024.

IV For the **simplification of the Group's corporate structure**, the adjustment measures are aimed at the **sale of equity holdings in the national and international market**, as well as the **modernisation and rationalisation of the Group's internal procedures**.

In this context, in the **international market**, Banco Montepio concluded on 30 September 2022, the liquidation of Banco Montepio Geral Cabo Verde and estimates the closing of the sale transaction of the stake in Finibanco Angola during 2023.

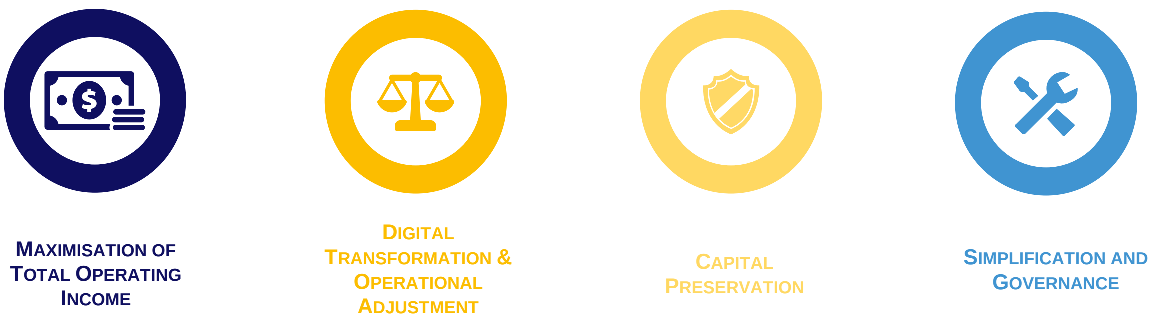
In the **domestic market**, the Group's Board of Directors approved the integration of Banco Empresas Montepio's business into Banco Montepio, which should take place throughout 2023.

In 2022, Banco Montepio realised the benefits of the restructuring efforts carried out, with a structural impact on the organisation, deserving the recognition of the Stakeholders, which allow it to continue the execution of strategic initiatives in the period 2023-2025 and ensure the sustainability of the business, despite the challenging macroeconomic and financial context, marked by geopolitical tensions and by the alteration of the economic and financial context.

The measures included in the **Action Plan** reinforce the **4 strategic objectives** that support Banco Montepio's activities, in line with the mission letter approved at the General Shareholder Meeting - Maximisation of the Total operating income, Digital Transformation and Operational Adjustment, Capital Preservation and Simplification and Governance, and consider **5 analysis vectors** identified in the face of the challenges of the current context, as part of the preparation of the multiannual Budget - Retail, Companies, Organisation, Processes and IT, Talent and Social Economy.

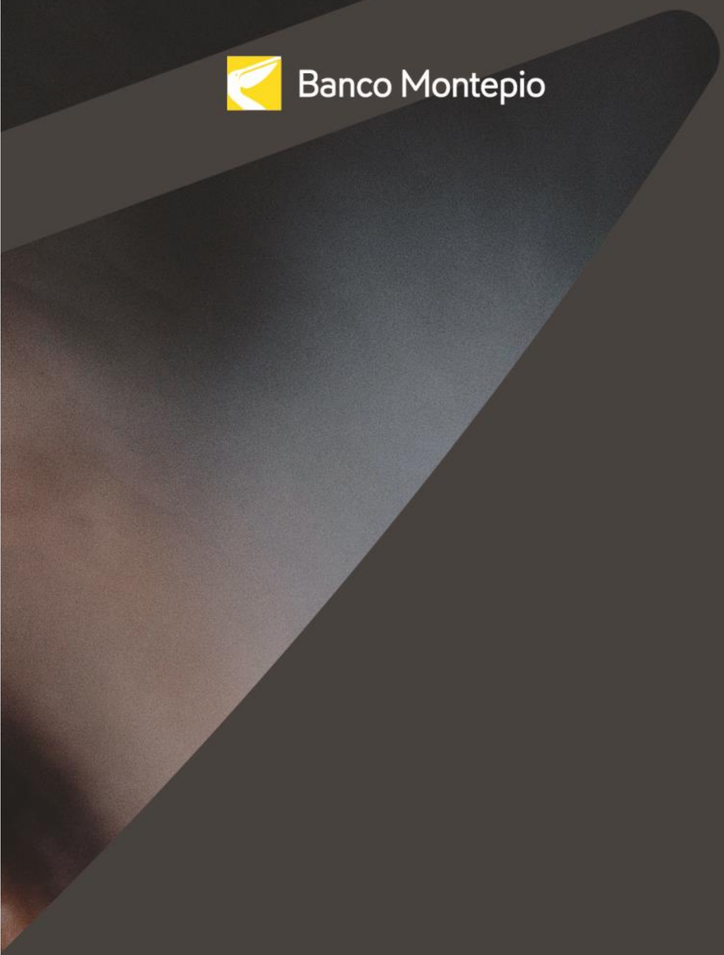
ACTION PLAN

BASIC OBJECTIVES



ANALYSIS VECTORS

Banco Montepio



07 RISK

RISK

RISK MANAGEMENT

The Banco Montepio Group's risk management framework encompasses a set of policies and procedures, the definition of limits in the context of risk appetite (RAS – Risk Appetite Statement), as well as the establishment of controls that allow, in an appropriate and integrated way, to identify, assess, monitor, mitigate and report the risks resulting from the activities carried out in the various business lines and entities. Risk management falls under the overall strategy, embodied in the definition of risk appetite in its various dimensions, in consolidated terms as well as for the different entities comprising the Group.

INTERNAL CONTROL SYSTEM

In line with Banco de Portugal Notice no. 3/2020 and other provisions, the Banco Montepio Group's internal control system includes a set of strategies, policies, procedures, systems and controls aimed at ensuring that the following objectives are achieved:

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

The governance model of the internal control and risk management system of the Banco Montepio Group corresponds to the model with three lines of defence:

- First line: composed of the business generating units and related areas, which generate risk for the institution and are primarily responsible for the identification, assessment, monitoring and control of the risks they incur.
- Second line: composed of the support and control functions that include, namely, the risk management and compliance functions, that interact with the first line functions with a view to the appropriate identification, assessment, monitoring and control of the risks inherent to the activity pursued by the first line functions.
- Third line: composed of the internal audit function, which is responsible for independently examining and assessing the efficacy of the policies, processes and procedures supporting the governance, risk management and internal control system by conducting tests on the effectiveness of the implemented controls.

Accordingly, the internal control system is based on:

- An adequate control environment supported by a well-defined organisational structure and safeguarding the segregation of functions, and by a code of conduct applicable to all Employees, which defines the standards of ethics, integrity and professionalism;
- A robust risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the strategy and goals defined by the Group;

- An efficient information and communication system, implemented to ensure the capture, processing and exchange of relevant, comprehensive and consistent data, on time and in a way that allows the effective and timely performance of the management and control of the Group's activities and risks;
- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, which guarantees, in particular, the timely identification of any flaws so as to strengthen the internal control system.

The internal Control System monitoring process considers the set of actions and control evaluations developed by the institution with a view to ensuring the appropriateness and effectiveness of the institution's organisational culture and of the governance and internal control systems:

- The monitoring of the internal control system is carried out through actions and control evaluations, implemented by the risk management and compliance control functions within the scope of its activities;
- The internal audit function carries out autonomous and periodic assessments, with its own resources or through subcontracting coordinated and supervised by the latter, with a view to ensuring the alignment, throughout the Group, of internal auditing practices, compliance with professional and regulatory requirements;
- All Banco Montepio employees, at the most varied hierarchical levels, participate in control actions, namely through the execution of procedures to review the tasks performed and in the fulfillment of their daily responsibilities;
- Those responsible for the Organic Units carry out control actions over the areas of their responsibility, verifying that the employees adequately perform the responsibilities assigned to them, analysing any deviations from the established objectives, maintaining an appropriate and sufficient control environment and communication channels and ensuring that the risks are properly identified;
- The Board of Directors also carries out control actions, although focused on the organisational culture, on the internal governance structure, on the main business areas and on the evolution of the institution's global objectives, as well as on internal and external changes that may jeopardise the execution of the strategy and defined objectives;
- The Audit Committee monitors the internal control system and monitors, in particular, the process of remedying internal control deficiencies;
- The deficiencies identified in the context of any of these actions and control evaluations that are considered to have a material impact, when considered individually or aggregated or because of their foreseeable continued occurrence, are duly recorded and documented in the Bank's deficiency database, as well as the corresponding risk mitigating measures and respective objective implementation dates;
- The Internal Control Commission, supported by the Internal Control Office, monitors issues related to the Banco Montepio Group's internal control system, in a transverse and integrated manner and seeks to enhance the effectiveness of the process of monitoring the deficiencies/measures of the internal control system and its follow-up.

The main mission of the Internal Control Commission (COMCI) is to support Banco Montepio's Executive Committee in the process of implementing an effective internal control system, at the level of Banco Montepio Group, namely through a continuous and effective process of follow-up and monitoring of detected deficiencies, contributing to promote a robust control environment and a solid risk management.

The scope of COMCI includes the follow-up and monitoring of detected deficiencies related to the internal control system.

The periodic report by the Internal Control Office to the Board of Directors and the Audit Committee ensures a global view of all the Group's internal control deficiencies and improves the efficiency and effectiveness of resolving them.

The Internal Control Manual, in turn, defines the procedures and responsibilities of each of the parties involved in the process of remedying deficiencies.

RISK MANAGEMENT SYSTEM

The Banco Montepio Group has a risk management system that is one of the pillars on which the internal control system is based, and which consists of a set of processes that ensure the correct understanding of the material risks to which the institution is or may be exposed. Its purpose is to identify, assess, monitor and control all the material risks to which the institution is or may be exposed, both internally and externally, in order to ensure that they remain within the levels previously defined by the management body, and that they should not impact the financial situation of the institution.

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

The risk management function, which at Banco Montepio is performed by the Risk Division (DRI), is responsible for the effective application of the risk management system, being one of the three key functions on which Banco Montepio's internal control system is based, in parallel with the compliance and internal auditing functions, which, together, constitute the core of the three-line of defence model established by the EBA guidelines on the best practices of internal governance.

The risk function operates as a second line of defence of the internal control system, ensuring the existence of an appropriate risk management system and aimed at obtaining a vision of the Institution's overall risk profile, while challenging and supporting the business lines in the implementation of the first line processes of control. The main responsibilities of Banco Montepio's risk management function, in conformity with the internal regulation of the function and the organic statutes, and taking into account the regulatory framework and the guidelines of the EBA are as follows:

a) Ensure that all the risks to which the Group is currently exposed, or may be exposed to in the future, are identified, assessed, monitored and controlled appropriately and properly reported to this function by all the structural units;

b) Develop and present proposals aimed at defining the necessary policies and guidelines for the overall risk management and control, and ensuring their effective implementation;

c) Participate in the definition of the Group's risk strategy and in decisions related to risk management, presenting an overview of all the risks to which the Group is currently exposed, or may be exposed to in the future;

d) Identify the risks inherent to the activity pursued by the Bank, in an individual, aggregate, current and prospective manner, assess those risks and measure exposure to them, through appropriate methodologies;

e) Develop and implement timely warning mechanisms for decisive situations or of breach of the risk tolerance thresholds;

f) Collaborate in the implementation of the risk management measures to be adopted by the Bank's different structural units that take risks, including the business generating units, and monitor their application, in order to ensure that the implemented risk control and management processes and mechanisms are adequate and effective;

g) Issue opinions on the risks associated with new products, services and markets, as well as significant change of the existing risks;

h) Coordinate the implementation of the risk management strategies and policies at the Group level;

i) Regularly assess, on an integrated basis, the adequacy and efficacy of the different components of the Group's risk management system, their interactions and concentrations;

j) Conduct a prior analysis of transactions with related parties, appropriately identifying the inherent risks, both real or potential, to the Group;

k) Conduct the prior analysis and advise the management and supervisory boards before the taking of decisions entailing the taking of significant risks, namely when involving operations of values considered high to the Bank, acquisitions, disposals, mergers or the launch of new activities, products or services, with a view to ensuring an opportune and appropriate assessment of their impact on the Group's risk profile;

l) Provide expert and independent information, analyses and evaluations on the risk positions, in addition to issuing opinions on the compatibility of the proposals and decisions related to risks in view of the risk tolerance thresholds defined by the Group; and

m) Issue opinions on exceptional transactions.

In the area of the risk management function, the following developments took place in 2022:

- Review of the Credit Risk Policy and Regulation;
- Review of scoring and rating models (ongoing activity);
- Continuation of the reinforcement and improvement of the risk management information system and reporting produced by the Risk Division (DRI);
- Continuation of the updating and review of internal rules and regulations on various processes related to risk management;
- Pursuit of the strengthening of processes for calculation and reporting interest rate risk, pursuant to Banco de Portugal Instruction 34/2018 and most recent EBA guidelines;
- Monitoring the bank's risk taxonomy, as well as the process of identifying material risks;
- Participation in the European Central Bank's exercises called "Quantitative Impact Study - QIS", which aim to estimate the impacts of CRR III on the creditworthiness of Financial Institutions;
- Consolidation of the use of the MGIRO (Montepio Integrated Operational Risk Management) application, by all areas of the Bank, to support operational risk management in all its phases; and
- Implementation of framework for the management of climate risks and other ESG risk factors (ongoing activity).

The compliance function as an integral part of the internal control system, and operating as a second line of defence, undertakes responsibility for the management of compliance risk, i.e., the risk of legal or regulatory penalties, financial or reputation loss, as a consequence of breach of laws, regulations, specific determinations, contracts, rules of conduct and relations with Customers, ethical principles or internal rules of Banco Montepio.

Banco Montepio's compliance function is performed by the Compliance Division, which has the necessary autonomy to perform its functions independently, reporting functionally to the Board of Directors, as well as to the Audit Committee, namely on relevant matters such as activity and training plans, budget, activity reports, compliance policies, and also the reporting of any indications of violation of legal obligations or rules of conduct that may cause Banco Montepio to incur in an illicit administrative offence.

Compliance risk is mitigated by promoting a culture of ethics and compliance, and by independent, permanent and effective intervention of this function in the Bank's main procedures that imply compliance risk. For the purpose of compliance and reputational risk management, Banco Montepio has a Policy and Methodological Approach for Compliance Risk Management and a Policy and Methodological Approach for Reputation Risk

Management, both of which are communicated to all the institution's employees. These policies support the adoption of a compliance culture based on the identification, assessment, monitoring and mitigation of compliance risk.

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.

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.

In the context of compliance risk management, it is important to highlight the Compliance Plan for 2022, which considered the main priorities and risks identified by the supervisory entities, the changes in the legal and regulatory framework that occurred or were expected to occur with a material impact on Banco Montepio, as well as the compliance risks identified internally. This plan defined three priority objectives for 2022:

- Consolidate the internal control system for the prevention of financial crime: review of the programme to combat money laundering and terrorist financing (PBC/CFT) and sanctions in order to optimise its policies, procedures and controls, involving a technical assessment of the PBC/CFT systems and sanctions in terms of effectiveness and efficiency. Within this scope, a Business Risk Assessment exercise was also started.
- Promote Banco Montepio's values and ethical conduct: considering the revision of the Code of Conduct in 2021, the objective was to promote the dissemination of some principles of action and rules of professional conduct that Employees must observe in the performance of their activities.
- Enhance compliance risk management and strengthen monitoring by developing an integrated compliance and reputational risk management programme.

In the context of the defined strategic objectives, the Product Governance Policy was revised, defining a simpler and Customer-centric internal governance process.

A set of Policies was also reviewed, especially the revision of the Selection, Appointment and Assessment Policy of the Statutory Auditor/Statutory Auditor Firm (ROC/SROC) following Law 99-A/2021, of 31 December, and the respective amendments introduced in the Statute of the Association of Statutory Auditors and the Legal Regime for Audit Supervision, as well as the revision of the Conflict of Interest Management Policy.

As part of Whistleblowing, an Ethics Channel was implemented with the objective of strengthening the process of receiving, processing, and archiving the communications of wrongdoings received. The Ethics Channel is based on a technological solution that ensures the confidentiality of communications, also allowing to ensure the anonymity of the complainant if he/she so wishes. In addition, the governance model for dealing with irregularities was also revised, and the Whistleblowing Committee was created, with powers delegated of the Audit Committee.

In order to strengthen compliance controls, an IT tool was also implemented to follow-up and monitor the regulatory reports to which Banco Montepio is subject, equipped with an alarm system for those involved in the process and which functions, in parallel, as a documentary archive of the information sent to the competent entities.

In the context of compliance monitoring, several actions were carried out, including those carried out on sales made outside the target market in the sale of savings and investment products in order to identify and mitigate possible misselling risks, as well as on the compliance risk associated with the processing of complaints.

In Banco Montepio Group, the internal auditing function is carried out by the Audit and Inspection Division (DAI) of Banco Montepio, which ensures, as a shared service, the auditing function of the other entities of the Group, with the exception of an entity abroad which has its own auditing function. In this situation, the Audit and Inspection Division carries out the corporate function, through the functional coordination of the local audit function, in order to ensure the alignment of practices and procedures at a Group level, including the conduct of local audit actions.

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

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

The 2022 Audit Plan approved by the Board of Directors of the Banco Montepio Group, with a favourable opinion from the Audit Committee, covering regulatory activities, business processes, risk management and continuous monitoring of the identified deficiencies, was satisfactorily fulfilled.

Risk Appetite Framework (RAF)

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

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

RISK MANAGEMENT GOVERNANCE MODEL

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

In Banco Montepio's current internal governance model, the head of DRI reports hierarchically to the member of the Executive Committee responsible for risk. There is also a functional report to the Risk Committee, the Audit Committee, as the supervisory body of Banco Montepio, and to the Board of Directors.

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

The Board of Directors is responsible for the strategy and policies to be adopted regarding risk management. This includes the approval of policies at the highest level that should be followed in risk management. The risk management function reports functionally to the Risk Committee (composed exclusively of non-executive Directors), the Audit Committee, as the supervisory body of Banco Montepio, and the Board of Directors.

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

Audit Committee

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

Risk Committee

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

Supporting Commissions of the Executive Committee

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 Commission (CC) meets on a weekly basis, where credit transactions are reviewed and decided in accordance with the credit granting policy and regulations. The Asset-Liability Commission (COMALCO), 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, DRI also participates in the Impairment Commission (COMIMP), the Non-Performing Assets Monitoring Commission (COMAANP), the Business Commission (COMNEG), the Pension Fund Monitoring Commission (COMAFP), the Technology Commission (COMTECH), the Internal Control Commission (COMCI), the Solvability Commission (CRES) and the Cybersecurity Commission (COMCIBER), as well as participating in the regular meetings of the Crisis Management Office (whose last meeting was held on the 29 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.

Risk Division (DRI)

The Risk Division (DRI) is Banco Montepio’s unit responsible for performing the risk management function, being entrusted with monitoring all the financial and operational risks, exercising its function in an independent manner and in conformity with best practices and regulatory requirements.

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

DRI also guarantees compliance with a set of prudential reports to the supervisory authority, namely in the area of capital requirements, control of major risks, liquidity risk, interest rate risk, counterparty risk, monitoring the evolution of the impact of the Covid-19 pandemic crisis on the Bank's financial statements and operating processes, self-assessment of capital adequacy and liquidity (ICAAP and ILAAP), Market Discipline, Recovery Plan and Resolution Plan.

Subsidiary Companies

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

Models Validation Office

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

The Models Validation Office is also responsible for the Group's model risk management, ensuring the updating of the Corporate Policy on Model Risk Management and compliance with the defined requirements, ensuring the existence of a centralised and updated inventory of the Group's models and checking the appropriate risk level classification of the models by the model owners, in accordance with the defined risk tiering method, with the continuous monitoring and reporting of model risk.

During 2022, the GVM completed a set of validation procedures related to various models, including the periodic validations of the models, methodologies, and results of the ICAAP and ILAAP processes and the validations of the Probability of Default (PD) IFRS 9, Early Warning System (EWS) and Impairment Projection models.

Regarding its risk management function as the Group's model, GVM controlled the inventory of models, followed up on recommendations with the model owners, the analysis of overrides of rating models with the respective quarterly reports, and the monitoring of model risk limits. A model governance solution was also implemented that formalises a model risk management framework, allowing the monitoring of all the Group's models throughout their life cycle and the intervention of the various Stakeholders in the various phases of the life cycle of the models.

Information Management

Banco Montepio has defined a data policy and the respective implemented operative model. This policy is aligned with the DAMA DMBOK reference framework (DAMA International Guide to Data Management Body of Knowledge) and with the principles of BCBS 239 (Principles of effective risk data aggregation and risk reporting) and was reviewed and aligned under Banco de Portugal Notice no. 3/2020. During 2022 a significant technological renovation was carried out, with 2023 being the year of consolidation, when the Information Management Office will become part of a new Division of the bank, the Data and Analytics Division, with a focus on the governance and quality of information. The creation of a new Division demonstrates the increasing importance that Banco Montepio places on the subject of data and analytics, bringing a holistic and integrated reading, in line with the above-mentioned regulatory framework and the bank's strategy to maximise the value of the corporate information it holds.

CREDIT RISK

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

During 2022, work continued to review the credit risk management models and policies, following the changes in the regulatory framework, the guidelines issued by national and European supervisors and regulators and the best market practices.

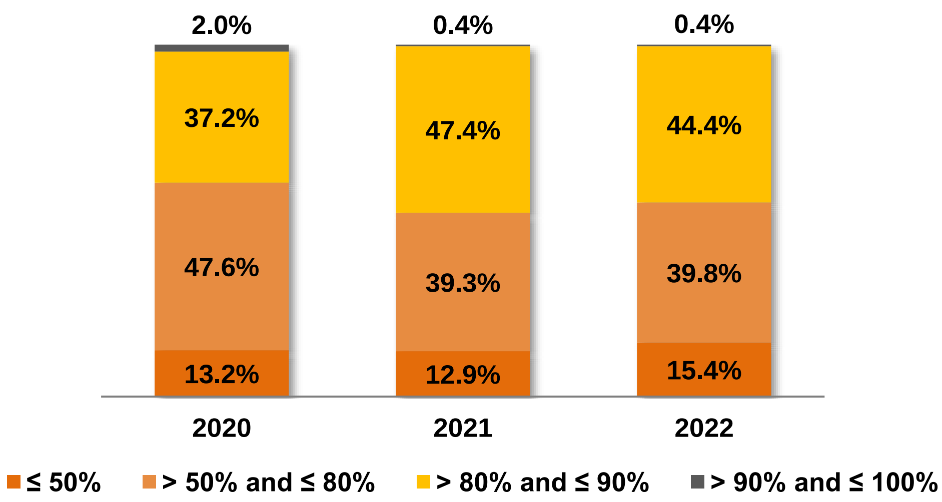
The decision-making process for loan operations is based on a series of policies using scoring models for the retail and business portfolios and rating models for the Corporate segment. These models, developed based on internal historical data, enable obtaining an assessment which is reflected in the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

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

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

In the mortgage loan segment, lending in 2022 registered a decrease, compared to 2021, of the levels of the LTV (Loan to Value - financing value over collateral appraisal value) ratio to 72.9% (74.3% in 2021 and 73.1% in 2020), excluding financing of properties owned by Banco Montepio, explained essentially by the own and permanent housing component. It should be noted that the macro prudential recommendation of Banco de Portugal entered into force in July 2018 where, relative to compliance with the LTV criterion, the calculation of the ratio in this regard henceforth considers the value of the real estate property to be the lowest between the acquisition value and the assessment value, which naturally led to an increase in the disclosed ratio.

Mortgage loans distribution granted by LTV level



At 31 December 2022, the weight of non-performing exposures (NPE) measured on the basis of the heading gross loans to customers decreased compared to 31 December 2021 by 2.6 p.p., standing at 5.2%, determined by the positive effect of the reduction of non-performing exposures by 319 million euros (-33.6%).

The amount of impairments for credit risk reached 355 million euros as at 31 December 2022, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 131.2%. Moreover, the coverage of non-performing exposures stood at 56.1%, while the coverage ratio, also considering total collateral and associated financial guarantees, stood at 100.8%.

LOAN QUALITY INDICATORS

(million euros)

	2020	2021	2021 Restated	2022	Change 2022/2021 Amount	Change 2022/2021 %
Gross loans to customers	12 357	12 189	12 141	12 068	(73)	(0.6)
Loans and interest overdue by more than 90 days	627	361	358	270	(88)	(24.5)
Loans impairment	780	522	512	355	(157)	(30.7)
Ratios (%)						
Cost of credit risk	1.5	0.4	0.4	0.1	(0.3 p.p.)	
Loans and interest overdue by more than 90 days	5.1	3.0	2.9	2.2	(0.7 p.p.)	
Non-performing exposures (NPE) [a] / Gross loans to customers	10.4	8.0	7.8	5.2	(2.6 p.p.)	
Forborne exposures [a] / Gross loans to customers	6.6	5.1	5.0	4.3	(0.7 p.p.)	
Coverage by Impairments for balance sheet loans (%)						
Loans and interest overdue by more than 90 days	124.4	144.4	143.0	131.2	(11.8 p.p.)	
Non-performing exposures (NPE) [a]	60.4	53.5	53.8	56.1	2.3 p.p.	
Non-performing exposures (NPE) [a], also including associated collaterals and financial guarantees	93.0	96.0	95.9	100.8	4.9 p.p.	

CREDIT CONCENTRATION RISK

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

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

The management of concentration risk is carried out in a centralised manner, with regular monitoring of the risk indicators by the Risk Division. For the established Risk Appetite Statement (RAS), limits and objectives were defined for key indicators, with concentration risk being one of the relevant dimensions.

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

MARKET RISK

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

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

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

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

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

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

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

The following is a summary of the VaR indicators in December 2021 and 2022, and it should be noted that the trading portfolio had no positions in stocks or bonds as of 31 December 2021.

VaR INDICATORS [1]

	Dec-22		Dec-21	
	Banking Book	**Trading Portfolio**	**Banking Book**	**Trading Portfolio**
Market VaR [1] [2] [3]	**3.01%**	**8.44%**	**1.28%**	**n.a.**
Interest Rate Risk	2.36%	8.28%	0.87%	n.a.
Exchange Rate Risk	0.10%	2.04%	0.00%	n.a.
Price Risk	0.01%	2.57%	0.03%	n.a.
Credit risk (spread)	1.04%	2.18%	0.69%	n.a.
Commodity Risk	0.00%	0.00%	0.00%	n.a.

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

(2) Includes diversification effect.

(3) Excludes positions of Finibanco Angola.

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

EXCHANGE RATE RISK

Concerning the exchange rate risk of the banking book, in general, the different resources captured in different currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the investments and resources. The current foreign exchange exposure of the Bank Montepio Group in consolidated terms is essentially the result of positions derived from the conversion of the balances of the subsidiaries in their main currencies, namely the Kwanza and American Dollar, concerning Finibanco Angola.

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

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

INTEREST RATE RISK IN THE BANKING BOOK

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

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

Following the Basel recommendations and the Banco de Portugal Instruction No. 34/2018, the Group calculates, on a monthly basis, its exposure to balance sheet interest rate risk based on the Bank of International Settlements (BIS) methodology, classifying all asset, liability and off-balance sheet items that do not belong to the trading portfolio, by repricing levels.

In this context, limits are defined for exposure to interest rate risk factors which are monitored by the Asset-Liability Commission (ALCO), where any overrunning of the established limits, even if temporary, requires the approval of the Board of Directors or the implementation of measures to cover the exposure.

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.

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

LIQUIDITY RISK

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

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

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

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

In December 2022, the liquidity gaps up to 12 months were as presented in the table below.

LIQUIDITY POSITION GAPS IN DECEMBER 2022

(million euros)

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated mismatches	4 068	4 054	4 024	3 981	3 639

Resources from customers constitute the main source of funding, representing 74.6% of the total funding sources in December 2022.

Liabilities	%
Resources from central banks	16.4%
Resources from other credit institutions	1.9%
Resources from customers	74.6%
Debt securities issued	3.4%
Other liabilities	3.6%
Total	**100.0%**

The Liquidity Coverage Ratio (LCR) reached 249.6% in December of 2022, above the minimum requirement of 100%. Also noteworthy is the strengthening of the commercial gap with the loan-to-deposit ratio, considering Net loans to customers and Customer deposits, standing at less than 100%.

Regarding the Net Stable Funding Ratio (NSFR), it stood at 125.0% in December 2022, compared to the minimum requirement of 100%.

REAL ESTATE RISK

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

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

In 2022, Banco Montepio Group's exposure to real estate risk, in the components described above, was reduced by around 222.5 million euros, from 682.1 million euros, at the end of 2021, to 459.6 million euros on 31 December 2022.

PENSION FUND RISK

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 increased liabilities of this fund as a result of the evolution of the different actuarial assumptions. Faced with scenarios of this type, Banco Montepio will have to make unforeseen contributions in order to maintain the benefits defined by the Fund.

The Pension Fund Monitoring Commission is responsible for the regular analysis and monitoring of the management of Banco Montepio's Pension Fund. Complementing the above, the Risk Division produces monthly reports on the evolution of the market value of the Pension Fund portfolio and associated risk indicators.

As at 31 December 2022 the accumulated negative actuarial deviation of the Pension Fund stood at 136.1 million euros, compared to 273.8 million euros in December 2021.

OPERATIONAL RISK AND BUSINESS CONTINUITY

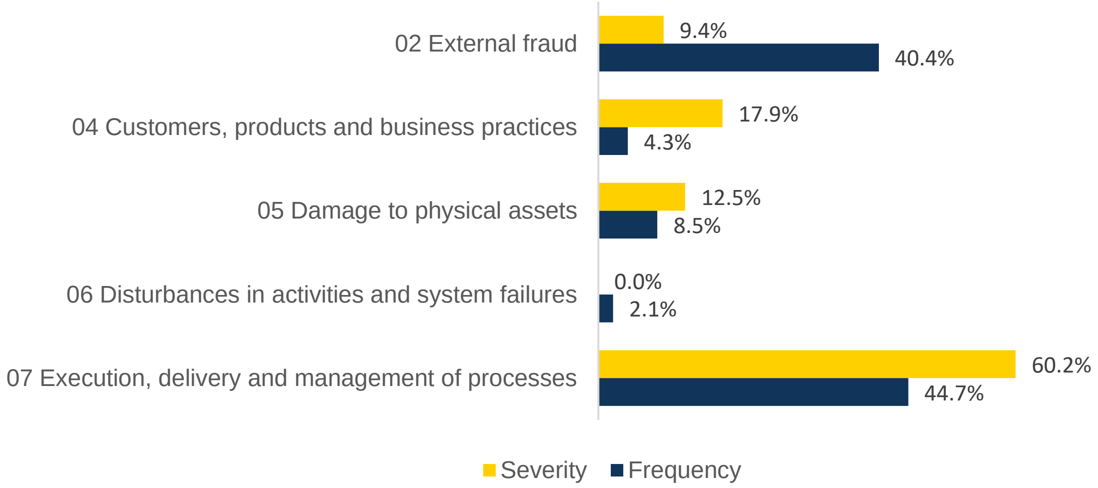
Operational risk corresponds to the potential loss arising from failures or inadequacies in internal procedures, persons or systems, as well as potential losses derived from external events. Banco Montepio adopts the standard approach to quantify its own fund requirements for operational risk, supported by an implemented operational risk management system that is based on identifying, assessing, monitoring, measuring, mitigating and reporting this type of risk.

The implemented operational risk management model follows the principle of the 3 lines of defence.

The Risk Division performs the corporate function of operational risk management for Banco Montepio. This is supported by specific employees within different organic units that assure the appropriate implementation of the operational risk management.

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.

Operational Risk Typologies by Frequency and Severity 2022



Regarding the monitoring of operational risk in 2022, the profile of loss events maintained the inversely proportional relationship between frequency and severity of losses, typical of Operational Risk, where, on the one hand, 20% of events with financial impact represent about 89% of the total net loss.

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

Monitoring

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

To this end, the defined limits were regularly monitored, and action plans were promoted in the cases where these limits were surpassed.

These indicators are part of the Operational Risk Reports submitted to the Risk Committee and Executive Committee.

Self-assessment of Operational Risks

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a map of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritising possible mitigation actions. The operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and safety at work practices; Customer, products and commercial practices; damages to physical assets; disturbance of activities and system failures; and implementation, delivery and management of processes. The operational risks and respective controls are self-assessed regularly, as a rule in workshop arrangements with the representatives of each body/organic unit and the support of the Risk Division.

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

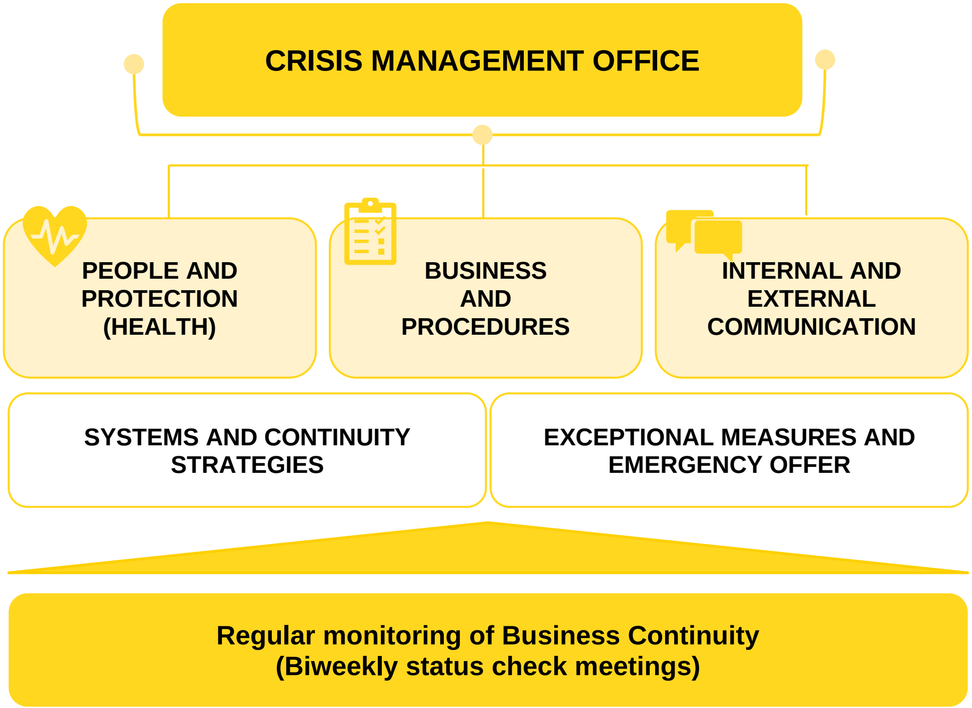
Business Continuity Management

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

The Crisis Management Office, which is responsible for crisis management, for the management and execution of the Operational Continuity Plans and for the coordination of business recovery teams, remained operational, in terms of operational continuity and business recovery monitoring until the end of July 2022, in the aftermath of the pandemic crisis and the War in Ukraine.

Banco Montepio has always followed a conservative strategy based on the fundamental principle of protecting the safety and health of its Customers and Employees.

Business Continuity and Business Recovery Management



INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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

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

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

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

In the first phase, based on quantitative and qualitative criteria, the material risks to which the Group's activity is subject are identified based on an internal risk taxonomy, in alignment with Banco de Portugal Instruction

No. 18/2020. All the risks identified as material and the risks considered in Basel Pillar I, regardless of being considered material or not, are integrated in the ICAAP.

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

Capital adequacy is assessed based on the comparison between the economic capital requirements and the available internal capital to absorb risks, calculated considering the established risk appetite level.

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 Group's capacity to absorb unexpected losses, and potential contingency plans must be identified to address possible domestic capital shortages, duly aligned with other capital planning exercises, namely the Funding and Capital Plan and the Recovery Plan.

In light of the defined strategic plan that is reviewed periodically, no significant changes are foreseen in the materiality of the different types of risk. Additionally, the Funding and Capital Plan foresees measures that will enable strengthening the Group’s solvency levels.

STRESS TESTS

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

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

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

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

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

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

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

Banco Montepio has contingency and business continuity plans for crisis situations, which were activated promptly during the Covid-19 crisis, in order to mitigate the impacts on the operational and business component.

RISK RATINGS

In March 2022, Fitch Ratings ("Fitch") revised the Outlook of Banco Montepio's long-term credit rating (IDR, Long Term Issuer Default Rating) and its Mortgage Bonds upwards from negative to positive.

In April, DBRS Ratings GmbH ("DBRS") revised upwards the Trend of all Banco Montepio's credit ratings from negative to stable.

On 22 July, Fitch revised Banco Montepio's Senior Preferred Debt credit rating upwards from CCC to CCC+ and maintained the Outlook positive.

On 26 October, Moody's Investors Service ("Moody's") raised the credit rating of Senior Unsecured Medium-Term Note Programme and Junior Senior Unsecured Medium-Term Note Programme, issued under Banco Montepio's Euro Medium Term Note (EMTN) Programme, from (P)B3 to (P)B2. In addition, the agency upgraded the Long-term Counterparty Risk Rating from Ba3 to Ba2, the Long-term Bank Deposits rating from B1 to Ba3; Banco Montepio's intrinsic rating (Baseline Credit Assessment) from b3 to B2; and the Subordinate debt rating issued under the EMTN (Subordinate Seniority Medium-Term Note Programme) Programme from (P)Caa1 to (P)B3.

On 28 October 2022, Moody's raised the credit rating for Mortgage Bonds by one level, from Aa3 to Aa2. With this upward revision, the rating of the Mortgage Bonds issued by Banco Montepio reaches the maximum rating awarded by the agency to Portuguese issuers.

On 19 December, in addition to the increase in the rating of unsecured senior debt announced on 22 July, Fitch revised Banco Montepio's Long Term Issuer Default Rating (IDR) rating upwards from B- to B, maintaining the Outlook positive; the rating of Long-term Deposits from B to B+; the intrinsic rating of the issuer (*VR, Viability Rating) from b- to b; the Senior Preferred Debt rating from CCC+ to B-; the Senior Non-preferred Debt rating and the Subordinated Debt rating from CCC to CCC+.*

Additionally, on 21 December 2022, Fitch raised Banco Montepio's Mortgage Bonds rating by one level, from AA- to AA, reinforcing the classification of this type of debt in the Investment Grade category.

These upward revisions reflect Banco Montepio's significant progress in reducing non-productive assets and non-strategic assets, the reinforcement of capital ratios to levels above regulatory requirements, and also the successful fulfilment of the objectives of the operational adjustment plan, namely with regard to the optimisation of the branch network, the digitalisation and the reduction of staff, with the objective of reducing balance sheet risk and increasing productivity levels, which will contribute to consolidating an improvement based on profitability and efficiency.

The credit ratings awarded to Banco Montepio with reference to 31 December 2022 and 31 December 2021 are as shown in the table below:

Rating Agencies	Covered Bonds		Long-term		Deposits		Outlook	
	31 December 2021	**31 December 2022**	31 December 2021	**31 December 2022**	31 December 2021	**31 December 2022**	31 December 2021	**31 December 2022**
Fitch	AA-	**AA**	B-	**B**	B	**B+**	Negative	**Positive**
Moody's	Aa3	**Aa2**	b3	**b2**	B1	**Ba3**	Stable	**Stable**
DBRS	BBB (high)	**--** (3)	B	**B**	B (high)	**B (high)**	Negative	**Stable**

(1) Issued under the Conditional Pass-through Covered Bond Programme.

(2) Issuer Default Rating (IDR) by Fitch, Baseline Credit Assessment (BCA) by Moody's and Intrinsic Assessment (IA) by DBRS.

(3) Banco Montepio asked DBRS to cease assigning the risk rating to the Covered Bonds, as disclosed by the financial rating agency in a statement of 29 April 2022.

As early as March 2023, DBRS revised Banco Montepio's Long Term Issuer Rating upwards from 'B' to 'B (high)', keeping the Trend Stable. Additionally, the following ratings were also revised upwards: Long-term deposits to BB (low); Long Term Senior Debt) to B (high); Subordinated Debt to B (low).


Banco Montepio


Banco Montepio

NON-FINANCIAL INFORMATION

Sustainability is a part of Banco Montepio, by principle and from the beginning. This is its commitment. To society, to each person, to the economy and to the planet.

Over its 178 years, Banco Montepio has invested strongly in Social and Solidarity Economy, in families and in the businesses of several generations of Portuguese. At the side of those who need the most, supporting people who help improve the lives of many, investing in innovation – social and environmental – and in the entrepreneurial spirit of Portugal.

This journey is made step by step; each day, Banco Montepio renews its commitment to honouring a centuries-old legacy and reaffirms its purpose, as the country's bank of mutualist inspiration, of contributing to social, economic and environmental sustainability.

In 2022, the Bank implemented a sustainability strategy, based on a more encompassing, comprehensive view of the challenges and opportunities encountered as an organisation, market participant and national entity, such as to ensure a relevant contribution to sustainable development issues and ESG.

In the social area, and as a Bank of the Social Economy in Portugal, Banco Montepio achieved a penetration rate in Social and Solidarity Economy Customers (with a social purpose) of 27%, as a result of a 5% year-on-year customer growth. Additionally, the Bank supported more than 250 Institutions and initiatives, representing an investment of over 520 thousand euros. The work carried out in this area can also be consulted in the "Social Economy" section of the "Business Segments" sub-chapter of this Management Report.

In the environmental area, Banco Montepio highlights the strengthening and expansion of Mortgage Loans for housing with energy certificates A or A+ and credit for renovation works; the availability of the Protocolled Credit Line for Decarbonisation and Circular Economy; and the support provided to the Recovery and Resilience Plan (RRP), for the purchase of 100% electric vehicles.

In the external context, Banco Montepio joined the UN Global Compact, a central entity in the sustainability area, on an international scale, and the United Nations Women's Empowerment Principles (WEPs), as part of its integration plan for equality, diversity and respect for Universal Human Rights. In addition to the aforementioned commitments, Banco Montepio signed once again the Renewal of Commitments of the iGen - Organisations for Equality Forum, which is has endorsed since 2016.

The non-financial information and the information on diversity included in the Management Report of 2022 of the Banco Montepio Group highlights topics such as the Bank's commitment to sustainability and the future, responsible business, risk management under environmental and social assumptions, the integrated management of human capital, creation of value for society and sustainable finance. The highlights presented on Banco Montepio's activities in these aspects allow the Bank to comply with the requirements of Decree-Law 89/2017, published on 28 July 2017, which foresees the disclosure of non-financial information to enable the understanding of Banco Montepio's activities in the area of sustainability. This Statement is aligned with the Taxonomy Regulation (Regulation (EU) No. 2020/852), which establishes the disclosure requires aimed at endowing environmental performance with transparency.

The Banco Montepio Group collected and summarised non-financial information related to 2022 among its fully consolidating Subsidiaries (see the "Group Structure" sub-chapter of this Management Report). The information is presented in this Non-Financial Statement.

SUSTAINABLE FINANCE

The financial services have a crucial role to perform in the transition to a sustainable global society, in line with the 17 Sustainable Development Goals (SDG) of the United Nations, namely in the areas of environmental regeneration, social inclusion and economic prosperity.

Contributing positively to the environment and the different communities, Banco Montepio is present in a set of key external representations, embodied in working parties, committees and councils, the endorsed commitments and distinctions received.

EXTERNAL REPRESENTATIONS

Entity	Representation
APB – Associação Portuguesa de Bancos (Portuguese Association of Banks)	Member of the Management Board Member of the Sustainable Financing Working Group
IPQ – Instituto Português da Qualidade (Portuguese Institute of Quality), and APEE – Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics)	Member of Technical Commission 217 - Sustainable Finance
Associação GRACE | Empresas Responsáveis (GRACE Association | Responsible Companies)	Member of the Financial Cluster
Centro Nacional de Competências para a Inovação Social (National Centre of Skills for Social Innovation)	Member of the Advisory Board
Social Responsibility Committee of the ESBG – European Savings Banks Group	Member of the Board Member of the Coordinator Committee
Fundação da Juventude (Youth Foundation)	Member of the Board of Founders
JAP - Junior Achievement Portugal	Member of the Board

ENDORSED COMMITMENTS

Letter of Commitment for Sustainable Financing in Portugal

Banco Montepio is one of the signatories of the Letter of Commitment to Sustainable Financing in Portugal, which defines that way in which the financial sector should incorporate environmental and social concerns in its activities and operations, namely:

- Promote debate on sustainability and environmental, social and governance risks and opportunities, on the level of the Board of Directors of the Financial Institutions, such as to ensure that these risks and opportunities are considered in the definition of the respective strategies;
- Promote training in sustainable financing directed at its Employees, on the different organisational levels (including the Board of Directors), focusing on the area of credit risk, financial products, commercial products and/or production;
- Ensure the follow-up of the review of the Leader SME and Excellent SME criteria, such as to gradually incorporate sustainability topics and accept the possibility of creating a category of Green SME or Sustainable SME;
- Promote the gradual integration of environmental, social and governance criteria in financing, funding and investment analyses;
- Ensure follow-up and participation in the future work of the Sustainable Finance Working Group.

Letter of Social Commitment

Taking into account the commitment endorsed in 2020 in the Letter of Social Commitment of Banco Montepio to «Being the country's bank of mutualist inspiration, for a further 175 years», the Institution will continue:

- Serving well and prioritising the interests of all its Customers, including, predominantly and as a factor of differentiation, those who are also associates of Montepio Geral Associação Mutualista (MGAM) and represent its mutualist base, providing an efficient and rigorous service, meeting customer expectations concerning security in its commitments, responsibility in investment, and access to instruments and services able to improve the quality of life of people and Families, and the productivity of Companies;

- Pursuing its historical vocation to provide financial services with added value and suited to the nature of Social Economy institutions and for social entrepreneurs;
- Promoting technological innovation in its services and operations, in the understanding that technology must be at the service of individuals and communities to improve their quality of life, and support social innovation processes;
- Treating its suppliers in a fair and ethical manner;
- Valuing its Employees, giving them working conditions that allow them to achieve balance in their professional and personal lives, adopting the criterion of merit for recruitment, remuneration and career progression, fostering their training and professional and personal improvement, and promoting gender equality;
- Adopting the best international practices and the highest ethical standards in compliance with the law and contracts, in particular with respect to money laundering, terrorist financing, tax evasion, and breaches of labour or environmental legislation;
- Respecting and protect the environment, adopting sustainable practices in its operations, and promoting economic, social and environmental sustainability among all its Stakeholders;
- Providing banking services and financing instruments adapted to situations of major crisis or public calamity, whether national, regional or local, that severely affect economic circuits and disrupt the normal operation of social structures, so as to permanently meet the community's needs and contribute to trust, confidence and security in the banking system.

UN Global Compact (United Nations Global Compact)

Banco Montepio joined the UN Global Compact, reaffirming its mission to improve its performance and contribution to Sustainability, create better conditions for individuals, families and companies, and support social economy entities, by stepping up its contribution to a more conscious, supportive present, and helping build a sustainable tomorrow for future generations.

Banco Montepio's commitment to Sustainability is aligned with the following:

- 10 Principles of the UN Global Compact;
- Agenda 2030 and the 17 Sustainable Development Goals (UN);
- Principles for Responsible Banking (UN);
- Charter for responsible business (ESBG) and;
- Letter of Commitment for Sustainable Development in Portugal.

Owing to almost two centuries of service to the community, Banco Montepio is aware of its increased responsibilities. In this sense, the Bank aligns its commitment with the best international references and methodologies.

The Global Compact is a United Nations initiative exclusively aimed at companies. This initiative, which is currently a key aspect of global Sustainability, advocates 10 Principles focused on the areas of human rights, labour practices, environmental protection and the fight against corruption. These principles are to be integrated into the strategies, processes and operations of organisations, such as to make them accountable before people and the planet, and allow the establishment of a solid base for success in the medium and long term.

What are the 10 principles of the UN Global Compact?

Human Rights:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and

2. Make sure they are not complicit in human rights abuses.

Labour:

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and

6. The elimination of discrimination in respect of employment and occupation.

Environment:

7. Businesses should support a precautionary approach to environmental challenges;

8. Undertake initiatives to promote greater environmental responsibility; and

9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

10. Businesses should work against corruption in all its forms, including extortion and bribery.

These principles derive from four universally accepted declarations and conventions:

- The Universal Declaration of Human Rights;
- The Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work;
- Rio Declaration on Environment and Development;
- The United Nations Convention against Corruption.

Since the approval of the 2030 Agenda in 2015, the UN Global Compact has also been encouraging organisations to integrate the 17 Sustainable Development Goals into their strategies, processes and operations.

Congregating tens of thousands of organisations from the entire world, the UN Global Compact opens up a space for dialogue, offers a means for action and provides an ethical framework, a guide to the UN 2030 Agenda, reputational integration, support to good practices and instruments for its implementation.

Women's Empowerment Principles (WEPs)

We restate our commitment to gender equality.

Banco Montepio endorses the seven principles of the United Nations initiative Women's Empowerment Principles (WEPs), as part of its action plan for promoting diversity, equality, inclusion and respect for the Universal Human Rights. The Bank has been implementing initiatives aimed at promoting Gender Equality since 2020, in alignment with SDG 5 of the United Nations 2030 Agenda: "Achieve gender equality and empower all women and girls", by abolishing all forms of discrimination and violence, in every place, within the public and private spheres, and promoting the full, effective participation of women and equal leadership opportunities.

This endorsement represents an investment by Banco Montepio in the Group's future and sustainability, by promoting the full integration, empowerment and participation of women in corporate culture; ensuring access to career opportunities, management and leadership; guaranteeing a fair remuneration and allocation of responsibilities, adequate talent management and appointment to positions of high responsibility; and applying the principles established in its Equality and Diversity Policy across the Group. This commitment is also aligned with the National Goal for Gender Equality – 40% of women in management positions by 2030 (Board of Directors, Executive Committee and First Line Directors).

The alignment of the Bank's operation with the WEPs is evidenced by the Bank's efforts to promote the values of equality, diversity and inclusion, in its various aspects, particularly gender, which are applied daily in the organisation's policies, actions and activities. The Board of Directors of Banco Montepio includes seven women, out of a total of 12 members, evidencing the Bank's commitment to ensuring continuous improvement with respect to each and every aspect of gender equality and non-discrimination, both regarding professional activity and balance between personal, professional and family life.

What do the WEPs represent?

Established in 2010, the WEPs are a set of principles endorsed by an international community of about 7,500 organisations, including more than 40 businesses in Portugal, allied in the fight against all forms of abuse and discrimination though a public declaration of commitment to gender equality in education, work, entrepreneurship, value chain and the community. The principles are implemented based on specific goals and actions, with the support of exclusive means and tools that provide guidance in the achievement of the associated principles and targets.

What are the 7 principles?

1. Establish high-level corporate leadership;

2. Treat all women and men fairly at work – respect and support human rights and non-discrimination;

3. Ensure the health, safety, and well-being of women and men workers;

4. Promote education, training and professional development for women;

5. Implement enterprise development, supply chain and marketing practices that empower women;

6. Promote equality through community initiatives and advocacy;

7. Measure and publicly report on progress to achieve gender equality.

Charter for Responsible Business, European Savings Banks Group (ESBG/WSBI)

As a member of the European Savings Banks Group (ESBG/WSBI), Banco Montepio is part of a long tradition of socially responsible banking that brings together European and international savings banks that share values and positions with respect to their policies and business strategies, inspired by the three "Rs":

- **R**etail – active offer of retail financial services to individual consumers, families, small and medium-sized enterprises (SMEs) and local authorities;
- **R**egional – decentralised distribution network, with local and regional coverage;
- **R**esponsible – a socially and environmentally responsible approach to business, involving return to society and environmental impact mitigation.

The United Nations Global Compact, the 2030 Agenda and the 17 SDGs have inspired the pillars that underpin the current ESBG Charter for Responsible Business, which focuses on banking activity.

Representing 17 countries, the 21 members of the ESBG are strongly committed to sustainable development and have established a Corporate Social Responsibility Policy, as an integral part of their business, namely through the following:

Ensuring fair, transparent relationships with customers

- Ensuring the clear, transparent disclosure of information on products and services, as well as the respective terms and conditions of use, through the network of branches/delegations or websites;
- Providing customised advice to customers, according to their needs, and promoting products and services suited to their personal circumstances and risk profile;
- Conducting a careful analysis of all cases of financial difficulty;

- Informing and communicating with customers, and processing complaints in an efficient, agile manner;
- Combating money laundering and terrorist financing.

Promoting accessibility and financial inclusion

- Serving all segments of the population, without discrimination, whether based on age, gender or ethnicity; and ensure financial inclusion within the society;
- Encouraging savings and facilitating access to financial products and services, as suited to the financial profile of each citizen/customer, including persons with low income and modest livelihood;
- Ensuring service accessibility and proximity, through the countrywide expansion of the network of branches and delegations (including the least populated and economically undeveloped areas), and developing an effective network of electronic distribution channels;
- Ensuring the accessibility of branches/delegations and channels to people with physical or other disabilities;
- Providing high-quality financial education programs, such as to fulfil their commitment to improve citizen's knowledge of financial issues, thus allowing them to make informed decisions during their lives and contributing to building a more resilient society.

Fostering an environmentally friendly business

- Identifying risks and opportunities associated with environmental issues;
- Considering the impact of business activities on the environment, whether direct, through the company's operations, or indirect, through customers and suppliers;
- Promoting environmentally sustainable projects for the various sectors, particularly the energy and transport sectors, through the granting of loans;
- Promoting products and services that meet social, environmental, good governance and sustainable development criteria.

Making a responsible contribution to the Community

In addition to the environmental component, sustainability involves a social engagement that is part of the DNA of ESBG members. Savings and retail banks undertake a solid social commitment that allows them to stand apart from other financial sector entities, fosters job creation and drives economic growth, namely on a regional level.

The role and identity of ESBG members involve the following:

- Aligning business objectives and accomplishments with the needs of local communities and the societies where they operate, including their customer base and beyond;
- Promoting local economic growth, entrepreneurship and employment;
- Driving the local economy, by financing economic development projects, including micro and small projects focused on job creation and the reduction of social exclusion;
- Supporting local civic initiatives and contributing to social well-being, by engaging in donations and community partnership programmes in several key areas, namely culture, research and development, education, social protection, and the preservation of natural and historical heritage;
- Companies may adopt governance structures that enable the democratic support and supervision of local communities.

Ensuring the status of responsible employers

- Guaranteeing equal opportunities and non-discrimination for all Employees;
- Ensuring an offer of high-quality jobs and the creation of good working conditions for their Employees, in all regions where they operate;
- Promoting a corporate culture whereby Employees identify with the institution, and ensuring a strong focus on the responsible action values embraced by savings banks in the regions where they operate;
- Offering all Employees the opportunity to achieve a good balance between professional and family life;

- Promoting training actions and lifelong learning opportunities, such as to foster career development;
- Adopting a responsible Employee appointment policy, in case of business reorganisation or restructuring.

In the Digital area

- Ensuring the highest levels of data security, confidentiality and cybersecurity;
- Promoting the accessibility and proximity to banking services, making the most of the latest digital media;
- Addressing digital exclusion through multiple forms of engagement – including delivery and support channels – and digital financial education.

In Communication

Transparency is key. The communication of activities and policies plays an important role in responsible business. In accordance to this principle, ESBG members:

- Publish the Charter for Responsible Business;
- Invite the signatories to disclose the implementation of the principles included in the Charter to the public;
- Publish their progress in the area of Sustainability, at least on an annual basis.

Banco Montepio is a member of the European ESBG network, which, on its turn, is part of the World Savings and Retail Banking Institute (WSBI), a community of 88 members from 67 countries across the world that comprises approximately 6,400 savings banks and retail banks. In 2022, the combined assets of WSBI members totalled more than 13,000 trillion dollars.

RECOGNITIONS

Prizes awarded to the Banco Montepio Brand and Service, recognised by its customers

The quality of the service provided and a transparent, rigorous, competent operation have helped Banco Montepio attract an increasing number of customers, who benefit from a comprehensive, integrated offer of products and services. This approach has contributed to promoting the brand and consolidating its positioning.

- **Consumer Choice Award**, which distinguishes Banco Montepio as the No. 1 Mortgage Loan Brand 2022

Banco Montepio's Mortgage Loan was chosen as the number 1 brand in consumer choice.

This award stood out for the good results achieved, namely a Satisfaction level of 81.66% and a Recommendation level of 83.06%.

Regarding the attributes most valued by consumers, with respect to products and services, the bank stood out mostly in the following aspects: "Trust in the bank"; "Detailed explanation of products"; "Easy delivery of documents"; "Flexible credit period" and "Manager availability to handle the process", in relation to competitors.

This prize is the exclusive responsibility of the awarding entity.

Methodology

Consumer Choice is the number 1 brand evaluation system in Portugal and the only system duly certified according to the ISO 9001 Standard, leading all Portuguese consumer indices (brand awareness, credibility, exemption, transparency and buyer motivation) ("More" study, March 2021), with 90% brand awareness.

Consumer Choice promotes the brands that achieve greatest consumer satisfaction, helping consumers make more informed purchases. Leading brands are elected with respect to the indices of brand awareness, credibility, exemption, transparency and buyer motivation.

A total of 259,236 evaluations were carried out in the present year, involving 936 brands from various sectors.

During the first stage, consumers start by identifying the attributes they value the most in their relationship with brands, after which more adequate evaluation methodologies are used (product experience, mystery customer, online audits, etc.). The brands distinguished by consumers were those that best met consumer requirements in 2021 and, following evaluation, led to the highest levels of satisfaction.

Handing of the Award

The Consumer Choice Award consolidates the historic reputation of Banco Montepio as a valued partner of Portuguese families, at one of the most important stages in their lives: the purchase of a home.

Duarte Teixeira, Commercial Department; Alexandra Ponciano, Marketing Department; Tânia Madeira, Communication and Brand Department; and António Machado, Operations Department, gathered as representatives of the Institution and of an Enormous team, whose unwavering dedication led to the achievement of excellent business results and brand awareness.

The Consumer Choice Awards ceremony, an original experience, full of humour, with the presence of Bruno Nogueira, was held in Lisbon, at Casa do Presidente, in Monsanto.

- **Merco Companies and Leaders, one of the 100 companies with best corporate reputation**

Banco Montepio is one of the 100 companies with best corporate reputation in Portugal.

According to the results disclosed by Merco, Banco Montepio ranked 56th in the Merco Companies study, the best position achieved to the present date.

Merco, a leading monitor used to assess business reputation, presented the results of the 3rd Merco Companies and Leaders study in Portugal, in which the companies and leaders with the best reputation in Portugal were evaluated.

This ranking represents a relevant achievement, as it results from an important tool for assessing business reputation, involving the evaluation of public opinion and the assessment of various Stakeholders.

This distinction is the exclusive responsibility of the awarding entity.

What is MERCO?

Merco (Corporate Reputation Business Monitor) is the leading corporate monitor in Latin America, used to assessed business reputation since 2000. Merco is a reputational assessment tool launched in 2000, based on a multistakeholder methodology involving six evaluations and more than twenty sources of information.

Merco is the first monitor to be audited in the world; the monitoring and verification of its production process and results undergo an independent review, according to the ISAE 3000 Standard, by KPMG, which publishes an opinion after each audit.

Which parameters are assessed?

The Merco Companies and Leaders Portugal 2022 Study is conducted by Grupo Análisis e Investigación, the first Spanish institute for market studies. The methodology used to produce the ranking of companies with best reputation was independently reviewed by KPMG, according to the ISAE 3000 Standard.

Merco Companies and Leaders Portugal 2022 was attended by 252 executives from big companies, 41 economic news reporters, 31 government members, 42 business management professors, 39 financial analysts, 35 heads of NGOs, 34 Communication Directors and Opinion Leaders, 38 union leaders, and 36 consumer association leaders, as well as 800 citizens (Merco Society). An assessment of digital reputation (Merco Digital) was also conducted, involving more than 542,173 companies, in addition to an evaluation of the reputational merit of 33 companies, which provided an insight into their reality.

- **Superbrands 2022**

Banco Montepio is a Superbrand for the 13th time. Attitude and determination are not built by hazard. Banco Montepio has been strengthening brand value over its 178 years of history, which has earned it consumer recognition. Reaffirming commitment to families, companies and social economy entities.

In addition to the Superbrands Brand of Excellence Award, the Banco Montepio brand won a Creativity Award – "Best Cover of the Year" – for the very first time.

This year, Banco Montepio chose to talk about Gender Equality, a human right established in the Universal Declaration of Human Rights adopted by the United Nations in 1948, fully aware that the current reality falls short of expectations. Banco Montepio wishes and does its utmost to write a different story; a story that breaks down walls and shortens the path to total equality of rights and opportunities, seeking to effect "the world change it wishes to witness".

These prizes are the exclusive responsibility of the awarding entity.

Superbrands® is an independent international organisation dedicated to the identification and promotion of Brands of Excellence in 89 countries. The organisation identifies the brands that operate above and beyond their competitors, in each market.

Methodology
During stage one, consumers are asked to answer a direct survey conducted by Netquest – based on the only panel certified according to the ISO 26326 quality standard – where they spontaneously indicate three brands for each of the following categories: unique brands, most trusted brands, brands with which they identify, brands that satisfy their needs and aspirations, and best-known brands. During the second stage, the Superbrands Council – formed by experts in marketing and communication – classifies a list of more than 1,000 brands, based on market dominance, longevity, goodwill, loyalty and acceptance. In the final stage, the list of Superbrands is produced by combining the votes of the Superbrands Council and the consumer panel.

2022 SUSTAINABILITY PERFORMANCE HIGHLIGHTS

Governance

- Subscription to the UN Global Compact;
- Subscription to the WEPs;
- Management model for corporate sustainability;
- Endorsement of the National Goal for Gender Equality: 40% of women in management positions by 2030 (Board of Directors, Executive Committee and First Line Directors);
- Achievement of gender equality in the Board of Directors: 58% women and 42% men;
- Risk appetite;

Social

- Financing of the first Social Loan in Portugal;
- Market leader in SOU MAIS – National Microcredit Programme, which focuses on the provision of support to new Companies;
- Provision of support to more than 250 Social Economy Institutions and initiatives, representing an investment of over 520 thousand euros.

The following stand out from the set of projects supported in 2022:

  - The Bank is the sole financial partner of <Academia de Código_> (Code Academy), whose goal is to provide a social experience on coding by organising bootcamps on computer language;
  - Building The Future, the biggest digital transformation event where inclusion is debated;
  - Caritas National Week, a solidarity campaign for the Ukraine;
  - Support Ukraine, a programme for the reintegration of refugees feeling the conflicts in Ukraine;
  - Pirilampo Mágico (Magic Firefly), a campaign aimed at raising public awareness of the need to ensure equal opportunities for people with intellectual disabilities or multiple disabilities, with the sale of more than 8,000 Magic Fireflies;
  - 2nd Social Innovation Camp, where Banco Montepio challenged students to develop projects related to the following SDGs: 5, 8, 9, 10, 12 and 13;
  - Banco Montepio Acredita Portugal, a partnership with Unlimit, the former Associação Acredita Portugal, which totalled 3,257 applications from 27 countries, on all continents.

Environment

- Mortgage Loans for housing with energy certificates A or A+ and credit for renovation works;
- Provision of a Protocolled Credit Line for Decarbonisation and Circular Economy;
- Support provided to the Recovery and Resilience Plan (RRP), for the purchase of 100% electric vehicles, aimed at the EESS;
- Issuance of around 228,000 recycled and/or biodegradable plastic cards (77% of cards issued in 2022);
- Plan to replace the motor vehicle fleet with plug-in hybrid and 100% electric vehicles.
- The commercial fleet was granted the Move+ Certification by ADENE;
- Green Fleet Award at the Fleet Magazine Awards;
- Implementation of the Supplier Qualification Process.

EUROPEAN UNION TAXONOMY REGULATION

Within the scope of the European Commission Action Plan for Sustainable Finance, Regulation (EU) No. 2020/852 was published on 22 June 2020, establishing a framework to for the promotion of sustainable investment, introducing disclosure requirements for financial and non-financial entities.

This regulation, also known as the Taxonomy Regulation, or simply Taxonomy, was subsequently supplemented by various delegated acts of the European Commission specifying important technical criteria, namely the following:

- Delegated Regulation (EU) No. 2021/2139, which establishes the technical screening criteria for sustainable activities with respect to climate change mitigation and adaptation;

- Delegated Regulation (EU) No. 2021/2178, which specifies the content, methodology and presentation of information to be disclosed by financial and non-financial entities, under the terms of Article 8 of the Taxonomy Regulations;

- Delegated Regulation (EU) No. 2022/1214, which amends Delegated Regulation (EU) No. 2021/2139, with respect to economic activities in certain energy sectors, and Delegated Regulation

(EU) No. 2021/2178, with respect to public disclosures specific to the aforementioned economic sectors;

- Delegated Regulation (EU) No. 2022/1288, which establishes the technical requirements for application of the "cause no significant harm" criterion.

The complexity of the requirements involved led the European Commission to publish, between 2021 and 2022, a series of questions and answers about the Taxonomy Regulation and the Delegated Regulations.

The Taxonomy establishes, through Delegated Regulation (EU) No. 2021/2178, that financial institutions should disclose the following information between 1 January 2022 and 31 December 2023: the proportion of their total assets linked to positions at risk of economic activities that are eligible and not eligible for taxonomy; the proportion of their total assets linked to positions at risk indicated in the following table; and, in the case of credit institutions, the proportion of the respective trading portfolio and interbank loans on demand in their total assets.

In view of the timeliness of the publication of this Non-Financial Statement, Banco Montepio discloses the indicators and information required for compliance with the Taxonomy Regulation, notwithstanding the progress in course under the recent developments of the legislative framework:

Indicator	2022
(i) Proportion of total assets linked to exposure to central governments, central banks and supranational issuers	29%
(ii) Proportion of total assets linked to exposure to Companies that are not obliged to publish non-financial information related to Article 19-A or 29-A of Directive 2013/34/EU	20%
(iii) Proportion of the trading portfolio in total assets	0%
(iv) Proportion of the exposure to derivatives in total assets	0%
(v) Proportion of interbank loans on demand in total assets	0%

Indicator	Calculation method
(i)	Consider in the numerator: cash balances and other demand deposits to central banks, securities and loans to central governments, central banks and supranational issuers; Consider in the denominator: total assets.
(ii)	Consider in the numerator: securities, equity stakes and loans to Companies not obliged to publish non-financial information; Consider in the denominator: total assets. Small and Medium-sized Enterprises are considered Companies not obliged to publish non-financial information.
(iii)	Consider in the numerator: trading portfolio, excluding derivatives; Consider in the denominator: total assets.
(iv)	Consider in the numerator: derivatives - hedge accounting; Consider in the denominator: total assets.
(v)	Consider in the numerator: interbank loans on demand; Consider in the denominator: total assets.
Source:	Banco Montepio Group Consolidated FINREP, as at 31 December 2022.

With respect to the proportion of total assets linked to positions at risk of economic activities that are eligible and not eligible for taxonomy, the Bank does not have a full view on the eligibility of its positions as of the date of this publication of the Non-Financial Statement. In this sense, the respective calculation would have to be estimated, thus being deemed optional, in accordance with European Commission guidelines. The Bank remains focused on ensuring the rigorous, comprehensive collection of information on the eligibility of its positions, and preparation for disclosure, choosing to abstain from reporting based on estimation or approximation at this stage.

Within the working groups in which it participates, namely the APB, Banco Montepio continues to follow the matters in question and to ensure the internal development of the necessary actions for providing an adequate response to the Taxonomy Regulations, as well as ensuring alignment with the evolution of the current European regulatory framework.

RESPONSIBLE BUSINESS

PROXIMITY AND FINANCIAL INCLUSION

Banco Montepio continuously seeks to monitor socioeconomic development, by promoting a model of close relationships with customers, and accelerate digital transformation, as a vehicle for financial inclusion, by improving the reach and convenience of its services and offer.

In 2022, the Bank continued the automation and reengineering of processes, progressed in data collection and processing models, adjusted its service model, optimised customer journeys and improved cybersecurity mechanisms.

Among the various initiatives developed, it is worth mentioning the launch of the "APPré-pago" (prepaid app), an autonomous smartphone application that aims to simplify the consultation of balances and transactions for the Bank's prepaid cards; the launch of the Banco Montepio Collection, an online platform for the purchase of non-financial products; the provision of access to Google Pay; and dematerialisation of bank card PINs, which started being sent by text message (SMS) instead of the postal service.

As a result, the use of the Bank's remote channels and digital sales continued to increase over the year.

As at 31 December 2022, the Montepio24 Service, a multichannel platform that integrates the Bank's remote channels, recorded a year-on-year increase of 7.0% in the number of active Customers, totalling 456,047 users – 387,556 in the Individuals segment (+7.4%) and 68,491 in the Companies segment (+4.6%).

In 2022, the number of transactions carried out through the Montepio24 Service increased to 79.7 million, compared with 70.9 million at the end of the previous year, which represents a positive variation of 12.5%.

Since May 2021, the date of launch of APProva, a transaction authentication and approval application, more than 307 thousand profiles were registered and more than 14 million transactions approved, 89% of which related to Montepio24.

PRODUCTS AND SERVICES

Banco Montepio, that incorporates environmental and social concerns into its activities, provided **<u>products that induce good environmental practices</u>**, having also achieved new milestones:

- **Mortgage Loan Energy A or A+ Certificate Number 1 Choice of the Consumer**

  Banco Montepio continued to make a difference and improve the delivery of value to customers, by returning 1.7% of the loan value for housing with A and A+ energy certificates in 2022 (vs 1.1% in 2021), thus promoting measures aimed at improving environmental sustainability. Moreover, the Bank added a contribution to the Portuguese Caritas Association for each transaction performed by customers with the cards used to return the aforementioned amount, at no cost to customers.

  Owing to this offer, the Bank was elected by the Portuguese as "Number 1 Brand in Consumer Choice", in the "Mortgage Loan" category, for the second consecutive year, according to Consumer Choice – Consumer Satisfaction Assessment Centre.

  The initiative stands out for its innovative and solidarity-driven component, with a tangible offer that adds value and enables the pursuit of the ultimate mission – being at the side of the Portuguese at all stages of their lives.

- **"Linha de Crédito para a Descarbonização e Economia Circular" (Credit Line for Decarbonisation and the Circular Economy)**

  A credit line that supported Companies in the industry and tourism sectors to invest in projects that improve energy efficiency and accelerate decarbonisation and transition to a circular economy.

Banco Montepio was distinguished once again as a Social Economy Bank in Portugal. The work carried out includes, in particular, the continuity of a single Commercial Department with managers focused on and specialised in this segment, as well as an offer of differentiated products and services for the Social Sector:

- **"Solução ESocial"** (ESocial Solution), an integrated product and service solution for the daily management of the various Social and Solidarity Economy Entities (EESS). Banco Montepio is unique in the national panorama in providing this offer, launched for the first time in 2010, and improved in 2021, in the new pandemic context. This solution includes a unique product on the market, the "Conta Acordo" (Agreement Account);
- **"Conta Acordo"** (Agreement Account), an exclusive Banco Montepio product created to facilitate and ensure treasury needs that could arise before the receipt of State funds. With a view to strengthening its role as a Social Economy Bank, in its social origin and of social responsibility, Banco Montepio launched the "Campanha Conta Acordo" (Agreement Account Campaign), which donates 0.50% of the value paid by the State to the private social solidarity institutions (IPSS) holding the product;
- **"Seguro Voluntariado"** (Volunteer Insurance), a personal accident, sickness and liability insurance – compulsory for all institutions that rely on the collaboration of volunteers. Available in two subscription modalities: Permanent (one year, renewed automatically) and Temporary (up to seven days), valid in Portugal 24 hours a day;
- **"Leasing Auto Setor Social"** (Social Sector Auto Leasing), a financing mode of Banco Montepio, created in 2021 through the provision of a campaign to ensure the mobility of EESS and enabling the acquisition of light vehicles, for passengers or goods (transformed for home support or mobility), by EESS, with differentiated conditions in terms of pricing and insurance;
- **Specific Covid-19 treasury support lines** aimed at providing liquidity to the EESS, so that they can focus entirely on their response to social problems:
    - **"Linha de Apoio ao Setor Social Covid-19"** (Covid-19 Social Sector Support Line), a credit line that supported the treasury needs of the EESS affected by the Covid-19 pandemic;
    - **"Linha de Crédito +Impacto Social"** (+Social Impact Credit Line), an exclusive credit line of Banco Montepio that seeks to help institutions to foster social inclusion;
    - **"Linha de Crédito Fundo para a Inovação Social (FIS)"** (Social Innovation Fund Credit Line), a line that facilitated access to bank financing and improved funding conditions for Innovation and Social Entrepreneurship initiatives.

Pursuing its work in the microcredit area, Banco Montepio continued to support own job creation and the entrepreneurs concerned in accomplishing their sustainable business projects and ideas. The products provided include, in particular, the **"Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego"** (Line to Support Entrepreneurship and Own Job Creation), a credit that supports the creation of a small business with a guarantee and subsidised interest rate.

The diversity of areas comprising the Social Sector has not only enabled Banco Montepio to support EESS and entrepreneurs, but also to increase the quality of the projects in the different communities, generate sustainable employment and create value for society. Detailed information on the Social Economy area can be consulted in the Business Segments sub-chapter of this Management Report.

RISK MANAGEMENT

Risk identification, management and monitoring policies and processes

The main risks arising from the actual activity may, directly or indirectly, affect the sustainability and social responsibility sphere of the Banco Montepio Group.

Among the existing risks, which are described in the Risk Management chapter of this Management Report, special note is made of the following: risk of corruption and attempted bribery; risk of money laundering and terrorist financing; risk of conflicts of interest; risk of market abuse; risk of breach of privacy; compliance risk; and reputational risk. Operational risks and market risks also exist, as well as risks specifically associated with the military conflict between Russia and the Ukraine, as well as changes resulting from the monetary policy and increased inflation.

In addition to the identification of these (and other) risks, Banco Montepio has implemented an internal control system that includes policies, regulations and procedures to signal and prevent their occurrence, complemented by the compliance and internal audit functions.

Several measures have also been implemented over the past few years in order to protect the health and safety of employees, in response to the type of event, as well as operational measures with impact on processes, communication with Employees, Customers and all Stakeholders, decisions concerning emergency offers, and exceptional regimes with respect to the regulations in effect, for the ultimate purpose of ensuring business continuity.

Business recovery measures were simultaneously adopted, particularly protocolled lines and a new offer of mortgage loans. The Bank also monitored the measures implemented to protect their customers, including families and companies, under the moratorium regime.

To summarise, it can be concluded that Bank achieved its objectives of protecting the health of employees (with a residual number of infected persons) and ensuring business continuity – with maintained process efficiency, minimal disruption and fast decision-making and response to customers. The management of the crisis not only accelerated digital transformation and remote communication, but also revealed opportunities for improving specific processes, namely related to people management and governance, which will be part of the “new normal”.

The Banco Montepio Group’s risk management system includes a series of policies, procedures, definition of limits concerning risk appetite, and controls, which enable, in an adequate, integrated manner, the identification, measurement, assessment, monitoring, mitigation and reporting of the risks derived from the activities developed in the different business lines and entities of the Group. The different dimensions of risk covered by the risk management function and their governance can be consulted in the chapter on Risk Management of the Management Report, while this section highlights operational risk corresponding to matters of social responsibility.

Banco Montepio has been increasingly committing to sustainability principles and matters, as well as ESG. In various areas, including the financial sector, this movement is viewed as able to change the behaviour of society and its organisations towards ethics, responsibility and regeneration. In Risk Management, these principles have been operationalised through the adoption of measures aimed at improving operational risk management efficiency.

FIGHT AGAINST CORRUPTION AND ATTEMPTED BRIBERY

The internal control system of Banco Montepio is based on segregation between the execution, decision-making and control functions, which contributes to mitigating the risks of corruption or bribery by its Employees. For this purpose, the Bank has implemented a series of policies and procedures, which include the Code of Conduct, the Policy on Prevention of Conflicts of Interest, the Whistleblowing Policy, the Policy applicable to Unconventional or Untransparent Structures and Activities, and a series of policies related to the Prevention of Money Laundering and Terrorist Financing.

As established in the Code of Conduct, corruption and all associated acts are not tolerated. In this sense, the Bank’s Employees must refrain from engaging in any practices that may be construed as bribery, traffic of influence or any other forms of corruption, irrespective of the circumstances.

The aforementioned prohibition applies not only to acts of corruption involving Employees – for the purpose of obtaining benefits for themselves or the Bank – but also to any acts practiced by Customers or counterparties, of which Employees may gain knowledge when performing a banking or financial operation. The aforementioned practices are absolutely prohibited and must be immediately reported, namely through the channels indicated in the Whistleblowing Policy.

The crimes of corruption, embezzlement, traffic of influence and other related offences generate funds whose subsequent introduction into the financial market involves a series of operations construed as money laundering. Therefore, the prevention and suppression of corruption is carried out through the fight against money laundering. In this sense, Banco Montepio engages in its commercial activity in accordance with adequate policies and applies controls specifically aimed at preventing the use of the Bank for such purposes, in accordance with the legislation in effect, namely Law 83/2017 and related regulations.

OUR POLICIES

Banco Montepio has implemented Policies that regulate the following matters:

- Sustainability;
- Geographic implantation;
- Selection and evaluation of the adequacy of the members of the Management and Supervisory Body and Key Function Holders;
- Remuneration of Key Employees;
- Remuneration of the members of the Management and Supervisory Body;
- Succession of the Members of the Management and Supervisory Body;
- Succession of Key Function Holders;
- Diversity and Inclusion;
- Performance Assessment;
- Loans to Employees;
- Internal Audit Function (FAI);
- Compliance Function (FCOMP);
- Management of the risk of money laundering and terrorist financing;
- Customer Acceptance;
- Customer Identification;
- Sanctions;
- Internal Control;
- Outsourcing;
- Management of conflicts of interest;
- Transactions with related parties;
- Unconventional or non-transparent structures and activities;
- Compliance reporting of the Banco Montepio Group subsidiaries;
- Prevention of market abuse;
- Reporting of irregularities (whistleblowing);
- Reception, transmission and execution of orders;
- Information security;
- Privacy;
- Data protection – management of cookies;
- Complaints management;
- Risk Management Function;
- Credit Risk;
- Risk Appetite of the Banco Montepio Group;
- Management of the Risk of the Business Model/Strategy;
- Risk management of the Banco Montepio Group;
- Analysis and monitoring of high-risk Customers;
- Investment and Market Risk Management;
- Pension Fund Risk Management;

- Real Estate Risk Management;
- Management of non-performing exposures (NPE);
- Management of Banking Book Interest Rate Risk;
- Exchange Rate Risk Management;
- Exposure in Default, Non-Performing Exposure (NPE), Exposure in Impairment (IFRS 9) and restructured due to financial difficulties;
- Liquidity Risk Management;
- Credit Recovery;
- Accounting Derecognition of Financial Assets (Write-off);
- ESG Risk Management;
- Pension Fund Risk Management;
- Credit Risk Regulation;
- Operational Risk Management;
- Capital Risk Management.

INTEGRATED HUMAN CAPITAL MANAGEMENT

A progressive return to normality was witnessed in 2022, following the effects of the Covid-19 pandemic; an informal hybrid work regime was maintained for the functions that do not involve customer service. The Branch network remained open to the public, fulfilling its mission of serving Portuguese families and companies.

The People Management Department (DGP) ensured its activity in various key areas, accomplishing the objective of keeping Employees safe and connected to the organisation, in face of the multiple challenges for the organisation and the sector brough about by the socioeconomic conjuncture.

Employer brand recognition

Banco Montepio was rated the **3rd most attractive employer** in the banking sector in Portugal in the Randstad Employer Brand Research 2022 report.

For the seventh consecutive year, Randstad Employer Brand Research conducted a survey in a representative sample of the Portuguese population concerning the 150 largest employers in Portugal, in order to identify the most useful criteria in perceiving companies and the most appealing sectors to work. Banco Montepio was considered one of the most attractive companies to work, according to the opinion of the Portuguese, having moved from the 7th position (in 2022) to the top 3 in the banking sector.

INTERNAL COMMUNICATION AND ENGAGEMENT OF THE ORGANISATION

In 2022, the Bank continued to focus on the various initiatives that drive Employee engagement and internal events that allowed the organisation to convey strategic messages, in an effective manner.

Amongst the initiatives carried out, the following are worthy of mention:

E-Coffee with the CEO, a weekly meeting where the CEO of Banco Montepio, Pedro Leitão, discusses ideas about the Bank with a group of six employees, selected at random, received the APCE 2021 Grand Prize for Excellence in Communication in 2022, awarded by the Portuguese Association for Corporate Communication, in the category Manager Engagement in Corporate Communication. Designed by the CEO to give all Employees the opportunity to share their experiences, suggestions and contributions for the present and future of Banco Montepio, in a direct manner, this initiative already totalled 82 sessions at the end of 2022 and the involvement of almost 500 employees.

Banco Montepio 2025 – High Performance Meeting

The first **Meeting of Staff and the Commercial Network** of Banco Montepio tool place on 23 September 2022, at the Monte Real Air Base No. 5, in Leiria.

The purpose of the event, which was attended by 446 Banco Montepio Employees, including the members of the Board of Directors, First and Second Line Directors, regional leaders, and commercial network managers, was to mark a new cycle at the Institution, following the start of term of the new corporate bodies, align goals and inspire new objectives.

Spanning an entire day, the agenda included talks by the Board of Directors and panel discussions on mobility (Erasmus Programme) and the attraction of young talent (Montepio Trainees), in the morning. The afternoon was filled with presentations delivered by the Consumer Behaviour Laboratory and motivational

speaker Alexandre Monteiro. The CEO of Banco Montepio closed the event with a talk focused on the future.

The feedback survey of the Employees who attended the event reflected their satisfaction with this initiative, with a score of 4.7 on a scale of 1-5. When asked to describe the event in a single word, the Employees used terms such as **Inspiring, Challenging, Union, Fantastic, Innovation and Excellence**.

INTEGRATED EMPLOYEE WELL-BEING

Banco Montepio was awarded the Healthy Workplaces Seal 2022

The Healthy Workplaces Seal is an award granted by the Portuguese Association of Psychologists in order to encourage and promote the best Safety, Health and Occupational Wellbeing guidelines and practices developed in Portugal. Banco Montepio was present at the 4th Healthy Workplaces Awards 2022 ceremony, where it received the Level 2 Seal (75-89% score), from a group of three possible categories.

HEALTHY WORKPLACES AWARD'22
PRÉMIO LOCAIS DE TRABALHO SAUDÁVEIS
pela ORDEM DOS PSICÓLOGOS PORTUGUESES

This Healthy Workplaces Award recognises the efforts undertaken by Banco Montepio to promote integrated well-being, a key factor for the personal and professional success of the Employees and, consequently, of the Organisation.

WELL-BEING INITIATIVES

In order to celebrate the work and dedication of the Employees and improve their happiness and quality of life, Banco Montepio organised the following initiatives in 2022:

- The **1st Open Day**, at the Castilho and Garrett buildings. Employees enrolled in this initiative were offered therapeutic sessions, such as massages, shiatsu, osteopathy and reflexology, which represented moment of relaxation for the body and mind.
- In order to satisfy the needs and interests of Employees who wished to widen their range of well-being activities, the Bank organised the **2nd Wellness Weekend**, a 4-day event dedicated to healthy eating, mental health and physical exercise, including online and face-to-face activities. Approximately 250 Employees participated in this initiative.
- **Montepio's Wellness Week** is an annual initiative, held over a week, that involves daily activities focused on the health and wellness of all Employees. The objectives of this initiative are to foster a culture of health and well-being; increase productivity and team happiness; encourage healthy changes; and create healthier environments. In view of the success of the recent events, Banco Montepio organised the 4th Wellness Week in 2022, where a total of 2,008 Employees participated in online and face-to-face activities. This initiative achieved a global score of 4 and an importance score of 4.43, on a scale of 1-5.

As part of the Health Promotion actions, Banco Montepio provided, as in previous years, a **seasonal flu vaccine** to all interested Employees, at no cost. In order to address Social and Mental Health issues, the Bank continued to provide its Employees with the **Psychosocial Assistance Programme**, which involves phycological and social counselling. The counselling services are provided by a psychologist and social worker, in a fully confidential manner.

PROFESSIONAL DEVELOPMENT AND TRAINING

In 2022, Banco Montepio ensured the organisation of training and development programmes involving 45,331 attendances by 3,083 Employees, and a total of 144,888 training hours.

In addition to regulatory training, which totalled 103,218 hours, it is worth mentioning the 2 new editions of the **"Programa Montepio Avança"** (Montepio Advances Programme), in the area of Banking and Business, exclusively aimed at Branch Network Employees. This programme seeks to update technical knowledge, address commercial action in banking and new sector trends, and provide training on internal procedures and policies. The programme was attended by 143 Employees from the various functional groups of the Commercial Network and involved a total of 8,076 hours of training.

The **"Programa Dr. Bell"** (Dr Bell Programme) was also created for the Commercial Network, in order to ensure alignment with good telephone serve practices, for the ultimate purpose of improving customer experience and, consequently, business results. Two editions were held, involving 333 participants from the various commercial functions.

Within the scope of the "Escola de Liderança" (Leadership School) and in order to improve the knowledge and skills of the Bank's leaders, the following actions stood out, in addition to the Women in Action training offer:

- 1 edition of the **"Programa Liderança de Excelência"** (Excellent Leadership Programme), aimed at First Line Directors, organised in partnership with Católica Lisbon Business & Economics;
- 1 edition of the ***Transforming for a New Tomorrow Programme***, aimed at Second Line Directors, organised in partnership with ISEG Executive Education.

The Employees involved in the "Programa Montepio Potencial" (Potential Montepio Programme), which seeks to identify internal potential and define the necessary development strategies, received training based on the needs identified, namely on topics such as Interpersonal Communication, Communication and Influence, Conscious Productivity, Leadership and Non-Verbal Communication.

"Crescemos Juntos" (Growing Together), a training programme available to the all Bank Employees, on a self-enrolment basis, was attended by 505 participants and involved 5,410 hours of training on technical banking topics: Financial and Economic Analysis, Bank Accounting, Financial Markets and Banking Law, and well as contents aimed at developing soft skills, namely Non-Verbal Language, Conversations with Impact, Emotional Customer Management, Conscious Productivity and, in the Well-being area: Keeping Balance in the Midst of Chaos and Work & Life Balance.

The transformational and more complex context associated with the challenges faced by the organisations, as well as the change in banking Customer profiles, resulted in the need to invest in reskilling and upskilling, in order to respond to technological and digital restructuring. In this sense, the Bank focused on the acquisition and development of knowledge in agile work and data processing tools in 2022, having organised training courses and webinars, provided by internal and external trainers, on several relevant topics, namely **Power BI**, **SAS**, **Excel, PowerPoint and Agile**, amongst others.

The communication campaign, organised in Live Event format, which aims to promote the training platform, available to all Employees for certification in several technological aspects, will continue to run over the following year.

Programa Montepio Potencial (Potential Montepio Programme)

In order to consolidate the management of internal talent, the "Programa Montepio Potencial" (Potential Montepio Programme) includes the identification and mapping of the potential of the Bank's Employees, in a systemised manner, and defines the strategies required for their development, so as to respond appropriately to functional and organisational challenges. Two cycles of this Programme were organised in 2022, dedicated to control areas and Regional Managers, respectively. The development process continued to be pursued, involving the provision of a series of training actions based on the needs identified through participant feedback.

BENEFITS FOR EMPLOYEES

Banco Montepio offers a wide range of benefits to its Employees, namely social and health support, which include household members. It is worth mentioning the provision of support to children in school, as well as free time activities for the children of Employees.

Banco Montepio offered once again tickets for several shows over the 2022 Christmas season, as well as more than 1,600 gifts.

In addition to the aforementioned benefits, Banco Montepio engages in a series of social initiatives, through its Social Services, including the provision of meals at lower prices in the Banks cafeterias.

In the cultural sphere, Banco Montepio ensured the delivery of over 1,200 free books to all services, having also encouraged participation in more than 80 cultural events, including shows and exhibitions.

INTERNAL/EXTERNAL INCLUSION AND RESPECT FOR DIVERSITY AND UNIVERSAL DESIGN

DIVERSITY IN THE GOVERNING BODIES

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, the Executive Committee and First Line Directors, having recorded the following indicators:

Banco Montepio		
Gender	**Number of persons**	**%**
F	7	58%
M	5	42%
Montepio Holding		
Gender	**Number of persons**	**%**
F	3	75%
M	1	25%
Banco de Empresas Montepio		
Gender	**Number of persons**	**%**
F	4	50%
M	4	50%
Montepio Crédito		
Gender	**Number of persons**	**%**
F	2	40%
M	3	60%

Regarding Key Function Holders:

Gender	Number of persons	%
F	3	38%
M	5	63%

Key Function Holders (KFH) include managers who, while not being members of the Board of Directors, hold positions that endow them with significant influence on the institution's management, namely the following: Audit and Inspection Department (Internal Audit Function); Compliance Department (Compliance Function); Risk Department (Risk Management Function); Strategic Planning and Control Department; Accounting and Financial Reporting Department; Financial and International Department; Data Protection Office; and Analysis and Credit Department.

DIVERSITY IN THE EMPLOYEES

The table of Employees of Banco Montepio presents the following diversity (in terms of professional category, gender and age group).

Employees by age group (number)	Total	%	Senior and line managers	%	Technical	%	Administrative	%
	3,029		**726**		**1,313**		**990**	
< 30 years	87	3%	0	0%	63	5%	24	2%
30 to 50 years	1,947	64%	355	51%	896	68%	696	70%
> 50 years	995	33%	371	49%	354	27%	270	27%
Employees by gender (number)	**Total**	**%**	**Senior and line managers**	**%**	**Technical**	**%**	**Administrative**	**%**

	3,029		726		1,313		990	
Female	1,496	49%	248	34%	684	52%	564	57%
Male	1,533	51%	478	66%	629	48%	426	43%

Number of Employees by gender and age group (number)	Total	%	Female	%	Male	%
	3,029		1,496		1,533	
< 30 years	87	3%	56	4%	31	2%
30 to 50 years	1,947	64%	1,005	67%	942	61%
> 50 years	995	33%	435	29%	560	37%

POLICY ON DIVERSITY AND INCLUSION

Banco Montepio's Policy on Diversity and Inclusion, approved by the Board of Directors in December 2021, was presented to the entire Institution on the International Women's Day, 8 March 2022, during an online event that included talks by Pedro Leitão, the CEO of Banco Montepio, Helena Soares de Moura, the Director responsible for People, and Sandra Brito Pereira, responsible for People Management.

In 2022, the first actions aimed at ensuring compliance with Policy commitments were followed up:

- **Subscription to the WEPs:** In 2022, Banco Montepio endorsed the Women's Empowerment Principles – WEPs, an initiative launched by UN Women and the UN Compact in 2010 to address the gender equality issues included in the United Nations 2030 Agenda for Sustainable Development, having committed to aligning its practices, projects and policies with the principles in question.
- **Diversity and Inclusion Event:** The first institutional Diversity and Inclusion event, which took place in May 2022 and was attended by external guests and internal representatives from all Bank departments, was organised for the main purpose of raising Employee awareness of the importance of the topic and increasing the Bank's external recognition in this matter. The agenda included a presentation of the results of the study "O longo caminho da igualdade de género na liderança das empresas" (The long journey of gender equality in business leadership) by professor and researcher Sara Falcão Casaca, as well as panels on good business practices, including talks by Jerónimo Martins, Banco Credibom, Altice and Microsoft, and the sharing of experiences of Bank Employees.

Following this event, a partnership was established with ISEG Executive Education for the purpose of developing a Plan for Equality:

- **Montepio Training for Women:** This live event, which took place on 8 March, involved the presentation of the new Montepio training offer for Women, designed to help the Women Employees of Banco Montepio deal more effectively with self-related and societal obstacles and stereotypes, which often condition the leadership of their teams and career management: Women in Action, available to women in third-level structures or equivalent, organised in partnership with Católica Lisbon Business & Economics, and **"Aposta no Feminino"** (Bet on Women), open to all Employees through self-enrolment. These programs involved a total 1,752 hours of training.

VALUE CREATION FOR SOCIETY

Banco Montepio continued to implement actions aimed at creating value for communities and preserving the environment.

VOLUNTEERING

The Banco Montepio Group continued to participate in voluntary initiatives, duly adapted to the pandemic scenario that constrained the physical presence of volunteers in the activities proposed for 2020 and 2021.

Corporate volunteering was resumed in 2022, whereby volunteers from the Montepio Group engaged in several initiatives over the year, namely in person.

8th Montepio Group Volunteering Month

1. As part of the 2022 Activity Plan of the Montepio Group Volunteering Programme, the 8th "Mês de maio, mês do Voluntariado do Grupo Montepio" (May, the Montepio Group Volunteering month), took place between the months of May, October and November.
2. A total of 9 volunteering initiatives were organised across the country, based on criteria such as geographic area, area of intervention and relationship between volunteer team promoters and local communities, namely the following: North, Porto/Greater Porto, Centre, Lisbon/Greater Lisbon and South.

   This initiative represented an experience in the relaunching of collective activities, having allowed for greater proximity between the Montepio Group volunteers and the beneficiaries, at the locations covered by the volunteering strategy, which focused on territorial aspects. This effort was combined with the volunteering of skills, in order to foster both courses of action.
3. The following actions were carried out during the 2022 Montepio Group Volunteering Month:
   - Póvoa de Varzim Community; Local Partner: MAPADI – Movimento de Apoio de Pais ao Diminuído Intelectual (Parental Support Movement for Persons with Intellectual Disabilities).
   - São Mamede de Infesta Community; Local Partner: Associação Rumo à Vida (Towards Life Association);
   - Viseu Community; Local Partners: Social Works – Viseu City Council and Municipal Services Staff, and CLDS Viseu Project – Comunidade de Afetos (Community of Affections);
   - Bairro Padre Cruz Community, in Lisbon; Local Partner: Associação Crescer a Cores (Growing in Colours Association);
   - Setúbal Community; Local Partner: C.A.S.A — Homeless Support Center (Setúbal Delegation);
   - Tadim Community, Braga; Local Partner: Associação Humanitária Dómus (Dómus Humanitarian Association);
   - Barcarena Community; Local Partner: CERCIEORAS;
   - Bairro do Zambujal Community, Amadora; Local Partner: Ad Gentes.

The actions involved 133 volunteers, including 69 volunteers from Banco Montepio and 7 volunteers from Montepio Crédito, involving interventions in the following areas:

- Educational vegetable garden;
- Tree planting;
- Renovation, cleaning and painting of interior and exterior areas;
- Financial literacy;
- Preparation of meals for homeless people;
- Collection of food, clothing, school supplies and IT equipment for children;
- Support to libraries.

Meeting of the Banco Montepio People Management Department

The DGP promoted its Meeting with Staff, an event organised for the purpose of fostering cohesion between its organic areas, from a perspective of internal social responsibility, and reaffirming the People Management Department as a key partner in corporate volunteering programs.

The volunteering action, which took place in the Bairro da Liberdade/Serafina Community, in Lisbon, was attended by 34 volunteers. The Local Partner was ADM Estrela, Lisbon Delegation.

12th Edition of the "Prémio Voluntariado Jovem Montepio" (Montepio Youth Volunteering Prize), 2022

Launch of the 12th Edition of the "Prémio Voluntariado Jovem Montepio" (Montepio Youth Volunteering Prize), in October 2022, in which 10 entities submitted, in digital format, 10 local social intervention solution projects, designed by young students or residents in communities in Mainland Portugal. The projects were evaluated by a Jury, mostly composed of external members, including representatives of the following entities: Montepio Associação Mutualista (Montepio Mutualist Association), Fundação Montepio (Montepio Foundation), GRACE, Confederação Portuguesa de Voluntariado (Portuguese Confederation of Volunteering), Centro Português de Fundações (Portuguese Foundation Centre), and APPDI - Associação Portuguesa Para a Diversidade e Inclusão (Portuguese Association for Diversity and Inclusion). The applicability of the winning projects will be monitored onsite by the Local Promoters, who are Montepio Group volunteers.

Junior Achievement Portugal

Banco Montepio has been a part of Junior Achievement Portugal (JAP) since 2006. JAP is the Portuguese counterpart of the Junior Achievement, the world's oldest organisation in education for entrepreneurship. As an associate and member of the Board of Directors in Portugal, Banco Montepio offered its Employees the opportunity to participate as volunteers in the various programmes available and thus make a difference and create an impact on the school and educational community.

Over 16 years of partnership, a total of 438 Montepio Group Employees have participated as volunteers in JAP initiatives, benefiting 10,574 students and involving a total of 4,292 hours of volunteering.

During the 2021/2022 academic year, 23 volunteers participated in JAP's "A Empresa" (The Company) programme (and the associated competitions), in face-to-face and digital formats, benefiting 1,412 students and involving a total of 280 hours of corporate volunteering.

In addition to the hours of voluntary work contributed to the aforementioned programmes, Banco Montepio and JAP promoted the 2nd Edition of the Social Innovation Camp, an initiative where 91 students from secondary schools, from North to South, were challenged to develop projects in the areas of environmental and social sustainability, in the context of the following SDGs: 5 (Gender Equality); 8 (Decent Work and Economic Growth); 9 (Industry, Innovation and Infrastructure); 10 (Reduced Inequalities); 12 (Responsible Consumption and Production) and; 13 (Climate Action).

A total of 18 Employees of Banco Montepio took on the role of advisors and mentors for these youngsters, having promoted professional skills such as leadership, decision-making, resistance to failure, teamwork, presentation techniques and oral communication.

The students were asked to design/create projects capable of contributing to solving real problems in their communities (municipality or district where their schools were located). During the closing event, held on 25 November 2022, the youngsters presented their projects to a panel of judges composed of Gonçalo Duque, CEO of JAP, Isabel Silva, Director of Banco Montepio, and Miguel Queimado, Founder and President of Acredita Portugal Association.

SCHOOL AND EDUCATIONAL COMMUNITY

Entrepreneurs for Social Inclusion

In 2022, Banco Montepio partnered once again with “Empresários pela Inclusão Social” (EPIS) (Entrepreneurs for Social Inclusion), a national reference in the development, incubation and internalisation of new methodologies aimed at improving school performance, ensuring educational and training system quality, and fostering the employability and professional integration of youngsters in Portugal.

This social partnership provided support to the 12th Edition of the Social Grants, through which six Grants were awarded to secondary and higher education students. These Grants rewarded the academic merit of students at the end of Year 9 and Year 12, strengthening the contribution of Banco Montepio to the school community, equal opportunities and social inclusion in access to education.

SOCIAL ECONOMY PROJECTS AND INITIATIVES

The year 2022 marked not only the return of face-to-face events, but also the emergence of social and environmental sustainability issues in the EESS mindset. As a Bank of the Social Economy in Portugal, Banco Montepio supported the evolution of more than 250 institutions over the year, which represented an investment in excess of 520,000 euros. Of the projects and initiatives supported, the following stand out:

- **E-Social,** I, a 360° communication platform of Banco Montepio aimed at all Social Sector Stakeholders. With the mission of stimulating and promoting this area and its participants in the most varied forms of action, the social networks Instagram and Facebook (@montepioesocial) of E-Social worked as a meeting point of causes, initiatives, projects, challenges, exhibitions and disclosure of the best that is being done in the Social Economy, in Entrepreneurship, in Social Innovation and in Sustainability in Portugal;
- **Building The Future**, an event primarily sponsored by Microsoft and supported by Banco Montepio, which took place on 26-28 January 2022. On 26 January, Banco Montepio and Fenacerci stood side by side on the main stage of the largest digital transformation event to talk about inclusion and launch one of the most emblematic social solidarity campaigns in the country, which counted on the magic of the “Pirilampo Mágico” (Magic Firefly). All the proceeds of this solidarity campaign were donated to Fenacerci, making a difference in the lives of people with one or multiple disabilities;
- **National Caritas Week**, an initiative where the entire Caritas network in Portugal gathered from 13 to 20 March. This initiative takes place every year during the week before the National Caritas Day, which is celebrated on the 3rd Sunday of Lent. The action of Caritas in the fight against poverty and social exclusion is highlighted during the week of the event. A large number of reflection activities on social action, parish events and fund-raising initiatives are organised across the country, particularly the “Peditório Público Nacional” (National Public Fundraiser), an annual event where approximately 4,000 volunteers appeal to the contribution of the Portuguese population, as a way of expressing solidarity with all the people in a situation of vulnerability who seek the help of Caritas;
- **“Apoio Ucrânia”** (Support Ukraine), through partnerships and initiatives launched in order to support the reintegration of refugees escaping the war in Ukraine. In this context, it is worth mentioning the “Conta Ucrânia” (Ukraine Account), a bank account without commissions and with special conditions, free transfers at Banco Montepio, the support of “Rádio Comercial Ucrânia” and the partnership with Caritas. These support measures foster financial inclusion, social responsibility and generosity;
- **ESG Week 2022**, a pioneering national initiative of the APEE – Associação Portuguesa de Ética Empresarial (APEE (Portuguese Association of Business Ethics), which took place on 16-20 May, that counted on Banco Montepio as host and main sponsor. The initiative gathered government representatives, business leaders, national and international experts, academics and civil society organisations in a discussion of the major Sustainability issues in Portugal, within the context of ESG. Banco Montepio co-organised two sessions during the event: “The path to sustainability and transparency in SMEs” and “Financing beyond Profit: Sustainable Financing in the Social Sector”;

- **IPSS Annual Congress**, a national event that took place on 7-8 June, in Viseu. Under the theme "The IPSS in Social Policies", this event focused on issues of great relevance to the EESS, representing an important moment of reflection and sharing. Banco Montepio sponsored the 6th Congress of the CNIS - Confederação Nacional das Instituições de Solidariedade (National Confederation of Solidarity Institutions), the representative structure of the IPSS in Portugal;
- **8th Edition of the Inspiring Career Camp**, a programme developed by the Associação Inspirar o Futuro (Inspiring the Future Association), attended by Banco Montepio, which took place on 7-20 July. This initiative aims to provide information on the reality of the job market and the professions available in different sectors to youngsters about to finish secondary education. The youngsters who attended the Inspiring Career Camp programme had the opportunity to visit the head office Banco Montepio, in Lisbon, and not only become familiar with the reality of a Bank of a mutualist origin and nature, but also learn about the Institution's Trainee programmes, which may represent a future opportunity;
- **Electoral Congress of the Confederação Portuguesa das Coletividades de Cultura, Recreio e Desporto** (Portuguese Confederation of Cultural, Recreational and Sports Collectivities, which took place on July 16, at Fórum Lisboa, in which Banco Montepio participated as panel speaker. The Congress represented an opportunity to address relevant topics, namely the relevance of the Social Economy in creating wealth and driving the country's economy; the way in which Collectivities may contribute to the circular economy; and the offer of the Banking Sector, more specifically Banco Montepio, for this segment;
- **"XV Festa da Solidariedade"** (XV Solidarity Festival), an event that took place on 21-24 September 2022, in Viana do Castelo, and was supported and sponsored by Banco Montepio. Through this initiative, the CNIS, the representative structure of the IPSS, sought to create an area where the country's Solidarity Institutions would be able to socialize, exchange ideas, promote initiatives and share their good practices in social, cultural and recreational support;
- **"Encontro Anual do Associativismo"** (Annual Meeting of Associativism), an event organised by the ACCL - Associação das Coletividades do Concelho de Loures (Association of Collectivities of the Loures Council), which represents several Associations and Collectivities of the Loures Council. Organised under the theme "Um Pólo interventivo na cidadania ativa" (An Interventive Centre for Active Citizenship", the meeting took place on 8 October, at the Sociedade 1º Agosto Santa Iriense, in Santa Iria da Azóia, Loures. As a partner for the social sector in Portugal, Banco Montepio participated in the event opening and panel;
- **"XV Congresso Insular das Misericórdias dos Açores e da Madeira"** (XV Island Congress of the Misericórdias of the Azores and Madeira), an initiative organised by the UMP - União das Misericórdias Portuguesas (Union of the Portuguese Misericórdias), which took place on 14-16 October at Sociedade Amor da Pátria, in the city of Horta, Azores. The event, which gathered the Misericórdias of the Autonomous Regions of the Azores and Madeira, focused on two strategic topics: "Sustainability in the Social Sector" and "The Misericórdias and Social Policies in the Future", in order to discuss the future challenges faced by the Misericórdias, not only to continue ensuring efficient social responses to the population, but also to be capable of qualifying their human resources. The meeting also involved a reflection upon the challenges of ageing in Portugal and the proposal of the new home assistance service model, adapted to the country's social and geographical characteristics and to the needs of the new generations of elderly people;
- **"Pirilampo Mágico"** (Magic Firefly), a solidarity campaign promoted by Fenacerci, run between 15 October and 6 November, where Banco Montepio had a very special mission: to spread magic, helping more than 8,000 Magic Fireflies to fly, and raise public awareness of the need for equal opportunities for people with intellectual disabilities or multiple disabilities;
- **12th Edition of the Social Grants**, an initiative supported by Banco Montepio through the award of six Grants, which aimed to reward the academic merit of students at the end of Year 9 and Year 12,

thus contributing positively to the school community, equal opportunities and social inclusion in access to education;

- **Gift kit**, donated by Banco Montepio to EESS from the North to the South of the country. As a Bank of the Social Economy in Portugal, Banco Montepio offered gifts to children, youngsters and adults from 62 institutions throughout 2022.

Support to the Public Sector

The Public Sector is composed of several public institutional units, including public administrations and the entire entrepreneurial sector of total or majority-held public capital.

This Sector, which is considered a fundamental part in creating value in the Portuguese economy, is monitored by the DCESSP, which relies on an experienced team, with specific knowledge of the sector, and is committed to being at the side of those whose mission is to ensure the interests of the community.

Banco Montepio monitors this segment, particularly in the analysis of credit proposals for public tenders. In this field, awards were made to Banco Montepio, as well as proposals for global involvement, resulting from the Customer loyalty strategy based on everyday products and services.

Support to Entrepreneurship and Social Innovation

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

In the area of entrepreneurship, the role of Banco Montepio is evidenced by the availability of financing lines for sustainable projects, as well as the continuity of partnerships that allow the promotion of equal opportunities.

As a **Social Entrepreneurship Partner**, Banco Montepio actively participates in various dynamics of development of technology-based and innovative ideas, projects and business ventures, in particular:

- **Partnership with the "<Academia de Código_>" (Code Academy)**, a project aimed at providing a social experience through bootcamps on computer language. In order to help all those who want to <re>programme their life by enrolling in these bootcamps, Banco Montepio created the "Linha de Crédito Code Academy" (Code Academy Credit Line), specifically to support the students (<Code Cadets>) who attend the bootcamps. Under the established partnership and consequent investment in the "Linha de Crédito Code Academy" (Code Academy Credit Line), Banco Montepio provided the following support in 2022:

81 Code Academy Students Financed

439,200 euros of Code Academy Financing

- **"Banco Montepio Acredita Portugal"** (Banco Montepio Believes Portugal), the acceleration programme promoted by Banco Montepio and Unlimit, the former Associação Acredita Portugal, which aims to reward and endow entrepreneurial projects, which will be selected by a jury independent from the Association.

  Applications to the 12th edition of this Programme totalled more than 3,257 projects, from 27 countries, on all continents. In addition to Portugal, Brazil, Angola and other Portuguese-speaking countries, programme applications included solutions from the United States, Venezuela, India and Australia, as well as other European countries, namely Spain, England, the Netherlands and Germany.

  The winners, divided into six categories, namely Social Entrepreneurship, Mobility, Smart Cities, H2O, Innovation and Technological Solutions, in addition to the Acredita Portugal category, were, respectively: The Inventors, GoWizi, BeGreen, Hoterway, WhyWaste and Witseed.

Through this and other programmes, Unlimit, the association that organises the Banco Montepio Acredita Portugal Programme, has already supported more than 100,000 teams in various areas, of which 23% created viable prototypes shortly after the programme. Moreover, 25% of the projects submitted received support from various financing channels and 73% had achieved up to 100,000 euros in sales one year after the programme. A total funding of approximately 68 million euros was raised.

Banco Montepio, as a Social Investor, has closely followed the best practices in the area of social investment and, taking on the role of the Social Economy Bank, has developed various initiatives, among which the following are highlighted:

- **"Projetos de Impacto"** (Impact Projects), a joint initiative of Banco Montepio and Santa Casa da Misericórdia de Lisboa (SCML) aimed at boosting social investment through the Investment in 9 projects (2 Social Impact Securities and 6 Partners for Impact), two financial instruments of the "Estrutura de Missão Portugal Inovação Social (EMPIS) (Social Innovation Portugal Mission Structure), representing innovative solutions for the challenges of contemporary society and enabling the combat of various forms of social exclusion.

  "Títulos de Impacto Social (TIS)" (Social Impact Securities) aim to finance, through a mechanism of hiring and payment by results, innovative projects in priority areas of public policy, in the fields of employment, social protection, education, health, justice and digital inclusion. In this area, support was provided to the following projects:
  - **"Ubbu"** (programming school for children);
  - **"Gamezone Lisboa"** (a solution to combat the deficit of competence in Portuguese and mathematics).

  "Parcerias para o Impacto (PPI)" (Partnerships for Impact) finance the creation, development and growth of social innovation projects, together with social investors. In this category, the following projects were supported:
  - **"O Mundo é o meu Bairro"** (The World is my Neighbourhood) (inclusion in a social housing neighbourhood);
  - **"WeGuide"** (support for cancer patients);
  - **"55+"** (work with people over 55);
  - **"Skoola - Urban and Contemporary Music School"** (music for social inclusion);
  - **"Cognitive Rehabilitation with Robot PEPE"** (therapeutic tool for active ageing);
  - **"Sê Bairrista"** (Embrace your Neighbourhood) (renovation of three neighbourhoods in Marvila).

Banco Montepio, as a Social Innovation Partner, supports **5** projects and spaces aimed at fostering entrepreneurship in Portugal:

- **"Acredita Incubação",** (Believe Incubation), located in Vila Nova de Gaia, is an incubation project aimed at providing support and tools to entrepreneurship in areas of creative industries, technological entrepreneurship and the social economy;
- **"Associação Rede do Progresso"** (Progress Network Association), a non-profit organisation aimed at promoting social welfare and the development of entrepreneurship and social action;
- **"Casa do Impacto"** (Impact House), created by SCML, is the home of the new generation of entrepreneurs who believe in sustainable business models able to create social and environmental impact. As the only partner bank, Banco Montepio is part of the Board of Curators of the Casa do Impacto project, a reference in Social Innovation in Portugal.
- **"Incubadora Regional de Impacto Social" (IRIS)** (Social Impact Regional Incubator), located in Amarante and in Porto, is an entity that aims to capture ideas and projects, and support the creation, development and acceleration of social innovation and social entrepreneurship initiatives, promoted by the European Investment Bank Institute and by the Associação do Parque de Ciência e Tecnologia do Porto (Porto Association of the Science and Technology Park).

- **“Incubadora Inovação Social do Baixo Alentejo” (ISBA),** (Lower Alentejo Social Innovation Incubator) is a project of the Centro Social Nossa Senhora da Graça (Our Lady of Grace Social Centre), seeking to foster entrepreneurship and social innovation in the district of Beja.

Microcredit

Since 2006, Banco Montepio has been developing projects in partnership with a nationwide team of managers specialised in the field of Microcredit, who accompany, support and help generate sustainable ideas and businesses.

In 2022, Banco Montepio presented the following products to enterprising people, wishing to start their own businesses:

- The **“Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego (LAECPE)”** (Line of Support to Entrepreneurship and Own Job Creation), composed of two distinct credit lines (MicroInvest and Invest+) for different amounts, is directed at unemployed persons enrolled in job centres, with the ability and willingness to work. LAECPE, arising from a collaboration agreement between Banco Montepio, the Instituto de Emprego e Formação Profissional, I.P. (IEFP) and four mutual guarantee companies (Norgarante, Garval, Lisagarante and Agrogarante), seeks to fight economic and social exclusion, and long-term unemployment;
- **“Solução E.mpreendedor”** (E.Entrepreneur Solution), a Banco Montepio solution for businesses less than 2 years old, includes a selection of integrated products and services to keep the business on the right track;
- **“Solução E.mpresário”** (E.Businessperson), a solution that supports companies at the growth stage, includes a selection of integrated products and services to keep the business on the right track;
- **“Microcrédito (Linha Própria)”** (Microcredit (Own Line)), a special social insertion instrument for those who, having entrepreneurial skills, have extra difficulties in accessing credit and the labour market.

Banco Montepio also provides access to a set of **protocols and partnerships** with organisations of national, district or local scope that are distinguished by their experience in the field of social entrepreneurship and protocolled financing lines. The Bank also maintained the collaboration protocol established in 2021 with the Consortium between the University of Beira Interior (UBI) and the University of Coimbra (UC), within the scope of the “The Role of Microcredit in Promoting Financial and Social Inclusion” project. The consortium not only conducts out a study of the impact of microcredit in Portugal, but also works to foster interdisciplinarity between the academic areas and cooperation between academia and society, envisaging social impact and innovation.

Concerning Microcredit funding in 2021, Banco Montepio supported:

42 Projects

591,360 euros of financing

48 Jobs

HUMAN RIGHTS

The Code of Conduct adopted by Banco Montepio is based on the principles of excellence, rigour and ethical sense, in strict observance of respect for the universal human rights, particular human dignity, such as to enhance human capital and foster talent, as essential factors for ensuring sustainable, fair development.

The commitments undertaken within this scope, and endorsed by the Bank’s Employees, call for the observance of high ethical standards in professional performance, namely transparency in the information provided, diligence, rigour and competence in the fulfilment of duties and responsibilities, as well as prudential risk management. In this sense, the Employees are required to abstain from engaging in any illegal or ethically reprehensible acts, also in accordance with the Letter of Social Commitment adopted by the Bank and the recommendations of national regulators, the European Central Bank and the European Supervisory Authorities. In particular, the Employees must strictly comply with all applicable legal and regulatory provisions, as well as professional and deontological rules and standards, and internal and statutory rules concerning their conduct and relationships with Customers.

In order to improve the quality of life of Employees, Banco Montepio provides a work environment that fosters professional and personal development, and seeks to ensure an adequate balance between the various aspects of each person's life, namely personal and family life, through adequate means and by supporting societal initiatives, in a wide range of areas, namely culture, social solidarity and entrepreneurship.

Banco Montepio does not tolerate moral or sexual harassment.

The Bank follows a series of internal monitoring and reporting procedures in order to ensure compliance with and/or sanction any attempts to infringe the aforementioned principles.

For this purpose, Banco Montepio has implemented a Whistleblowing Policy for the reporting of irregularities, preferentially through the Ethics Channel, although alternative means may be used, as indicated. In all cases, reports can be submitted anonymously and under strict confidentiality, which is always ensured.

Irregularity reports are evaluated by the Whistleblowing Committee, which takes the necessary steps to determine the existence of sufficient grounds for internal action.

The Code of Conduct is monitored by the Banco Montepio Compliance Department, which is responsible for its enforcement and raising Employee awareness of the importance of compliance, as well as assessing and identifying eventual non-compliances and proposing measures aimed at ensuring continuous improvement.

CONSUMERS

Banco Montepio ensures that its Customers have the right to formally communicate any suggestion and/or eventual dissatisfaction, through the available means, channels and/or services.

Without prejudice to the legal provisions applicable to the Complaints Book, Banco Montepio ensures that Customer communications are adequately analysed and forwarded, whenever it is considered that an irregular practice that may harm their interests has taken place, or in case of failure by the Bank to comply with its obligations. Customers may submit their suggestions and/or complaints at any Branch, or through the Customer Service line, the institutional website or the Customer and Quality Office (GCQ). In any case, the Customer is always entitled to submit communications and/or complaints to the Supervisory Authorities (Banco de Portugal, Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission) and Autoridade de Supervisão de Seguros e Fundos de Pensões (Insurance and Pension Funds Supervisory Authority)).

The GCQ, which operates within the scope of the Banco Montepio Group, is responsible for managing complaints, by guaranteeing compliance with the Complaints Management guidelines defined and ensuring that each complaint is adequately received and processed, and a suitable response given to the Complainant and/or Supervisory Entities.

It is also the mission of the GCQ to propose and implement Quality Management principles, such as to allow Banco Montepio to adopt a policy aimed at ensuring customer orientation and continuous improvement, for the ultimate purpose of improving service quality and increasing customer satisfaction. Complaints are viewed as opportunities to improve the services provided and build closer relationships with the Customers. The Bank has implemented an action plan aimed at ensuring the continuous improvement of processes with impact on the business or Customers.

ENVIRONMENT

Performance in sustainability and a strong commitment to socially and environmentally responsible development outline a path that safeguards the resilience of organisations and their ability to meet current needs in a sustainable manner, without compromising the welfare of future generations. The accelerated depletion of natural resources, the degradation of natural ecosystems and biodiversity, greenhouse gas emissions, and other examples that stress the need for all citizens and companies to reduce environmental impact, stand at the base of Banco Montepio's responsibility mission. Because it is our nature to respect, protect and preserve all that is essential to life, and to human life, with dignity.

In this sense, Banco Montepio fosters the continuous improvement of work processes and methods, in order to inventory, reduce and manage its environmental footprint, and participate actively in the creation of value for society and its Employees.

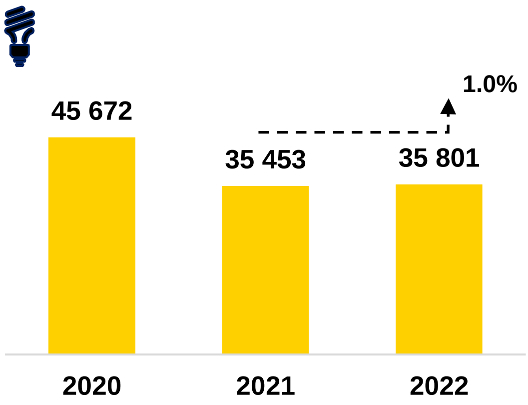
Several initiatives were developed in 2022 with a view to reducing the environmental footprint, decreasing paper consumption, replacing single-use materials with sustainable alternatives, and reducing and ensuring the adequate management of waste. Old ATMs were also replaced with more modern machines holding RoHS (Restriction of Certain Hazardous Substances) certification.

Banco Montepio started the renewal of its vehicle fleet, having replaced combustion engine vehicles with hybrid and electric vehicles, which led to a decrease in the consumption of fossil fuels and CO2 emissions. However, the international conjuncture and the unavailability of electronic components forced a slowdown in the efforts undertaken to meet the target proposed.

Electricity, water and fuel consumption returned to normal levels as the effect of the pandemic decreased gradually over 2022.

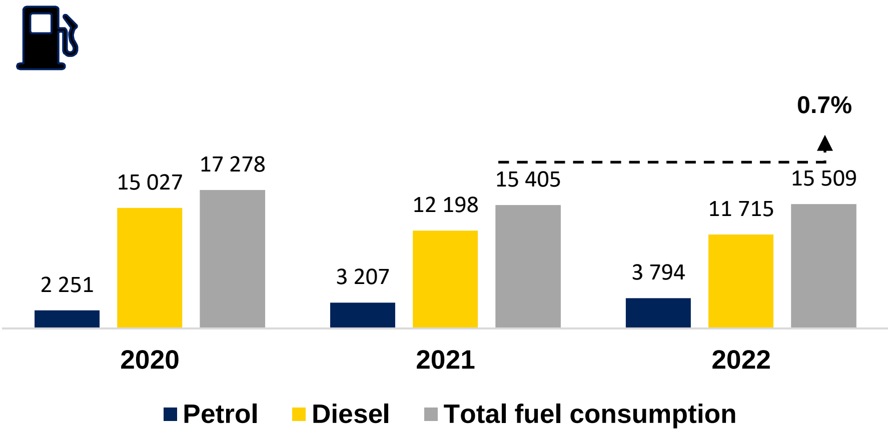
Owing to the reduction in electricity consumption witnessed in 2021, brought about by branch closure and hybrid work, as part of the Bank's Employees continued to work partly from home, electricity consumption levels remained virtually unchanged.

Electricity consumption (GJ)

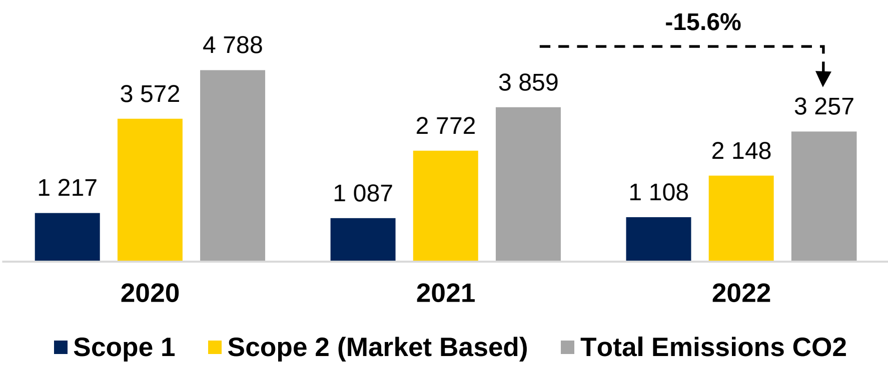


In 2022, the international conjuncture and the unavailability of electronic components hindered the replacement of existing vehicles with electric/hybrid vehicles, which consequently compromised the expected reduction in fuel consumption. The return of Employees to the workplace, albeit partial, contributed to an increase in fuel consumption (+0.7%).

Fuel Consumption (GJ)



CO_2 Emissions (TcO_2)



In 2022, electricity and fuel consumption, as well as Scope 1 carbon dioxide (CO2) emissions, remained close to 2021 levels, whereas the 15.6% reduction in total emissions (Scope 1 and 2) resulted from the efforts of the Bank's electricity supplier to increase the percentage of electricity generated from renewable sources, which lowered the emissions associated with the electricity consumed by the institution.

Only emissions derived from fuel consumption were considered in the calculation of Scope 1 emissions.

Conversion factors			
Energy	**Unit**	**Factor**	**Source**
Electricity	GJ/KWh	0.0036	International Energy Agency – Basic Conversions
Diesel	Density (kg/l)	0.84	APA (2022) National Inventory Report 2022 Portugal
	PCI (GJ/t)	42.7	APA (2022) National Inventory Report 2022 Portugal
Petrol	Density (kg/l)	0.75	APA (2022) National Inventory Report 2022 Portugal
	PCI (GJ/t)	43.8	APA (2022) National Inventory Report 2022 Portugal

Emission factors			
Energy	Unit	Factor	Source
Electricity	(kg CO2/GJ)	60.00	EDP Comercial Empresas - Electric Energy Labelling
Diesel	(kg CO2/GJ)	70.52	APA (2022) National Inventory Report 2022 Portugal
Petrol	(kg CO2/GJ)	71.91	APA (2022) National Inventory Report 2022 Portugal

A questionnaire on commuting (Home-Work-Home) was conducted within the Montepio Group. Several professional categories were included, of which Directors, managers, and administrative and technical staff were the most relevant.

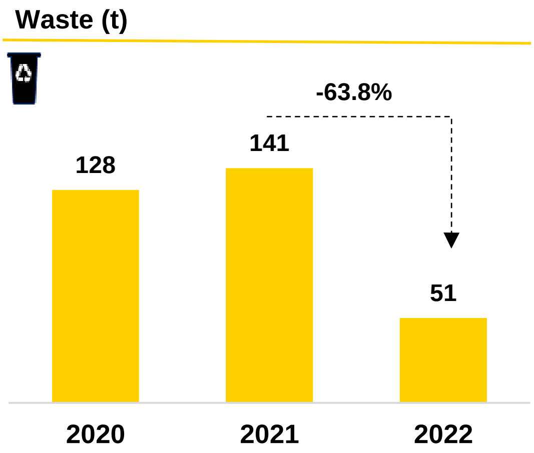
The response rate by Banco Montepio Employees was 31%. The results revealed that vehicles are the means of transport most commonly used by Employees traveling to/from the Bank, followed by public transport.

The actual number of employees and days worked, extrapolated until the end of 2022, were used to calculate GHG Emissions associated with Commuting.

Scope 3 Emissions (TCO2e)	
Commuting	4,639

Regarding paper consumption, the measures in progress concerning the dematerialisation of processes and the increased use of digital banking by the Customers, initiated in 2021, led to a year-on-year reduction of 28.1%, representing a saving of 46 tonnes of paper in 2022.

The majority of the waste produced by Banco Montepio is classified as "Non-hazardous" with its final destination being recovery. Within this group, confidential paper, toners and aseptic containers are collected.



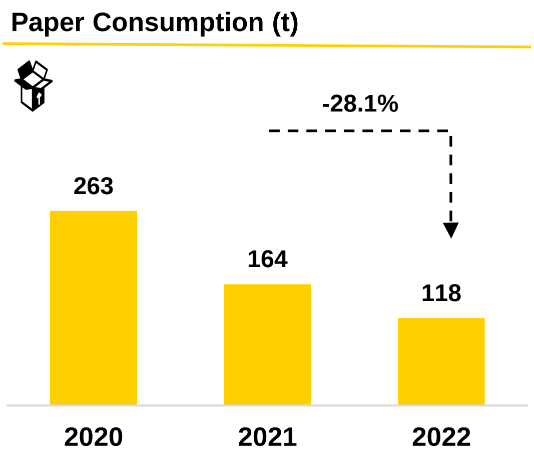
Waste collection decreased in 2022, in line with decreased paper consumption, reflecting the normal waste production associated with the activity of Banco Montepio. The decrease in collected paper totalled 90 tonnes in 2022, compared with 2021, which is equivalent to a variation of -63.8%. This variation is explained by the branch closure programme (particularly in 2020 and 2021), as well as the reorganisation of the Archive, at the end of 2020 and the first quarter of 2021, whereby a large amount of confidential paper was sent to treatment.

OUR PERFORMANCE

The Subsidiaries of the Banco Montepio Group, which are keenly aware of environmental impacts on the planet, present information on the following indicators:

- Total paper consumption, in tonnes;
- Total electricity consumption inside the institution (including heating, refrigeration and steam), in kilowatts;
- Total fuel consumption, in litres;

Without prejudice to the continuous improvement that Banco Montepio aims to implement, this non-financial statement presents the most materially relevant information for Banco Montepio's subsidiaries:



Total Consumption: Domestic activity

		Banco Montepio			Montepio Crédito			BEM		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
Paper	(ton)	263	164	118	5	2	4	0	0	2
Electricity	(kwh)	12 686 542	9 848 010	9 944 846	113 732	114 874	112 267	57 665	168 726	190 255
Fuel	(litres)	489 863	439 607	442 195	60 844	41 100	59 732	8 740	7 252	7 761

Total Consumption: International activity

		Finibanco Angola		
		2020	2021	2022
Paper	(ton)	7	7	13
Electricity	(kwh)	954 710	1 070 123	988 556
Fuel	(litres)	110 083	89 524	113 148

Dematerialisation Project

In 2022, Banco Montepio continued to develop initiatives aimed at increasing energy and resource efficiency, which simultaneously drive and represent a reduction in costs and impact on the environment.

In this sense, the Bank continued the Communication and Process Dematerialisation Project, primarily aimed at improving the service provided to the Customers and eliminating the need to use paper, by reducing consumption of paper, printing and archive consumables. Reference is made to the following points in 2022:

Communication and Process Dematerialisation Project	
Initiatives	• Promotion of the dematerialisation of treasury operations; • Extension of dematerialisation to new processes/transactions: • Fund Account Opening and Fund Subscription Instructions; • Debit Card Requests/Changes; • Prepaid Card Requests; • Menu/Meal Card Requests.
Objectives	• Dematerialisation of processes, with the elimination of printing and paper circulation; • Improvement of the Customer's journey and experience; • Streamlining of procedural handling, contributing towards the improvement of the service provided and cost reduction; • Reduction of the environmental footprint; • Monitoring of best market trends, to meet the Customers' expectations. • Positioning of the Banco Montepio brand with an image of modernity and innovation;
Results	• Reduction in paper consumption: approximately 1.3 million sheets of paper/printouts not consumed in 2022, due to the dematerialisation of the processes of account opening and maintenance of Customer data/sight account, representing a 2-fold increase in paper savings in relation to 2021. The implementation of this process has eliminated the consumption of 2.3 million sheets of paper/printouts since 2020. • Reduction in the consumption of about 3.3 million paper sheets, representing a 7% increase in the saving of these physical formats in relation to 2021. Savings (reduced consumption) in paper sheets since 2020 already total 8.8 million. • Reduction of the consumption of consumables linked to the generation of documents in paper format (printer toners, archive folders, among others).

OUR POLICIES

In 2022, Banco Montepio continued to pursue its purpose of contributing, in an unequivocal manner, to ensuring environmental sustainability and the preservation of biodiversity, by managing its impacts and continuing to interact with the supply chain based on sustainability principles.

In this sense, the Bank initiated the assessment and qualification of suppliers, as well as their activities and responsibilities. In this sense, the Bank seeks to ensure that relationships with business partners, namely its partners in the supply chain, are underpinned by principles that drive sustainable development, environmental and social responsibility and good applied practices, enforcing the commitment to an ethical service based on respect for Human Rights, environmental responsibility, quality and safety, and where the challenges associated with ESG matters are considered.

Moreover, within the scope of the commitments undertaken, namely to ensuring compliance with the Fundamental Principles and Rights at Work of the International Labour Organisation (ILO), the United Nations Global Compact (UN Global Compact), the 2030 Agenda and the 17 Sustainable Development Goals (SDGs), as well as full respect for the Universal Declaration of Human Rights, Banco Montepio defined the Manual of Good Practices and Quality for Suppliers, which includes the principles of action valued in the contracting of the services of third parties and subsequent management of existing partnerships.

The preparation of the Manual constitutes thus an important instrument in the definition of the procedures, quality and delivery requirements necessary to ensuring and maintaining a successful professional, social and environmentally responsible relationship between Banco Montepio and its supply chain, particularly the following:

- Ensuring compliance with all relevant environmental legislation;
- Assessing the potential impact of any risks that may lead to business disruption and taking actions aimed at their mitigation, where/when feasible;
- Ensuring corporate social responsibility and applied ethical standards;
- Ensuring compliance with relevant, valid legal requirements, with respect to social protection and safety at work;
- Adopting and communicating good governance practices;
- Adopting measures aimed at improving the value of the products or services provided to Banco Montepio.

Banco Montepio recognises and values the commitment of its suppliers to qualification, evolution and the continuous improvement associated with the adequate management systems and social, environmental, economic and financial responsibility of its partner companies in the supply chain.

OUR PARTNERSHIPS

Banco Montepio seeks to take the aspirations of others further by promoting projects, ambitions and initiatives that make a difference in society and in the building of a more sustainable and inclusive future. Partnerships in 2022 are shown in the following table:

Area	Partner	Who they are
Entrepreneurship	<Academia de Código_>	Portuguese start-up, founded in 2015, whose mission is to help the unemployed enter the labour market.
Microcredit and Entrepreneurship	Acredita Incubação	Incubation project that integrates two spaces, one in the area of creative industries and the other directed towards technological entrepreneurship and the Social Economy. These spaces are boosted by the non-profit association Acredita Portugal.
Microcredit	ACM - Alto Comissariado para as Migrações (High Commissioner for Migration)	Public institution that intervenes in the implementation of public policies concerning migration. The ACM (High Commission for Migration) seeks to view the world in a creative way in order to meet the growing needs of the different migrant profiles and their integration.
Microcredit	Amadora Inova	A public institution held entirely by Câmara Municipal da Amadora (Amadora City Council), that supports entrepreneurs and tradespersons in the municipality of Amadora.
Social Economy	Aposta nas Pessoas	Works with NGOs and the Social Sector in the analysis and improvement of organisational processes, creation and implementation of specialised social responses, creation of social business generating value, creation and implementation of national and transnational social intervention projects, quality certification, training and investment projects under P2020, PARES 3.0 and FIS.
Microcredit	ACB - Associação Comercial de Braga (Braga Commercial Association)	This association aggregates and represents all the economic activity sectors of the region of Braga. The mission of ACB is to defend the interests of its members and foster business development.
Microcredit	AERLIS - Associação Empresarial da Região de Lisboa (Lisbon Regional Business Association)	This non-profit association acts in six key areas: representation of the interests of its members, information, internationalisation, vocational training, support service for Companies and regional development.
Social Economy	4Change	A social impact catalyst that operates through consulting and project development, 4Change seeks to support the social sector in creating and managing transformational projects. Aimed at creating more social impact, the FIS is an instrument that is available for Social Economy Entities and entrepreneurs to leverage innovation and social impact.
Microcredit	AEBA - Associação Empresarial do Baixo Ave (Baixo Ave Business Association)	A private non-profit association aimed at creating a structure able to support and represent the Companies and entrepreneurs of all sectors of activity, from the region named Baixo Ave.
Microcredit	AEFAFE - Associação Empresarial de Fafe, Cabeceiras de Basto e Celorico de Basto (Business Association of Fafe, Cabeceiras de Basto and Celorico de Basto)	This association was created in 1920 by a group of local entrepreneurs, recognised by various regional, national and associative bodies for their information, training, disclosure and awareness-raising actions.
Microcredit	AEP - Associação Empresarial Penafiel (Penafiel Business Association)	A centenary entity of unlimited duration and non-profit making which acts in the representation and the defence of business activity and economic agents, with a view to their technical, economic and social progress.
Microcredit	AESintra - Associação Empresarial de Sintra (Sintra Business Association)	The mission of this business association is to study and defend the interests of trade, industry and services so as to promote and place in practice as much as it can and should to contribute to their technical, economic and/or social progress.
Microcredit	ANJE - Associação Nacional de Jovens Empresários (National Association of Young Entrepreneurs)	An association under private law and public utility, pioneer in the promotion of youth entrepreneurship in Portugal. Over the last few years, this association has been notable in encouraging the adoption of business models based on innovation, research and development.
Sustainability	APEE - Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics)	Founded in November 2002, the APEE aims to promote the development of ethics in organisations, with full integration in their management practices and, consequently, in their surroundings.

Entrepreneurship	Associação Rede do Progresso (Progresso Network Association)	A non-profit organisation aimed at promoting social welfare and the development of entrepreneurship and social action.
Microcredit	B2A – Business Advisors Association	This was the first national association formed by organisational consultants. The B2B members have strong experience of intervention in Companies and are specialised in SME and social sector organisations.
Entrepreneurship	Banco Montepio Acredita Portugal	Promoted by Acredita Portugal in partnership with Banco Montepio, the largest entrepreneurship competition of Portugal aims to be a space for entrepreneurial capacity-building, that enables generating new ideas, structuring ideas into projects, testing concepts, drawing up business plans and presenting projects to investors.
Microcredit	Beira Serra - Associação de Desenvolvimento (Beira Serra Development Association)	This non-profit organisation aims to promote the development and social, economic, cultural and environmental cohesion of its territory. Its geographical area of intervention has been inscribed in the sub-region of Cova da Beira: municipalities of Belmonte, Covilhã and Fundão.
Entrepreneurship	Casa do Impacto (Impact House)	A social entrepreneurship project of the Santa Casa da Misericórdia de Lisboa, whose main mission is to contribute to the development of projects with impact and innovative solutions that could contribute to the building of a more sustainable society.
Entrepreneurship	Centro de Inovação Social (Social Innovation Centre)	This centre supports entrepreneurs and other regional players who want to test, develop or consolidate innovative projects and initiatives, with sustainable business models, with potential scalability, focused on social impact that contribute to resolve social problems in zones of low population density.
Microcredit	Centro Empresarial INOVAGAIA (INOVAGAIA Business Centre)	A reference institution in fostering entrepreneurship and supporting the economic fabric of Vila Nova de Gaia. It supports applications for entrepreneurs, providing them with an ideal environment to accomplish their projects.
Microcredit	Consortium between Universidade da Beira Interior (UBI) and Universidade of Coimbra (UC)	The consortium between Universidade da Beira Interior (UBI) and Universidade de Coimbra (UC), under "The Role of Microcredit in Promoting Financial and Social Inclusion" project, is funded by the Fundação para a Ciência e a Tecnologia (FCT) (Science and Technology Foundation). The Consortium is not conducting a study on the impact of microcredit in Portugal, but also works to foster interdisciplinarity between the academic areas and cooperation between academia and society, envisaging social impact and innovation.
Microcredit	DNA Cascais	The mission of this non-profit association is to contribute to the promotion, encouragement and development of entrepreneurship in general, with special incidence on the boosting of youth and social entrepreneurship in the municipality of Cascais.
Microcredit	DOLMEN - Desenvolvimento Local e Regional (DOLMEN - Local and Regional Development)	The local management entity of sub-programme 3 of the ProDeR for the Douro Verde territory. Its mission is to promote the development of the region from an integrated perspective, enhancing the value of its endogenous natural, cultural and human resources, based on the preservation of their values.
Social Economy	EPIS - Empresários Pela Inclusão Social (EPIS - Entrepreneurs for Social Inclusion)	Created in 2006, EPIS is as association that selected Education as the way to accomplish its primary mission of promoting social inclusion in Portugal.
Microcredit	FISOOT - Formação, Integração Social e Ofertas de Oportunidades de Trabalho (Training, Social Integration and Job Offers)	This is a social solidarity cooperative that aims to implement activities and projects directed at promoting rights, equal opportunities and gender equality, and at preventing and combating violence and the trafficking of human beings.
Microcredit and Entrepreneurship	IISBA - Incubadora de Inovação Social do Baixo Alentejo (Social Innovation Incubator of Baixo Alentejo)	A centenary entity of unlimited duration and non-profit making which acts in the representation and the defence of business activity and economic agents, with a view to their technical, economic and social progress.
Microcredit and Entrepreneurship	IRIS - Incubadora Regional de Impacto Social (Social Impact Regional Incubator)	This entity aims to capture ideas and projects, and support the creation, development and acceleration of social innovation and social entrepreneurship initiatives, promoted by the European Investment Bank Institute and by the Associação do Parque de Ciência e Tecnologia do Porto (Porto Association of Science and Technology Park).

Entrepreneurship	JAP - Junior Achievement Portugal	A non-profit organisation, the Portuguese counterpart of the Junior Achievement, that implements education programmes for entrepreneurship in Portugal of this worldwide non-governmental organisation.
Social Economy	Liga-te (Connect)	A youth network for intervention and combat of Covid-19, launched by the FNAJ (National Federation of Youth Associations), which operates through a contact platform of young people and youth associations and a network of support against loneliness and social isolation among young people.
Microcredit	Lions Clube de Coimbra (Coimbra Lions Club)	Part of Lions Clubs International, the world's largest organisation of service clubs, with over 1.4 million members in approximately 46,000 clubs located in more than 200 countries and geographic areas.
Social Economy and Microcredit	NERSANT - Associação Empresarial da Região de Santarém (Santarém Regional Business Association)	One of the most dynamic associations in the country, which currently has more than 2,600 member Companies in its associative structure. Its mission is to promote the entrepreneurial capacity of the district of Santarém.
Microcredit	Novos Percursos	A non-profit organisation that operates in the area of social solidarity and the provision of services. The mission of Novos Percursos is to support microenterprises and assist people, promoting their (re)insertion in the labour market through the creation of their own job or small business.
Microcredit	Penha Empreende	A programme of the Junta de Freguesia da Penha de França (Parish Council of Penha de França) that seeks to boost entrepreneurship in the parish. The main goal of Penha Empreende is to stimulate the local economy, job-creation and modernisation of the existing Companies.
Microcredit	Querer Ser - Associação para o Desenvolvimento Social (Association for Social Development)	A non-profit association whose mission is to intervene in the social area, through solutions and services that meet the needs of the people of the community in which it is placed throughout their life, promoting their wellbeing and quality of life.
Microcredit	RedOeiras+	A consortium of Companies, associations, education establishments, cooperatives and solidarity institutions. Its mission is to boost the local socioeconomic development, as a partnership that is qualified, committed and with integrated action in the promotion of employability and fostering of entrepreneurship.
Microcredit	Sol do Ave - Associação para o desenvolvimento integrado do Vale do Ave (Association for the integrated development of Vale do Ave)	An association that contributes to promote the integrated development of Vale do Ave, adopting networked work practices and relations of proximity, encouraging initiatives that are more innovative, inclusive and strengthen territorial cohesion.
Microcredit	Talentus – Associação Nacional de Formadores e Técnicos de Formação (National Association of Trainers and Training Technicians)	Created in 1996, Talentus is the main associative entity representing training professionals in Portugal, directing its entire activity to supporting the development and professional qualification of the players in the vocational training system.
Social Economy	Turnaround	A consulting and training company, with a national territorial scope, dedicated to the creation of value in the social sector. Turnaround Social seeks to design solutions adapted to each problem and create integrated projects, developing projects directed towards sustainability, innovation and the social impact of the institutions, such as the "Linha de Crédito Fundo para a Inovação Social (FIS)" (Social Innovation Fund Credit Line) and the "Programa de Alargamento da Rede de Equipamentos Sociais (PARES)" (Social Equipment Network Expansion Programme).
Social Economy	ValeConsultores	Social consultant focused on the development of new strategies for the social sector, driven towards producing significant improvements in the functioning of structures and in the provision of services. ValeConsultores aims to assist social economy institutions and local authorities in the most diverse situations, and through provision of the FIS and PARES.

OUR PROTOCOLS

Banco Montepio continued the existing commercial protocols with institutions that make a difference in society, seeking to contribute in a positive form to their activity. The following table shows the **11** existing protocols with representative structures of the Social and Solidarity Economy:

Partner	Who they are
Casa do Professor	Casa do Professor is the oldest social solidarity association in the country, created for the purpose of supporting teachers of all educational levels, by promoting initiatives of social, scientific, training, cultural and recreational nature.
Confederação Nacional das Instituições de Solidariedade (CNIS)	The CNIS (National Confederation of Solidarity Institutions) is the confederated organisation of IPSS (Private Social Solidarity Institutions), of national scope and non-profit making. The mission of this entity of associative nature is to be at the service of populations that are in situations of greater social fragility.
Confederação Portuguesa das Colectividades de Cultura, Recreio e Desporto (CPCCRD)	The CPCCRD (Portuguese Confederation of Cultural, Recreational and Sports Collectivities) represents the cultural, recreational and sports collectivities or other associations, and is composed of an unlimited number of collectivities or other associations engaged in cultural, recreational, sports and social activities.
Diocese do Algarve	The Diocese of the Algarve was successively suffragan of Mérida, São Tiago de Compostela, Braga, Seville, Lisbon and lastly Évora. Its territory corresponds to that of the district of Faro, with a population of around 400,000 habitual residents and a notable rise in the high season of tourism.
Diocese do Porto	The Diocese of Porto, located in the North of Portugal along the Atlantic coast, covers 26 municipalities, 17 of which belong to the district of Porto, 8 to the district of Aveiro and 1 to the district of Braga. It has 4 pastoral regions, 22 vicariates and 477 parishes. The Diocese population is around 2,000,000 inhabitants.
Federação Nacional das Associações Juvenis (FNAJ)	The FNAJ (National Federation of Youth Associations) has a determining political representation, defending and promoting the interests of youth associativism before the public powers, through critical and active participation.
Federação Nacional de Cooperativas de Solidariedade Social (Fenacerci)	FENACERCI (National Federation of Social Solidarity Cooperatives), the representative body of the cooperatives of this sector, aims to structure appropriate solutions for the development of intellectually disabled persons, in addition to supporting and promoting their inclusion in society.
Federação Nacional do Voluntariado em Saúde (FNVS)	The FNVS (National Federation of Voluntary Health Action) acts in the area of volunteering in health, developing and expanding its social support base concerning this type of voluntary action and the improvement of the services provided to the beneficiaries. At the same time, it also incorporates, represents, promotes the values, preserves the identity and defends the interests of organisations operating in this sphere.
Liga dos Bombeiros Portugueses	Founded in 1930, the Liga dos Bombeiros Portugueses (League of Portuguese Fire-Fighters) is the Confederation of Fire-Fighter Associations and Brigades of any nature, voluntary or professional, that, being legally established and effectively active, observe the requirements of the general law and statutes of the Liga dos Bombeiros Portugueses, and propose to accomplish the ends stipulated therein.
Rede de Universidades da Terceira Idade (RUTIS) (Senior Citizen University Network)	RUTIS is a Private Social Solidarity Institution of public utility that supports the community and senior citizens. It currently has 305 Senior Citizen Universities (UTIs) as members, 45,000 senior students and 5,000 voluntary teachers in the senior citizen universities.
União das Misericórdias Portuguesas (UMP)	The UMP (Union of the Portuguese Misericórdias) was created in 1976 to guide, coordinate, drive and represent the Santas Casas de Misericórdia, defending their interests and organising services of common interest.

2022 PERFORMANCE

ESG Factors – Environmental – Social – Governance

Action	KPI	Goal 2022	Result 2022	Current Situation [%]
Bringing Banco Montepio's brand positioning closer to the topic of sustainability	**Measuring the effectiveness of communication of Sustainability issues through the Brand Score Study**	Increasing the Brand's visibility in the area of Sustainability, before customers and non-customers	In 2022, the percentage of banking service users who associated Banco Montepio with Sustainability and Social Responsibility actions increased from 9% (in 2021) to 19%.	100%
	Communication campaign	1	Development of an internal communication campaign and an external teaser.	75%
	Submission of an application to a Sustainability Award	1	Application submitted and successful. Banco Montepio won the Five Star Award in the Banking - Sustainability category.	100%
Promoting the participation of Banco Montepio in initiatives related to the area of sustainability and ESG factors	**Number of initiatives in which the Bank participated [#]**	1	1	100%
Standardising knowledge of sustainability on the internal level (talks, training, etc.)	**Courses provided [#]**	1	2	> 100%
	Number of training hours per Employee involved	25h	25h	100%
Assessment of the organisation's general knowledge of Sustainability issues	**Creation of an internal questionnaire aimed at Employees**	1	N.A.	0%
Development of a commitment model for suppliers	**Development of a commitment model for suppliers through a good practice statement/manual**	Starting the Supplier Qualification process, which includes this topic	Statement of commitment and good practices by the Montepio Group Suppliers completed	75%
Supplier sustainability classification (supply chain), including integration into the supplier risk assessment model and sustainability assessment for each purchase	**Sustainability classification of new suppliers (supply chain)**	Starting the Supplier Qualification process, which includes this topic (and derives from the previous action)	Start of the Supplier Qualification process, which includes Supplier risk and sustainability assessment	25%
Customer cataloguing according to sustainability criteria and development of DBE pilot scoring	**Development of pilot scoring**	100%	0	0%

Development of Customer analysis skills and rules, from a sustainability perspective	**Development of Customer analysis skills and rules, from a sustainability perspective, such as to allow the following, based on the scoring developed and integration of the Guidelines on Loan Origination and Monitoring (together with implementation in the credit policy): adjustments to the risk classification and the respective pricing; adjustments to the assessment of collaterals; due diligence process for customer sustainability; and eventual financing exclusions**	25%	0	0%
Identification of Stakeholders and adequate methods for consulting the various internal and external Stakeholders, such as to allow the development of the materiality matrix	**Identification of Stakeholders and adequate methods for consulting the various internal and external Stakeholders**	100%	Questionnaire closed	25%
Formalisation of risk goals for sustainability, integrated into the Risk Appetite Statement	**Identification of additional risk factors in the risk identification process, for the existing categories, and assessment of materiality**	100%	100%	100%
	Implementation of RAS metrics, at an early stage, without indication or definition of limits in the Risk Appetite Framework and the Risk Appetite Statement	100%	100%	100%

Environment

Action	KPI	Goal 2022	Result 2022	Current Situation [%]
Creation of a list of the specific regulations and processes that need to be altered in order to integrate sustainability issues	Creation of the list of regulations and processes	100%	Review of internal regulations with respect to ESG topics started	30%
Identification of the environmental footprint of real estate credit	Creation of a database of available energy efficiency certificates	1	0	0%
Improvement and expansion of ML for housing with energy certificates A+, A, B and credit for renovation works	Campaigns carried out [#]	1	1	100%
Formalisation and improvement of the structural offer, using specific credit lines (e.g., Credit Line for modular or prefabricated homes)	Number of lines created	1	1	100%
	New loans granted	N/A	No new credit was granted	N/A
Issuance of recycled and/or biodegradable plastic (material/raw material) cards	Issuance of plastic cards	85% of all cards issued	77%	91%
Dematerialisation of external communication	Customers adhering to the M24 [#]	550,000	569,169	> 100%
	Customers with digital documentation [#]	N.D.	90%	100%
	Products inducing use of the digital documentation service [#]	2	2	100%
	Digital transformation products and initiatives [#]	13	13	100%
Dematerialisation of internal communication	Publication of the price list in digital formats [#]	60	9	15%
	Dematerialisation of processes through the dematerialisation of treasury operations	75%	73%	97%
Production of information on climate issues under discussion at the European Banking Authority (EBA)	Production of information to support the communication of information on climate issues under discussion at the EBA	100%	In progress	25%
Implementation of the project for the separation of solid waste	Production of a report on the opportunities/viability of waste separation in branches	Production of a report on the opportunities/viability of waste separation in branches	Implementation feasibility report completed	100%
Distribution of filtered water equipment (connected to the public network) in the central buildings	Number of sites replaced	10 pantries	Approved for implementation in 2023	0%
Measures to reduce fuel consumption	% reduction in consumption vs 2019 (pre-pandemic period)	10%	Reduction of 37%	> 100%

Measures to reduce electricity consumption	**% reduction in consumption vs 2019 (pre-pandemic period)**	10%	Reduction of 26%	> 100%
Measures to reduce paper consumption	**% reduction in consumption**	25%	Reduction of 39%	> 100%
Use of 100% renewable energy sources	**Production of an opportunity report for the transformation of the energy consumed into renewable energy**	100%	For contractual reasons, no measures were implemented to modify the existing contract. However, Banco Montepio is conducting a study on the implementation of renewable energies (solar panels) in the Bank's buildings.	0%
Replacement of single-use materials with sustainable alternatives (elimination of paper coffee cups through the delivery of a cup to each Employee)	**Number of departments covered**	4	4	100%
Replacement of heating, ventilation and air conditioning (HVAC) equipment (with R22 refrigerating gas) with more efficient equipment using less aggressive gases for the environment (R410a and R32)	**Number of items of equipment replaced at the branches**	10	12	> 100%
Replacement of ATMs with more modern machines holding Restriction of Certain Hazardous Substances (RoHS) certification	**Number of machines replaced**	95	95	100%
Maintain the plan to replace the motor vehicle fleet	**Replace combustion vehicles with plug-in, hybrid and 100% electric vehicles**	90% plug-in vehicles 100% electric vehicles	38%	42%
Implementation of the analysis of current purchases/materials used by Banco Montepio, in order to assess the possible integration of sustainable solutions/elimination of particularly harmful purchases	**Negotiations aligned with the various initiatives of the internal areas**	Maintaining focus on the inclusion of sustainability criteria, whenever feasible	*In effect*	100%

Social

Action	KPI	Goal 2022	Result 2022	Current Situation [%]
Launch of products for individuals where part of the remuneration is used to fund the social sector or crown funding initiatives, according to the Banco Montepio programme	Number of products available	2	1	50%
Formalisation of risk goals for sustainability, integrated into the Risk Appetite Statement	Different rating target for credit to social sector institutions	100%	This indicator was defined and monitored with respect to RAS.	75%
Support to and investment in entities and projects linked to innovation and social entrepreneurship	Support to entities and projects in the area of innovation and social entrepreneurship [#]	15	10	67%
	Investment in innovation and social Entrepreneurship projects [€]	€118,445.84	€93,845.84	79%
Support to Social and Solidarity Economy projects and initiatives	Number of institutions or projects supported [#]	130	256	> 100%
	Support to Social and Solidarity Economy projects and initiatives [€]	€280,000.00	€525,016.62	> 100%
Microcredit financing and support to own job creation	Microcredit projects supported [#]	60	42	70%
	Value of microcredit granted [€]	€900,000.00	€591,360.00	66%
	Jobs created - microcredit [#]	70	48	69%
Expansion of penetration in the Social Economy market and clear differentiation of banking and insurance products for this area	Social and Solidarity Economy Customers [% penetration]	12%	11%	95%
	New loans granted	€100,000,000.00	€117,316,266.00	100%
Visibility of Social Economy entities	Number of E-Social Facebook followers	8,500	8,172	96%
	Number of E-Social Instagram followers	1,750	1,708	98%
Protocols and partnerships	Protocols and partnerships with entities promoting innovation and social entrepreneurship [#]	35	29	83%
	Protocols and partnerships with entities promoting the Social and Solidarity Economy [#]	12	11	92%
Guarantee integrated management of human capital	Wellness activities or initiatives (webinars and face-to-face sessions)	40	42	> 100%
	Ergonomic equipment provided to the Employees	Response to the number of equipment items requested, on duly justified grounds	17	100%
	Psychosocial support	100%	100% (of the support requested)	100%

	Anti-flu vaccination campaign	90%	592 (vaccinated Employees)	96%
	Conduction of talent attraction programmes (Trainees, *Summer*, among others)	2	2 Trainee Programmes; 1 Summer Internship Programme; Other Internships (6); 3 brand promotion initiatives with Universities/Schools	100%
	Participation rate in performance assessment	99%	99%	100%
	Number of training hours per Employee	40h	46h	115%
	Number of participations in Employee engagement initiatives (E-Coffee, Breakfast, Lunch with the Board, Ideas Pool, Academy and Erasmus)	286	673	235%
Implementation and control of Equality, Diversity and Inclusiveness metrics for Banco Montepio Employees	**Employees aged 30 years or less [%]**	> 4%	3.34%	88%
	Integration of Employees with disabilities [%]	2.30%	2.11%	92%
	Number of women performing functions [#]	1,518	1,496	99%
	% of women performing functions	> 49%	49%	100%
	Women in Executive Management positions and 1st Line Managers [%]	> 40%	38%	94%
	Wage gap between female and male Employees [%]	6%	5%	117%
	Number of participations in initiatives related to the Gender Equality Plan of Banco Montepio [#]	160	142	89%
	Encouragement of internal communication (M Talks, Internal Newsletters and M Meetings)	60	52	87%

Governance

Action	KPI	Goal 2022	Result 2022	Current Situation [%]
Association with an international reference entity in the sustainability area	**Align financial sector activity with the SDGs and the Paris agreement on climate change**	Official endorsement of the UN Global Compact as a participant in its principles	100%	100%
Assessment of the inclusion of Sustainability issues in the Bank's Vision, Mission and Values	**Inclusion of sustainability issues in the Bank's mission and vision**	100%	100%	100%
Development of a governance model for sustainability	**Development of a governance model to sustainability (including integration into the organic model)**	100%	In December 2022, the BD approved the establishment of the Sustainability Office and the COMSESG Committee, which define the management model for sustainability in Banco Montepio the Banco Montepio Group. Additionally, these matters are also monitored by CANESG, a non-executive body.	100%
Endorsement of the Women's Empowerment Principles (WEPs)	**Align the activity report on gender equality with the 4 WEPs**	100%	100%	100%

TABLE OF CORRESPONDENCE WITH DECREE-LAW 89/2017

Requirement	Response	
Corporate Model **DL 89/2017 - Article 3 (referring to Article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a(1)(a)**		**Page**
Corporate model of the company	The Banco Montepio Group – Group structure	27
	Business Segments	41
	Activity by Segments	58
	Subsidiaries and International Activity	59
	Sustainable finance	113
	Responsible business	122
Diversity in governing bodies **DL 89/2017 - Article 4 (referring to Article 245(1)(r) and (2) of the Securities Code (CVM)) - Directive 2014/95/EU - Article 20(1)(g)**		
Diversity policy applied by the company to its management and supervisory bodies	Internal/external inclusion and respect for diversity and universal design – diversity in the governing bodies	132
Environmental issues **DL 89/2017 - Article 3(2) (referring to Article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article (1) (a-e)**		
Specific policies related to environmental issues	Value creation for society – our policies	147
Results of the application of the policies	Value creation for society – environment	141
Main associated risks and the way in which those risks are managed	Risk – risk management	93
	Responsible business – risk management	125
Key performance indicators	Value creation for society – environment – consumption	141
	Value creation for society – our performance	145
	Performance of 2022 – ESG Factors – Environmental – Social – Governance	152
Social and employee-related issues **DL 89/2017 - Article 3(2) (referring to Article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a(1)(a-e)**		
Specific policies related to social and employee-related issues	Integrated human capital management – integrated employee well-being	130
	Integrated human capital management – internal communication and engagement of the organisation	128
Results of the application of the policies	The Banco Montepio Group – people	34
	Integrated human capital management – professional development and training	130
	Integrated human capital management – benefits for employees	131
	Value creation for society – volunteering	134
	Value creation for society – school and educational community	136
Main associated risks and the way in which those risks are managed	Risk – risk management	93
	Responsible business – risk management	125
Key performance indicators	The Banco Montepio Group – people – tables with the evolution of the Employees	34
	The Banco Montepio Group – people – charts with the distribution of Banco Montepio employees	34
	The Banco Montepio Group – people – table with indicators on training	34
	Value creation for society – our performance	145
	Integrated human capital management – professional development and training	130
	Performance of 2022 – Social	156

Equality between men and women and non-discrimination Article 3(2) of DL 89/2017 (referring to 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)		
Specific policies related to issues of equality between men and women and non-discrimination	Internal/external inclusion and respect for diversity and universal design – diversity in the Employees	132
	Internal/external inclusion and respect for diversity and universal design – diversity and gender equality	132
Results of the application of the policies	Internal/external inclusion and respect for diversity and universal design –benefits for the Employees	131
	Value creation for society – human rights	136
Main associated risks and the way in which those risks are managed	Risk – risk management	93
	Responsible business – risk management	125
Key performance indicators	The Banco Montepio Group – people – charts with the distribution of Banco Montepio employees	35
	Integrated human capital management – management of potential and performance	130
Specific policies related to respect for human rights	Integrated human capital management – working conditions, health and safety	128
	Value creation for society – human rights	135
Results of the application of the policies	Integrated human capital management – internal communication and engagement of the organisation	128
Main associated risks and the way in which those risks are managed	Risk - risk management	93
	Responsible business – risk management	124
Key performance indicators	Integrated human capital management – professional development and training	130
Specific policies related to the fight against corruption and attempted bribery	Responsible business – our policies	127
Results of the application of the policies	Responsible business – fight against corruption and attempted bribery	126
Main associated risks and the way in which those risks are managed	Risk – risk management	93
	Responsible business – risk management	124
Key performance indicators	Integrated human capital management – professional development and training	130
	Performance of 2022 – Social	156


Banco Montepio

09 REGULATORY INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Consolidated Balance Sheet at 31 december 2022 and 2021

(Euro thousand)

	2022	2021
Assets		
Cash and deposits at central banks	1 383 802	2 967 996
Loans and deposits to credit institutions payable on demand	52 287	67 360
Other loans and advances to credit institutions	106 376	229 065
Loans and advances to customers	11 713 097	11 667 688
Financial assets held for trading	23 070	7 582
Financial assets at fair value through profit or loss	147 770	203 427
Financial assets at fair value through other comprehensive income	97 222	123 338
Hedging derivatives	-	5 411
Other financial assets at amortized cost	4 119 387	3 004 196
Investments in associated companies	4 390	3 952
Non-current assets held for sale	11	38 862
Non-current assets held for sale - discontinued operations	199 687	429
Investment properties	72 726	102 933
Other tangible assets	191 998	231 610
Intangible assets	47 551	40 150
Current tax assets	5 966	6 714
Deferred tax assets	413 604	459 871
Other assetss	527 307	552 576
Total Assets	19 106 251	19 713 160
Liabilities		
Deposits from central banks	2 889 991	2 902 003
Deposits from other credit institutions	341 623	555 412
Deposits from customers	13 115 366	12 786 886
Debt securities issued	606 651	1 617 125
Financial liabilities held for trading	17 697	7 470
Hedging derivatives	-	335
Non-current liabilities held for sale - discontinued operations	101 738	329
Provisions	30 752	34 133
Current tax liabilities	4 438	2 351
Other subordinated debt	217 029	217 265
Other liabilities	261 480	226 718
Total Liabilities	17 586 765	18 350 027
Shareholders' Equity		
Share capital	2 420 000	2 420 000
Legal reserve	193 266	193 266
Fair value reserves	4 065	9 267
Other reserves and Retained earnings	(1 143 081)	(1 278 873)
Consolidated net income for the year attributable to the Shareholder	33 794	6 570
Total Equity Attributable to Shareholders	1 508 044	1 350 230
Non-controlling Interests	11 442	12 903
Total Shareholders' Equity	1 519 486	1 363 133
Total Liabilities and Shareholders' Equity	19 106 251	19 713 160

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Banco Montepio

Consolidated Income Statement for the financial years of 2022 and 2021

(Euro thousand)

	2022	2021
		(restated)
Interest and similar income	300 852	294 846
Interest and similar expense	49 362	62 263
Net interest income	251 490	232 583
Dividends from equity instruments	977	1 801
Net fee and commission income	120 496	114 688
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(217)	(263)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	1 449	2 037
Net gains/(losses) arising from exchange differences	10 809	9 069
Net gains/(losses) arising from sale of other financial assets	33 280	29 778
Other operating income/(expense)	(48 227)	(22 008)
Total operating income	370 057	367 685
Staff costs	152 617	159 102
General and administrative expenses	59 740	61 251
Depreciation and amortization	34 006	34 056
Total operating cost	246 363	254 409
Impairment of loans and advances to customers and to credit institutions	13 371	51 404
Impairment of other financial assets	2 325	4 383
Impairment of other assets	24 881	31 014
Other provisions	3 920	(3 896)
Operating income	79 197	30 371
Share of profits/(losses) booked under the equity method	495	3
Profit/(loss) before income tax	79 692	30 374
Income Tax		
Current	(6 731)	(3 142)
Deferred	(28 859)	(21 797)
Profit/ (loss) after income tax from continuing operations	44 102	5 435
Profit/ (loss) from discontinued operations	(12 974)	2 260
Consolidated net income after income tax	31 128	7 695
Consolidated net income for the period attributable to the shareholders	33 794	6 570
Non-controlling Interests	(2 666)	1 125
Consolidated net profit / (loss) for the year	31 128	7 695
Earnings per share (in Euro)		
From continuing operations		
Basic	0.0182	0.0022
Diluted	0.0182	0.0022
From discontinued operations		
Basic	(0.0043)	0.0005
Diluted	(0.0043)	0.0005

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

APLICATION OF INDIVIDUAL RESULTS

Considering the recommendations of the supervisory and regulatory authorities, the legal and statutory provisions regarding the allocation of profits to the legal reserve and that in the financial year 2022 Caixa Económica Montepio Geral - caixa económica bancária, S.A. recorded a positive consolidated net income of €33,793. 886.31 and a positive individual net income of 35,670,417.42, the Board of Directors proposes that, under the terms of paragraph f) of no. 5 of article 66 and for the purposes of paragraph b) of no. 1 of article 376, both of the Companies Code, the net income of 35,670,417.42 euros determined in the individual balance sheet be applied as follows:

- to Legal Reserve reinforcement: 3,567,041.74 euros

- to Retained Earnings: 32,103,375.68 euros

BOARD OF DIRECTORS

Chairman	Manuel Ferreira Teixeira
Members	Clementina Maria Dâmaso de Jesus Silva Barroso
	Eugénio Luís Correia Martins Baptista
	Florbela dos Anjos Frescata Lima
	Maria Cândida de Carvalho Peixoto
	Maria Lúcia Ramos Bica
	Pedro Manuel Moreira Leitão
	Ângela Isabel Sancho Barros
	Helena Catarina Gomes Soares de Moura Costa Pina
	Isabel Cristina dos Santos Pereira da Silva
	Jorge Paulo Almeida e Silva Baião
	José Carlos Sequeira Mateus

Lisbon, 12 April 2023

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority published a set of guidelines – ESMA/2015/1415 – addressing the disclosure of information by entities, other than States, whose securities are admitted to trading on a regulated market and to which is required the disclosure of information as set out by the Transparency Directive 2004/109/EC of the European Parliament and of the Council.

These guidelines are mandatory for issuers as of 3 July 2016 and aim to promote transparency and clarify the usefulness of the indicators used by the issuers to measure their performance - Alternative Performance Measures (APM), contributing to improve the comparability, credibility and understanding of the APM presented.

This chapter serves the purpose of complying with ESMA guidelines on Alternative Performance Measures regarding 2022 financial information, with references to the various chapters of this Report.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

Definition	Sum of the items ‘Financial assets held for trading’, ‘Financial assets at fair value through other comprehensive income’, ‘Other financial assets at amortised cost’, and ‘Financial assets at fair value through profit or loss’.
Relevance	Assess the relative weight of this item from an assets’ structure perspective.
Reference to FSNO	Page 163 (notes 22, 23, 24, 26)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Financial assets held for trading	16 923	7 582	7 582	23 070
(b)	Financial assets at fair value through other comprehensive income	286 797	123 338	123 267	97 222
(c)	Other financial assets at amortised cost	2 362 616	3 004 196	2 967 981	4 119 387
(d)	Financial assets at fair value through profit or loss*	346 892	203 427	203 427	147 770
(e)	Securities portfolio and other financial assets* (a + b + c + d)	3 013 228	3 338 543	3 302 257	4 387 449
(f)	Total net assets	17 941006	19 713 160	19 713 160	19 106 251
	% Securities portfolio and other financial assets (e / f)	**16.8%**	**16.9%**	**16.8%**	**23.0%**

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

OTHER INVESTMENTS

Definition	Total assets excluding 'Cash and deposits at central banks and loans and advances to credit institutions', 'Loans to customers, 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets' structure perspective.
Reference to FSNO	Page 163 (notes 18, 19, 20, 21, 22, 23, 24, 26)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Total net assets	17 941 006	19 713 160	19 713 160	19 106 251
(b)	Cash and deposits at central banks and loans and advances to credit institutions	1 792 914	3 264 421	3 188 136	1 542 465
(c)	Net loans to customers	11 577 702	11 667 688	11 628 980	11 713 097
(d)	Financial assets held for trading	16 923	7 582	7 582	23 070
(e)	Financial assets at fair value through other comprehensive income	286 797	123 338	123 267	97 222
(f)	Other financial assets at amortised cost	2 362 616	3 004 196	2 967 981	4 119 387
(g)	Financial assets at fair value through profit or loss	346 892	203 427	203 427	147 770
(h)	Other investments (a - b - c - d - e - f - g)	1 557 162	1 442 508	1 593 787	1 463 240
	% of Other investments (h / a)	**8.7%**	**7.3%**	**8.1%**	**7.7%**

DEBT ISSUED

Definition	Sum of the balance sheet items 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FSNO	Page 163 (notes 37, 39)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Debt securities issued	1 299 188	1 617 125	1 617 125	606 651
(b)	Other subordinated debt	216 896	217 265	217 265	217 029
(c)	Debt issued (a + b)	1 516 084	1 834 390	1 834 390	823 680
(d)	Total liabilities	16 613 847	18 350 027	18 350 027	17 586 765
	% of Debt issued (c / d)	**9.1%**	**10.0%**	**10.0%**	**4.7%**

COMPLEMENTARY RESOURCES

Definition	Total liabilities excluding 'Central bank resources and OCI, 'Customer resources', 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item compared to Customer resources and Issued debt from a funding structure perspective.
Reference to FSNO	Page 163 (notes 34, 35, 36, 37, 39)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Total liabilities	16 613 847	18 350 027	18 350 027	17 586 765
(b)	Central bank resources and OCI	2 203 183	3 457 415	3 456 571	3 231 614
(c)	Customer resources	12 501 973	12 786 886	12 709 539	13 115 366
(d)	Debt securities issued	1 299 188	1 617 125	1 617 125	606 651
(e)	Other subordinated debt	216 896	217 265	217 265	217 029
(f)	Complementary resources (a - b - c - d - e)	392 607	271 336	349 527	416 105
	% of Complementary resources (f / a)	**2.4%**	**1.5%**	**1.9%**	**2.4%**

OFF-BALANCE SHEET RESOURCES

Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers resources. Excluding securities investment funds and real estate investment funds included in the Bank's own portfolio.
Relevance	Contribute to the analysis of the evolution of Total customers resources.
Reference to FSNO	(note 49)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Securities investment funds	158 724	175 839	175 839	180 913
(b)	Real estate investment funds	417 915	545 128	545 128	662 868
(c)	Pension funds	265 616	292 638	292 638	284 930
(d)	Capitalization Insurance	955	30 729	30 729	28 807
	Off-balance sheet resources (a + b + c + d)	**843 210**	**1 044 334**	**1 044 334**	**1 157 518**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME

Definition	Results arising from interest received on loans granted to customers and interest paid on customer resources.
Relevance	Assess the evolution of the banking activity of financial intermediation between granting loans and deposit taking.
Reference to FSNO	(note 2)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Interest received from loans to customers	267 459	254 724	250 095	258 588
(b)	Interest paid on customers' deposits	19 454	10 286	9 608	7 045
	Commercial net interest income (a - b)	**248 005**	**244 438**	**240 487**	**251 543**

OPERATING COSTS

Definition	Sum of staff costs, general and administrative expenses and depreciation and amortisations.
Relevance	Assess the evolution of the operating costs underlying the banking activity.
Reference to FSNO	Page 164 (notes 10, 11, 12)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Staff costs	189 255	164 154	159 102	152 617
(b)	General and administrative expenses	66 989	64 679	61251	59 740
(c)	Depreciation and amortisation	35 118	35 292	34 056	34 006
	Operating costs (a + b + c)	**291362**	**264 125**	**254 409**	**246 363**

RESULTS FROM THE COMMERCIAL ACTIVITY

Definition	Sum of the Commercial net interest income and Net fees and commissions, subtracted by the Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	Page 164 (notes 2, 4, 10, 11, 12)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Commercial net banking income	248 005	244 438	240 487	251543
(b)	Net commissions	115 311	116 336	114 688	120 496
(c)	Operating costs	291362	264 125	254 409	246 363
	Results from the commercial activity (a + b - c)	**71954**	**96 649**	**100 766**	**125 676**

RATIOS

LOAN-TO-DEPOSIT RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMER RESOURCES

Definition	Percentage of Net loans to customers funded by the total amount of On-balance sheet resources from customers.
Relevance	Assess the leverage degree of the banking activity through the relationship between Funds raised with customers and Loans granted to customers.
Reference to FSNO	Page 163 (notes 21, 36, 37)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Net loans to customers	11 577 702	11 667 688	11 628 980	11 713 097
(b)	Customer resources	12 501 973	12 786 886	12 709 539	13 115 366
(c)	Debt securities issued	1 299 188	1 617 125	1 617 125	606 651
	Net loans to customers / On-balance sheet customer resources (a / (b + c))	**83.9%**	**81.0%**	**81.2%**	**85.4%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Reference to FSNO	Page 164 (notes 5, 6,7,8, 9, 10, 11, 12)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Total operating income	393 744	379 044	367 685	370 057
(b)	Results from financial operations (i + ii + iii)	17 862	10 770	10 843	12 041
(i)	Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	(18 695)	(263)	(263)	(217)
(ii)	Net gains / (losses) from financial assets at fair value through other comprehensive income	23 693	2 037	2 037	1 449
(iii)	Net gains / (losses) from foreign exchange differences	12 864	8 996	9 069	10 809
(c)	Other income (i + ii)	14 725	6 634	7 770	(14 947)
(i)	Net gains / (losses) arising from the sale of other financial assets	43 020	29 778	29 778	33 280
(ii)	Other operating income / (expenses)	(28 295)	(23 144)	(22 008)	(48 227)
(d)	Operating costs, excluding specific impacts [1)]	261 862	249 439	239 723	235 825
	Cost-to-Income, excluding specific impacts ((d) / (a - b - c))	**72.5%**	**69.0%**	**68.7%**	**63.2%**

1) Excluding the amount related to Personnel Costs and General administrative expenses generated by the operational adjustment measures, of €29.5M in 2020, €14.7M in 2021 and €0.5M in 2022.

COST OF CREDIT RISK

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairment in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FSNO	(notes 13, 21)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Impairment of loans and advances to customers and to credit institutions (annualized[1])	185 126	54 333	51 404	13 371
(b)	Average gross loans to customers[2]	12 416 390	12 364 618	12 329 071	12 211 320
	Cost of credit risk (a / b)	**1.5%**	**0.4%**	**0.4%**	**0.1%**

1) Annualised values considering the total number of days elapsed and total days of the year.
2) Average balance for period.

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS

Definition	Ratio that measures the quality evaluation of the loan portfolio.
Relevance	Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Loans and interest overdue by more than 90 days	626 784	361 418	357 874	270 210
(b)	Gross loans to customers	12 357 216	12 189 465	12 140 568	12 067 614
	Ratio of loans and interest overdue by more than 90 days (a / b)	**5.1%**	**3.0%**	**2.9%**	**2.2%**

COVERAGE OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS BY IMPAIRMENT FOR BALANCE SHEET

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.
Relevance	Assess the institution's ability to absorb potential losses arising from loans and interest overdue by more than 90 days.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Impairment for credit risk (balance sheet)	779 514	521 777	511 588	354 517
(b)	Loans and interest overdue by more than 90 days	626 784	361 418	357 874	270 210
	Coverage of loans and interest overdue by more than 90 days (a / b)	**124.4%**	**144.4%**	**143.0%**	**131.2%**

NON-PERFORMING EXPOSURES / GROSS LOANS TO CUSTOMERS

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing exposures (NPE, according to EBA's definition) in relation to the Total customer loan portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Stock of Non-performing exposures	1 289 555	975 302	950 902	631 434
(b)	Gross loans to customers	12 357 216	12 189 465	12 140 568	12 067 614
	Non-performing exposures / Gross loans to customers (a / b)	**10.4%**	**8.0%**	**7.8%**	**5.2%**

NON-PERFORMING EXPOSURES NET OF IMPAIRMENT FOR BALANCE SHEET LOANS / GROSS LOANS TO CUSTOMERS

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing exposures (NPE, according to EBA's definition) net of Impairment for balance sheet loans in relation to the Total customer loan portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Stock of Non-performing exposures	1 289 555	975 302	950 902	631 434
(b)	Impairment for credit risk (balance sheet)	779 514	521 777	511 588	354 517
(c)	Gross loans to customers	12 357 216	12 189 465	12 140 568	12 067 614
	Non-performing exposures net of Impairment for credit risk / Gross loans to customers (a-b)/c	**4.1%**	**3.7%**	**3.6%**	**2.3%**

COVERAGE OF NON-PERFORMING EXPOSURES BY IMPAIRMENT FOR BALANCE SHEET LOANS

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the balance of non-performing exposures (NPE, according to the EBA definition).
Relevance	Assess the institution's capacity to absorb potential losses arising from the NPE portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Impairment for credit risk (balance sheet)	779 514	521 777	511 588	354 517
(b)	Stock of Non-performing exposures	1 289 555	975 302	950 902	631 434
	Coverage of Non-performing exposures by Impairment for credit risk (a / b)	**60.4%**	**53.5%**	**53.8%**	**56.1%**

COVERAGE OF NON-PERFORMING EXPOSURES BY IMPAIRMENT FOR BALANCE SHEET LOANS AND ASSOCIATED COLLATERALS AND FINANCIAL GUARANTEES

Definition	Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing exposures (NPE, according to EBA's definition).
Relevance	Assess the institution's capacity to absorb the potential losses arising from the NPE portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Impairment for credit risk (balance sheet)	779 514	521777	511588	354 517
(b)	Associated collaterals and financial guarantees	420 001	414 074	400 156	281741
(c)	Stock of Non-performing exposures	1289 555	975 302	950 902	631434
	Coverage of Non-performing exposures by Impairment for credit risk and associated collaterals and financial guarantees ((a + b) / c)	**93.0%**	**96.0%**	**95.9%**	**100.8%**

FORBORNE EXPOSURES / GROSS CUSTOMER LOANS

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		2020	2021	2021 Restated	2022
(a)	Stock of Forborne exposures	815 895	623 791	610 359	520 662
(b)	Gross customer loans	12 357 216	12 189 465	12 140 568	12 067 614
	Forborne exposures / Gross loans to customers (a / b)	**6.6%**	**5.1%**	**5.0%**	**4.3%**

GLOSSARY

ATM: Automated Teller Machine.

CET1: Common Equity Tier 1

CET1 ratio: ratio between Common equity tier 1 capital and Risk-weighted assets.

CO_2: carbon dioxide.

Commercial net interest income: corresponds to the difference between the Income received from Loans and advances granted to customers and the Interest paid on Customer deposits.

Core operating income: sum of the income statement headings of Net interest income and Net fees and commissions.

Cost-to-income ratio: Ratio between Operating costs and Total operating income, pursuant to Banco de Portugal Instruction 16/2004.

Coverage of loans and interest overdue by more than 90 days by Impairment for balance sheet loans: ratio between Impairment for accumulated loans (book value) and total Loans and interest overdue by more than 90 days.

Complementary resources: sum of the balance sheet headings of Financial liabilities held for trading, Hedge derivatives, Non-current liabilities held for sale - Discontinued operations, Provisions, Current tax liabilities and Other liabilities.

Cost of credit risk: ratio between the income statement heading of Impairment of loans and advances to customers and credit institutions (annualised value) and the average balance of Loans to customers (gross).

CRR quick-fix: Capital Requirements Regulation quick-fix.

Debt issued: sum of the balance sheet heading of Liabilities represented by securities and Other subordinated liabilities.

DTA: Deferred tax assets.

EBA: European Banking Authority.

EMTN: Euro Medium Term Note Programme.

Fully implemented: refers to the full implementation of the prudential rules established in the legislation in force in the European Union, that were produced based on the standards defined by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

GJ: Gigajoule.

Gross return on assets: Ratio between Net income before taxes and minority interests and Average net assets, pursuant to Banco de Portugal Instruction 16/2004.

Gross return on equity: Ratio between Net income before taxes and minority interests and Average equity, pursuant to Banco de Portugal Instruction 16/2004.

HVAC: Heating, Ventilation, and Air Conditioning.

IFRS: International Financial Reporting Standards.

Impairments and provisions: sum of the income statement headings of Impairment of loans and advances to customers and credit institutions, Impairment of other financial assets, Impairment of other assets and Other provisions.

Kg: kilogram.

L: litre.

LCR ratio: Liquidity Coverage Ratio. Ratio between the Buffer of net assets and the Net outflows in a stress period of 30 days.

LCV: Lower Calorific Value.

Leverage ratio: ratio between Tier 1 own funds and Non-weighted exposure.

Loans to customers (gross): corresponds to Loans to customers before deducting Impairment for credit risks (book value).

Loans to customers (net): corresponds to Loans to customers (gross) after deducting Impairment for credit risks (book value).

Loans and interest overdue by more than 90 days: corresponds to Loans with principal instalments or interest in arrears for a period of more than 90 days.

Loan-to-deposit ratio: ratio between Loans to customers (net) and Customer resources, pursuant to Banco de Portugal Instruction 16/2004.

Loan-to-resource ratio: ratio between Loans to customers (net) and the sum of the balance sheet heading of Customer resources and Securities placed with customers.

LTV ratio: Loan-to-value ratio, referring to the ratio between the value of the loan and the value of the real estate property given as collateral.

Net fees and commissions: corresponds to the income statement item Net fees and commissions income.

Net interest income: sum of the balance sheet headings of Interest and similar income and Interest and similar expenses.

NPE: Non-performing exposures (as defined by the EBA).

NPE coverage by Impairment of balance sheet loans: ratio between the sum of the accumulated impairment for loans (book value) and the balance of non-productive exposures (NPE, as defined by the EBA).

NPE coverage by impairment of balance sheet loans and associated collateral and financial guarantees: ratio between the sum of the accumulated impairment for loans (book value) and their associated collateral and financial guarantees and the balance of non-productive exposures (NPE, as defined by the EBA).

NPE ratio: ratio between the non-performing exposures (NPE, as defined by the EBA) and total Loans to customers (gross).

NPL: Non-performing loans (as defined by the EBA).

NSFR ratio: Net stable funding ratio. Ratio between available stable funding and required stable funding.

OCR: Overall capital requirements.

Off-balance sheet customer resources: corresponds to the Disintermediation resources managed by the Group's companies (assets under management), excluding securities investment funds and real estate investment funds in its own portfolio, i.e., the sum of the Securities investment funds and Real estate investment funds, Pension funds and Capitalisation insurance.

On-balance sheet customer resources: sum of the balance sheet heading of Customer resources and Securities placed with customers.

Operating costs: sum of the income statement headings of Staff costs, General and administrative expenses, and Depreciation and amortisation.

Operating income before impairment: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income, Net gains from the sale of other assets, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Other assets: sum of the income statement heading of Hedge derivatives, Non-current assets held for sale, Non-current assets held for sale - Discontinued operations, Investment properties, Other tangible assets, Intangible assets, Investments in associates, Current tax assets, Deferred tax assets and Other assets.

Other impairments and provisions: sum of the income statement headings of Impairment of other financial assets, Impairment of other assets and Other provisions.

Other results: sum of the income statement headings of Net gains from the sale of other assets and Other operating income.

Outlook: forward-looking perspective.

Performing loans: corresponds to Loans to customers (gross) after deducting non-performing exposures (as defined by the EBA).

Phasing-in: transitional period. This refers to the phased implementation of the prudential rules under the terms established in the legislation in force in the European Union.

POS: Point of Sale, referring to an automatic payment terminal.

Ratio of forborne exposures: Ratio between deferred exposures (forborne exposures, as defined by the EBA) and Loans to customers (gross).

Ratio of loans and interest overdue by more than 90 days: Ratio between Loans and interest overdue by more than 90 days and Loans to customers (gross).

Results from commercial activity: sum of the income statement headings of Interest and similar income, Interest and similar expenses, Net fees and commissions, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Results from financial operations: sum of the income statement headings of Net gains/(losses) from financial assets and liabilities at fair value through profit or loss, Net gains/(losses) from financial assets at fair value through other comprehensive income, and Net gains/(losses) from foreign exchange difference.

RWA: Risk-Weighted Assets.

Securities portfolio: sum of the balance sheet headings of Financial assets held for trading, Financial assets at fair value through other comprehensive income, Other financial assets at amortised cost, and Financial assets at fair value through profit or loss.

t: Ton.

Tier 1 ratio: ratio between Tier 1 own funds and Risk-weighted assets.

TLTRO: Targeted Longer-Term Refinancing Operations.

Total capital ratio: ratio between Total own funds and Risk-weighted assets.

Total customer resources: sum of On-balance sheet customer resources and Off-balance sheet customer resources.

Total operating income: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income and Net gains from the sale of other assets.

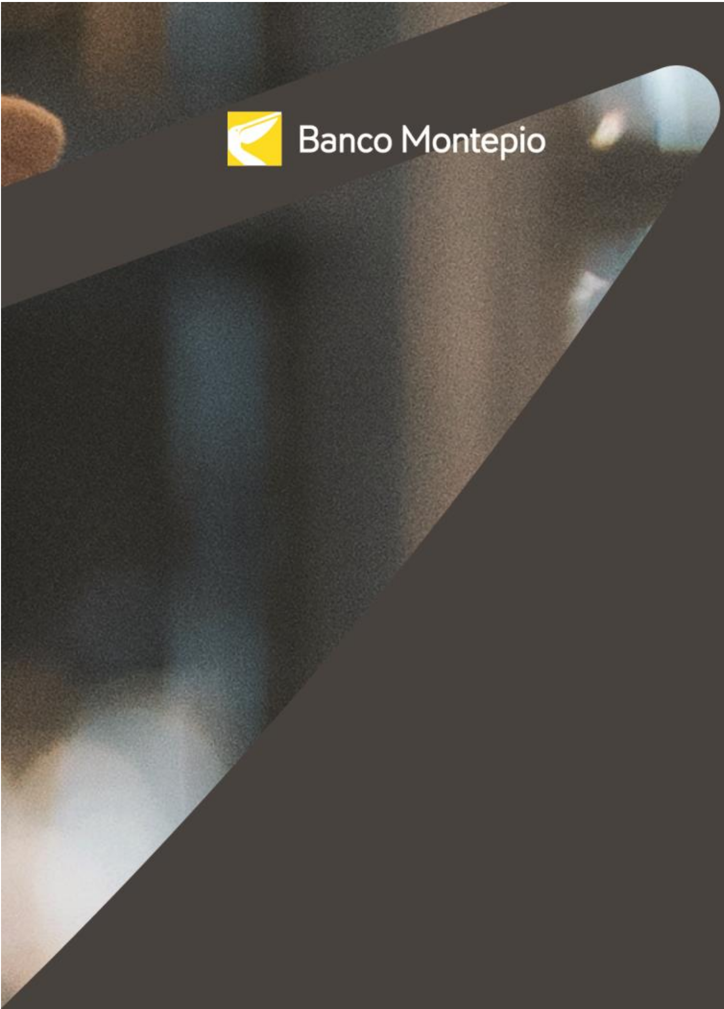
Write-offs: Loans written off from the assets. The Group recognises a loan written off from the assets when it has no reasonable expectation of totally or partially recovering that asset. This recording takes place after all the recovery actions implemented by the Group have proved fruitless. Loans written off from the assets are recorded in off-balance sheet accounts.

Banco Montepio

PART II

ACCOUNTS, NOTES TO THE ACCOUNTS AND OPINIONS

Banco Montepio



ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS

Banco Montepio

Consolidated Income Statement for the financial years of 2022 and 2021

(Euro thousand)

	Notes	2022	2021 (restated)
Interest and similar income	2	300 852	294 846
Interest and similar expense	2	49 362	62 263
Net interest income	2	251 490	232 583
Dividends from equity instruments	3	977	1 801
Net fee and commission income	4	120 496	114 688
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	5	(217)	(263)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	6	1 449	2 037
Net gains/(losses) arising from exchange differences	7	10 809	9 069
Net gains/(losses) arising from sale of other financial assets	8	33 280	29 778
Other operating income/(expense)	9	(48 227)	(22 008)
Total operating income		370 057	367 685
Staff costs	10	152 617	159 102
General and administrative expenses	11	59 740	61 251
Depreciation and amortization	12	34 006	34 056
Total operating cost		246 363	254 409
Impairment of loans and advances to customers and to credit institutions	13	13 371	51 404
Impairment of other financial assets	14	2 325	4 383
Impairment of other assets	15	24 881	31 014
Other provisions	16	3 920	(3 896)
Operating income		79 197	30 371
Share of profits/(losses) booked under the equity method	17	495	3
Profit/(loss) before income tax		79 692	30 374
Income Tax			
Current	32	(6 731)	(3 142)
Deferred	32	(28 859)	(21 797)
Profit/ (loss) after income tax from continuing operations		44 102	5 435
Profit/ (loss) from discontinued operations	58	(12 974)	2 260
Consolidated net income after income tax		31 128	7 695
Consolidated net income for the period attributable to the shareholders		33 794	6 570
Non-controlling Interests	45	(2 666)	1 125
Consolidated net profit / (loss) for the year		31 128	7 695
Earnings per share (in Euro)			
From continuing operations			
Basic		0,0182	0,0022
Diluted		0,0182	0,0022
From discontinued operations			
Basic		(0,0043)	0,0005
Diluted		(0,0043)	0,0005

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income for the financial year 2022

(Euro thousand)

	Notes	2022 Continuing Operations	2022 Discontinued Operations	2022 Total	2022 Shareholders	2022 Non-controlling interests
Items that may be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Debt instruments	43	(6 319)	-	(6 319)	(6 319)	-
Taxes related to fair value changes	32	2 266	-	2 266	2 266	-
Exchange difference arising from the consolidation	43	11 546	-	11 546	9 376	2 170
		7 493	-	7 493	5 323	2 170
Items that will not be reclassified to the Income Statement						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Equity instruments	43	(1 149)	-	(1 149)	(1 149)	-
Gains on capital instruments		1 873	-	1 873	1 873	-
Remeasurements of post-employment benefits and long term	48	138 519	-	138 519	138 519	-
Taxes on changes in equity recorded against retained earnings	32	(20 102)	-	(20 102)	(20 102)	-
		119 141	-	119 141	119 141	-
Other comprehensive income/(loss) for the year		126 634	-	126 634	124 464	2 170
Consolidated net income for the year		44 102	(12 974)	31 128	33 794	(2 666)
Total consolidated comprehensive income/(loss) for the year		170 736	(12 974)	157 762	158 258	(496)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income for the financial year 2021

(Euro thousand)

	Notes	2021 Continuing Operations	2021 Discontinued operations	2021 Total	2021 Shareholders	2021 Non-controlling interests
Items that may be reclassified to the Income Statement para a demonstração dos resultados						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Debt instruments	43	703	-	703	703	-
Loans and advances to customers	43	(103)	-	(103)	(103)	-
Own credit risk	43	(18)	-	(18)	(18)	-
Taxes related to fair value changes	32	93	-	93	93	-
Exchange difference arising from the consolidation	43	12 020	-	12 020	9 541	2 479
		12 695	-	12 695	10 216	2 479
Items that will not be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Equity instruments	43	36 887	-	36 887	36 887	-
Valuities relating to capital instruments	32	(39 112)	-	(39 112)	(39 112)	-
Remeasurements of post-employment benefits and long term	48	27 425	-	27 425	27 425	-
Taxes on changes in equity	32	(5 533)	-	(5 533)	(5 533)	-
		19 667	-	19 667	19 667	-
Other comprehensive income/(loss) for the year		32 362	-	32 362	29 883	2 479
Consolidated net income for the year		5 435	2 260	7 695	6 570	1 125
Total consolidated comprehensive income/(loss) for the year		37 797	2 260	40 057	36 453	3 604

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Balance Sheet at 31 december 2022 and 2021

(Euro thousand)

	Notes	2022	2021
Assets			
Cash and deposits at central banks	18	1 383 802	2 967 996
Loans and deposits to credit institutions payable on demand	19	52 287	67 360
Other loans and advances to credit institutions	20	106 376	229 065
Loans and advances to customers	21	11 713 097	11 667 688
Financial assets held for trading	22	23 070	7 582
Financial assets at fair value through profit or loss	23	147 770	203 427
Financial assets at fair value through other comprehensive income	24	97 222	123 338
Hedging derivatives	25	-	5 411
Other financial assets at amortized cost	26	4 119 387	3 004 196
Investments in associated companies	27	4 390	3 952
Non-current assets held for sale	28	11	38 862
Non-current assets held for sale - discontinued operations	58	199 687	429
Investment properties	29	72 726	102 933
Other tangible assets	30	191 998	231 610
Intangible assets	31	47 551	40 150
Current tax assets	32	5 966	6 714
Deferred tax assets	32	413 604	459 871
Other assetss	33	527 307	552 576
Total Assets		19 106 251	19 713 160
Liabilities			
Deposits from central banks	34	2 889 991	2 902 003
Deposits from other credit institutions	35	341 623	555 412
Deposits from customers	36	13 115 366	12 786 886
Debt securities issued	37	606 651	1 617 125
Financial liabilities held for trading	22	17 697	7 470
Hedging derivatives	25	-	335
Non-current liabilities held for sale - discontinued operations	58	101 738	329
Provisions	38	30 752	34 133
Current tax liabilities	-	4 438	2 351
Other subordinated debt	39	217 029	217 265
Other liabilities	40	261 480	226 718
Total Liabilities		17 586 765	18 350 027
Shareholders' Equity			
Share capital	41	2 420 000	2 420 000
Legal reserve	42	193 266	193 266
Fair value reserves	43	4 065	9 267
Other reserves and Retained earnings	43	(1 143 081)	(1 278 873)
Consolidated net income for the year attributable to the Shareholder		33 794	6 570
Total Equity Attributable to Shareholders		1 508 044	1 350 230
Non-controlling Interests	45	11 442	12 903
Total Shareholders' Equity		1 519 486	1 363 133
Total Liabilities and Shareholders' Equity		19 106 251	19 713 160

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Cash Flows for the financial years of 2022 and 2021

(Euro thousand)

	2022	2021
Cash arising from operating activities		
Interest income received	288 382	254 702
Interest expense paid	(52 029)	(68 401)
Commission received	147 017	142 032
Commission expense paid	(26 554)	(25 697)
Costs with staff and suppliers	(203 446)	(235 407)
Recovery of loans and interest	8 520	4 820
Other payments and receivables	10 528	(1 177)
Income tax payment	(1 669)	4 158
	170 749	75 030
(Increases)/Decreases in operating assets		
Loans and advances to credit institutions and customers	(50 217)	(98 335)
(Purchase)/Sale of financial assets held for trading	(1 547)	11 562
Purchase)/Sale of financial assets at fair value through profit or loss	51 369	141 320
(Purchase)/Sale of financial assets at fair value through other comprehensive income	20 878	117 918
(Purchase)/Sale of other assets at amortized cost	(1 268 915)	(626 805)
Discontinued operations	(55 047)	-
Other assets	197 390	142 939
	(1 106 089)	(311 401)
Increases/(decreases) in operating liabilities		
Deposits from customers	468 561	180 246
Deposits from credit institutions	(213 046)	(264 319)
Deposits from central banks	(10 000)	1 554 830
	245 515	1 470 757
	(689 825)	1 234 386
Cash from investing activities		
Dividends received (note 3)	977	1 801
Sales of fixed assets (notes 30 & 31)	(32 947)	(29 881)
	(31 970)	(28 080)
Cash from financing activities		
Issuance of cash bonds and subordinated debt (notes 37 & 39)	-	362 028
Repayment of cash bonds and subordinated debt (notes 37 & 39)	(884 299)	(40 672)
Lease contracts	(3 982)	(1 212)
	(888 281)	320 144
Effects of exchange rate changes on cash and cash equivalents	10 809	8 996
Net change in cash and cash equivalents	(1 599 267)	1 535 446
Cash and cash equivalents at the beginning of the year		
Cash and deposits at central banks (note 18)	2 967 996	1 466 250
Loans and deposits to credit institutions payable on demand (note 19)	67 360	33 660
	3 035 356	1 499 910
Cash and cash equivalents at the end of the year		
Cash and deposits at central banks (note 18)	1 383 802	2 967 996
Loans and deposits to credit institutions payable on demand (note 19)	52 287	67 360
	1 436 089	3 035 356

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Changes in Equity
for the financial years of 2022 and 2021

(Euro thousand)

	Share capital (note 41)	Fair value reserves (note 43)	General and Legal reserves (note 42)	Retained earnings (note 43)	Consolidated net income/ (loss) for the year	Equity attributable to Shareholders	Non-controlling interests (note 45)	Total Shareholders' Equity
Balances on 31 december 2020	**2 420 000**	**(28 295)**	**193 266**	**(1 186 425)**	**(80 686)**	**1 317 860**	**9 299**	**1 327 159**
Other comprehensive income:	-	37 562	-	(88 365)	80 686	29 883	2 479	32 362
Exchange difference arising from consolidation	-	-	-	9 541	-	9 541	2 479	12 020
Appropriation to retained earnings of net income of 2020	-	-	-	(80 686)	80 686	-	-	-
Remeasurements in the year (note 48)	-	-	-	27 425	-	27 425	-	27 425
Taxes (note 32)	-	-	-	(5 533)	-	(5 533)	-	(5 533)
Changes in fair value (note 43)	-	37 469	-	(39 112)	-	(1 643)	-	(1 643)
Taxes on changes in fair value (notes 32 and 43)	-	93	-	-	-	93	-	93
Consolidated net income for the year	-	-	-	-	6 570	6 570	1 125	7 695
Total comprehensive income/(loss) for the year	-	37 562	-	(88 365)	87 256	36 453	3 604	40 057
Other consolidation reserves	-	-	-	(4 083)	-	(4 083)	-	(4 083)
Balances on 31 December 2021	**2 420 000**	**9 267**	**193 266**	**(1 278 873)**	**6 570**	**1 350 230**	**12 903**	**1 363 133**
Other comprehensive income:	-	(5 202)	-	136 236	(6 570)	124 464	2 170	126 634
Exchange difference arising from consolidation	-	-	-	9 376	-	9 376	2 170	11 546
Appropriation to retained earnings of net income of 2021	-	-	-	6 570	(6 570)	-	-	-
Remeasurements in the year (note 48)	-	-	-	138 519	-	138 519	-	138 519
Changes in fair value (note 43)	-	(7 468)	-	-	-	(7 468)	-	(7 468)
Gains on capital instruments	-	-	-	1 873	-	1 873	-	1 873
Taxes on changes in fair value (notes 32 and 43)	-	2 266	-	-	-	2 266	-	2 266
Taxes on changes in liabilities (note 32)				(20 102)	-	(20 102)	-	(20 102)
Consolidated net income for the year	-	-	-	-	33 794	33 794	(2 666)	31 128
Total comprehensive income/(loss) for the year	-	(5 202)	-	136 236	27 224	158 258	(496)	157 762
Dividends paid	-	-	-	-	-	-	(965)	(965)
Other consolidation reserves	-	-	-	(444)	-	(444)	-	(444)
Balances on 31 December 2022	**2 420 000**	**4 065**	**193 266**	**(1 143 081)**	**33 794**	**1 508 044**	**11 442**	**1 519 486**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter “Banco Montepio”), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter “MGAM”), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by the Bank of Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to “caixa económica bancária”.

On 14 September 2017, the By-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

The financial statements of Banco Montepio are consolidated in the financial statements of MGAM. As at 31 December 2022, the following entities integrate the Banco Montepio Group:

Montepio Holding, S.G.P.S, S.A.

Montepio Holding integrates Companies offering a range of financial products and services to Companies and institutional investors and Individuals. As at 31 December 2022, Montepio Holding, S.G.P.S holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito) and Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. and a shareholding of 80.22% in Finibanco Angola, S.A. (Finibanco Angola).

The Investees of Montepio Holding thus develop a varied set of activities, including the banking activity, the rendering of complementary financial services in the insurance area, specialized consumer credit and long-term rental.

Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – In Liquidation

Law no. 79/IX/2020, of 23 March, established a transitional period for credit institutions with restricted authorization, constituted and authorized to operate in the Cape-Verdean financial system, to, if they wished, proceed by 31 December 2021 with the statutory and organizational changes necessary to start operating as banks with general authorization, under penalty of revocation of the respective authorization at the end of that period. As it was not Banco Montepio’s intention to proceed with the changes necessary to convert it into a bank with a general authorization, the necessary authorization process was started with Banco de Cabo Verde (Cape Verde Central Bank), under the legal terms, for the adoption of the voluntary dissolution resolution and consequent liquidation of Banco Montepio Geral Cabo Verde – In Liquidation.

Finibanco Angola, S.A.

Finibanco Angola, controlled in 80.22% by Montepio Holding, S.G.P.S., S.A. that, in turn, is 100% held by Banco Montepio, engages in the taking of third-party funds in the form of deposits or other, which it applies, together with its own funds, in the granting of loans, in deposits at Banco Nacional de Angola, in loans and advances made to credit institutions, on the acquisition of securities and other assets, activities which it is duly authorized to carry out. Finibanco Angola also renders other banking services and realizes various types of foreign-currency operations. In 2022, Montepio Holding agreed to sell the stake it held in the share capital of Finibanco Angola to Access Bank Plc, a commercial bank headquartered in Lagos, Nigeria, and it is estimated that this transaction will be concluded in the second quarter of 2023. As at 31 December 2022, the consolidated financial statements incorporate the financial statements of this entity applying IFRS 5, that is, treating it as a discontinued unit, with its assets and liabilities being presented under the captions Non-current Assets and Liabilities held for sale – Discontinued operations, respectively, and the results thereof in Net gains/(losses) from discontinued operations.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito, 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, handles the specialized credit offer in the automobile, equipment, home and services sectors, complemented by several solutions intended for Individuals, Companies and institutions of the Social Economy sectors. The specialized credit segment highlights one of the cornerstones of the Banco Montepio Group's Transformation Plan, reflecting the focus on consumer credit.

As a result of the repositioning carried out at the level of the Banco Montepio Group and the strong, solid relationship established with its partners, based on the experience acquired over the years, Montepio Crédito developed its offer of specialized credit solutions in the following areas: Automobile, Health, Automobile Repairs, Telecommunications and Furniture, for the Individuals segment; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry, for the Corporate segment.

Banco de Empresas Montepio

Montepio Investimento, S.A., a bank 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, undertook, in 2019, a strategic approach geared towards Investment Banking, with the objective of complementing the Group's offer of products and services. On 4 June 2019, it adopted the trade name Banco de Empresas Montepio ("BEM"), and started carrying out, in an integrated manner, the activities of Commercial Banking (for Companies with a turnover exceeding Euro 20 million) and Investment Banking, with its activity extending to the areas of Corporate Finance, Capital Markets, Structured Financing, Financial Advisory Services and Corporate and Information Studies. In the area of commercial banking, the development of business areas related to the international trade, factoring and treasury management of Companies is also noteworthy.

Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

Ssagincentive has as its object the trading and management of real estate, as well as the management and acquisition for resale of real estate acquired by Group companies as a result of the recovery of credit granted by same. Ssagincentive is also responsible for the acquisition for management or resale of real estate under litigation initiated by Group companies.

Montepio - Gestão de Activos Imobiliários, A.C.E.

Montepio Gestão de Activos Imobiliários has as its object the realization of the integrated management of the entire real estate asset portfolio of the Group.

H.T.A. – Hotéis, Turismo e Animação dos Açores, S.A

H.T.A. has as its main activity the promotion, realization, exploration and management of any tourism activities and investments, including the construction, remodelling and exploration of hotel, casino and gaming house units, the exploration of games of chance, the acquisition of real estate for resale, the import and export of goods, the explorations of spas, as well as all remaining activities related to those previously referred.

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The purpose of this Grouping is to provide specialized services in the area of information technologies, contributing, through the optimization of such management, to the improvement of the conditions and means of the exercise or result of the economic activities of the members of this Grouping.

The remining entities of the consolidation perimeter are disclosed in note 57.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of the Bank of Portugal, of 7 December, the consolidated financial statements of the Banco Montepio Group (hereinafter “Group”) have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed by the European Union (“EU”). IFRS comprise accounting standards issued by the International Accounting Standards Board (“IASB”) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and its predecessor body. The Group adopted in the preparation of the consolidated financial statements as at 31 December 2022 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2022.

The consolidated financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 12 April 2023. The consolidated financial statements herein presented relate to 31 December 2022 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

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

Comparability of information

The Group adopted IFRS and interpretations of mandatory application for periods beginning on or after 1 January 2022, as described in note 54. The accounting policies have been applied consistently by all Group entities and are consistent with those used in the preparation of the financial statements of the previous period. However, following the signing of the agreement for the sale of Finibanco Angola and subsequent application of IFRS 5, this entity is now presented as a discontinued unit, with the restatement of the 2021 income statement having been made, presenting the result under the caption "Net gains/(losses) from discontinued operations", as shown in the following table:

(Euro thousand)

	2021 reported	Effect of reexpression	2021 restated
Interest and similar income	306 685	(11 839)	294 846
Interest and similar expense	63 182	(919)	62 263
Net interest income	243 503	(10 920)	232 583
Dividends from equity instruments	1 801	-	1 801
Net fee and commission income	116 336	(1 648)	114 688
Net gains/(losses) arising from financial assets at liabilities at fair value through profit or loss	(263)	-	(263)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	2 037	-	2 037
Net gains/(losses) arising from exchange differences	8 996	73	9 069
Net gains/(losses) arising from sale of other financial assets	29 778	-	29 778
Other operating income/(expense)	(23 144)	1 136	(22 008)
Total operating income	379 044	(11 359)	367 685
Staff costs	164 154	(5 052)	159 102
General and administrative expenses	64 679	(3 428)	61 251
Depreciation and amortization	35 292	(1 236)	34 056
Total operating cost	264 125	(9 716)	254 409
Impairment of loans and advances to customers and to credit institutions	54 333	(2 929)	51 404
Impairment of other financial assets	(223)	4 606	4 383
Impairment of other assets	31 014	-	31 014
Other provisions	(4 621)	725	(3 896)
Operating income	34 416	(4 045)	30 371
Share of profits/(losses) booked under the equity method	3	-	3
Profit/(loss) before income tax	34 419	(4 045)	30 374
Income Tax			
Current	(4 144)	1 002	(3 142)
Deferred	(21 115)	(682)	(21 797)
Profit/ (loss) after income tax from continuing operations	9 160	(3 725)	5 435
Profit/ (loss) from discontinued operations	(1 465)	3 725	2 260
Consolidated net income after income tax	7 695	-	7 695
Consolidated net income for the period attributable to the shareholders	6 570		6 570
Non-controlling Interests	1 125		1 125
Consolidated net profit / (loss) for the year	7 695		7 695

b) Bases of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of Banco Montepio and its subsidiaries ("Group"), and the results attributable to the Group in respect of its financial investments in Associates, as well as the book value of these financial investments measured under the equity method, for financial years ended 31 December 2022 and 2021.

Subsidiaries

Subsidiaries are entities controlled by the Group (including investment funds and securitization vehicles). The Group controls an entity when it is exposed, or has rights, to variable returns derived from its involvement with this entity, can appropriate these through the power it holds over the entity's relevant activities (de facto control) and has the ability to allocate these variable returns through the power it holds over the entity's relevant activities. As established in IFRS 10, the Group analyses the objective and the structuring of the manner the operations of an entity are developed in evaluating the control over same. The financial statements of the subsidiaries are consolidated by the full consolidation method as from the moment the Group acquires control until the moment that control ceases. The interests of third parties in these Companies are presented in the caption Non-controlling interests.

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

In a step acquisition process resulting in the acquisition of control, the revaluation of any shareholding (elsewhere in this document also referred to as "investment" or "interest") previously acquired is booked against the income statement when the goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, the shareholding retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Subsidiaries' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies.

Associates

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

The existence of significant influence being held by the Group is usually evidenced by at least one of the following facts:

1. representation on the Board of Directors or equivalent management body of the investee;
2. participation in policy-making processes, including participation in decisions involving dividends or other distributions;
3. material transactions between the Group and the investee;
4. interchange of management personnel; and
5. provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of the associates accounted for under the equity method. In applying the equity method, unrealized gains or losses on transactions between the Group and its associates are eliminated. Dividends attributed by the associates are deducted from the investment amount in the consolidated balance sheet. Associates' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies. When the Group's share of attributable losses exceeds its interest in an Associate, the book value of the investment, including any medium- or long-term interest in that Associate, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associated company.

Special purpose entities

The Group consolidates by the full consolidation method certain special purpose entities, namely vehicles and funds created as part of securitization operations, set up specifically to fulfil a narrow and well-defined objective, when the substance of the relationship with such entities indicates that the Group exercises control over their activities, i.e. when it holds most of the risks and rewards associated with their activities, namely through bonds issued with a greater degree of subordination.

Goodwill

Business combinations are recorded using the purchase method. The acquisition cost corresponds to the fair value, determined at the purchase date, of the assets transferred and the liabilities incurred or assumed. Costs directly related to the acquisition of a subsidiary are recognized directly in the income statement. The positive goodwill that results from acquisitions is recognized as an asset and carried at acquisition cost, not being subject to amortization. Goodwill arising on the acquisition of shareholdings in subsidiaries and associates is defined as the difference between the total value or the cost of the acquisition and the total or corresponding share of the fair value of the assets, liabilities and contingent liabilities of the investee, respectively, depending on the option taken. When at the date of acquisition of control the Group already holds a previously acquired shareholding, the fair value of such shareholding contributes to the determination of the goodwill or badwill. Negative goodwill arising on an acquisition is recognized directly in the income statement in the financial year the business combination occurs. The recoverable amount of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses determined are recognized in the income statement for the financial year. The recoverable amount is determined based on the highest between the value in use of the assets and their fair value less costs to sell, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is allocated to the cash-generating units to which it belongs for the purpose of carrying out impairment tests, which are performed at least once a year. Goodwill impairment losses are not reversible. When the Group reorganizes its activity, implying a change in the composition of its cash-generating units, to which goodwill has been allocated, the allocation of the goodwill to the new cash-generating units is revised whenever there is a rationale for such. The reallocation is made applying a relative fair value approach, of the new cash-generating units resulting from the reorganization. Goodwill is not adjusted in function of the final determination of the contingent purchase price paid, with such difference being booked in the income statement, or reserves if applicable, when the determination of the final contingent price occurs one year after the acquisition of control of the business, or if the determination of this price occurs less than one year after the referred date, when the adjustments relate to information obtained in respect of facts occurring after the date of the acquisition.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted for as a transaction with shareholders and, as such, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized directly in reserves. Likewise, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognized against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of part of a shareholding in a subsidiary, with loss of control, are recognized in the income statement.

On dilutions of controlling interests not resulting in a loss of control, the difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized against reserves.

Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries not considered as having a functional currency of a hyperinflationary economy, are converted into Euro at the official exchange rate in force at the balance sheet date.

If the functional currency of a foreign subsidiary is the currency of a hyperinflationary economy, then its financial statements are first adjusted to reflect the purchasing power as at the current balance sheet date and then converted into the reporting currency using the exchange rate in force as at the current balance sheet date.

Hence, non-monetary items are updated at the end of the reporting period through the application of a general price index, as from the acquisition date or the last revaluation date, whichever occurred most recently. Income and expense items, including other comprehensive income, are also updated, with the gain or loss on the net monetary position being calculated, and reflecting the gain or loss on the net monetary position of the foreign subsidiary.

As at 31 December 2018, for Angola, the inflation rate accumulated in the past three years came close to 100%, which corresponds to an objective quantitative condition, in addition to the existence of other conditions set forth in IAS 29, implying that the functional currency of Finibanco Angola's financial statements as at that date corresponds to the currency of a hyperinflationary economy, as was also the case as at 31 December 2017. Accordingly, the financial statements of Finibanco Angola were adjusted by the inflation indices, before being transposed into the Group's presentation currency and before their integration in the consolidation, with: i) the amounts of the non-monetary balance sheet items of Finibanco Angola at cost or cost less depreciation being restated by applying the general price index in Angola; and ii) the loss on the net monetary position being included in the net result of Banco Montepio.

Since 2019, the conditions set out in IAS 29 for qualifying the Angolan economy as hyperinflationary were not met. The end of the application of IAS 29 results from inflation in Angola, at the end of 2019, standing at 16.9% and the accumulated inflation in the last three years being less than 100%. Thus, the Group ceased to apply the inflation indices with reference to 1 January 2019.

Regarding shareholdings in foreign currency that are consolidated in the Group accounts under the full consolidation and equity methods, the exchange differences between the conversion to Euro of the opening net assets at the beginning of the period and their value in Euro at the exchange rate ruling at the balance sheet date to which the consolidated accounts relate, are charged against reserves – exchange differences. Exchange differences resulting from hedging instruments related to shareholdings in foreign currency are booked in reserves resulting from those financial shareholdings. Whenever the hedge is not fully effective, the ineffective portion is accounted for in the income statement for the financial year.

The income and expenses of these investees are converted to Euro at an approximate rate to the rates ruling as at the dates of the transactions. Exchange differences resulting from the conversion to Euro of the results for the financial year, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognized in reserves - exchange differences.

On the disposal of financial shareholdings in foreign subsidiaries resulting in loss of control, the exchange differences related to the financial shareholding in the foreign operation and to the associated hedging operation previously recognized in reserves, are transferred to profit or loss as part of the gain or loss arising from the disposal.

Balances and transactions eliminated on consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Financial instruments – IFRS 9

c.1) <u>Classification of financial assets</u>

The Group classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

c.1.1) *Debt instruments*

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

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

Based on these elements, the Group classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

  - they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

  In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

  - they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Group's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Group also considered whether it expects to recover the book value of the asset through the sale to a third party.

  This portfolio also includes all instruments in respect of which any of the following characteristics are met:

  - that were originated or acquired for the purpose of being traded in the short term.
  - that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.

- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Group manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Group's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of "another" business model and recognized at fair value through profit or loss. Factors considered by the Group in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to the management body, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading are held, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under "other" business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Sales that are closed to maturity and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To this purpose, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not match with the reference interest rate term (for example, the interest rate is adjusted every three months), the Group assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Group assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test). In this assessment, the Group considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

c.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Group exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

c.3) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other loans;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 d);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

c.4) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Group undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and

- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

The Group recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

c.5) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Group values its financial assets (i) at amortized cost, (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

TLTRO III

Upon initial recognition of the TLTRO III programme, the Group defined its effective interest rate based on its best estimate as to its compliance with the metrics defined by the programme. Subsequently, with the Group having ensured compliance, in the second half of 2021, with the metrics for the change in the volume of eligible credit defined by the ECB for the special reference period between 1 March 2020 and 31 March 2021, which was confirmed by the ECB in September 2021, and in accordance with the provisions of IFRS 9 and to the extent that there was a significant change in future cash flows, the Group updated the book value estimate of this financial liability, discounting the new estimate of future cash flows at the initially estimated effective interest rate. The difference between the sum of new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet was recognized directly in the income statement under the caption Other operating income/expense (see note 9).

Notwithstanding the additional special observation period having already ended on 31 December 2021, it is important to note that the policy followed by the Group in this matter was to only update the effective interest rate of the TLTRO III programme after receipt of formal confirmation by the ECB, which only occurred in July 2022. Thus, as at 31 December 2022, the Group booked this formal confirmation by the ECB regarding the fulfilment of the targets for the variation of the volume of credit for the periods already ended, having carried out the respective remeasurement of the liability, through the recalculation of the amortized cost of the operation (for application of paragraph B5.4.6 of IFRS 9). With regard to subsequent periods, and considering that future cash flows no longer depend on compliance with metrics, being only subject to the volatility of the respective index, the policy followed by the Group coincides with the calculation in each reporting period of the future cash flows using the best estimate of the available interest rate, recalculating the effective interest rate to be applied prospectively for the purposes of calculating the amortized cost of the operation.

c.6) *Interest recognition*

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income as is that from financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

c.7) *Reclassifications between financial instrument categories*

Reclassifications of financial assets can only occur when the Group changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

c.8) *Modification of loans*

Occasionally, the Group renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Group assesses whether the new contract terms are substantially different from the original terms. The Group makes this analysis considering, among others, the following factors:

- if the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;

- a significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- a significant extension of the contract maturity when the debtor is not in financial difficulty;
- a significant change in interest rate;
- a change from the currency in which the credit was contracted;
- the inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Group derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Group also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Group recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Group may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Group shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

c.9) *<u>De-recognition that does not result from a modification</u>*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Group substantially transfers all risks and rewards associated with holding the asset, or (ii) the Group neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Group engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Group:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

A Guarantees granted by the Group (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Group substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

c.10) *Write-off policy*

The Group recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by the Group turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

c.11) *Impairment of financial assets*

The Group determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments. The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against an accumulated impairment caption in the balance sheet, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The charges and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Group, according to the contractual conditions of the financial asset, and all cash flows that the Group expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Group that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Group expects to make less the cash flows it expects to receive from the originator are considered.

   The Group estimates cash flows considering the contractual term defined for the operations or the behavioural maturity. For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

c.12) Impairment model of loans and advances to customers

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of the Group that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income;
- Commitments and financial guarantees issued.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that originated losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition; and
- Incorporation of forward-looking information in the ECL calculation.

c.12.1) *Calculation of ECLs*

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that the Group expects to receive;
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that the Group expects to recover.

c.12.2) *Definition of default*

The Group aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by the Group are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures.
- Non-performing credit, i.e., when accrued interest is no longer recognized in the financial statements due to deterioration in credit quality;
- Individually significant customers with individual impairment;
- Credit sales with losses greater than 5%;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in the Group or in Central Risk Credit (“CRC”) in the case of companies;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

c.12.3) *Significant increase in credit risk (SICR)*

In order to determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure’s risk rating at the reporting date, and
- The exposure’s risk rating attributed at the initial moment of the exposure´s recognition.

The Group identifies the occurrence of a significant increase in credit risk through a comparison of the actual risk rating with the risk rating attributed at the contract’s inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was.

When evaluating the significant increase in credit risk, the Group also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis the Group and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the Bank of Portugal’s Central Credit Register (“Central de Responsabilidades de Crédito”).

c.12.4) *Additional Stage criteria and deterioration of credit ratings*

In the context of the recent energetic crisis and the military conflict in Eastern Europe, and with the aim of anticipating the risk deterioration associated with the most impacted exposures, the following additional criteria were considered for Stage 2 classification level:

Stage 2

- Companies for which the Bank, through a specific analysis of their business sectors, concludes that they are in a more vulnerable situation and, therefore, with a greater risk of default;
- Individuals for which their average time deposit balances are lower than the value of the credit installments, whose rating, according to the internal scale, is equal to or greater than 11. For these customers, it was decreased the scoring rating in order to have the minimum rating for stage 2 classification, taking into account its original rating and the stage classification thresholds.

c.12.5) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated supported on statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);
- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and
- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. The Group collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, mortgage loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. The Group estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. The Group obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, the Banco Montepio Group calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

c.12.6) *Measurement of ECL – Individual analysis*

In the group of individually significant customers, customer exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for this analysis.

For individually significant financial assets of counterparties/customers classified in Stage 3, the impairment value is determined using the discounted cash flow method, with the impairment value corresponding to the difference between the credit value and the sum of the expected cash flows from the customer's various operations, discounted according to the original interest rates of each operation. If the calculated impairment amount is nil, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the collective analysis methodology. Likewise, whenever, through individual analysis, a rate lower than the one mentioned above is determined, the latter prevails.

For the financial assets of individually significant counterparties/customers classified in Stages 1 and 2, the expected credit loss (ECL) is attributed according to the collective analysis methodology, given that individually no impairment level is calculated.

All customers or economic groups that comply with the following criteria are subject to individual analysis:

- Economic Groups with a global exposure amount ≥ 0.5 m€ in which at least one of the participants is the holder of operations classified as Stage 3, with customers with an exposure amount ≥ 0.5 m€ being selected;
- Customers with Stage 2 operations with an exposure amount ≥ 2.5 m€ and customers with an exposure amount ≥ 2.5 m€ that are part of the same Economic Group;
- Customers with Stage 1 operations with an exposure amount ≥ 5.0 m€;
- Customers corresponding to Shareholding Management Companies (SGPS) with economic activity code (CAE) initiated by 642 (holding companies and financial holding companies) with an exposure amount ≥ 2.5 m€;
- Customers with loans under Project Finance with an exposure amount ≥ 1.0 m€;
- Customers that met the aforementioned criteria in the last three months;
- Other customers when duly justified.

For the exposure of customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations written off.

The individual analysis is the responsibility of the Individual Impairment Office and in the evaluation of impairment losses the following factors are, essentially, considered:

- Total exposure of each customer and/or economic group, internal rating of the customer and/or economic group, the staging associated with each operation and the existence of signs of impairment;
- Economic and financial viability of the customer or economic group and the respective ability to generate future cash flows to pay the debt;

- Existence of collaterals associated with each credit and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors;
- Expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and according to the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment materializes when the expected cash flows are lower than the contractual cash flows due by the customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method of the company:

- In case of the continuity of the company's activity (going concern) a critical analysis is done of the companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;
- In the case of the cessation of the company's activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above referred adjustments, are discounted at the original effective interest rate of the operations;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;
- For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

c.13) *Securitized loans and advances not derecognized*

The Group does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Loans sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

c.14) *Synthetic securitization*

On 21 December 2022, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. The securitization in question was structured in such a way that it could be categorized as Simple, Transparent and Standardized (STS), with same being attested by Prime Collateralised Securities (PCS). Since this is a collateralized operation, the structuring resorts to the use of a Special Purpose Vehicle (SPV) established for the purpose in Ireland. This SPV is not subject to consolidation by Banco Montepio.

On 18 December 2020, the Group contracted an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and Synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Group transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with the Group supporting a commission of 0.3% and 4.5% (after retrocession effect) to guarantee each of the tranches, respectively. The Montepio Group retained the risk of the junior and of the excess spread tranches.

The operations in question are aimed at strengthening the CET1 ratio, not generating any increase in liquidity. Only prudential effects are captured. In these operations there was no sale of loans to third parties, with there being no transfer of collections.

With these operations, the Group reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio without, however, the accounting derecognition of the financial assets. Thus, as most of the risks and benefits associated with the loans in question were not transferred, the derecognition criteria of the financial assets defined in the accounting policy presented in c.9) above are not met.

d) Derivative financial instruments and hedge accounting

The Group designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income.

If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, the Group may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

e) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognized in equity as a deduction from the amount of the issue. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs. Distributions made on account of equity instruments are deducted from equity as dividends when declared.

f) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date.

Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Group usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Group has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

g) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

The Group carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable. Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, except for deferred tax assets, employee-benefit related assets, financial assets in the scope of IFRS 9 and non-current assets at fair value according to IAS 40 (Investment properties), with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Group intends to immediately sell all properties and other assets received in recovery of credit, the Group classifies these assets in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

Regarding the classification of financial shareholdings classified as held for sale:

I. in the case of subsidiaries, they continue to be consolidated up to the date of their disposal, with all their assets and liabilities being classified as Non-current assets held for sale and Non-current liabilities held for sale, measured at the lower of book value and fair value less costs to sell, with the recording of depreciation/amortization ceasing;

II. in the case of associates measured under the equity method, these are measured at the lower of book value and fair value less costs to sell, with the application of the equity method ceasing.

When, due to changes in circumstances of the Group, non-current assets held for sale and/or disposal groups no longer meet the conditions to be classified as held for sale, these are reclassified according to the underlying nature of the assets and measured at the lower of: i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization costs, or revaluation amounts that would have been recognized had these assets not been classified as held for sale; and (ii) the recoverable amouts of the items on the date they are reclassified according to their underlying nature. These adjustments shall be recognized in the income statement.

In the case of financial shareholdings in associates measured under the equity method, the cessation of their classification as held for sale implies the retrospective replacement of the equity method.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

The Group recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Group risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is remeasured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

The Group remeasures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is remeasured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the consolidated income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the consolidated balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the consolidated statement of cash flows:

(i) in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;

(ii) the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Group classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

These are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalments receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income and of other financial assets at amortized cost. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation) are received in advance and are deferred and recognized over the life of the operation;

   (ii) Commissions agreed for the commitment to provide financing are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

   (iii) Commissions paid on the issuance of financial liabilities at amortized cost are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group's consolidated financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for the Group. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable amount is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of tangible fixed assets are recognized in profit or loss for the period. Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Investment properties

Real estate owned by the investment funds consolidated in the Group, are recognized as investment properties given that the main objective subjacent to these is capital appreciation on a long-term basis and not their sale in the short term nor their own use. These investments are initially recognized at their acquisition cost, including the transaction costs, and subsequently revaluated at their fair value. The fair value of the investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognized in results in the financial year in which they occur, in the caption Other operating income/(expense). The fair value level according to the IFRS 13 hierarchy corresponds to level 3.

Fair value is determined by independent appraisers duly certified for the effect, and being registered with the CMVM (Portuguese Securities' Market Commission), using at least two of the following methods:

- Comparative market method - This method considers similar real estate transaction values comparable to the property under study obtained through market surveys carried out in the area where the property is located.
- Income method - This method aims to estimate the value of the property from the capitalization of its net income, discounted to the present moment, using the discounted cash-flow method, and should be used when the property is intended for lease, when the lease market is active for the type of property being valued or when the property is intended for economic exploration.
- Cost method - The cost method is the determination of the replacement value of the property under consideration considering the cost of building another one with the same functionality, net of the amount related to the functional, physical and economic depreciation/obsolescence verified.

For properties held by investment funds within the consolidation perimeter, and in accordance with Law no. 16/2015, of 24 February, their fair value is considered as the simple arithmetic average of two independent expert valuations, determined according to the best price that could be obtained if it were put up for sale, under normal market conditions, at the time of the valuations, which is reviewed at least once a year or, in the case of open-ended collective investment entities, based on the redemption periodicity if lower than that, and whenever there are acquisitions or disposals or significant changes in the value of the property.

o) Intangible assets

Software

The Group accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. The Group does not capitalize internal costs arising from software development.

p) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in the Group's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, payment of lease agreements, capital increases and dividend distributions.

q) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

r) Foreign currency transactions

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

s) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio and Montepio Crédito have the responsibility to pay their employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (“ACT”) they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, the Group set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by the Group and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

Employment termination benefits

The occurrence that gives rise to this obligation is (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and the Group paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for the Group to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at the Group's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by the Group in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount the Group's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

t) Income taxes

Until 31 December 2011, the Group was an entity exempt from Corporate Income Tax (“IRC”), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code. This exemption had been recognized under an Order of 3 December 1993 of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March, approving the State Budget for 1996.

With effect from 1 January 2012, the Group is now subject to the regime established by the Corporate Income Tax Code (“CIRC”). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future. Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods. Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that the Group does not exercise control over the period of the reversal of the differences. Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including tax losses carried forward).

As established in IAS 12, paragraph 74, the Group offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies (“Regime Especial de Tributação dos Grupos de Sociedades” (“RETGS”)), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, the Group, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by the Group corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses those situations, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

u) Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Group: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Group operating decisions regarding the allocation of resources to the segment and the assessment of its performance; and (iii) for which distinct financial information is available.

The Group controls its business activity through the following operating segments: (i) Commercial Banking, Corporate and Investment Banking, International Activity, Markets, Non-core and Other Segments. The Group also prepares financial information based on geography for Management purposes, as presented in note 52.

v) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process and considering the best information available as to the consequences of the event that led to its constitution. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable. This caption also includes the impairment losses related to exposures that have an associated credit risk such as bank guarantees, and commitments assumed.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because (i) It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation; and (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

w) Insurance and reinsurance brokerage services

The Group is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, the Group sells insurance contracts. As remuneration for the services rendered, the Group receives brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between the Group and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

1. commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by the Group and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
2. commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - For insurance brokerage services.

x) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

y) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and

ii)those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events that occur after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

z) Significant judgements and estimates in the application of the accounting policies

The IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the military conflict underway in Ukraine. The most significant of these accounting estimates and judgments used in the application of the accounting policies by the Group are discussed in the following paragraphs in order to improve understanding of how their application affects the Group's reported results and related disclosure.

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

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

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Group monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Group uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Group expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 20, 21, 24, and 26, with a consequent impact in the income statement of the Group.

Due to the uncertainty of the current international economic context caused by the military conflict in Ukraine, Banco Montepio, in accordance with the provisions of IFRS 9 and for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 53).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 22, 23, 24 and 25.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 47.

Entities included in the consolidation perimeter

For the purpose of determining the entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and can appropriate those variable returns through the power it holds over that entity (de facto control).

The decision as to whether an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to the variable returns and its ability to use its power to appropriate those returns.

Different assumptions and estimates could lead the Group to a different consolidation perimeter with a direct impact in the consolidated net income, as per note 57.

Income taxes

The Group is subject to the payment of corporate income taxes in several jurisdictions. Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business.

The Group complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 32.

This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Group considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

The National Assembly approved at Plenary Meeting no. 108, on 19 July 2019, Proposed Law no. 178/XIII, which established the tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, approximating the accounting and tax rules for the purpose of deducting costs in respect of the reinforcement of credit impairment. Until the end of financial year 2023, the rules in force until 2018 will continue to apply, unless the option to apply the new regime is exercised in advance.

The estimated taxable income for the financial year considered the maintenance of the tax rules in force until 2018, with the option of the early adoption of the new regime not being exercised.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2022, the tax rules resulting from Law no. 98/2019, of 4 September, were applied, with tax rules identical to those in force in financial years 2015 through 2019 having been considered insofar as Banco Montepio did not adhere to the definitive regime on impairment, as a result of which the limits set forth in Bank of Portugal Notice no. 3/95 and other specific rules must be considered for the purpose of determining the maximum amounts of impairment losses accepted for tax purposes.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by the subsidiaries resident in Portugal, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. In the case of the subsidiary with registered office in Angola, the above-mentioned period is 3 years. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 48.

Classification and valuation of assets received in recovery of credit, non-current assets held for sale and investment properties

The classification of the real estate received in recovery of credit and non-current assets held for sale is determined in accordance with IFRS 5 and of the investment properties in accordance with IAS 40.

Assets received in recovery of credit and non-current assets held for sale are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. Investment properties are measured at fair value based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in notes 28, 29 and 33.

Provisions and contingent liabilities

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 38.

Recoverable amount of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable amount be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal. Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable amount of the Bank's own properties, which are presented in note 30.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	22 572	23 810
Loans and advances to customers	258 588	250 095
Financial assets held for trading	127	8 112
Financial assets at fair value through profit or loss	135	96
Financial assets at fair value through other comprehensive income	1 057	896
Hedging derivatives	5 210	6 580
Other financial assets at amortized cost	13 161	5 247
Other interest and similar income	2	10
	300 852	294 846
Interest and similar expense		
Deposits from central banks and other credit institutions	8 579	7 753
Deposits from customers	7 045	9 608
Debt securities issued	6 841	8 761
Financial liabilities held for trading	-	7 764
Hedging derivatives	2 781	2 050
Other subordinated debt	19 334	19 939
Lease liabilities	592	466
Other interest and similar expense	4 190	5 922
	49 362	62 263
Net interest income	251 490	232 583

The caption Interest and similar income – Loans and advances to customers, includes, in 2022, respectively, the amount of Euro 18,206 thousand and the amount of Euro 16,575 thousand (2021: Euro 16,851 thousand and Euro 11,193 thousand, respectively), related to commissions and to other gains/(losses), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 c).

In financial year 2022, in accordance with IAS 1 paragraph 82(a), the Group recorded interest on Financial assets and liabilities held for trading, namely that related to derivative financial instruments, under the caption Net interest income from assets and liabilities at fair value through profit or loss.

The caption Interest and similar income – Financial assets at fair value through profit or loss, includes, in 2022, the amount of Euro 135 thousand (2021: 96 thousand) related to loans that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

For financing lines under the TLTRO III programme, the Group considers that the operation consists of a loan with a floating rate, indexed to the Deposit Facility Rate (DFR), which is also subject to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. In June 2022, the Bank obtained confirmation from the European Central Bank of the compliance with the change in the volume of the eligible credit targets defined by the ECB, namely for the period 24 June 2020 through 23 June 2022. Hence, for the referred interest counting period, the Group used the rate of -1%. The rate of the subsequent periods coincided, until 23 November 2022, with the DFR average verified since the start of each one of the tranches, with, after that date, the rate being adjusted with the DFR in force at each moment.

The caption Interest and similar expense – Other interest and similar charges includes, in 2022, the amount of Euro 4,168 thousand (2021: Euro 5,950 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Financial assets at fair value through other comprehensive income	977	1 801

In 2022, this caption includes, essentially, dividends received from Unicre in the amount of Euro 505 thousand and from SIBS in the amount of Euro 406 thousand (2021: Euro 1,386 thousand received from Unicre, Euro 171 thousand from SIBS and Euro 161 thousand from Monteiro Aranha, S.A.).

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Fee and commission income		
From banking services	103 644	98 124
From transactions on behalf of third parties	23 973	21 823
From insurance brokerage services	10 659	12 069
Guarantees provided	3 335	3 510
Commitments to third parties	1 223	1 642
Operations with financial instruments	152	198
Other fee and commission income	4 031	2 921
	147 017	140 287
Fee and commission expense		
From banking services rendered by third parties	23 191	21 717
From transactions with securities	349	893
Other fee and commission expense	2 981	2 989
	26 521	25 599
Net fee and commission income	120 496	114 688

In 2022 and 2021, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2022	2021
Life insurance	5 652	6 125
Non-life insurance	5 007	5 944
	10 659	12 069

The remuneration of insurance brokerage services resulted, essentially, from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2022			2021		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	2 452	5 432	(2 980)	1 656	1 126	530
Issued by other entities	62	52	10	304	77	227
Shares	864	1 185	(321)	1 281	710	571
Investment units	108	350	(242)	347	237	110
	3 486	7 019	(3 533)	3 588	2 150	1 438
Derivative financial instruments						
Interest rate contracts	119 558	119 222	336	68 392	68 053	339
Exchange rate contracts	34 970	35 100	(130)	27 159	27 307	(148)
Futures contracts	11 070	8 888	2 182	3 836	4 040	(204)
Option contracts	6 845	6 789	56	869	759	110
Commodities contracts	464	374	90	562	132	430
	172 907	170 373	2 534	100 818	100 291	527
Financial assets at fair value through profit or loss						
Investment units	3 223	1 395	1 828	7 447	10 007	(2 560)
Loans and advances to customers	50	759	(709)	550	787	(237)
	3 273	2 154	1 119	7 997	10 794	(2 797)
Other financial assets at fair value through profit or loss						
Bonds and other fxed-income securities						
Issued by other entities	306	2 267	(1 961)	63 404	62 507	897
Shares	99	(93)	192	102	-	102
Loans and advances to customers	26	131	(105)	165	143	22
	431	2 305	(1 874)	63 671	62 650	1 021
Financial liabilities at fair value through profit or loss						
Deposits from customers	2 468	222	2 246	131	284	(153)
Debt securities issued	-	-	-	39	-	39
	2 468	222	2 246	170	284	(114)
Hedging derivatives						
Interest rate contracts	7 199	11 007	(3 808)	17 353	22 159	(4 806)
Hedged financial liabilities						
Debt securities issued	3 522	423	3 099	4 468	-	4 468
	193 286	193 503	(217)	198 065	198 328	(263)

Financial assets at fair value through profit or loss include, in 2022, in terms of Investment units, a positive impact of Euro 1,828 thousand (2021: negative impact of Euro 2,560 thousand), determined by the positive effects of Fundo VIP (fund) of Euro 1,963 thousand, Fundo Discovery Portugal Real Estate (fund) of Euro 542 thousand and Fundo Aquarius, FCR (fund) of Euro 504 thousand, partially offset by the negative effects of Fundo Vega (fund) of Euro 1,116 thousand, Fundo de Reestruturação Empresarial (fund) of Euro 546 thousand and Fundo SC1 Fundo Capital de Risco (fund) of Euro 482 thousand.

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2022			2021		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	33	1 058	(1 025)	2 615	642	1 973
Issued by other entities	2 474	-	2 474	64	-	64
	2 507	1 058	1 449	2 679	642	2 037

In 2022, the caption Bonds – Issued by public entities includes net losses obtained on the sale of Portuguese sovereign bonds in the amount of Euro 1,025 thousand. In 2021, this caption included net gains generated on the sale of Portuguese sovereign bonds in the amount of Euro 1,507 thousand and of Italian, Spanish, German, Greek, Belgian and European sovereign bonds in the amount of Euro 466 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2022			2021		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	76 001	65 192	10 809	35 146	26 077	9 069

This caption includes the results arising from the revaluation of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 r).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Disposal of loans and advances to customers	16 997	1 700
Disposal of other assets	16 245	13 303
Disposal of financial assets at amortized cost	38	14 775
	33 280	29 778

In financial year 2022, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Gerês operation with the realization of a capital gain of Euro 4,118 thousand, as well as the result of the sale of loans within the scope of the Alqueva and Alvito operations with the realization of capital gains of Euro 7,530 thousand and Euro 5,802 thousand, respectively.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

The caption Disposal of financial assets at amortized cost considers, in the first half of 2021, the impact of the disposal of Euro 511 million in terms of nominal value of Portuguese sovereign debt classified in the hold to collect portfolio. This operation fell within the limits defined in Banco Montepio's internal regulation for this business model, being classified as infrequent, but significant in terms of value, having generated a capital gain of Euro 14,736 thousand.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

(Euro thousand)	2022	2021
Other operating income		
Reimbursement of expenses	6 315	6 431
Repurchase of own issues	4 260	-
Revaluation of investment properties	2 665	3 926
Management fees on demand deposits	3 406	3 187
Services provided	3 900	5 787
Tax recovery	1 346	1 023
Rentals of investment properties	1 223	1 416
Assignment of staff	283	-
Income from the valuation of financial liabilities	19	11 749
Other	10 160	8 566
	33 577	42 085
Other operating expenses		
Contributions:		
Banking sector	12 258	10 318
Ex-ante to the Single Resolution Fund	8 368	7 687
National Resolution Fund	5 106	4 713
Deposits Guarantee Fund	154	26
Revaluation of investment properties	3 689	3 075
Taxes	2 468	1 515
Servicing and expenses with recovery and disposal of loans	5 235	5 862
Expenses with issuances	1 431	2 449
Donations and memberships	667	531
Expense from the valuation of financial liabilities	11 921	-
Actuarial deviations of assigned collaborators	7 595	1 268
Other	22 912	26 649
	81 804	64 093
Other operating income/(expense)	(48 227)	(22 008)

In 2022, the caption Other operating income – Repurchase of own issues considers Euro 4,260 thousand related to income earned on the acquisition of debt issued in the amount of Euro 171,400 thousand, as referred in note 37.

In 2022, the caption Other operating income – Other, includes income associated with the recovery of credit in the amount of Euro 1,626 thousand (2021: Euro 3,482 thousand) and with the restitution of taxes in the amount of Euro 1,196 thousand.

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments.

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Bank of Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução ("CUR")), in strict cooperation with the Bank of Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2022 and 2021, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, with reference to 31 December 2022, Banco Montepio had settled Euro 9,867 thousand (31 December 2021: Euro 8,424 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 20. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of the Bank of Portugal, which may be adjusted in function of the credit institution's risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating expense - Servicing and expenses with the recovery and disposal of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

In 2022, the caption Other operating expense – Losses on the valuation of financial liabilities considers Euro 11,921 thousand related to a loss arising from the change in the estimate of the book value of the financing lines in the TLTRO III programme which occurred in the first half of 2022 (see note 1 c.4). This change resulted from (i) the formal confirmation, in June 2022, by the ECB of compliance with the targets for the change in the volume of credit for the periods already ended and (ii) the revision of the interest rate to be applied to the next periods, which are no longer dependent on compliance with metrics, being only associated with the future evolution of the DFR, which was revised upwards by the ECB, with the Group proceeding to update the estimate of future cash flows accordingly. As a result, the difference between the sum of the new future cash flows discounted at the initially estimated effective interest rate and the balance sheet value at the time was recognized directly under Other operating income (by application of paragraph B5.4.6 of IFRS 9).

The caption Other operating expense - Other includes, in 2022, the amount of Euro 2,439 thousand (2021: Euro 3,136 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E. This caption also includes maintenance costs with equipment and motor vehicles under operating leases, costs with real estate received in recovery of credit, accounted for in the caption Other assets (note 33), and legal costs.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Remuneration	105 929	106 137
Mandatory social charges	30 864	32 805
Charges with the Pension Fund	11 459	9 838
Other staff costs	4 365	10 322
	152 617	159 102

In 2022, within the scope of the Employee Adjustment Programme, the caption Charges with the Pension Fund includes the amount of Euro 6,955 thousand (31 December 2021: Euro 4,365 thousand) related to the charges arising from early retirements and mutual-agreement terminations. In 2021, the caption Other costs includes the amount of Euro 4,959 thousand related to the same programme.

In financial years 2022 and 2021, neither the members of the Corporate bodies nor Other key management personnel received any variable remuneration. In 2022, first-line managers alone are considered Other key management personnel while in 2021 some second-line mangers were also included as it was considered that they could have an impact on the risk profile of the Bank.

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Supervisory Board, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group are presented as follows:

(Euro thousand)

	2022					
	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management staff	Total
Remuneration and other short-term benefits	7	200	3 291	970	5 019	9 487
Pension costs	-	-	518	-	270	788
Costs with healthcare benefits (SAMS)	-	-	16	4	109	129
Social Security charges	1	42	713	157	1 105	2 018
	8	242	4 538	1 131	6 503	12 422

(Euro thousand)

	2021					
	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management staff	Total
Remuneration and other short-term benefits	7	253	3 380	1 194	7 061	11 895
Pension costs	-	-	748	109	402	1 259
Costs with healthcare benefits (SAMS)	-	-	19	9	185	213
Social Security Charges	1	52	729	274	1 561	2 617
	8	305	4 876	1 586	9 209	15 984

As at 31 December 2022, loans granted to members of the Board of Directors of Banco Montepio (including the members of the Audit Committee) amounted to Euro 163 thousand (31 December 2021: Euro 588 thousand), to members of the Boards of Directors of Banco Montepio's subsidiaries, Euro 2,084 thousand (31 December 2021: Euro 2,618 thousand) and to Other key management personnel, Euro 2,521 thousand (31 December 2021: Euro 3,349 thousand).

The average number of employees at the Group's service during 2022 and 2021, broken down by major professional categories, was as follows:

	2022	2021
Administration and Coordination	265	244
Senior management	493	538
Technical staff	1 419	1 433
Administrative staff	1 023	1 150
Auxiliary staff	19	26
	3 219	3 391

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Rental costs	673	699
Specialized services		
Other specialized services	19 647	20 659
IT services	13 219	12 223
Independent work	2 509	3 144
Communication costs	3 835	5 738
Maintenance and repairs	5 355	4 853
Advertising costs	3 623	2 853
Water, energy and fuel	2 454	3 000
Transportation	2 313	1 897
Insurance	1 001	1 073
Consumables	588	504
Travel, accommodation and entertainment expenses	835	566
Training	729	682
Other general and administrative costs	2 959	3 360
	59 740	61 251

The caption Rents and hires includes, in 2022, the amount of Euro 229 thousand (2021: Euro 410 thousand) related to short-term lease contracts, of which Euro 94 thousand (2021: Euro 56 thousand) correspond to rents paid on real estate and Euro 135 thousand (2021: Euro 354 thousand) to rents paid on vehicles, in both cases used by the Banco Montepio Group as a lessee.

As part of the development of its activity, the Group records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS and also with costs related to the payment of fees and retainer fees.

The caption Other specialized services includes the fees billed by the Statutory Auditor of the Group within the scope of the functions of statutory audit of the accounts, as well as for other services, including those provided by its network, as follows (excluding VAT):

(Euro thousand)

	2022	2021
Statutory audit services	1 370	1 074
Services other than statutory audit legally required	286	371
Services other than statutory audit not legally required	390	642
	2 046	2 087

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Intangible assets (note 31)		
Software	19 931	18 395
Other tangible assets (note 30)		
Real estate		
For own use	2 804	2 982
Leasehold improvements in rented buildings	214	508
Equipment		
IT equipment	2 206	2 653
Fixtures	1 527	1 633
Furniture	134	140
Transportation	175	181
Security equipment	94	124
Machinery and tools	41	41
Right-of-use assets		
Real estate	5 250	5 639
Motor vehicles	1 630	1 760
	14 075	15 661
	34 006	34 056

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Other loans and advances to credit institutions (note 20)		
Charge for the year	1 505	7 362
Reversals for the year	(1 593)	(3 811)
	(88)	3 551
Loans and advances to customers (note 21)		
Charge for the year net of reversals	21 978	52 625
Recovery of loans and interest	(8 519)	(4 772)
	13 459	47 853
	13 371	51 404

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 c).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Financial assets at fair value through other comprehensive income (note 24)		
Charge for the year net of reversals	219	2 539
Other financial assets at amortized cost (note 26)		
Charge for the year net of reversals	2 106	1 844
	2 325	4 383

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Non-current assets held for sale (note 28)		
Charge for the year	15	75
Reversals for the year	(26)	(107)
	(11)	(32)
Other tangible assets (note 30)		
Charge for the year	1 992	5 912
Reversals for the year	(265)	(269)
	1 727	5 643
Other assets (note 33)		
Charge for the year	26 161	29 921
Reversals for the year	(2 996)	(4 518)
	23 165	25 403
	24 881	31 014

Within the scope of the Plan for the resizing of the distribution network, the Bank closed several branches, having, consequently, obtained the market value of those branches from independent appraisers. Based on the values evidenced by those assessments, it was necessary, in 2022, to make an allocation, net of reversals, for impairment in respect of Other tangible assets of Euro 1,727 thousand (2021: Euro 5,643 thousand).

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Guarantees and commitments (note 38)		
Charge for the year	25 284	27 410
Reversals for the year	(22 102)	(27 738)
	3 182	(328)
Other risks and charges (note 38)		
Charge for the year	3 526	4 149
Reversals for the year	(2 788)	(7 717)
	738	(3 568)
	3 920	(3 896)

17 Share of profits/(losses) booked under the equity method

The share of profits/(losses) booked under the equity method is analysed as follows:

(Euro thousand)

	2022	2021
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	495	3

18 Cash and deposits at central banks

This caption is presented as follows:

	(Euro thousands)	
	2022	**2021**
Cash	149 889	157 755
Deposits at central banks		
Bank of Portugal	1 233 913	2 788 426
Other central banks	-	21 815
	1 383 802	2 967 996

The caption Deposits at central banks – Bank of Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

19 Loans and advances to credit institutions repayable on demand

This caption is presented as follows:

	(Euro thousand)	
	2022	**2021**
Credit institutions in Portugal	859	6 431
Credit institutions abroad	19 614	46 573
Amounts to be collected	31 814	14 356
	52 287	67 360

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In 2022, Loans and advances at other credit institutions and central banks were remunerated at the average rate of 1.12% (2021: - 0.33%).

20 Other loans and advances to credit institutions

This caption is presented as follows:

	(Euro thousand) 2022	2021
Loans and advances to credit institutions in Portugal	3 863	8 690
Loans and advances to credit institutions abroad		
Term deposits	29 690	89 658
CSA's	16 039	25 139
Reverse repos	-	39 272
Very short-term loans and advances	-	44
Other loans and advances	56 791	66 726
	102 520	220 839
	106 383	229 529
Impairment for credit risk of loans and advances to credit institutions	(7)	(464)
	106 376	229 065

As at 31 December 2022, the caption Term deposits, recorded under Other loans and advances to credit institutions abroad, includes the amount of Euro 9,867 thousand (31 December 2021: Euro 8,424 thousand) related to a deposit made and accepted as collateral within the scope of the ex-ante contribution to the Single Resolution Fund, as per note 9.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in the Bank's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that the Group negotiated with each one of the counterparties and are materialized through the effective transfers of cash, through TARGET2 transfers to each one of the counterparties in question, as a guarantee/security of the Bank's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2022, the Bank holds the amount of Euro 16,039 thousand (31 December 2021: Euro 25,139 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

The caption Other loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited by vehicles incorporated for the purpose of the Group's securitization operations.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	464	287
Charge for the year net of reversals	(88)	3 551
Exchange rate differences and others	73	(3 374)
Other	(215)	-
Discontinued operations	(227)	-
Closing balance	7	464

The analysis of the caption Other loans and advances to banks, by residual maturity, is as follows:

(Euro thousand)

	2022	2021
Up to 3 months	56 938	206 109
3 to 6 months	9 867	8 424
More than 5 years	4 000	4 000
Undetermined	35 578	10 996
	106 383	229 529

In the caption Other loans and advances to banks abroad – Other loans and in the residual undetermined period to maturity are included security deposits in the scope of the banking activity.

In 2022, the Other loans and advances to banks were remunerated at the implicit average rate of 1.04% (31 December 2021: 0.70%).

21 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	2022	2021
Corporate		
Loans not represented by securities		
Loans	3 204 493	3 069 650
Current account loans	385 349	383 186
Finance leases	398 059	433 157
Discounted bills	26 786	26 524
Factoring	224 020	197 770
Discounted bills	602	723
Others loans	327 166	361 695
Loans represented by securities		
Commercial paper	197 672	197 906
Bonds	332 153	300 700
Retail		
Mortgage loans	5 402 609	5 538 792
Finance leases	41 426	46 555
Consumer credit and other loans	1 248 728	1 184 526
	11 789 063	11 741 184
Foreign loans		
Corporate	-	42 042
Retail	-	3 287
	-	45 329
Value correction of assets subject to hedging operations		
Others loans	(74)	30
Past due loans and advances and interest		
Less than 90 days	8 415	41 504
More than 90 days	270 210	361 418
	278 625	402 922
	12 067 614	12 189 465
Impairment for credit risks	(354 517)	(521 777)
	11 713 097	11 667 688

As at 31 December 2022, the caption Loans and advances to customers includes the amount of Euro 2,753,360 thousand (31 December 2021 Euro 2,746,685 thousand) related to the issue of covered bonds realized by the Group, as referred to in note 37.

As at 31 December 2022, the loans and advances that the Group granted to its shareholders and to related parties amounted to Euro 25,375 thousand (31 December 2021: Euro 12,214 thousand), as described in note 50. The celebration of business between the Group and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposed made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Division. The impairment for credit risks related to these contracts amounts to Euro 62 thousand as at 31 December 2022 (31 December 2021: Euro 362 thousand).

As at 31 December 2022, the caption Loans and advances to customers includes the amount of Euro 775,886 thousand (31 December 2021: Euro 994,467 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 c), were not the object of derecognition, as referred in note 51.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). The Group periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 47.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2022 and 2021, is as follows:

(Euro thousand)

	2022	2021
Variable-rate loans and advances	10 024 229	10 281 439
Fixed-rate loans and advances	2 043 385	1 908 026
	12 067 614	12 189 465

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2022	2021
Asset-backed loans	189 868	277 161
Others guaranteed loans	30 665	56 699
Finance leases	4 299	5 362
Secured loans	33 000	33 000
Others loans and advances	20 793	30 700
	278 625	402 922

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2022	2021
Corporate		
Construction/Production	33 270	55 818
Investment	141 395	190 187
Treasury	56 017	88 822
Others	11 009	17 667
Retail		
Mortgage loans	15 809	27 587
Consumer credit	17 767	16 366
Others	3 358	6 475
	278 625	402 922

The analysis of the caption Loans and advances to customers, by maturity and by credit type, for financial years 2022 and 2021, is as follows:

(Euro thousand)

	2022				
	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	199 599	672 972	8 340 893	189 868	9 403 332
Others guaranteed loans	320 352	119 690	239 156	30 665	709 863
Finance leases	28 725	209 336	201 424	4 299	443 784
Secured loans	196 458	214 989	118 378	33 000	562 825
Others loans and advances	220 377	212 572	494 068	20 793	947 810
	965 511	1 429 559	9 393 919	278 625	12 067 614

(Euro thousand)

	2021				
	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	129 135	584 351	8 368 463	277 161	9 359 110
Others guaranteed loans	352 722	151 263	259 765	56 699	820 449
Finance leases	31 308	223 426	224 978	5 362	485 074
Secured loans	197 905	204 429	96 272	33 000	531 606
Others loans and advances	202 794	155 346	604 386	30 700	993 226
	913 864	1 318 815	9 553 864	402 922	12 189 465

The outstanding amount of Finance leases, by residual maturity, is as follows:

(Euro thousand)

	2022			
	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	62 976	238 565	118 213	419 754
Outstanding interest	(11 798)	(35 577)	(23 754)	(71 129)
Residual values	19 309	42 559	28 992	90 860
	70 487	245 547	123 451	439 485

(Euro thousand)

	2021			
	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	61 350	250 327	128 459	440 136
Outstanding interest	(8 840)	(29 042)	(24 481)	(62 363)
Residual values	21 996	48 450	31 493	101 939
	74 506	269 735	135 471	479 712

As regards operating leases, the Group does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	521 777	779 514
Charge for the year net of reversals	21 978	52 625
Utilization	(188 938)	(280 507)
Exchange rate differences	2 195	4 843
Transfers and others	3 234	(39 192)
Stage 3 interest	4 459	1 517
Discontinued operations	(10 188)	2 977
Closing balance	354 517	521 777

The use of impairment corresponds to loans and advances written off in 2022 and 2021 and loan assignment operations to third-party entities.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2022	2021
Asset-backed loans and Finance leases	264 829	377 624
Other secured loans	53 093	83 897
Unsecured loans	36 595	60 256
	354 517	521 777

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)

	2022	2021
Asset-backed loans and Finance leases	109 805	165 936
Other guaranteed loans	21 335	69 260
Unsecured loans	57 798	45 311
	188 938	280 507

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2022, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 520,558 thousand (31 December 2021: Euro 622,252 thousand) and present an impairment of Euro 164,182 thousand (31 December 2021: Euro 255,198 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans in 2022 and 2021, by credit type, is as follows:

(Euro thousand)

	2022	2021
Corporate		
Loans not represented by securities		
Loans	99 644	104 069
Current account loans	28 989	3 241
Finance leases	2 853	3 503
Others loans	31 013	5 137
Retail		
Mortgage loans	7 661	11 602
Consumer credit and other loans	4 208	17 598
	174 368	145 150

As at 31 December 2022, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 40,998 thousand, which corresponds to an impairment rate of 23.5% (31 December 2021: Euro 54,773 thousand, impairment rate of 37.7%). The decrease in the impairment rate compared with December 2021 is explained by the greater collateralization of the newly restructured contracts.

Synthetic securitization

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 29 December 2052 and the respective amount totals Euro 878,848 thousand as at 31 December 2022.

On 18 December 2020, the Banco Montepio Group carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity of the transaction is 25 March 2036 and the respective amount totals Euro 402,444 thousand as at 31 December 2022 (31 December 2021: Euro 358,661 thousand). As mentioned in accounting policy c.14), Banco Montepio contracted two guarantees from the EIB and the EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, bearing, respectively, commissions of 0.3% and 4.5%, with quarterly payments.

22 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2022	2021
Financial assets held for trading		
Securities		
Shares	1 373	-
Bonds	1 869	-
	3 242	-
Derivative instruments		
Derivative instruments with positive fair value	19 828	7 582
	23 070	7 582
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	17 697	7 470
	17 697	7 470

As provided for in IFRS 13, as at 31 December 2022 and 2021, the financial instruments measured in accordance with the valuation levels described in note 47, are as follows:

(Euro thousand)

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Securities				
Shares	1 373	-	-	1 373
Bonds	1 869	-	-	1 869
	3 242	-	-	3 242
Derivative instruments				
Derivative instruments with positive fair value	-	6 817	13 011	19 828
	3 242	6 817	13 011	23 070
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	7 694	10 003	17 697
	-	7 694	10 003	17 697

(Euro thousand)

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	1 376	6 206	7 582
	-	1 376	6 206	7 582
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	949	6 521	7 470
	-	949	6 521	7 470

The analysis of the securities portfolio recorded in Financial assets held for trading, by maturity, as at 31 December 2022, is presented as follows:

(Euro thousand)

	2022					
	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income secutities						
Bonds						
Foreign	-	-	-	1 869	-	1 869
Variable income securities						
Shares						
Domestic	-	-	-	-	414	414
Foreign	-	-	-	-	959	959
	-	-	-	1 869	1 373	3 242

As at 31 December 2022, there are no securities given as collateral classified as held for trading.

The book value of the derivative financial instruments as at 31 December 2022 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2022								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the financial year (1)**	**Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	63 906	-	(1 525)	(1 525)	(1 443)	(2 093)	(2 246)	61 565	63 658
Interest rate swap	Loans and advances to customers	959	7	(6)	1	23	(74)	(104)	863	931
Interest rate swap	-	577 433	16 386	(13 268)	3 118	3 442	-	-	-	-
Currency Swap (Short)	-	36 834	37	(25)	12	(96)	-	-	-	-
Currency Swap (Long)	-	36 860								
Futures (Short)	-	10 392	-	-	-	-	-	-	-	-
Futures (*Long*)	-	1 712								
Forwards (Short)	-	19 887	-	-	-	-	-	-	-	-
Forwards (Long)	-	19 912								
Options (*Short*)	-	107 286	3 398	(2 873)	525	92	-	-	-	-
Options (*Long*)	-	107 549								
		982 730	19 828	(17 697)	2 131	2 018	(2 167)	(2 350)	62 428	64 589

(1) Includes the result of derivatives disclosed in note 5

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2021 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2021								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year(1)**	**Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	-	-	-	-	-	-	(9)	-	-
Interest rate swap	Deposits from customers	25 018	-	(82)	(82)	(82)	153	153	25 009	24 856
Interest rate swap	Loans and advances to customers	1 068	4	(26)	(22)	43	30	22	1 004	1 041
Interest rate swap		682 386	7 529	(7 853)	(324)	4 026	-	-	-	-
Currency Swap (Short)	-	24 479	108	-	108	(110)	-	-	-	-
Currency Swap (Long)	-	24 597								
Futuros (*Short*)	-	-	-	-	-	-	-	-	-	-
Futuros (*Long*)	-	-								
Forwards (Short)	-	745	-	-	-	-	-	-	-	-
Forwards (Long)	-	745								
Options (*Short*)	-	55 709	(59)	491	432	434	-	-	-	-
Options (*Long*)	-	55 956								
		870 703	7 582	(7 470)	112	4 311	183	166	26 013	25 897

(1) Includes the result of derivatives disclosed in note 5

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022					
	Notionals by remaning maturity date				Fair value	
	Less than 3 months	**3 months to 1 year**	**More than 1 year**	**Total**	**Assets**	**Liabilities**
Interest rate contracts						
Interest rate swaps	7 121	60 982	574 195	642 298	16 394	14 799
Options	5 892	18 976	126 060	150 928	3 389	2 865
Exchange rate contracts						
Exchange rate swaps	73 694	-	-	73 694	37	25
Forwards	38 228	1 571	-	39 799	-	-
Index/Equities contracts						
Futures	12 104	-	-	12 104	-	-
Options	5 972	19 046	38 889	63 907	8	8
	143 011	100 575	739 144	982 730	19 828	17 697

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2021, is as follows:

(Euro thousand)

	2021					
	Notionals by remaning maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	-	50 620	657 852	708 472	7 533	7 961
Options	-	603	86 043	86 646	(67)	(499)
Exchange rate contracts						
Exchange rate swaps	49 076	-	-	49 076	108	-
Forwards	1 490	-	-	1 490	-	-
Index/Equities contracts						
Options	-	-	25 019	25 019	8	8
	50 566	51 223	768 914	870 703	7 582	7 470

23 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2022	2021
Variable income securities		
Investment Units	138 800	193 659
Loans and advances to customers at fair value		
Loans not represented by securities	8 970	9 768
	147 770	203 427

The caption Variable-income securities – Investment units includes, as at 31 December 2022, the amount of Euro 62,441 thousand (31 December 2021: Euro 63,783 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 55.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 47, as follows:

(Euro thousand)

	2022	2021
	Level 3	
Variable income securities		
Investment Units	138 800	193 659
Loans and advances to customers at fair value		
Loans not represented by securities	8 970	9 768
	147 770	203 427

As at 31 December 2022, the level 3 assets in the caption Variable-income securities – Investment units include investment units in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 138,800 thousand (31 December 2021: Euro 193,659 thousand), of which Euro 58,281 thousand (31 December 2021: Euro 111,329 thousand) are related to real estate investment funds.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2022, for Variable-income securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 13,880 thousand (31 December 2021: Euro 19,366 thousand) having been determined.

The movements occurred in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	193 659	337 226
Acquisitions	761	1 372
Remeasurements	(380)	(50 739)
Disposals	(55 240)	(94 200)
Closing balance	138 800	193 659

The movements occurred in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations made in financial years 2022 and 2021.

24 Financial assets at fair value through other comprehensive income

This caption, in financial year 2022, is presented as follows:

(Euro thousand)

	2022				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	6	(2 605)	(40)	18 386
Foreign	40 966	-	(765)	(73)	40 128
Bonds issued by other entities					
Domestic	11 007	162	(565)	(418)	10 186
Foreign	1 118	-	(53)	(2)	1 063
Commercial paper	6 489	19	-	(19)	6 489
Variable income securities					
Shares					
Domestic	5 118	10 785	-	-	15 903
Foreign	6 218	29	(1 180)	-	5 067
	91 941	11 001	(5 168)	(552)	97 222

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, in financial year 2021, is presented as follows:

(Euro thousand)

	2021				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	31 779	448	(22)	(62)	32 143
Foreign	41 889	314	-	(78)	42 125
Bonds issued by other entities					
Domestic	16 419	956	(422)	(1 453)	15 500
Foreign	1 328	-	(13)	(3)	1 312
Commercial paper	10 047	1 257	-	(1 257)	10 047
Variable income securities					
Shares					
Domestic	5 200	9 985	-	-	15 185
Foreign	6 228	1 214	(416)	-	7 026
	112 890	14 174	(873)	(2 853)	123 338

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

On 4 March 2021, the Banco Montepio Group participated in the public tender offer ("PTO") for the acquisition of shares to increase the shareholding launched by Sociedade Técnica Monteiro Aranha S.A. (the "Offeror"), carried out by B3 S.A. – Brasil, Bolsa, Balcão.

Within the scope of the aforementioned tender, the Group sold its entire shareholding in Monteiro Aranha S.A. (the "Company"), corresponding to 1,262,743 ordinary shares, equivalent to approximately 10.31% of the Company's share capital. The sale generated a cash inflow of Euro 25,944 thousand.

In financial year 2021, the Group sold its entire shareholding in Almina Holding S.A. (Almina), corresponding to 9,500 ordinary shares, equivalent to 19.0% of the share capital of Almina. The sale generated a cash inflow of Euro 67,600 thousand.

SIBS

The fair value of the 1.74% stake held by the Bank in the share capital of SIBS, disclosed in the financial statements as at 31 December 2022, is supported by a valuation that considers the methodologies of multiples of comparable companies (market and transaction) and Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2022, the information contained in the reports and accounts on a consolidated basis for financial years 2020 and 2021, the documents prepared by management and updated to June 2022, the budget for the 2023 fiscal year, as well as information on transaction multiples of comparable companies, namely in the Networks and Payment Systems sectors, were considered.

For this valuation, a forecast horizon of four years was considered, for which it was necessary to calculate the forecast cash flows, based on historical cash flows and estimated growth rates, the latter showing accelerated growth for 2023, with, from 2024 onwards, same evolving in line with the Company's growth potential.

In the valuation using the DCF methodology, the continuity of operations beyond the forecast horizon was assumed, and a conservative scenario for the annual variation of cash-flows in perpetuity as well as for the investment levels in CAPEX and depreciation and amortizations were considered. Cash flows were discounted at a rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, which stood at 10.6% with reference to 31 December 2022 (31 December 2021: 8.1%).

In the valuation using the market multiples method, multiples referring to financial years 2021 and 2022 were considered, and which include companies from different geographies, supported by the MergerMarket database.

Unicre

The fair value of the 3.84% stake held by the Bank in the share capital of Unicre, disclosed in the financial statements as at 31 December 2022, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, since, at the valuation date, the Company's information regarding financial year 2022 was not yet public, and was based on information from the Reports and accounts of Unicre referring to financial years 2020 and 2021.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of revenues in its valuation, as well as the cost of financing to support Unicre's activity. On 31 December 2022, the discount rate considered in the valuation was 11.0% (31 December 2021: 10.1%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% stake held in the share capital of ABANCA, disclosed in the financial statements as at 31 December 2022, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, based on information from the Presentations of results and the Reports and accounts of ABANCA referring to financial years 2020, 2021 and the third quarter of 2022.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of operating results in its valuation, with the financing structure remaining stable compared to previous years, as well as the assumption of a slowdown in activity growth and of the Company's profitability in relation to historical performance. On 31 December 2022, the discount rate considered in the valuation was 11.1% (31 December 2021: 8.7%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

In financial years 2022 and 2021, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2022				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	17 382	1 004	-	-	18 386
Foreign	40 128	-	-	-	40 128
Bonds issued by other entities				-	
Domestic	4 150	-	6 036	-	10 186
Foreign	-	1 063	-	-	1 063
Commercial paper	-	-	6 489	-	6 489
	61 660	2 067	12 525	-	76 252
Variable income securities					
Shares					
Domestic		-	15 100	803	15 903
Foreign	-	-	4 771	296	5 067
	-	-	19 871	1 099	20 970
	61 660	2 067	32 396	1 099	97 222

(Euro thousand)

	2021				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	31 119	1 024	-	-	32 143
Foreign	42 125	-	-	-	42 125
Bonds issued by other entities					
Domestic	4 066	-	11 434	-	15 500
Foreign		1 312	-	-	1 312
Commercial paper	-	-	10 047	-	10 047
	77 310	2 336	21 481	-	101 127
Variable income securities					
Shares					
Domestic	-	-	14 300	885	15 185
Foreign		-	6 730	296	7 026
	-	-	21 030	1 181	22 211
	77 310	2 336	42 511	1 181	123 338

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 47.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 3,240 thousand as at 31 December 2022 (31 December 2021: Euro 4,251 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 9,302 thousand (31 December 2021: positive amount of Euro 12,695 thousand) recognized in fair value reserves.

In this caption, the Group has some securities measured at acquisition cost. It is the Group's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

The movements occurred in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	42 511	96 985
Acquisitions	6 489	15 076
Remeasurements	(1 483)	(789)
Disposals	-	(67 600)
Reimbursements	(15 121)	(1 161)
Closing balance	32 396	42 511

The movements occurred in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	2 853	1 181
Change for the year	349	2 549
Reversals for the year	(130)	(10)
Utilization	(2 519)	(863)
Others	-	2 023
Transfers	(1)	-
Discontinued operations	-	(2 027)
Closing balance	552	2 853

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022					
	Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	1 004	17 382	-	-	18 386
Foreign	-	40 128	-	-	-	40 128
Bonds issued by other entities						
Domestic	-	-	8 620	-	1 566	10 186
Foreign	-	-	-	1 063	-	1 063
Commercial paper	6 489	-	-	-	-	6 489
	6 489	41 132	26 002	1 063	1 566	76 252
Variable income securities						
Shares						
Domestic	-	-	-	-	15 903	15 903
Foreign	-	-	-	-	5 067	5 067
	-	-	-	-	20 970	20 970
	6 489	41 132	26 002	1 063	22 536	97 222

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2021, is as follows:

(Euro thousand)

	2021					
	Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	10 276	1 024	20 843	-	32 143
Foreign			42 125	-	-	42 125
Bonds issued by other entities						
Domestic	-	-	10 102	4 066	1 332	15 500
Foreign	-	-	-	1 312	-	1 312
Commercial paper	10 047	-	-	-	-	10 047
	10 047	10 276	53 251	26 221	1 332	101 127
Variable income securities						
Shares						
Domestic	-	-	-	-	15 185	15 185
Foreign	-	-	-	-	7 026	7 026
	-	-	-	-	22 211	22 211
	10 047	10 276	53 251	26 221	23 543	123 338

In the scope of the liquidity providing operations, the nominal value of the assets pledged as collateral to the European Central Bank included in this caption, as at 31 December 2022, amounts to Euro 57,405 thousand after haircut (31 December 2021: Euro 67,877 thousand), as described in note 34.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by the Group under the terms and conditions of the contracts celebrated.

25 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2022	2021
Assets		
Interest rate swaps	-	5 411
	-	5 411
Liabilities		
Interest rate swaps	-	335
Net value	-	5 076

Banco Montepio had contracted an interest rate swap to hedge its interest rate risk arising from a bond issue at fixed rate with maturity in October 2022. The accounting method depends on the nature of the hedged risk, namely whether the Group is exposed to fair value changes, or whether it is hedging future transactions. The Group performs periodic effectiveness tests of the hedging relationships.

The analysis of the hedging derivatives' portfolio, by residual maturity, as at 31 December 2021, is as follows:

(Euro thousand)

	2021			
	By maturity date			
	Notionais		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	5 076	5 076
	750 000	750 000	5 076	5 076

As at 31 December 2021, the fair value hedging operations can be analysed as follows:

(Euro thousand)

2021							
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in fair value of derivative in the financial year	Fair value of hedged element (2)	Changes in fair value of hedged element in the year (2)
Interest rate swap	Debt securities issued	Interest rate	750 000	5 076	(5 077)	(3 099)	4 468
Currency rate swap	Shares	Currency	-	-	(143)	-	-
			750 000	5 076	(5 220)	(3 099)	4 468

(1) Includes accrued interest

(2) Attributable to hedged risk

26 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2022	2021
Fixed income securities		
Bonds issued by public entities		
Domestic	1 083 614	669 851
Foreign	3 042 466	2 339 750
	4 126 080	3 009 601
Impairment for other financial assets at amortized cost	(6 693)	(5 405)
	4 119 387	3 004 196

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 47.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 c). As at 31 December 2022, the loan obtained from the EIB is collateralized by Italian, Greek and Spanish sovereign bonds with a nominal value of Euro 376,651 thousand (31 December 2021: Euro 537,614 thousand by Portuguese, Italian, Greek, Irish and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 35.

As at 31 December 2022, the nominal value of the assets pledged as collateral to the European Central Bank under this caption for liquidity-providing operations amounts to Euro 3,585,822 thousand (31 December 2021: Euro 3,778,298 thousand) after applying a haircut, as described in note 34.

Securities given in guarantee to the Portuguese Securities Market Commission ("CMVM") within the scope of the Investors' Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand as at 31 December 2022 and 2021.

The nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 28,000 thousand (31 December 2021: Euro 24,000 thousand) as per note 46.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	5 405	8 966
Charge for the year net of reversals	2 106	1 844
Utilization and exchange rate differences	(43)	(2 826)
Transfers	11	-
Discontinued operations	(786)	(2 579)
Closing balance	6 693	5 405

27 Investments in associated companies

This caption is presented as follows:

(Euro thousand)

	2022	2021
HTA - Hotés, Turismo e Animação dos Açores, S.A.	3 716	3 278
Montepio - Gestão de Activos Imobiliários, A.C.E.	674	674
	4 390	3 952

Associates included in the Group's consolidation perimeter are listed in note 57. The financial information of Associates is presented in the following tables:

(Euro thousand)

	Assets	Liabilities	Equity	Income	Net profit / (loss)	Acquisition cost
31 December 2022						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	37 272	18 688	18 584	11 156	2 474	3 716
Montepio Gestão de Activos Imobiliários, A.C.E.	4 175	1 725	2 450	-	-	674
CESource, ACE	-	-	-	-	-	-
31 December 2021						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	37 455	21 061	16 394	7 989	14	3 278
Montepio Gestão de Activos Imobiliários, A.C.E.	3 613	1 163	2 450	-	-	674
CESource, A.C.E.	-	-	-	-	-	-

(Euro thousand)

	Percentage held		Book value		Profit / Loss	
	2022	2021	2022	2021	2022	2021
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,0%	20,0%	3 717	3 278	495	3
Montepio Gestão de Activos Imobiliários, A.C.E.	27,5%	27,5%	674	674	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20,0%	20,0%	-	-	-	-
Cesource, A.C.E.	18,0%	18,0%	-	-	-	-

The movement in this caption is analysed as follows:

(Euro thousand)

	2022	2021
Openning balance	3 952	3 872
Share of profit of associated companies	495	3
Other reserves and retained earnings	(57)	77
Closing balance	4 390	3 952

The Group analyses, on a regular basis, the impairment related to its investments in associates.

During 2021, NAVISER - Transportes Marítimos Internacionais, S.A. was dissolved and liquidated.

28 Non-current assets held for sale

As at 31 December 2022 and 2021, this caption was analysed as follows:

(Euro thousand)

	2022	2021
Properties and other assets resulting from the resolution of customer loan agreements	58	38 920
Impairment for non-current assets held for sale	(47)	(58)
	11	38 862

The assets included in this caption are accounted for in accordance with the accounting policy described in note 1 h).

On 29 December 2021, the Bank signed a promissory contract for the purchase and sale of a set of non-performing loans ("NPLs") with guarantee (Secured tranche) and a set of properties received in recovery of credit, including price deposits. Although the conditions set out in IFRS 9 to ensure their derecognition from the balance sheet as at 31 December 2021 were not met, it was determined, however, that the conditions set out in IFRS 5 for their transfer to Non-current assets held for sale were met given that the sale of the operation was expected to occur in the short term.

As at 31 December 2021, the global gross value and the impairment losses of the assets included in the Gerês Operation are detailed as follows:

(Euro thousand)

	2021				
	Loans and advances on balance	**Price deposits**	**Property received in deed**	**Financial assets at fair value through profit or loss**	**Total**
Gross value	82 336	1 314	1 613	114	85 377
Impairment	(45 568)	(904)	(69)	-	(46 541)
Net value	36 768	410	1 544	114	38 836

The movements occurring in non-current assets held for sale in financial years 2022 and 2021 are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	38 920	5 573
Acquisitions	149	-
Disposals	(39 011)	(5 489)
Other	-	38 836
Closing balance	58	38 920

The movements in impairment of non-current assets held for sale are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	58	89
Charge for the year	15	75
Reversal for the year	(26)	(107)
Utilization and others	-	1
Closing balance	47	58

29 Investment properties

The caption Investment properties includes the real estate owned by “Valor Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, by “Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular”, by “Portugal Estates Fund – Fundos de Investimento Imobiliário Fechado de Subscrição Particular” and by “Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto”, all of which are consolidated by the full consolidation method, according to the accounting policy described in note 1 b) and also the real estate held by SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

In 2022, the amount of rental income received related to investment properties totalled Euro 1,223 thousand (2021: Euro 1,416 thousand) and maintenance costs of leased and non-leased properties totalled Euro 2,493 thousand (2021: Euro 3,567 thousand), as described in note 9.

The movements in this caption are analysed as follows:

(Euro thousand)

	2022	2021
Opening Balance	102 933	125 893
Acquisitions	488	229
Revaluations	1 905	(570)
Disposals	(28 504)	(18 158)
Transfers	(4 096)	(4 461)
Closing balance	72 726	102 933

These investments are initially recognized at acquisition cost, including transaction costs, and are subsequently remeasured at fair value. The fair value reflects market conditions at the balance sheet date, with external appraisers carrying out the appraisals being duly certified for this purpose and registered with the CMVM.

30 Other tangible assets

This caption is presented as follows:

(Euro thousand)

	2022	2021
Investments		
Real estate		
For own use	185 978	193 034
Leasehold improvements in rented buildings	28 604	29 202
Equipment		
IT equipment	88 577	88 893
Fixtures	32 045	31 425
Furniture	17 491	18 467
Security equipment	4 339	4 411
Machinery and tools	2 842	2 937
Transportation equipment	1 620	2 218
Other equipment	5	5
Works of art	2 870	2 870
Assets in operating leases	58	58
Righ-of-use assets		
Real estate	26 383	23 852
Motor vehicles	12 845	12 589
Other tangible assets	793	16 555
Work in progress	1 342	10 583
	405 792	437 099
Accumulated depreciation		
Charge for the year	(14 075)	(16 793)
Accumulated charge in previous years	(199 214)	(187 813)
	(213 289)	(204 606)
Impairment for other tangible assets	(505)	(883)
	191 998	231 610

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

The movements in the caption Other tangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	Opening balance	Discontinuing operations	Acquisitions	Disposals	Transfers	Closing balance
Investments						
Real estate						
For own use	193 034	(4 320)	-	-	(2 736)	185 978
Leasehold improvements in rented buildings	29 202	(599)	1	-	-	28 604
Equipment						
IT equipment	88 893	(1 273)	1 970	1 013	-	88 577
Fixtures	31 425	(298)	5	5	918	32 045
Furniture	18 467	(441)	12	547	-	17 491
Security equipment	4 411	(104)	166	134	-	4 339
Machinery and tools	2 937	(87)	2	10	-	2 842
Transportation equipment	2 218	(607)	800	791	-	1 620
Other equipment	5	-	-	-	-	5
Works of art	2 870	-	-	-	-	2 870
Assets in operating leases	58	-	-	-	-	58
Righ-of-use assets						
Real estate	23 852	(63)	10	-	2 584	26 383
Motor vehicles	12 589	-	148	150	258	12 845
Other tangible assets	16 555	(15 763)	1 480	-	(923)	1 349
Work in progress	10 583	(9 798)	-	-	1	786
	437 099	(33 353)	4 594	2 650	102	405 792
Accumulated depreciation						
Real estate						
For own use	24 614	(748)	2 804	-	(263)	26 407
Leasehold improvements in rented buildings	27 650	-	214	-	-	27 864
Equipment						
IT equipment	84 572	(699)	2 206	1 013	-	85 066
Fixtures	21 038	(215)	1 527	4	-	22 346
Fixtures	18 043	(484)	134	547	-	17 146
Security equipment	4 717	(566)	94	134	-	4 111
Machinery and tools	2 815	(79)	41	10	-	2 767
Transportation equipment	1 008	(537)	175	124	-	522
Other equipment	7	(2)	-	-	-	5
Assets in operating leases	58	-	-	-	-	58
Righ-of-use assets						
Real estate	15 266	-	5 250	-	212	20 728
Motor vehicles	4 027	-	1 630	150	-	5 507
Other tangible assets	791	(29)	-	-	-	762
	204 606	(3 359)	14 075	1 982	(51)	213 289
Impairment for other tangible assets	(883)					(505)
	231 610					191 998

The movements in the caption Other tangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	226 454	1 609	90	(34 939)	193 034
Leasehold improvements in rented buildings	29 655	97	550	-	29 202
Equipment					
IT equipment	96 862	3 175	11 149	5	88 893
Fixtures	34 210	74	3 919	1 060	31 425
Furniture	19 201	48	782	-	18 467
Security equipment	7 861	35	3 485	-	4 411
Machinery and tools	2 930	14	7	-	2 937
Transportation equipment	2 135	955	872	-	2 218
Other equipment	5	-	-	-	5
Works of art	2 870	-	-	-	2 870
Assets in operating leases	74	-	16	-	58
Righ-of-use assets					
Real estate	34 787	471	10 751	(655)	23 852
Motor vehicles	7 161	5 804	385	9	12 589
Other tangible assets	14 520	3 305	1 305	35	16 555
Work in progress	8 468	3 216	-	(1 101)	10 583
	487 193	18 803	33 311	(35 586)	437 099
Accumulated depreciation					
Real estate					
For own use	24 412	3 662	3	(3 457)	24 614
Leasehold improvements in rented buildings	27 628	595	486	(87)	27 650
Equipment					
IT equipment	92 900	2 747	11 150	75	84 572
Fixtures	23 114	1 691	3 774	7	21 038
Furniture	18 528	261	782	36	18 043
Security equipment	7 907	145	3 485	150	4 717
Machinery and tools	2 757	55	7	10	2 815
Transportation equipment	991	230	314	101	1 008
Other equipment	7	-	-	-	7
Assets in operating leases	74	-	16	-	58
Righ-of-use assets					-
Real estate	12 718	5 639	2 740	(351)	15 266
Motor vehicles	2 651	1 760	385	1	4 027
Other tangible assets	2 085	8	1 304	2	791
	215 772	16 793	24 446	(3 513)	204 606
Impairment of other tangible assets	(12 259)				(883)
	259 162				231 610

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	883	12 259
Change for the period	1 992	5 912
Reversals for the period	(265)	(269)
Utilization and others	-	85
Transfers	(1 702)	(17 104)
Discontinued operations	(403)	-
Closing balance	505	883

In 2022, a reinforcement of impairment, net of reversals, was made in Euro 1,727 thousand (2021: Euro 5,643 thousand) related to branches closed and to parking areas and offices (above ground floor), as referred in note 15.

The caption Transfers relates to the impairment associated with branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 33.

31 Intangible assets

This caption is presented as follows:

(Euro thousand)

	2022	2021
Investment		
Software	202 494	175 730
Other Intagible Assets	3 578	3 146
Work in progress	6 118	7 326
	212 190	186 202
Accumulated depreciation		
Charge for the year	(19 931)	(18 499)
Accumulated charge in previous years	(144 708)	(127 553)
	(164 639)	(146 052)
	47 551	40 150

The movements in the caption Intangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	2022					
	Opening balance	Discontinuing operations	Acquisitions	Disposals	Transfers	Closing balance
Cost						
Software	175 730	(853)	6	596	28 207	202 494
Other Intagible Assets	3 146	(176)	-	-	608	3 578
Work in progress	7 326	(1 117)	28 727	-	(28 818)	6 118
	186 202	(2 146)	28 733	596	(3)	212 190
Accumulated depreciation						
Software	145 235	(748)	19 829	596	-	163 720
Other Intagible Assets	817	-	102	-	-	919
Work in progress	-	-	-	-	-	-
	146 052	(748)	19 931	596	-	164 639
	40 150					47 551

The movements in the caption Intangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	2021				
	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	156 460		-	19 270	175 730
Other Intagible Assets	3 109	-	-	37	3 146
Work in progress	3 690	21 935	-	(18 299)	7 326
	163 259	21 935	-	1 008	186 202
Accumulated depreciation					
Software	126 919	18 193	-	123	145 235
Other Intagible Assets	511	306	-	-	817
	127 430	18 499	-	123	146 052
	35 829				40 150

32 Taxes

Deferred tax assets and liabilities, as at 31 December 2022 and 2021, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Deferred taxes not dependent on future profitability						
Impairment on loans granted	36 203	42 625	-	-	36 203	42 625
Post-employment and long-term benefits	22 499	18 427	-	-	22 499	18 427
	58 702	61 052	-	-	58 702	61 052
Deferred taxes dependent on future profitability						
Financial instruments	12 155	9 127	(7 911)	(10 045)	4 244	(918)
Other tangible assets	-	-	(6)	(44)	(6)	(44)
Provisions / Impairment						
Impairment on loans granted	89 802	119 213	-	-	89 802	119 213
Other risks and charges	8 436	3 521	-	-	8 436	3 521
Impairment in securities and non-financial assets	4 271	5 833	(38)	-	4 233	5 833
Impairment in financial assets	2 276	4 469	-	-	2 276	4 469
Post-employment and long-term benefits	45 577	48 945	(20 102)	-	25 475	48 945
Others	2	3 456	-	-	2	3 456
Taxes losses carried forward	220 440	214 344	-	-	220 440	214 344
Net deferred tax assets/ (liabilities)	441 661	469 960	(28 057)	(10 089)	413 604	459 871

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets ("Regime" or "REAID"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of the referred REAID, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (see note 43).

In this sense, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio has a special reserve in the amount of Euro 5,076 thousand, which corresponds to a tax credit of Euro 4,614 thousand (31 December 2021: special reserve of Euro 4,750 thousand, which corresponds to a tax credit of Euro 4,319 thousand) and which, as at 31 December 2022, is an integral part of the total current tax assets. These amounts may be changed in the context of the certification that the Tax and Customs Authority will carry out.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved/known at the balance sheet date.

The referred caption also includes, as at 31 December 2022, the amount of Euro 2,081 thousand (31 December 2021: Euro 2,317 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of the Banco Montepio Group).

In financial years 2022 and 2021, deferred taxes dependant on future profitability recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 30,099 thousand related to the referred benefits in excess of the existing limits.

In financial years 2022 and 2021, and in function of (i) the tax rates in force, (ii) the expectation of the conversion into tax-accepted costs and profits, and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 30.5% and 21.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 t), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio Group's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on Banco Montepio's medium-/long-term business plan, which constitutes an extension of the strategic planning exercise drawn up by the Group for the triennium. The financial projections reflect management's perspectives as to the evolution of the activity and the business model's sustainability, considering the macroeconomic context and financial variables, evolution of economic activity and of credit risk, among others.

The recovery of the profitability, liquidity and capital levels of the Banco Montepio Group, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in core business areas, with a focus on families, SMEs and the social economy, privileging segments and products with a lower capital consumption with lower risk, the improvement of efficiency and profitability, cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following main items which are highlighted next:

- Control of operating costs, despite the inflationary pressures currently raging, through the elimination of redundancies and taking advantage of synergies, derived, among other aspects, from the simplification of the organizational structure and processes, besides the reinforcement of digitalization.
- Increase in the commercial network business with growth in credit portfolios with less risk and capital consumption, based on an appropriate management of the return on capital employed. Potential for growth in the complementary margin through cross-selling and new business areas, leveraging the potential of the customer base that the Banco Montepio Group enjoys, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- Banco Montepio Group's balance sheet structure benefits growth of the net interest income in the context of rising interest rates. Potential for growth of commissions, evidencing the impacts of a management of the price list to adjust same to the value proposal for each segment, and the progressive increase of the customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions, where customer resources constitute the main source of financing for the activity.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, aimed at achieving an NPL ratio below 5% in the short term, or through the reduction of the properties on the balance sheet.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.
- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to 31 December 2022 and 2021, the Banco Montepio Group recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax grown at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry Date	2022	2021
2026	-	11 239
2029	-	46 542
2030	-	127 998
2032	15 629	15 629
2033	18 931	12 936
Undetermined	185 880	-
	220 440	214 344

The expiry years indicated above reflect that stipulated in the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), under which the tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

The State Budget Law for 2023 (Law no. 24-D/2022, of 30 December), which came into force on 1 January 2023, establishes that tax losses calculated in fiscal years beginning on or after 1 January 2023, as well as those calculated previously that have not expired, are carried forward to future years without any time limitation, no longer being subject to a maximum period of deduction. Additionally, it also establishes that the deduction limit against taxable income is reduced to 65%, maintaining the increase of 10 percentage points for tax losses calculated in the 2020 and 2021 tax periods (i.e., the deduction can be made up to 75% of taxable income).

However, regarding the time limitation referred to in the previous paragraph, this does not apply to tax losses calculated in tax periods prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the REAID is verified, with the deduction period in force on 31 December 2022 being applied to tax losses calculated in those tax periods. Tax recognized in net income/(loss) and in reserves during financial years 2022 and 2021 originated as follows:

(Euro thousand)

	2022		2021	
	Recognized in net income/ (loss)	Recognized to reserves and retained earnings	Recognized in net income/ (loss)	Recognized to reserves and retained earnings
Financial instruments	2 997	2 266	172	93
Impairment / Provisions	(33 469)	-	(45 637)	-
Post-employment and long-term benefits	(2 958)	(20 102)	5 734	(5 533)
Tax losses carried forward	4 837	-	18 777	-
Others	(266)	-	(843)	-
Deferred taxes/ recognized as profit/ (losses)	(28 859)	(17 836)	(21 797)	(5 440)
Current taxes	(6 731)	-	(3 142)	-
	(35 590)	(17 836)	(24 939)	(5 440)

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2022		2021	
	%	Value	%	Value
Profit/ (Loss) before income tax		79 392		30 374
Income tax based on the current nominal tax rate	(21,1)	(16 735)	(23,8)	(7 228)
Capital gains and losses for tax purposes	(4,6)	(3 675)	(0,4)	(135)
Banking sector extraordinary contribution	(2,6)	(2 070)	(7,4)	(2 249)
Post-employement benefits and Pension Fund	3,0	2 400	(0,0)	(8)
Taxable provisions/impairment	(23,1)	(18 349)	(17,9)	(5 435)
Autonomous taxation	(0,6)	(443)	(1,8)	(561)
Corrections to previous year	3,0	2 410	1,1	344
Effect of differences in income tax for the year	(11,7)	(9 251)	(48,6)	(14 761)
Deductions / (add-backs) for taxable income purposes (*)	6,1	4 837	(1,6)	(495)
Others	6,7	5 286	18,4	5 589
Income tax for the year	(44,8)	(35 590)	(82,1)	(24 939)

(*) Corresponds to the losses determined by investment funds included in the perimeter and other consolidation.

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes. The new regime includes a maximum adjustment period of 5 years, i.e., until 31 December 2023.

The Banco Montepio Group has not opted for the application of the new tax regime on impairment, except for the entity Montepio Crédito, for which reason, for the current and deferred tax assessment related to financial years 2022 and 2021, it estimated its taxes based on the regime that was in force until 31 December 2018.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

The Banco Montepio Group was subject to inspections by the Tax Authority under the Special Taxation Regime of Groups of Companies ("RETGS"), up to and including the 2020 tax period, with the inspection of the 2021 tax period being currently underway.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 5,966 thousand (31 December 2021: Euro 6,714 thousand) relates, essentially, to IRC recoverable, additional payments on account, special payments on account and payments on account.

33 Other assets

This caption is presented as follows:

(Euro thousand)

	2022	2021
Assets received in recovery of credit	447 959	603 714
Post-employment benefits	138 572	9 776
Other debtors	50 058	39 323
Sundry debtors	16 936	37 410
Price deposits	7 335	11 492
Bonifications to be received from the Portuguese State	5 778	10 521
Deferred costs	3 831	4 374
Other amounts receivable	5 260	2 809
	675 729	719 419
Impairment for assets received in recovery for credit	(123 826)	(140 124)
Impairment for other assets	(24 596)	(26 719)
	527 307	552 576

The caption Assets received in recovery of credit is presented as follows:

(Euro thousand)

	2022	2021
Assets received in recovery of credit	447 959	603 714
Impairment for Assets received in recovery of credit	(123 826)	(140 124)
	324 133	463 590

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

As at 31 December 2022, the caption Assets received in recovery of credit includes the amount of Euro 1,781 thousand (31 December 2021: Euro 1,675 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts and which are fully impaired.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in the Group's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to the Group's expectation, it is intended that these assets be sold in under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2022, properties for which promissory contracts to buy and sell, in the amount of Euro 27,234 thousand (31 December 2021: Euro 29,531 thousand), have already been celebrated.

The movements in financial years 2022 and 2021 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	603 714	694 438
Acquisitions	16 358	28 380
Disposals	(169 681)	(145 866)
Other movements	(3 760)	(3 107)
Transfers	2 570	29 869
Discontinued operations	(1 242)	-
Closing Balance	447 959	603 714

The movement in impairment of Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	140 124	132 536
Charge for the year	23 677	26 596
Reversals for the year	(1 129)	(910)
Utilization and others	(40 548)	(35 133)
Transfers	1 702	17 035
Closing balance	123 826	140 124

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 30.

The caption Post-employment and long-term benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund.

As at 31 December 2022 and 2021, the caption Other debtors is analysed as follows:

(Euro thousand)

	2022	2021
Supplementary capital contributions	14 910	14 910
Others	35 148	24 413
	50 058	39 323

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 31 December 2022 and 2021.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, determined in accordance with the legal provisions applicable to low-interest loans. These amounts do not bear interest and are regularly claimed.

In financial years 2022 and 2021, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

		(Euro thousand)
	2022	**2021**
Bonifications overdue and not yet claimed	2 183	2 061
Bonifications claimed from State not yet settled	3 005	7 909
Bonifications processed and not yet claimed	590	551
	5 778	10 521

The movements in the impairment of Other assets are analysed as follows:

		(Euro thousand)
	2022	**2021**
Opening balance	26 719	29 099
Charge for the year	2 484	3 325
Reversals for the year	(1 867)	(3 608)
Utilization	(2 955)	(1 193)
Other	-	(904)
Transfers	215	-
Closing balance	24 596	26 719

As at 31 December 2022, the impairment of Other assets includes the impairment constituted for the exposures of Supplementary capital contributions of Euro 14,910 thousand (31 December 2021: Euro 14,910 thousand), for Deposits in court of Euro 3,186 thousand (31 December 2021: Euro 5,004 thousand), for Guarantee commissions of Euro 590 thousand, for Factoring operations of Euro 498 thousand and for Other debtors of Euro 5,412 thousand (31 December 2021: Euro 6,805 thousand).

The expectations regarding receipts associated with Deposits in court are regularly evaluated considering, namely, the status of each process and the information known/made available by the insolvency administrators, with the estimate of impairment associated with these Deposits in court being adjusted whenever necessary.

34 Deposits from central banks

As at 31 December 2022 and 2021, this caption includes deposits obtained from the European System of Central Banks, which are collateralized by the pledge of securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 24 and 26.

For the financing lines under the TLTRO III programme, the effective interest rate used in financial years 2022 and 2021 considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2022, these funds consist of five operations with maturities and amounts as follows: in March 2023, in the amount of Euro 279,138 thousand, in June 2023, in the amount of Euro 883,419 thousand, in September 2023, in the amount of Euro 187,130 thousand, in March 2024, in the amount of Euro 1,485,599 thousand and in December 2024, in the amount of Euro 54,705 thousand.

The analysis of the caption Deposits from central banks for the residual period of the operations, as at 31 December 2022 and 2021, is as follows:

(Euro thousand)

	2022	2021
Up to 6 months	1 162 557	-
More than 6 months	1 727 434	2 902 003
	2 889 991	2 902 003

The operations are remunerated at the Bank of Portugal rates in force as at the contract date.

35 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2022			2021		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	10 582	-	10 582	34 620	-	34 620
Term deposits	-	1 002	1 002	-	-	-
	10 582	1 002	11 584	34 620	-	34 620
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	25 035	-	25 035	24 521	-	24 521
Sales operations with repurchase agreement	-	-	-	-	190 741	190 741
Others deposits	4 997	-	4 997	5 523	-	5 523
	30 032	300 007	330 039	30 044	490 748	520 792
	40 614	301 009	341 623	64 664	490 748	555 412

The analysis of the caption Deposits from other credit institutions for the residual period of the operations is as follows:

(Euro thousand)

	2022	2021
Up to 3 months	40 523	253 405
3 to 6 months	1 001	-
more than 5 years	300 007	300 007
Undetermined	92	2 000
	341 623	555 412

The EIB loan, in the amount of Euro 300,000 thousand, has as its main objective the financing of SMEs, has a term of twelve years, a grace period of four years and constant amortizations and a rate of 0.019%.

The amount of the EIB loan is collateralized by Portuguese, Spanish, Italian and Greek sovereign bonds in the nominal amount of Euro 376,651 thousand (31 December 2021: Euro 537,614 thousand by Portuguese, Greek, Spanish, Dutch and Italian sovereign bonds), recorded in the caption Other financial assets at amortized cost, as described in note 26.

36 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2022			2021		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	6 615 971	39	6 616 010	6 407 275	55	6 407 330
Term deposits	-	6 342 677	6 342 677	-	6 224 784	6 224 784
Saving accounts	-	135 699	135 699	-	134 123	134 123
Others deposits	23 073	-	23 073	20 496	-	20 496
Adjustments from operations at fair value options	(2 093)	-	(2 093)	153	-	153
	6 636 951	6 478 415	13 115 366	6 427 924	6 358 962	12 786 886

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits. The criteria to calculate the annual contributions to the referred Fund are defined in Bank of Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the residual period of the operations is as follows:

(Euro thousand)

	2022	2021
Deposits repayable on demand	6 616 010	6 407 330
Term deposits and saving accounts		
Up to 3 months	1 655 476	1 463 925
3 to 6 months	1 129 470	1 105 137
6 months to 1 year	1 390 581	1 354 223
1 to 5 years	2 284 665	2 408 971
more than 5 years	18 184	26 651
	13 094 386	12 766 237
Other deposits		
up to 3 months	23 073	20 496
Adjustments from operations at fair value options	(2 093)	153
	13 115 366	12 786 886

In 2022, deposits from customers were remunerated at the average rate of 0.05% (2021: 0.08%).

37 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2022	2021
Covered bonds	327 492	1 215 119
Securitizations	279 159	402 006
	606 651	1 617 125

The fair value of the debt securities issued is presented in note 47.

The financial liabilities at fair value through profit or loss included in this caption are revalued in accordance with the accounting policy described in note 1c), with a gain having been recognized in 2021 in the amount of Euro 39 thousand related to changes in fair value.

The residual maturities of Debt securities issued as at 31 December 2022 and 2021 are as follows:

(Euro thousand)

	2022	2021
6 months to 1 year	53	751 405
1 to 5 years	327 439	460 615
more than 5 years	279 159	402 006
	606 651	1 614 026
Adjustments from operations at fair value option	-	3 099
	606 651	1 617 125

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, the Group has issues in circulation in a total amount of Euro 2,300,000 thousand, at nominal value, as at 31 December 2022 and 2021.

As at 31 December 2022, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	301 102	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	Aa2/AA
Covered bonds - 8S	1 250 000	1 251 553	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	Aa2/AA
Covered bonds - 9S	250 000	250 723	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	Aa2/AA
Covered bonds - 11S	500 000	327 492	327 492	November 2019	November 2024	annually	Fixed at 0,125%	Aa2/AA
	2 300 000	2 130 870	327 492					

As at 31 December 2021, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	300 101	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 062	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 077	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	754 033	754 033	October 2017	October 2022	annually	Fixed at 0,875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	461 086	461 086	November 2019	November 2024	annually	Fixed at 0,125%	A1/AA-/BBBh
	2 300 000	2 265 359	1 215 119					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in the Group's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Bank of Portugal Notices no. 5/2006, of 11 October, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of the Bank of Portugal.

As at 31 December 2022, the value of the loans collateralizing these issues amounted to Euro 2,753,360 thousand (31 December 2021: Euro 2,746,685 thousand), according to note 21.

The movements in Debt securities issued during financial year 2022, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements (a)	Balance on 31 December
Covered bonds	1 215 119	-	(750 000)	(137 627)	327 492
Securitisations	402 006	-	(122 847)	-	279 159
	1 617 125	-	(872 847)	(137 627)	606 651

(a) Included is the movement of accrued interest on the balance sheet date, corrections for operations at fair value option and exchange variation.

The movements in Debt securities issued during financial year 2021, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Net purchases	Other movements (a)	Balance on 31 December
Cash bonds	3 123	-	(2 960)	(163)	-
Covered bonds	1 218 375	-	-	(3 256)	1 215 119
Securitisations	77 690	362 028	(37 712)	-	402 006
	1 299 188	362 028	(40 672)	(3 419)	1 617 125

(a) Included is the movement of accrued interest on the balance sheet date, corrections for operations at fair value option and exchange variation.

In accordance with the accounting policy described in note 1 c), the purchase of debt securities issued by the Group is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2022, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN MORTGAGES nº 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	26 165
PELICAN FINANCE No 2 A	06/12/2021	25/01/2035	Euribor 1M + 0,7%	200 401
PELICAN FINANCE No 2 B	06/12/2021	25/01/2035	Euribor 1M +1,35%	14 535
PELICAN FINANCE No 2 C	06/12/2021	25/01/2035	Euribor 1M + 2,25%	12 288
PELICAN FINANCE No 2 D	06/12/2021	25/01/2035	Euribor 1M + 4,25%	13 552
PELICAN FINANCE No 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	12 218
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual Fixed rate of 0,125%	500 000
				779 159
			Covered Bonds - 11S repurchases	(171 400)
			Accrual based accounting, deferred income and costs	(1 108)
				606 651

As at 31 December 2021, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
OBRIGAÇÕES HIPOTECÁRIAS - 10S	17/10/2017	17/10/2022	Annual fixed rate of 0,875%	750 000
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	30 618
AQUA FINANCE No 4 B	11/07/2017	23/06/2035	Euribor 3M + 2,65%	9 174
PELICAN FINANCE No 2 A	06/12/2021	25/01/2035	Euribor 1M + 0,7%	287 155
PELICAN FINANCE No 2 B	06/12/2021	25/01/2035	Euribor 1M +1,35%	20 711
PELICAN FINANCE No 2 C	06/12/2021	25/01/2035	Euribor 1M + 2,25%	17 521
PELICAN FINANCE No 2 D	06/12/2021	25/01/2035	Euribor 1M + 4,25%	19 350
PELICAN FINANCE No 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	17 477
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
				1 652 006
			Adjustments of hedging operations	3 099
			Covered Bonds - 11S repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(880)
				1 617 125

38 Provisions

This caption is presented as follows:

(Euro thousand)

	2022	2021
Provisions for guarantees and commitments	19 517	21 262
Provisions for other risks and charges	11 235	12 871
	30 752	34 133

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to the Group's activity, being revised at each reporting date to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies, legal cases and fraud.

The movements in provisions for guarantees and commitments assumed, are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	21 262	21 218
Charge for the year	25 284	27 410
Reversal for the year	(22 102)	(27 738)
Utilization	(24)	-
Exchange rate differences	-	980
Discontinued operations	(4 903)	(608)
Closing balance	19 517	21 262

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	12 871	17 436
Charge for the year	3 526	4 149
Reversal for the year	(2 788)	(7 717)
Utilization	(2 015)	(880)
Others	13	-
Discontinued operations	(372)	(117)
Closing balance	11 235	12 871

39 Other subordinated debt

As at 31 December 2022 and 2021, the main characteristics of subordinated debt, are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest rate	2022	2021
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 044	50 044
MONTEPIO EMTN SUB 2019/2029	April 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 825	107 825
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 705	52 705
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 455	6 691
					217 029	217 265

The movements in Other subordinated debt during financial years 2022 and 2021, were as follows:

(Euro thousand)

	2022			
	Balance at 1 January	Issued	Other movements (a)	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-		50 044
MONTEPIO EMTN SUB 2019/2029	107 825	-		107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-		52 705
FINIBANCO VALOR INVEST 2010	6 691	-	(236)	6 455
	217 265	-	(236)	217 029

(a) Includs accrued interest

(Euro thousand)

	2021			
	Balance at 1 January	Issued	Other movements (a)	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 824	-	1	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-	-	52 705
FINIBANCO VALOR INVEST 2010	6 323	-	368	6 691
	216 896	-	369	217 265

(a) Includs accrued interest

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable laws or regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

40 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2022	2021
Domestic and foreign operations pending settlement	133 409	93 598
Sundry creditors	43 980	45 975
Staff costs payable	31 323	35 757
Other expenses	24 014	13 817
Lease liabilities	5 519	8 945
Administrative public sector	12 110	12 085
Suppliers	10 689	16 064
Deferred income	436	477
	261 480	226 718

The caption National and international operations pending settlement considers amounts that were settled at the beginning of 2023.

As at 31 December 2022, the caption Staff charges payable includes the amount of Euro 15,490 thousand (31 December 2021: Euro 18,374 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2022, this caption also includes the amount of Euro 2,124 thousand (31 December 2021: Euro 2,573 thousand) related to end-of-career awards and the amount of Euro 8,423 thousand (31 December 2021: Euro 8,266 thousand) for the employee adjustment programme.

As at 31 December 2022, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	2022	2021
Up to 1 year	4 299	1 316
1 to 5 years	1 220	7 629
	5 519	8 945

41 Share capital

As at 31 December 2022 and 2021, Banco Montepio's share capital, which is fully realized, amounts to Euro 2,420,000 thousand. The shareholder structure of Banco Montepio's share capital as at 31 December 2022 and 2021 is as follows:

	2022		2021	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.9930%	2 419 830 580	99.9930%
Other Shareholders	169 420	0.0070%	169 420	0.0070%
	2 420 000 000	100.0%	2 420 000 000	100.0%

42 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2022 and 2021, the legal reserve amounts to Euro 193,266 thousand.

43 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

(Euro thousand)

	2022	2021
Fair value reserves		
Fair value reserve		
Financial assets at fair value through other comprehensive income		
Debt instruments	(3 801)	2 518
Equity instruments	9 634	10 783
	5 833	13 301
Taxes		
Financial assets at fair value through other comprehensive income	(1 768)	(4 034)
	(1 768)	(4 034)
Fair value reserve net of taxes	4 065	9 267
Other reserves and retained earnings		
Special regime for deferred tax assets	5 076	4 750
Post-employment benefits	(135 267)	(273 786)
Consolidation exchange reserves	(93 975)	(103 351)
Other reserves and retained earnings	(918 915)	(906 486)
	(1 143 081)	(1 278 873)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2022					
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	426	(2 803)	-	(244)	22	(2 599)
Bonds issued by foreign public entities	314	(1 084)	-	-	5	(765)
Bonds issued by other entities						
Domestic	534	(1 683)	-	(289)	1 035	(403)
Foreign	(13)	(35)	-	(6)	1	(53)
Commercial Paper	1 257	-	38	(2 514)	1 238	19
	2 518	(5 605)	38	(3 053)	2 301	(3 801)
Variable income securities						
Shares						
Domestic	9 985	160	640	-	-	10 785
Foreign	798	-	21	(1 970)	-	(1 151)
	10 783	160	661	(1 970)	-	9 634
	13 301	(5 445)	699	(5 023)	2 301	5 833

				2021		
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	973	(533)	(21)	(13)	20	426
Bonds issued by foreign public entities	1 200	(322)	-	(786)	222	314
Bonds issued by other entities						
Domestic	(346)	301	1 438	(192)	(667)	534
Foreign	(12)	(6)	-	(5)	10	(13)
Commercial Paper	-	-	2 514	-	(1 257)	1 257
	1 815	(560)	3 931	(996)	(1 672)	2 518
Variable income securities						
Shares						
Domestic	7 935	300	-	1 750	-	9 985
Foreign	(35 283)	(1 253)	14	37 320	-	798
	(27 348)	(953)	14	39 070	-	10 783
	(25 533)	(1 513)	3 945	38 074	(1 672)	13 301

(Euro thousand)

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2022	2021
Amortised cost of financial assets at fair value through other comprehensive income	91 941	112 890
Recognised accumulated impairment	(552)	(2 853)
Amortised cost of financial assets at fair value through other comprehensive income net of impairment	91 389	110 037
Market value of financial assets at fair value through other comprehensive income	97 222	123 338
Potential realised gains/ (Losses) recognised in the fair value reserve	5 833	13 301

The movement in retained earnings, in financial years 2022 and 2021, is presented in the Consolidated statement of changes in equity.

As described in note 32, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and 2021, and considering the eligible deferred tax assets at the reference date of the aforementioned periods, as a result of the application of the special regime applicable to deferred tax assets, Banco Montepio recorded a Special reserve corresponding to 110% of the amount of the tax credits calculated, which has the following breakdown:

(Euro thousand)

	2022	2021
Special reserve		
2021 (Negative net income of 2020)	4 698	4 750
2022 (Negative net income of 2021)	378	-
	5 076	4 750

As at 31 December 2022, Banco Montepio has a Special reserve in the amount of Euro 5,076 thousand (31 December 2021: Euro 4,750 thousand), which corresponds to a tax credit of Euro 4,614 thousand (31 December 2021: Euro 4,319 thousand), as described in note 32.

The caption Consolidation foreign exchange reserves records the exchange differences associated with the conversion of the Finibanco Angola, S.A. financial statements into Euros which amount, upon the sale of the associated investment, will be recognized in line with note 1b) Investments in foreign subsidiaries and associates.

As described in policy 1 b), the consolidation of the financial statements of subsidiary companies in foreign currency is preceded by their conversion into Euros based on the exchange rate which, in the case of Finibanco Angola, S.A., is disclosed by the Banco Nacional de Angola, with the conversion to Euros of assets and liabilities expressed in foreign currency being based on the exchange rate at the balance sheet date, while the income and expenses calculated are translated at the average exchange rate for the month in which they are recognized.

The evolution of the foreign exchange reserve in 2022 and 2021 is presented as follows:

(Euro thousand)

	2022	2021
Opening balance	(103 351)	(112 892)
Increases/(decreases) by valuations	9 376	9 541
Final balance	(93 975)	(103 351)

As at 31 December 2022, the EUR/AOA exchange rate used in converting the financial statements of Finibanco Angola, S.A. to Euros was 537.438 (31 December 2021: 629.015).

44 Distribution of dividends

In financial years 2022 and 2021, Banco Montepio did not distribute dividends.

45 Non-controlling interests

This caption is presented as follows:

(Euro thousand)

	Balance sheet		Income Statement	
	2022	2021	2022	2021
Finibanco Angola, S.A.	11 442	12 903	(2 666)	1 125

The movements in this caption are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	12 903	9 299
Foreign exchange differences	2 170	2 479
Dividends	(965)	-
	14 108	11 778
Net income attributable to non-controlling interests	(2 666)	1 125
	11 442	12 903

			Percentage held by non-controlling interests	
Name	Home office	Segment	2022	2021
Finibanco Angola, S.A.	Luanda	Banking	19.78%	19.78%

46 Guarantees and other commitments

This caption is presented as follows:

	2022	2021
	(Euro thousand)	
Guarantees granted	462 194	479 831
Commitments to third parties	1 658 049	1 569 331
Deposit and custody of securities	8 170 780	7 757 554
	10 291 023	9 806 716

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

	2022	2021
	(Euro thousand)	
Garantees granted		
Guarantees	426 783	428 523
Letters of credit	35 411	51 308
	462 194	479 831
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	720 589	694 072
Securities subscription	708	903
Term liability to the Guarantee Deposits Fund	22 768	22 768
Potential liability with the Investor's Indemnity System	5 774	6 007
Revocable commitments		
Revocable credit facilities	908 210	845 581
	1 658 049	1 569 331

Bank guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by the Group.

Documentary credits correspond to irrevocable commitments, by the Group, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. All credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, with the Group requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2022 and 2021, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by the Group, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2022, in the scope of the Deposits Guarantee Fund, the Group pledged treasury bonds (OT October 2030 and OT February 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 28,000 thousand (31 December 2021: Euro 24,000 thousand), as described in note 26.

As at 31 December 2022 and 2021, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that the Group assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 c). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by the Group in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

47 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of the Group.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13, as follows:

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

a) Financial instruments shall be classified in level 2 if they are:

   i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

ii. valued using indicative third-party purchase prices, based on observable market data.

b) For financial instruments that do not have a 30-day history available in the system, the fair value level shall be assigned based on the available history.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:
   i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;
   ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or
   iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g., degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.
- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

i. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.

ii. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

For Deposits from central banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is 0.08% for live operations as at 31 December 2022 (31 December 2021: negative in 0.60%).

For the remaining funds from credit institutions, the discount rate used reflects the current conditions applied by the Group to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2022, the average discount rate was 3.53% (31 December 2021: 0.60%).

For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by the Group to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 31 December 2022, the average discount rate was 4.24% for mortgage loans (31 December 2021: 2.20%), 8.04% for private individual loans (31 December 2021: 7.19%) and 4.49% for the remaining loans (31 December 2021: 3.38%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by the Group to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of the Group at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2022 was 1.18% (31 December 2021: a negative 0.04%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which the Group applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of the Group.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

	Type of instruments		Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash flow method 2	Interest rate curves
		Exchange rate options	Black-Scholes Model	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method 2	Interest rate curves Risk premium Comparable assets 3 Market observable prices
Financial assets at fair value though profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method 2	Interest rate curves Risk premium Comparable assets 3 Market observable prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets 3
Financial Assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets 3 *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

[(1)] In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

[(2)] Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

[(3)] Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with the Group with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio Group's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of the CVA and DVA adjustments is presented as follows:

(Euro thousand)

	2022		2021	
	CVA	DVA	CVA	DVA
Adjustment	51	573	239	671
Of which: Derivatives expiry	(15)	(260)	111	(62)

Fair value of assets received in recovery of credit and of Investment properties

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an in-situ valuation;
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as "expert appraisers" with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of the Bank of Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

Investment properties

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods:

- Comparative market method;
- Income method;
- Cost method;

as described in note 1 n).

As at 31 December 2022, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Japanese Yen**
1 day	1.970000	4.285000	3.470000	0.950000	-0.075000
7 days	1.904000	4.444375	3.615000	0.910000	-0.200000
1 month	1.905000	4.420000	3.640000	0.920000	-0.200000
2 months	2.092000	4.630000	3.830000	1.000000	-0.200000
3 months	2.253000	4.770000	3.900000	0.970000	-0.200000
6 months	2.669000	5.150000	4.345000	1.160000	-0.150000
9 months	2.952000	5.235000	4.650000	1.430000	-0.100000
1 year	3.102000	5.345000	4.965000	1.660000	-0.100000
2 years	3.142000	5.204321	4.904856	1.711500	-0.100013
3 years	3.024000	5.065171	4.904856	1.797000	-0.100013
5 years	2.961000	4.786489	4.904856	1.941000	-0.100013
7 years	2.920000	4.507043	4.904856	2.068000	-0.100013
10 years	2.938000	4.088064	4.904856	2.191000	-0.100013
15 years	2.934000	3.777879	4.904856	2.276000	-0.100013
20 years	2.787000	3.726000	4.904856	2.276000	-0.100013
30 years	2.470000	3.472000	4.904856	2.276000	-0.100013

As at 31 December 2021, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Japanese Yen
1 day	-0.500000	0.135000	0.210000	-0.755000	-0.110000
7 days	-0.478356	0.076250	0.230000	-0.695000	-0.081500
1 month	-0.478356	0.140000	0.240000	-0.650000	-0.250000
2 months	-0.478356	0.150000	0.250000	-0.650000	-0.220000
3 months	-0.478356	0.180000	0.390000	-0.650000	-0.220000
6 months	-0.478356	0.290000	0.610000	-0.650000	-0.240000
9 months	-0.478356	0.410000	0.670000	-0.650000	-0.150000
1 year	-0.485000	0.530000	0.840000	-0.670000	-0.150000
2 years	-0.295000	0.947000	1.232000	-0.487500	-0.006300
3 years	-0.145000	1.186000	1.338000	-0.375000	-0.001300
5 years	0.016000	1.383000	1.328000	-0.230000	0.016300
7 years	0.130000	1.491000	1.275000	-0.080000	0.043800
10 years	0.303000	1.602000	1.241000	0.090000	0.106300
15 years	0.492000	1.730000	1.216000	0.232500	0.223800
20 years	0.548000	1.734000	1.216000	0.232500	0.223800
30 years	0.479000	1.710300	1.216000	0.232500	0.223800

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**2022**	**2021**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.0660	1.1326	8.300	8.595	8.225	8.100	7.950
EUR/GBP	0.88693	0.84028	7.170	7.380	7.515	7.650	7.755
EUR/CHF	0.9847	1.0331	5.550	5.705	5.865	5.910	5.955
EUR/JPY	140.66	130.38	12.550	11.792	11.220	10.780	10.530
EUR/AOA	516.0885	635.7510	-	-	-	-	-

Regarding exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of the Group, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

	2022				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 383 802	1 383 802	1 383 802
Loans and deposits to credit institutions payable on demand	-	-	52 287	52 287	52 287
Other loans and advances to credit institutions	-	-	106 376	106 376	106 376
Loans and advances to customers	863	-	11 712 234	11 713 097	11 793 411
Financial assets held for trading	23 070	-	-	23 070	23 070
Financial assets at fair value through profit or loss	147 770	-	-	147 770	147 770
Financial assets at fair value through other comprehensive income	-	97 222	-	97 222	97 222
Other financial assets at amortized cost	-	-	4 119 387	4 119 387	3 610 321
Non-current assets held for sale	-	-	11	11	11
	171 703	97 222	17 374 097	17 643 022	17 214 270
Financial liabilities					
Deposits from central bank	-	-	2 889 991	2 889 991	2 889 991
Deposits from other credit institutions	-	-	341 623	341 623	282 116
Deposits from customers	61 565	-	13 053 801	13 115 366	13 071 543
Debt securities issued	-	-	606 651	606 651	583 885
Financial liabilities held for trading	17 697	-	-	17 697	17 697
Other subordinated debt	-	-	217 029	217 029	205 772
	79 262	-	17 109 095	17 188 357	17 051 004

(Euro thousand)

	2021				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	2 967 996	2 967 996	2 967 996
Loans and deposits to credit institutions payable on demand	-	-	67 360	67 360	67 360
Other loans and advances to credit institutions	-	-	229 065	229 065	229 065
Loans and advances to customers	1 004	-	11 666 684	11 667 688	11 570 592
Financial assets held for trading	7 582	-	-	7 582	7 582
Financial assets at fair value through profit or loss	203 427	-	-	203 427	203 427
Financial assets at fair value through other comprehensive income	-	123 338	-	123 338	123 338
Non-current assets held for sale	-	-	38 862	38 862	38 836
Hedging derivatives	5 411	-	-	5 411	5 411
Other financial assets at amortized cost	-	-	3 004 196	3 004 196	2 981 738
	217 424	123 338	17 974 163	18 314 925	18 195 345
Financial liabilities					
Deposits from central bank	-	-	2 902 003	2 902 003	2 902 003
Deposits from other credit institutions	-	-	555 412	555 412	542 920
Deposits from customers	25 009	-	12 761 877	12 786 886	12 795 865
Debt securities issued	-	-	1 617 125	1 617 125	1 616 593
Financial liabilities held for trading	7 470	-	-	7 470	7 470
Hedging derivatives	335	-	-	335	335
Other subordinated debt	-	-	217 265	217 265	218 957
	32 814	-	18 053 682	18 086 496	18 084 143

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2022:

(Euro thousand)

	2022				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 383 802	-	-	-	1 383 802
Loans and deposits to credit institutions payable on demand	52 287	-	-	-	52 287
Other loans and advances to credit institutions	-	-	106 376	-	106 376
Loans and advances to customers	-	863	11 792 548	-	11 793 411
Financial assets held for trading	3 242	6 817	13 011	-	23 070
Financial assets at fair value through profit or loss	-	-	147 770	-	147 770
Financial assets at fair value through other comprehensive income	61 660	2 067	32 396	1 099	97 222
Other financial assets at amortized cost	3 610 321	-	-	-	3 610 321
Non-current assets held for sale	-	-	11	-	11
	5 111 312	9 747	12 092 112	1 099	17 214 270
Financial liabilities					
Deposits from central bank	2 889 991	-	-	-	2 889 991
Deposits from other credit institutions	-	-	282 116	-	282 116
Deposits from customers	-	61 565	13 009 978	-	13 071 543
Debt securities issued	-	-	583 885	-	583 885
Financial liabilities held for trading	-	7 694	10 003	-	17 697
Hedging derivatives	-	-	-	-	-
Other subordinated debt	-	-	205 772	-	205 772
	2 889 991	69 259	14 091 754	-	17 051 004

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2021:

(Euro thousand)

	2021				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	2 967 996	-	-	-	2 967 996
Loans and deposits to credit institutions payable on demand	67 360	-	-	-	67 360
Other loans and advances to credit institutions	-	-	229 065	-	229 065
Loans and advances to customers	-	1 004	11 569 588	-	11 570 592
Financial assets held for trading	-	1 376	6 206	-	7 582
Financial assets at fair value through profit or loss	-	-	203 427	-	203 427
Financial assets at fair value through other comprehensive income	77 310	2 336	42 511	1 181	123 338
Non-current assets held for sale	-	-	38 836	-	38 836
Hedging derivatives	-	5 411	-	-	5 411
Other financial assets at amortized cost	2 981 738	-	-	-	2 981 738
	6 094 404	10 127	12 089 633	1 181	18 195 345
Financial liabilities					
Deposits from central bank	2 902 003	-	-	-	2 902 003
Deposits from other credit institutions	-	-	542 920	-	542 920
Deposits from customers	-	-	12 795 865	-	12 795 865
Debt securities issued	-	-	1 616 593	-	1 616 593
Financial liabilities held for trading	-	949	6 521	-	7 470
Hedging derivatives	-	335	-	-	335
Other subordinated debt	-	-	218 957	-	218 957
	2 902 003	1 284	15 180 856	-	18 084 143

48 Post-employment and long-term benefits

Banco Montepio and Montepio Crédito assumed the responsibility to pay their employees and members of the Management Bodies old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 s).

In accordance with the same policy, the Group calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

The Group's pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);
- Retirement due to disability; and
- Survival pension.

The respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of the Group, or as employees who had been permanent employees of the Group and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

The Group's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to a pension calculated as per the preceding paragraph and proportional to the time of service rendered to the Group, to be paid by the Penson Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

The Group has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, the Group signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2022	2021
Financial assumptions		
Salary growth rate	2,5% in the first three years and 0,75% in the nexts	0.50%
Pension growth rate	2,5% in the first three years and 0,75% in the nexts	0.30%
Rate of return of the Fund	4.20%	1.40%
Discount rate	4.20%	1.40%
Revaluation rate		
Salary growth rate - Social Security	1.50%	1.25%
Pension growth rate	1.25%	1.00%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90
Women	TV 99/01 -2 years	TV 88/90 - 3 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2022, the average duration of the pension liabilities of the employees is 15.9 years (31 December 2021: 17.5 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

(Euro thousand)

	2022	2021
Active	2 842	2 916
Retirees and survivors	1 598	1 552
	4 440	4 468

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

	2022	2021
	(Euro thousand)	
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(340 082)	(397 975)
Active	(258 950)	(388 409)
	(599 032)	(786 384)
Liabilities with healthcare benefits		
Pensioners	(23 445)	(27 493)
Active	(23 367)	(38 595)
	(46 812)	(66 088)
Liabilities with death benefits		
Pensioners	(1 637)	(2 236)
Active	(984)	(1 719)
	(2 621)	(3 955)
Total liabilities	(648 465)	(856 427)
Coverages		
Pension Fund value	787 037	866 203
Net assets/(liabilities) in the balance sheet	138 572	9 776
Accumulated actuarial remeasurements recognized in other comprehensive income	135 267	273 786

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2022				2021			
	Pension benefits	**Healthcare benefits**	**Death benefits**	**Total**	**Pension benefits**	**Healthcare benefits**	**Death benefits**	**Total**
Liabilities at the beginning of the year	786 384	66 088	3 955	856 427	800 011	70 833	4 039	874 883
Recognized in net income/(loss) (note 10)								
Current service cost	3 089	1 482	71	4 642	3 415	1 770	77	5 262
Interest cost	11 021	927	55	12 003	9 193	814	47	10 054
Early retirement, terminations by mutual agreement and others	6 955	-	-	6 955	4 365	-	-	4 365
Recognized in Equity (note 43)								
Actuarial gains /(losses)								
Changes in assumptions	(202 192)	(20 236)	(1 474)	(223 902)	(16 227)	(3 501)	(246)	(19 974)
Not related to Changes in assumptions	18 772	(1 449)	14	17 337	11 647	(3 687)	41	8 001
Other								
Pensions paid by the Fund	(25 615)	-	-	(25 615)	(24 993)	-	-	(24 993)
Pensions paid by Banco Montepio	(1 736)	-	-	(1 736)	(1 932)	-	-	(1 932)
Participant contributions	2 354	-	-	2 354	2 398	-	-	2 398
Other	-	-	-	-	(1 493)	(141)	(3)	(1 637)
Liabilities at the end of the year	599 032	46 812	2 621	648 465	786 384	66 088	3 955	856 427

The evolution of the Pension Fund's net asset value in financial years ended 31 December 2022 and 2021 can be analysed as follows:

(Euro thousand)

	2022	2021
Value of the Fund at beginning of the year	866 203	865 523
Recognized in net income/(loss)		
Share of net interest	12 141	9 843
Recognized in equity		
Financial deviations	(68 046)	15 452
Other		
Participant contributions	2 354	2 398
Pensions paid by the Fund	(25 615)	(24 993)
Montepio Valor disposal	-	(2 020)
Fund's value at the end of the year	787 037	866 203

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2022 and 2021, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2022				2021			
	Assets of the fund	%	Quoted	Unquoted	Assets of the fund	%	Quoted	Unquoted
Variable-income securities								
Shares	98 405	13%	98 405	-	54 100	6%	54 100	-
Shares investment funds	57 993	7%	11 868	46 125	123 063	14%	-	123 063
Bonds	538 834	68%	466 608	72 226	591 118	68%	479 693	111 425
Real estate	4 782	1%	-	4 782	5 393	1%	-	5 393
Real estate investment Funds	45 255	6%	3 902	41 353	44 590	5%		44 590
Venture capital Funds	1 723	0%	-	1 723	2 979	0%	-	2 979
Loans and advances to banks and other	40 045	5%	9 912	30 133	44 960	5%	-	44 960
	787 037	100%	590 695	196 342	866 203	100%	533 793	332 410

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of the Group, are analysed as follows:

(Euro thousand)

	2022	2021
Loans and advances in banks and other	28 942	39 211
Real estate	4 782	5 393
Bonds	374	2 118
	34 098	46 722

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2022	2021
Actuarial gains/(losses) at the beginning of the year	273 786	301 211
Actuarial gains/(losses) in the financial year		
Changes in discount rate	(300 839)	(37 970)
Payroll update	21 798	-
Pension growth rate update	33 945	-
Changes in mortality tables	12 315	-
Deviation on the Pension Fund return	68 046	(15 452)
Resulting from changes in plan conditions	8 879	17 996
Other	17 337	8 001
Actuarial gains/(losses) recognized in other comprehensive income	135 267	273 786

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2022	2021
Current service cost	4 642	5 262
Net interest income/(expense) on the liabilities coverage balance	(138)	211
Costs with early retirement, mutually agreed termination and other	6 955	4 365
Costs for the year	11 459	9 838

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022	2021
At the beginning of the year	9 776	(9 360)
Current service cost	(4 642)	(5 262)
Net interest income/(expense) on the liabilities coverage balance	138	(211)
Actuarial gains/(losses)	206 565	11 973
Financial gains/(losses)	(68 046)	15 452
Pensions paid by Banco Montepio	1 736	1 932
Early retirement, mutually agreed terminations and others	(6 955)	(4 365)
Montepio Valor disposal	-	(383)
At the end of the year	138 572	9 776

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2022		2021	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(20 855)	22 014	(35 232)	37 537
Salary growth rate (0.25% change)	12 844	(11 926)	23 723	(21 259)
Pension growth rate (0.25% change)	19 309	(18 511)	31 597	(30 094)
SAMS contribution (0.25% change)	2 561	(2 561)	3 417	(3 417)
Future mortality (1 year change)	(14 552)	14 274	(25 338)	25 345

As at 31 December 2022, the cost associated with the end-of-career awards amounted to Euro 2,124 thousand (31 December 2021: Euro 2,573 thousand), in accordance with the accounting policy described in note 1 s) and as per note 40.

49 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2022 and 2021, the amount of the funds for which the Group acts as depository bank is analysed as follows:

(Euro thousand)

	2022	2021
Securities Investment Funds	180 913	175 839
Real estate Investment Funds	721 149	629 741
Pension Funds	284 930	292 638
Bank and insurance	28 807	30 729
	1 215 799	1 128 947

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

50 Related parties

As defined in IAS 24, the companies detailed in note 57, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of the Group. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties.

The Group's first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio Group entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2022, the list of related parties considered by Banco Montepio is presented as follows:

Major Shareholder
Montepio Geral Associação Mutualista

Board of Directors (after July 25, 2022)
Chairman of the Board of directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica
Executive Committee
Chief Executive Officer
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus
Audit comittee
Chairman of the Audit Commitee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Board of Directors (until July 25, 2022)
Chairman of the Board of directors
Carlos Tavares
Executive members
Manuel Ferreira Teixeira
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Pedro Alves
Vítor Martins
Executive Committee
Chief Executive Officer
Pedro Leitão
Executive members
Dulce Mota
Helena Soares de Moura
Jorge Baião
José Carlos Mateus
Leandro Graça Silva
Nuno Mota Pinto
Pedro Ventaneira
Audit comittee
Chairman of the Audit Commitee
Manuel Ferreira Teixeira
Members
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Vítor Martins

Other related parties Board of Directors
Alice Pinto
Alípio Dias
Álvaro Almeida
Amândio Coelho
Ana Sá Couto
António Gouveia
Carlos Beato
Dalila Teixeira
Edite Cheira
Fernanda Brázia
Fernando Amaro
Fernando Santo
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Cidrais Guimarães
João Almeida Gouveia
João Carvalho das Neves
João Costa Pinto
Jorge Oliveira
José António Gonçalves
José Luís Leitão
José Mendes Alfaia
Laura Duarte
Luís Antunes
Luís Filipe Costa
Luís Franco
Luís Manuel Paixão
Manuel Baptista
Manuel Carlos Silva
Margarida Andrade
Margarida Duarte
Maria Clemente
Nuno Coelho
Nuno Marques da Silva
Nuno Mendes
Nuno Mota Pinto
Nuno Van Zeller
Paulo Jorge Silva
Paulo Magalhães
Pedro Alves
Pedro Crespo
Pedro Ribeiro
Pedro Simão
Ricardo Carvalho
Rui Heitor
Rui Pereira
Virgílio Lima
Vitor Filipe

Other key management Personnel

Alexandra Ponciano
Alexandra Rolo
António Carlos Machado
António Coelho
António Figueiredo Lopes
Armando Cardoso
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Conceição Barbosa
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Alexandre
Fernando Teixeira
Filipa Costa
Frederico Tomáz
Helder Reis
Helena Valente
Inês Dargan
Jaquelina Rodrigues
Joana Correia
Joaquim Canhoto
Jorge Barros Luís
Luís Melo
Luís Sena
Manuel Castanho
Maria Eduarda Osório
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Fernandes
Patrícia Medeiros
Paula Pinheiro
Paulo Amorim
Paulo Jorge Rodrigues
Paulo Trindade
Pedro Araújo
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Gama
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sanguini Shirish
Susana Pinheiro
Tânia Madeira
Tiago Teixeira
Vânia Fernandes
Vasco Almeida

Other related parties
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
CESource, ACE
Clínica CUF Belém, S.A
Empresa Gestora de Imóveis da Rua do Prior S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
GreenVolt - Energias Renováveis, S.A.
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Gestão de Activos - S.G.O.I.C., S.A.
Montepio Gestão de Ativos Imobiliários, ACE
Montepio Residências para Estudantes, S.A.
Nova Câmbios - Instituição de Pagamento, S.A.
Residências Montepio, Serviços de Saúde, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

Related parties resulting from the stake held in Finibanco Angola, SA:

Banco de Negócios Internacional, S.A. (BNI)

As at 31 December 2022, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets and Guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	2022						
Company	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments assumed	Total
Board of directors (after July 25, 2022)	163	-	-	-	-	-	163
Board of directors (until July 25, 2022)	476	-	-	-	-	-	476
Other related parties Board of directors	2 084	3	-	-	-	-	2 081
Other key management personnel	2 521	1	-	-	-	-	2 520
Bolsimo - Gestão de Activos, S.A.	2 643	22	-	-	22	4 400	7 043
CESource, A.C.E.	-	-	-	-	76	-	76
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	13	-	14
GreenVolt - Energias Renováveis, S.A.	15 125	14	-	-	-	-	15 111
Lusitania, Companhia de Seguros, S.A.	1	-	1 935	369	-	46	1 613
Moçambique Companhia de Seguros, S.A.R.L.	-	-	250	-	-	-	250
Montepio Geral Associação Mutualista	3	1	-	-	4 329	120	4 451
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	50	-	51
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	1 160	-	1 160
NovaCâmbios - Instituição de Pagamento, S.A.	530	15	-	-	-	1 388	1 903
Residências Montepio, Serviços de Saúde, S.A.	1 828	6	-	-	42	300	2 164
	25 375	62	2 186	369	5 692	6 254	39 076

As at 31 December 2021, assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2021							
Company	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments assumed	Provisions for Guarantees and other commitments assumed	Total
Board of directors	588	-	-	-	-	-	-	588
Other related parties Board of directors	2 618	-	-	-	-	-	-	2 618
Other key management personnel	3 349	-	-	-	-	-	-	3 349
Bolsimo - Gestão de Activos, S.A.	3 346	300	-	-	22	8 681	-	11 749
CESource, A.C.E.	-	-	-	-	83	-	-	83
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	1	-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	20	3	-	-	-	-	-	17
Lusitania, Companhia de Seguros, S.A.	-	-	2 079	747	-	46	-	1 378
Moçambique Companhia de Seguros, S.A.R.L.	-	-	250	-	-	-	-	250
Montepio Geral Associação Mutualista	5	7	-	-	3 949	120	-	4 067
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	5	-	-	6
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	607	-	-	607
Montepio Valor, S.G.O.I.C., S.A.	1	-	-		-	-		1
Montepio Residências para Estudantes, S.A.	-	-	-	-	4	-		4
NovaCâmbios - Instituição de Pagamento, S.A.	775	35	-	-	-	1 386	4	2 122
Residências Montepio, Serviços de Saúde, S.A.	1 511	16	-	-	29	750	-	2 274
	12 214	362	2 330	747	4 699	10 983	4	29 113

As at 31 December 2022, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2022		
Company	Deposits from customers	Debt securities issued and other subordinated debt	Total
Board of directors (after July 25, 2022)	639	-	639
Board of directors (until July 25, 2022)	1 258	-	1 258
Other related parties Board of directors	2 952	-	2 952
Other key management personnel	2 985	-	2 985
Bolsimo - Gestão de Activos, S.A.	122	-	122
Clínica CUF Belém, S.A.	28	-	28
Empresa Gestora de Imóveis da Rua do Prior S.A	255	-	255
Fundação Montepio Geral	2 079	-	2 079
Fundo de Pensões - Montepio Geral	29 328	401	29 729
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 500	-	1 500
GreenVolt - Energias Renováveis, S.A.	10 058	-	10 058
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	61	-	61
Lusitania Vida, Companhia de Seguros, S.A.	27 406	-	27 406
Lusitania, Companhia de Seguros, S.A.	2 633	-	2 633
Montepio Geral Associação Mutualista	102 130	201 077	303 207
Montepio Gestão de Activos - S.G.O.I.C., S.A.	2 510	-	2 510
Montepio Gestão de Activos Imobiliários, A.C.E.	2 221	-	2 221
Montepio Residências para Estudantes, S.A:	466	-	466
NovaCâmbios - Instituição de Pagamento, S.A.	558	-	558
Residências Montepio, Serviços de Saúde, S.A.	240	-	240
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 371	-	3 371
Sociedade Portuguesa de Administrações, S.A.	346	-	346
	193 146	201 478	394 624

As at 31 December 2021, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

Company	Deposits from customers (2021)	Debt securities issued and other subordinated debt (2021)	Total (2021)
Board of directors	1 704	-	1 704
Other related parties Board of directors	3 281	-	3 281
Other key management personnel	2 795	-	2 795
Bolsimo - Gestão de Activos, S.A.	1 359	-	1 359
Clínica CUF Belém, S.A.	13	-	13
Empresa Gestora de Imóveis da Rua do Prior S.A	207	-	207
Fundação Montepio Geral	1 748	-	1 748
Fundo de Pensões - Montepio Geral	38 652	2 115	40 767
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 923	-	1 923
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	124	-	124
Lusitania Vida, Companhia de Seguros, S.A.	20 221	-	20 221
Lusitania, Companhia de Seguros, S.A.	4 121	-	4 121
Montepio Geral Associação Mutualista	151 962	201 076	353 038
Montepio Gestão de Activos - S.G.O.I.C., S.A.	2 974	-	2 974
Montepio Gestão de Activos Imobiliários, A.C.E.	2 406	-	2 406
Montepio Residências para Estudantes, S.A:	396	-	396
Montepio Seguros, S.G.P.S., S.A.	721	-	721
Montepio Valor, S.G.O.I.C., S.A.	4 578	-	4 578
NovaCâmbios - Instituição de Pagamento, S.A.	451	-	451
Residências Montepio, Serviços de Saúde, S.A.	466	-	466
SAGIES - Segurança e Higiene no Trabalho, S.A.	85	-	85
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	2 756	-	2 756
Sociedade Portuguesa de Administrações, S.A.	357		357
	243 300	203 191	446 491

As at 31 December 2022, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Company	Interest and similar income (2022)	Interest and similar expense (2022)	Net fee and commission income (2022)	Staff costs (2022)	Other operating income/ (expense) (2022)	General and administrative expenses (2022)
Other related parties Board of directors	3	1	2	-	-	-
Other key management personnel	3	1	1	-	-	-
Bolsimo -Gestão de Activos, S.A.	31	-	-	(266)	-	294
CESource, A.C.E.	-	-	-	(457)	-	-
Fundo de Pensões - Montepio Geral	-	12	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	2 832	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 602	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	4 689		3	-
Montepio Geral Associação Mutualista	-	18 319	3 107	(9 817)	72	1 923
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	1 138	-	16	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 231)	(2 439)	-
NovaCâmbios - Instituição de Pagamento, S.A.	24	-	29	-	3	-
Residências Montepio, Serviços de Saúde, S.A.	25	-	16	(117)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	1	-	-	-	-
	86	18 334	16 417	(12 888)	(2 345)	2 217

As at 31 December 2021, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Company	2021					
	Interest and similar income	Interest and similar expense	Net fee and commission income	Staff costs	Other operating income/ (expense)	General and administrative expenses
Board of Directors	-	1	1	-	-	-
Other related parties Board of directors	10	3	4	-	1	-
Other key management personnel	15	3	4	-	1	-
Bolsimo -Gestão de Activos, S.A.	206	-	1	(264)	-	-
CESource, A.C.E.	-	-	-	(542)	-	-
Fundo de Pensões - Montepio Geral	-	8	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	3 050	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	4	-	2	-	-	-
Iberpartners Cafés, S.G.P.S., S.A.	-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 919	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	5 945	-	7	-
Montepio Geral Associação Mutualista	2	18 413	2 288	(10 356)	(1 108)	1 922
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	914	-	16	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 312)	(3 296)	-
Montepio Residências para Estudantes, S.A.	-	-	-	(26)	-	-
Montepio Valor, S.G.O.I.C., S.A.	-	-	254	(604)	8	
NovaCâmbios - Instituição de Pagamento, S.A.	58	-	59	-	6	-
Residências Montepio, Serviços de Saúde, S.A.	65	-	53	(113)	4	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-	
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2	1	-	-	-

As at 31 December 2022 and 2021, there were no transactions with the Group's Pension Fund.

51 Securitization of assets

As at 31 December 2022 and 2021, there are four securitization operations (five as at 31 December 2021), three of which originated in Banco Montepio and one realized jointly by Banco Montepio and Montepio Crédito.

We present next some additional details of the securitization operations as at 31 December 2022.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), Pelican Mortgages no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

On 9 December 2008, Montepio Investimento S.A. sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determination Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Aqua Mortgages no. 1 and Pelican Finance no. 2).

The Group does not hold any direct or indirect shareholding in the companies Tagus, Sagres and Ares Lusitani.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Group retained most of the risks and rewards associated with the securitized loans. If the Group substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2022, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loan and advances: Initial amount	Loan and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount*
Pelican Mortgages No. 3	March 2007	Euro	Mortgage loans	762 375	98 236	762 375	103 061	26 165
Pelican Mortgages No. 4	May 2008	Euro	Mortgage loans	1 028 600	362 466	1 028 600	394 155	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage loans	236 500	59 222	236 500	61 644	-
Pelican Finance No.2	December 2021	Euro	Consumer loans	360 301	255 962	360 301	252 994	252 994
				2 387 776	775 886	2 387 776	811 854	279 159

* Includes nominal value, accrued interest and other adjustments.

As at 31 December 2021, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loan and advances: Initial amount	Loan and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount*
Pelican Mortgages No. 3	March 2007	Euro	Mortgage loans	762 375	116 091	762 375	119 898	30 618
Pelican Mortgages No. 4	May 2008	Euro	Mortgage loans	1 028 600	407 525	1 028 600	438 986	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage loans	236 500	68 130	236 500	70 542	-
Pelican Finance No. 2	December 2021	Euro	Mortgage loans	360 301	354 894	360 301	360 301	362 214
Aqua Finance No. 4	July 2017	Euro	Consumer loans and other	200 200	47 827	200 200	54 374	9 174
				2 587 976	994 467	2 587 976	1 044 101	402 006

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations				
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	**Total**
Domestic loans and advances					
Retail					
Mortgage	98 100	361 634	58 890	-	518 624
Consumer loans and other	-	-	-	255 468	255 468
	98 100	361 634	58 890	255 468	774 092
Credit and overdue interest					
Less than 90 days	57	566	181	39	843
More than 90 days	79	266	151	455	951
	136	832	332	494	1 794
	98 236	362 466	59 222	255 962	775 886

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations					
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	*Aqua Finance n.º 4*	**Total**
Domestic loans and advances						
Retail						
Other loans	-	-	-	-	14 324	14 324
Retail						
Mortgage	115 193	405 999	67 285	-	-	588 477
Consumer loans and other	-	-	-	354 875	31 143	386 018
	115 193	405 999	67 285	354 875	45 467	988 819
Credit and overdue interest						
Less than 90 days	96	546	540	15	49	1 246
More than 90 days	802	980	305	4	2 311	4 402
	898	1 526	845	19	2 360	5 648
	116 091	407 525	68 130	354 894	47 827	994 467

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1, Pelican Mortgages no. 4, and partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no. 2.

In the first half of 2022, the loan securitization operation Aqua Finance no. 4 was liquidated.

The bonds held by Banco Montepio or by entities integrated in the consolidation perimeter of the Banco Montepio Group ("Interests held by the Group") are eliminated in the consolidation process for which reason they are presented below for information purposes only.

As at 31 December 2022, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount Euro	Current nominal amount Euro	CEMG interest held (nominal amount) Euro	Maturity	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	93 413 900	67 248 762	2054	AAA	Aaa	AAA	n.a.	AA-	A1	AA+	n.a.
	Class B	14 250 000	2 411 815	2 411 815	2054	AA-	Aa2	AA-	n.a.	A-	Baa3	BBB	n.a.
	Class C	12 000 000	2 031 002	2 031 002	2054	A	A3	A	n.a.	BBB	Ba2	BB	n.a.
	Class D	6 375 000	1 078 970	1 078 970	2054	BBB	Baa3	BBB	n.a.	BBB-	B1	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	288 300 859	288 300 859	2056	AAA	n.a.	n.a.	AAA	AA+	n.a.	n.a.	AAA
	Class B	55 500 000	25 521 472	25 521 472	2056	AA	n.a.	n.a.	A+	AA-	n.a.	n.a.	n.a.
	Class C	60 000 000	27 590 780	27 590 780	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	11 496 158	11 496 158	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	12 645 774	12 645 774	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	200 401 356	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	14 535 067	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	12 288 100	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	13 552 019	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	12 217 882	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	41 700 752	41 700 752	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	16 442 910	16 442 910	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2021, the securities issued by the special purpose vehicles, are analysed as follows:

Issue	Bonds	Initial nominal amount Euro	Current nominal amount Euro	CEMG interest held (nominal amount) Euro	Maturity	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	109 311 458	78 693 431	2054	AAA	Aaa	AAA	n.a.	BBB	A1	AA	n.a.
	Class B	14 250 000	2 822 267	2 822 267	2054	AA-	Aa2	AA-	n.a.	BBB	Baa3	BBB	n.a.
	Class C	12 000 000	2 376 646	2 376 646	2054	A	A3	A	n.a.	BB+	B3	BB	n.a.
	Class D	6 375 000	1 262 593	1 262 593	2054	BBB	Baa3	BBB	n.a.	BB	B3	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	323 657 030	323 657 030	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AAA
	Class B	55 500 000	28 651 332	28 651 332	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	30 974 413	30 974 413	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	12 906 006	12 906 006	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	14 196 606	14 196 606	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	285 400 000	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	20 700 000	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	17 500 000	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	19 300 000	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	17 400 000	-	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
	Class X	1 000	1 000	1 000	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	49 446 848	49 446 848	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	17 594 980	17 594 980	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Finance n.º 4	Class A	140 000 000	-	-	2035	n.a.	A3	n.a.	AL	n.a.	A1	n.a.	AA
	Class B	15 000 000	9 174 340	-	2035	n.a.	Ba2	n.a.	BBBL	n.a.	Baa3	n.a.	AH
	Class C	45 200 000	45 200 000	45 200 000	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

On 21 December 2022, the Bank carried out an operation that configures a synthetic securitization structure, based on a loan portfolio of individuals with mortgage guarantee. The legal maturity of the operation is 29 December 2052 and the respective amount totals Euro 878,848 thousand as at 31 December 2022.

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The legal maturity of the operation is 25 March 2036 and the respective amount totals Euro 402,444 thousand as at 31 December 2022 (31 December 2021: Euro 358,661 thousand). This operation has an estimated average maturity of 2.85 years.

52 Balance sheet and income statement indicators by operating and geographical segments

The segmental reporting is presented in accordance with IFRS 8. In compliance with the Group's management model, the disclosed segments correspond to the segments used for management purposes by the Board of Directors. The Group develops banking and financial services activities in Portugal and abroad, with a special focus on the domestic market through the following business segments: Retail, Social Economy, and Corporate and Investment Banking.

Products and services include the entire offer inherent in the universal banking activity, namely deposit taking, credit concession and the provision of financial and custodianship services to Companies and Individuals, as well as the trading of investment funds and life and non-life insurance. Additionally, the Group executes short, medium- and long-term investments in the financial and currency markets to take advantage of price variations or as a mean to obtain returns on its available financial resources.

As at 31 December 2022, the Banco Montepio Group had (i) a domestic network of 246 branches (including 7 branches for corporate clients of BEM) and (ii) a bank in Angola with 20 branches.

The information by operating segments as at 31 December 2022 reflects the organizational and management model of the Banco Montepio Group, which follows the approved strategic guidance. The control over the performance of the activities carried out by the Group follows the allocation between the operating segments, with the respective management information considering the accounting policies underlying the preparation of the financial statements, as well as the internal management criteria. It is the responsibility of the Strategic Planning and Control Division to develop, produce and report management information related to the performance of the various operating segments and the respective control in relation to the objectives defined, reporting hierarchically to the Chief Financial Officer (CFO). The Executive Committee monitors the performance of the operating segments of the internal organizational model in a timely manner, as well as that of the respective budgetary control. The management information is reported to the Executive Committee and to the Board of Directors according to the model established, as well as to the competent organic units.

In evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Banking, which includes the sub segments of Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and Micro businesses;

2) Social Economy, which incorporates the Customers allocated to the Social Economy and Public Sector business areas;

3) Specialized credit, which includes the consumer credit business primarily developed by the subsidiary Montepio Crédito;

4) Asset Management, which reflects the activity of Montepio Valor, presented in the financial statements under Discontinued operations;

5) Corporate and Investment Banking, which includes the Large Companies, the Small and Medium Enterprises allocated to this segment and the Financial Institutions, as well as the activity presently developed in the Investment Banking area carried out by Banco de Empresas Montepio (BEM);

6) International Activity, which incorporates the contribution of Montepio Geral Cabo Verde – In Liquidation presented in the financial statements as a Discontinued Operation, and Finibanco Angola;

7) Markets, which includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding;

8) Non-core, which includes the operations related to the management of real estate held for trading and of non-performing loans; and

9) Other segments, which group the operations not included in the other segments. Each segment is allocated the Group's structures that are directly or indirectly dedicated to same, as well as the autonomous units of the Group which activity is also imputed.

Geographically, even though the Group concentrates its activity in Portugal, the international activity of the Group is assured by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde – In Liquidation, Sociedade Unipessoal, S.A. (liquidated on 30 September 2022).

Description of the operating segments

On a consolidated basis, each of the reportable segments includes income and costs related to the following activities, products, Customers, and Group structures:

Retail Banking

This operating segment corresponds to all the activity developed by the Group in Portugal with Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and micro businesses, commercially designated as the Individuals and Small Businesses segment, fundamentally originated by the branch network, electronic channels and promotor network. The financial information of this segment includes, among others, products and services, such as mortgage loans, individual and consumer credit, credit to Companies of the Retail segment, demand and term deposits and other savings applications, retirement solutions products, namely PPRs, debit and credit cards, account management and electronic payment services, and investment fund placement, securities' trading and custodianship services, as well as insurance brokerage and non-financial services.

Social Economy

This operating segment reinforces the Group's role while agent of reference of the Social Economy, in the market and with the different stakeholders, incorporating the activity related to the Social Economy and Public Sector business areas.

Specialized Credit

This operating segment highlights one of the cornerstones of the Transformation Plan, reflecting the focus on consumer credit. This segment reflects the activity developed by Montepio Crédito.

Asset Management

This operating segment incorporates the activity developed by the subsidiary Montepio Valor until 30 December 2021, date on which the subsidiary was disposed of (see note 58).

Corporate and Investment Banking

This operating segment includes the activity developed by the Group with Small, Medium and Large companies, through the commercial structure dedicated to this segment. It also includes the institutional Customers' business, namely the financial sector. Of note among the products and services provided are treasury and investment financing, commercial discounting, provision of guarantees, leasing, factoring, renting, foreign operations, such as documentary credits, cheques and remittances, deposits, payment and reception services, cards, as well as custodianship services.

The Corporate Banking business includes the Corporate segment in Portugal which operates, in the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group Companies.

In addition, this operating segment includes the activity developed in the Investment Banking area by Banco de Empresas Montepio (Banco BEM).

International Activity

This segment reflects the contribution of Montepio Geral Cabo Verde – In Liquidation (liquidated on 30 September 2022) and of Finibanco Angola.

Markets

This segment includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding.

Non-core

This segment includes operations related to the management of properties held for trading and non-performing loans.

Other segments

This segment includes all the support activity developed in respect of the main activities constituting the core business of the segments mentioned above. The interest rate, foreign exchange, liquidity and other risks, excluding credit risk, are imputed to this segment.

Allocation criteria of the results to the segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information on which decisions are made in the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related to the operating segments are consistent with those used in the preparation of the financial statements, which are described in note 1, with the following principles having been adopted:

Measurement of segmental profit or loss

The Group uses the net profit/(loss) as a measure of the profits or losses to evaluate the performance of each operating segment.

Autonomous operating units

As mentioned above, each autonomous operating unit is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the primary business developed by same, their assets, liabilities, income and expenses are included in the corresponding Operating Segments.

Group structures dedicated to the segment

The Group's activity covers practically all the operating segments and is, therefore, broken down accordingly.

In preparing the financial information, the following criteria are used:

(i) The operations are allocated to each business segment in function of their origination by the commercial structures, even if, at a later date, and as an example, it is decided to securitize some of the assets originated in same;

(ii) The calculation of the net interest income is performed considering the business negotiated with Customers and other counterparties recognized in each one of the segments, taking into account the respective associated interest rates;

(iii) The determination of the net interest income also considers the impact of the transfer of the assets and liabilities of each product/segment to a pool, which balances these and adjusts the respective interest, considering the market interest rates at each moment, namely, Euribor for the different periods;

(iv) The allocation of the direct costs of the respective structures dedicated to each segment;

(v) The allocation of the indirect costs (central support and IT services), in function of previously defined criteria;

(vi) The allocation of credit risk is performed in accordance with the impairment model used by the Group.

(vii) The allocation of the tax burden to the operating segments results, with the exception of the international activity, from the application of the marginal tax rate of 30.5% to the profit before tax, with the remainder of the tax amount recognized in the income statement being allocated to the other segments.

Operations between the legally autonomous units of the Group are realized at market prices. The price of intersegment services, namely the prices established for internal funding, is determined by the adjustment system through the above-mentioned pool (with prices varying in accordance with the strategic relevance of the product and the equilibrium of the structures funding and lending functions). The remaining services are allocated to the segments in accordance with predefined criteria.

The interest rate, exchange rate, liquidity and other risks, except for credit risk, are included in the segment Other Segments.

Interest and similar income/expense

Since the Group's consolidated activity is, essentially, related to the banking business, the greater part of the income generated results from the difference between the interest earned on its assets and the interest borne with the funding it secures. This situation, and the fact that the activity of the segments represents the direct business developed by the business units for each product, means that the revenue of the intermediation activity is presented, as permitted by IFRS 8 (23), at the net interest value under the designation of Net Interest Income.

Investments presented according to the equity method

Investments in associates presented according to the equity method are included in the segment designated Operations of other Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets in the segment in which they are mostly used.

Assets and liabilities for post-employment benefits

Considering that the factors that influence both the amount of the liabilities and of the assets of the Group's Pension Fund correspond, fundamentally, to variables external to the management of each segment, the Group considers that said impacts should not influence the performance of the Operating Segments which activities are carried out with Customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A – In Liquidation (liquidated on 30 September 2022).

The financial and economic elements related to the international area are those presented in the financial statements.

As at 31 December 2022, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated									
	Commercial Banking									
	Retail	Social Economy	Specialized credit	Sub-total	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	178 985	5 296	20 941	**205 222**	51 691	-	41 433	10 383	(7 877)	**300 852**
Interest and similar expense	18 899	1 417	14 975	**35 291**	6 402	-	36 954	3 063	(32 348)	**49 362**
NET INTEREST INCOME	**160 086**	**3 879**	**5 966**	**169 931**	**45 289**	**-**	**4 479**	**7 320**	**24 471**	**251 490**
Dividends from equity instruments	-	-	-	**-**	-	-	-	-	977	**977**
Net fee and commission income	106 351	2 342	4 319	**113 012**	12 741	-	993	(2 630)	(3 620)	**120 496**
Net gains/(losses) arising from financing operations	-	-	10 566	**10 566**	(149)	-	13 442	-	(11 818)	**12 041**
Other operating income/(expense)	423	(177)	(445)	**(199)**	(390)	-	(13 246)	30 022	(31 134)	**(14 947)**
OPERATING INCOME	**266 860**	**6 044**	**20 406**	**293 310**	**57 491**	**-**	**5 668**	**34 712**	**(21 124)**	**370 057**
Staff costs	63 946	2 870	6 772	**73 588**	6 828	-	1 606	5 637	64 958	**152 617**
General and administrative expenses	15 372	452	5 195	**21 019**	1 822	-	2 048	1 592	33 259	**59 740**
Depreciation and amortization	956	4	905	**1 865**	585	-	-	2	31 554	**34 006**
OPERACIONAL COSTS	**80 274**	**3 326**	**12 872**	**96 472**	**9 235**	**-**	**3 654**	**7 231**	**129 771**	**246 363**
Total provisions and impairment	(4 386)	(2 153)	2 329	**(4 210)**	(7 100)	-	2 312	51 234	2 261	**44 497**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	-	495	**495**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**190 972**	**4 871**	**5 205**	**201 048**	**55 356**	**-**	**(298)**	**(23 753)**	**(152 661)**	**79 692**
Taxes	48 698	1 242	1 522	**51 462**	13 743	-	(1 321)	(5 302)	(22 992)	**35 590**
Non-controlling interests	-	-	-	**-**	-	(2 666)	-	-	-	**(2 666)**
Net income/(loss) from discontinued operations	-	-	-	**-**	-	(12 974)	-	-	-	**(12 974)**
NET INCOME/LOSS	**142 274**	**3 629**	**3 683**	**149 586**	**41 613**	**(10 308)**	**1 023**	**(18 451)**	**(129 669)**	**33 794**
Assets	8 774 895	332 620	573 163	**9 680 678**	1 926 499	246 121	5 929 914	1 044 156	278 883	**19 106 251**
Liabilities	11 517 136	690 362	504 478	**12 711 976**	743 146	188 257	4 055 294	-	(111 908)	**17 586 765**
Investments in associated companies	-	-	-	**-**	-	-	4 390	-	-	**4 390**

The caption Net gains/(losses) from discontinued operations includes the contribution of Banco Montepio Geral – Cabo Verde, S.A. – In Liquidation and of Finibanco Angola, S.A., S.A., which impacts on the various captions of the Income Statement are disclosed in note 58.

The preparation of the segmental reporting follows the logic of the contribution to the consolidation, with the reportable segments excluding the respective intercompany balances, identified in note 50.

As at 31 December 2021, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated										
	Commercial Banking										
	Retail	Social Economy	Specialized credit	Asset management	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	160 609	4 261	20 679	-	**185 549**	48 074	-	44 081	15 523	1 619	**294 846**
Interest and similar expense	21 399	684	524	-	**22 607**	4 874	-	45 680	5 741	(16 639)	**62 263**
NET INTEREST INCOME	**139 210**	**3 577**	**20 155**	**-**	**162 942**	**43 200**	**-**	**(1 599)**	**9 782**	**18 258**	**232 583**
Dividends from equity instruments	-	-	-	-	**-**	-	-	-	-	1 801	**1 801**
Net fee and commission income	98 403	1 519	4 568	-	**104 490**	11 987	-	1 550	(2 849)	(490)	**114 688**
Net gains/(losses) arising from financing operations	-	-	(10)	-	**(10)**	(866)	-	5 693	-	6 026	**10 843**
Other operating income/(expense)	3 383	(40)	(3 330)	-	**13**	535	-	14 775	10 133	(17 686)	**7 770**
OPERATING INCOME	**240 996**	**5 056**	**21 383**	**-**	**267 435**	**54 856**	**-**	**20 419**	**17 066**	**7 909**	**367 685**
Staff costs	67 367	2 946	6 576	-	**76 889**	6 304	-	1 450	5 763	68 696	**159 102**
General and administrative expenses	16 475	301	4 955	-	**21 731**	1 143	-	1 928	2 357	34 092	**61 251**
Depreciation and amortization	1 151	4	929	-	**2 084**	713	-	1	2	31 256	**34 056**
OPERACIONAL COSTS	**84 993**	**3 251**	**12 460**	**-**	**100 704**	**8 160**	**-**	**3 379**	**8 122**	**134 044**	**254 409**
Total provisions and impairment	(30 851)	598	2 051	-	**(28 202)**	(126)	-	4 391	114 290	(7 448)	**82 905**
Share of profit/(loss) of associated companies under the equity method	-	-	-	-	**-**	-	-	-	-	3	**3**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**186 854**	**1 207**	**6 872**	**-**	**194 933**	**46 822**	**-**	**12 649**	**(105 346)**	**(118 684)**	**30 374**
Taxes	47 648	308	1 905	-	**49 861**	11 691	-	3 225	(25 437)	(14 401)	**24 939**
Non-controlling interests	-	-	-	-	**-**	-	1 125	-	-	-	**1 125**
Net income/(loss) from discontinued operations	-	-	-	(196)	**(196)**	-	3 729	-	-	(1 273)	**2 260**
NET INCOME/LOSS	**139 206**	**899**	**4 967**	**(196)**	**144 876**	**35 131**	**2 604**	**9 424**	**(79 909)**	**(105 556)**	**6 570**
Assets	8 630 439	227 006	590 074	-	**9 447 519**	1 888 488	228 202	6 602 963	1 663 025	(117 037)	**19 713 160**
Liabilities	11 187 221	752 498	527 558	-	**12 467 277**	555 728	153 844	5 291 805	-	(118 627)	**18 350 027**
Investments in associated companies	-	-	-	-	**-**	-	-	3 952	-	-	**3 952**

The caption Net gains/(losses) from discontinued operations includes the contribution of Banco Montepio Geral Cabo Verde, S.A. – In Liquidation, of Finibanco Angola, S.A. and of Montepio Valor, S.G.O.I.C., S.A., which impacts on the various captions of the Income Statement are presented in note 58.

In December 2022, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity Domestic	Activity International	Total
Interest and similar income	300 852	-	300 852
Interest and similar expense	51 260	(1 898)	49 362
Inter-segment	1 898	(1 898)	-
Net interest income	251 490	-	251 490
Dividends from equity instruments	977	-	977
Net fee and commission income	120 496	-	120 496
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(217)	-	(217)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	1 449	-	1 449
Net gains/(losses) arising from foreign exchange differences	10 809	-	10 809
Net gains/(losses) arising from sale of other financial assets	33 280	-	33 280
Other operating income/(expense)	(48 227)	-	(48 227)
Operating income	370 057	-	370 057
Staff costs	152 617	-	152 617
General and administrative expenses	59 740	-	59 740
Depreciation and amortization	34 006	-	34 006
	246 363	-	246 363
Impairment of loans and advances to customers to credit	13 371	-	13 371
Impairment of other financial assets	2 325	-	2 325
Impairment of other assets	24 881	-	24 881
Other provisions	3 920	-	3 920
Operating profit/(loss)	79 197	-	79 197
Share of profit/(loss) of associated companies under the equity method	495	-	495
Profit/(loss) before taxes and non-controlling interests	79 692	-	79 692
Current taxes	6 731	-	6 731
Deferred taxes	28 859	-	28 859
Profits/(losses) from discontinued operations	-	(12 974)	(12 974)
Non-controlling interests	-	(2 666)	(2 666)
Consolidated net income/(loss) for the financial period attributable to the Shareholders	44 102	(10 308)	33 794

In December 2022, the net contribution of the main geographical areas to the balance sheet is presented as follows:

(Euro thousand)

Balance Sheet	Activity		Total
	Domestic	International	
Cash, deposits and advances and loans to credit institutions	1 542 465	-	1 542 465
Customer loans	11 713 097	-	11 713 097
Investments in financial assets and associated companies	4 391 839	-	4 391 839
Non-current assets held for sale	11	-	11
Investment properties	72 726	-	72 726
Non-current assets held for sale - discontinued operations	-	199 687	199 687
Other assets	1 186 426	-	1 186 426
Total Assets	18 906 564	199 687	19 106 251
Deposits from central banks and other credit institutions	3 231 614	-	3 231 614
Deposits from customers	13 115 366	-	13 115 366
Debt securities issued and Other subordinated debt	823 680	-	823 680
Non-current liabilities held for sale - discontinued operations	-	101 738	101 738
Other liabilities	314 367	-	314 367
Total Liabilities	17 485 027	101 738	17 586 765
Non-controlling interests	-	11 442	11 442
Total Equity attributable to the Shareholders	1 421 537	86 507	1 508 044
Total Shareholders' Equity	1 421 537	97 949	1 519 486
Total Liabilities and Sahreholders' Equity	18 906 564	199 687	19 106 251

In December 2021, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity		Total
	Domestic	International	
Interest and similar income	294 846	-	294 846
Interest and similar expense	63 437	(1 174)	62 263
Inter-segment	1 174	(1 174)	-
Net interest income	232 583	-	232 583
Dividends from equity instruments	1 801	-	1 801
Net fee and commission income	114 688	-	114 688
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(263)	-	(263)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	2 037	-	2 037
Net gains/(losses) arising from foreign exchange differences	9 069	-	9 069
Net gains/(losses) arising from sale of other financial assets	29 778	-	29 778
Other operating income/(expense)	(22 008)	-	(22 008)
Operating income	367 685	-	367 685
Staff costs	159 102	-	159 102
General and administrative expenses	61 251	-	61 251
Depreciation and amortization	34 056	-	34 056
	254 409	-	254 409
Impairment of loans and advances to customers to credit	51 404	-	51 404
Impairment of other financial assets	4 383	-	4 383
Impairment of other assets	31 014	-	31 014
Other provisions	(3 896)	-	(3 896)
Operating profit/(loss)	30 371	-	30 371
Share of profit/(loss) of associated companies under the equity	3	-	3
Profit/(loss) before taxes and non-controlling interests	30 374	-	30 374
Current taxes	3 142	-	3 142
Deferred taxes	21 797	-	21 797
Profits/(losses) from discontinued operations	(125)	2 385	2 260
Profits/(losses) from discontinued operations: intersegment	(1 344)	1 344	-
Non-controlling interests	-	1 125	1 125
Consolidated net income/(loss) for the financial period attributable to the Shareholders	3 966	2 604	6 570

In December 2021, the net contribution of the main geographical areas to the balance sheet is presented as follows:

(Euro thousand)

Balance Sheet	Activity		
	Domestic	International	Total
Cash, deposits and advances and loans to credit institutions	3 148 491	115 930	3 264 421
Customer loans	11 625 843	41 845	11 667 688
Investments in financial assets and associated companies	3 311 620	36 286	3 347 906
Non-current assets held for sale	38 862	-	38 862
Investment properties	102 933	-	102 933
Non-current assets held for sale - discontinued operations	-	429	429
Other assets	1 257 209	33 712	1 290 921
Total Assets	19 484 958	228 202	19 713 160
Deposits from central banks and other credit institutions	3 456 571	844	3 457 415
Deposits from customers	12 646 186	140 700	12 786 886
Debt securities issued and Other subordinated debt	1 834 390	-	1 834 390
Non-current liabilities held for sale - discontinued operations	-	329	329
Other liabilities	259 037	11 970	271 007
Total Liabilities	18 196 184	153 843	18 350 027
Non-controlling interests	-	12 903	12 903
Total Equity attributable to the Shareholders	1 288 774	61 456	1 350 230
Total Shareholders' Equity	1 288 774	74 359	1 363 133
Total Liabilities and Sahreholders' Equity	19 484 958	228 202	19 713 160

53 Risk management

Objectives of the Risk Management Policy

The Group is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, the Group is subject to other non-financial risks, namely operating, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programmes, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of the Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Division, the unit responsible for the risk management function of the Group, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Group's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of the Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Committee in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

The Group has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

The Group's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks – credit, market, liquidity, real estate and operating – to which the Group's business is subject.

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Division is responsible for promoting that all Group Companies, including those located abroad, implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio risk management function, in the Banco Montepio Group's Risk Management Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Division is responsible for monitoring the risk management activity of Group Companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Division is more effective and efficient.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Self-employed individuals (“Empresários em nome individual” – “ENI”) and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the regulators’ prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings, and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Division, a body independent of the commercial structure. The Risk Division is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio Group’s risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

The Banco Montepio Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 c.

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 1 percentage point: impact of 2.49% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of 1 percentage point: impact of -2.43% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.04% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.77% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2022	2023	2024
Unemployment Rate (1)			
Base Scenario	6.42%	6.56%	5.96%
Worst-case Scenario	6.42%	8.72%	7.84%
Best-case Scenario	6.42%	6.15%	5.62%
GDP Growth Rate (1)			
Base Scenario	2.63%	1.62%	2.26%
Worst-case Scenario	2.63%	-4.36%	2.85%
Best-case Scenario	2.63%	3.63%	2.02%
3-Month Euribor Interest Rate (2)			
Base Scenario	1.34%	2.55%	1.52%
Worst-case Scenario	1.34%	1.55%	0.01%
Best-case Scenario	1.34%	2.39%	1.52%
Housing Price Index Growth Rate (1)			
Base Scenario	4.35%	-3.87%	1.31%
Worst-case Scenario	4.35%	-12.35%	-1.71%
Best-case Scenario	4.35%	-1.79%	2.96%
Growth Rate of Disposable Income Per Capita (2)			
Base Scenario	-2.31%	1.08%	2.79%
Worst-case Scenario	-2.31%	-2.57%	1.59%
Best-case Scenario	-2.31%	4.41%	2.78%
Growth Rate of Exports of Goods and Services (1)			
Base Scenario	9.17%	2.01%	1.48%
Worst-case Scenario	9.17%	-3.28%	0.96%
Best-case Scenario	9.17%	5.06%	2.25%
Growth Rate of Family Comsumption (1)			
Base Scenario	2.71%	0.08%	1.50%
Worst-case Scenario	2.71%	-6.40%	3.01%
Best-case Scenario	2.71%	1.65%	1.40%

(1) Source: National Institute of Statistics; Projections: Moody's Analytics

(2) Source: Eurostat; Projections: Moody's Analytics

Regarding the potential direct impact of the conflict, the credit exposure to Ukraine and Russia is not significant, namely in Individuals (the exposure linked to citizens residing in one of the two countries is Euro 589 thousand with reference to 31 December 2022).

Although the credit exposure directly impacted by the conflict is not significant, there are sectors of activity that are more exposed to the indirect impact of the war, namely through the significant increases that have been observed in energy and commodity prices, as well as disruptions in various supply chains. In this way, the Group carried out an analysis that made it possible to identify the sectors of activity in which the indirect impact of the war is expected to be more significant (the exposure of customers in the identified sectors of activity is Euro 3,797,752 thousand). Based on this analysis and given the fact that the annual review of customer ratings is more concentrated at the end of each year, the Group recognized an overlay, based on a top-down approach, which consisted of deteriorating the credit ratings of customers in the identified sectors of activity. The deteriorating of credit ratings has an impact on the analysis of the significant increase in credit risk and on the attribution of the PD to each customer (see b.10.3 and b.10.5 of the accounting policy, respectively).

The Group's credit risk exposure can be analysed as follows:

(Euro thousand)

	2022	2021
Loans and deposits at credit institutions payable on demand	52 287	67 360
Other loans and advances to credit institutions	106 376	229 065
Loans and advances to customers	11 713 097	11 667 688
Financial assets held for trading	21 697	7 582
Financial assets at fair value through profit or loss	8 970	9 768
Financial assets at fair value through other comprehensive income	76 252	101 128
Hedging derivatives	-	5 411
Other financial assets at amortized cost	4 119 387	3 004 196
Other assets	81 939	76 406
Guarantees granted	462 194	479 831
Irrevocable credit lines	720 589	694 072
Revocable credit lines	908 210	845 581
	18 270 998	17 188 088

The analysis of the main credit risk exposures by sector of activity, for financial year 2022, can be analysed as follows:

(Euro thousand)

Activity	2022: Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Other financial assets at amortised cost		Guarantees provided	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate														
Agriculture, forestry and fishing	-	-	-	115 002	4 964	-	-	-	-	-	-	1 137	5 994	146
Extractive Industries	-	-	-	18 209	407	-	-	-	-	5 004	1	1 255	2 458	20
Manufacturing industries	-	-	-	1 185 270	72 291	-	211	-	-	-	-	31 768	116 402	1 855
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	97 907	8 084	-	-	-	-	10 837	643	548	24 751	310
Water supply	-	-	-	72 478	812	-	-	-	-	-	-	1 944	4 308	44
Construction	-	-	-	413 205	44 089	-	65	-	-	-	-	114 329	114 505	8 355
Wholesale and retail trade	-	-	-	885 837	35 903	-	5 734	-	-	-	-	42 924	146 015	1 712
Transport and storage	-	-	-	385 374	12 437	-	-	-	-	3 152	1	5 246	21 832	321
Accommodation and catering activities	-	-	-	568 872	17 676	-	-	-	-	-	-	10 941	26 958	634
Information and Communication	-	-	-	61 764	1 804	-	-	-	-	-	-	2 956	24 186	137
Financial and insurance activities	52 287	16 383	7	371 816	48 060	19 828	-	8 443	388	3 210	2	196 529	23 832	642
Real estate activities	-	-	-	576 916	22 650	-	71	-	-	-	-	14 814	110 820	2 539
Consulting, scientific, technical and similar	-	-	-	282 427	5 327	-	2 817	-	-	-	-	14 813	32 666	326
Administrative and supporting service activities	-	-	-	123 098	2 709	-	-	-	-	-		5 581	23 985	175
Public administration and defence, compulsory social security	-	-	-	28 054	175	1 869	-	58 628	113	4 094 073	6 044	104	444	10
Education	-	-	-	66 512	1 103	-	-	-	-	-	-	191	4 033	48
Healthcare services and social support	-	-	-	320 532	5 913	-	-	4 173	24	-	-	2 072	21 399	586
Artistic activities, shows and recreational	-	-	-	58 579	2 968	-	-	-	-	-	-	8 657	4 980	110
Other services	-	-	-	109 151	4 982	-	23	-	-	-	-	3 749	11 021	139
Retail						-								
Mortgage Loans	-	-	-	5 581 026	32 896	-	-	1 065	2	-	-	-	-	-
Others	-	-	-	745 585	29 267	-	49	4 495	25	9 804	2	2 636	-	1 408
	52 287	**16 383**	**7**	**12 067 614**	**354 517**	**21 697**	**8 970**	**76 804**	**552**	**4 126 080**	**6 693**	**462 194**	**720 589**	**19 517**

The analysis of the mains credit risk exposures by sector of activity, for financial year 2021, can be analysed as follows:

(Euro thousand)

Activity	2021														
	Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees provided	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry and fishing	-	-	-	104 781	5 223	-	-	5 126	53	-	-	-	947	6 286	-
Extractive Industries	-	-	-	16 232	589	-	-	-	-	-	-	-	1 314	2 535	124
Manufacturing industries	-	-	-	1 030 727	87 057	-	845	-	-	-	-	-	24 544	117 864	8
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	84 765	5 208	-	-	3 995	444	-	-	-	1 073	11 002	1 661
Water supply	-	-	-	67 766	1 310	-	-	-	-	-	-	-	1 926	6 056	5
Construction	-	-	-	447 676	65 506		470	-	-	-	-	-	102 402	96 886	13
Wholesale and retail trade	-	-	-	859 602	74 691	-	5 163	-	-	-	-	-	40 742	149 636	7 666
Transport and storage	-	-	-	393 291	19 558	-	-	-	-	-	-	-	6 099	16 871	1 540
Accommodation and catering activities	-	-	-	595 740	26 944	-	-	-	-	-	-	-	8 966	27 879	188
Information and Communication	-	-	-	63 083	2 431	-	-	-	-	5 411	-	-	1 725	24 559	569
Financial and insurance activities	67 360	229 529	464	492 837	94 249	7 582		9 388	1 560	-		-	231 750	19 212	122
Real estate activities	-	-	-	617 246	27 599		87	-	-	-	-	-	17 080	115 413	273
Consulting, scientific, technical and similar	-	-	-	245 467	6 700	-	2 614	-	-	-	-	-	15 958	32 293	1 006
Administrative and supporting service activities	-	-	-	122 026	4 107	-	263	-	-	-	-	-	5 497	26 529	289
Public administration and defence, compulsory social security	-	-	-	37 629	573		-	74 408	141	-	3 009 601	5 405	112	311	913
Education	-	-	-	63 399	2 485	-	-	-	-	-	-	-	200	4 783	13
Healthcare services and social support	-	-	-	279 399	8 262	-	-	4 091	24	-	-	-	1 653	18 184	36
Artistic activities, shows and recreational	-	-	-	60 403	3 108	-	-	-	-	-	-	-	10 775	8 305	399
Other services	-	-	-	154 284	17 379	-	126	-	-	-	-	-	3 382	9 468	683
Retail															5 023
Mortgage Loans	-	-	-	5 679 811	38 526	-	-	1 315	2	-	-	-	-	-	-
Others	-	-	-	773 301	30 272	-	200	5 658	629	-	-	-	3 686	-	731
	67 360	**229 529**	**464**	**12 189 465**	**521 777**	**7 582**	**9 768**	**103 981**	**2 853**	**5 411**	**3 009 601**	**5 405**	**479 831**	**694 072**	**21 262**

The Group's total credit exposure, which includes the caption Loans and advances to customers (including the entities subject to the adoption of IFRS 5), the guarantees and standby letters provided in the aggregate amount of Euro 462,194 thousand (31 December 2021: Euro 479,831 thousand), the irrevocable credit facilities amounting to Euro 720,554 thousand (31 December 2021: Euro 694,072 thousand) and the revocable credit facilities in the amount of Euro 908,210 thousand (31 December 2021: Euro 845,581 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	2022			2021		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Collective analysis	**10 748 763**	**163 234**	**10 585 529**	**10 598 513**	**191 867**	**10 406 646**
Stage 1	8 672 283	18 501	8 653 782	8 780 406	21 695	8 758 711
Stage 2	1 870 499	56 266	1 814 233	1 519 143	42 375	1 476 768
Stage 3	205 981	88 467	117 514	298 964	127 797	171 167
Individual analysis	**3 409 809**	**210 800**	**3 199 009**	**3 610 437**	**351 172**	**3 259 265**
Stage 1	2 340 362	10 269	2 330 093	1 982 421	11 761	1 970 660
Stage 2	566 005	15 759	550 246	836 536	26 603	809 933
Stage 3	503 442	184 772	318 670	791 480	312 808	478 672
	14 158 572	**374 034**	**13 784 538**	**14 208 950**	**543 039**	**13 665 911**

As at 31 December 2022 and 2021, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

	2022			2021		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Amortizado cost (AC)	**4 126 080**	**6 693**	**4 119 387**	**3 009 601**	**5 405**	**3 004 196**
Stage 1	4 120 289	6 051	4 114 238	2 994 627	5 042	2 989 585
Stage 2	5 791	642	5 149	14 974	363	14 611
Fair value (FVOIC)	**76 804**	**552**	**76 252**	**103 980**	**2 853**	**101 127**
Stage 1	74 520	181	74 339	101 493	2 103	99 390
Stage 2	2 284	371	1 913	2 487	750	1 737
Loans to credit institutions	**106 383**	**7**	**106 376**	**229 529**	**464**	**229 065**
Stage 1	106 366	7	106 359	219 726	319	219 407
Stage 2	17	-	17	9 803	145	9 658
	4 309 267	**7 252**	**4 302 015**	**3 343 110**	**8 722**	**3 334 388**

As at 31 December 2022 and 2021, the transfer between Stages, in Other financial assets at amortized cost (gross loans and impairment), is presented as follows:

(Euro thousand)

	2022			2021	
	Gross value				
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Total**
Gross value at beginning of the year	3 009 601	-	3 009 601	2 371 582	2 371 582
Exposure of new net derecognition credits, refunds and other variations	1 110 688	5 791	1 116 479	638 019	638 019
Gross value at the end of financial year	4 120 289	5 791	4 126 080	3 009 601	3 009 601

(Euro thousand)

	2022			2021	
	Impairment loss				
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Total**
Impairment loss at the beginning of the year	4 619	-	4 619	8 966	8 966
Exposure of new net derecognition credits, refunds and other variations	1 432	642	2 074	(3 561)	(3 561)
Gross value at the end of financial year	6 051	642	6 693	5 405	5 405

As at 31 December 2022 and 2021, the transfer between Stages, in Loans and advances to credit institutions (gross loans and impairment), is presented as follows:

(Euro thousand)

	2022			2021	
	Gross value				
	Stage 1	Stage 2	Total	Stage 1	Total
Gross value at beginning of the year	229 529	-	229 529	293 291	293 291
Transfer to stage 2	(17)	17	-	-	-
Exposure of new net derecognition credits, refunds and other variations	(123 146)	-	(123 146)	(63 762)	(63 762)
Gross value at the end of financial year	106 366	17	106 383	229 529	229 529

(Euro thousand)

	2022		2021	
	Impairment loss			
	Stage 1	Total	Stage 1	Total
Gross value at beginning of the year	464	464	287	287
Exposure of new net derecognition credits, refunds and other variations	(457)	(457)	177	177
Gross value at the end of financial year	7	7	464	464

As at 31 December 2022 and 2021, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	2022			2021		
Segment	Grosse value	Impairment	Net value	Grosse value	Impairment	Net value
Retail	**6 732 326**	**61 884**	**6 670 442**	**6 853 094**	**65 024**	**6 788 070**
Mortgage loans	5 681 021	32 383	5 648 638	5 775 736	35 356	5 740 380
Stage 1	4 765 062	1 192	4 763 870	5 030 978	608	5 030 370
Stage 2	874 398	15 420	858 978	652 167	6 286	645 881
Stage 3	41 561	15 771	25 790	92 591	28 462	64 129
Consumer credit	785 001	27 274	757 727	811 469	28 083	783 386
Stage 1	692 483	3 010	689 473	694 457	2 443	692 014
Stage 2	57 578	4 603	52 975	77 168	4 600	72 568
Stage 3	34 940	19 661	15 279	39 844	21 040	18 804
Credit cards	266 304	2 227	264 077	265 889	1 585	264 304
Stage 1	248 776	924	247 852	244 940	536	244 404
Stage 2	14 369	285	14 084	18 615	205	18 410
Stage 3	3 159	1 018	2 141	2 334	844	1 490
Corporate	**4 016 437**	**101 350**	**3 915 087**	**3 745 419**	**126 843**	**3 618 576**
Non-Construction	3 626 332	90 308	3 536 024	3 351 644	113 071	3 238 573
Stage 1	2 704 284	12 343	2 691 941	2 512 375	16 614	2 495 761
Stage 2	826 223	32 825	793 398	709 042	29 249	679 793
Stage 3	95 825	45 140	50 685	130 227	67 208	63 019
Construction	390 105	11 042	379 063	393 775	13 772	380 003
Stage 1	261 678	1 032	260 646	297 656	1 494	296 162
Stage 2	97 931	3 133	94 798	62 151	2 035	60 116
Stage 3	30 496	6 877	23 619	33 968	10 243	23 725
	10 748 763	**163 234**	**10 585 529**	**10 598 513**	**191 867**	**10 406 646**

As at 31 December 2022 and 2021, impairment is detailed as follows:

(Euro thousand)

	2022						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 403 408	209 113	4 016 438	101 350	7 419 846	310 463	7 109 383
Retail - mortgage loans	4 105	551	5 681 021	32 383	5 685 126	32 934	5 652 192
Retail - other loans	2 296	1 136	1 051 304	29 501	1 053 600	30 637	1 022 963
	3 409 809	210 800	10 748 763	163 234	14 158 572	374 034	13 784 538

(Euro thousand)

	2021						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 593 093	345 196	3 745 418	126 843	7 338 511	472 039	6 866 472
Retail - mortgage loans	6 748	1 046	5 775 737	35 356	5 782 485	36 402	5 746 083
Retail - other loans	10 596	4 930	1 077 358	29 668	1 087 954	34 598	1 053 356
	3 610 437	351 172	10 598 513	191 867	14 208 950	543 039	13 665 911

As at 31 December 2022 and 2021, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross value at beginning of the year	10 762 827	2 355 679	1 090 444	14 208 950
Transfer to stage 1	618 716	(609 794)	(8 922)	-
Transfer to stage 2	(874 736)	927 567	(52 831)	-
Transfer to stage 3	(40 405)	(63 475)	103 880	-
Write-Offs	(3 955)	(1 666)	(198 911)	(204 532)
Exposure of new net derecognition credits, refunds and other variations	475 634	(156 956)	(164 524)	154 154
Gross value at the end of financial year	10 938 081	2 451 355	769 136	14 158 572

(Euro thousand)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at the beginning of the year	33 456	68 978	440 605	543 039
Transfer to stage 1	2 370	(2 289)	(81)	-
Transfer to stage 2	(24 560)	26 737	(2 177)	-
Transfer to stage 3	(15 206)	(20 320)	35 526	-
Write-Offs	(3 955)	(1 666)	(198 911)	(204 532)
Exposure of new net derecognition credits, refunds and other variations	21 311	938	13 278	35 527
Impairment loss at the end of the year	13 416	72 378	288 240	374 034

(Euro thousand)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross value at beginning of the year	9 240 107	3 740 016	1 414 895	14 395 018
Transfer to stage 1	1 361 842	(1 355 795)	(6 047)	-
Transfer to stage 2	(403 420)	417 342	(13 922)	-
Transfer to stage 3	(35 271)	(156 412)	191 683	-
Write-Offs	(521)	(1 199)	(292 906)	(294 626)
Exposure of new net derecognition credits, refunds and other variations	600 090	(288 273)	(203 259)	108 558
Gross value at the end of financial year	10 762 827	2 355 679	1 090 444	14 208 950

(Euro thousand)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at the beginning of the year	28 300	108 623	663 809	800 732
Transfer to stage 1	5 679	(5 656)	(23)	-
Transfer to stage 2	(10 791)	11 240	(449)	-
Transfer to stage 3	(9 423)	(38 552)	47 975	-
Write-Offs	(521)	(1 199)	(292 906)	(294 626)
Exposure of new net derecognition credits, refunds and other variations	20 212	(5 478)	22 199	36 933
Impairment loss at the end of the year	33 456	68 978	440 605	543 039

As at 31 December 2022 and 2021, the fair value analysis of collaterals associated with the Group's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collateral	2022	2021
Individual analysis		
Securities and other financial assets	236 896	145 092
Real Estate - Mortgage loans	10 330	12 436
Real Estate - Construction and CRE	1 823 710	2 096 777
Other real estate	1 662 924	1 714 721
Other guarantees	398 541	458 920
Collective analysis - Stage 1		
Securities and other financial assets	796 925	416 670
Real Estate - Mortgage loans	10 714 551	11 134 569
Real Estate - Construction and CRE	490 830	503 130
Other real estate	823 497	795 665
Other guarantees	525 806	351 445
Collective analysis - Stage 2		
Securities and other financial assets	209 106	76 282
Real Estate - Mortgage loans	1 899 396	1 346 240
Real Estate - Construction and CRE	177 524	150 022
Other real estate	437 373	529 691
Other guarantees	40 268	37 392
Collective analysis - Stage 3		
Securities and other financial assets	7 961	3 044
Real Estate - Mortgage loans	96 427	169 224
Real Estate - Construction and CRE	27 078	36 889
Other real estate	49 109	68 177
Other guarantees	13 400	17 350
	20 441 652	**20 063 737**

The Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

The Group's total loans and advances portfolio, by segment and respective impairment, constituted in financial years 2022 and 2021, is presented as follows:

(Euro thousand)

	2022		2021	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 961 843	232 306	5 853 034	369 900
Construction and CRE	1 458 003	78 157	1 485 477	102 139
Retail - Mortgage loans	5 685 126	32 934	5 782 485	36 402
Retail - Other loans	1 053 600	30 637	1 087 954	34 598
	14 158 572	374 034	14 208 950	543 039

The loans and advances portfolio, by segment and by production year, in financial year 2022, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Retail - Mortage loans			Retail - Other		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	535	26 911	2 234	583	41 420	14 720	35 148	947 813	7 199	19 090	15 528	294
2005	142	10 030	261	140	6 624	1 204	9 095	407 913	3 615	5 077	4 872	150
2006	199	19 055	1 536	130	13 693	5 440	11 043	508 695	3 861	13 233	17 367	1 919
2007	325	11 337	919	165	25 548	5 764	11 248	517 111	4 478	35 155	38 108	803
2008	1 051	30 903	1 521	329	14 743	2 777	5 972	273 278	2 665	55 596	71 980	758
2009	1 656	53 287	1 704	369	21 602	4 181	3 234	165 130	1 271	43 608	46 824	1 236
2010	1 511	60 323	1 652	260	21 143	5 035	3 261	190 730	1 293	31 745	21 251	623
2011	2 190	71 905	1 633	346	13 235	2 061	1 208	67 426	350	25 663	22 614	644
2012	2 030	61 357	3 908	232	19 268	6 711	725	41 458	235	18 166	11 203	338
2013	3 434	128 675	7 381	276	15 269	1 179	937	52 329	292	17 557	14 232	492
2014	4 475	264 013	22 712	1 242	52 363	960	1 123	65 968	338	19 999	22 191	1 149
2015	4 617	190 087	37 172	515	20 259	1 150	1 299	77 361	384	17 817	24 090	1 761
2016	5 895	386 853	13 021	803	54 939	3 774	1 868	131 819	848	28 882	36 598	1 417
2017	8 307	309 290	13 500	727	166 180	4 330	2 571	191 214	827	22 542	41 099	1 490
2018	9 249	303 087	35 150	1 424	69 676	2 592	2 725	213 734	908	34 211	74 531	2 266
2019	10 456	486 646	27 253	1 551	103 605	3 643	3 331	273 014	1 118	29 271	91 353	3 365
2020	13 168	775 163	20 555	1 714	204 866	4 857	3 639	335 221	949	27 378	122 074	4 870
2021	14 609	761 083	18 578	2 264	204 471	3 576	6 446	653 665	1 444	38 868	189 927	5 376
2022	20 327	2 011 838	21 616	2 596	389 099	4 203	5 313	571 247	859	35 191	187 758	1 686
	104 176	5 961 843	232 306	15 666	1 458 003	78 157	110 186	5 685 126	32 934	519 049	1 053 600	30 637

The loans and advances portfolio, by segment and by production year, in financial year 2021, is presented as follows:

(Euro thousand)

Production year	*Corporate*			Construction and CRE			Retail - Mortage loans			Retail - Other		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	658	35 925	1 223	634	55 729	19 903	39 015	1 117 385	8 452	20 502	16 840	495
2005	185	12 526	609	160	13 124	3 710	9 898	462 546	3 916	5 366	5 285	149
2006	270	24 143	1 949	160	17 767	5 851	11 976	575 170	6 708	13 843	19 558	3 662
2007	482	24 389	1 216	206	33 797	9 277	12 354	585 519	6 820	37 374	41 690	933
2008	1 257	42 021	1 886	368	16 432	1 396	6 420	304 371	3 127	58 866	77 269	610
2009	2 001	79 867	2 795	419	24 498	3 889	3 486	186 193	1 434	46 504	51 000	1 873
2010	1 817	76 721	4 101	327	29 917	6 078	3 545	214 278	1 564	33 898	23 335	716
2011	2 435	95 891	3 294	383	15 688	2 234	1 309	76 413	468	27 462	25 403	1 760
2012	2 106	82 943	5 417	366	24 575	6 952	807	47 585	421	19 725	12 842	465
2013	4 283	248 629	30 948	388	24 554	1 726	1 038	60 129	243	19 219	21 000	1 238
2014	5 798	369 934	32 428	1 450	67 484	3 731	1 233	75 025	195	22 812	29 446	2 694
2015	6 025	304 369	83 867	670	26 935	1 669	1 452	90 178	146	20 538	33 623	2 875
2016	7 936	491 740	29 880	1 012	80 612	10 231	2 041	148 682	398	32 822	51 752	2 551
2017	10 616	411 499	25 428	1 004	242 770	8 248	2 818	219 124	332	26 731	59 478	2 068
2018	12 026	479 002	46 694	1 741	90 582	2 757	2 973	242 758	525	39 325	99 311	2 292
2019	12 441	650 128	40 062	1 964	172 173	7 429	3 604	307 446	900	33 189	120 526	3 372
2020	15 683	1 055 832	36 557	2 045	268 773	4 402	3 866	370 281	366	33 212	160 533	3 563
2021	19 794	1 367 475	21 546	2 515	280 067	2 656	6 686	699 402	387	43 925	239 063	3 282
	105 813	5 853 034	369 900	15 812	1 485 477	102 139	114 521	5 782 485	36 402	535 313	1 087 954	34 598

The gross exposure of loans and advances and impairment, individual and collective, by segment, in financial years 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 578 957	149 425	824 451	59 688	4 105	551	2 296	1 136	3 409 809	210 800
Collective	3 382 886	82 881	633 552	18 469	5 681 021	32 383	1 051 304	29 501	10 748 763	163 234
	5 961 843	232 306	1 458 003	78 157	5 685 126	32 934	1 053 600	30 637	14 158 572	374 034

(Euro thousand)

	2021									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 751 977	262 510	841 116	82 687	6 748	1 046	10 596	4 930	3 610 437	351 173
Collective	3 101 057	107 390	644 361	19 452	5 775 737	35 356	1 077 358	29 668	10 598 513	191 866
	5 853 034	369 900	1 485 477	102 139	5 782 485	36 402	1 087 954	34 598	14 208 950	543 039

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for the companies, in financial years 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022											
	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	350 181	41 899	545 037	51 731	199 121	11 373	474 269	17 789	1 834 800	86 321	3 403 408	209 113
Collective	390 105	11 042	909 897	22 861	957 374	26 254	243 447	7 427	1 515 615	33 766	4 016 438	101 350
	740 286	52 941	1 454 934	74 592	1 156 495	37 627	717 716	25 216	3 350 415	120 087	7 419 846	310 463

(Euro thousand)

	2021											
	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	356 536	61 460	483 925	63 910	231 249	43 334	499 788	22 442	2 021 595	154 051	3 593 093	345 197
Collective	393 774	13 771	793 257	30 043	910 601	34 477	251 260	6 183	1 396 526	42 368	3 745 418	126 842
	750 310	75 231	1 277 182	93 953	1 141 850	77 811	751 048	28 625	3 418 121	196 419	7 338 511	472 039

The amount of restructured loans and advances by stage and by segment, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

	2022									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 1	468	-	-	-	-	-	-	-	468	-
Stage 2	72 876	3 059	11 080	827	34 827	427	7 842	666	126 625	4 979
Stage 3	256 207	112 334	107 451	33 009	16 976	7 608	13 135	6 252	393 769	159 203
	329 551	115 393	118 531	33 836	51 803	8 035	20 977	6 918	520 862	164 182

	2021									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	29 256	1 639	9 949	420	21 698	133	7 346	324	68 249	2 516
Stage 3	370 707	181 007	124 670	49 475	41 789	12 919	18 274	9 800	555 440	253 201
	399 963	182 646	134 619	49 895	63 487	13 052	25 620	10 124	623 689	255 717

The gross exposure of performing and non-performing loans and advances, in financial years 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022												
	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 765 709	-	-	33 000	33 000	33 000	-	9 373	-	14 272	-	-	-
Other balance sheet credit exposures (b)	12 906 341	31 625	127 128	598 434	598 434	598 192	393 534	88 593	4 971	249 530	159 203	281 741	301 714
Off-balance sheet exposures ©	2 090 993	1 878	47	78 113	78 113	78 113	360	10 623	1	8 894	-	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

(Euro thousand)

	2021												
	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	3 645 187	-	-	33 000	33 000	33 000	-	12 311	-	14 272	-	-	-
Other balance sheet credit exposures (b)	14 774 758	31 812	68 070	942 302	942 302	941 322	555 721	92 542	2 514	411 375	253 180	414 074	290 678
Off-balance sheet exposures ©	2 019 484	1 341	280	117 002	117 002	117 002	419	6 738	2	14 524	21	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 808	628 938	11 117	465 112	91 220	12 233 331	251	6 801
>= 0,5 M€ and <1M€	503	351 564	167	107 629	528	327 626	1	500
>= 1 M€ and <5M€	540	1 178 782	125	237 921	60	88 696	-	-
>= 5 M€ and <10M€	72	506 711	12	88 911	2	12 816	-	-
>= 10 M€ and <20M€	50	683 882	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	15	1 821 281	3	201 080	-	-	-	-
	6 004	5 664 228	11 429	1 245 231	91 810	12 662 469	252	7 301

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 808	628 938	11 117	465 112	91 220	12 233 331	251	6 801
>= 0,5 M€ and <1M€	503	351 564	167	107 629	528	327 626	1	500
>= 1 M€ and <5M€	540	1 178 782	125	237 921	60	88 696	-	-
>= 5 M€ and <10M€	72	506 711	12	88 911	2	12 816	-	-
>= 10 M€ and <20M€	50	683 882	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	15	1 821 281	3	201 080	-	-	-	-
	6 004	5 664 228	11 429	1 245 231	91 810	12 662 469	252	7 301

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE and Mortgage segments, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

	2022			2021		
Segment/ Ratio	Number of properties	Total exposure	Impairment	Number of properties	Total exposure	Impairment
Corporate						
Without associated property (*)	-	4 680 780	133 866	-	4 507 606	258 625
< 60%	2 167	621 502	51 977	2 370	486 691	32 128
>= 60% and < 80%	602	267 568	15 493	688	387 690	35 152
>= 80% and < 100%	770	356 804	28 604	803	419 585	39 340
>= 100%	10	35 190	2 365	7	51 462	4 655
Construction and CRE						
Without associated property (*)	-	667 609	22 978	-	569 555	25 350
< 60%	926	422 910	19 019	980	448 088	22 800
>= 60% and < 80%	330	238 649	12 503	456	254 997	16 863
>= 80% and < 100%	420	97 445	12 523	634	186 439	27 184
>= 100%	62	31 390	11 135	66	26 398	9 944
Mortgage						
Without associated property (*)	-	32 579	1 506	-	36 076	2 586
< 60%	61 330	2 706 933	12 660	61 434	2 621 080	9 297
>= 60% and < 80%	21 136	1 879 839	8 695	22 990	1 968 716	8 728
>= 80% and < 100%	6 002	1 041 109	8 951	7 067	1 119 245	10 632
>= 100%	211	24 666	1 123	319	37 368	5 159

(*) Includes operations with other associated collateral. namely financial collateral.

The fair value and the net value of real estate received in recovery/execution of loans, by asset type, recorded in the caption Other assets (note 33), as at 31 December 2022 and 2021, are presented as follows:

(Euro thousand)

Assets	2022		
	Number of properties	Fair value of assets	Book value
Land	**1 210**	**188 989**	**168 967**
Urban	935	145 203	128 278
Rural	275	43 786	40 689
Buildings under construction	**349**	**48 219**	**43 590**
Commercial	53	6 287	6 013
Residential	198	41 316	36 974
Other	98	616	603
Constructed buildings	**1 102**	**127 523**	**111 576**
Commercial	513	70 170	62 200
Residential	289	51 668	44 171
Other	300	5 685	5 205
	2 661	364 731	324 133

(Euro thousand)

Assets	2021		
	Number of properties	Fair value of assets	Book value
Land	**1 451**	**280 007**	**253 865**
Urban	1 177	233 839	210 219
Rural	274	46 168	43 646
Buildings under construction	**394**	**59 515**	**52 918**
Commercial	43	5 391	5 185
Residential	253	53 440	47 083
Other	98	684	650
Constructed buildings	**1 524**	**175 028**	**156 807**
Commercial	715	99 905	89 625
Residential	410	67 672	59 226
Other	399	7 451	7 956
	3 369	514 550	463 590

The time elapsed since the receipt in recovery/execution of real estate, recorded in the caption Other assets (note 33), as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2022				
	< 1 year	>= 1 year and < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	Total
Land	**899**	**4 280**	**13 578**	**150 210**	**168 967**
Urban	39	2 873	11 194	114 172	128 278
Rural	860	1 407	2 384	36 038	40 689
Buildings under construction	**65**	**261**	**13 614**	**29 650**	**43 590**
Commercial	-	166	1 824	4 023	6 013
Residential	65	95	11 623	25 191	36 974
Other	-	-	167	436	603
Constructed buildings	**7 686**	**19 704**	**13 612**	**70 574**	**111 576**
Commercial	5 186	9 927	7 262	39 825	62 200
Residential	2 437	9 272	4 494	27 968	44 171
Other	63	505	1 856	2 781	5 205
	8 650	24 245	40 804	250 434	324 133

(Euro thousand)

Elapsed time since recovery/execution	2021				
	< 1 year	>= 1 year e < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	Total
Land	**2 467**	**8 037**	**87 904**	**155 457**	**253 865**
Urban	908	7 322	79 536	122 453	210 219
Rural	1 559	715	8 368	33 004	43 646
Buildings under construction	**59**	**4 352**	**17 984**	**30 523**	**52 918**
Commercial	59	358	2 518	2 250	5 185
Residential	-	3 819	15 466	27 798	47 083
Other	-	175	-	475	650
Constructed buildings	**25 984**	**16 025**	**29 237**	**85 561**	**156 807**
Commercial	14 143	8 891	19 520	47 071	89 625
Residential	11 201	4 756	8 999	34 270	59 226
Other	640	2 378	718	4 220	7 956
	28 510	28 414	135 125	271 541	463 590

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In the Group, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for the Group and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios, for the various Group entities.

To reduce concentration risk, the Group seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Division of Banco Montepio. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Division. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

The Group regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

The Group's investment portfolio is mainly concentrated in bonds, and as at 31 December 2022 this represented 96.2% (31 December 2021: 93.5%) of the total portfolio, with the dominant position being held by bonds of sovereign issuers, essentially Portugal, Spain and Italy.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2022 and 2021.

In terms of credit quality of debt securities, circa 98.2% of the portfolio is investment grade (31 December 2021: 97.8%). Of note are the Spanish, Portuguese and Italian sovereign bonds with rating BBB+, BBB and BBB-, respectively, and that represent 91.8% (31 December 2021: 94.0%) of the bond portfolio. Concerning the composition of the portfolio, one verifies a decrease in the weight of the exposure to Italian sovereign debt from 40.5% to 37.6%, offset by an increase in the weight of the exposure to Portuguese sovereign from 22.6% to 25.8%. The inclusion of debt issued by AAA issuers in 2022 (2.6% of the total) is to be highlighted.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
AAA	110 523	2,6	-	-	110 523	-
AA+	5 177	0,1	453	-	4 724	1 042,8
AA	34 187	0,8	-	-	34 187	-
AA-	15 395	0,4	454	-	14 941	3 291,0
A+	107 113	2,6	406	-	106 707	26 282,5
A	-	-	101 804	3,3	(101 804)	(100,0)
BBB+	1 202 557	28,7	955 731	30,9	246 826	25,8
BBB	1 092 271	26,1	695 932	22,5	396 339	57,0
BBB-	1 593 861	38,0	1 273 794	41,2	320 067	25,1
BB-	14 550	0,3	14 987	0,5	(437)	(2,9)
CCC	-	-	36 215	1,2	(36 215)	(100,0)
NR	15 385	0,4	15 500	0,4	(115)	(0,7)
Total	4 191 019	100,0	3 095 276	100,0	1 095 743	35,4

The position in bonds recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 69,763 thousand (31 December 2021: Euro 91,080 thousand) and the position in Other financial assets at amortized cost stood at Euro 4,119,387 thousand (31 December 2021: Euro 3,004,196 thousand) and the position in Financial assets held for trading stood at Euro 1,869 thousand.

Regarding the trading portfolio, as at 31 December 2022, the main VaR indicators are as follows:

(Euro thousand)

	2022	Average	Minimum	Maximum	2021
Market VaR	272	435	7	996	7
Interest rate risk	266	293		955	-
Exchange risk	66	156	7	84	6
Price risk	83	114	-	172	-
Spread Risk	70	109	-	233	-
Diversification effect	(213)	(237)	-	(448)	-

The value of the VaR of the trading portfolio increased from 31 December 2021 to 31 December 2022 given the resumption of the regular negotiation of securities following, in the scope of the negotiation strategy, the closing of positions in portfolio shares and bonds at the end of the previous year. It should be noted that the VaR of the trading portfolio remained at moderate levels during financial year 2022, despite the general increase in volatility levels resulting from the exogenous shocks of the war in Ukraine and the general rise in prices, a situation that can be understood in the context of the risk mitigation measures inherent to the aforementioned situation.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating the Group (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, in financial years 2022 and 2021:

(Euro thousand)

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
31 December 2022					
Assets					
Debt securities	33 740	27 826	282 386	2 144 391	1 757 383
Loans and advances	6 351 630	3 209 863	1 406 712	1 061 814	421 711
Others	1 153 782	-	-	-	43 577
Off-balance sheet	6 903	16 036	3 010	38 888	-
Total	7 546 055	3 253 725	1 692 108	3 245 093	2 222 671
Liabilities					
Debt securities issued	247 100	-	50 659	650 635	12 218
Term deposits	1 862 789	1 139 178	1 434 196	1 900 929	-
Others	288 074	890 900	189 571	1 688 673	230 997
Off-balance sheet	29 251	16 036	13	106	997
Total	2 427 214	2 046 114	1 674 439	4 240 343	244 212
GAP (Assets - Liabilities)	5 118 841	1 207 611	17 669	(995 250)	1 978 459
31 December 2021					
Assets					
Debt securities	26 612	43 212	23 528	1 186 064	1 875 387
Loans and advances	6 449 591	3 049 157	1 328 189	919 705	390 425
Others	89 599	-	-	-	50 375
Off-balance sheet	1 041	-	756 654	25 018	-
Total	6 566 843	3 092 369	2 108 371	2 130 787	2 316 187
Liabilities					
Debt securities issued	349 223	-	811 226	651 267	36 545
Term deposits	1 718 686	1 107 354	1 471 616	2 041 259	-
Others	195 311	-	-	2 961 326	274 358
Off-balance sheet	758 996	-	15	119	1 145
Total	3 022 216	1 107 354	2 282 857	5 653 971	312 048
GAP (Assets - Liabilities)	3 544 627	1 985 015	(174 486)	(3 523 184)	2 004 139

(Euro thousand)

	2022				2021			
	December	Annual Average	Maximum	Minimum	December	Annual Average	Maximum	Minimum
Interest Rate Gap	7 327 328	5 276 384	7 327 328	3 836 113	3 836 113	3 665 365	3 836 113	3 494 618

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2022, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause an increase in the economic value expected from the banking portfolio of circa Euro 44,163 thousand (31 December 2021: decrease of Euro 88,244 thousand).

The following table presents the average interest rates, in relation to the Group's major asset and liability categories for financial years 2022 and 2021, as well as the respective average balances and the income and expenses for the financial year:

(Euro thousand)

	2022			2021		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest generating assets						
Deposits at central banks and other credit institutions	1 631 251	1,12	18 503	2 203 341	-0,33	(7 298)
Other loans and advances to credit institutions	387 295	1,04	4 069	362 932	0,02	69
Loans and advances to customers	12 215 110	2,09	258 588	12 294 397	2,01	250 095
Securities portfolio	3 877 280	0,36	14 345	3 104 502	0,20	6 284
Other assets at fair value	9 222	1,44	135	9 010	1,05	96
Other (including derivatives)	-	-	5 212	-	-	14 561
	18 120 158	**1,64**	**300 852**	**17 974 182**	**1,45**	**263 807**
Interest generating liabilities						
Deposits from ECB	2 899 053	0,27	8 029	2 531 639	-0,92	(23 623)
Deposits from other credit institutions	373 289	0,15	550	827 124	0,04	337
Deposits from customers	12 879 231	0,05	7 045	12 533 808	0,08	9 608
Senior debt	1 304 930	0,52	6 841	1 421 161	0,61	8 761
Subordinated debt	216 474	8,81	19 334	216 406	9,09	19 939
Other (including derivatives)	-	-	7 563	-	-	16 202
	17 672 977	**0,28**	**49 362**	**17 530 138**	**0,18**	**31 224**
Net interest income		**1,37**	**251 490**		**1,28**	**232 583**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, in financial years 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022						
	Euro	US Dollar	Angolan Kwanza	Swiss Franc	Sterling Pound	Other foreign currencies	Total Amount
Assets by currency							
Cash and deposits at central banks	1 354 507	7 508	18 108	1 771	1 062	846	1 383 802
Loans and deposits to credit institutions payable on demand	10 307	30 484	-	6 237	3 865	1 394	52 287
Other loans and advances to credit institutions	26 734	5 579	74 046	17	-	-	106 376
Loans and advances to customers	11 649 353	20 865	42 812	-	-	67	11 713 097
Financial assets held for trading	22 849	221	-	-	-	-	23 070
Financial assets at fair value through profit or loss	147 770	-	-	-	-	-	147 770
Financial assets at fair value through other comprehensive income	97 222	-	-	-	-	-	97 222
Hedging derivatives	-	-	-	-	-	-	-
Other financial assets at amortized cost	3 992 377	81 862	38 431	-	6 717	-	4 119 387
Investments in associated companies	4 390	-	-	-	-	-	4 390
Non-current assets held for sale	11	-	-	-	-	-	11
Non-current assets held for sale - Discontinued operations	199 687	-	-	-	-	-	199 687
Investiment properties	72 726	-	-	-	-	-	72 726
Other tangible assets	139 767	-	52 231	-	-	-	191 998
Intangible assets	47 551	-	-	-	-	-	47 551
Current tax assets	5 966	-	-	-	-	-	5 966
Deferred tax assets	413 604	-	-	-	-	-	413 604
Other assets	517 909	4 761	4 619	-	2	16	527 307
Total assets	**18 702 730**	**151 280**	**230 247**	**8 025**	**11 646**	**2 323**	**19 106 251**
Liabilities by currency							
Deposits from central banks	2 889 991	-	-	-	-	-	2 889 991
Deposits from other credit institutions	340 284	1 133	-	104	75	27	341 623
Deposits from customers	12 837 672	139 654	91 005	2 305	16 770	27 960	13 115 366
Debt securities issued	606 651	-	-	-	-	-	606 651
Financial liabilities held for trading	17 697	-	-	-	-	-	17 697
Hedging derivatives	-	-	-	-	-	-	-
Non-current liabilities held for sale - Discontinued operations	101 738	-	-	-	-	-	101 738
Provisions	30 213	1	538	-	-	-	30 752
Current tax liabilities	4 438	-	-	-	-	-	4 438
Other subordinated debt	217 029	-	-	-	-	-	217 029
Other liabilities	243 830	734	13 543	665	77	2 631	261 480
Total liabilities	**17 289 543**	**141 522**	**105 086**	**3 074**	**16 922**	**30 618**	**17 586 765**
Exchange forward transactions	-	(6 290)	-	(4 909)	4 928	28 516	-
Exchange gap	-	3 468	125 161	42	(348)	221	-
Stress Test	-	(694)	(25 032)	(8)	70	(44)	-

(Euro thousand)

	2021							
	Euro	US Dollar	Angolan Kwanza	Swiss Franc	Sterling Pound	Brazilian real	Other foreign currencies	Total Amount
Assets by currency								
Cash and deposits at central banks	2 934 603	10 663	16 223	3 241	1 998		1 268	2 967 996
Loans and deposits to credit institutions payable on demand	2 512	38 807	-	926	1 106		24 009	67 360
Other loans and advances to credit institutions	88 957	67 485	72 607	16	-	-	-	229 065
Loans and advances to customers	11 579 489	48 495	39 704	-		-	-	11 667 688
Financial assets held for trading	7 582	-	-	-	-	-	-	7 582
Financial assets at fair value through profit or loss	203 427	-	-	-	-	-	-	203 427
Financial assets at fair value through other comprehensive income	123 338	-	-	-	-		-	123 338
Hedging derivatives	5 411	-	-	-	-	-	-	5 411
Other financial assets at amortized cost	2 968 614	22 067	13 515	-	-	-	-	3 004 196
Investments in associated companies	3 952	-	-	-	-	-	-	3 952
Non-current assets held for sale	38 862	-	-	-	-	-	-	38 862
Non-current assets held for sale - Discontinued operations	429	-	-	-		-		429
Investment properties	102 933	-	-	-	-	-	-	102 933
Other tangible assets	201 799	-	29 811	-	-	-	-	231 610
Intangible assets	40 150	-	-	-	-	-	-	40 150
Current tax assets	6 714	-	-	-	-	-	-	6 714
Deferred tax assets	459 871	-	-	-	-	-	-	459 871
Other assets	517 669	30 978	3 173	681	7	-	68	552 576
Total assets	**19 286 312**	**218 495**	**175 033**	**4 864**	**3 111**	**-**	**25 345**	**19 713 160**
Liabilities by currency								
Deposits from central banks	2 902 003	-	-	-	-	-	-	2 902 003
Deposits from other credit institutions	527 452	27 137	-	25	87		711	555 412
Deposits from customers	12 501 400	168 735	66 784	2 804	13 714		33 449	12 786 886
Debt securities issued	1 617 125	-	-	-	-	-	-	1 617 125
Financial liabilities held for trading	7 470	-	-	-	-	-	-	7 470
Hedging derivatives	335	-	-	-	-	-	-	335
Non-current liabilities held for sale - Discontinued operations	329		-	-			-	329
Provisions	29 124	-	5 009	-	-	-	-	34 133
Current tax liabilities	2 351	-	-	-	-	-	-	2 351
Other subordinated debt	217 265	-	-	-	-	-	-	217 265
Other liabilities	215 445	1 944	6 533	45	80		2 671	226 718
Total liabilities	**18 020 299**	**197 816**	**78 326**	**2 874**	**13 881**	**-**	**36 831**	**18 350 027**
Exchange forward transactions	-	(22 343)	-	(2 033)	10 711		11 753	-
Exchange gap	-	(1 664)	96 707	(43)	(59)	-	267	-
Stress Test	-	**333**	**(19 341)**	**8**	**12**		**(53)**	-

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 31 December 2022, the LCR value was 249.6% (31 December 2021: 264.1%).

As regards the net stable funding ratio, designated NSFR, same stood at 125.0% (31 December 2021: 125.3%).

As at 31 December 2022, the Group's financing structure was as follows:

(Euro thousand)

	2022	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 889 991	-	1 162 557	-	-	1 727 434
Deposits from other credit institutions	341 623	-	40 523	1 001	-	300 099
Deposits from customers	13 115 366	-	8 292 466	1 129 470	1 390 581	2 302 849
Debt securities issued	606 651	-	-	-	53	606 598
Financial liabilities held for trading	17 697	-	72	215	507	16 903
Non-current liabilities held for sale - Discontinued operations	101 738	101 738	-	-	-	-
Other subordinated debt	217 029	-	-	-	10 706	206 323
Other liabilities	261 480	261 480	-	-	-	-
Total liabilities	**17 551 575**	**363 218**	**9 495 618**	**1 130 686**	**1 401 847**	**5 160 206**

As at 31 December 2021, the Group's financing structure was as follows:

(Euro thousand)

	2021	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 902 003	-	-	-	-	2 902 003
Deposits from other credit institutions	555 412	-	255 405	-	-	300 007
Deposits from customers	12 786 886	-	7 891 904	1 105 137	1 354 223	2 435 622
Debt securities issued	1 617 125	-	-	751 405	460 616	405 104
Financial liabilities held for trading	7 470	-	-	(267)	246	7 491
Non-current liabilities held for sale - Discontinued operations	329	329	-	-	-	-
Other subordinated debt	217 265	-	-	-	10 942	206 323
Other liabilities	226 718	226 718	-	-	-	-
Total liabilities	**18 313 208**	**227 047**	**8 147 309**	**1 856 275**	**1 826 027**	**6 256 550**

In the scope of Bank of Portugal Instruction no. 28/2014, of 15 January 2015, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2022 and 2021, on the assets and related collaterals:

(Euro thousand)

	2022			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets from the reporting institutions	5 101 814	-	14 004 437	-
Equity instruments	-	-	161 143	163 784
Debt securities	1 105 221	930 314	3 638 713	2 780 952
Other assets	-	-	1 632 957	-

(Euro thousand)

	2021			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets from the reporting institutions	6 005 589	-	13 707 571	-
Equity instruments	-	-	215 870	215 870
Debt securities	2 122 218	1 900 039	1 496 387	1 169 494
Other assets	-	-	1 607 845	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2022	2021
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	3 207 695	3 209 480
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	5 024 389	5 977 700

The encumbered assets are mostly related to the Group's funding operations, namely of the ECB, of repo operations, of the issuance of covered bonds and of securitization programs. The type of assets used as collateral for securitization programmes and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repo transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position as at 31 December 2022 and 2021 and reflect the high level of collateralization of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2022 to Euro 2,555,225 thousand (31 December 2021: Euro 850,282 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2022, amounts to Euro 5,537,699 thousand (31 December 2021: Euro 3,788,708 thousand) with a usage of Euro 2,999,306 thousand (31 December 2021: Euro 2,957,530 thousand):

(Euro thousand)

	2022	2021
Total eligible collateral	**5 930 869**	**4 586 821**
Total collateral in the pool	5 537 699	3 788 708
Collateral outside the pool	393 170	798 113
Used collateral	**3 375 644**	**3 736 539**
Collateral used for ECB	2 999 306	2 957 530
Collateral committed to other financing operations	376 338	779 009
Collateral available for ECB	**2 538 393**	**831 178**
Total available collateral	**2 555 225**	**850 282**

Note: collateral amount considers the applied haircut

As at 31 December 2022, the contractual outflows, not discounted, of financial liabilities, including interest, have the following structure:

(Euro thousand)

	2022							
Liabilities	**Total**	**In cash [(1)]**	**Up to 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**
Deposits from central banks	2 937 041	-	280 396	890 900	189 571	1 576 174	-	-
Deposits from other credit institutions	341 961	40 583	-	1 036	28	57	112 650	187 607
Deposits from customers	13 122 233	6 629 909	1 655 463	1 126 279	1 413 582	1 252 560	1 022 520	21 920
Debt securities issued	768 921	170	20 604	20 610	40 448	402 354	157 957	126 778
Financial liabilities held for trading	17 698	17 698	-	-	-	-	-	-
Financial liabilities held for sale - - Discontinued operations	101 738	-	-	101 738	-	-	-	-
Other subordinated debt	375 130	-	162	15 250	4 182	20 957	73 967	260 612
Other liabilities	296 669	-	296 669	-	-	-	-	-
Total liabilities	**17 961 391**	**6 688 360**	**2 253 294**	**2 155 813**	**1 647 811**	**3 252 102**	**1 367 094**	**596 917**

(1) Encompasses trading liabilities, including derivatives, considered at fair value.

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2022 and 2021, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	2022	2021
Non-current assets held for sale	11	26
Real estate received in recovery of credit	324 133	463 590
Investiment properties	72 726	102 933
Investment units in real estate funds	62 723	115 568
	459 593	682 117
Stress test	(45 959)	(68 212)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Division exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring as at 31 December 2022, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Division.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

Banco Montepio maintained a permanent monitoring of the rules issued by the Portuguese General Health Division, considering the necessary adaptation to same whenever deemed necessary.

The Crisis Management Office, which is responsible for the management of the crisis, for the management and execution of the Operational Continuity Plans and for the coordination of the business recovery teams, remained in operation, overseeing the operational continuity and monitoring of the recovery of the business.

Pension Fund risk

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

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Commission. In addition, the Risk Division ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

The Group does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at the Banco Montepio Group has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and the Bank of Portugal add-ons in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Committee, Audit Committee and Board of Directors, as well as of the Group's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Group level, as well as of the entities that assume the risk management function, lies with the Risk Division. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Division carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Division, together with the first-line organic units.

The own funds of the Group are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of the Bank of Portugal. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with, of note, the following general composition:

- *Level 1 Core Own Funds or Common Equity Tier 1 (CET1)*: this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings, if existing, is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. Non-controlling interests are only eligible to the extent necessary to cover the Group's capital requirements attributable to minority shareholders. The book value of the amounts related to goodwill, if existing, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles no. 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 and 2022. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. As part of the implementation of the requirements defined in Regulation (EU) no. 575/2013, a transition period was defined to allow for a gradual recognition of some deductions, with, as at this reference date, only the transitory plan applicable to deferred tax assets that do not depend on future profitability, in the balance sheet as at 1 January 2014, being maintained. This plan permits a gradual recognition of the amount subject to deduction determined, with same amounting to 80% in 2022. With the revision of Regulation (EU) no. 575/2013, of 27 June 2019, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. Additionally, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This prudential reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties according to their ageing on the balance sheet. Regarding property portfolios received in recovery of credit and investment properties, the Group considered, in 2022, a specific prudential deduction of Euro 20,699 thousand (with an impact of 20 basis points on CET1). This impact resulted from the update of the internal haircut policy, applied to the balance sheet value of the aforementioned portfolios, taking into account the ageing of the respective properties in the Group's assets.

- *Level 1 Own Funds or Tier 1 (T1)*: includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Bank of Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.
- *Level 2 Own Funds or Tier 2 (T2)*: includes capital equivalent instruments, which conditions are in accordance with article 63 of the CRR and that have been approved by the Bank of Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Total Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. Therefore, as at 31 December 2022, Banco Montepio recognized prudentially 75% of the initial impact related to the adoption of IFRS 9, and in 2023 the impact will be fully recognized.

With the entry into force of Regulation 2020/873 of the European Parliament and Council, the dynamic component of the transitional plan applied to IFRS 9 impacts was revised, with the introduction of an additional plan regarding the impacts of increased IFRS 9 impairment occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 25% in 2022, 50% in 2023, 75% in 2024 and 100% in 2025.

As referred, the effects related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the adoption of IFRS 9 are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1, of 6.0% for Tier 1 and of 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by the Bank of Portugal, and an add-on of capital in the scope of the annual exercise of the Supervisory Review and Evaluation Process ("SREP"), which amount is defined by the Bank of Portugal. According to that defined by the Bank of Portugal, the minimum ratios required may be presented as follows:

Ratios	2021				2022			
	Ratio	Tier 1	Tier 2	Reserves [(1)]	Ratio	Tier 1	Tier 2	Reserves [(1)]
CET1	9.02%	4.50%	1.83%	2.69%	9.08%	4.50%	1.83%	2.76%
T1	11.13%	6.00%	2.44%	2.69%	11.19%	6.00%	2.44%	2.76%
Total	13.94%	8.00%	3.25%	2.69%	14.01%	8.00%	3.25%	2.76%

[(1)] Considers:
Conservation Reserve of de 2,5%;
Reserves for Other Systemic Institutions of 0,25% (0,1875% in 2021);
Counter-Cyclical Reserve fixed at 0% in Portugal, how ever it has a value of 0,005%
given the geographical distribution of Banco Montepio Group's exposures in December 2022.

Pursuant to these provisions, as at 31 December 2022, the regulatory ratios, considering the reserves, for Common Equity Tier 1, Tier 1 and Total were 9.08%, 11.19% and 14.01%, respectively, including the own funds reserves.

The summary of the calculation of the Group's capital requirements as at 31 December 2022 and 2021, under phase-in, is presented as follows:

(Euro thousand)

	2022	2021
Common Equity Tier 1 Capital		
Realized share capital	2 420 000	2 420 000
Net income/(loss), reserves and retained earnings	(911 956)	(1 069 770)
Non-controlling interests eligible for CET1	3 496	4 007
Other regulatory adjustments	(376 156)	(232 716)
	1 135 384	1 121 521
Tier 1 Capital		
Non-controlling interests eligible for Tier 1	763	199
	1 136 147	1 121 720
Tier 2 Capital		
Subordinated debt	206 323	206 323
Non-controlling interests eligible for Tier 2	420	199
	206 743	206 522
Total own funds	1 342 890	1 328 242
Own funds requirements		
Credit risk	563 133	606 992
Market risk	14 375	-
Operating risk	49 752	50 841
Other requirements	34 851	46 165
	662 111	703 998
Prudential Ratios		
Common Equity Tier 1 Ratio	13,7%	12,7%
Tier 1 Ratio	13,7%	12,7%
Total Capital Ratio	16,2%	15,1%

It should be noted that the ratios, as at 31 December 2022 and 2021, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 32.

According to information disclosed by Banco Montepio, the General Meeting held on 10 February 2023 decided unanimously on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory classification as distributable, aiming at covering negative retained earnings, by reducing the share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value. This change will not have an impact on the Institution's own funds since it does not imply changes in the Bank's net equity. Below is the proforma summary of the capital requirements calculations considering this change:

(Euro thousand)

	2022 Pro forma
Common Equity Tier 1 Capital	
Realized share capital	1 210 000
Net income/(loss), reserves and retained earnings	298 044
Non-controlling interests eligible for CET1	4 007
Other regulatory adjustments	(376 156)
	1 135 895
Tier 1 Capital	
Non-controlling interests eligible for Tier 1	763
	1 136 658
Tier 2 Capital	
Subordinated debt	206 323
Non-controlling interests eligible for Tier 2	420
	206 743
Total own funds	1 343 401
Own funds requirements	
Credit risk	563 133
Market risk	14 375
Operating risk	49 752
Other requirements	34 851
	662 111
Prudential Ratios	
Common Equity Tier 1 Ratio	13,7%
Tier 1 Ratio	13,7%
Total Capital Ratio	16,2%

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 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 five-year period. If Banco Montepio did not apply this transitional plan, as well as the recent transitional plan defined in Regulation (EU) no. 2020/873, to the impacts arising from the adoption of IRFS 9, the Banco Montepio Group's prudential ratios as at 31 December 2022 and 2021 would be:

(Euro thousand)

	2022	2021
Common Equity Tier 1 Ratio	1 102 732	1 032 520
Capital Tier 1	1 103 495	1 032 719
Total Capital Ratio	1 310 238	1 239 242
Own funds requirements	659 499	697 342
Prudential Ratios		
Common Equity Tier 1 Ratio	13.38%	11.85%
Tier 1 Ratio	13.39%	11.85%
Total Capital Ratio	15.89%	14.22%

If only the transitional plan applied to the initial impacts of the adoption of IFRS 9 was considered, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2022 and 2021, would be:

(Euro thousand)

	2022	2021
Capital Common Equity Tier 1	1 119 267	1 099 878
Capital Tier 1	1 120 029	1 100 078
Total own funds	1 326 773	1 306 600
Own funds requirements	661 046	702 267
Prudential Ratios		
Common Equity Tier 1 Ratio	13.55%	12.53%
Tier 1 Ratio	13.55%	12.53%
Total Capital Ratio	16.06%	14.88%

54 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2022, for annual periods beginning on 1 January 2022:

1. The impact of the adoption of the new standards and amendments to standards that became effective as of 1 January 2022 is as follows:

a) **IFRS 16** (amendment), 'Leases – COVID-19 related rent concessions beyond 30 June 2021'. This amendment extends the date of application of the IFRS 16 – 'Leases – COVID-19 related rent concessions' amendment from 30 June 2021 to 30 June 2022, allowing to recognise rent concessions related to COVID-19 as variable lease payments, and not as a modification to the lease. The conditions of application of the practical expedient remain, and the extension of the practical expedient can only be applied by the lessees who applied the previous practical expedient

b) IAS 16 (amendment), 'Proceeds before intended use'. This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant, and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives.

c) IAS 37 (amendment), 'Onerous Contracts – Cost of Fulfilling a Contract'. This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives.

d) IFRS 3 (amendment), 'Reference to the Conceptual framework'. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus within a business combination. This amendment is applied prospectively.

e) Annual Improvements 2018-2020. The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

These amendments had no material impact on the financial statements of the Banco Montepio Group.

2. Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2023, already endorsed by the European Union:

a) IAS 1 (amendment), 'Disclosure of accounting policies' (effective for annual periods beginning on or after 1 January 2023). Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures.

b) IAS 8 (amendment), 'Disclosure of accounting estimates" (effective for annual periods beginning on or after 1 January 2023). This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s).

c) IFRS 17 (new and amendment), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts or investment contracts with discretionary participation in profit or loss if the entity issues insurance contracts. Under IFRS 17, insurers need to assess if a policy holder can benefit from a particular service as part of a claim or if the service is independent of the claim/risk event and do the unbundling of the non-insurance component. Under IFRS 17, the entities will need to identify portfolios of insurance contracts at initial recognition and divide them into a minimum of the following groups: i) contracts that are onerous at inception; ii) contracts that have no significant possibility of becoming onerous subsequently; and iii) remaining contracts in the portfolio. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. IFRS 17 requires a company to recognise profits as it delivers insurance services (rather than when it receives premiums), and to provide information about insurance contract profits the company expects to recognise in the future. IFRS 17 provides three measurement approaches for the accounting of different types of insurance contracts: i) General Measurement Model (GMM); ii) the Premium Allocation Approach (PAA), and iii) the Variable Fee Approach (VFA). IFRS 17 is applied retrospectively with some exemptions as at the transition date.

d) IFRS 17 (amendment), 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (effective for annual periods beginning on or after 1 January 2023). This amendment relates only to insurers' transitioning to IFRS 17 and allows the adoption of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. This amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when applying IFRS 17 for the first time, providing for (i) the application on a financial asset-by-financial asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

e) IAS 12 (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction' (effective for annual periods beginning on or after 1 January 2023). IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This applies to the recognition of i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are not in the scope of the initial recognition exemption for deferred taxes. This amendment is applied retrospectively.

The Banco Montepio Group does not anticipate any significant impact derived from the application of these amendments to its financial statements.

3. Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2023, but are not yet endorsed by the European Union:

a) IAS 1 (amendment), 'Non-current liabilities with covenants' (effective for annual periods beginning on or after 1 January 2024). This amendment is still subject to endorsement by the European Union. This amendment clarifies that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. It clarifies also that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance date; and c) the facts and circumstances that indicate the entity may have difficulty complying with covenants when it is required to do so. This amendment is applied retrospectively.

b) IFRS 16 (amendment), 'Lease liability in a sale and leaseback' (effective for annual periods beginning on or after 1 January 2024). This amendment is still subject to endorsement by the European Union. The amendment introduces guidance for the subsequent measurement of lease liabilities, in the scope of sale and leaseback transactions that qualify as "sales" under IFRS 15, with higher impact when some or all the lease payments are variable lease payments that do not depend on an index or rate. Whilst subsequently measuring lease liabilities, seller-lessees determine "lease payments" and "revised lease payments" in a way that does not result in the seller-lessees recognizing any gains/(losses) relating with the right of use that they retain. This amendment is applied retrospectively.

The Banco Montepio Group does not anticipate any significant impact derived from the application of these amendments to its financial statements.

New standards summary

Description	Changes	Effective-date
1. Standards (new and amendments) effective as at 1 January 2022 1 January 2022		
IFRS 16 - Leases – COVID-19 related rent concessions beyond 30 June 2021	Extension of the application period for the exemption in the recognition of rent concessions granted by lessors related to COVID-19, as lease modifications, until 30 June 2022.	1 April 2021
IAS 16 - Proceeds before intended use	Prohibition of deducting the proceeds obtained from the sale of items produced during the testing phase, to the acquisition cost of property, plant, and equipment.	1 January 2022
IAS 37 - Onerous contracts – cost of fulfilling a contract	Clarification about the nature of the expenses to be considered in determining whether a particular contract has become onerous,	
IFRS 3 - References to the Conceptual framework	Update to references to the Conceptual Framework and clarification on the registration of provisions and contingent liabilities within the scope of a business combination,	
Annual improvements to the 2018-2020 standards.	Specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	
2. Standards (new and amended)that will become effective, on or after 1 January 2023, already endorsed by the EU		
IAS 1 – Disclosure of accounting policies	Disclosure requirement for “material” accounting policies, rather than “significant” accounting policies	1 January 2023
IAS 8 – Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	
IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.	
IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for decommissioning / related asset, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes.	
3. Standards (new and amended) that will become effective, on or after 1 January 2023, not yet endorsed by the EU		
IAS 1 – Non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity’s right to defer its settlement for at least 12 months after the reporting date, when subject to covenants.	1 January 2024
IAS 16 – Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable.	

55 Transfer of assets

The Group carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of the Group, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same. The funds specialized in the recovery of credit that acquired financial assets from the Group are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same. These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds. The management structure of the fund has as main responsibilities to:

- define the objective of the fund; and
- manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which the Group holds minority positions, incorporate companies under Portuguese law in order to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies. These junior bonds, when subscribed by the Group, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, the Group subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where the Group has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end;
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, the Group, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, the Group derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2022			2021		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	45 349	45 509	160	45 349	45 509	160
	99 964	117 533	17 569	99 964	117 533	17 569

As at 31 December 2022 and 2021, the assets received under these operations are as follows (see note 23):

(Euro thousand)

	2022	2021
	Senior securities	
Fundo Vega, FCR	22 196	23 985
Discovery Portugal Real Estate Fund	13 111	12 569
Fundo Aquarius, FCR	10 934	10 484
Fundo de Reestruturação Empresarial, FCR	16 200	16 745
	62 441	63 783

Although the subordinated securities are fully provided against, the Group also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

56 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (“RGICSF “) and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Bank of Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, the Group is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal based, among others, on the amount of its liabilities. As at 31 December 2022, the periodic contribution made by the Group amounted to Euro 5,106 thousand (31 December 2021: Euro 4,713 thousand), based on a contribution rate of 0.060%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Bank of Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under, pursuant to article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Bank of Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco's status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million.

On 23 December 2021, the Resolution Fund made the payment of Euro 112 million, after having obtained all analyses from a financial, economic and legal point of view, which was pending verification in June 2021 and was already provided against.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these consolidated financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

The Decision was subject to appeal to the Court of Competition, Regulation and Supervision by all parties concerned, including Banco Montepio. The lodging of an appeal would determine the suspension of the obligation to pay the fine until the decision had become final provided the request was lodged for the suspension of the obligation to provide a guarantee, in an amount to be set by the court, which decision is awaited.

In like manner to various other institutions charged and that have publicly announced this intention, Banco Montepio challenged this Decision judicially on 21 October 2019.

Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to the suspension of the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that court, that decided to accept same, and the consequent suspension of the obligation referred to above.

The discussion and judgment hearing began in October 2021. At the conclusion of the hearing, and as requested by Banco Montepio and other defendants, the Court of Competition, Regulation and Supervision (TCRS) decided to suspend the proceedings and refer two preliminary questions to the Court of Justice of the European Union (CJEU), under article 267 of the Treaty on the Functioning of the European Union (TFEU). A decision is awaited from the CJEU, after which the TCRS will issue a sentence in accordance with such decision.

Considering all the relevant circumstances, arising from the appeal lodged by Banco Montepio as well as by the other defendant banks, it is considered that there is a serious and significant probability that the fine applied to Banco Montepio will likely be annulled.

We are not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the relevant circumstances, it is considered that the chances of success of any legal actions that might be brought against Banco Montepio based on the Decision would be reduced.

Bank of Portugal

As at 31 December 2022, the Bank has been the subject of several administrative offense processes instituted by the Bank of Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, in an amount of possible fines of approximately Euro 1.6 million.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Division and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For some of these processes, the Bank of Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine. Other processes are still in a preliminary phase, with the evidence requested by the defendants still not having been produced, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions attributed to it.

Thus, the Board of Directors admits as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to many of the infractions that are attributed to it, even though the respective risk of conviction still exists, in relation to some of the imputed infractions, but not exceeding, however, the amount of provisions recognized by the Bank as at 31 December 2022.

57 Subsidiary and associates

As at 31 December 2022, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group	
					% of control	% of effective part
Finibanco Angola, S.A.	Luanda	7 516 296 830	Kwanza	Banking	51.00%	80.22%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	Euro	Specialised loans	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	Euro	Managements of shareholding	100.00%	100.00%
Montepio Investimento, S.A.	Lisbon	180 000 000	Euro	Banking	100.00%	100.00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Gestão de imóveis	100.00%	100.00%

The liquidation of Banco Montepio Geral – Cabo Verde, Unipessoal, S.A. – In Liquidation was completed on 30 September 2022.

As at 31 December 2021, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group	
					% of control	% of effective part
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - In Liquidation	Praia	992 000 000	Escudo Cabo Verdiano	Banking	100.00%	100.00%
Finibanco Angola, S.A.	Luanda	7 516 296 830	Kwanza	Banking	51.00%	80.22%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	Euro	Specialised loans	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	Euro	Managements of shareholding	100.00%	100.00%
Montepio Investimento, S.A.	Lisbon	180 000 000	Euro	Banking	100.00%	100.00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Management of real estate	100.00%	100.00%

As at 31 December 2022 and 2021, the Group´s associates accounted for under the equity method, are as follows:

(Euro thousand)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	São Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	27.50%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

Finibanco Angola

In 2015, a contract was signed for the sale of 1,727,782 shares of Finibanco Angola, representing 30.57% of the share capital, for USD 26,346,178.

The sale operation of 30.57% of Finibanco Angola was realized without any related payment being received. The ownership rights of the shares remained with the Group, including the right to vote and to receive dividends. Therefore, considering that there was no substantive transfer of the associated risks and rewards, the Group did not derecognize the shares object of the transaction, that is, it will not recognize the disposal of the financial shareholding until the respective settlement is made.

In 2017, the financial settlement corresponding to 11,476 shares, representing 0.20% of the share capital, was made in the amount of USD 174,984, with the Group coming to hold 81.37% of the subsidiary Finibanco Angola.

In May 2018, a financial settlement corresponding to 65,040 shares, representing 1.15% of the share capital, was made in the amount of USD 991,764, with the Group coming to hold 80.22% of the subsidiary Finibanco Angola.

Upon full settlement of the two transactions, the Group continued to control Finibanco Angola.

Montepio Holding agreed to sell the stake it held in the share capital of Finibanco Angola to Access Bank Plc, a commercial bank headquartered in Lagos, Nigeria, and it is estimated that this will take place in the second quarter of 2023. As at 31 December 2022, the consolidated financial statements consider the financial statements of this entity applying IFRS 5, that is, treating it as a discontinued unit, with its assets and liabilities being presented under the captions Non-current Assets and Liabilities held for sale – Discontinued operations, respectively, and the results in Net gains/(losses) from discontinued operations, as described in the note 58. The income statement for the year ended 31 December 2021 was restated for comparative purposes, and the Group is currently awaiting the set of precedent conditions, namely the authorizations from the regulators.

As at 31 December 2022, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

As at 31 December 2021, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisboa	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisboa	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisboa	100%	Full
Pelican Mortgages No 3	2007	2007	Lisboa	100%	Full
Pelican Mortgages No 4	2008	2008	Lisboa	100%	Full
Aqua Mortgages No 1	2008	2008	Lisboa	100%	Full
Aqua Finance No 4	2017	2017	Lisboa	100%	Full
Pelican Finance No 2	2021	2021	Lisboa	100%	Full

58 Non-current assets and liabilities held for sale – Discontinued operations

With reference to 31 December 2022 and 2021, the breakdown of Non-current assets and liabilities held for sale – discontinued operations is presented as follows:

(Euro thousand)

	2022	2021
	Finibanco Angola	**Banco Montepio Geral - Cabo Verde - In Liquidation**
Cash and deposits at central banks and credit institutions	41 739	84
Other loans and advances to credit institutions	45 451	-
Loans and advances to customers	37 307	-
Financial assets at fair value through other comprehensive income	68	-
Other financial assets at amortized cost	45 757	-
Other tangible assets	29 212	60
Intangible assets	2 491	-
Investments in associated companies	-	-
Current tax assets	126	-
Deferred tax assets	(4 761)	13
Other assets	2 297	272
Total assets	**199 687**	**429**
Deposits from other credit institutions	559	-
Deposits from customers	95 475	-
Provisions	538	107
Current tax liabilities	2 188	2
Deferred tax liabilities	(3 506)	-
Other liabilities	6 484	220
Total liabilities	**101 738**	**329**

The breakdown of Net gains/(losses) from discontinued operations by income statement captions is analysed as follows:

(Euro thousand)

	2022			2021			
	Finibanco Angola	**Banco Montepio Geral - Cabo Verde - In Liquidation**	**Total**	**Finibanco Angola**	**Banco Montepio Geral - Cabo Verde - In Liquidation**	**Montepio Valor**	**Total**
Net interest income	21 643	2	21 645	10 920	(832)	(4)	10 084
Net fee and commission income	3 242	-	3 242	1 648	1	2 980	4 629
Net gains/ (losses) arising from financing activities	5 325	(10)	5 315	(73)	(19)		(92)
Other operating income/(expense)	(26 025)	2	(26 023)	(1 135)	-	5	(1 130)
Total operating income	**4 185**	**(6)**	**4 179**	**11 360**	**(850)**	**2 981**	**13 491**
Staff costs	7 510	29	7 539	5 051	147	2 190	7 388
General and administrative expenses	4 429	14	4 443	3 429	238	521	4 188
Depreciation and amortisation	2 357	-	2 357	1 236	3	143	1 382
Total operating cost	**14 296**	**43**	**14 339**	**9 716**	**388**	**2 854**	**12 958**
Loans, other assets and other provisions impairment	2 007	-	2 007	(2 401)	106	(25)	(2 320)
Operating profit	**(12 118)**	**(49)**	**(12 167)**	**4 045**	**(1 344)**	**152**	**2 853**
Profit before income tax	**(12 118)**	**(49)**	**(12 167)**	**4 045**	**(1 344)**	**152**	**2 853**
Taxes	(793)	(14)	(807)	(320)	4	(277)	(593)
Net profit/ (loss) for the year	**(12 911)**	**(63)**	**(12 974)**	**3 725**	**(1 340)**	**(125)**	**2 260**

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde – In Liquidation as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding held in this entity was reclassified, in 2021, to Non-current assets held for sale.

In view of this legal imposition, the competent Bodies of the Banco Montepio Group decided to proceed with the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde – In Liquidation, which was completed on 30 September 2022.

Finibanco Angola now meets the criteria set out in IFRS 5 to be considered as a discontinued operation following the sale agreement entered between Montepio Holding and Access Bank Plc, as described in note 57.

As at 30 December 2021, Montepio Holding S.G.P.S., S.A. sold 310,000 ordinary, book-entry and nominative shares representing 100% of the share capital and voting rights of Montepio Valor S.G.O.I.C., S.A. to Montepio Geral Associação Mutualista for the amount of Euro 3,734 thousand. The estimated impact of this sale on the Group's consolidated results and on the capital ratio is nil to the extent that it was sold at book value.

Following the agreement signed between Montepio Holding and Access Bank Plc for the sale of the financial holding held in the share capital of Finibanco Angola, and considering that the price of this transaction on 31 December 2022 had not yet been defined, we proceeded, based on the terms of the agreement referred to above, to calculate the estimate of the impact which, with reference to 31 December 2022, totalled Euro 19,043 thousand, with same having been recorded under the caption Net gains/(losses) from discontinued operations in the income statement.

59 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format, as follows, with reference to 31 December 2022:

Credit quality of restructured exposures

(Euro thousand)

	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 and financial guarantees received on exposures with forbearance measures	
	Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures			Perfoming exposures with forbearance measures	Non-perfoming exposures with forbearance measures		Of which: Collateral and Financial guarantees received on non-perfoming exposures with forbearance measures
			Of which: defaulted	of which: impaired				
Loans and advances	127 128	393 535	393 535	393 535	(4 971)	(159 203)	301 715	198 676
Central banks	-	-	-	-	-	-	-	-
General governments	-	2 356	2 356	2 356	-	(250)	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	38	65 295	65 295	65 295	(2)	(32 027)	26 680	26 659
Non-financial corporations	80 073	271 550	271 550	271 550	(3 777)	(107 191)	201 313	140 276
Households	47 017	54 334	54 334	54 334	(1 192)	(19 735)	73 722	31 741
Debt securities	-	-	-	-	-	-	-	-
Loan commitments granted	47	326	326	326	(1)	-	-	-
	127 175	**393 861**	**393 861**	**393 861**	**(4 972)**	**(159 203)**	**301 715**	**198 676**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousand)

	Gross carrying amount											
	Perfoming exposures			Non-perfoming exposures								
		Not past due or past due <= 30 days	Past due >30 days <=90 days		Unlikely to pay that are not past-due or 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
Loans and advances	**12 307 906**	**12 276 282**	**31 625**	**598 434**	**342 968**	**20 046**	**30 221**	**60 706**	**44 089**	**12 254**	**88 150**	**598 434**
Central banks	1 253 948	1 253 948	-	-	-	-	-	-	-	-	-	-
General governments	101 654	101 654	-	2 356	-	-	-	2 356	-	-	-	2 356
Credit institutions	145 348	145 348	-	-	-	-	-	-	-	-	-	-
Other financial corporations	92 259	92 259	-	67 043	19 334	144	1 331	34 028	11 842	-	364	67 043
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
Of which: SME	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
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
Debt securities	**4 732 709**	**4 732 709**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
General governments	4 131 978	4 131 978	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	89 580	89 580	-	33 000	-	-	-	-	33 000	-	-	33 000
Non-financial corporations	511 151	511 151	-	-	-	-	-	-	-	-	-	-
Off balance sheet exposures	**2 012 881**	**-**	**-**	**78 113**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	5 760			-								-
Credit institutions	194 700			-								-
Other financial corporations	25 875			10								-
Non-financial corporations	1 295 514			74 692								-
Households	491 032			3 411								-
	19 053 496	**17 008 991**	**31 625**	**709 547**	**342 968**	**20 046**	**30 221**	**60 706**	**77 089**	**12 254**	**88 150**	**631 434**

Credit quality of productive and non-performing exposures and their provisions

(Euro thousand)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions						Collateral and financial guarantees and received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Deduction of accumulated partial assets	About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 2	Of which, stage 3		Of which, stage 3			
Loans and advances	**12 307 906**	**10 238 915**	**2 060 264**	**598 434**	**598 192**	**(88 593)**	**(22 657)**	**(65 935)**	**(249 530)**	**(249 530)**	**(128 448)**	**8 858 016**	**281 740**
Central banks	1 253 948	1 253 948	-	-	-	-	-	-	-	-	-	-	-
General governments	101 654	99 623	2 031	2 356	2 356	(232)	(116)	(116)	(250)	(250)	(250)	6 687	-
Credit institutions	145 348	145 332	17	-	-	(24)	(24)	-	-	-	-	21	-
Other financial companies	92 259	90 488	1 771	67 043	67 043	(507)	(426)	(81)	(32 531)	(32 531)	(600)	75 794	27 724
Non-financial corporations	4 117 210	3 079 157	1 029 325	412 537	412 344	(60 572)	(17 444)	(43 128)	(169 739)	(169 739)	(127 598)	2 671 342	196 281
Of which SME s	3 541 848	2 663 243	875 878	386 469	386 276	(54 344)	(15 230)	(39 114)	(161 704)	(161 704)	(99 598)	2 437 429	188 604
Households	6 597 487	5 570 367	1 027 120	116 498	116 449	(27 258)	(4 647)	(22 610)	(47 010)	(47 010)	-	6 104 172	57 735
Debt securities	**4 732 709**	**4 724 602**	**8 106**	**33 000**	**33 000**	**(9 374)**	**(8 360)**	**(1 013)**	**(14 272)**	**(14 272)**	**-**	**3 699**	**-**
General governments	4 131 978	4 131 978	-	-	-	(6 144)	(6 144)	-	-	-	-	-	-
Other financial companies	89 580	87 315	2 265	33 000	33 000	(730)	(359)	(371)	(14 272)	(14 272)	-	-	-
Non-financial corporations	511 151	505 309	5 841	-	-	(2 500)	(1 857)	(642)	-	-	-	3 699	-
Off-balance sheet exposures	**2 012 882**	**1 634 532**	**378 349**	**78 113**	**78 113**	**(10 623)**	**(4 557)**	**(6 066)**	**(8 894)**	**(8 894)**	**-**	**-**	**-**
General governments	5 760	5 735	25	-	-	(11)	(10)	-	-	-	-	-	-
Credit institutions	194 700	61 816	132 884	-	-	(559)	(12)	(547)	-	-	-	-	-
Other financial companies	25 875	18 808	7 067	10	10	(53)	(24)	(30)	-	-	-	-	-
Non-financial corporations	1 295 514	1 086 104	209 410	74 692	74 692	(8 026)	(3 098)	(4 928)	(8 861)	(8 861)	-	-	-
Households	491 033	462 069	28 963	3 411	3 411	(1 974)	(1 413)	(561)	(33)	(33)	-	-	-
	19 053 497	**16 598 049**	**2 446 719**	**709 547**	**709 305**	**(108 590)**	**(35 574)**	**(73 014)**	**(272 696)**	**(272 696)**	**(128 448)**	**8 861 715**	**281 740**

Warranties obtained by swearing-in and enforcement proceedings

(Euro thousand)

	Warranties obtained by acquisition of possession	
	Value at initial recognition	Accumulated negative changes
Tangible fixed assets		
Others, except tangible fixed assets	446 236	(122 091)
Real estate	249 183	(51 774)
Comercial real estate	161 595	(57 311)
Movable goods (automobile, vessel, etc.)	48	(47)
Others, except tangible fixed assets	35 410	(12 959)
	446 236	**(122 091)**

This caption, as at 31 December 2021, is presented as follows:

Credit quality of restructured exposures

(Euro thousand)

	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 and financial guarantees received on exposures with forbearance measures	
	Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures			Perfoming exposures with forbearance measures	Non-perfoming exposures with forbearance measures		Of which: collateral and financial guarantees received on non-perfoming exposures with forbearance measures
			Of which: defaulted	of which: impaired				
Loans and advances	68 070	555 721	555 721	555 721	(2 514)	(253 180)	290 678	242 692
Other financial corporations	359	48 324	48 324	48 324	(23)	(12 119)	36 362	36 194
Non-financial corporations	37 376	421 251	421 251	421 251	(1 970)	(209 410)	177 526	154 947
Households	30 335	86 146	86 146	86 146	(521)	(31 651)	76 790	51 551
Loan commitments granted	280	398	398	398	(2)	(17)	-	-
	68 350	**556 119**	**556 119**	**556 119**	**(2 516)**	**(253 197)**	**290 678**	**242 692**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousand)

	Gross carrying amount											
	Perfoming exposures			Non-perfoming exposures								
		Not past due or past due <= 30 days	Past due >30 days <=90 days		Unlikely to pay that are not past-due or 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
Loans and advances	**13 832 456**	**13 800 645**	**31 812**	**942 302**	**537 847**	**15 647**	**33 548**	**78 715**	**118 599**	**81 931**	**76 015**	**942 302**
Central banks	2 862 579	2 862 579	-	-	-	-	-	-	-			
General governments	104 408	104 408	-	-	-	-		-	-	-	-	-
Credit institutions	244 551	244 551	-	-	-	-	-	-	-	-	-	-
Other financial corporations	37 542	37 541	2	49 571	49 504	1	-	19	47	-	-	49 571
Non-financial corporations	3 935 578	3 927 607	7 971	707 797	366 229	7 170	24 635	67 534	103 494	73 314	65 421	707 797
Of which: SME	3 416 939	3 408 980	7 960	678 053	336 610	7 170	24 635	67 534	103 425	73 314	65 421	678 053
Households	6 647 798	6 623 959	23 839	184 934	122 114	8 476	8 913	11 162	15 058	8 617	10 594	184 934
Debt securities	**3 612 187**	**3 612 187**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
General governments	3 067 854	3 067 854	-	-	-	-	-	-	-		-	-
Other financial corporations	10 894	10 894	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	533 439	533 439	-	33 000	-	-	-	-	33 000	-		33 000
Off balance sheet exposures	**1 902 482**	**-**	**-**	**117 002**	**-**	**-**	**-**	**-**				**-**
General governments	2 676			-								-
Credit institutions	212 342			-								-
Other financial corporations	20 144			5								-
Non-financial corporations	1 174 387			114 100								-
Households	492 933			2 897								-
	19 347 125	**17 412 832**	**31 812**	**1 092 304**	**537 847**	**15 647**	**33 548**	**78 715**	**151 599**	**81 931**	**76 015**	**975 302**

Credit quality of productive and non-performing exposures and respective provisions

(Euro thousand)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions					Deduction of accumulated partial assets	Collateral and financial guarantees and received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions			About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 2	Of which, stage 3		Of which, stage 3			
Loans and advances	**13 832 456**	**11 870 828**	**1 952 840**	**942 302**	**941 322**	**(92 543)**	**(27 576)**	**(64 965)**	**(411 375)**	**(411 375)**	**(198 495)**	**8 538 884**	**414 074**
Bancos centrais	2 862 579	2 862 579	-	-	-	-	-	-	-	-	-	-	-
General governments	104 408	103 280	1 128	-	-	(579)	(398)	(181)	-	-	-	512	-
Credit institutions	244 551	244 551	-	-	-	(464)	(464)	-	-	-	-	-	-
Other financial companies	37 542	35 575	1 967	49 571	49 571	(188)	(91)	(97)	(12 198)	(12 198)	-	14 734	37 246
Non-financial corporations	3 935 578	2 836 477	1 090 513	707 797	706 943	(71 286)	(22 448)	(48 837)	(331 842)	(331 842)	(198 495)	2 455 667	276 117
Of which SME s	3 416 939	2 503 954	910 497	678 053	677 199	(59 872)	(20 214)	(39 657)	(318 050)	(318 050)	-	2 263 705	270 031
Households	6 647 798	5 788 366	859 232	184 934	184 808	(20 026)	(4 175)	(15 850)	(67 335)	(67 335)	-	6 067 971	100 711
Debt securities	**3 612 187**	**3 595 302**	**16 886**	**33 000**	**33 000**	**(12 311)**	**(10 994)**	**(1 317)**	**(14 272)**	**(14 272)**	**-**	**8 786**	**-**
General governments	3 067 854	3 067 854	-	-	-	(5 533)	(5 533)	-	-	-	-	-	-
Other financial companies	10 894	8 408	2 487	-	-	(794)	(44)	(750)	-	-	-	-	-
Non-financial corporations	533 439	519 040	14 399	33 000	33 000	(5 984)	(5 417)	(567)	(14 272)	(14 272)	-	8 786	-
Off-balance sheet exposures	**1 902 483**	**1 515 098**	**387 383**	**117 002**	**117 002**	**(6 737)**	**(3 294)**	**(3 444)**	**(14 524)**	**(14 524)**	**-**	**-**	**-**
General governments	2 676	2 664	12	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	212 342	59 855	152 487	-	-	-	-	-	-	-	-	-	-
Other financial companies	20 144	12 499	7 644	5	5	(152)	(4)	(148)	-	-	-	-	-
Non-financial corporations	1 174 387	987 250	187 137	114 100	114 100	(5 130)	(2 542)	(2 589)	(14 488)	(14 488)	-	-	-
Households	492 934	452 830	40 103	2 897	2 897	(1 454)	(747)	(707)	(36)	(36)	-	-	-
	19 347 126	**16 981 228**	**2 357 109**	**1 092 304**	**1 091 324**	**(111 591)**	**(41 864)**	**(69 726)**	**(440 171)**	**(440 171)**	**(198 495)**	**8 547 670**	**414 074**

Warranties obtained by swearing-in and enforcement proceedings

(Euro thousand)

	Warranties obtained by acquisition of possession	
	Value at initial recognition	Accumulated negative changes
Tangible fixed assets	789	(51)
Others, except tangible fixed assets	603 162	(138 576)
Real estate	392 494	(71 621)
Comercial real estate	200 200	(63 866)
Movable goods (automobile, vessel, etc.)	74	(58)
Others, except tangible fixed assets	10 394	(3 031)
	603 951	**(138 627)**

60 Relevant facts

Election of Corporate Bodies

The General Assembly of Banco Montepio, in its annual session of 29 April 2022, proceeded to elect new members of the corporate bodies for the term of office 2022-2025.

Following the final endorsement granted by the Bank of Portugal, the composition of the corporate bodies of Banco Montepio was changed, namely the Presiding Board of the General Meeting, the Board of Directors and the Audit Committee, and took office on 25 July 2022.

61 Subsequent events

The Banco Montepio Group analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (adjusting events);
- Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events occurring after the balance sheet date).

Events occurring after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

There were no relevant transactions and/or events, after 31 December 2022, that merit disclosure and/or adjustment in the financial statements.

With a view to achieving the strategic objectives of the Banco Montepio Group (“BMG”), namely the simplification of the Group's structure and governance and the improvement of the operating model, the Board of Directors of Banco Montepio decided to integrate the activity of Banco Empresas Montepio (BEM) - 100% owned by Montepio Holding, SGPS, S.A. which, in turn, has Banco Montepio as its sole shareholder -, which will make it possible to simplify, on the one hand, the approach to the corporate segment, gaining synergies and leveraging the learning and results of the commercial and investment banking model through the unification of the relationship, as well as making the BMG governance structure less complex. This integration will also make it possible to align the retail banking customer portfolio criteria with market practices, consolidating its structure with the ongoing adjustment in Banco Montepio and converging towards the sector's benchmark.

This process began with the deliberation of the Board of Directors of Banco Montepio, adopted in August 2022, to integrate BEM, including the transfer of all its assets, liabilities and operations, on which date the execution of a merger by incorporation was considered for the first time. In December 2022, the operational integration model was approved and the possibility of selling BEM's banking license (after the carve-out of all activity) was addressed.

Change in share capital

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version issued in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

Banco Montepio

ACCOUNTS AND NOTES TO INDIVIDUAL ACCOUNTS

Banco Montepio

Individual Income Statement for the financial years of 2022 and 2021

(Euro thousand)

	Notes	2022	2021
Interest and similar income	2	277 931	271 010
Interest and similar expense	2	61 688	77 226
Net interest income		216 243	193 784
Dividends from equity instruments	3	977	1 801
Net fee and commission income	4	117 423	112 240
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5	8 627	12 498
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	6	1 384	2 035
Net gains/ (losses) arising from exchange differences	7	5 927	3 044
Net gains/ (losses) arising from sale of other financial assets	8	32 784	29 648
Other operating income/ (expense)	9	(49 758)	(21 695)
Total operating income		333 607	333 355
Staff costs	10	142 052	149 317
General and administrative expenses	11	51 678	53 227
Depreciation and amortization	12	32 407	32 312
Total operating cost		226 137	234 856
Impairment of loans and advances to customers and to credit institutions	13	12 341	53 506
Impairment of other financial assets	14	2 312	4 391
Impairment of other assets	15	16 865	28 788
Other provisions	16	2 777	(4 004)
Profit before income tax		73 175	15 818
Income Tax			
Current	29	(2 664)	1 700
Deferred	29	(34 841)	(25 421)
Net profit/ (loss) for the year		35 670	(7 903)
Earnings per share			
Basic		0.015	(0.003)
Diluted		0.015	(0.003)

THE CHIEF ACCOUNTANT — THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual statement of comprehensive Income
for the financial years of 2022 and 2021

(Euro thousand)

	Notes	2022	2021
Items that may be reclassified into the Income Statement			
Fair value reserves			
Financial assets at faur value through other comprehensive income			
Debt instruments	41	(6 037)	(461)
Loans and advances to costumers	41	-	(103)
Own credit risk	41	-	(19)
Taxes related fair value changes	29 e 41	2 193	(7)
		(3 844)	(590)
Items that will not be reclassified into the Income Statement			
Fair value reserves			
Financial assets at faur value through other comprehensive income			
Debt instruments	41	(1 155)	(880)
Gains on capital instruments	41	1 873	-
Remeasurements of post-employment and long-term benefits	45	136 666	26 638
Taxes	29	(20 102)	(5 533)
		117 282	20 225
Other comprehensive income/ (loss) for the financial year		113 438	19 635
Net profit/ (loss) for the financial year		35 670	(7 903)
Total comprehensive income/ (loss) for the year		149 108	11 732

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Balance Sheet as at 31 December 2022 and 2021

(Euro thousand)

	Notes	2022	2021
Assets			
Cash and deposits at central banks	17	1 383 801	2 943 744
Loans and deposits to credit institutions payable on demand	18	83 372	84 240
Other loans and advances to credit institutions	19	397 310	388 459
Loans and advances to customers	20	11 076 135	11 004 029
Financial assets held for trading	21	10 059	1 376
Financial assets at fair value through profit or loss	22	209 483	288 340
Financial assets at fair value through other comprehensive income	23	93 068	103 157
Hedging derivatives	24	-	5 411
Other financial assets at amortized cost	25	4 615 731	3 530 569
Investments in associated companies	26	324 981	319 648
Non-current assets held for sale	26	-	47 833
Other tangible assets	27	175 005	183 798
Intangible assets	28	46 942	37 474
Current tax assets	29	5 722	6 539
Deferred tax assets	29	417 557	470 602
Other assets	30	603 854	648 185
Total Assets		19 443 020	20 063 404
Liabilities			
Deposits from central banks	31	2 889 991	2 892 065
Deposits from other credit institutions	32	396 807	598 620
Deposits from customers	33	13 173 842	12 781 474
Debt securities issued	34	327 492	1 215 119
Financial liabilities associated to transfered assets	35	611 159	730 253
Financial liabilities held for trading	21	17 697	7 470
Hedging derivatives	24	-	335
Provisions	36	28 624	27 886
Current tax liabilities	-	424	561
Other subordinated debt	37	217 029	217 265
Other liabilities	38	245 717	207 226
Total Liabilities		17 908 782	18 678 274
Equity			
Share capital	39	2 420 000	2 420 000
Legal reserve	40	193 266	193 266
Fair value reserves	41	3 975	8 974
Other reserves and Retained earnings	41	(1 118 673)	(1 229 207)
Net profit / (loss) for the year		35 670	(7 903)
Total Equity		1 534 238	1 385 130
Total Liabilities and Equity		19 443 020	20 063 404

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Statement of cash flows
for the years of 2022 and 2021

(Euro thousand)

	2022	2021
Cash flows arising from operating activities		
Interest income received	253 836	230 910
Interest expense paid	(64 052)	(67 438)
Commission income receuved	140 487	134 603
Commission income paid	(20 780)	(22 363)
Payments to employees and suppliers	(192 053)	(194 224)
Recovery of loans and interests	7 101	3 581
Other payments and receivables	38 009	4 327
Income tax payment	(1 689)	6 024
	160 859	95 420
(Increases) / decreases in operating assets		
Loans and advances to credit institutions and customers	(99 896)	120 952
(Purchase) / Sale of financial assets held for trading	(2 794)	11 145
(Purchase) / Sale of financial assets at fair value through profit or loss	90 218	267 288
(Purchase) / Sale of financial assets at fair value through other comprehensive income	16 177	164 598
(Purchase) / Sale of other financial assets at amortized cost	(1 199 999)	(536 770)
Other assets	196 032	47 499
	(1 000 262)	74 712
(Increases) / decreases in operating liabilities		
Deposits from customers	393 706	236 653
Deposits from credit institutions	(201 939)	(407 246)
Deposits from central banks	-	1 554 830
	191 767	1 384 237
	(647 636)	1 554 369
Cash from investing activities		
Dividends received (note 3)	977	1 801
Purchase of fixed assets (notes 27 and 28)	(32 191)	(25 679)
	(31 214)	(23 878)
Cash from financing activities		
Repayment of cash bonds and subordinated debt (notes 34 and 37)	(884 300)	(2 960)
Lease agreements	(4 090)	(1 160)
	(888 390)	(4 120)
Effect of changes in cash exchange rate and cash equivalents	6 429	1 801
Net change in cash and cash equivalents	(1 560 811)	1 528 172
Cash and cash equivalents at the beginning of the year:		
Cash and deposits at central banks (note 17)	2 943 744	1 446 314
Loans and advances to credit institutions payable on demand (note 18)	84 240	53 498
	3 027 984	1 499 812
Cash and cash equivalents at the end of the year:		
Cash and deposits at central banks (note 17)	1 383 801	2 943 744
Loans and advances to credit institutions payable on demand (note 18)	83 372	84 240
	1 467 173	3 027 984

THE CHIEF ACCOUNTANT THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual statement of changes in equity
for the years of 2022 and 2021

(Euro thousand)

	Share capital (note 39)	Legal Reserve (note 40)	Fair value (note 41)	Retained earnings (note 41)	Total Shareholders equity
Balance on 31 December 2020	**2 420 000**	**193 266**	**(28 867)**	**(1 211 001)**	**1 373 398**
Other comprehensive income:	-	-	37 841	(18 206)	19 635
Remeasurements in the year (note 45)	-	-	-	21 105	21 105
Changes in fair value (note 41)	-	-	37 848	-	37 848
Reserves realized - Shares	-	-	-	(39 311)	(39 311)
Taxes related on changes in fair value (note 29)	-	-	(7)	-	(7)
Net income for the year	-	-	-	(7 903)	(7 903)
Total comprehensive income for the year	-	-	37 841	(26 109)	11 732
Balance on 31 December 2021	**2 420 000**	**193 266**	**8 974**	**(1 237 110)**	**1 385 130**
Other comprehensive income:	-	-	(4 999)	118 437	113 438
Remeasurements in the year (note 45)	-	-	-	136 666	136 666
Changes in fair value (note 41)	-	-	(7 192)	-	(7 192)
Gains on capital instruments	-	-	-	1 873	1 873
Taxes related on changes in fair value (note 29)	-	-	2 193	-	2 193
Taxes related on changes in liabilities (note 29)	-	-	-	(20 102)	(20 102)
Net income for the year	-	-	-	35 670	35 670
Total comprehensive income for the year	-	-	(4 999)	154 107	149 108
Balance on 31 December 2022	**2 420 000**	**193 266**	**3 975**	**(1 083 003)**	**1 534 238**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio"), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by the Bank of Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the By-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of the Bank of Portugal, of 7 December, Banco Montepio's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. Banco Montepio adopted in the preparation of the separate financial statements as at 31 December 2022 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2022.

The separate financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 12 April 2023. The separate financial statements herein presented relate to 31 December 2022 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes.

The financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

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

Comparability of information

The accounting policies applied in financial year ended 31 December 2022, presented next, are consistent with those used in the preparation of the financial statements of the previous financial year.

b) Financial instruments – IFRS 9

b.1) Classification of financial assets

The Bank classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

b.1.1) Debt instruments

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

- the Bank's business model for financial asset management, and
- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Bank classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

- they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Bank's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Bank also considered whether it expects to recover the book value of the asset through the sale to a third party.

This portfolio also includes all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term.
- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Bank manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Bank's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of "another" business model and recognized at fair value through profit or loss. Factors considered by the Bank in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to the management body, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading are held, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under "other" business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Sales that are close to maturity and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To this purpose, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not match with the reference interest rate term (for example, the interest rate is adjusted every three months), the Bank assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test). In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

b.1.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Bank exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

b.2) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(ii) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other subordinated liabilities;

(iii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 c);

(iv) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

(v) Financial liabilities associated with assets transferred

This category includes liabilities associated with credit securitization operations that were not derecognized following the application of IFRS 9 - Financial instruments. These liabilities are initially recorded at the amount received on the cession of the loans and are subsequently valued at amortized cost, in a manner coherent with the valuation of the corresponding assets and the conditions defined in the securitization operation.

b.3) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

Banco Montepio recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

b.4) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Bank values its financial assets (i) at amortized cost, (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

TLTRO III

Upon initial recognition of the TLTRO III programme, the Bank defined its effective interest rate based on its best estimate as to its compliance with the metrics defined by the programme. Subsequently, with the Bank having ensured compliance, in the second half of 2021, with the metrics for the change in the volume of eligible credit defined by the ECB for the special reference period between 1 March 2020 and 31 March 2021, which was confirmed by the ECB in September 2021, and in accordance with the provisions of IFRS 9 and to the extent that there was a significant change in future cash flows, the Bank updated the book value estimate of this financial liability, discounting the new estimate of future cash flows at the initially estimated effective interest rate. The difference between the sum of new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet was recognized directly in the income statement under the caption Other operating income/expense (see note 9).

Notwithstanding the additional special observation period having already ended on 31 December 2021, it is important to note that the policy followed by the Bank in this matter was to only update the effective interest rate of the TLTRO III programme after receipt of formal confirmation by the ECB, which only occurred in July 2022. Thus, as at 31 December 2022, the Bank booked the formal confirmation by the ECB regarding the fulfilment of the targets for the variation of the volume of credit for the periods already ended, having carried out the respective remeasurement of the liability, through the recalculation of the amortized cost of the operation (for application of paragraph B5.4.6 of IFRS 9). With regard to subsequent periods, and considering that future cash flows no longer depend on compliance with metrics, being only subject to the volatility of the respective index, the Bank calculates at the end of each reporting period the future cash flows using the best estimate of the available interest rate, recalculating the effective interest rate to be applied prospectively for the purposes of calculating the amortized cost of the operation.

b.5) Interest recognition

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income as is that from financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, Banco Montepio estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment (“POCI”), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

b.6) Reclassifications between financial instrument categories

Reclassifications of financial assets can only occur when Banco Montepio changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Banco Montepio may not reclassify any financial liability. Financial liabilities may not be reclassified between categories.

b.7) Modification of loans

Occasionally, the Bank renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Bank assesses whether the new contract terms are substantially different from the original terms. The Bank makes this analysis considering, among others, the following factors:

- If the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- A significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- A significant extension of the contract maturity when the debtor is not in financial difficulty;
- A significant change in interest rate;
- A change from the currency in which the credit was contracted;
- The inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Bank may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

b.8) De-recognition that does not result from a modification

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Bank substantially transfers all risks and rewards associated with holding the asset, or (ii) the Bank neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Bank engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Bank:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

A Guarantees granted by the Bank (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria.

Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

b.9) *Write-off policy*

Banco Montepio recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by Banco Montepio turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

b.10) *Impairment of financial assets*

The Bank determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments.

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against an accumulated impairment caption in balance sheet, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The charges and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

c) Credit losses: correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

The Bank estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

d) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

b.11) Impairment model of loans and advances to customers

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of Banco Montepio that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income;
- Commitments and financial guarantees issued.

No impairment is recognized on equity instruments since these are measured at fair value and the gains or losses resulting on their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that originated losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition;
- Incorporation of forward-looking information in the ECL calculation.

b.11.1) Calculation of ECLs

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that Banco Montepio expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that Banco Montepio expects to receive;
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that Banco Montepio expects to recover.

b.11.2) *__Definition of default__*

Banco Montepio aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by Banco Montepio are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures.
- Non-performing credit, i.e., when accrued interest is no longer recognized in the financial statements due to deterioration in credit quality;
- Individually significant customers with individual impairment;
- Credit sales with losses greater than 5%;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in the Group or in Central Risk Credit ("CRC") in the case of companies;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

b.11.3) *__Significant increase in credit risk (SICR)__*

In order to determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), Banco Montepio considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on Banco Montepio´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date, and
- The exposure's risk rating attributed at the initial moment of the exposure´s recognition.

Banco Montepio identifies the occurrence of a significant increase in credit risk through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was.

When evaluating the significant increase in credit risk, Banco Montepio also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis Banco Montepio and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the Bank of Portugal's Central Credit Register ("Central de Responsabilidades de Crédito").

b.11.4) Additional Stage criteria and deterioration of credit ratings

In the context of the recent energetic crisis and the military conflict in Eastern Europe, and with the aim of anticipating the risk deterioration associated with the most impacted exposures, the following additional criteria were considered for Stage 2 classification level:

Stage 2

- Companies for which the Bank, through a specific analysis of their business sectors, concludes that they are in a more vulnerable situation and, therefore, with a greater risk of default;
- Individuals for which their average time deposit balances are lower than the value of the credit installments, whose rating, according to the internal scale, is equal to or greater than 11. For these customers, it was decreased the scoring rating in order to have the minimum rating for stage 2 classification, taking into account its original rating and the stage classification thresholds.

b.11.5) Measurement of ECL – Collective analysis

The main inputs used for measuring ECLs on a collective basis include the following parameters:

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated supported on statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the risk rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);
- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and
- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. Banco Montepio collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. Banco Montepio estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. Banco Montepio obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, Banco Montepio calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

b.11.6) Measurement of ECL – Individual analysis

In the group of individually significant customers, customer exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for this analysis.

For individually significant financial assets of counterparties/customers classified in Stage 3, the impairment value is determined using the discounted cash flow method, with the impairment value corresponding to the difference between the credit value and the sum of the expected cash flows from the customer's various operations, discounted according to the original interest rates of each operation. If the calculated impairment amount is nil, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the collective analysis methodology. Likewise, whenever, through individual analysis, a rate lower than the one mentioned above is determined, the latter prevails.

For the financial assets of individually significant counterparties/customers classified in Stages 1 and 2, the expected credit loss (ECL) is attributed according to the collective analysis methodology, given that individually no impairment level is calculated.

All customers or economic groups that meet the following conditions are subject to individual analysis:

- Economic Groups with a global exposure amount ≥ 0.5 m€ in which at least one of the participants is the holder of operations classified as Stage 3, with customers with an exposure amount ≥ 0.5 m€ being selected;
- Customers with Stage 2 operations with an exposure amount ≥ 2.5 m€ and customers with an exposure amount ≥ 2.5 m€ that are part of the same Economic Group;
- Customers with Stage 1 operations with an exposure amount ≥ 5.0 m€;
- Customers corresponding to Shareholding Management Companies (SGPS) with economic activity code (CAE) initiated by 642 (holding companies and financial holding companies) with an exposure amount ≥ 2.5 m€;
- Customers with loans under Project Finance with an exposure amount ≥ 1.0 m€;

- Customers that met the aforementioned criteria in the last three months;
- Other customers when duly justified.

For the exposure of customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations written off.

The individual analysis is the responsibility of the Individual Impairment Office and in the evaluation of impairment losses the following factors are, essentially, considered:

- Total exposure of each customer and/or economic group, internal rating of the customer and/or economic group, the staging associated with each operation and the existence of signs of impairment;
- Economic and financial viability of the customer or economic group and the respective ability to generate future cash flows to pay the debt;
- Existence of collaterals associated with each credit and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors;
- Expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and according to the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment materializes when the expected cash flows are lower than the contractual cash flows due by the customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method of the company:

- In case of the continuity of the company's activity (going concern) a critical analysis is done of the companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;
- In the case of the cessation of the company's activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the adjustments referred above, are discounted at the original effective interest rate of the operations;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;
- For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

b.12) *<u>Securitized loans and advances not derecognized</u>*

Banco Montepio does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and

- it maintains a substantial portion of the risk of the transferred credits.

Loans sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

b.13) *Synthetic securitization*

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. The securitization in question was structured in such a way that it could be categorized as Simple, Transparent and Standardized (STS), with same being attested by Prime Collateralised Securities (PCS). Since this is a collateralized operation, the structuring resorts to the use of a Special Purpose Vehicle (SPV) established for the purpose in Ireland. This SPV is not subject to consolidation by Banco Montepio.

On 18 December 2020, Banco Montepio contracted an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and Synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, Banco Montepio transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with Banco Montepio supporting a commission of 0.3% and 4.5% (after retrocession effect) to guarantee each of the tranches, respectively. Banco Montepio retained the risk of the junior and of the excess spread tranches.

The operations in question are aimed at strengthening the CET1 ratio, not generating any increase in liquidity. Only prudential effects are captured. In these operations there was no sale of loans to third parties, with there being no transfer of collections.

With these operations, Banco Montepio reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio without, however, the accounting derecognition of the financial assets. Thus, as most of the risks and benefits associated with the loans in question were not transferred, the derecognition criteria of the financial assets defined in the accounting policy presented in b.8) above are not met.

c) Derivative financial instruments and hedge accounting

Banco Montepio designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, Banco Montepio may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

d) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

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

Distributions made on account of equity instruments are deducted from equity as dividends when declared.

e) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date. Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Bank usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

f) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

Banco Montepio carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

g) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in Banco Montepio's separate financial statements at historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by Banco Montepio. Banco Montepio controls an entity when it is exposed to, or has rights to, the variability of returns from its involvement with that entity and can take possession of same through its power over the relevant activities of that entity (de facto control).

Associates are entities over which Banco Montepio has significant influence but does not control their financial and operating policy. Banco Montepio is presumed to have significant influence when it has the power to exercise more than 20% of the associate's voting rights. If Banco Montepio, directly or indirectly, holds less than 20% of the voting rights, Banco Montepio is presumed not to have significant influence, except when such influence can be clearly demonstrated.

Significant influence on the part of Banco Montepio is usually demonstrated in one or more of the following ways:

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

Impairment

The recoverable amount of investments in subsidiaries and associates is assessed whenever there are signs of evidence of impairment. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period. The recoverable amount is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value and business risks.

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

Banco Montepio also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable.

Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Bank intends to immediately sell all properties and other assets received in recovery of credit, the Bank classifies these in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method remains unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

Banco Montepio recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Banco Montepio risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is remeasured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

Banco Montepio remeasures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is remeasured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that Banco Montepio will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the statement of cash flows:

- in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;
- the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Bank classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

These are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalments receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

4. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
5. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
6. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (iv) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation) are received in advance and are deferred and recognized over the life of the operation;

   (v) Commissions agreed for the commitment to provide financing are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

   (vi) Commissions paid on the issuance of financial liabilities at amortized cost are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in Banco Montepio's financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for Banco Montepio. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable amount is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Intangible assets

Software

Banco Montepio accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. Banco Montepio does not capitalize internal costs arising from software development.

o) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in Banco Montepio's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, capital increases and dividend distributions.

p) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when Banco Montepio has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

q) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

r) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement ("ACT") it signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, Banco Montepio set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by Banco Montepio and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, Banco Montepio signed a new ACT, introducing several changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 45.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

Banco Montepio´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to that of the date of the term of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pension Fund.

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

Gains and losses from the remeasurement, namely (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

Banco Montepio recognizes in its income statement a net total amount that includes (i) the current service cost, (ii) the net interest income/(expense) from the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by Banco Montepio to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past services of active employees.

Defined contribution plan

Banco Montepio has a defined contribution plan for employees who were admitted after 3 March 2009. This plan, designated as contributory, receives monthly and equal contributions, based on the effective remuneration: 1.5% to be made by the Company and 1.5% to be made by the employee.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the financial year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and Banco Montepio paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for Banco Montepio to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at Banco Montepio's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by Banco Montepio in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount of Banco Montepio's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

s) Income taxes

Until 31 December 2011, Banco Montepio was an entity exempt from Corporate Income Tax ("IRC"), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code. This exemption had been recognized under an Order of 3 December 1993 of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March, approving the State Budget for 1996.

With effect from 1 January 2012, Banco Montepio is subject to the regime established by the Corporate Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods.

Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that Banco Montepio does not exercise control over the period of the reversal of the differences.

Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including tax losses carried forward).

As established in IAS 12, paragraph 74, Banco Montepio offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, Banco Montepio, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by Banco Montepio corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses same, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

t) Segmental reporting

Banco Montepio adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Bank: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for the Bank's operating decisions regarding the allocation of resources to the segment and the assessment of its performance; and (iii) for which distinct financial information is available.

Given that the separate financial statements are presented together with those of the Group, and considering paragraph 4 of IFRS 8, Banco Montepio is not required to present information on a separate basis on the segments.

u) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when (i) Banco Montepio has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because (i) It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation; and (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

v) Insurance and reinsurance brokerage services

Banco Montepio is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, Banco Montepio sells insurance contracts, receiving as remuneration for the services rendered brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between Banco Montepio and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

- commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by Banco Montepio and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
- commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - Insurance brokerage services.

w) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of Banco Montepio by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

x) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and

ii) those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events that occur after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

y) Significant judgements and estimates in the application of the accounting policies

The IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the military conflict underway in Ukraine. The most significant of these accounting estimates and judgments used in the application of the accounting policies by Banco Montepio are discussed in the following paragraphs in order to improve understanding of how their application affects Banco Montepio's reported results and related disclosure.

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

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

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Bank uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Bank expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 19,20, 23, and 25, with a consequent impact in the income statement of Banco Montepio.

Due to the uncertainty of the current international economic context caused by the military conflict in Ukraine, Banco Montepio, in accordance with the provisions of IFRS 9 and for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 49).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value. Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 21, 22, 23 and 24. The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 44.

Impairment of investments in subsidiaries and associates

Banco Montepio assesses the recoverable amount when there are signs of evidence of impairment. Impairment losses are assessed based on the difference between the recoverable amount of the investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period.

The recoverable amount is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks, which require the use of certain assumptions or judgment in establishing the fair value estimates.

Different methodologies and the use of different assumptions and estimates could result in a different level of impairment losses being recognized and presented in note 26, with the consequent impact on the income statement of Banco Montepio.

Income taxes

Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business. The Bank complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 29. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Bank considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, was approved, establishing the new tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, approximating the accounting and tax rules for the purpose of deducting costs in respect of the reinforcement of credit impairment. Until the end of financial year 2023, the rules in force until 2018 will continue to apply, unless the option to apply the new regime is exercised in advance. Banco Montepio opted to not apply the new tax regime for impairment, for which reason the estimated taxable income considers the tax rules in force until 2018.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2022, the tax rules resulting from Law no. 98/2019, of 4 September, were applied, with tax rules identical to those in force in financial years 2015 through 2019 having been considered insofar as Banco Montepio did not adhere to the definitive regime on impairment, as a result of which the limits set forth in Bank of Portugal Notice no. 3/95 and other specific rules must be considered for the purpose of determining the maximum amounts of impairment losses accepted for tax purposes.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by Banco Montepio, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 45.

Classification and valuation of assets received in recovery of credit

The classification of the real estate received in recovery of credit is determined in accordance with IFRS 5.

Assets received in recovery of credit are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. Fair value is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in note 30.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 36.

Recoverable amount of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable amount be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal.

Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable amount of the Bank's own properties, which are presented in note 27.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Interest and similar income		
Deposits and other loans and advances to credit institutions	24 396	24 694
Loans and advances to customers	231 736	225 310
Financial assets held for trading	98	8 112
Financial assets at fair value through profit or loss	7	6
Financial assets at fair value through other comprehensive income	591	400
Hedging derivatives	5 210	6 580
Other financial assets at amortized cost	15 891	5 897
Other interest and similar income	2	11
	277 931	271 010
Interest and similar expense		
Deposits from central banks and other credit institutions	7 999	8 870
Deposits from customers	7 045	9 608
Debt securities issued	6 841	8 401
Financial liabilities associated to transferred assets	13 117	14 022
Financial liabilities held for trading	-	7 764
Hedging derivatives	2 781	2 050
Other subordinated debt	19 334	19 939
Lease liabilities	412	621
Other interest and similar expense	4 159	5 951
	61 688	77 226
Net interest income	216 243	193 784

The caption Interest and similar income – Loans and advances to customers, includes, in 2022, respectively, the amount of Euro 14,882 thousand and the amount of Euro 6,209 thousand (2021: Euro 13,721 thousand and Euro 2,044 thousand, respectively), related to commissions and to other gains/(losses), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 b).

In financial year 2022, in accordance with IAS 1 paragraph 82(a), Banco Montepio recorded interest on Financial assets and liabilities held for trading, namely that related to derivative financial instruments, under the caption Net interest income from assets and liabilities at fair value through profit or loss.

The caption Interest and similar income – Other financial assets at fair value through profit or loss, includes, in 2022, the amount of Euro 7 thousand (2021: 6 thousand) related to loans that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

For financing lines under the TLTRO III programme, the Bank considers that the operation consists of a loan with a floating rate, indexed to the Deposit Facility Rate (DFR), which is also subject to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. In June 2022, the Bank obtained confirmation from the European Central Bank of the compliance with the change in the volume of the eligible credit targets defined by the ECB, namely for the period 24 June 2020 through 23 June 2022. Hence, for the referred interest counting period, the Group used the rate of -1%. The rate of the subsequent periods coincided, until 23 November 2022, with the DFR average verified since the start of each one of the tranches, with, after that date, the rate being adjusted with the DFR in force at each moment.

The caption Interest and similar expense – Other interest and similar charges includes, in 2022, the amount of Euro 4,043 thousand (2021: Euro 5,950 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Financial assets at fair value through other comprehensive income	977	1 801

In 2022, this caption includes, essentially, dividends received from Unicre in the amount of Euro 505 thousand and from SIBS in the amount of Euro 406 thousand (2021: Euro 1,386 thousand received from Unicre, Euro 171 thousand from SIBS and Euro 161 thousand from Monteiro Aranha, S.A.).

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Fee and commission income		
From banking services	101 498	97 154
From transactions on behalf of third parties	23 438	21 860
From insurance brokerage services	9 036	9 626
Guarantees provided	3 336	3 511
Other fee and commission income	3 179	2 452
	140 487	134 603
Fee and commission expense		
From banking services rendered by third parties	21 122	19 630
From transactions with securities	323	875
Other fee and commission expense	1 619	1 858
	23 064	22 363
Net fee and commission income	117 423	112 240

As at 31 December 2022 and 2021, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2022	2021
Life insurance	4 409	4 402
Non-life insurance	4 627	5 224
	9 036	9 626

The remuneration of insurance brokerage services was received in full, and all the commissions resulted from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2022			2021		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	2 452	5 432	(2 980)	1 656	1 126	530
Issued by other entities	62	52	10	304	77	227
Shares	864	1 185	(321)	1 281	709	572
Investment units	108	350	(242)	347	237	110
	3 486	7 019	(3 533)	3 588	2 149	1 439
Derivative financial instruments						
Interest rate contracts	112 753	119 222	(6 469)	68 392	66 916	1 476
Exchange rate contracts	34 970	35 100	(130)	27 159	27 307	(148)
Futures contracts	11 070	8 888	2 182	3 836	4 040	(204)
Option contracts	6 845	7 163	(318)	869	892	(23)
Commodities contracts	464	-	464	562	-	562
	166 102	170 373	(4 271)	100 818	99 155	1 663
Financial assets at fair value through profit or loss						
Investment units	2 498	3 113	(615)	7 329	14 690	(7 361)
Loans and advances to customers	50	666	(616)	551	777	(226)
	2 548	3 779	(1 231)	7 880	15 467	(7 587)
Other financial assets at fair value through profit or loss						
Shares	100	(93)	193	102	-	102
Securitization units	15 031	(1 006)	16 037	79 859	62 548	17 311
Loans and advances to customers	26	131	(105)	165	143	22
	15 157	(968)	16 125	80 126	62 691	17 435
Financial liabilities at fair value through profit or loss						
Deposits from customers	2 468	222	2 246	131	284	(153)
Debt securities issued	-	-	-	39	-	39
	2 468	222	2 246	170	284	(114)
Hedging derivatives						
Interest rate contracts	7 199	11 007	(3 808)	17 353	22 159	(4 806)
Hedged financial liabilities						
Debt securities issued	3 522	423	3 099	4 468	-	4 468
	200 482	191 855	8 627	214 403	201 905	12 498

Financial assets at fair value through profit or loss include, in 2022, in terms of Investment units, a negative impact of Euro 615 thousand (2021: negative impact of Euro 7,251 thousand), determined by the negative effects of Fundo Carteira Imobiliária (fund) of Euro 1,819 thousand, of Fundo Vega (fund) of Euro 1,116 thousand, of Fundo PEF (fund) of Euro 266 thousand, partially offset by the positive effects of Fundo VIP (fund) of Euro 1,963 thousand and of Fundo Valor Prime (fund) of Euro 485 thousand.

The Net gains/(losses) arising from the securitization units reflect the change in the value of the securitized loan portfolio, which as at 31 December 2022 recorded the amount of Euro 614,720 thousand (31 December 2021: Euro 733,868 thousand).

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2022			2021		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Fixed-income securities						
Bonds						
Issued by public entities	18	1 058	(1 040)	2 614	642	1 972
Commercial paper	2 424	-	2 424	63	-	63
	2 442	1 058	1 384	2 677	642	2 035

In 2022, the caption Bonds – Issued by public entities includes net losses obtained on the sale of Portuguese sovereign bonds in the amount of Euro 1,040 thousand. In 2021, this caption included net gains generated on the sale of Portuguese sovereign bonds in the amount of Euro 1,506 thousand and of Greek, European, German, Belgian, Italian and Spanish sovereign bonds in the amount of Euro 466 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2022			2021		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differencies	45 152	39 225	5 927	18 343	15 299	3 044

This caption includes the results arising from the revaluation of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 q).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Disposal of loans and advances to customers	16 435	1 700
Disposal of other assets	16 332	13 173
Disposal of financial assets at amortized cost	17	14 775
	32 784	29 648

In financial year 2022, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Gerês operation with the realization of a capital gain of Euro 4,118 thousand, as well as the result of the sale of loans within the scope of the Alqueva and Alvito operations with the realization of capital gains of Euro 7,530 thousand and Euro 5,246 thousand, respectively.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

The caption Disposal of financial assets at amortized cost considers, in financial year 2021, the impact of the disposal of Euro 511 million in terms of nominal value of Portuguese sovereign debt classified in the hold to collect portfolio. This operation fell within the limits defined in Banco Montepio's internal regulation for this business model, being classified as infrequent, but significant in terms of value, having generated a capital gain of Euro 14,775 thousand.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

		(Euro thousand)
	2022	**2021**
Other operating income		
Services provided	4 611	6 717
Repurchase of own issues	4 260	-
Management fees on demand deposits	3 406	3 187
Reimbursement of expenses	1 941	1 857
Tax recovery	1 346	1 023
Assignment of staff	475	-
Income from the valuation of financial liabilities	-	11 749
Other	4 803	5 685
	20 842	30 218
Other operating expenses		
Contributions:		
Banking sector	11 300	9 536
Ex-ante to the Single Resolution Fund	8 228	7 591
National Resolution Fund	4 707	4 357
Deposits Guarantee Fund	153	26
Expense from the valuation of financial liabilities	11 921	-
Expenses with trading properties	7 504	8 786
Servicing and expenses with recovery and disposal of loans	7 673	7 363
Expenses with issuances	1 431	2 449
Taxes	1 256	433
Donations and memberships	221	492
Actuarial deviations of assigned collaborators	7 595	1 268
Other	8 611	9 612
	70 600	51 913
Other net operating income/(expense)	(49 758)	(21 695)

In 2022, the caption Other operating income – Repurchase of own issues considers Euro 4,260 thousand related to income earned on the acquisition of debt issued in the amount of Euro 171,400 thousand, as referred in note 34.

In 2022, the caption Other operating income – Other, includes income associated with the recovery of credit in the amount of Euro 1,626 thousand (31 December 2021: Euro 3,482 thousand) and with the restitution of taxes in the amount of Euro 1,196 thousand (31 December 2021: Euro 283 thousand).

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments.

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Bank of Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução), in cooperation with the Bank of Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, as at 31 December 2022 and 2021, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, as at 31 December 2022, Banco Montepio settled Euro 9,867 thousand (31 December 2021: Euro 8,424 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 19. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of the Bank of Portugal, which may be adjusted in function of the credit institution's risk profile that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating expense - Servicing and expenses with the recovery of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

The caption Other operating expense – Expenses with properties held for trading includes, as at 31 December 2022, the amount of Euro 2,255 thousand (31 December 2021: Euro 3,014 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.

In 2022, the caption Other operating expense – Losses on the valuation of financial liabilities considers Euro 11,921 thousand related to a loss arising from the change in the estimate of the book value of the financing lines in the TLTRO III programme which occurred in 2022 (see note 1 b.4). This change resulted from (i) the formal confirmation, in June 2022, by the ECB of compliance with the targets for the change in the volume of credit for the periods already ended and (ii) the revision of the interest rate to be applied to the next periods, which are no longer dependent on compliance with metrics, being only associated with the future evolution of the DFR, which was revised upwards by the ECB, with the Bank proceeding to update the estimate of future cash flows accordingly. As a result, the difference between the sum of the new future cash flows discounted at the initially estimated effective interest rate and the balance sheet value at the time was recognized directly under Other operating income (by application of paragraph B5.4.6 of IFRS 9).

The caption Other operating expense - Other includes card issuance costs, refund of commissions, ECB supervision fee and other operating expenses.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Remuneration	96 630	97 548
Mandatory social charges	29 580	31 762
Charges with Pension Funds	11 495	9 734
Other staff costs	4 347	10 273
	142 052	149 317

In 2022, within the scope of the Employee Adjustment Programme, the caption Charges with the Pension Fund includes the amount of Euro 7,112 thousand (31 December 2021: Euro 4,365 thousand) related to the charges arising from early retirements and mutual-agreement terminations. In 2021, the caption Other costs includes the amount of Euro 4,959 thousand related to the same programme.

In 2022 and 2021, the members of the Corporate bodies were not attributed any variable remuneration. In 2022, first-line managers alone are considered Other key management personnel while in 2021 some second-line mangers were also included as it was considered that they could have an impact on the risk profile of the Bank.

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee) and Other key management personnel are presented as follows:

(Euro thousand)

	2022			
	General Meeting Board	Board of Directors	Other key management staff	Total
Remuneration and other short-term benefits	7	3 291	3 079	6 377
Pension costs	-	518	189	707
Costs with healthcare benefits (SAMS)	-	16	58	74
Social Security charges	1	713	680	1 394
	8	4 538	4 006	8 552

(Euro thousand)

	2021			
	General Meeting Board	Board of Directors	Other key management staff	Total
Remuneration and other short-term benefits	7	3 380	4 934	8 321
Pension costs	-	748	331	1 079
Costs with healthcare benefits (SAMS)	-	19	106	125
Social Security charges	1	729	1 084	1 814
	8	4 876	6 455	11 339

As at 31 December 2022, loans granted by Banco Montepio to members of the Board of Directors (including the members of the Audit Committee) amounted to Euro 163 thousand (31 December 2021: Euro 588 thousand) and to Other key management personnel, Euro 2,521 thousand (31 December 2021: Euro 3,349 thousand), as described in note 47.

The average number of employees at Banco Montepio's service during 2022 and 2021, broken down by major professional categories, was as follows:

	2022	2021
Administration and Coordination	239	255
Senior management	489	535
Technical staff	1 352	1 446
Administrative staff	978	1 142
Auxiliary staff	19	26
	3 077	3 404

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Rental costs	652	694
Specialized services		
IT services	12 486	11 326
Independent work	4 471	6 469
Other specialized services	14 371	14 080
Maintenance and repairs	4 655	4 289
Communication costs	3 645	5 547
Advertising costs	2 635	2 158
Transportation	2 311	1 895
Water, energy and fuel	2 287	2 851
Insurance	880	917
Travel, accommodation and entertainment expenses	735	509
Training	604	577
Consumables	566	487
Other general administrative costs	1 380	1 428
	51 678	53 227

The caption Rents costs includes, in 2022, the amount of Euro 225 thousand (2021: Euro 351 thousand) related to short-term lease contracts, of which Euro 94 thousand (2021: Euro 56 thousand) correspond to rents paid on real estate and Euro 131 thousand (2021: Euro 295 thousand) to rents paid on vehicles, in both cases used by Banco Montepio as a lessee.

The caption Other specialized services includes the fees billed by the Statutory Auditor of the Group within the scope of the functions of statutory audit of the accounts, as well as for other services, including those provided by its network, as follows (excluding VAT):

(Euro thousand)

	2022	2021
Statutory audit services	1 228	886
Services other than statutory audit legally required	271	289
Services other than statutory audit not legally required	360	642
	1 859	1 817

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Intangible assets (note 28)		
Software	19 139	17 455
Other tangible assets (note 27)		
Real Estate		
For own use	2 537	2 716
Leasehold improvements in rented buildings	184	478
Equipment		
IT equipment	2 147	2 599
Fixtures	1 505	1 610
Furniture	112	118
Security equipment	81	112
Machinery and tools	37	37
Transportation	8	8
Right-of-use assets		
Real Estate	5 089	5 473
Motor vehicles	1 568	1 706
	13 268	14 857
	32 407	32 312

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Other loans and advances to credit institutions (note 19)		
Charge for the year net of reversals	(526)	(2 547)
Loans and advances to customers (note 20)		
Charge for the year net of reversals	19 968	59 634
Recovery of loans and interest	(7 101)	(3 581)
	12 867	56 053
	12 341	53 506

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 b).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Financial assets at fair value through other comprehensive income (note 23)		
Charge for the year net of reversals	222	2 546
Other financial assets at amotized cost (note 25)		
Charge for the year net of reversals	2 090	1 845
	2 312	4 391

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Investments in associated companies (note 26)		
Reversals for the year	(5 333)	-
	(5 333)	-
Other tangible assets (note 27)		
Charge for the year	1 992	5 912
Reversals for the year	(265)	(269)
	1 727	5 643
Other assets (note 30)		
Charge for the year	21 886	26 503
Reversals for the year	(1 415)	(3 358)
	20 471	23 145
	16 865	28 788

Within the scope of the Plan for the resizing of the distribution network, the Bank closed several branches, having, consequently, obtained the market value of those branches from independent appraisers. Based on the values evidenced by those assessments, it was necessary, in 2022, to make an allocation, net of reversals, for impairment in respect of Other tangible assets of Euro 1,727 thousand (2021: Euro 5,643 thousand).

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	2022	2021
Guarantees and commitments (note 36)		
Charge for the year	24 881	26 932
Reversals for the year	(21 621)	(27 449)
	3 260	(517)
Other risks and charges (note 36)		
Charge for the year	2 259	4 121
Reversals for the year	(2 742)	(7 608)
	(483)	(3 487)
	2 777	(4 004)

17 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)	2022	2021
Cash	149 888	155 318
Deposits at central banks		
Bank of Portugal	1 233 913	2 788 426
	1 383 801	2 943 744

The caption Deposits at central banks – Bank of Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

18 Loans and deposits to credit institutions payable on demand

This caption is presented as follows:

(Euro thousand)	2022	2021
Credit institutions in Portugal	693	613
Credit institutions abroad	50 427	68 776
Amounts to be collected	32 252	14 851
	83 372	84 240

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

As at 31 December 2022, Deposits at other credit institutions and central banks were remunerated at the average rate of 1.06% (31 December 2021: - 0.33%).

19 Other Loans and advances to credit institutions

This caption is presented as follows:

(Euro thousand)

	2022	2021
Loans and advances to credit institutions in Portugal		
Other loans	332 674	274 189
Term deposits	2 863	8 690
	335 537	282 879
Loans and advances to credit institutions abroad		
Term deposits	29 690	77 735
CSA's	16 039	25 139
Other loans and advances	17 400	4 800
	63 129	107 674
	398 666	390 553
Impairment for credit risk of loans and advances to credit institutions	(1 356)	(2 094)
	397 310	388 459

In 2022 and 2021, the caption loans and advances to credit institutions in Portugal - Loans, includes loans made to subsidiaries of Banco Montepio.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in Banco Montepio's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that Banco Montepio negotiated with each one of the counterparties and are materialized through the effective transfers of cash, through TARGET2 transfers to each one of the counterparties in question, as a guarantee/security of Banco Montepio's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2022, Banco Montepio holds the amount of Euro 16,039 thousand (31 December 2021: Euro 25,139 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

As at 31 December 2022, the caption loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 9,867 thousand (31 December 2021: Euro 8,424 thousand) related to a deposit made as collateral in the scope of the Contribution ex-ante to the Single Resolution Fund, as described in note 9.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	2 094	8 110
Charge for the year net of reversals	(526)	(2 547)
Transfers	(214)	(3 471)
Exchange differences	2	2
Closing balance	1 356	2 094

The analysis of the caption Other loans and advances to banks, by residual maturity, is as follows:

(Euro thousand)

	2022	2021
Up to 3 months	16 546	92 945
3 to 6 months	342 542	282 612
More than 5 years	4 000	4 000
Undetermined	35 578	10 996
	398 666	390 553

As at 31 December 2022, the Other loans and advances to banks were remunerated at the average rate of 0.97% (31 December 2021: 0.13%).

20 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	2022	2021
Corporate		
Loans not represented by securities		
Loans	3 017 766	2 915 141
Current account loans	720 713	645 002
Finance lease	268 636	288 448
Discounted bills	26 793	26 530
Factoring	223 813	197 532
Overdrafts	602	723
Other loans	299 277	337 220
Loans represented by securities		
Commercial paper	157 713	148 383
Bonds	139 561	175 801
Retail		
Mortgage loans	5 402 609	5 538 793
Finance leases	28 099	30 156
Consumer credit and other loans	866 035	811 443
	11 151 617	11 115 172
Value correction of assets subject to hedging operations	(74)	30
Past due loans and advances and interest		
Less than 90 days	7 987	41 265
More than 90 days	258 654	347 033
	266 641	388 298
	11 418 184	11 503 500
Impairment for credit risks	(342 049)	(499 471)
	11 076 135	11 004 029

As at 31 December 2022, the caption Loans and advances to customers includes the amount of Euro 2,753,360 thousand (31 December 2021 Euro 2,746,685 thousand) related to the issue of covered bonds realized by Banco Montepio, as per note 34.

As at 31 December 2022, the loans and advances that Banco Montepio granted to shareholders and to related parties, including companies in the consolidation perimeter, amounted to Euro 360,785 thousand (31 December 2021: Euro 274,114 thousand), as described in note 47. The celebration of business between Banco Montepio and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the amount, is always, under a proposal by the commercial network, submitted to deliberation and assessment by the Board of Directors and the Audit Committee, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Division. The impairment for credit risks related to these contracts amounts to Euro 4,695 thousand as at 31 December 2022 (31 December 2021: Euro 4,305 thousand).

As at 31 December 2022, the caption Loans and advances to customers includes the amount of Euro 614,720 thousand (31 December 2021: Euro 733,868 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 b), were not the object of derecognition, as referred in note 48.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). Banco Montepio periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 44.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2022 and 2021, is as follows:

(Euro thousand)

	2022	2021
Variable-rate loans and advances	10 094 914	10 207 110
Fixed-rate loans and advances	1 323 270	1 296 390
	11 418 184	11 503 500

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2022	2021
Assed-backed loans	184 751	273 701
Other guaranteed loans	30 613	56 584
Finance leases	2 199	3 474
Secured laons	33 000	33 000
Other loans and advances	16 078	21 539
	266 641	388 298

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2022	2021
Corporate		
Construction/Production	33 270	55 818
Investment	141 395	188 055
Treasury	56 017	87 936
Other	8 524	15 073
Retail		
Mortgage loans	15 806	27 550
Consumer credit	8 273	7 497
Other	3 356	6 369
	266 641	388 298

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2022, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	194 627	563 200	8 005 121	184 751	8 947 699
Other guaranteed loans	320 350	112 935	224 541	30 613	688 439
Finance leases	5 137	97 812	193 786	2 199	298 934
Secured laons	157 957	69 755	69 562	33 000	330 274
Other loans and advances	549 834	149 721	437 205	16 078	1 152 838
	1 227 905	993 423	8 930 215	266 641	11 418 184

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2021, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	123 965	507 091	8 044 418	273 701	8 949 175
Other guaranteed loans	352 713	132 968	259 765	56 584	802 030
Finance leases	4 778	102 226	211 600	3 474	322 078
Secured laons	148 383	94 531	81 270	33 000	357 184
Other loans and advances	458 185	99 850	493 459	21 539	1 073 033
	1 088 024	936 666	9 090 512	388 298	11 503 500

As at 31 December 2022, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	55 195	151 836	113 502	320 533
Outstanding interest	(10 990)	(28 114)	(21 665)	(60 769)
Residual values	1 561	9 290	26 120	36 971
	45 766	133 012	117 957	296 735

As at 31 December 2021, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	53 291	157 525	114 501	325 317
Outstanding interest	(8 030)	(20 878)	(15 110)	(44 018)
Residual values	1 113	9 499	26 693	37 305
	46 374	146 146	126 084	318 604

As regards operating leases, Banco Montepio does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	499 471	759 445
Charge for the year net of reversals	19 968	59 634
Utilization	(184 909)	(278 143)
Exchange rate differences	2 195	2 178
Transfers	1 107	(42 097)
Financial liabilities associated with transferred assets and stage 3 interest	4 217	(1 546)
Closing balance	342 049	499 471

The caption Transfers includes, in 2022, the impairment associated with the loans and advances included in the Gerês Secured operation which, in accordance with IFRS 5, was recorded in Non-current assets held for sale, as described in note 26).

The use of impairment corresponds to loans and advances written off in 2022 and 2021 and loan assignment operations to third-party entities.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2022	2021
Asset-backed loans and finance leases	255 973	364 749
Other secured loans	52 857	83 187
Unsecured loans	33 219	51 535
	342 049	499 471

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)

	2022	2021
Asset-backed loans and finance leases	107 540	164 864
Other secured loans	21 329	69 188
Unsecured loans	56 040	44 091
	184 909	278 143

Banco Montepio has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2022, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 512,906 thousand (31 December 2021: Euro 597,239 thousand) and present an impairment of Euro 162,394 thousand (31 December 2021: Euro 252,564 thousand).

Additionally, the restructured loans and advances to customers’ portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans in 2022 and 2021, by credit type, is as follows:

(Euro thousand)

	2022	2021
Corporate		
Loans not represented by securities		
Loans	99 581	99 196
Current account loans	28 989	3 241
Finance leases	2 573	2 951
Other loans	31 013	5 137
Retail		
Mortgage loans	7 603	11 601
Consumer credit and other loans	2 435	14 382
	172 194	136 508

As at 31 December 2022, for restructured loans not yet due, the impairment associated with these operations amounts to Euro 40,011 thousand, which corresponds to an impairment rate of 23.2% (31 December 2021: Euro 53,885 thousand, impairment rate of 39.5%). The decrease in the impairment rate compared with December 2021 is explained by the greater collateralization of the newly restructured contracts.

Synthetic securitization

On 21 December 2022, Banco Montepio carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 29 December 2052 and the respective amount totals Euro 878,848 thousand as at 31 December 2022.

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity of the transaction is 25 March 2036 and the respective amount totals Euro 402,444 thousand as at 31 December 2022 (31 December 2021: Euro 358,661 thousand). As mentioned in accounting policy b.12), Banco Montepio contracted two guarantees from the EIB and the EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, bearing, respectively, commissions of 0.3% and 4.5%, with quarterly payments.

21 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2022	2021
Financial assets held for trading		
Securities		
Shares	1 373	-
Bonds	1 869	-
	3 242	-
Derivative instruments		
Derivative financial instruments with positive fair value	6 817	1 376
	10 059	1 376
Financial liabilities held for trading		
Derivative instruments		
Derivative financial instruments with negative fair value	17 697	7 470
	17 697	7 470

As provided for in IFRS 13, as at 31 December 2022 and 2021, the financial instruments measured in accordance with the following valuation levels described in note 44, are as follows:

(Euro thousand)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	1 373	-	-	1 373
Bonds	1 869	-	-	1 869
	3 242	-	-	3 242
Derivative instruments				
Derivative instruments with positive fair value	-	6 817	-	6 817
	3 242	6 817	-	10 059
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	7 694	10 003	17 697
	-	7 694	10 003	17 697

(Euro thounsad)

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Derivative instruments				
Derivative instruments with positive fair value	-	1 376	-	1 376
	-	1 376	-	1 376
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	949	6 521	7 470
	-	949	6 521	7 470

The analysis of the securities portfolio recorded in Financial assets held for trading, by maturity, as at 31 December 2022, is presented as follows:

(Euro thounsad)

	2022		
	More than 5 years	**Undetermined**	**Total**
Fixed income secutities			
Bonds			
Foreign	1 869	-	1 869
Variable income securities			
Shares			
Domestic	-	414	414
Foreign	-	959	959
	1 869	1 373	3 242

The book value of the derivative financial instruments as at 31 December 2022 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thounsad)

		2022								
		Derivative					Related Asset/Liability			
Derivative	**Related finacial asset/liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year (1)**	**Fair value**	**Changes in fair value in the year**	**Book value**	**Reimbursement amount at maturity date**
Intereste rate swaps	Deposits from customers	63 906	-	(1 525)	(1 525)	(1 443)	(2 093)	(2 246)	61 565	63 658
Intereste rate swaps	Loans and advances to customers	959	7	(6)	1	23	(74)	(104)	863	931
Intereste rate swaps	-	577 433	3 376	(13 268)	(9 892)	(3 362)	-	-	-	-
Currency swap (short)	-	36 834	37	(25)	12	(96)	-	-	-	-
Currency swap (Long)	-	36 860								
Future options (*Short*)	-	10 392	-	-	-	-	-	-	-	-
Future options (*Long*)	-	1 712								
Forwards (Short)	-	19 887	-	-	-	-	-	-	-	-
Forwards (Long)	-	19 912								
Options *(Short)*	-	107 286	3 397	(2 873)	524	92	-	-	-	-
Options *(Long)*	-	107 549								
		982 730	6 817	(17 697)	(10 880)	(4 786)	(2 167)	(2 350)	62 428	64 589

(1) Includes the result of derivatives disclosed in note 6.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2021 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2021								
		Derivative					Related Asset/Liability			
Derivative	Related finacial asset/liability	Notional	Positive fair value	Negative fair value	Total fair value	Changes in fair value in the year (1)	Fair value	Changes in fair value in the year	Book value	Reimbursement amount at maturity date
Intereste rate swaps	Debt securities issued	-	-	-	-	-	-	(9)	-	-
Intereste rate swaps	Deposits for customers	25 018	-	(82)	(82)	(82)	153	153	25 009	24 856
Intereste rate swaps	Loans and advances to customers	1 068	4	(26)	(22)	43	30	22	1 004	1 041
Intereste rate swaps	-	682 386	1 323	(7 853)	(6 530)	1 398	-	-	-	-
Currency swap (*Short*)	-	24 479	108	-	108	(110)	-	-	-	-
Currency swap (*Long*)	-	24 597								
Future options (*Short*)	-	-	-	-	-	-	-	-	-	-
Future options (*Long*)	-	-								
Forwards (Short)	-	745	-	-	-	-	-	-	-	-
Forwards (Long)	-	745								
Options *(Short)*	-	55 709	(59)	491	432	434	-	-	-	-
Options *(Long*)	-	55 956								
		870 703	1 376	(7 470)	(6 094)	1 683	183	166	26 013	25 897

(1) Includes the result of derivatives disclosed in note 6.

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2022, is as follows:

(Euro thounsad)

	2022					
	Notional by remaining maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	7 121	60 982	574 195	642 298	3 383	14 799
Options	5 892	18 976	126 060	150 928	3 389	2 865
Exchange rate contracts						
Currency swap	73 694	-	-	73 694	37	25
Forwards	38 228	1 571	-	39 799	-	-
Index/Equities contracts						
Futures	12 104	-	-	12 104	-	-
Options	5 972	19 046	38 889	63 907	8	8
	143 011	100 575	739 144	982 730	6 817	17 697

The analysis of the derivative financial instruments held for trading, by maturity, as at 31 December 2021, is as follows:

(Euro thounsad)

	2021					
	Notional by remaining maturity date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	-	50 620	657 852	708 472	1 327	7 961
Options	-	603	86 043	86 646	(67)	(499)
Exchange rate contracts						
Currency swap	49 076	-	-	49 076	108	-
Forwards	1 490	-	-	1 490	-	-
Index/Equities contracts						
Options	-	-	25 019	25 019	8	8
	50 566	51 223	768 914	870 703	1 376	7 470

22 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2022	2021
Variable income securities		
Investment units	175 299	257 459
Securitization units	33 769	28 857
Loans and advances to customers at fair value		
Loans not represented by securities	415	2 024
	209 483	288 340

The caption Variable-income securities – Investment units includes, as at 31 December 2022, the amount of Euro 26,830 thousand (31 December 2021: Euro 28,775 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 51. The securitization units correspond to the residual notes acquired by Banco Montepio.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 44, as follows:

(Euro thousand)

	2022	2021
	Level 3	
Variable income securities		
Investment units	175 299	257 459
Securitization units	33 769	28 857
Loans and advances to customers at fair value		
Loans not represented by securities	415	2 024
	209 483	288 340

As at 31 December 2022, the level 3 assets in the caption Variable-income securities – Investment units include investments made in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 175,299 thousand (31 December 2021:

Euro 257,459 thousand), of which Euro 132,500 thousand (31 December 2021: Euro 216,979 thousand) are related to real estate investment funds.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2022, for Variable-income securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 20,907 thousand (31 December 2021: Euro 28,632 thousand) having been determined.

The movements occurred in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	286 316	566 187
Acquisitions	761	2 788
Remeasurements	3 469	(45 146)
Disposals	(81 478)	(237 513)
Closing balance	209 068	286 316

The movements occurred in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations made in financial years 2022 and 2021.

23 Financial assets at fair value through other comprehensive income

This caption, as at 31 December 2022, is presented as follows:

(Euro thousand)

	2022				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	6	(2 605)	(39)	18 387
Foreign	40 966	-	(765)	(73)	40 128
Bonds issued by other entities					
Domestic	6 927	70	(566)	(395)	6 036
Foreign	1 118	-	(53)	(2)	1 063
Commercial Paper	6 489	19	-	(19)	6 489
Variable income securities					
Shares					
Domestic	5 113	10 785	-	-	15 898
Foreign	6 238	8	(1 179)	-	5 067
	87 876	10 888	(5 168)	(528)	93 068

(1) Aquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2021, is presented as follows:

(Euro thousand)

	2021				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	198	-	(46)	21 177
Foreign	41 889	314	-	(78)	42 125
Bonds issued by other entities					
Domestic	7 350	809	(422)	(1 376)	6 361
Foreign	1 327	-	(13)	(2)	1 312
Commercial Paper	10 047	1 257	-	(1 257)	10 047
Variable income securities					
Shares					
Domestic	5 124	9 985	-	-	15 109
Foreign	6 242	1 200	(416)	-	7 026
	93 004	13 763	(851)	(2 759)	103 157

(1) Aquisition cost related to variable income securities and amortised cost by debt securities.

On 4 March 2021, Banco Montepio participated in the public tender offer ("PTO") for the acquisition of shares to increase the shareholding launched by Sociedade Técnica Monteiro Aranha S.A. (the "Offeror"), carried out by B3 S.A. – Brasil, Bolsa, Balcão.

Within the scope of the aforementioned tender, Banco Montepio sold its entire shareholding in Monteiro Aranha S.A. (the "Company"), corresponding to 1,262,743 ordinary shares, equivalent to approximately 10.31% of the Company's share capital. The sale generated a cash inflow of Euro 25,944 thousand.

In financial year 2021, Banco Montepio sold its entire shareholding in Almina Holding S.A. (Almina), corresponding to 9,500 ordinary shares, equivalent to 19.0% of the share capital of Almina. The sale generated a cash inflow of Euro 67,600 thousand.

SIBS

The fair value of the 1.74% stake held by the Bank in the share capital of SIBS, disclosed in the financial statements as at 31 December 2022, is supported by a valuation that considers the methodologies of multiples of comparable companies (market and transaction) and Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2022, the information contained in the reports and accounts on a consolidated basis for financial years 2020 and 2021, the documents prepared by management and updated to June 2022, the budget for the 2023 fiscal year, as well as information on transaction multiples of comparable companies, namely in the Networks and Payment Systems sectors, were considered.

For this valuation, a forecast horizon of four years was considered, for which it was necessary to calculate the forecast cash flows, based on historical cash flows and estimated growth rates, the latter showing accelerated growth for 2023, with, from 2024 onwards, same evolving in line with the Company's growth potential.

In the valuation using the DCF methodology, the continuity of operations beyond the forecast horizon was assumed, and a conservative scenario for the annual variation of cash-flows in perpetuity as well as for the investment levels in CAPEX and depreciation and amortizations were considered. Cash flows were discounted at a rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, which stood at 10.6% with reference to 31 December 2022 (31 December 2021: 8.1%).

In the valuation using the market multiples method, multiples referring to financial years 2021 and 2022 were considered, and which include companies from different geographies, supported by the MergerMarket database.

Unicre

The fair value of the 3.84% stake held by the Bank in the share capital of Unicre, disclosed in the financial statements as at 31 December 2022, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, since, at the valuation date, the Company's information regarding financial year 2022 was not yet public, and was based on information from the Reports and accounts of Unicre referring to financial years 2020 and 2021.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of revenues in its valuation, as well as the cost of financing to support Unicre's activity. On 31 December 2022, the discount rate considered in the valuation was 11.0% (31 December 2021: 10.1%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% stake held in the share capital of ABANCA, disclosed in the financial statements as at 31 December 2022, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which was based on Cash flows projected for a forecast horizon of five years, based on information from the Presentations of results and the Reports and accounts of ABANCA referring to financial years 2020, 2021 and the third quarter of 2022.

Due to the Company's business model, Banco Montepio opted to consider financial flows in terms of operating results in its valuation, with the financing structure remaining stable compared to previous years, as well as the assumption of a slowdown in activity growth and of the Company's profitability in relation to historical performance. On 31 December 2022, the discount rate considered in the valuation was 11.1% (31 December 2021: 8.7%), which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

As at 31 December 2022 and 2021, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2022				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	17 382	1 005	-	-	18 387
Foreign	40 128	-	-	-	40 128
Bonds issued by other entities					
Domestic	-	-	6 036	-	6 036
Foreign	-	1 063	-	-	1 063
Commercial Paper	-	-	6 489	-	6 489
	57 510	2 068	12 525	-	72 103
Variable income securities					
Shares					
Domestic	-	-	15 100	798	15 898
Foreign	-	-	4 771	296	5 067
	-	-	19 871	1 094	20 965
	57 510	2 068	32 396	1 094	93 068

	(Euro thousand)				
	2021				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	20 153	1 024	-	-	21 177
Foreign	42 125	-	-	-	42 125
Bonds issued by other entities					
Domestic	-	-	6 361	-	6 361
Foreign	-	1 312	-	-	1 312
Commercial Paper	-	-	10 047	-	10 047
	62 278	2 336	16 408	-	81 022
Variable income securities					
Shares					
Domestic	-	-	14 300	809	15 109
Foreign	-	-	6 730	296	7 026
	-	-	21 030	1 105	22 135
	62 278	2 336	37 438	1 105	103 157

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 44.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 3,240 thousand as at 31 December 2022 (31 December 2021: Euro 3,744 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 9,302 thousand (31 December 2021: positive amount of Euro 11,322 thousand) recognized in fair value reserves.

In this caption, Banco Montepio has some securities (shares) measured at acquisition cost. It is Banco Montepio's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

As at 31 December 2022, the impairment recorded for these level 3 securities amounted to Euro 413 thousand (31 December 2021: Euros 1,376 thousand).

The movements occurred in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

	(Euro thousand)	
	2022	2021
Opening balance	37 438	91 835
Acquisitions	6 489	15 076
Revaluations	(1 483)	(712)
Disposals	-	(67 600)
Amortization at nominal value	(10 048)	(1 161)
Closing balance	32 396	37 438

The movements occurred in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

	2022	2021
	(Euro thousand)	
Opening balance	2 759	1 078
Charge for the year net of reversals	222	2 546
Utilization	(2 453)	(865)
Closing balance	528	2 759

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2022, is as follows:

(Euro thousand)

	2022				
	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	1 005	17 382	-	-	18 387
Foreign	40 128	-	-	-	40 128
Bonds issued by other entities					
Domestic	-	4 470	-	1 566	6 036
Foreign	-	-	1 063	-	1 063
Commercial Paper	-	-	-	6 489	6 489
	41 133	21 852	1 063	8 055	72 103
Variable income securities					
Shares					
Domestic	-	-	-	15 898	15 898
Foreign	-	-	-	5 067	5 067
	-	-	-	20 965	20 965
	41 133	21 852	1 063	29 020	93 068

The analysis of Financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2021, is as follows:

(Euro thousand)

	2021				
	Less than 3 months	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	-	21 177	-	-	21 177
Foreign	-	42 125	-	-	42 125
Bonds issued by other entities					
Domestic	-	5 029	-	1 332	6 361
Foreign	-	-	1 312	-	1 312
Commercial Paper	10 047	-	-	-	10 047
	10 047	68 331	1 312	1 332	81 022
Variable income securities					
Shares					
Domestic	-	-	-	15 109	15 109
Foreign	-	-	-	7 026	7 026
	-	-	-	22 135	22 135
	10 047	68 331	1 312	23 467	103 157

In the scope of the liquidity providing operations, the nominal value of the assets pledged as collateral to the European Central Bank included in this caption amounts to Euro 57,405 thousand after haircut (31 December 2021: Euro 57,721 thousand), as described in note 31.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts celebrated.

24 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2022	2021
Assets		
Interest rate swaps	-	5 411
Liabilities		
Interest rate swaps	-	335
Net value	-	5 076

The analysis of the hedging derivatives' portfolio, by residual maturity, in financial year 2021, is as follows:

(Euro thousand)

	2021			
	Maturity date			
	National		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	5 076	5 076

As at 31 December 2021, the fair value hedging operations can be analysed as follows:

(Euro thousand)

2021							
Derivative	Hedged item	Hedged risk	Notional	Fair value derivative (1)	Changes in fair value of derivative in the financial year	Fair value of hedge element (2)	Changes in fair value of the hedged item in the financial year (2)
Interest rate swap	Debt securities issued	Interest rate	750 000	5 076	(5 077)	(3 099)	4 468
Currency swap	Equity	Exchange rate	-	-	(143)	-	-
			750 000	5 076	(5 220)	(3 099)	4 468

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

25 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2022	2021
Fixed income securities		
Bond issued by public entities		
Domestic	1 082 903	669 851
Foreign	3 042 465	2 302 749
Bonds issued by other entities		
Foreign	497 055	562 588
	4 622 423	3 535 188
Impairment for other financial assets at amortised cost	(6 692)	(4 619)
	4 615 731	3 530 569

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 44.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 b).

As at 31 December 2022, the loan obtained from the EIB is collateralized by Italian, Spanish and Greek sovereign bonds with a nominal value of Euro 376,651 thousand (31 December 2021: Euro 537,614 thousand by Portuguese, Italian, Spanish, Irish and Greek sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 32.

As at 31 December 2022, the nominal value of the assets pledged as collateral to the European Central Bank under this caption for liquidity-providing operations amounts to Euro 3,585,141 thousand (31 December 2021: Euro 3,778,298 thousand) after applying a haircut.

As at 31 December 2022, the nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 28,000 thousand (31 December 2021: Euro 24,000 thousand) as per note 43.

In financial years 2022 and 2021, the securities given in guarantee to the Portuguese Securities Market Commission ("CMVM") within the scope of the Investors' Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	4 619	4 690
Charge for the year net of reversals	2 090	1 845
Utilizations	-	(1 916)
Tranfers	(17)	-
Closing balance	6 692	4 619

26 Investments in associated companies and Non-current assets held for sale

This caption is presented as follows:

(Euro thousand)

	2022	2021
Investments in associated companies		
Montepio Holding, S.G.P.S., S.A.	413 750	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, A.C.E.	637	637
CESource, A.C.E.	-	-
	417 587	417 587
Impairment of investments in associated companies	(92 606)	(97 939)
	324 981	319 648
Non-current Assets held for sale		
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	-	8 997
Gerês Secured Operation	-	38 836
	-	47 833

Investments in associated companies

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde – In Liquidation as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding in this entity was reclassified to Non-current assets held for sale.

In view of this legal imposition, the competent Bodies of the Banco Montepio Group deliberated to proceed with the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde – In Liquidation, which was concluded on 30 September 2022.

Banco Montepio analysed the impairment of investments made in its subsidiaries, considering the recoverable amount of the businesses developed by each one. The recoverable amount, in accordance with the accounting policy described in this report, was determined by the higher of fair value less costs to sell and value in use, in the case of continuing subsidiaries, and fair value less costs to sell, in the case of discontinued subsidiaries.

The value in use was determined based on the business plan approved by management and, depending on the specificity of the businesses and the markets in which Banco Montepio's subsidiaries operate, differentiated levels for the discount rate, for the solvency levels required for the banking activity and for the growth of net income in perpetuity, were also considered.

The verification of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these same assumptions and, consequently, in the recoverable amount determined for the subsidiaries object of this analysis.

The financial statements have been prepared on the assumption of the continuity of the respective operations, which depend on the future evolution of the assumptions underlying the recoverable amount of its financial shareholdings as well as on the success of the initiatives to be taken by the Board of Directors to reinforce the net equity.

Montepio Holding, S.G.P.S., S.A.

As a result of the analyses carried out, we concluded on the need to recognize, in the financial statements as at 31 December 2022, an impairment in Banco Montepio in the amount of Euro 92,606 thousand (31 December 2021: Euro 97,939 thousand) related to the financial shareholding held in Montepio Holding, S.G.P.S., S.A. (Montepio Holding). Montepio Holding is a company holding financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., Montepio Crédito – Instituição Financeira de Crédito, S.A. and Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. and a shareholding of 80.22% in Finibanco Angola, S.A. The valuation of Montepio Holding was made considering that the best estimate for determining its fair value corresponded to the amount of its equity adjusted for the fair value effect of assets and liabilities recorded at amortized cost or historical cost.

The movements in impairment of investments in subsidiaries and associates are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	97 939	97 939
Reversal for the year	(5 333)	-
Closing balance	92 606	97 939

The information related to subsidiaries and associates is presented in the following table:

(Euro thousand)

	Number of shares	% Stake	Unit value	Acquisition cost
31 December 2022				
Investments in associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	636 924	26,00%	1,00	637
CESource, A.C.E.	-	18,00%	-	-
				417 587
31 December 2021				
Investments in associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	636 924	26,00%	1,00	637
CESource, A.C.E.	-	18,00%	-	-
				417 587
Non-current Assets held for sale				
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	99 200	100,00%	90,69	8 997

The subsidiaries and associates of Banco Montepio are listed in note 53.

Non-current assets held for sale

On 29 December 2021, the Bank signed a promissory contract for the purchase and sale of a set of non-performing loans ("NPLs") with guarantee (Secured tranche) and a set of properties received in recovery of credit, including price deposits. Although the conditions set out in IFRS 9 to ensure their derecognition from the balance sheet as at 31 December 2021 were not met, it was determined, however, that the conditions set out in IFRS 5 for their transfer to Non-current assets held for sale were met given that the sale of the operation was expected to occur in the short term.

The global gross value and the impairment losses of the assets included in the Gerês Operation are detailed as follows:

(Euro thousand)

	Loans and advances on balance	Price deposits	Property received in deed	Financial assets at fair value through profit or loss	Total
Gross value	82 336	1 314	1 613	114	85 377
Impairment	(45 568)	(904)	(69)	-	(46 541)
Net value	36 768	410	1 544	114	38 836

With the signing of the deed of sale in March 2022, the Bank derecognized the assets included in the above perimeter accordingly at the end of the first half of 2022.

27 Other tangible assets

This caption is presented as follows:

	(Euro thousand)	
	2022	**2021**
Investments		
Real estate		
For own use	168 621	171 357
Leasehold improvements in rented building	28 301	28 301
Equipment		
IT equipment	86 864	86 015
Fixtures	31 548	30 626
Furniture	16 879	17 417
Securityu equipment	4 254	4 222
Machinery and tools	2 686	2 691
Transportation equipment	298	298
Other equipment	1	1
Works of art	2 870	2 870
Assets in operating leases	58	58
Righ-of-use assets		
Real estate	25 908	23 220
Motor vehicles	7 580	6 907
Other tangible assets	540	539
Work in progress	1 342	785
	377 750	375 307
Accumulated depreciation		
Charge for the year	(13 268)	(14 857)
Accumulated charge in previous years	(188 972)	(176 172)
	(202 240)	(191 029)
Impairment of Other Tangible Assets	(505)	(480)
	175 005	183 798

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in note 1 i).

The movements in the caption Other tangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	171 357	-	-	(2 736)	168 621
Leasehold improvements in rented building	28 301	-	-	-	28 301
Equipment					
IT equipment	86 015	1 860	1 011	-	86 864
Fixtures	30 626	5	-	917	31 548
Furniture	17 417	9	547	-	16 879
Securityu equipment	4 222	166	134	-	4 254
Machinery and tools	2 691	2	7	-	2 686
Transportation equipment	298	-	-	-	298
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	58	-	-	-	58
Righ-of-use assets					-
Real estate	23 220	10	-	2 678	25 908
Motor vehicles	6 907	110	136	699	7 580
Other tangible assets	539	-	-	1	540
Work in progress	785	1 480	-	(923)	1 342
	375 307	3 642	1 835	636	377 750
Accumulated depreciation					
Real estate					
For own use	16 815	2 537	-	(263)	19 089
Leasehold improvements in rented building	27 594	184	-	-	27 778
Equipment					
IT equipment	82 359	2 147	1 011	-	83 495
Fixtures	20 379	1 505	-	-	21 884
Furniture	17 076	112	547	-	16 641
Securityu equipment	4 094	81	134	-	4 041
Machinery and tools	2 600	37	7	-	2 630
Transportation equipment	270	8	-	-	278
Other equipment	1	-	-	-	1
Assets in operating lease	58	-	-	-	58
Righ-of-use assets				-	
Real estate	15 321	5 089	-	42	20 452
Motor vehicles	3 954	1 568	136	-	5 386
Other tangible assets	508	-	-	(1)	507
	191 029	13 268	1 835	(222)	202 240
Impairment of Other Tangible Assets	(480)				(505)
	183 798				175 005

The movements in the caption Other tangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	206 236	150	90	(34 939)	171 357
Leasehold improvements in rented building	28 851	-	550	-	28 301
Equipment					
IT equipment	94 614	2 545	11 149	5	86 015
Fixtures	33 452	31	3 917	1 060	30 626
Furniture	18 189	3	775	-	17 417
Securityu equipment	7 686	21	3 485	-	4 222
Machinery and tools	2 697	1	7	-	2 691
Transportation equipment	472	2	176	-	298
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	74	-	16	-	58
Righ-of-use assets					
Real estate	26 160	-	2 286	(654)	23 220
Motor vehicles	6 948	370	376	(35)	6 907
Other tangible assets	1 844	-	1 305	-	539
Work in progress	750	1 101	-	(1 066)	785
	430 844	4 224	24 132	(35 629)	375 307
Accumulated depreciation					
Real estate					
For own use	17 158	2 716	3	(3 056)	16 815
Leasehold improvements in rented building	27 602	478	486	-	27 594
Equipment					
IT equipment	90 910	2 599	11 150	-	82 359
Fixtures	22 541	1 610	3 772	-	20 379
Furniture	17 733	118	775	-	17 076
Securityu equipment	7 467	112	3 485	-	4 094
Machinery and tools	2 570	37	7	-	2 600
Transportation equipment	438	8	176	-	270
Other equipment	1	-	-	-	1
Assets in operating lease	74	-	16	-	58
Righ-of-use assets					
Real estate	12 134	5 473	2 286	-	15 321
Motor vehicles	2 624	1 706	376	-	3 954
Other tangible assets	1 812	-	1 304	-	508
	203 064	14 857	23 836	(3 056)	191 029
Impairment of Other Tangible Assets	(11 941)				(480)
	215 839				183 798

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	480	11 941
Charge for the year	1 992	5 912
Reversal for the year	(265)	(269)
Transfers	(1 702)	(17 104)
Closing balance	505	480

In 2022, a reinforcement of impairment, net of reversals, was made in Euro 1,727 thousand (2021: Euro 5,643 thousand) related to branches closed and to parking areas and offices (above ground floor), as referred in note 15.

The caption Transfers relates to the impairment associated with branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 30.

28 Intangible assets

This caption is presented as follows:

(Euro thousand)

	2022	2021
Investments		
Software	196 649	169 039
Other Intagible Assets	2 658	2 049
Work in progress	6 002	6 210
	205 309	177 298
Accumulated depreciation		
Charge for the year	(19 139)	(17 455)
Accumulated charge in previous years	(139 228)	(122 369)
	(158 367)	(139 824)
	46 942	37 474

The movements in the caption Intangible assets, during financial year 2022, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	169 039	-	596	28 206	196 649
Other Intagible Assets	2 049	-	-	609	2 658
Work in progress	6 210	28 607	-	(28 815)	6 002
	177 298	28 607	596	-	205 309
Accumulated depreciation					
Software	139 824	19 139	596	-	158 367
	139 824	19 139	596	-	158 367
	37 474				46 942

The movements in the caption Intangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	150 662	-	-	18 377	169 039
Other Intangible Assets	2 049	-	-	-	2 049
Work in progress	2 761	21 826	-	(18 377)	6 210
	155 472	21 826	-	-	177 298
Accumulated depreciation					
Software	122 368	17 455	-	1	139 824
	122 368	17 455	-	1	139 824
	33 104				37 474

29 Taxes

Deferred tax assets and liabilities recognized on the balance sheet in financial years 2022 and 2021, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Deferred taxes not dependent on future profitability						
Impairment on loans granted	36 203	42 625	-	-	36 203	42 625
Post-employment and long-term benefits	22 499	18 427	-	-	22 499	18 427
	58 702	61 052	-	-	58 702	61 052
Deferred taxes dependent on future profitability						
Financial instruments	16 982	21 745	(6 970)	(9 122)	10 012	12 623
Other tangible assets	-	-	(6)	(6)	(6)	(6)
Provisions/Impairment						
Impairment on loans granted	87 695	119 213	-	-	87 695	119 213
Other risks and charges	8 189	8 414	-	-	8 189	8 414
Impairment in securities and non-financial assets	3 048	2 967	-	-	3 048	2 967
Impairment in financial assets	2 202	2 323	-	-	2 202	2 323
Post-employment and long-term benefits	45 920	48 945	-	-	45 920	48 945
Surplus Pension Fund	-	-	(20 102)	-	(20 102)	-
Taxes losses carried forward	219 908	215 071	-	-	219 908	215 071
Other	1 989	-	-	-	1 989	-
	385 933	418 678	(27 078)	(9 128)	358 855	409 550
Net deferred tax assets/(liabilities)	444 635	479 730	(27 078)	(9 128)	417 557	470 602

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets (“Regime” or “REAID”), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State’s name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of the referred Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (as described in note 41).

As at 31 December 2022, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio has a special reserve in the amount of Euro 5,076 thousand (31 December 2021: Euro 4,750 thousand), which corresponds to a tax credit of Euro 4,614 thousand (31 December 2021: Euro 4,319 thousand) and which is an integral part of the total current tax assets. These amounts may be changed in the context of the certification that the Tax and Customs Authority will carry out.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved at the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 2,081 thousand (31 December 2021: Euro 2,317 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of Banco Montepio).

In financial years 2022 and 2021, deferred taxes dependant on future profitability recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 30,099 thousand related to the referred benefits in excess of the existing limits.

In financial years 2022 and 2021, and in function of (i) the tax rates in force, (ii) the expectation of the conversion into tax-accepted costs and profits, and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 30.5% and 21.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 s), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on Banco Montepio's medium-/long-term business plan, which constitutes an extension of the strategic planning exercise drawn up by the Group for the triennium. The financial projections reflect management's perspectives as to the evolution of the activity and the business model's sustainability, considering the macroeconomic context and financial variables, evolution of economic activity and of credit risk, among others.

The recovery of the profitability, liquidity and capital levels of Banco Montepio, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in core business areas, with a focus on families, SMEs and the social economy, privileging segments and products with a lower capital consumption with lower risk, the improvement of efficiency and profitability, cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following main items which are highlighted next:

- Control of operating costs, despite the inflationary pressures currently raging, through the elimination of redundancies and taking advantage of synergies, derived, among other aspects, from the simplification of the organizational structure and processes, besides the reinforcement of digitalization.
- Increase in the commercial network business with growth in credit portfolios with less risk and capital consumption, based on an appropriate management of the return on capital employed. Potential for growth in the complementary margin through cross-selling and new business areas, leveraging the potential of the customer base that Banco Montepio enjoys, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- Banco Montepio's balance sheet structure benefits growth of the net interest income in the context of rising interest rates. Potential for growth of commissions, evidencing the impacts of a management of the price list to adjust same to the value proposal for each segment, and the progressive increase of the customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions, where customer resources constitute the main source of financing for the activity.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, aimed at achieving an NPL ratio below 5% in the short term, or through the reduction of the properties on the balance sheet.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.
- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to financial years 2022 and 2021, Banco Montepio recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax grown at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	2022	2021
2026	-	11 966
2029	-	46 542
2030	-	127 998
2032	15 629	15 629
2033	18 931	12 936
Undetermined	185 348	-
	219 908	215 071

The expiry years indicated above reflect that stipulated in the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), under which the tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

The State Budget Law for 2023 (Law no. 24-D/2022, of 30 December), which came into force on 1 January 2023, establishes that tax losses calculated in fiscal years beginning on or after 1 January 2023, as well as those calculated previously that have not expired, are carried forward to future years without any time limitation, no longer being subject to a maximum period of deduction. Additionally, it also establishes that the deduction limit against taxable income is reduced to 65%, maintaining the increase of 10 percentage points for tax losses calculated in the 2020 and 2021 tax periods (i.e., the deduction can be made up to 75% of taxable income).

However, regarding the time limitation referred to in the previous paragraph, this does not apply to tax losses calculated in tax periods prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the REAID is verified, with the deduction period in force on 31 December 2022 being applied to tax losses calculated in those tax periods.

Tax recognized in net income/(loss) and in reserves during financial years 2022 and 2021 originated as follows:

(Euro thousand)

	2022		2021	
	Charged to net income/(loss)	**Recogtnite in reserves and retained earnings**	**Recogtnite in net income/(loss)**	**Recogtnite in reserves and retained earnings**
Financial instruments	(2 520)	2 193	172	(7)
Impairment/Provision	(33 886)	-	(45 637)	-
Post-employment and long-term benefits	(3 272)	(20 102)	5 734	(5 533)
Tax losses carried forward	4 837	-	14 310	-
Deferred taxes/recognized as profit/(loses)	(34 841)	(17 909)	(25 421)	(5 540)
Current taxes	(2 664)	-	1 700	-
	(37 505)	(17 909)	(23 721)	(5 540)

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2022		2021	
	%	Value	%	Value
Profit/ (loss) before income tax		73 175		15 818
Income tax based on the current nominal tax rate	(21,0)	(15 367)	(21,0)	(3 322)
Fiscal Profit/ (loss)	(5,0)	(3 675)	(0,9)	(135)
Banking sector extraordinary contribution	(2,7)	(2 008)	(12,7)	(2 003)
Post-employement benefits and pension fund	3,3	2 393	(0,1)	(8)
Taxable provisions/impairment	(27,5)	(20 158)	(34,4)	(5 435)
Autonomous taxation	(0,6)	(423)	(3,5)	(561)
Corrections to previous years	3,1	2 240	2,2	344
Effect of differences in income tax for the year	(12,6)	(9 251)	(93,3)	(14 761)
Deferred tax from taxes losses carried forward	6,6	4 837	(17,9)	(2 828)
Other	5,3	3 907	31,5	4 988
Income tax for the year	(51,3)	(37 505)	(150,0)	(23 721)

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes, contemplating a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio has not opted for the application of the new tax regime on impairment, for which reason, for the current and deferred tax assessment related to financial years 2022 and 2021, it estimated its taxes based on the regime that was in force until 31 December 2018.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period corresponds to that of the exercise of that right.

Banco Montepio was subject to inspections by the Tax Authority up to and including the 2020 tax period.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 5,722 thousand (31 December 2021: Euro 6,539 thousand) includes the amount of Euro 4,614 thousand (31 December 2021: Euro 4,319 thousand) related to the tax credit amount for financial years 2020 and 2021 determined in the scope of the REAID and IRC, recoverable in the amount of Euro 1,108 thousand (31 December 2021: Euro 2,194 thousand).

30 Other assets

This caption is presented as follows:

	(Euro thousand) 2022	2021
Assets received in recovery of credit	420 119	571 228
Post-employment benefits	135 867	8 961
Supplies - Montepio Holding	107 145	130 019
Other debtors	46 936	36 780
Sundry debtors	10 744	30 669
Price deposits	7 335	11 492
Bonifications to be received from the Portuguese Government	5 778	10 521
Deferred costs	3 012	2 978
Other amounts receivable	5 148	2 548
	742 084	805 196
Impairment for assets received in recovery of credit	(116 098)	(133 653)
Impairment for other assets	(22 132)	(23 358)
	603 854	648 185

The caption Assets received in recovery of credit is presented as follows:

	(Euro thousand) 2022	2021
Assets received in recovery of credit	420 119	571 228
Impairment for assets received in recovery of credit	(116 098)	(133 653)
	304 021	437 575

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

The caption Assets received in recovery of credit includes the amount of Euro 1,326 thousand (31 December 2021: Euro 1,218 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts and are fully impaired.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in Banco Montepio's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

Banco Montepio has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to Banco Montepio's expectation, it is intended that these assets be sold under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2022, properties for which promissory contracts to buy and sell, in the amount of Euro 26,649 thousand (31 December 2021: Euro 29,531 thousand), have already been celebrated.

The movements in financial years 2022 and 2021 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	571 228	649 807
Acquisitions	10 209	26 737
Disposals	(161 192)	(132 581)
Other movements	(2 696)	(3 004)
Transfers	2 570	30 269
Closing balance	420 119	571 228

The movement in impairment of Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	133 653	126 342
Charge of the year	20 865	24 345
Reversal of the year	(1 025)	(120)
Utilization	(39 097)	(33 949)
Transfers	1 702	17 035
Closing balance	116 098	133 653

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 27.

The caption Post-employment and long-term benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund. Despite the impairment losses observed, Banco Montepio recognized in profit or loss, in financial year 2022, gains in the amount of Euro 16,344 thousand (31 December 2021: Euro 13,053 thousand) on the sale of assets received in recovery of loans, included in the caption Disposal of other assets, as described in note 8.

As at 31 December 2022 and 2021, the caption Other debtors is analysed as follows:

(Euro thousand)

	2022	2021
Supplementary capital contributions	14 910	14 910
Other	32 026	21 870
	46 936	36 780

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 31 December 2022 and 2021.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors. Additionally, it considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by Banco Montepio with financial settlement in 2023.

As at 31 December 2022 and 2021, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

(Euro thousand)

	2022	2021
Bonifications overdue and not yet claimed	2 183	2 062
Bonifications claimed from state not yet settled	3 506	8 408
Bonifications processed and not yet claimed	89	51
	5 778	10 521

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, determined in accordance with the legal provisions applicable to low-interest loans. These amounts do not bear interest and are regularly claimed.

The movements in the impairment of Other assets are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	23 358	25 840
Charge for the year	1 021	2 158
Reversal for the year	(390)	(3 238)
Utilization	(2 071)	(1 402)
Transfers	214	-
Closing balance	22 132	23 358

As at 31 December 2022, the impairment of Other assets includes the impairment constituted for the Supplementary capital contributions of Euro 14,910 thousand (31 December 2021: Euro 14,910 thousand), for Deposits in Court of Euro 3,186 thousand (31 December 2021: Euro 5,004 thousand), for Guarantee commissions of Euro 590 thousand (31 December 2021: Euro 424 thousand), for Factoring operations of Euro 498 thousand (31 December 2021: Euro 498 thousand) and for Other debtors of Euro 2,948 thousand (31 December 2021: Euro 2,522 thousand).

The expectations regarding receipts associated with Deposits in court are regularly evaluated by the Loan Recovery Division, considering, namely, the status of each process and the information known/made available by the insolvency administrators. Consequently, the estimate of impairment associated with these Deposits in court is adjusted whenever this is found to be necessary.

31 Deposits from central banks

As at 31 December 2022 and 2021, this caption includes deposits from the European System of Central Banks, which are collateralized by the pledge of securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 23 and 25.

For the financing lines under the TLTRO III programme, the effective interest rate used in financial years 2022 and 2021 considers the interest rates applicable to each operation in the elapsed period and the confirmation obtained from the European Central Bank regarding the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2022, these funds consist of five operations with maturities and amounts as follows: in March 2023, in the amount of Euro 279,138 thousand, in June 2023, in the amount of Euro 883,419 thousand, in September 2023, in the amount of Euro 187,130 thousand, in March 2024, in the amount of Euro 1,485,599 thousand and in December 2024, in the amount of Euro 54,705 thousand.

The analysis of the caption Deposits from central banks for the residual period of the operations, as at 31 December 2022 and 2021, is as follows:

(Euro thousand)

	2022	2021
Up to 6 months	1 162 557	-
More than 6 months	1 727 434	2 892 065
	2 889 991	2 892 065

32 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2022			2021		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	28 513	-	28 513	39 027	-	39 027
Term deposits	-	1 002	1 002	-	-	-
	28 513	1 002	29 515	39 027	-	39 027
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	61 788	-	61 788	59 866	-	59 866
Sales operations with repurchase agreement	-	-	-	-	190 616	190 616
Repos collaterais	-	-	-	-	2 125	2 125
Other deposits	5 497	-	5 497	6 979	-	6 979
	67 285	300 007	367 292	66 845	492 748	559 593
	95 798	301 009	396 807	105 872	492 748	598 620

The EIB loan, in the amount of Euro 300,000 thousand, has as its main objective the financing of SMEs, has a term of twelve years, a grace period of four years and constant amortizations and a rate of 0.019%.

The analysis of the caption Deposits from other credit institutions for the residual period of the operations is as follows:

(Euro thousand)

	2022	2021
Up to 3 months	95 207	292 313
3 to 6 months	1 001	-
More than 5 years	300 007	300 007
Undetermined	592	6 300
	396 807	598 620

The amount of the EIB loan is collateralized by Spanish, Italian and Greek sovereign bonds in the nominal amount of Euro 376,651 thousand (31 December 2021: Euro 537,614 thousand by Portuguese, Italian, Spanish, Irish and Greek sovereign bonds), recorded in the caption Other financial assets at amortized cost, as described in note 25.

33 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2022			2021		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	6 674 446	39	6 674 485	6 417 488	55	6 417 543
Term deposits	-	6 342 677	6 342 677	-	6 209 159	6 209 159
Saving accounts	-	135 699	135 699	-	134 123	134 123
Other deposits	23 074	-	23 074	20 496	-	20 496
Adjustments arising from fair value option operations	(2 093)	-	(2 093)	153	-	153
	6 695 427	6 478 415	13 173 842	6 438 137	6 343 337	12 781 474

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions. The criteria to calculate the annual contributions to the referred Fund are defined in Bank of Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the residual period of the operations is as follows:

(Euro thousand)

	2022	2021
Deposits repayable on demand	6 674 485	6 417 543
Term deposits and saving accounts		
Up to 3 months	1 655 476	1 460 502
3 to 6 months	1 129 470	1 103 629
6 months to 1 year	1 390 581	1 343 738
1 to 5 years	2 284 665	2 408 762
More than 5 years	18 184	26 651
	13 152 861	12 760 825
Other deposits		
Up to 3 months	23 074	20 496
Adjustments from fair value option operations	(2 093)	153
	13 173 842	12 781 474

In 2022, deposits from customers were remunerated at the average rate of 0.05% (2021: 0.08%).

34 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2022	2021
Covered bonds	327 492	1 215 119

The fair value of the debt securities issued is presented in note 44.

The residual maturities of Debt securities issued as at 31 December 2022 and 2021 are as follows:

(Euro thousand)

	2022	2021
6 months to 1 year	53	751 405
1 to 5 years	327 439	460 615
	327 492	1 212 020
Adjustments from fair value option operations	-	3 099
	327 492	1 215 119

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in a total amount of Euro 1,550,000 thousand, at nominal value in 2022 (2021: Euro 2,300,000 thousand).

As at 31 December 2022, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	301 102	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	Aa2/AA
Covered bonds - 8S	1 250 000	1 251 553	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	Aa2/AA
Covered bonds - 9S	250 000	250 723	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	Aa2/AA
Covered bonds - 11S	500 000	327 492	327 492	November 2019	November 2024	annually	Fixa em 0,125%	Aa2/AA
	2 300 000	2 130 870	327 492					

As at 31 December 2021, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	300 101	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 062	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 077	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	754 033	754 033	October 2017	October 2022	annually	Fixa em 0,875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	461 086	461 086	November 2019	November 2024	annually	Fixa em 0,125%	A1/AA-/BBBh
	2 300 000	2 265 359	1 215 119					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in Banco Montepio's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Bank of Portugal Notices no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of the Bank of Portugal.

As at 31 December 2022, the value of the loans collateralizing these issues amounted to Euro 2,753,360 thousand (31 December 2021: Euro 2,746,685 thousand), according to note 20.

The movements in Debt securities issued are analysed as follows:

(Euro thousand)

	2022	2021		
	Covered bonds	Cash bonds	Covered bonds	Total
Balance on 1 January	1 215 119	3 123	1 218 375	1 221 498
Reimbursements	(750 000)	(2 960)	-	(2 960)
Other movements (a)	(137 627)	(163)	(3 256)	(3 419)
Balance on 31 December	327 492	-	1 215 119	1 215 119

(a) Included is the movement of accrued interest on the balance sheet date, corretions for operations at fair value option exchange variation.

In accordance with the accounting policy described in note 1 b), the purchase of debt securities issued by Banco Montepio is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2022, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
Covered Bonds - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				500 000
			Repurchase of Covered Bonds - 11S	(171 400)
			Accrual based accounting, deferred income and costs	(1 108)
				327 492

As at 31 December 2021, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
Covered Bonds - 10S	17/11/2017	17/11/2022	Annual fixed rate of 0.875%	750 000
Covered Bonds - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				1 250 000
			Adjustments of hedging operations	3 099
			Repurchase of Covered Bonds - 11S	(37 100)
			Accrual based accounting, deferred income and costs	(880)
				1 215 119

35 Financial liabilities associated to transferred assets

In the scope of the securitization operations described in note 48, in respect of which Banco Montepio retained the majority of the risks and rewards associated with the securitized loans, the Bank recorded the financial liabilities associated with the assets transferred, which are detailed as follows:

(Euro thousand)

	2022	2021
Pelican Mortgages No 3	98 035	115 377
Pelican Mortgages No 4	361 076	405 906
Aqua Mortgages No 1	58 233	67 309
Pelican Finance No 2	93 815	141 661
	611 159	730 253

36 Provisions

This caption is presented as follows:

(Euro thousand)

	2022	2021
Provisions for guarantees and commitments	19 312	16 076
Provisions for other risks and charges	9 312	11 810
	28 624	27 886

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to Banco Montepio's activity, being revised at each reporting date to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies, legal cases and fraud.

The movements in provisions for guarantees and commitments assumed, are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	16 076	16 594
Charge of the year	24 881	26 932
Reversal of the year	(21 621)	(27 449)
Utilization	(24)	(1)
Closing balance	19 312	16 076

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2022	2021
Opening balance	11 810	16 406
Charge of the year	2 259	4 121
Reversal of the year	(2 742)	(7 608)
Utilization	(2 015)	(1 109)
Closing balance	9 312	11 810

37 Other subordinated debt

The main characteristics of subordinated debt are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest date	2022	2021
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 044	50 044
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 825	107 825
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 705	52 705
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 455	6 691
					217 029	217 265

The movements in Other subordinated debt during financial years 2022 and 2021, were as follows:

(Euro thousand)

	2022			
	Balance at 1 January	Issued	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 825	-	-	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-	-	52 705
FINIBANCO VALOR INVEST 2010	6 691	-	(236)	6 455
	217 265	-	(236)	217 029

(Euro thousand)

	2021			
	Balance at 1 January	Issued	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 824	-	1	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-	-	52 705
FINIBANCO VALOR INVEST 2010	6 323	-	368	6 691
	216 896	-	369	217 265

(a) Includs accrued interest.

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable laws or regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

38 Other liabilities

This caption is presented as follows:

(Euro thousand)	2022	2021
Domestic and foreign operations pending settlement	133 408	93 597
Sundry creditors	36 108	38 239
Staff costs payable	29 922	32 334
Other expenses	22 288	10 348
Administrative public sector	10 958	10 798
Lease liabilities	6 526	10 479
Suppliers	6 180	11 145
Deferred income	327	286
	245 717	207 226

The caption National and international operations pending settlement considers amounts that were settled at the beginning of 2023.

As at 31 December 2022, the caption Staff charges payable includes the amount of Euro 14,416 thousand (31 December 2021: Euro 17,336 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2022, this caption also includes the amount of Euro 2,034 thousand (31 December 2021: Euro 2,462 thousand) related to end-of-career awards, as per note 45, and the amount of Euro 8,423 thousand (31 December 2021: Euro 8,266 thousand) for the employee adjustment programme.

The caption Amounts payable corresponds, essentially, to the application of the accruals' principle to General administrative expenses.

As at 31 December 2022, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)	2022	2021
Up to 1 year	4 299	1 312
1 to 5 years	2 227	9 167
	6 526	10 479

39 Share capital

As at 31 December 2022 and 2021, Banco Montepio's share capital, which is fully realized, amounts to Euro 2,420,000 thousand. The shareholder structure of Banco Montepio's share capital as at 31 December 2022 and 2021 is as follows:

	2022		2021	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.9930%	2 419 830 580	99.9930%
Other Shareholders	169 420	0.0070%	169 420	0.0070%
	2 420 000 000	100.0%	2 420 000 000	100.0%

40 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2022 and 2021, the legal reserve amounts to Euro 193,266 thousand.

41 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

(Euro thousand)

	2022	2021
Fair value reserve		
Fair value reserve		
Financial assets at fair value through other comprehensive income	5 720	12 912
	5 720	12 912
Taxes		
Financial assets at fair value through other comprehensive income	(1 745)	(3 938)
	(1 745)	(3 938)
Fair value reserve net of taxes	3 975	8 974
Other reserves and retained earnigs		
Special regime applicable to deferred tax assets	5 076	4 750
Post-employment benefits	(127 828)	(264 493)
Other reserves and retained earnings	(962 500)	(934 170)
Realized gains on equity instruments	(33 421)	(35 294)
	(1 118 673)	(1 229 207)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2022					
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment variation	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	198	(2 804)	-	-	7	(2 599)
Bonds issued by foreign public entities	314	(1 084)	-	-	5	(765)
Bons issued by other entities:						
Domestic	387	(1 744)	-	(120)	981	(496)
Foreign	(13)	(34)	-	(6)	-	(53)
Commercial Paper	1 257	-	38	(2 514)	1 238	19
	2 143	(5 666)	38	(2 640)	2 231	(3 894)
Variable income securities						
Shares						
Domestic	9 985	800	-	-	-	10 785
Foreign	784	(1 955)	-	-	-	(1 171)
	10 769	(1 155)	-	-	-	9 614
	12 912	(6 821)	38	(2 640)	2 231	5 720

(Euro thousand)

	2021					
	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment variation	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	406	(219)	-	-	11	198
Bonds issued by foreign public entities	1 200	(322)	-	(786)	222	314
Bons issued by other entities:						
Domestic	(537)	347	1 438	(193)	(668)	387
Foreign	(21)	(6)	-	4	10	(13)
Commercial Paper	-	-	2 514	-	(1 257)	1 257
	1 048	(200)	3 952	(975)	(1 682)	2 143
Variable income securities						
Shares						
Domestic	7 935	60	240	1 750	-	9 985
Foreign	(35 284)	(1 253)	-	37 321	-	784
	(27 349)	(1 193)	240	39 071	-	10 769
	(26 301)	(1 393)	4 192	38 096	(1 682)	12 912

The amount of Euro 39,071 thousand, as at 31 December 2021, refers to the disposals of Monteiro Aranha, S.A. and Almina Holding, S.A., as described in note 23.

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2022	2021
Amortized cost of financial assets at fair value through other comprehensive income	87 876	93 004
Recognized accumulated impairment	(528)	(2 759)
Amortized cost of financial assets at fair value through other comprehensive income net of impairment	87 348	90 245
Market value of financial assets at fair value through other comprehensive income	93 068	103 157
Potential realized gains/(losses) recognized in the fair value reserve	5 720	12 912

As described in note 29, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and 2021, and considering the eligible deferred tax assets at the reference date of the aforementioned periods, as a result of the application of the special regime applicable to deferred tax assets, Banco Montepio recorded a Special reserve corresponding to 110% of the amount of the tax credits calculated, which has the following breakdown:

(Euro thousand)

	2022	2021
Special reserve		
2021 (Negative net income of 2020)	4 698	4 750
2022 (Negative net income of 2021)	378	-
	5 076	4 750

As at 31 December 2022, Banco Montepio has a Special reserve in the amount of Euro 5,076 thousand (31 December 2021: Euro 4,750 thousand), which corresponds to a tax credit of Euro 4,614 thousand (31 December 2021: Euro 4,319 thousand), as described in note 29.

42 Distribution of dividends

In financial years 2022 and 2021, Banco Montepio did not distribute dividends.

The Annual General Meeting realized on 29 April 2022 approved the proposal for the appropriation of the Net Income for financial year 2021, in the negative amount of Euro 7,903 thousand, appropriating it to Retained earnings.

43 Guarantees and other commitments

The balances of these accounts are analysed as follows:

(Euro thousand)

	2022	2021
Guarantees granted	465 782	448 366
Commitments to third parties	1 857 163	1 801 777
Deposit and custody of securities	8 157 023	7 757 554
	10 479 968	10 007 697

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)

	2022	2021
Guarantees granted		
Guarantees	430 563	432 385
Letters of credit	35 219	15 981
	465 782	448 366
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	945 074	958 453
Potential liability with the Investors Indemnity System	708	903
Term liability to the Guarantee Deposits Fund	22 768	22 768
Securities subscription	2 051	2 277
Revocable commitments		
Revocable credit facilities	886 562	817 376
	1 857 163	1 801 777

Guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by Banco Montepio.

Documentary credits correspond to irrevocable commitments, by Banco Montepio, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to Banco Montepio's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. All credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same principles of any commercial operation, namely the solvency of the underlying customer and business, with Banco Montepio requiring, when necessary, that these operations be adequately covered by collaterals. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2022 and 2021, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by Banco Montepio, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2022, in the scope of the Deposits Guarantee Fund, Banco Montepio pledged treasury bonds (OT October 2030 and OT February 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 28,000 thousand (31 December 2021: Euro 24,000 thousand), as described in note 25.

As at 31 December 2022 and 2021, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that Banco Montepio assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 b). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by Banco Montepio in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

44 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of Banco Montepio.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of Banco Montepio.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13.

Debt and equity instruments

Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

c) Financial instruments shall be classified in level 2 if they are:

iii. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

iv. valued using indicative third-party purchase prices, based on observable market data.

Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

c) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:

iv. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;

v. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or

vi. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g., degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

The following are the main methods and assumptions used in estimating the fair value of financial assets and liabilities.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.

Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

iii. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.

iv. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

For Deposits from central banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is 0.08% for live operations as at 31 December 2022 (31 December 2021: negative in 0.60%).

For the remaining funds from credit institutions, the discount rate used reflects the current conditions applied by Banco Montepio to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2022, the average discount rate was 3.53% (31 December 2021: 0.60%) for the remaining resources.

For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by Banco Montepio to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 31 December 2022, the average discount rate was 4.24% for mortgage loans (31 December 2021: 2.20%), 8.31% for private individual loans (31 December 2021: 7.15%) and 5.60% for the remaining loans (31 December 2021: 3.50%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by Banco Montepio to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of Banco Montepio at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2022 was 1.18% (31 December 2021: a negative 0.08%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which Banco Montepio applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of Banco Montepio.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

Type of instruments			Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash flow method [2]	Interest rate curves
		Exchange rate options	*Black-Scholes* Model	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value though profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3]
Financial Assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

(1) In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with Banco Montepio with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of these adjustments is presented in the table.

Movements in CVA and DVA

(Euro thousand)

	2022		2021	
	CVA	DVA	CVA	DVA
Adjustment	**51**	**573**	**239**	**671**
Of which: Derivatives expiry	(15)	(260)	111	(62)

Fair value of assets received in recovery of credit

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an in-situ valuation;
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as “expert appraisers” with the CMVM and seeks to ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of the Bank of Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

As at 31 December 2022, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Japanese yean**
1 day	1.970000	4.285000	3.470000	0.950000	-0.075000
7 days	1.904000	4.444375	3.615000	0.910000	-0.200000
1 month	1.905000	4.420000	3.640000	0.920000	-0.200000
2 months	2.092000	4.630000	3.830000	1.000000	-0.200000
3 months	2.253000	4.770000	3.900000	0.970000	-0.200000
6 months	2.669000	5.150000	4.345000	1.160000	-0.150000
9 months	2.952000	5.235000	4.650000	1.430000	-0.100000
1 year	3.102000	5.345000	4.965000	1.660000	-0.100000
2 years	3.142000	5.204321	4.904856	1.711500	-0.100013
3 years	3.024000	5.065171	4.904856	1.797000	-0.100013
5 years	2.961000	4.786489	4.904856	1.941000	-0.100013
7 years	2.920000	4.507043	4.904856	2.068000	-0.100013
10 years	2.938000	4.088064	4.904856	2.191000	-0.100013
15 years	2.934000	3.777879	4.904856	2.276000	-0.100013
20 years	2.787000	3.726000	4.904856	2.276000	-0.100013
30 years	2.470000	3.472000	4.904856	2.276000	-0.100013

As at 31 December 2021, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese yean
1 day	-0.500000	0.135000	0.210000	-0.755000	-0.110000
7 days	-0.478356	0.076250	0.230000	-0.695000	-0.081500
1 month	-0.478356	0.140000	0.240000	-0.650000	-0.250000
2 months	-0.478356	0.150000	0.250000	-0.650000	-0.220000
3 months	-0.478356	0.180000	0.390000	-0.650000	-0.220000
6 months	-0.478356	0.290000	0.610000	-0.650000	-0.240000
9 months	-0.478356	0.410000	0.670000	-0.650000	-0.150000
1 year	-0.485000	0.530000	0.840000	-0.670000	-0.150000
2 years	-0.295000	0.947000	1.232000	-0.487500	-0.006300
3 years	-0.145000	1.186000	1.338000	-0.375000	-0.001300
5 years	0.016000	1.383000	1.328000	-0.230000	0.016300
7 years	0.130000	1.491000	1.275000	-0.080000	0.043800
10 years	0.303000	1.602000	1.241000	0.090000	0.106300
15 years	0.492000	1.730000	1.216000	0.232500	0.223800
20 years	0.548000	1.734000	1.216000	0.232500	0.223800
30 years	0.479000	1.710300	1.216000	0.232500	0.223800

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	Dec 2022	Dec 2021	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.0660	1.1326	8.300	8.595	8.225	8.100	7.950
EUR/GBP	0.88693	0.84028	7.170	7.380	7.515	7.650	7.755
EUR/CHF	0.9847	1.0331	5.550	5.705	5.865	5.910	5.955
EUR/JPY	140.66	130.38	12.550	11.792	11.220	10.780	10.530
EUR/AOA	516.0885	635.7510	-	-	-	-	-

Regarding exchange rates, Banco Montepio uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of Financial assets and liabilities of Banco Montepio, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

	2022				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 383 801	1 383 801	1 383 801
Loans and deposits to credit institutions payable on demand	-	-	83 372	83 372	83 372
Loans and advances to credit institutions	-	-	397 310	397 310	397 235
Loans and advances to customers	863	-	11 075 272	11 076 135	11 200 869
Financial assets held for trading	10 059	-	-	10 059	10 059
Financial assets at fair value through profit or loss	209 483	-	-	209 483	209 483
Financial assets at fair value through other comprehensive income	-	93 068	-	93 068	93 068
Other financial assets at amortized cost	-	-	4 615 731	4 615 731	4 096 324
	220 405	93 068	17 555 486	17 868 959	17 474 211
Financial liabilities					
Deposits from central banks	-	-	2 889 991	2 889 991	2 889 991
Deposits from other credit institutions	-	-	396 807	396 807	337 301
Deposits from customers	61 565	-	13 112 277	13 173 842	13 132 012
Debt securities issued	-	-	327 492	327 492	308 398
Financial liabilities related to transferred assets	-	-	611 159	611 159	634 416
Financial liabilities held for trading	17 697	-	-	17 697	17 697
Other subordinated debt	-	-	217 029	217 029	205 772
	79 262	-	17 554 755	17 634 017	17 525 587

(Euro thousand)

	2021				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	2 943 744	2 943 744	2 943 744
Loans and deposits to credit institutions payable on demand	-	-	84 240	84 240	84 240
Loans and advances to credit institutions	-	-	388 459	388 459	388 841
Loans and advances to customers	1 004	-	11 003 025	11 004 029	10 918 990
Financial assets held for trading	1 376	-	-	1 376	1 376
Financial assets at fair value through profit or loss	288 340	-	-	288 340	288 340
Financial assets at fair value through other comprehensive income	-	103 157	-	103 157	103 157
Non-current assets held for sale	-	-	47 833	47 833	38 836
Hedging derivatives	5 411	-	-	5 411	5 411
Other financial assets at amortized cost	-	-	3 530 569	3 530 569	3 491 454
	296 131	103 157	17 997 870	18 397 158	18 264 389
Financial liabilities					
Deposits from central banks	-	-	2 892 065	2 892 065	2 892 065
Deposits from other credit institutions	-	-	598 620	598 620	586 128
Deposits from customers	25 009	-	12 756 465	12 781 474	12 793 438
Debt securities issued	-	-	1 215 119	1 215 119	1 215 365
Financial liabilities related to transferred assets	-	-	730 253	730 253	748 812
Financial liabilities held for trading	7 470	-	-	7 470	7 470
Hedging derivatives	335	-	-	335	335
Other subordinated debt	-	-	217 265	217 265	218 957
	32 814	-	18 409 787	18 442 601	18 462 570

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2022:

(Euro thousand)

	2022				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	1 383 801	-	-	-	1 383 801
Loans and deposits to credit institutions payable on demand	83 372	-	-	-	83 372
Other loans and advances to credit institutions	-	-	397 235	-	397 235
Loans and advances to customers	-	863	11 200 006	-	11 200 869
Financial assets held for trading	3 242	6 817	-		10 059
Financial assets at fair value through profit or loss	-	-	209 483	-	209 483
Financial assets at fair value through other comprehensive income	57 510	2 068	32 396	1 094	93 068
Other financial assets at amortized cost	4 096 324		-	-	4 096 324
	5 624 249	9 748	11 839 120	1 094	17 474 211
Financial liabilities					
Deposits from central banks	2 889 991	-	-	-	2 889 991
Deposits from other credit institutions	-	-	337 301	-	337 301
Deposits from customers	-	61 565	13 070 447	-	13 132 012
Debt securities issued	-	-	308 398	-	308 398
Financial liabilities related to transferred assets			634 416	-	634 416
Financial liabilities held for trading	-	7 694	10 003	-	17 697
Other subordinated debt	-	-	205 772	-	205 772
	2 889 991	69 259	14 566 337	-	17 525 587

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2021:

(Euro thousand)

	2021				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	2 943 744	-	-	-	2 943 744
Loans and deposits to credit institutions payable on demand	84 240	-	-	-	84 240
Other loans and advances to credit institutions	-	-	388 841	-	388 841
Loans and advances to customers	-	1 004	10 917 986	-	10 918 990
Financial assets held for trading	-	1 376	-	-	1 376
Financial assets at fair value through profit or loss	-	-	288 340	-	288 340
Financial assets at fair value through other comprehensive income	62 278	2 336	37 438	1 105	103 157
Non-current Assets held for sale	-	-	38 836	-	38 836
Hedging derivatives	-	5 411	-	-	5 411
Other financial assets at amortized cost	3 491 454		-	-	3 491 454
	6 581 716	10 127	11 671 441	1 105	18 264 389
Financial liabilities					
Deposits from central banks	2 892 065	-	-	-	2 892 065
Deposits from other credit institutions		-	586 128	-	586 128
Deposits from customers	-	-	12 793 438	-	12 793 438
Debt securities issued	-	-	1 215 365	-	1 215 365
Financial liabilities related to transferred assets	-	-	748 812	-	748 812
Financial liabilities held for trading	-	949	6 521	-	7 470
Hedging derivatives	-	335	-	-	335
Other subordinated debt	-	-	218 957	-	218 957
	2 892 065	1 284	15 569 221	-	18 462 570

45 Post-employment and long-term benefits

Banco Montepio assumed the responsibility to pay its employees and members of the Management Body old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 r).

In accordance with the same policy, Banco Montepio calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

Banco Montepio's pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

The respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of Banco Montepio, or as employees who had been its permanent employees and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

Banco Montepio's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to a pension calculated as per the preceding paragraph and proportional to the time of service rendered to Banco Montepio, to be paid by the Penson Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

Banco Montepio has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, Banco Montepio signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2022	**2021**
Financial assumptions		
Salary growth rate	2,5% in the first three years and 0,75% in the following years	0.50%
Pension growth rate	2,0% in the first three years and 0,50% in the following years	0.30%
Rate of return of Fund	4.20%	1.40%
Discount rate	4.20%	1.40%
Revaluation rate		
Salary growth rate - Social Security	1.50%	1.25%
Pension growth rate	1.25%	1.00%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90
Women	TV 99/01 -2 years	TV 88/90 -3 years
Actuarial valuation method	UCP	UCP

UCP - Unit Credit projected

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2022, the average duration of the pension liabilities of the employees is 15.9 years (31 December 2021: 17.5 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2022	**2021**
Active	2 740	2 811
Retirees and survivors	1 593	1 548
	4 333	4 359

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	2022	2021
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(339 694)	(381 036)
Active	(253 297)	(397 327)
	(592 991)	(778 363)
Liabilities with healthcare benefits		
Pensioners	(23 377)	(27 411)
Active	(22 581)	(37 269)
	(45 958)	(64 680)
Liabilities with death benefits		
Pensioners	(1 632)	(2 230)
Active	(957)	(1 676)
	(2 589)	(3 906)
Total liabilities	(641 538)	(846 949)
Coverages		
Pension Fund value	777 405	855 910
Net assets/(liabilities) in the balance sheet	135 867	8 961
Accumulated actuarial remeasurements recognized in other comprehensive income	127 828	264 493

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2022				2021			
	Pension benefits	**Healthcare benefits**	**Death benefits**	**Total**	**Pension benefits**	**Healthcare benefits**	**Death benefits**	**Total**
Liabilities at the beginning of the financial year	778 363	64 680	3 906	846 949	790 266	69 168	3 987	863 421
Recognized in net income/(loss) (note 10)								
Current service cost	3 020	1 421	68	4 509	3 385	1 694	74	5 153
Interest cost	10 897	905	55	11 857	9 088	795	46	9 929
Early retirement, mutually agreed termination and others	7 112	-	-	7 112	4 365	-	-	4 365
Recognized in equities (note 42)								
Actuarial gains/(losses)								
- Changes in assumptions	(200 095)	(19 647)	(1 440)	(221 182)	(15 405)	(3 334)	(239)	(18 978)
- Not related to changes in assumptions	18 695	(1 401)		17 294	11 192	(3 643)	38	7 587
Other								
Pensions paid by the Fund	(25 573)	-	-	(25 573)	(24 948)	-	-	(24 948)
Pensions paid by Banco Montepio	(1 736)	-	-	(1 736)	(1 932)	-	-	(1 932)
Participant contributions	2 308	-	-	2 308	2 352	-	-	2 352
Liabilities at the end of the financial year	592 991	45 958	2 589	641 538	778 363	64 680	3 906	846 949

The evolution of the Pension Fund's net asset value as at 31 December 2022 and 2021 can be analysed as follows:

(Euro thousand	2022	2021
Value of the Fund at the beginning of the financial year	855 910	853 546
Recognized in net income/(loss) (note 10)		
Share of net interest	11 983	9 713
Recognized in equity (note 42)		
Financial deviations	(67 223)	15 247
Others		
Participant Contributions	2 308	2 352
Pensions paid by the Fund	(25 573)	(24 948)
Fund´s value at the end of the year	777 405	855 910

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2022 and 2021, Banco Montepio participates in 98.7% in the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

As at 31 December 2022 and 2021, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2022				2021			
	Assets of the Fund	%	Quoted	Unquoted	Assets of the Fund	%	Quoted	Unquoted
Variable-income securities								
Shares	97 201	13%	97 201	-	53 458	6%	53 458	-
Shares investment funds	57 284	7%	11 723	45 561	121 600	14%	-	121 600
Bonds	532 239	68%	460 897	71 342	584 094	68%	473 993	110 101
Real Estate	4 723	1%	-	4 723	5 329	1%	-	5 329
Real Estate investment funds	44 701	6%	3 854	40 847	44 060	5%	-	44 060
Venture capital funds	1 702	0%	-	1 702	2 943	0%	-	2 943
Loans and advances in banks and c	39 555	5%	9 791	29 764	44 426	5%	-	44 426
	777 405	100%	583 466	193 939	855 910	100%	527 451	328 459

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of Banco Montepio, are analysed as follows:

(Euro thousand)

	2022	2021
Loans and advances in banks and other	28 587	38 701
Real Estate	4 723	5 329
Bonds	370	2 092
	33 680	46 122

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2022	2021
Actuarial gains/(losses) at the beginning of the financial year	264 493	291 131
Actuarial gains/(losses) in the financial year		
Changes in discount rate	(297 148)	(36 974)
Payroll update	21 215	-
Pensions growth rate update	33 655	-
Changes in mortality tables	12 216	-
Deviation of the Pension Fund return	67 223	(15 247)
Resulting from changes in plan conditions	8 880	17 996
Other changes	17 294	7 587
Actuarial gains/(losses) recognized in other comprehensive income	127 828	264 493

The costs for the period with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2022	2021
Current service cost	4 509	5 153
Net interest income/(expense) on the liabilities coverage balance	(126)	216
Costs with early retirement, mutually agreed termination and other	7 112	4 365
Costs for the financial year	11 495	9 734

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022	2021
At the beginning of the financial year	8 961	(9 875)
Current service cost	(4 509)	(5 153)
Net interest income/(expense) on the liabilities coverage balance	126	(216)
Actuarial gains/(losses)	203 888	11 391
Financial gains/(losses)	(67 223)	15 247
Pensions paid by Banco Montepio	1 736	1 932
Early retirement, mutually agreed termination and other	(7 112)	(4 365)
At the end of the financial year	135 867	8 961

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2022		2021	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(20 336)	21 456	(34 712)	36 979
Salary growth rate (0.25% change)	12 305	(11 462)	23 184	(20 795)
Pension growth rate (0.25% change)	18 943	(18 165)	31 231	(29 749)
SAMS contribution (0.25% change)	2 465	(2 465)	3 321	(3 321)
Future mortality (1 year change)	(14 347)	14 073	(25 133)	25 143

As at 31 December 2022, the cost associated with the end-of-career awards amounted to Euro 2,602 thousand (31 December 2021: Euro 2,462 thousand), in accordance with the accounting policy described in note 1 r) and as per note 38.

46 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2022 and 2021, the amount of the funds for which Banco Montepio acts as depository bank is analysed as follows:

(Euro thousand)

	2022	2021
Securities investment funds	180 913	175 839
Real Estate investment funds	721 149	629 741
Pension funds	284 930	292 638
Bank and insurance	28 807	30 729
	1 215 799	1 128 947

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

47 Related parties

As defined in IAS 24, the companies detailed in note 53, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of Banco Montepio. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties. Banco Montepio's first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2022, the list of related parties considered by Banco Montepio is presented as follows:

Major Shareholder
Montepio Geral Associação Mutualista

Board of Directors (after July 25, 2022)
Chairman of the Board of directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica
Executive Committee
Chief Executive Officer
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus
Audit comittee
Chairman of the Audit Commitee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Board of Directors (until July 25, 2022)
Chairman of the Board of directors
Carlos Tavares
Executive members
Manuel Ferreira Teixeira
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Pedro Alves
Vítor Martins
Executive Committee
Chief Executive Officer
Pedro Leitão
Executive members
Dulce Mota
Helena Soares de Moura
Jorge Baião
José Carlos Mateus
Leandro Graça Silva
Nuno Mota Pinto
Pedro Ventaneira
Audit comittee
Chairman of the Audit Commitee
Manuel Ferreira Teixeira
Members
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Vítor Martins

Other related parties Board of Directors
Alice Pinto
Alípio Dias
Álvaro Almeida
Amândio Coelho
Ana Sá Couto
António Gouveia
Carlos Beato
Dalila Teixeira
Edite Cheira
Fernanda Brázia
Fernando Amaro
Fernando Santo
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Cidrais Guimarães
João Almeida Gouveia
João Carvalho das Neves
João Costa Pinto
Jorge Oliveira
José António Gonçalves
José Luís Leitão
José Mendes Alfaia
Laura Duarte
Luís Antunes
Luís Filipe Costa
Luís Franco
Luís Manuel Paixão
Manuel Baptista
Manuel Carlos Silva
Margarida Andrade
Margarida Duarte
Maria Clemente
Nuno Coelho
Nuno Marques da Silva
Nuno Mendes
Nuno Mota Pinto
Nuno Van Zeller
Paulo Jorge Silva
Paulo Magalhães
Pedro Alves
Pedro Crespo
Pedro Ribeiro
Pedro Simão
Ricardo Carvalho
Rui Heitor
Rui Pereira
Virgílio Lima
Vitor Filipe

Other key management personnel

Alexandra Ponciano
Alexandra Rolo
António Carlos Machado
António Coelho
António Figueiredo Lopes
Armando Cardoso
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Conceição Barbosa
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Alexandre
Fernando Teixeira
Filipa Costa
Frederico Tomáz
Helder Reis
Helena Valente
Inês Dargan
Jaquelina Rodrigues
Joana Correia
Joaquim Canhoto
Jorge Barros Luís
Luís Melo
Luís Sena
Manuel Castanho
Maria Eduarda Osório
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Fernandes
Patrícia Medeiros
Paula Pinheiro
Paulo Amorim
Paulo Jorge Rodrigues
Paulo Trindade
Pedro Araújo
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Gama
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sanguini Shirish
Susana Pinheiro
Tânia Madeira
Tiago Teixeira
Vânia Fernandes
Vasco Almeida
Vítor Ventura

Other related parties

Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - In Liquidation [a]
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
CESource, A.C.E.
Clínica CUF Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Angola, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
GreenVolt - Energias Renovávies, S.A.
HTA – Hoteis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Residências para Estudantes, S.A.
NovaCâmbios - Instituição de Pagamento, S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado

Related parties resulting from the stake held in Finibanco Angola, SA:

Banco de Negócios Internacional, S.A. (BNI)

[a] The liquidation of Banco Montepio Geral – Cabo Verde, Unipessoal, S.A. – In Liquidation was completed on 30 September 2022.

As at 31 December 2022, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits in other credit institutions, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2022									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of directors (after July 25th, 2022)	-	-	163	-	-	-	-	-	-	163
Board of directors (until July 25th, 2022)	-	-	476	-	-	-	-	-	-	476
Other related parties Board of directors	-	-	2 084	3	-	-	-	-	-	2 081
Other key management personnel	-	-	2 521	1	-	-	-	-	-	2 520
Bolsimo - Gestão de Activos, S.A.	-	-	2 643	22	-	-	22	4 400	-	7 043
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-	-	18	-	-	18
CESource, A.C.E.	-	-	-	-	-	-	76	-	-	76
Finibanco Angola, S.A.	31 287	-	-	-	-	-	-	3 884	4	35 167
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	-	-	-	13	-	-	14
GreenVolt - Energias Renováveis, S.A.	-	-	15 125	14					-	15 111
Lusitania, Companhia de Seguros, S.A.	-	-	1	-	1 935	369	-	46	-	1 613
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	250	-	-	-	-	250
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	-	335 410	4 633	-	-	197	152 650	-	483 624
Montepio Geral Associação Mutualista	-	-	3	1	-	-	4 329	120	-	4 451
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	1	-	50	-	-	51
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-	-	1 160	-	-	1 160
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	107 161	-	-	107 161
Montepio Investimento, S.A.	-	333 100	-	-	-	-	66	87 081	1	420 246
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	530	15	-	-	-	1 388	-	1 903
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	150	-	150
Residências Montepio, Serviços de Saúde, S.A.	-	-	1 828	6	-	-	42	300	-	2 164
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S	-	-	-	-	-	-	11	-	-	11
	31 287	333 100	360 785	4 695	2 186	369	113 145	250 019	5	1 085 453

As at 31 December 2021, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits in other credit institutions, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows::

(Euro thousand)

	2021									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of directors	-	-	588	-	-	-	-	-	-	588
Other related parties Board of directors	-	-	2 618	-	-	-	-	-	-	2 618
Other key management personnel	-	-	3 349	-	-	-	-	-	-	3 349
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	-	-	-	-	-	-	14	-	-	14
Bolsimo - Gestão de Activos, S.A.	-	-	3 346	300	-	-	22	8 681	-	11 749
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-		23	-	-	23
CESource, A.C.E.	-	-	-	-	-	-	83	-	-	83
Finibanco Angola, S.A.	22 905	-	-	-	-	-	-	39 017	-	61 922
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	1	-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	20	3	-	-	-	-	-	17
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	2 079	747	-	46	-	1 378
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	250	-	-	-	-	250
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	32 518	261 900	3 943	-	-	167	226 100	-	516 742
Montepio Geral Associação Mutualista	-	-	5	7	-	-	3 949	120	-	4 067
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	1		5	-	-	6
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-	-	607	-	-	607
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	130 035	-	-	130 035
Montepio Investimento, S.A.	-	241 919	-	-	-	-	3	83 262	-	325 184
Montepio Residências para Estudantes, S.A.	-	-	-	-	-	-	4	-	-	4
Montepio Valor - S.G.O.I.C., S.A.	-	-	1	-	-	-	-	-	-	1
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	775	35	-	-	-	1 386	4	2 122
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	150	-	150
Residências Montepio, Serviços de Saúde, S.A.	-	-	1 511	16	-	-	29	750	-	2 274
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	-	-	-	-	-	41	-	-	41
	22 905	274 437	274 114	4 305	2 330	747	134 982	359 512	4	1 063 224

As at 31 December 2022, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2022				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued	Other liabilities	Total
Board of directors (after July 25th, 2022)	-	639	-	-	639
Board of directors (until July 25th, 2022)	-	1 258	-	-	1 258
Other related parties Board of directors	-	2 952	-	-	2 952
Other key management personnel	-	2 985	-	-	2 985
Bolsimo - Gestão de Activos, S.A.	-	122	-	-	122
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	11 676	-	-	11 676
Clínica CUF Belém, S.A.	-	28	-	-	28
Empresa Gestora de Imóveis da Rua do Prior S.A	-	255	-	-	255
Finibanco Angola, S.A.	37 252	-	-	-	37 252
Fundação Montepio Geral	-	2 079	-	-	2 079
Fundo de Pensões - Montepio Geral	-	29 328	401	-	29 729
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 500	-	-	1 500
GreenVolt - Energias Renováveis, S.A.	-	10 058	-	-	10 058
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	61	-	-	61
Lusitania Vida, Companhia de Seguros, S.A.	-	27 406	-	-	27 406
Lusitania, Companhia de Seguros, S.A.	-	2 633	-	-	2 633
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	1 518	-	-	1 518
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	2 171	-	-	2 171
Montepio Geral Associação Mutualista	-	102 130	201 077	-	303 207
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	2 510	-	-	2 510
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 221	-	-	2 221
Montepio Holding, S.G.P.S., S.A.	-	6 272	-	-	6 272
Montepio Investimento, S.A.	17 963	-	-	953	18 916
Montepio Residências para Estudantes, S.A.	-	466	-	-	466
NovaCâmbios - Instituição de Pagamento, S.A.	-	558	-	-	558
PEF - Fundo de Investimento Imobiliário Fechado	-	223	-	-	223
Polaris-Fundo de Investimento Imobiliário Fechado	-	343	-	-	343
Residências Montepio, Serviços de Saúde, S.A.	-	240	-	-	240
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 371	-	-	3 371
Sociedade Portuguesa de Administrações, S.A.	-	346	-	-	346
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	36 274	-	-	36 274
	55 215	251 623	201 478	953	509 269

As at 31 December 2021, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2021				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued	Other liabilities	Total
Board of Directors	-	1 704	-	-	1 704
Other related parties Board of directors	-	3 281	-	-	3 281
Other key management personnel	-	2 795	-	-	2 795
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. -Em Liquidação	9 029	-	-	-	9 029
Bolsimo - Gestão de Activos, S.A.	-	1 359	-	-	1 359
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	7 032	-	-	7 032
Clínica CUF Belém, S.A.	-	13	-	-	13
Empresa Gestora de Imóveis da Rua do Prior S.A	-	207	-	-	207
Finibanco Angola, S.A.	30 616	-	-	-	30 616
Fundação Montepio Geral	-	1 748	-	-	1 748
Fundo de Pensões - Montepio Geral	-	38 652	2 115	-	40 767
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 923	-	-	1 923
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	124	-	-	124
Lusitania Vida, Companhia de Seguros, S.A.	-	20 221	-	-	20 221
Lusitania, Companhia de Seguros, S.A.	-	4 121	-	-	4 121
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	1 840	-	-	1 840
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	2 828	-	-	2 828
Montepio Geral Associação Mutualista	-	151 962	201 076	-	353 038
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	2 974	-	-	2 974
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 406	-	-	2 406
Montepio Holding, S.G.P.S., S.A.	-	29 065	-	-	29 065
Montepio Investimento, S.A.	4 463	-	-	350	4 813
Montepio Residências para Estudantes, S.A.	-	396	-	-	396
Montepio Seguros, S.G.P.S., S.A.	-	721	-	-	721
Montepio Valor - S.G.O.I.C., S.A.	-	4 578	-	-	4 578
NovaCâmbios - Instituição de Pagamento, S.A.	-	451	-	-	451
PEF - Fundo de Investimento Imobiliário Fechado	-	482	-	-	482
Polaris-Fundo de Investimento Imobiliário Fechado	-	132	-	-	132
Residências Montepio, Serviços de Saúde, S.A.	-	466	-	-	466
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	85	-	-	85
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2 756	-	-	2 756
Sociedade Portuguesa de Administrações, S.A.	-	357	-	-	357
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	30 556	-	-	30 556
	44 108	315 235	203 191	350	562 884

As at 31 December 2022, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	2022						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	(losses) arising from financial assets and liabilities at fair value through other comprehensive income	Staff costs	General and administrative expenses
Other related parties Board of directors	3	1	2	-	-	-	-
Other key management personnel	3	1	1	-	-	-	-
Bolsimo - Gestão de Ativos, S.A.	31	-	-	-	-	(266)	294
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	82	-	844	-	-
CESource, A.C.E.	-	-	-	-	-	(457)	-
Finibanco Angola, S.A.	-	-	1	-	-	-	-
Fundo de Pensões - Montepio Geral	-	12	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	2 832	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 602	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	4 689	3	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	34	1	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 553	1 332	19	251	-	(381)	-
Montepio Geral Associação Mutualista	-	18 314	3 107	-	-	(9 817)	1 923
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	1 138	16	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 255)	-	(2 231)	-
Montepio Hording, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Investimento, S.A.	2 214	-	50	422	-	(840)	-
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Valor - S.G.O.I.C., S.A.	-	-	-	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	24	-	29	3	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	-	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	4	-	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	25	-	16	-	-	(117)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	1	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	-	-	36	-	-	-
	4 857	19 661	16 618	(1 523)	844	(14 109)	2 217

As at 31 December 2021, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	2021						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	(losses) arising from financial assets and liabilities at fair value through other comprehensive income	Staff costs	General and administrative expenses
Board of Directors	-	1	1	-	-	-	-
Other related parties Board of directors	10	3	4	1	-	-	-
Other key management personnel	15	3	4	1	-	-	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	-	1 344	1	91	-	(94)	-
Bolsimo - Gestão de Ativos, S.A.	206	-	1	-	-	(264)	-
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	101	-	893	-	-
CESource, A.C.E.	-	-	-	-	-	(542)	-
Finibanco Angola, S.A.	-	-	1	-	-	(51)	-
Fundo de Pensões - Montepio Geral	-	8	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	3 050	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	4		2	-	-	-	-
Iberpartners Cafés, S.G.P.S., S.A.		-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 919	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	5 945	7	-	-	-
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	57	1	-	-	-
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	27	1	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	73	1	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 353	-	383		-	(297)	-
Montepio Geral Associação Mutualista	2	18 413	2 288	(1 108)	-	(10 356)	1 922
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	914	16	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(3 174)	-	(2 312)	-
Montepio Hording, S.G.P.S., S.A.	-	-	18		-	-	-
Montepio Investimento, S.A.	984	353	39	422	-	(841)	-
Montepio Residências para Estudantes, S.A.	-		-	-	-	(26)	-
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Valor - S.G.O.I.C., S.A.	-	-	254	8	-	(604)	-
NovaCâmbios - Instituição de Pagamento, S.A.	58	-	59	6	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado		-	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	2	-	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	65	-	53	4	-	(113)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2	1	-	-	-	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	-	-	33	-	-	-
	3 699	20 127	18 211	(3 690)	893	(15 500)	1 922

Remuneration and social charges with the members of the Board of Directors (including members of the Audit Committee), and Other key management personnel are detailed in note 10.

In financial years 2022 and 2021, there were no transactions with Banco Montepio's Pension Fund.

48 Securitization of assets

As at 31 December 2022, there are four securitization operations, three of which originated in Banco Montepio and one realized jointly with Montepio Crédito.

We present next some additional details of the securitization operations as at 31 December 2022.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), Pelican Mortgages no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

On 9 December 2008, Montepio Investimento S.A. (at that date, Finibanco, S.A.) sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years. It should be noted that Montepio Investimento disposed of this securitization portfolio to Banco Montepio in 2011.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determination Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Finance no. 2 and Aqua Mortgages no. 1).

Banco Montepio does not hold any direct or indirect shareholding in the companies Tagus and Sagres.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Bank retained most of the risks and rewards associated with the securitized loans. If the Bank substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2022, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

				Loan and advances		Securities issued		
Issue	**Settlement date**	**Currency**	**Asset transferred**	**Initial amount**	**Current amount**	**Initial nominal amount**	**Current nominal amount**	**Third party amount***
Pelican Mortgages No. 3	March 2007	Euro	Mortgage loans	762 375	98 235	762 375	103 061	26 165
Pelican Mortgages No. 4	May 2008	Euro	Mortgage loans	1 028 600	362 466	1 028 600	394 155	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage loans	236 500	59 222	236 500	61 644	-
*Pelican Finance No. 2 ** *	December 2021	Euro	Mortgage loans	360 301	94 797	360 301	252 994	252 994
				2 387 776	614 720	2 387 776	811 854	279 159

* Includes nominal value, accrued interest and other adjustments.

** The values presented correspond to the total issuance (Banco Montepio and Montepio Crédito jointly).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations				
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	**Total**
Domestic loans and advances					
Retail					
Mortgage	98 099	361 634	58 890	-	518 623
Consumer loans and other	-	-	-	94 513	94 513
	98 099	361 634	58 890	94 513	613 136
Credit and overdue interest					
Less than 90 days	57	566	181	3	807
More than 90 days	79	266	151	281	777
	136	832	332	284	1 584
	98 235	362 466	59 222	94 797	614 720

As at 31 December 2021, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

				Loans and advances		Securities issued		
Issue	**Settlement date**	**Currency**	**Assets transferred**	**Initial amount**	**Current amount**	**Initial nominal amount**	**Current nominal amount**	**Third party amount ***
Pelican Mortgages No. 3	March 2007	Euro	Mortgage loans	762 375	116 091	762 375	119 898	30 618
Pelican Mortgages No. 4	May 2008	Euro	Mortgage loans	1 028 600	407 525	1 028 600	438 985	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage loans	236 500	68 130	236 500	70 542	-
*Pelican Finance No. 2 ***	December 2021	Euro	Mortgage loans	360 301	142 122	360 301	360 301	362 214
				2 387 776	733 868	2 387 776	989 726	392 832

* Includes nominal value, accrued interest and other adjustments.

** The values presented correspond to the total issuance (Banco Montepio and Montepio Crédito jointly).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations				
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	**Total**
Domestic loans and advances					
Retail					
Mortgage	115 193	405 999	67 285	-	588 477
Consumer loans and other	-	-	-	142 117	142 117
	115 193	405 999	67 285	142 117	730 594
Credit and overdue interest					
Less than 90 days	96	546	540	-	1 182
More than 90 days	802	980	305	5	2 092
	898	1 526	845	5	3 274
	116 091	407 525	68 130	142 122	733 868

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Finance no. 2 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1 and Pelican Mortgages no. 4, and partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no. 2.

The bonds issued by the securitization vehicles Pelican Mortgages no. 5 and Pelican Mortgages no. 6, were liquidated during financial year 2021.

In the case of the more senior notes, these are recorded as Other financial assets at amortized cost (note 25), while in the case of the residual notes these are recorded in the caption Financial assets at fair value through profit or loss (note 22), and, as at 31 December 2022, these are analysed as follows:

Issue	Bonds	Initial nominal amount	Current nominal amount	CEMG interest held (nominal amount)	Maturity date	Rating (initial)				Rating (current)			
		Euro	Euro	Euro		*Fitch*	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	100 888 702	72 629 880	2054	AAA	Aaa	AAA	n.a.	AA-	A1	AA+	n.a.
	Class B	14 250 000	2 604 803	2 604 803	2054	AA-	Aa2	AA-	n.a.	A-	Baa3	BBB	n.a.
	Class C	12 000 000	2 193 519	2 193 519	2054	A	A3	A	n.a.	BBB	Ba2	BB	n.a.
	Class D	6 375 000	1 165 307	1 165 307	2054	BBB	Baa3	BBB	n.a.	BBB-	B1	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	305 093 797	305 093 797	2056	AAA	n.a.	n.a.	AAA	AA+	n.a.	n.a.	AAA
	Class B	55 500 000	27 008 046	27 008 046	2056	AA	n.a.	n.a.	A+	AA-	n.a.	n.a.	n.a.
	Class C	60 000 000	29 197 887	29 197 887	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	12 165 786	12 165 786	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	13 382 365	13 382 365	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	237 925 805	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	17 256 707	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	14 589 003	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	16 089 587	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	14 505 638	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	45 315 966	45 315 966	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	17 202 461	17 202 461	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2021, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount	Current nominal amount	CEMG interest held (nominal amount)	Maturity date	*Rating* (initial)				*Rating* (current)			
		Euro	Euro	Euro		*Fitch*	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	109 311 458	78 693 431	2054	AAA	Aaa	AAA	n.a.	BBB	A1	AA	n.a.
	Class B	14 250 000	2 822 267	2 822 267	2054	AA-	Aa2	AA-	n.a.	BBB	Baa3	BBB	n.a.
	Class C	12 000 000	2 376 646	2 376 646	2054	A	A3	A	n.a.	BB+	Ba3	BB	n.a.
	Class D	6 375 000	1 262 593	1 262 593	2054	BBB	Baa3	BBB	n.a.	BB	B3	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	323 657 030	323 657 030	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AAA
	Class B	55 500 000	28 651 332	28 651 332	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	30 974 413	30 974 413	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	12 906 006	12 906 006	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	14 196 606	14 196 606	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	49 446 848	49 446 848	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	17 594 980	17 594 980	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance n.º 2	Class A	285 400 000	285 400 000	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	20 700 000	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	17 500 000	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	19 300 000	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	17 400 000	-	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
	Class X	1 000	1 000	400	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

49 Risk management

Objectives of the Risk Management Policy

Banco Montepio is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, Banco Montepio is subject to other non-financial risks, namely operating, reputational, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programmes, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of Banco Montepio.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Division, the unit responsible for the risk management function of Banco Montepio, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

Banco Montepio's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of Banco Montepio and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Committee in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Banco Montepio has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

Banco Montepio's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks – credit, market, liquidity, real estate and operating – to which Banco Montepio's business is subject.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Self employed individuals ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings, and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Division, a body independent of the commercial structure. The Risk Division is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are presented in note 1 b.

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 1 percentage point: impact of 2.56% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of 1 percentage point: impact of -2.56% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.15% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.86% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2022	2023	2024
Unemployment Rate (1)			
Base Scenario	6.42%	6.56%	5.96%
Worst-case Scenario	6.42%	8.72%	7.84%
Best-case Scenario	6.42%	6.15%	5.62%
GDP Growth Rate (1)			
Base Scenario	2.63%	1.62%	2.26%
Worst-case Scenario	2.63%	-4.36%	2.85%
Best-case Scenario	2.63%	3.63%	2.02%
3-Month Euribor Interest Rate (2)			
Base Scenario	1.34%	2.55%	1.52%
Worst-case Scenario	1.34%	1.55%	0.01%
Best-case Scenario	1.34%	2.39%	1.52%
Housing Price Index Growth Rate (1)			
Base Scenario	4.35%	-3.87%	1.31%
Worst-case Scenario	4.35%	-12.35%	-1.71%
Best-case Scenario	4.35%	-1.79%	2.96%
Growth Rate of Disposable Income Per Capita (2)			
Base Scenario	-2.31%	1.08%	2.79%
Worst-case Scenario	-2.31%	-2.57%	1.59%
Best-case Scenario	-2.31%	4.41%	2.78%
Growth Rate of Exports of Goods and Services (1)			
Base Scenario	9.17%	2.01%	1.48%
Worst-case Scenario	9.17%	-3.28%	0.96%
Best-case Scenario	9.17%	5.06%	2.25%
Growth Rate of Family Comsumption (1)			
Base Scenario	2.71%	0.08%	1.50%
Worst-case Scenario	2.71%	-6.40%	3.01%
Best-case Scenario	2.71%	1.65%	1.40%

(1) Source: National Institute of Statistics; Projections: Moody's Analytics

(2) Source: Eurostat; Projections: Moody's Analytics

Regarding the potential direct impact of the conflict, the credit exposure to Ukraine and Russia is not significant, namely in Individuals (the exposure linked to citizens residing in one of the two countries is Euro 589 thousand with reference to 31 December 2022).

Although the credit exposure directly impacted by the conflict is not significant, there are sectors of activity that are more exposed to the indirect impact of the war, namely through the significant increases that have been observed in energy and commodity prices, as well as disruptions in various supply chains. In this way, the Bank carried out an analysis that made it possible to identify the sectors of activity in which the indirect impact of the war is expected to be more significant (the exposure of customers in the identified sectors of activity is Euro 3,495,560 thousand). Based on this analysis and given the fact that the annual review of customer ratings is more concentrated at the end of each year, the Bank recognized an overlay, based on a top-down approach, which consisted of deteriorating the credit ratings of customers in the identified sectors of activity. The deteriorating of credit ratings has an impact on the analysis of the significant increase in credit risk and on the attribution of the PD to each customer (see b.10.3 and b.10.5 of the accounting policy, respectively).

Banco Montepio's credit risk exposure can be analysed as follows:

	(Euro thousand) 2022	2021
Loans and deposits at credit institutions repayable on demand	83 372	84 240
Loans and advances to credit institutions	397 310	388 459
Loans and advances to customers	11 076 135	11 004 029
Financial assets held for trading	8 686	1 376
Financial assets at fair value through profit or loss	34 184	30 881
Financial assets at fair value through other compensative income	72 103	81 023
Hedging derivatives	-	5 411
Other financial assets at amortized cost	4 615 731	3 530 569
Other assets	140 228	192 597
Guarantees granted	465 782	448 373
Irrevocable credit lines	945 074	958 453
Revocable credit lines	886 562	871 346
	18 725 167	17 596 757

The analysis of the main credit risk exposures by sector of activity, for financial year 2022, can be analysed as follows:

(Euro thousand)

Activity	2022 Loans and deposits at others credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	105 209	4 886	-	-	-	-		-	-	1 137	5 994	146
Extractive industries	-	-	-	17 387	404	-	-	-	-		5 004	1	1 255	2 458	20
Manufacturing industries	-	-	-	1 049 921	71 477	-	211	-	-		-	-	31 768	116 402	1 852
Electricity generation and distribution, gas steam and air conditioning	-	-	-	75 403	8 063	-	-	-	-		10 837	643	548	24 751	308
Water supply	-	-	-	51 732	614	-	-	-	-		-	-	1 944	4 308	44
Construction	-	-	-	385 717	43 682	-	65	-	-		-	-	114 329	114 505	8 214
Wholesale and retail trade	-	-	-	843 276	34 853	-	45	-	-		-	-	46 624	146 015	1 712
Transport and storage	-	-	-	290 814	11 350	-	-	-	-		3 152	1	5 246	21 832	321
Accommodation and catering activities	-	-	-	547 919	17 232	-	-	-	-		-	-	10 941	26 958	634
Information and Communication	-	-	-	48 930	1 653	-	-	-	-		-	-	2 956	24 186	137
Financial and insurance activities	83 372	398 666	1 356	636 728	52 370	6 817	-	8 443	388		3 210	2	196 893	260 182	637
Real estate activities	-	-		543 332	21 883	-	71	-	-		-	-	14 814	110 820	2 539
Consulting, scientific, technical and similar	-	-	-	215 866	4 933	-	-	-	-		-	-	14 813	27 666	321
Administrative and supporting service activities	-	-	-	108 054	2 192	-	-	-	-		-	-	5 581	23 985	175
Public administration and defence, compulsory social security	-	-	-	27 831	174	1 869	-	58 627	113		4 093 362	6 043	104	444	10
Education	-	-	-	65 800	1 092		-	-	-		-	-	191	4 033	48
Human Health Services and Social action activities	-	-	-	312 475	5 791	-	-	-	-		-	-	2 072	18 699	578
Artistic activities, shows and recreational	-	-	-	55 233	2 694	-	-	-	-		-	-	8 657	4 980	110
Other services	-	-	-	73 438	4 067	-	23	-	-		-	-	3 273	6 856	107
Retail															
Mortgage Loans	-	-	-	5 577 562	32 815	-	33 769	1 065	2		497 054	-	-	-	-
Others	-	-	-	385 557	19 824	-	-	4 496	25		9 804	2	2 636	-	1 399
	83 372	**398 666**	**1 356**	**11 418 184**	**342 049**	**8 686**	**34 184**	**72 631**	**528**	**-**	**4 622 423**	**6 692**	**465 782**	**945 074**	**19 312**

The analysis of the main credit risk exposures by sector of activity, for financial year 2021, can be analysed as follows:

(Euro thousand)

Activity	2021														
	Loans and deposits at others credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	90 453	5 064	-	-	-	-	-	-	-	876	5 598	124
Extractive industries	-	-	-	15 187	587	-	-	-	-	-	-	-	1 216	2 258	8
Manufacturing industries	-	-	-	935 192	85 984	-	845	3 995	444	-	-	-	22 707	109 367	1 638
Electricity generation and distribution, gas steam and air conditioning	-	-	-	84 430	5 204	-	-	-	-	-	-	-	993	10 798	5
Water supply	-	-	-	48 245	1 072	-	-	-	-	-	-	-	1 782	5 393	13
Construction	-	-	-	423 019	65 230	-	470	-	-	-	-	-	94 739	88 734	7 578
Wholesale and retail trade	-	-	-	819 467	73 470	-	233	-	-	-	-	-	41 393	144 362	1 559
Transport and storage	-	-	-	295 505	18 137	-	-	-	-	-	-	-	5 643	15 075	188
Accommodation and catering activities	-	-	-	571 107	26 122	-	-	-	-	-	-	-	8 295	24 828	508
Information and Communication	-	-	-	51 789	2 007	-	-	-	-	5 411	-	-	1 596	21 872	122
Financial and insurance activities	84 240	390 553	2 094	677 963	97 793	1 376	-	9 388	1 560	-	-	-	214 588	333 942	214
Real estate activities	-	-	-	582 032	27 180	-	87	-	-	-	-	-	15 802	102 784	1 006
Consulting, scientific, technical and similar	-	-	-	201 491	6 349	-	-	-	-	-	-	-	14 764	32 509	286
Administrative and supporting service activities	-	-	-	103 693	3 766	-	263	-	-	-	-	-	5 086	23 626	913
Public administration and defence, compulsory social security	-	-	-	37 452	572	-	-	63 426	124	-	2 972 600	4 619	104	277	13
Education	-	-	-	62 656	2 471	-	-	-	-	-	-	-	185	4 260	36
Human Health Services and Social action activities	-	-	-	273 206	8 107	-	-	-	-	-	-	-	1 529	16 944	388
Artistic activities, shows and recreational	-	-	-	56 758	3 021	-	-	-	-	-	-	-	9 969	7 396	683
Other services	-	-	-	82 660	6 556	-	126	-	-	-	-	-	3 698	8 430	77
Retail	-	-	-			-	-	-	-	-	-	-	-	-	-
Mortgage Loans	-	-	-	5 675 514	37 804	-	28 857	1 315	2	-	-	-	-	-	-
Others	-	-	-	415 681	22 975	-	-	5 658	629	-	562 588	-	3 408	-	717
	84 240	**390 553**	**2 094**	**11 503 500**	**499 471**	**1 376**	**30 881**	**83 782**	**2 759**	**5 411**	**3 535 188**	**4 619**	**448 373**	**958 453**	**16 076**

As regards credit risk, the portfolio of financial assets at amortized cost is dominated by bonds of sovereign issuers, essentially the Portuguese Republic.

In terms of credit quality, an increase in the average level of the counterparties was observed, due to the improved rating of the Portuguese sovereign debt.

Banco Montepio's total credit portfolio, in addition to Loans and advances to customers includes the guarantees and standby letters provided and the documentary credits in the aggregate amount of Euro 465,601 thousand (31 December 2021: Euro 448,193 thousand), the irrevocable credit facilities amounting to Euro 858,174 thousand (31 December 2021: Euro 875,372 thousand) and the revocable credit facilities in the amount of Euro 886,489 thousand (31 December 2021: Euro 817,346 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	2022			2021		
Stage impacts	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Collective analysis	**10 168 972**	**150 037**	**10 018 935**	**10 511 703**	**180 314**	**10 331 389**
Stage 1	8 138 760	16 933	8 121 827	8 743 003	23 405	8 719 598
Stage 2	1 846 427	54 487	1 791 940	1 493 972	40 674	1 453 298
Stage 3	183 785	78 617	105 168	274 728	116 235	158 493
Collective analysis	**3 459 476**	**211 324**	**3 248 152**	**3 132 707**	**335 233**	**2 797 474**
Stage 1	2 420 894	13 242	2 407 652	1 606 830	9 958	1 596 872
Stage 2	545 186	14 917	530 269	794 413	25 092	769 321
Stage 3	493 396	183 165	310 231	731 464	300 183	431 281
	13 628 448	**361 361**	**13 267 087**	**13 644 410**	**515 547**	**13 128 863**

As at 31 December 2022 and 2021, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

	2022			2021		
Stage impacts	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Amortized cost (AC)	**4 622 423**	**6 692**	**4 615 731**	**3 535 188**	**4 619**	**3 530 569**
Stage 1	4 616 632	6 050	4 610 582	3 535 188	4 619	3 530 569
Stage 2	5 791	642	5 149	-	-	-
Fair value (FVOIC)	**72 631**	**528**	**72 103**	**83 781**	**2 759**	**81 022**
Stage 1	70 347	157	70 190	81 294	2 009	79 285
Stage 2	2 284	371	1 913	2 487	750	1 737
Loans and advances to other institutions	**398 666**	**1 356**	**397 310**	**390 553**	**2 094**	**388 459**
Stage 1	398 649	1 356	397 293	390 553	2 094	388 459
Stage 2	17	-	17	-	-	-
	5 093 720	**8 576**	**5 085 144**	**4 009 522**	**9 472**	**4 000 050**

As at 31 December 2022 and 2021, the transfer between Stages, in Other financial assets at amortized cost (gross loans and impairment), is presented as follows:

(Euro thousand)

	2022			2021	
	Gross value				
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Total**
Gross value at the beginning of the year	3 535 188	-	3 535 188	3 986 639	3 986 639
Exposure of new net derecognition credits refunds and other variations	1 081 444	5 791	1 087 235	(451 451)	(451 451)
Gross value at the end of the year	4 616 632	5 791	4 622 423	3 535 188	3 535 188

(Euro thousand)

	2022			2021	
	Impairment losses				
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Total**
Impairment losses at the beginning of the year	4 619	-	4 619	4 690	4 690
Exposure of new net derecognition credits refunds and other variations	1 431	642	2 073	(71)	(71)
Impairment losses at the end of the year	6 050	642	6 692	4 619	4 619

As at 31 December 2022 and 2021, the transfer between Stages, in Loans and advances to credit institutions (gross loans and impairment), is presented as follows:

(Euro thousand)

	2022			2021		
	Gross value					
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Gross value at the beginning of the year	390 553	-	390 553	823 806	43 008	866 814
Transfer for stage 2	(17)	17	-			-
Exposure of new net derecognition credits refunds and other variations	8 113	-	8 113	(433 253)	(43 008)	(476 261)
Gross value at the end of the year	398 649	17	398 666	390 553	-	390 553

(Euro thousand)

	2022		2021		
	Impairment losses				
	Stage 1	**Total**	**Stage 1**	**Stage 2**	**Total**
Impairment losses at the beginning of the year	2 094	2 094	7 617	493	8 110
Exposure of new net derecognition credits refunds and other variations	(738)	(738)	(5 523)	(493)	(6 016)
Impairment losses at the end of the year	1 356	1 356	2 094	-	2 094

As at 31 December 2022 and 2021, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

Segment	2022 Gross value	2022 Impairment	2022 Net value	2021 Gross value	2021 Impairment	2021 Net value
Retail	**6 362 646**	**52 355**	**6 310 291**	**6 488 362**	**56 205**	**6 432 157**
Mortgage loans	*5 677 557*	*32 302*	*5 645 255*	*5 771 440*	*35 180*	*5 736 260*
Stage 1	4 763 964	1 192	4 762 772	5 029 547	604	5 028 943
Stage 2	872 090	15 354	856 736	649 708	6 246	643 462
Stage 3	41 503	15 756	25 747	92 185	28 330	63 855
Consumer credit	*424 061*	*17 866*	*406 195*	*456 139*	*19 483*	*436 656*
Stage 1	361 039	2 063	358 976	366 771	1 078	365 693
Stage 2	44 675	3 448	41 227	64 579	3 537	61 042
Stage 3	18 347	12 355	5 992	24 789	14 868	9 921
Credit cards	*261 028*	*2 187*	*258 841*	*260 783*	*1 542*	*259 241*
Stage 1	243 894	916	242 978	240 176	520	239 656
Stage 2	14 255	275	13 980	18 530	195	18 335
Stage 3	2 879	996	1 883	2 077	827	1 250
Corporate	**3 806 326**	**97 682**	**3 708 644**	**4 023 341**	**124 109**	**3 899 232**
Non Construction	*3 429 446*	*86 945*	*3 342 501*	*3 645 772*	*111 077*	*3 534 695*
Stage 1	2 520 345	11 766	2 508 579	2 822 938	19 761	2 803 177
Stage 2	818 073	32 305	785 768	700 208	28 729	671 479
Stage 3	91 028	42 874	48 154	122 626	62 587	60 039
Construction	*376 880*	*10 737*	*366 143*	*377 569*	*13 032*	*364 537*
Stage 1	249 517	996	248 521	283 570	1 443	282 127
Stage 2	97 334	3 105	94 229	60 948	1 966	58 982
Stage 3	30 029	6 636	23 393	33 051	9 623	23 428
	10 168 972	**150 037**	**10 018 935**	**10 511 703**	**180 314**	**10 331 389**

As at 31 December 2022 and 2021, impairment is detailed as follows:

(Euro thousand)

	2022						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 451 622	209 642	3 806 326	97 682	7 257 948	307 324	6 950 624
Mortgage loans	4 105	551	5 677 557	32 302	5 681 662	32 853	5 648 809
Other loans	3 749	1 131	685 089	20 053	688 838	21 184	667 654
	3 459 476	211 324	10 168 972	150 037	13 628 448	361 361	13 267 087

(Euro thousand)

	2021						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 119 089	330 331	4 023 342	124 108	7 142 431	454 439	6 687 992
Mortgage loans	6 748	1 046	5 771 440	35 181	5 778 188	36 227	5 741 961
Other loans	6 870	3 856	716 921	21 025	723 791	24 881	698 910
	3 132 707	335 233	10 511 703	180 314	13 644 410	515 547	13 128 863

As at 31 December 2022, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross value at the beginning of the year	10 349 833	2 288 385	1 006 192	13 644 410
Transfer for stage 1	607 815	(599 647)	(8 168)	-
Transfer for stage 2	(863 223)	914 518	(51 295)	-
Transfer for stage 3	(34 176)	(56 534)	90 710	-
Write-Offs	(3 955)	(1 666)	(198 499)	(204 120)
Exposure of new net derecognition credits refunds and other variations	502 220	(152 304)	(161 758)	188 158
Gross value at the end of the year	10 558 514	2 392 752	677 182	13 628 448

(Euro thousand)

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment losses at the beginning of the year	33 363	65 766	416 418	515 547
Transfer for stage 1	2 327	(2 248)	(79)	-
Transfer for stage 2	(23 873)	25 942	(2 069)	-
Transfer for stage 3	(13 416)	(18 373)	31 789	-
Write-Offs	(3 955)	(1 666)	(198 499)	(204 120)
Exposure of new net derecognition credits refunds and other variations	35 729	(17)	14 222	49 934
Impairment losses at the end of the year	30 175	69 404	261 782	361 361

As at 31 December 2021, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross value at the beginning of the year	8 477 762	3 657 693	1 344 316	13 479 771
Transfer for stage 1	1 328 465	(1 323 188)	(5 277)	-
Transfer for stage 2	(393 522)	406 310	(12 788)	-
Transfer for stage 3	(28 948)	(146 664)	175 612	-
Write-Offs	(521)	(1 198)	(291 127)	(292 846)
Exposure of new net derecognition credits refunds and other variations	966 597	(304 568)	(204 544)	457 484
Gross value at the end of the year	10 349 833	2 288 385	1 006 192	13 644 409

(Euro thousand)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment losses at the beginning of the year	24 406	105 489	646 144	776 039
Transfer for stage 1	5 526	(5 513)	(13)	-
Transfer for stage 2	(10 181)	10 528	(347)	-
Transfer for stage 3	(7 833)	(33 349)	41 182	-
Write-Offs	(521)	(1 198)	(291 127)	(292 846)
Exposure of new net derecognition credits refunds and other variations	21 966	(10 191)	20 579	32 354
Impairment losses at the end of the year	33 363	65 766	416 418	515 547

As at 31 December 2022 and 2021, the fair value analysis of collaterals associated with Banco Montepio's total portfolio, is as follows:

(Euro thousand)

Fair value of collaterals	2022	2021
Individual analysis		
Securities and other financial assets	*218 174*	*139 411*
Real estate - Mortgage loans	*10 330*	*12 436*
Real estate - Construction and CRE	*1 775 423*	*2 035 380*
Other real estate	*1 656 721*	*1 510 202*
Other guarantees	*365 251*	*403 414*
Collective analysis - Stage 1		
Securities and other financial assets	*785 094*	*416 589*
Real estate - Mortgage loans	*10 714 551*	*11 134 391*
Real estate - Construction and CRE	*490 830*	*498 013*
Other real estate	*823 092*	*792 495*
Other guarantees	*101 936*	*98 601*
Collective analysis - Stage 2		
Securities and other financial assets	*209 106*	*76 282*
Real estate - Mortgage loans	*1 899 396*	*1 346 240*
Real estate - Construction and CRE	*177 524*	*150 022*
Other real estate	*436 548*	*462 332*
Other guarantees	*26 912*	*28 379*
Collective analysis - Stage 3		
Securities and other financial assets	*7 961*	*3 044*
Real estate - Mortgage loans	*96 427*	*169 224*
Real estate - Construction and CRE	*27 078*	*36 889*
Other real estate	*49 109*	*66 634*
Other guarantees	*1 559*	*3 825*
	19 873 022	**19 383 803**

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

Banco Montepio's total loans and advances portfolio, by segment and respective impairment, constituted as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

	2022		2021	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 865 449	230 480	5 733 584	353 082
Construction and CRE	1 392 499	76 844	1 408 847	101 357
Retail mortgage loans	5 681 662	32 853	5 778 188	36 227
Retail other loans	688 838	21 184	723 791	24 881
	13 628 448	361 361	13 644 410	515 547

The loans and advances portfolio, by segment and by production year, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	381	26 726	2 214	550	40 772	14 475	35 136	947 166	7 180	18 465	15 506	279
2005	93	10 007	260	132	6 551	1 195	9 088	407 551	3 610	4 834	4 851	138
2006	133	18 918	1 528	120	13 693	5 440	11 034	508 242	3 857	12 935	17 366	1 918
2007	269	10 124	820	149	25 239	5 740	11 238	516 430	4 463	34 804	38 108	803
2008	1 000	29 538	1 423	317	14 600	2 761	5 961	272 663	2 660	55 325	71 978	755
2009	1 595	52 549	1 371	365	19 101	3 886	3 229	164 860	1 267	43 476	46 825	1 236
2010	1 376	59 147	1 419	251	21 143	5 035	3 259	190 682	1 292	31 394	21 250	622
2011	2 024	71 313	1 626	329	13 035	1 940	1 206	67 292	350	25 274	22 600	630
2012	1 927	61 540	3 909	220	19 268	6 711	725	41 458	235	17 846	11 197	334
2013	3 282	128 597	7 361	266	13 323	1 174	937	52 329	292	17 089	14 086	460
2014	4 270	263 976	22 697	1 224	52 356	958	1 123	65 968	338	19 326	21 516	1 121
2015	4 291	189 592	37 123	496	20 237	1 142	1 298	77 106	356	16 573	21 577	1 646
2016	5 497	385 480	12 947	774	54 850	3 762	1 868	131 820	848	26 492	29 325	1 093
2017	7 471	304 582	13 222	671	165 965	4 304	2 571	191 214	827	18 583	23 731	1 023
2018	8 125	334 310	35 311	1 315	69 142	2 558	2 725	213 734	908	29 245	45 983	1 517
2019	8 884	432 524	26 147	1 388	101 427	3 605	3 331	273 014	1 118	22 541	50 997	1 861
2020	11 251	1 067 361	23 141	1 496	181 799	4 707	3 639	335 221	949	18 628	54 711	2 158
2021	12 841	674 529	17 532	2 009	186 634	3 478	6 446	653 665	1 444	26 069	90 822	2 659
2022	18 485	1 744 636	20 429	2 394	373 364	3 973	5 313	571 247	859	21 500	86 409	931
	93 195	5 865 449	230 480	14 466	1 392 499	76 844	110 127	5 681 662	32 853	460 399	688 838	21 184

The loans and advances portfolio, by segment and by production year, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	483	35 720	1 202	602	55 238	19 872	39 002	1 116 660	8 447	19 829	16 799	467
2005	130	12 434	603	151	12 967	3 705	9 891	462 157	3 914	5 093	5 244	125
2006	193	23 930	1 937	148	17 730	5 850	11 963	574 524	6 681	13 524	19 556	3 662
2007	400	22 677	1 095	187	33 155	9 241	12 343	584 744	6 716	37 006	41 679	922
2008	1 177	39 080	1 302	355	16 203	1 369	6 407	303 618	3 119	58 564	77 267	607
2009	1 880	78 816	2 491	414	21 804	3 746	3 481	185 900	1 434	46 307	50 994	1 867
2010	1 642	75 149	3 822	317	29 917	6 079	3 540	214 091	1 554	33 467	23 315	696
2011	2 219	94 945	3 105	365	15 432	2 201	1 307	76 273	467	26 958	25 342	1 702
2012	1 954	82 344	4 720	354	24 576	6 952	807	47 585	421	19 278	12 575	343
2013	4 065	247 303	29 956	376	22 388	1 699	1 038	60 129	243	18 586	17 229	1 088
2014	5 493	366 089	29 589	1 428	67 465	3 724	1 232	74 983	194	21 486	26 900	2 137
2015	5 560	297 652	80 909	637	26 852	1 650	1 450	89 891	131	18 713	28 321	2 554
2016	7 336	488 479	29 363	968	80 411	10 199	2 041	148 682	398	29 661	39 330	1 949
2017	9 314	397 554	24 822	904	242 218	8 215	2 818	219 124	332	21 554	32 992	1 357
2018	10 477	465 625	41 444	1 608	89 584	2 730	2 973	242 758	525	32 120	57 782	1 391
2019	10 579	572 767	38 815	1 786	168 726	7 400	3 603	307 386	898	24 702	65 300	1 605
2020	13 544	1 269 976	36 974	1 815	238 814	4 231	3 866	370 281	366	20 793	71 610	1 514
2021	17 794	1 163 044	20 933	2 257	245 367	2 494	6 686	699 402	387	27 633	111 556	895
	94 240	5 733 584	353 082	14 672	1 408 847	101 357	114 448	5 778 188	36 227	475 274	723 791	24 881

The gross exposure of loans and advances and impairment, individual and collective, by segment, as at 31 December 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 676 677	150 831	774 945	58 812	4 105	551	3 749	1 132	3 459 476	211 326
Collective	3 188 772	79 649	617 554	18 032	5 677 557	32 302	685 089	20 052	10 168 972	150 035
	5 865 449	230 480	1 392 499	76 844	5 681 662	32 853	688 838	21 184	13 628 448	361 361

(Euro thousand)

	2021									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 331 878	248 056	787 211	82 275	6 748	1 046	6 870	3 856	3 132 707	335 233
Collective	3 401 706	105 026	621 636	19 082	5 771 440	35 181	716 921	21 025	10 511 703	180 314
	5 733 584	353 082	1 408 847	101 357	5 778 188	36 227	723 791	24 881	13 644 410	515 547

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for the companies, as at 31 December 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	331 487	41 658	438 399	51 224	179 313	10 883	443 458	17 154	2 058 965	88 724	3 451 622	209 643
Collective	376 881	10 737	878 847	22 545	934 504	25 691	240 673	7 295	1 375 421	31 413	3 806 326	97 681
	708 368	52 395	1 317 246	73 769	1 113 817	36 574	684 131	24 449	3 434 386	120 137	7 257 948	307 324

(Euro thousand)

	2021											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposição	Imparidade	Exposure	Impairment
Assessment												
Individual	315 446	60 120	395 882	58 823	200 134	42 781	471 765	22 155	1 734 962	146 451	3 118 189	330 330
Collective	377 569	13 032	768 898	29 403	883 678	32 255	244 066	6 050	1 750 031	43 369	4 024 242	124 109
	693 015	73 152	1 164 780	88 226	1 083 812	75 036	715 831	28 205	3 484 993	189 820	7 142 431	454 439

The amount of restructured loans and advances by stage and by segment, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

	2021									
	Corporate		**Construction and CRE**		**Mortgage loans**		**Other loans**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 1	468	-	-	-	-	-	-	-	468	-
Stage 2	72 513	3 043	8 562	530	34 543	422	6 116	530	121 734	4 525
Stage 3	255 080	111 801	107 452	33 009	16 918	7 593	11 559	5 465	391 009	157 868
	328 061	114 844	116 014	33 539	51 461	8 015	17 675	5 995	513 211	162 393

	2021									
	Corporate		**Construction and CRE**		**Mortgage loans**		**Other loans**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	27 904	1 557	5 082	259	21 590	133	5 371	241	59 947	2 190
Stage 3	355 534	179 128	124 670	49 475	41 583	12 857	15 901	8 914	537 688	250 374
	383 438	180 685	129 752	49 734	63 173	12 990	21 272	9 155	597 635	252 564

The gross exposure of performing and non-performing loans and advances, in financial years 2022 and 2021, is analysed as follows:

(Euro thousand)

	2022												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	5 059 097	-	-	33 000	33 000	33 000	-	8 315	-	14 272	-	-	-
Other balance sheet credit exposures (b)	12 804 276	28 095	122 238	565 868	565 868	565 735	390 773	89 965	4 525	238 073	157 868	267 876	296 756
Off-balance sheet exposures (c)	2 297 418	1 813	47	77 755	77 755	77 755	360	10 461	1	8 852	-	-	-

(a) Includes debt intruments of the financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

(Euro thousand)

	2021												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 005 011	-	-	33 000	33 000	33 000	-	9 959	-	14 272	-	-	-
Other balance sheet credit exposures (b)	14 411 559	27 741	59 768	891 952	891 952	891 038	537 968	92 250	2 188	392 464	250 354	393 710	270 609
Off-balance sheet exposures (c)	2 224 202	1 285	280	81 433	81 433	81 433	419	6 788	2	9 270	21	-	-

(a) Includes debt intruments of the financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2022, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 792	625 484	6 063	390 010	91 219	12 233 154	250	6 749
>= 0,5 M€ and <1M€	499	348 414	155	98 906	528	327 626	1	500
>= 1 M€ and <5M€	533	1 155 548	106	197 327	60	88 696	-	-
>= 5 M€ and <10M€	66	466 117	10	72 622	2	12 816	-	-
>= 10 M€ and <20M€	46	627 572	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	14	1 671 872	3	201 080	-	-	-	-
	5 966	5 388 077	6 342	1 104 523	91 809	12 662 292	251	7 249

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 792	625 484	6 063	390 010	91 219	12 233 154	250	6 749
>= 0,5 M€ and <1M€	499	348 414	155	98 906	528	327 626	1	500
>= 1 M€ and <5M€	533	1 155 548	106	197 327	60	88 696	-	-
>= 5 M€ and <10M€	66	466 117	10	72 622	2	12 816	-	-
>= 10 M€ and <20M€	46	627 572	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	14	1 671 872	3	201 080	-	-	-	-
	5 966	5 388 077	6 342	1 104 523	91 809	12 662 292	251	7 249

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE and Mortgage segments, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

Segment/Ratio	2022			2021		
	No. Of real estate	Total exposure	Impairment	No. Of real estate	Total exposure	Impairment
Corporate						
With out real estate (*)	-	4 604 947	132 098	-	4 438 919	246 059
< 60%	2 166	619 835	51 977	2 349	461 128	28 124
>= 60% and < 80%	601	253 545	15 451	681	363 052	35 045
>= 80% and < 100%	770	352 300	28 596	802	419 426	39 207
>= 100%	9	34 822	2 359	6	51 059	4 647
Construction and CRE						
With out real estate (*)	-	619 024	21 761	-	523 074	24 746
< 60%	920	410 181	18 946	973	422 414	22 638
>= 60% and < 80%	330	238 649	12 503	456	254 997	16 863
>= 80% and < 100%	419	93 255	12 499	633	181 964	27 166
>= 100%	62	31 390	11 135	66	26 398	9 944
Mortgage						
With out real estate (*)	-	29 115	1 424	-	31 840	2 413
< 60%	61 330	2 706 933	12 660	61 433	2 621 020	9 295
>= 60% and < 80%	21 136	1 879 839	8 695	22 990	1 968 716	8 728
>= 80% and < 100%	6 002	1 041 109	8 951	7 067	1 119 245	10 632
>= 100%	211	24 666	1 123	319	37 368	5 159

(*) Includes operations with other associated collaterals, namely financial collaterals.

The fair value and the net value of real estate received in recovery of loans, by asset type, as at 31 December 2022 and 2021, are presented as follows:

(Euro thousand)

Assets	2022		
	Number of properties	Fair value assets	Book value
Land	**1 093**	**174 629**	**161 520**
Urban	857	132 743	122 644
Rural	236	41 886	38 876
Buildings under construction	**341**	**47 425**	**42 854**
Commercial	51	5 943	5 683
Housing	192	40 866	36 568
Other	98	616	603
Constructed buildings	**969**	**113 683**	**99 647**
Commercial	415	59 123	52 622
Housing	273	49 430	42 247
Other	281	5 130	4 778
	2 403	335 737	304 021

(Euro thousand)

Assets	2021		
	Number of properties	Fair value assets	Book value
Land	**1 319**	**262 753**	**244 145**
Urban	1 085	219 141	202 841
Rural	234	43 612	41 304
Buildings under construction	**377**	**57 549**	**51 064**
Commercial	41	5 043	4 846
Housing	238	51 822	45 568
Other	98	684	650
Constructed buildings	**1 359**	**159 660**	**142 366**
Commercial	584	86 667	78 155
Housing	398	66 210	58 026
Other	377	6 783	6 185
	3 055	479 962	437 575

The time elapsed since the receipt in recovery of real estate, as at 31 December 2022 and 2021, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2022				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**884**	**4 280**	**13 578**	**142 778**	**161 520**
Urban	24	2 873	11 194	108 553	122 644
Rural	860	1 407	2 384	34 225	38 876
Buildings under construction	**-**	**261**	**13 614**	**28 979**	**42 854**
Commercial	-	166	1 824	3 693	*5 683*
Housing	-	95	11 623	24 850	*36 568*
Other	-	-	167	436	*603*
Constructed buildings	**3 220**	**19 704**	**13 612**	**63 111**	**99 647**
Commercial	1 678	9 927	7 262	33 755	52 622
Housing	1 535	9 272	4 494	26 946	42 247
Other	7	505	1 856	2 410	4 778
	4 104	24 245	40 804	234 868	304 021

Elapsed time since recovery/execution	2021 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
					(Euro thousand)
Land	**2 467**	**8 037**	**73 585**	**160 056**	**244 145**
Urban	908	7 322	67 097	127 514	202 841
Rural	1 559	715	6 488	32 542	41 304
Buildings under construction	**59**	**4 352**	**16 225**	**30 428**	**51 064**
Commercial	59	358	2 179	2 250	4 846
Housing	-	3 819	14 046	27 703	45 568
Other	-	175	-	475	650
Constructed buildings	**25 984**	**15 960**	**19 964**	**80 458**	**142 366**
Commercial	14 143	8 891	11 441	43 680	78 155
Housing	11 201	4 691	8 209	33 925	58 026
Other	640	2 378	314	2 853	6 185
	28 510	28 349	109 774	270 942	437 575

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In Banco Montepio, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for Banco Montepio and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Division. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Division. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

Banco Montepio regularly calculates its "VaR" both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income (these portfolios represent a low materiality in the Bank's total assets), with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities' risks.

Banco Montepio's investment portfolio is mainly concentrated in bonds, and as at 31 December 2022 this represented 97.0% (31 December 2021: 91.6%) of the total portfolio (excluding notes held of own securitizations not derecognized), with the dominant position being held by bonds of sovereign issuers of the Eurozone.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2022 and 2021.

In terms of credit quality of debt securities, circa 99.4% of the portfolio is investment grade (31 December 2021: 99.2%). Of note are the Spanish, Portuguese and Italian sovereign bonds with rating BBB+, BBB and BBB-, respectively, and that represent 92.4% (31 December 2021: 95.4%) of the bond portfolio. Concerning the composition of the portfolio, one verifies a decrease in the relative weight of the exposure to Italian and Spanish sovereign debt (of 6.3 p.p. to 66.4%) offset by an increase in the weight of the exposure to Portuguese sovereign (from 22.5% to 26.1%) and by the inclusion of debt issued by AAA issuers in 2022 (2.6% of the total).

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income (excluding notes of own securitizations held) and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
AAA	110 523	2,6	-	-	110 523	-
AA+	5 177	0,1	453	-	4 724	1 042,8
AA	34 187	0,8	-	-	34 187	-
AA-	15 395	0,4	454	-	14 941	3 291,0
A+	107 113	2,6	406	-	106 707	26 282,5
A	-	-	101 804	3,3	(101 804)	(100,0)
BBB+	1 202 557	28,7	955 731	31,5	246 826	25,8
BBB	1 091 561	26,1	684 967	22,6	406 594	59,4
BBB-	1 593 861	38,1	1 273 794	41,9	320 067	25,1
BB-	14 550	0,3	-	-	14 550	-
BB	-	-	14 987	0,5	(14 987)	(100,0)
NR	11 235	0,3	6 360	0,2	4 875	76,7
Total	4 186 159	100,0	3 038 956	100,0	1 147 203	37,7

Note: excludes securities resulting from own securitizations belonging to the consolidation perimeter.

The position in bonds (excluding notes held of own securitizations not derecognized) recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 65,614 thousand (31 December 2021: Euro 70,975 thousand) and the position in Other financial assets at amortized cost stood at Euro 4,118,676 thousand (31 December 2021: Euro 2,967,981 thousand) and the position in Financial assets held for trading stood at Euro 1,869 thousand.

Regarding the trading portfolio, as at 31 December 2022 and 2021, the main VaR indicators are as follows:

(Euro thousand)

	2022	Average	Minimum	Maximum	2021
Market VaR	272	435	7	996	7
Interest rate risk	266	293	-	955	-
Exchange risk	66	156	7	84	6
Price risk	83	114	-	172	-
Spread risk	70	109	-	233	-
Diversification effect	*(213)*	*(237)*	-	*(448)*	-

The value of the VaR of the trading portfolio increased from 31 December 2021 to 31 December 2022 given the resumption of the regular negotiation of securities following, in the scope of the negotiation strategy, the closing of positions in portfolio shares and bonds at the end of the previous year. It should be noted that the VaR of the trading portfolio remained at moderate levels during financial year 2022, despite the general increase in volatility levels resulting from the exogenous shocks of the war in Ukraine and the general rise in prices, a situation that can be understood in the context of the risk mitigation measures inherent to the aforementioned situation.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating Banco Montepio (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, as at 31 December 2022 and 2021:

(Euro thousand)

	Below 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Above 5 years
31 December 2021					
Assets					
Debt securities	29 606	2 726	282 386	2 144 391	1 757 383
Loans and advances	6 079 060	3 053 366	1 331 628	598 746	324 738
Others	1 153 782	-	-	-	43 577
Off-balance sheet	6 903	16 036	3 010	38 888	-
Total	7 269 351	3 072 128	1 617 024	2 782 025	2 125 698
Liabilities					
Debt securities issued	247 100	-	50 659	650 635	12 218
Term deposits	1 862 491	1 139 127	1 433 923	1 900 954	-
Others	288 074	890 900	189 571	1 688 673	230 997
Off-balance sheet	29 251	16 036	13	106	997
Total	2 426 916	2 046 063	1 674 166	4 240 368	244 212
GAP (Assets - Liabilities)	4 842 435	1 026 065	(57 142)	(1 458 343)	1 881 486
31 December 2020					
Assets					
Debt securities	22 544	38 162	13 305	1 186 064	1 875 387
Loans and advances	6 422 001	2 907 608	1 255 067	512 749	310 041
Others	89 599	32 537	-	-	50 375
Off-balance sheet	1 041	-	756 654	25 018	-
Total	6 535 185	2 978 307	2 025 026	1 723 831	2 235 803
Liabilities					
Debt securities issued	349 223	-	811 226	651 267	36 545
Term deposits	1 712 280	1 153 293	1 444 060	2 040 140	-
Others	195 311	-	-	2 951 505	274 358
Off-balance sheet	758 996	-	15	119	1 145
Total	3 015 811	1 153 293	2 255 301	5 643 031	312 048
GAP (Assets - Liabilities)	3 519 374	1 825 014	(230 275)	(3 919 200)	1 923 755

The following table presents the interest rate gaps, in financial years 2022 and 2021:

(Euro thousand)

	2022				2021			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate GAP	6 259 599	4 689 134	6 259 599	3 118 670	3 118 670	2 987 559	3 118 670	2 856 447

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2022, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause an increase in the economic value expected from the banking portfolio of circa Euro 50,800 thousand (31 December 2021: decrease of Euro 73,338 thousand).

The following table presents the average interest rates, in relation to Banco Montepio's major asset and liability categories for financial years 2022 and 2021, as well as the respective average balances and interest for the financial year:

(Euro thousand)

	2022			2021		
	Average balance	Average interest rate (%)	Intrest	Average balance	Average interest rate (%)	Intrest
Interest generating assets						
Deposits at central banks and other credit institutions	1 679 870	1,06	18 094	2 195 913	-0,33	(7 414)
Other loans and advances to credit institutions	641 740	0,97	6 302	849 546	0,13	1 129
Loans and advances to customers	11 572 158	1,98	231 736	11 481 378	1,94	225 310
Securities portfolio	4 394 198	0,37	16 580	4 503 759	0,14	6 439
Other assets at fair value	1 182	0,58	7	2 279	0,26	6
Other (including derivatives)	-	-	5 212	-	-	14 561
	18 289 148	**1,50**	**277 931**	**19 032 875**	**1,24**	**240 031**
Interest generating liabilities						
Deposits from ECB	2 889 908	0,27	7 929	2 522 430	-0,92	(23 563)
Deposits from other credit institutions	414 121	0,02	70	973 206	0,15	1 454
Deposits from customers	12 916 747	0,05	7 045	12 539 982	0,08	9 608
Senior debt	1 693 802	1,16	19 958	2 762 186	0,80	22 423
Subordinated debt	216 428	8,81	19 334	216 406	9,09	19 939
Other (including derivatives)	-	-	7 352	-	-	16 386
	18 131 006	**0,34**	**61 688**	**19 014 210**	**0,24**	**46 247**
Net interest income		**1,17**	**216 243**		**1,00**	**193 784**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, as at 31 December 2022 and 2021, is analysed as follows:

Euro thousand)

	2022						
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Other foreign currencies	Total
Assets by currency							
Cash and deposits at central banks	1 372 614	7 508	1 062	460	1 771	386	1 383 801
Loans and advances to credit institutions payable on demand	36 864	35 021	3 863	270	6 237	1 117	83 372
Loans and advances to credit institutions	391 715	5 579	-	-	16	-	397 310
Loans and advances to customers	11 055 212	20 857	-	-	-	66	11 076 135
Financial assets held for trading	9 838	221	-	-	-	-	10 059
Other financial assets at fair value through profit or loss	209 483	-	-	-	-	-	209 483
Other financial assets at fair value through other comprehensive income	93 068	-	-	-	-	-	93 068
Other financial assets at amortized cost	4 534 540	74 474	6 717	-	-	-	4 615 731
Investments in associated companies	324 981	-	-	-	-	-	324 981
Other tangible assets	175 005	-	-	-	-	-	175 005
Intangible assets	46 942	-	-	-	-	-	46 942
Current tax assets	5 722	-	-	-	-	-	5 722
Deferred tax assets	417 557	-	-	-	-	-	417 557
Other assets	599 085	4 751	2	-	-	16	603 854
Total assets	19 272 626	148 411	11 644	730	8 024	1 585	19 443 020
Liabilities by currency							
Deposits from central banks	2 889 991	-	-	-	-	-	2 889 991
Deposits from other credit institutions	359 920	36 681	75	13	104	14	396 807
Deposits from customers	13 019 030	107 779	16 770	23 731	2 305	4 227	13 173 842
Debt securities issued	327 492	-	-	-	-	-	327 492
Financial liabilities related to transferred assets	611 159	-	-	-	-	-	611 159
Financial liabilities held for trading	17 697	-	-	-	-	-	17 697
Provisions	28 623	1	-	-	-	-	28 624
Current tax liabilities	424	-	-	-	-	-	424
Deferred tax liabilities	217 029	-	-	-	-	-	217 029
Other liabilities	241 626	718	77	2 631	665	-	245 717
Total liabilities	17 712 991	145 179	16 922	26 375	3 074	4 241	17 908 782
Exchange forward transactions		(6 290)	4 928	25 485	(4 909)	3 031	
Exchange gap		(3 058)	(350)	(160)	41	375	
Stress Test		612	70	32	(8)	(75)	

(Euro thousand)

	2021						
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Other foreign currencies	Total
Assets by currency							
Cash and deposits at central banks	2 926 574	10 663	1 998	937	3 241	331	2 943 744
Loans and advances to credit institutions payable on demand	22 892	35 339	1 099	23 468	911	531	84 240
Loans and advances to credit institutions	320 958	67 485	-	-	16	-	388 459
Loans and advances to customers	10 955 565	48 464	-	-	-	-	11 004 029
Financial assets held for trading	1 376	-	-	-	-	-	1 376
Other financial assets at fair value through profit or loss	288 340	-	-	-	-	-	288 340
Other financial assets at fair value through other comprehensive income	103 157	-	-	-	-	-	103 157
Hedging derivatives	5 411	-	-	-	-	-	5 411
Other financial assets at amortized cost	3 530 569	-	-	-	-	-	3 530 569
Investments in associated companies	319 648	-	-	-	-	-	319 648
Non-current assets held for sale	47 833	-	-		-		47 833
Other tangible assets	183 798	-	-	-	-	-	183 798
Intangible assets	37 474	-	-	-	-	-	37 474
Current tax assets	6 539	-	-	-	-	-	6 539
Deferred tax assets	470 602	-	-	-	-	-	470 602
Other assets	617 481	30 021	2	-	681	-	648 185
Total assets	19 838 217	191 972	3 099	24 405	4 849	862	20 063 404
Liabilities by currency							
Deposits from central banks	2 892 065	-	-	-	-	-	2 892 065
Deposits from other credit institutions	567 436	30 360	87	14	25	698	598 620
Deposits from customers	12 615 452	116 057	13 714	28 780	2 804	4 667	12 781 474
Debt securities issued	1 215 119	-	-	-	-	-	1 215 119
Financial liabilities related to transferred assets	730 253	-	-	-	-	-	730 253
Financial liabilities held for trading	7 470	-	-	-	-	-	7 470
Hedging derivatives	335	-	-	-	-	-	335
Provisions	27 886	-	-	-	-	-	27 886
Current tax liabilities	561	-	-	-	-	-	561
Deferred tax liabilities	217 265	-	-	-	-	-	217 265
Other liabilities	202 557	1 915	77	2 632	45		207 226
Total liabilities	18 476 399	148 332	13 878	31 426	2 874	5 365	18 678 274
Exchange forward transactions		(22 343)	10 711	6 948	(2 033)	4 805	
Exchange gap		21 297	(68)	(73)	(58)	302	
Stress Test		(4 259)	14	15	12	(60)	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects Banco Montepio's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 31 December 2022, the LCR value was 246.1% (31 December 2021: 260.9%).

As at 31 December 2022, the net stable funding ratio, designated NSFR, stood at 122.7% (31 December 2021: 123.6%).

As at 31 December 2022, Banco Montepio’s financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 889 991	-	1 162 557	-	-	1 727 434
Deposits from other credit institutions	396 807	-	95 799	1 001	-	300 007
Deposits from customers	13 173 842	-	8 350 943	1 129 470	1 390 581	2 302 848
Debt securities issued	327 492	-	-		53	327 439
Financial liabilities associated with transferred assets	611 159	-	-	-	-	611 159
Financial liabilities held for trading	17 697	-	72	215	507	16 903
Other subordinated debt	217 029	-	-	-	10 706	206 323
Other liabilities	245 717	245 717	-	-	-	-
Total liabilities	**17 879 734**	**245 717**	**9 609 371**	**1 130 686**	**1 401 847**	**5 492 113**

As at 31 December 2021, Banco Montepio’s financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 892 065	-	-	-	-	2 892 065
Deposits from other credit institutions	598 620	-	298 613	-	-	300 007
Deposits from customers	12 781 474	-	7 898 694	1 103 629	1 343 738	2 435 413
Debt securities issued	1 215 119	-	3 099	-	751 405	460 615
Financial liabilities associated with transferred assets	730 253	-	-	-	-	730 253
Financial liabilities held for trading	7 470	-	-	(267)	246	7 491
Other subordinated debt	217 265	-	-	-	10 942	206 323
Other liabilities	207 226	207 226	-	-	-	-
Total liabilities	**18 649 492**	**207 226**	**8 200 406**	**1 103 362**	**2 106 331**	**7 032 167**

In the scope of Bank of Portugal Instruction no. 28/2014, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2022 and 2021, on the assets and related collaterals:

(Euro thousand)

Assets	2022			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	5 085 775	-	14 357 245	-
Equity instruments	-	-	197 636	200 289
Debt securities	1 105 221	947 696	3 933 159	3 328 571
Other assets	-	-	1 730 767	-

(Euro thousand)

Assets	2021			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	5 995 075	-	14 068 328	-
Equity instruments	-	-	279 593	279 593
Debt securities	2 111 704	1 889 571	1 869 077	1 715 235
Other assets	-	-	1 876 185	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2022	2021
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	3 207 695	3 390 158
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	5 008 350	5 967 186

The encumbered assets are mostly related to Banco Montepio's funding operations, namely of the ECB, of repo operations, of the issuance of covered bonds and of securitization programs. The type of assets used as collateral for securitization programmes and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repo transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position as at 31 December 2022 and 2021 and reflect the high level of collateralization of the wholesale funding of Banco Montepio. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2022 to Euro 2,554,700 thousand (31 December 2021: Euro 839,871 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2022, amounts to Euro 5,537,174 thousand (31 December 2021: Euro 3,778,297 thousand) with a usage of Euro 2,999,306 thousand (31 December 2021: Euro 2,957,530 thousand):

		(Euro thousand)
	2022	**2021**
Total eligible collateral	**5 930 344**	**4 576 410**
Total collateral in the pool	5 537 174	3 778 297
Collateral outside the pool	393 170	798 113
Used collateral	**3 375 644**	**3 736 539**
Collateral used for ECB	2 999 306	2 957 530
Collateral committed to other financing operations	376 338	779 009
Collateral available for ECB	**2 537 868**	**820 767**
Total available collateral	**2 554 700**	**839 871**

Note: collateral amount considers the applied haircut

As at 31 December 2022, the contractual outflows, not discounted, of financial liabilities, including interest, have the following structure:

(Euro thousand)

	2022							
Liabilities	**Total**	**Cash [1]**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**
Deposits from central banks	2 937 041	-	280 396	890 900	189 571	1 576 174	-	-
Deposits from other credit institutions	397 176	95 798	-	1 036	28	57	112 650	187 607
Deposits from customers	13 188 976	6 697 559	1 655 564	1 125 271	1 413 582	1 252 560	1 022 520	21 920
Debt securities issued	329 421	-	-	-	410	329 011	-	-
Financial liabilities associated with transferred assets	254 072	87	11 337	11 441	22 289	40 483	82 389	86 046
Financial liabilities held for trading	17 698	17 698	-	-	-	-	-	-
Other subordinated debt	375 130	-	162	15 250	4 182	20 957	73 967	260 612
Other liabilities	274 766	-	274 766	-	-	-	-	-
Total liabiities	**17 774 280**	**6 811 142**	**2 222 225**	**2 043 898**	**1 630 062**	**3 219 242**	**1 291 526**	**556 185**

[1] Includes trading liabilities, including derivatives, considered at fair value.

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2022 and 2021, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

		(Euro thousand)
	2022	**2021**
Real estate received in recovery of credit	304 021	437 575
Investment units in real estate funds	136 942	216 979
	440 963	654 554
Stress test	(44 096)	(65 455)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Division exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

Regarding operational risk monitoring as at 31 December 2022, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Division.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

The Crisis Management Office, which is responsible for the management of the crisis, for the management and execution of the Operational Continuity Plans and for the coordination of the business recovery teams, remained in operation, overseeing the operational continuity and monitoring of the recovery of the business.

Banco Montepio had always followed a conservative strategy that had as its main principle the safeguarding of the safety and health of its Customers and its Employees.

Pension Fund risk

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

Regular analysis and monitoring of Banco Montepio’s Pension Fund management is carried out by the Pension Fund Monitoring Commission. In addition, the Risk Division ensures the production of monthly reports with the evolution of the market value of the Pension Fund’s portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's “QIS Pension Funds” studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Within the scope of emerging risks, among which ESG risks stand out, the Bank is implementing its own framework for the management of these risks, ensuring their interconnection with credit, market, liquidity, operational and real estate risks, among others. Within the scope of this framework, the Management and Supervisory bodies will monitor the current and prospective evolution of the institution's risk profile to these risks. It should be noted that, within the scope of the review of the Bank's risk appetite for the year 2022, KRI's have already been included to regulate the exposure to ESG risks (namely, climatic risks).

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

Banco Montepio does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at Banco Montepio has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and the Bank of Portugal add-ons of in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Committee, Audit Committee and Board of Directors, as well as the Bank's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Bank level, as well as of the entities that assume the risk management function, lies with the Risk Division. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Division carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;

- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Division, together with the first-line organic units.

The own funds of Banco Montepio are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council and Notice no. 10/2017 of the Bank of Portugal. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

  - Level 1 Core Own Funds or Common Equity Tier 1 (CET1): this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings, if existing, is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. The book value of the amounts related to goodwill, if existing, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles no. 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 and 2022. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. As part of the implementation of the requirements defined in Regulation (EU) no. 575/2013, a transition period was defined to allow for a gradual recognition of some deductions, with, as at this reference date, only the transitory plan applicable to deferred tax assets that do not depend on future profitability, in the balance sheet as at 1 January 2014, being maintained. This plan permits a gradual recognition of the amount subject to deduction determined, with same amounting to 80% in 2022. With the revision of Regulation (EU) no. 575/2013, of 27 June 2019, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. Additionally, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This prudential reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties according to their ageing on the balance sheet. Regarding property portfolios received in recovery of credit and investment properties, the Bank considered, in 2022, a specific prudential deduction of Euro 19,468 thousand (with an impact of 24 basis points on CET1). This impact resulted from the update of the internal haircut policy, applied to the balance sheet value of the aforementioned portfolios, taking into account the ageing of the respective properties in the Bank's assets.

- Level 1 Own Funds or Tier 1 (T1): includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Bank of Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which Banco Montepio does not hold full ownership, if they exist, are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.

- Level 2 Own Funds or Tier 2 (T2): includes capital equivalent instruments, which conditions are in accordance with article 63 of Regulation (EU) no. 575/2013 and that have been approved by the Bank of Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which Banco Montepio does not hold full ownership, if they exist, are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Total Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250.0% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100.0% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. Therefore, as at 31 December 2022, Banco Montepio recognized prudentially 75% of the initial impact related to the adoption of IFRS 9, and in 2023 the impact will be fully recognized.

With the entry into force of Regulation 2020/873 of the European Parliament and Council, the dynamic component of the transitional plan applied to IFRS 9 impacts was revised, with the introduction of an additional plan regarding the impacts of increased IFRS 9 impairment occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 25% in 2022, 50% in 2023, 75% in 2024 and 100% in 2025.

As referred, the effects of the regulations related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the adoption of IFRS 9 are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1 of 6.0% for Tier 1 and 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions). For 2022, the Bank of Portugal defined a Counter-Cyclical Reserve of 0% for exposures to Portuguese non-financial companies. However, taking into account the geographic dispersion of its exposures and capital requirements, Banco Montepio, as at 31 December 2022, had a Counter-Cyclical Reserve of 0.004%. Regarding the Conservation Reserve, its value is 2.5%. Pursuant to these provisions, as at 31 December 2022 and 2021, the Common Equity Tier 1, Tier 1 and Total regulatory ratios were 7.0%, 8.5% and 10.5%, respectively.

The summary of the calculation of Banco Montepio's capital requirements as at 31 December 2022 and 2021, under phase-in, is presented as follows:

(Euro thousand)

	2022	2021
Capital Common Equity Tier 1		
Realized share capital	2 420 000	2 420 000
Net income/(loss), reserves and retained earnings	(885 762)	(1 034 866)
Other regulatory adjustments	(372 635)	(235 732)
	1 161 603	1 149 402
Capital *Tier 1*	1 161 603	1 149 402
Capital *Tier 2*		
Subordinated loans	206 323	206 323
	206 323	206 323
Total own funds	1 367 926	1 355 725
Own funds requirements		
Credit risk	513 972	565 222
Market risk	4 048	-
Operating risk	42 283	43 624
Other requirements	35 542	40 700
	595 845	649 546
Prudential Ratios		
Common Equity Tier 1 Ratio	15,60%	14,16%
Tier 1 Ratio	15,60%	14,16%
Total Capital Ratio	18,37%	16,70%

It should be noted that the ratios, as at 31 December 2022 and 2021, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 29.

According to information disclosed by Banco Montepio, the General Meeting held on 10 February 2023 decided unanimously on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory classification as distributable, aiming at covering negative retained earnings, by reducing the share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value. This change will not have an impact on the Institution's own funds since it does not imply changes in the Bank's net equity. Below is the proforma summary of the capital requirements calculations considering this change:

(Euro thousand)

	2022 Pro forma
Capital Common Equity Tier 1	
Realized share capital	1 210 000
Net income/(loss), reserves and retained earnings	324 238
Other regulatory adjustments	(372 635)
	1 161 603
Capital Tier 1	1 161 603
Capital Tier 2	
Subordinated loans	206 323
	206 323
Total own funds	1 367 926
Own funds requirements	
Credit risk	513 972
Market risk	4 048
Operating risk	42 283
Other requirements	35 542
	595 845
Prudential ratios	
Common Equity Tier 1 Ratio	15.60%
Tier 1 Ratio	15.60%
Total Capital Ratio	18.37%

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 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 five-year period. If Banco Montepio did not apply this transitional plan, as well as the recent transitional plan defined in Regulation (EU) no. 2020/873, to the impacts arising from the adoption of IRFS 9, Banco Montepio's prudential ratios as at 31 December 2022 and 2021 would be:

(Euro thousand)

	2022	2021
Capital Common Equity Tier 1	1 130 218	1 060 884
Capital Tier 1	1 130 218	1 060 884
Total own funds	1 336 541	1 267 207
Own funds requirements	593 334	642 982
Prudential ratios		
Common Equity Tier 1 Ratio	15.24%	13.20%
Tier 1 Ratio	15.24%	13.20%
Total Capital Ratio	18.02%	15.77%

If only the transitional plan applied to the initial impacts of the adoption of IFRS 9 was considered, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2022 and 2021, would be:

(Euro thousand)

	2022	2021
Capital Common Equity Tier 1	1 143 667	1 125 713
Capital Tier 1	1 143 667	1 125 713
Total own funds	1 349 990	1 332 036
Own funds requirements	594 677	647 995
Prudential ratios		
Common Equity Tier 1 Ratio	15.39%	13.90%
Tier 1 Ratio	15.39%	13.90%
Total Capital Ratio	18.16%	16.45%

50 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2022, for annual periods beginning on 1 January 2022:

1. The impact of the adoption of the new standards and amendments to standards that became effective as of 1 January 2022 is as follows:

a) IFRS 16 (amendment) 'Leases – COVID-19 related rent concessions beyond 30 June 2021'. This amendment extends the date of application of the IFRS 16 – 'Leases – COVID-19 related rent concessions' amendment from 30 June 2021 to 30 June 2022, allowing to recognise rent concessions related to COVID-19 as variable lease payments, and not as a modification to the lease. The conditions of application of the practical expedient remain, and the extension of the practical expedient can only be applied by the lessees who applied the previous practical expedient.

b) IAS 16 (amendment), 'Proceeds before intended use'. This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant, and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives.

c) IAS 37 (amendment), 'Onerous Contracts – Cost of Fulfilling a Contract'. This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives.

d) IFRS 3 (amendment), 'Reference to the Conceptual framework'. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus within a business combination. This amendment is applied prospectively.

e) Annual Improvements 2018-2020. The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

These amendments had no material impact on the financial statements of Banco Montepio.

2. Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2023, already endorsed by the European Union:

a) IAS 1 (amendment), 'Disclosure of accounting policies' (effective for annual periods beginning on or after 1 January 2023). Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures.

b) IAS 8 (amendment), 'Disclosure of accounting estimates" (effective for annual periods beginning on or after 1 January 2023). This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s).

c) IFRS 17 (new and amendment), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts or investment contracts with discretionary participation in profit or loss if the entity issues insurance contracts. Under IFRS 17, insurers need to assess if a policy holder can benefit from a particular service as part of a claim or if the service is independent of the claim/risk event and do the unbundling of the non-insurance component. Under IFRS 17, the entities will need to identify portfolios of insurance contracts at initial recognition and divide them into a minimum of the following groups: i) contracts that are onerous at inception; ii) contracts that have no significant possibility of becoming onerous subsequently; and iii) remaining contracts in the portfolio. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. IFRS 17 requires a company to recognise profits as it delivers insurance services (rather than when it receives premiums), and to provide information about insurance contract profits the company expects to recognise in the future. IFRS 17 provides three measurement approaches for the accounting of different types of insurance contracts: i) General Measurement Model (GMM); ii) the Premium Allocation Approach (PAA), and iii) the Variable Fee Approach (VFA). IFRS 17 is applied retrospectively with some exemptions as at the transition date.

d) IFRS 17 (amendment), 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (effective for annual periods beginning on or after 1 January 2023). This amendment relates only to insurers' transitioning to IFRS 17 and allows the adoption of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. This amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when applying IFRS 17 for the first time, providing for (i) the application on a financial asset-by-financial asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

e) IAS 12 (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction' (effective for annual periods beginning on or after 1 January 2023). IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This applies to the recognition of i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are not in the scope of the initial recognition exemption for deferred taxes. This amendment is applied retrospectively.

Banco Montepio does not anticipate any significant impact derived from the application of these amendments to its financial statements.

3. Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2023, but are not yet endorsed by the European Union:

a) IAS 1 (amendment), 'Non-current liabilities with covenants' (effective for annual periods beginning on or after 1 January 2024). This amendment is still subject to endorsement by the European Union. This amendment clarifies that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. It clarifies also that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance date; and c) the facts and circumstances that indicate the entity may have difficulty complying with covenants when it is required to do so. This amendment is applied retrospectively.

b) IFRS 16 (amendment), 'Lease liability in a sale and leaseback' (effective for annual periods beginning on or after 1 January 2024). This amendment is still subject to endorsement by the European Union. The amendment introduces guidance for the subsequent measurement of lease liabilities, in the scope of sale and leaseback transactions that qualify as "sales" under IFRS 15, with higher impact when some or all the lease payments are variable lease payments that do not depend on an index or rate. Whilst subsequently measuring lease liabilities, seller-lessees determine "lease payments" and "revised lease payments" in a way that does not result in the seller-lessees recognizing any gains/(losses) relating with the right of use that they retain. This amendment is applied retrospectively.

Banco Montepio does not anticipate any significant impact derived from the application of these amendments to its financial statements.

New standards summary

Description	Changes	Effective-date
1. Standards (new and amendments) effective as at 1 January 2022 1 January 2022		
IFRS 16 - Leases – COVID-19 related rent concessions beyond 30 June 2021	Extension of the application period for the exemption in the recognition of rent concessions granted by lessors related to COVID-19, as lease modifications, until 30 June 2022.	1 April 2021
IAS 16 - Proceeds before intended use	Prohibition of deducting the proceeds obtained from the sale of items produced during the testing phase, to the acquisition cost of property, plant, and equipment.	1 January 2022
IAS 37 - Onerous contracts – cost of fulfilling a contract	Clarification about the nature of the expenses to be considered in determining whether a particular contract has become onerous,	
IFRS 3 - References to the Conceptual framework	Update to references to the Conceptual Framework and clarification on the registration of provisions and contingent liabilities within the scope of a business combination,	
Annual improvements to the 2018-2020 standards.	Specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	
2. Standards (new and amended)that will become effective, on or after 1 January 2023, already endorsed by the EU		
IAS 1 – Disclosure of accounting policies	Disclosure requirement for “material” accounting policies, rather than “significant” accounting policies	1 January 2023
IAS 8 – Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	
IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.	
IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for decommissioning / related asset, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes.	
3. Standards (new and amended) that will become effective, on or after 1 January 2023, not yet endorsed by the EU		
IAS 1 – Non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity’s right to defer its settlement for at least 12 months after the reporting date, when subject to covenants.	1 January 2024
IAS 16 – Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable.	

51 Transfer of assets

Banco Montepio carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of Banco Montepio, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from Banco Montepio are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same. These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the fund has as main responsibilities to:

- Define the objective of the fund; and
- Manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which Banco Montepio holds minority positions, incorporate companies under Portuguese law in order to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by Banco Montepio, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, Banco Montepio subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where Banco Montepio has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end; and
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, Banco Montepio, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, Banco Montepio derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousands)

	2022			2021		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Fundo de Reestruturação Empresarial, FCR	21 549	21 590	41	21 549	21 590	41
	49 406	64 714	15 308	49 406	64 714	15 308

As at 31 December 2022 and 2021, the assets received under these operations are as follows:

(Euro thousands)

	2022	2021
	Senior securities	
Fundo Vega, FCR	22 196	23 985
Fundo de Reestruturação Empresarial, FCR	4 634	4 790
	26 830	28 775

Although the subordinated securities are fully provided against, Banco Montepio also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

52 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Bank of Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, Banco Montepio is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal based, among others, on the amount of its liabilities. As at 31 December 2022, the periodic contribution made by Banco Montepio amounted to Euro 4,707 thousand (31 December 2021: Euro 4,357 thousand), based on a contribution rate of 0.060%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Bank of Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Bank of Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco's status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million.

On 23 December 2021, the Resolution Fund made the payment of Euro 112 million, after having obtained all analyses from a financial, economic and legal point of view, which was pending verification in June 2021 and was already provided against.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

The Decision was subject to appeal to the Court of Competition, Regulation and Supervision by all parties concerned, including Banco Montepio. The lodging of an appeal would determine the suspension of the obligation to pay the fine until the decision had become final provided the request was lodged for the suspension of the obligation to provide a guarantee, in an amount to be set by the court, which decision is awaited.

In like manner to various other institutions charged and that have publicly announced this intention, Banco Montepio challenged this Decision judicially on 21 October 2019.

Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to the suspension of the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that court, that decided to accept same, and the consequent suspension of the obligation referred to above.

The discussion and judgment hearing began in October 2021. At the conclusion of the hearing, and as requested by Banco Montepio and other defendants, the Court of Competition, Regulation and Supervision (TCRS) decided to suspend the proceedings and refer two preliminary questions to the Court of Justice of the European Union (CJEU), under article 267 of the Treaty on the Functioning of the European Union (TFEU). A decision is awaited from the CJEU, after which the TCRS will issue a sentence in accordance with such decision.

Considering all the relevant circumstances, arising from the appeal lodged by Banco Montepio as well as by the other defendant banks, it is considered that there is a serious and significant probability that the fine applied to Banco Montepio will likely be annulled.

We are not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the relevant circumstances, it is considered that the chances of success of any legal actions that might be brought against Banco Montepio based on the Decision would be reduced.

Bank of Portugal

As at 31 December 2022, the Bank has been the subject of several administrative offense processes instituted by the Bank of Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, in an amount of possible fines of approximately Euro 1.6 million.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Division and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For some of these processes, the Bank of Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine. Other processes are still in a preliminary phase, with the evidence requested by the defendants still not having been produced, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions attributed to it.

Thus, the Board of Directors admits as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to many of the infractions that are attributed to it, even though the respective risk of conviction still exists, in relation to some of the imputed infractions, but not exceeding, however, the amount of provisions recognized by the Bank as at 31 December 2022.

53 Subsidiaries and associates and Non-current assets held for sale of Banco Montepio

As at 31 December 2022, the companies directly or indirectly held by Banco Montepio are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group: % of control	Group: % of effective part	Bank: % of direct part
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	Euro	Managements of shareholding	100,00%	100,00%	100,00%

Subsidiary	Head office	Share capital	Activity
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	São Miguel Island	10 000 000	Accomodation, catering and similar/hotels with restaurant
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate
CESource, ACE	Lisbon	-	Management of IT systems

The liquidation of Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. – In Liquidation was completed on 30 September 2022.

As at 31 December 2021, the companies directly or indirectly held by Banco Montepio are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group		Bank
					% of control	% of effective part	% of direct part
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - In Liquidation	Praia	992 000 000	Cape Verde Escudo	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Porto	175 000 000	Euro	Managements of shareholding	100.00%	100.00%	100.00%

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	São Miguel Island	10 000 000	Accomodation, catering and similar/hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	26.00%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

As at 31 December 2022 and 2021, Banco Montepio held investment units in investment funds as follows:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

54 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format, as follows, with reference to 31 December 2022:

Credit quality of restructured exposures

(Euro thousands)

	Gross carrying amount of exposures subject to restructuring measures				Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Collateral and financial guarantees received on restructed exposures	
	About productive restructured exhibitions	About non-productive restructured exhibitions			About productive restructured exhibitions	About non-productive restructured exhibitions		Of which, collateral and financial guarantees received on non-productive exposures with restructuring measures
			Of which, in default	Of which, in situations of impairment				
Loans and advances	**122 238**	**390 774**	**390 774**	**390 774**	**(4 524)**	**(157 869)**	**296 756**	**197 578**
General govermments	-	2 356	2 356	2 356	-	(250)	-	-
Other financial companies	38	65 295	65 295	65 295	(2)	(32 027)	26 680	26 659
Non-financial corporations	77 382	270 647	270 647	270 647	(3 473)	(106 778)	198 471	139 803
Households	44 818	52 476	52 476	52 476	(1 049)	(18 814)	71 605	31 116
Loans commitments given	47	326	326	326	(1)	-	-	-
	122 285	**391 100**	**391 100**	**391 100**	**(4 525)**	**(157 869)**	**296 756**	**197 578**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousands)

	Grosss carrying amount											
	Productive exhibitions			Non-productive exhibitions								
		No late or lat <= 30 days	Overdue >30 days <= 90 days		Reduce probbility of payment that is not overdue or overdue for <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Overdue > 1 year <= 2 years	Overdue > 2 years <= 5 years	Overdue > 5 years <= 7 years	Overdue > 7 years	Of which, in default
Loans and advances	**12 238 408**	**12 210 313**	**28 094**	**565 868**	**326 428**	**16 492**	**26 251**	**54 401**	**42 035**	**12 248**	**88 013**	**565 868**
Central banks	1 285 033	1 285 033	-	-	-	-	-	-	-	-	-	-
General govermments	101 432	101 432	-	2 356	-	-	-	2 356	-	-	-	2 356
Credit institutions	430 918	430 918	-	-	-	-	-	-	-	-	-	-
Other financial companies	421 507	421 507	-	67 043	19 334	144	1 331	34 028	11 842	-	364	67 043
Non-financial corporations	3 788 828	3 779 361	9 466	399 263	236 621	11 955	17 585	11 460	27 081	10 541	84 020	399 263
Of which SME s	3 302 059	3 292 593	9 466	380 638	218 182	11 780	17 585	11 449	27 081	10 541	84 020	380 638
Households	6 210 690	6 192 062	18 628	97 206	70 473	4 393	7 335	6 557	3 112	1 707	3 629	97 206
Debt securities	**5 026 097**	**5 026 097**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
General govermments	4 131 267	4 131 267	-	-	-	-	-	-	-	-	-	-
Other financial companies	555 836	555 836	-	33 000	-	-	-	-	33 000	-	-	33 000
Non-financial corporations	338 994	338 994	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**2 219 664**	**-**	**-**	**77 755**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General govermments	5 760	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	281 985	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	175 343	-	-	10	-	-	-	-	-	-	-	-
Non-financial corporations	1 273 628	-	-	74 667	-	-	-	-	-	-	-	-
Households	482 948	-	-	3 078	-	-	-	-	-	-	-	-
	19 484 169	**17 236 410**	**28 094**	**676 623**	**326 428**	**16 492**	**26 251**	**54 401**	**75 035**	**12 248**	**88 013**	**598 868**

Credit quality of productive and non-performing exposures and respective provisions

(Euro housands)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions						Collateral and financial guarantees received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Deduction of accumulated partial assets	About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 2	Of which, stage 3		Of which, stage 3			
Loans and advances	**12 238 408**	**10 219 185**	**2 018 939**	**565 868**	**565 735**	**(89 965)**	**(26 466)**	**(63 500)**	**(238 074)**	**(238 074)**	**(128 448)**	**8 463 822**	**267 875**
Central banks	1 285 033	1 285 033	-	-	-	-	-	-	-	-	-	-	-
General govermments	101 432	99 400	2 031	2 356	2 356	(231)	(115)	(116)	(250)	(250)	(250)	6 564	-
Credit institutions	430 918	430 901	17	-	-	(1 356)	(1 356)	-	-	-	-	-	-
Other financial companies	421 507	419 735	1 772	67 043	67 043	(5 129)	(5 049)	(81)	(32 531)	(32 531)	(600)	75 551	27 724
Non-financial corporations	3 788 828	2 783 333	1 005 212	399 263	399 130	(58 306)	(16 342)	(41 964)	(166 610)	(166 610)	(127 598)	2 546 342	189 209
Of which SME s	3 302 059	2 444 227	857 549	380 638	380 505	(52 516)	(14 453)	(38 062)	(159 074)	(159 074)	(99 598)	2 335 750	187 509
Households	6 210 690	5 200 783	1 009 907	97 206	97 206	(24 943)	(3 604)	(21 339)	(38 683)	(38 683)	-	5 835 365	50 942
Debt securities	**5 026 097**	**4 984 221**	**8 106**	**33 000**	**33 000**	**(8 314)**	**(7 302)**	**(1 013)**	**(14 272)**	**(14 272)**	**-**	**3 699**	**-**
General govermments	4 131 267	4 131 267	-	-	-	(6 143)	(6 143)	-	-	-	-	-	-
Other financial companies	555 836	519 802	2 265	33 000	33 000	(455)	(85)	(371)	(14 272)	(14 272)	-	-	-
Non-financial corporations	338 994	333 152	5 841	-	-	(1 716)	(1 074)	(642)	-	-	-	3 699	-
Off-balance sheet exposures	**2 219 665**	**1 846 950**	**372 714**	**77 755**	**77 755**	**(10 461)**	**(4 558)**	**(5 901)**	**(8 852)**	**(8 852)**	**-**	**-**	**-**
General govermments	5 760	5 735	25	-	-	(11)	(10)	-	-	-	-	-	-
Credit institutions	281 985	148 736	133 249	-	-	(564)	(12)	(552)	-	-	-	-	-
Other financial companies	175 343	168 117	7 226	10	10	(43)	(6)	(37)	-	-	-	-	-
Non-financial corporations	1 273 628	1 070 263	203 365	74 667	74 667	(7 880)	(3 123)	(4 756)	(8 847)	(8 847)	-	-	-
Households	482 949	454 099	28 849	3 078	3 078	(1 963)	(1 407)	(556)	(5)	(5)	-	-	-
	19 484 170	**17 050 356**	**2 399 759**	**676 623**	**676 490**	**(108 740)**	**(38 326)**	**(70 414)**	**(261 198)**	**(261 198)**	**(128 448)**	**8 467 521**	**267 875**

This caption, as at 31 December 2021, is presented as follows:

Credit quality of restructured exposures

(Euro thousands)

	Gross carrying amount of exposures subject to restructuring measures				Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Collateral and financial guarantees received on restructed exposures	
	About productive restructured exhibitions	About non-productive restructured exhibitions			About productive restructured exhibitions	About non-productive restructured exhibitions		Of which, collateral and financial guarantees received on non-productive exposures with restructuring measures
			Of which, in default	Of which, in situations of impairment				
Loans and advances	**59 767**	**537 968**	**537 968**	**537 968**	**(2 188)**	**(250 354)**	**270 609**	**228 781**
Other financial companies	359	48 324	48 324	48 324	(23)	(12 119)	36 362	36 194
Non-financial corporations	31 357	406 380	406 380	406 380	(1 729)	(207 612)	159 366	141 940
Households	28 051	83 264	83 264	83 264	(436)	(30 623)	74 881	50 647
Loans commitments given	280	398	398	398	(2)	(17)	-	-
	60 047	**538 366**	**538 366**	**538 366**	**(2 190)**	**(250 371)**	**270 609**	**228 781**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousands)

	Grosss carrying amount											
	Productive exhibitions			Non-productive exhibitions								
		No late or lat <= 30 days	Overdue >30 days <= 90 days		Reduce probbility of payment that is not overdue or overdue for <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Overdue > 1 year <= 2 years	Overdue > 2 years <= 5 years	Overdue > 5 years <= 7 years	Overdue > 7 years	Of which, in default
Loans and advances	**13 519 607**	**13 491 866**	**27 741**	**891 952**	**507 425**	**11 850**	**28 617**	**75 008**	**113 328**	**80 714**	**75 010**	**891 952**
Central banks	2 857 815	2 857 815	-	-	-	-	-	-	-	-	-	-
General govermments	104 408	104 408	-	-	-	-	-	-	-	-	-	-
Credit institutions	405 404	405 404	-	-	-	-	-	-	-	-	-	-
Other financial companies	284 495	284 494	2	49 571	49 504	1	-	19	47	-	-	49 571
Non-financial corporations	3 603 125	3 595 573	7 551	676 474	342 917	6 438	22 712	66 947	100 690	72 193	64 577	676 474
Of which SME s	3 161 710	3 154 170	7 540	646 797	313 298	6 438	22 710	66 892	100 688	72 193	64 577	646 797
Households	6 264 360	6 244 172	20 188	165 907	115 004	5 411	5 905	8 042	12 591	8 521	10 433	165 907
Debt securities	**3 972 012**	**3 972 012**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
General govermments	3 019 871	3 019 871	-	-	-	-	-	-	-	-	-	-
Other financial companies	595 339	595 339	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	356 802	356 802	-	33 000	-	-	-	-	33 000	-	-	33 000
Off-balance sheet exposures	**2 142 769**	**-**	**-**	**81 433**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General govermments	2 676			-								-
Credit institutions	295 625			-								-
Other financial companies	246 403			5								-
Non-financial corporations	1 111 929			78 790								-
Households	486 136			2 638								-
	19 634 388	**17 463 878**	**27 741**	**1 006 385**	**507 425**	**11 850**	**28 617**	**75 008**	**146 328**	**80 714**	**75 010**	**924 952**

Credit quality of productive and non-performing exposures and respective provisions

(Euro thousands)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions						Collateral and financial guarantees and received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Deduction of accumulated partial assets	About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 1	Of which, stage 1		Of which, stage 3			
Loans and advances	**13 519 607**	**11 627 439**	**1 891 057**	**891 952**	**891 039**	**(92 250)**	**(30 423)**	**(61 828)**	**(392 464)**	**(392 464)**	**(198 495)**	**8 231 154**	**393 710**
Central banks	2 857 815	2 857 815	-	-	-	-	-	-	-	-	-	-	-
General govermments	104 408	103 280	1 128	-	-	(579)	(398)	(181)	-	-	-	512	-
Credit institutions	405 404	405 404	-	-	-	(2 094)	(2 094)	-	-	-	-	-	-
Other financial companies	284 495	282 528	1 967	49 571	49 571	(4 114)	(4 018)	(97)	(12 198)	(12 198)	-	14 734	37 246
Non-financial corporations	3 603 125	2 556 402	1 045 612	676 474	675 686	(68 122)	(21 237)	(46 885)	(319 891)	(319 891)	(198 495)	2 339 658	260 170
Of which SME s	3 161 710	2 285 636	875 323	646 797	646 009	(57 498)	(19 251)	(38 247)	(306 167)	(306 167)	-	2 154 140	254 084
Households	6 264 360	5 422 010	842 350	165 907	165 782	(17 341)	(2 676)	(14 665)	(60 375)	(60 375)	-	5 876 250	96 294
Debt securities	**3 972 012**	**3 931 295**	**11 859**	**33 000**	**33 000**	**(9 958)**	**(8 700)**	**(1 259)**	**(14 272)**	**(14 272)**	**-**	**6 086**	**-**
General govermments	3 019 871	3 019 871	-	-	-	(4 730)	(4 730)	-	-	-	-	-	-
Other financial companies	595 339	563 995	2 487	-	-	(750)	(1)	(750)	-	-	-	-	-
Non-financial corporations	356 802	347 429	9 372	33 000	33 000	(4 478)	(3 969)	(509)	(14 272)	(14 272)	-	6 086	-
Off-balance sheet exposures	**2 142 770**	**1 755 861**	**386 907**	**81 433**	**81 433**	**(6 806)**	**(3 377)**	**(3 428)**	**(9 270)**	**(9 260)**	**-**	**-**	**-**
General govermments	2 676	2 664	12	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	295 625	142 957	152 668	-	-	-	-	-	-	-	-	-	-
Other financial companies	246 403	238 599	7 804	5	5	(156)	(4)	(152)	-	-	-	-	-
Non-financial corporations	1 111 929	925 532	186 396	78 790	78 790	(5 219)	(2 645)	(2 573)	(9 235)	(9 225)	-	-	-
Households	486 137	446 109	40 027	2 638	2 638	(1 430)	(727)	(703)	(35)	(35)	-	-	-
	19 634 389	**17 314 595**	**2 289 823**	**1 006 385**	**1 005 472**	**(109 014)**	**(42 500)**	**(66 515)**	**(416 006)**	**(415 996)**	**(198 495)**	**8 237 240**	**393 710**

55 Relevant facts

Election of Corporate Bodies

The General Assembly of Banco Montepio, in its annual session of 29 April 2022, proceeded to elect new members of the corporate bodies for the term of office 2022-2025.

Following the final endorsement granted by the Bank of Portugal, the composition of the corporate bodies of Banco Montepio was changed, namely the Presiding Board of the General Meeting, the Board of Directors and the Audit Committee, and took office on 25 July 2022.

56 Subsequent events

Banco Montepio analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (adjusting events);
- Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events occurring after the balance sheet date).

Events occurring after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

With a view to achieving the strategic objectives of the Banco Montepio Group ("BMG"), namely the simplification of the Group's structure and governance and the improvement of the operating model, the Board of Directors of Banco Montepio decided to integrate the activity of Banco Empresas Montepio (BEM) - 100% owned by Montepio Holding, SGPS, S.A. which, in turn, has Banco Montepio as its sole shareholder -, which will make it possible to simplify, on the one hand, the approach to the corporate segment, gaining synergies and leveraging the learning and results of the commercial and investment banking model through the unification of the relationship, as well as making the BMG governance structure less complex. This integration will also make it possible to align the retail banking customer portfolio criteria with market practices, consolidating its structure with the ongoing adjustment in Banco Montepio and converging towards the sector's benchmark.

This process began with the deliberation of the Board of Directors of Banco Montepio, adopted in August 2022, to integrate BEM, including the transfer of all its assets, liabilities and operations, on which date the execution of a merger by incorporation was considered for the first time. In December 2022, the operational integration model was approved and the possibility of selling BEM's banking license (after the carve-out of all activity) was addressed.

Change in share capital

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version issued in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.


Banco Montepio

DECLARATION OF CONFORMITY

DECLARATION OF CONFORMITY

This declaration is issued under the terms of paragraph c) of no. 1 of article 245 and the current paragraph c) of no. 1 of article 29-G of the Securities Code approved by Decree-Law no. 486/99, of 13 November, in the wording introduced by Law No. 99-A/2021, of 31 December.

It is the responsibility of the Board of Directors to prepare the management report and the financial statements, presenting, in a true and appropriate manner, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), the result of operations as well as the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system to prevent and detect any errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- All individual and consolidated financial information contained in the accounting documents, with reference to 31 December 2022, was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of Banco Montepio and the companies included in the consolidation perimeter;
- The management report truly exposes the evolution of the business, the performance and the position of the Institution and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties they face.

BOARD OF DIRECTORS

Chairman	Manuel Ferreira Teixeira
Members	Clementina Maria Dâmaso de Jesus Silva Barroso
	Eugénio Luís Correia Martins Baptista
	Florbela dos Anjos Frescata Lima
	Maria Cândida de Carvalho Peixoto
	Maria Lúcia Ramos Bica
	Pedro Manuel Moreira Leitão
	Ângela Isabel Sancho Barros
	Helena Catarina Gomes Soares de Moura Costa Pina
	Isabel Cristina dos Santos Pereira da Silva
	Jorge Paulo Almeida e Silva Baião
	José Carlos Sequeira Mateus

Lisbon, 12 April 2023

Banco Montepio

REPORTS AND OPINION OF THE SUPERVISORY BODY

Banco Montepio

ACTIVITY REPORT

Audit Committee

2022

Valores que
crescem consigo.

Table of Contents

Activity of the Audit Committee in 2022

1. Framework

The current Audit Committee ("CAUD") of Caixa Económica Montepio Geral, caixa económica bancária S.A. ("CEMG | BM"), was appointed for the term 2022-2025 by the General Shareholders' Meeting held on 29 April 2022 and after the completion of the fit and proper process and the authorisation granted by Banco de Portugal ("BdP"), and began its functions on 25 July 2022.

CAUD, in compliance with item f) of paragraph 3 of Article 17 of the Articles of Association of CEMG | BM, reflected in item c) of paragraph 2 of Article 2 of its Regulations, approved at its meeting of 27 July 2022 and at the meeting of the Board of Directors (BD) on the following 29 July[13], prepares the annual report on its supervisory action during 2022.

2. Composition

Between 1 January and 24 July 2022, the composition of the Audit Committee (formerly "CAD") was as follows:

- Manuel Ferreira Teixeira (Chairman);
- Amadeu Ferreira de Paiva;
- Vítor Manuel do Carmo Martins;
- Carlos Francisco Ferreira Alves;
- José da Cunha Nunes Pereira.

On 25 July 2022, the new governing bodies of Banco Montepio took office for the term 2022-2025, namely CAUD as the Supervisory Body.

The current composition of the body is as follows:

- Professor Clementina Maria Dâmaso de Jesus Silva Barroso (Chairman);
- Florbela dos Anjos Frescata Lima;
- Maria Lúcia Ramos Bica;
- Maria Cândida de Carvalho Peixoto.

A normal transition process took place between the previous and current CAUD, with all the relevant information on the matters being monitored being duly passed on, which enabled the normal monitoring and control activity of the body to be maintained without disruption.

[13] The CAUD Regulations were revised by this Committee on 20 December 2022, and this review was submitted for approval by the Board of Directors on 22 December 2022. The review focused exclusively on the inclusion of the possibility of taking telematic deliberations by CAUD.

As part of the plan for the transition of the bodies, a formal handover meeting was held on 27 July 2022, which was attended by the current members of the CAUD and the former Chairman of the former Audit Committee, Manuel Ferreira Teixeira.

As the former Chairman of the CAD, in the present term of office as Chairman of the BD, the transition between the two bodies, in particular from the CAD to the CAUD was an ongoing process, which did not end at the formal meeting held as part of the transition plan, but allowed for close monitoring at the beginning of the term of office.

Also at the beginning of CAUD's functions, framework meetings were held with the statutory auditors, *PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda*. (hereinafter “PwC”), in order to obtain information regarding ongoing work.

3. Responsibilities and Competencies

The CAUD of CEMG | BM has responsibilities at the level of Banco Montepio Group (“GBM”), and is equipped with the necessary skills to fulfil its responsibilities, taking into account the requirements of knowledge, competence and independence, in accordance with the applicable regulations. In the exercise of its powers, CAUD has access to all the entities of the Banco Montepio Group, in particular to the areas of internal control and external auditors.

In addition to the powers legally conferred on the supervisory body, under the terms of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the Commercial Companies Code (“CSC”) and other applicable regulations, as well as under the terms of the Articles of Association of the CEMG | BM, the powers of CAUD are established in Article 2 of the respective Regulations, namely:

General competencies:

a) Supervise the management of Banco Montepio;
b) Monitor compliance with applicable legal and regulatory provisions and the Articles of Association;
c) Prepare an annual report on CAUD's supervisory action;
d) Convene the General Meeting when the Chairman of the respective Meeting, due to do so, does not;
e) Contract the provision of expert services to assist one or more of its members in the exercise of their functions. The hiring and remuneration of experts must take into account the importance of the matters committed to them and the economic situation of Banco Montepio.

Competencies in the area of monitoring the quality and integrity of financial information:

a) Verify, when considered appropriate and in the manner deemed appropriate, the extent of the cash and the stocks of any kind of assets or values belonging to Banco Montepio or received by it as collateral, deposit or other security;
b) Verify the regularity of the books, accounting records and supporting documents;
c) Verify that the accounting policies and procedures and the valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and results and are consistent with generally accepted principles, as well as supervising, in conjunction with the statutory auditor ("ROC"), the correct application of the said policies, procedures and criteria in force;
d) Verify the accuracy of the accountability documents and give an opinion on the report, accounts, and proposals submitted by management, including the proposal for the application of results, to be submitted to the General Meeting;
e) Review with the Board of Directors and the Statutory Auditor any matters and decisions of material relevance to the preparation of the financial statements, including changes in regulatory or accounting standards and in accounting policies, practices or procedures, the impact of unusual transactions on the financial information, and estimates and judgements made and their consistent application;
f) Monitor and supervise the process of preparing and disclosing financial information and the main prudential indicators, presenting recommendations or proposals to ensure its reliability;
g) Oversee the integrity and effectiveness of internal information and communication management systems (namely with regard to prudential and other reporting and accounting and financial aspects) and internal control, internal audit and risk management systems with regard to the process of preparation and disclosure of financial information.

Competencies within the scope of its functions and responsibilities regarding the supervision of the activity and independence of the Statutory Auditor:

a) Select and propose the election of the Statutory Auditor to the General Meeting, as well as issue a prior opinion on the selection and appointment policy of the Statutory Auditor and on the remuneration to be paid for the statutory audit of Banco Montepio Group's accounts, and monitor the implementation and revision of the said policy;
b) Annually assess the activities plan of the Statutory Auditor, as well as supervise and assess the activity of the Statutory Auditor and monitor and supervise the legal review of the financial statements on an individual and consolidated basis;

c) Verify and monitor the independence and objectivity of the Statutory Auditor, among other aspects, confirming it annually and with regard to the provision of additional services by the Statutory Auditor;
d) Proceed to the prior justified approval of the contracting of additional services not prohibited to be rendered by the Statutory Auditor to Banco Montepio Group entities, as well as of the respective remuneration conditions;
e) Inform the Board of Directors annually about the results of the statutory audit, its contribution to the integrity of the financial information preparation and dissemination process, as well as the role played by CAUD in that process.

Competencies within the scope of its functions and responsibilities in terms of overseeing the effectiveness of internal auditing, risk management, and internal control and compliance systems:

a) Control and assess the effectiveness of systems in terms of internal control and compliance, risk management, prevention of money laundering and terrorist financing and internal auditing and of corporate governance policies and practices, in particular by issuing a prior opinion on the various policies in relation to each of these systems, ensuring consistency and risk control at the level of Banco Montepio and its branches, and carrying out control actions;
b) Give its prior opinion on the statutes and regulations, the activity plan (including the audit action plan), the budget and the resources of the control functions;
c) Periodically monitor the implementation of the activity plans of the control functions and assess the conclusions of the respective actions and deficiencies identified, as well as analyse and monitor the periodic reports of the control functions (including, among others, the reports provided for in Articles 27, 28 and 32 of Notice no. 3/2020 of Banco de Portugal and in particular issuing an opinion on the respective self-assessment reports), and transmit to the Executive Committee and the Board of Directors the recommendations that it considers appropriate;
d) Issue prior opinions on the risk profile, the internal control systems, risk management, and internal auditing and compliance that includes a detailed opinion, summary of the deficiencies detected by any functional unit, within the scope of the processes and controls implemented, and recommendations issued on the efficiency and adequacy of these systems, under the terms defined in Notice no. 3/2020 of Banco de Portugal;
e) Issue a prior opinion and monitor the implementation of the selection policies, assessment of the suitability, succession and remuneration of the members of the management and supervisory bodies and of the control functions, as well as assessing the principles applicable to the respective remuneration policies of employees of the Banco Montepio Group for the purposes of Article 53 of Notice no. 3/2020;
f) Issue a binding prior opinion on the appointment, dismissal and replacement of those

responsible for control functions and participate in the respective performance evaluation process;

g) Issue a binding prior opinion on all issues related to the organisational structure of Banco Montepio, as defined in the Regulations of the Board of Directors and relating to the organisation of CAUD or the control functions, as well as prior opinion regarding policies regarding subcontracting and outsourcing services and activities and business continuity management;
h) Assess the needs at the level of composition and organisation of CAUD;
i) Issue prior consent to the subcontracting of operational tasks specific to the internal control functions;
j) Issue a prior opinion regarding changes to the group structure for the purposes of Articles 49 and 50 of Notice no. 3/2020 of Banco de Portugal;
k) Issue a prior opinion on the code of conduct and ethics and the internal policies and regulations that develop and implement it and on subsequent revisions, as well as Banco Montepio's whistleblowing policy, promoting their periodic evaluations;
l) Receive communications of irregularities presented by shareholders, Banco Montepio employees or others, and periodically assess reports on management of complaints presented by customers;
m) Issue a prior opinion on policies for the management of conflicts of interest and transactions with related parties, as well as be aware of the list of related parties and issue a prior opinion on transactions subject to such, in accordance with said policies and applicable legal and regulatory provisions;
n) Review the proposals regarding Banco Montepio's objectives in terms of risks, supervising the strategies defined within this scope, including those related to risk appetite and the risk management framework to which Banco Montepio is subject, as well as monitor decisions involving the assumption of significant risks, namely for the purposes of Article 27 of Notice no. 3/2020 and periodically the implementation of the global risk policy and strategy, the risk appetite statement and the capital and liquidity strategy and policy;
o) Issue a prior opinion and periodically monitor the implementation and effectiveness of processes related to risk management;
p) Issue a prior opinion and periodically monitor the implementation of the approval policy for new products and services;
q) Periodically analyse the main prudential indicators and compliance with capital and liquidity requirements and the valuation exercises of materially relevant assets and analyse the decision to exclude risk categories under Article 21 of Notice No. 3/2020;

r) Draw up annual assessment reports, reviews, statements, opinions and summaries with regard to organisational culture and governance and internal control systems for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020;
s) Issue an opinion on the internal control system for combating and preventing money laundering and terrorist financing in accordance with the applicable legal and regulatory provisions;
t) Be aware of and monitor the conclusions of all inspection actions, specific determinations, or recommendations from Banco de Portugal, the Securities Market Commission (CMVM), the Insurance and Pension Funds Supervisory Authority (ASF), the Tax and Customs Authority (AT) and the IGF - Audit Authority.

It is the responsibility of CAUD, within the scope of its respective competencies and together with the BD, to ensure that the Bank's organisational culture and the governance and internal control systems, including remuneration practices and policies and other matters discussed in Banco de Portugal ("BdP") Notice no. 3/2020, are adequate, promoting sound and prudent management.

4. Summary of CAUD meetings

In accordance with the provisions of the respective Regulations, CAUD meets regularly on a monthly basis and whenever the Chairman so wishes or any of the other members or the Chairman of the Board of Directors requests it, and minutes are prepared with the topics discussed and the deliberations taken. The CAUD meetings, totalling 23 in 2022, were attended as expressed in the following tables:

1 January 2022 to 25 July 2022	
Manuel Ferreira Teixeira (Chairman)	13/13
Amadeu Ferreira de Paiva	13/13
Vítor Manuel do Carmo Martins	13/13
Carlos Francisco Ferreira Alves	13/13
José da Cunha Nunes Pereira	12/13
From 25 July 2022 to 31 December 2022	
Clementina de Jesus Silva Barroso (Chairman)	10/10
Florbela dos Anjos Frescata Lima	10/10
Maria Lúcia Ramos Bica	10/10
Maria Cândida de Carvalho Peixoto	10/10

During the current term of office, which began on 25 July 2022, the following meetings took place:

Meeting	Nature	Date
1	Ordinary	27/07/2022
2	Ordinary	24/08/2022
3	Extraordinary	07/09/2022
4	Extraordinary	21/09/2022
5	Ordinary	27/09/2022
6	Extraordinary	11/10/2022
7	Ordinary	25/10/2022
8	Ordinary	22/11/2022
9	Extraordinary	13/12/2022
10	Ordinary	20/12/2022

5. Summary of the activities carried out

The CAUD exercised its functions on an ongoing basis, with the examination, among other matters, of the periodic reports of the internal auditing, compliance and risk, accounting and financial reporting, internal control and plan control functions, as well as the reports of the Statutory Auditors (PwC), and also the specific audit reports, follow-up reports on the implementation of the respective recommendations, as well as the internal policies and regulations and other matters on which it was required to give an opinion in accordance with the applicable rules and regulations (since a lot of time was spent on opinions).

The CAUD has a multi-annual activity plan, in compliance with the provisions of paragraph 9 of Article 31 of BdP Notice no. 3/2020. This plan, in addition to the ongoing supervision and monitoring of the activity of the internal control functions (Internal Audit, Risk Management and Compliance) and regular interactions with the external auditors, within the scope of their powers to supervise the quality and integrity of financial information, includes periodic interactions to monitor the activity of several areas of the Bank (described in greater detail in Chapter 5 of this report), particularly the following:

- Internal Control Office ("GCI"), as part of the follow-up of the internal control system, monitoring the adjustment of internal control deficiencies;
- Accounting and Financial Reporting Department ("DCRF"), as part of supervision of the process of preparing and disseminating financial information, as well as the monitoring of measures issued by BdP as part of the Supervisory Review in the Evaluation Process ("SREP"); and
- Strategic Planning and Control Division ("DPEC"), in charge of controlling the execution of strategic planning - capital conservation plan, including monitoring of the FCP (Funding & Capital Plan) objectives and of the deleveraging plans in non-productive assets (Non-Performance Loans and Real Estate).

CAUD also interacted after the start of its functions with the supervisory bodies of the branches.

The activities planned by the previous CAD were adopted by the current CAUD, to the extent applicable, in view of the powers of the CAUD established in the respective Regulations, and the dates of their implementation were adjusted according to the implementation of the activity plans of internal control functions.

Generally speaking, the activity plan defined for 2022 (approved by the previous CAD) was fulfilled, and some of the activities identified in the plan that were not specifically carried out, at the headquarters of this Committee, considered for inclusion in the activity plan for 2023.

In addition, unplanned activities were carried out resulting from specific requests from the Regulators, as well as following the need for intervention by CAUD to issue an opinion regarding specific transactions involving the sale of assets, credit transactions, alteration of risk limits, and other operations.

The CAUD has considered and taken a position on numerous matters during the reporting period, including all work required to respond to requests and determinations issued by BdP.

In 2022, the supervisory body held 23 meetings and issued 83 opinions, all approved unanimously[14]. It should be noted that of the 83 opinions issued, 42 opinions were issued by the previous CAD under the previous mandate (from 1 January to 24 July 2022) and 41 opinions were issued by the CAUD currently in office (from 25 July to 31 December 2022).

Type of Opinion	Number of Opinions	%
Limits Plan / risk exposure	6	15%
Related Party Transactions	13	32%
Non-Audit Services - Statutory Auditors	10	24%
Operations subject to preventive supervision	6	15%
Monitoring of the Limit of Article 109 of the RGICSF	1	2%
Others (Constitution of the Complementary Group of Companies - ACE; Activity Plan and Budget; Recovery Plan; Synthetic Securitisation Operation; Credit Risk Regulation)	5	12%
Total	**41**	**100%**

Note: It should be noted that the above opinions are autonomous opinions and do not exhaust the opinions issued by this Committee. In addition to these are the opinions issued by CAUD in minutes, within the framework of the respective meetings.

[14] *The situations in which some members of CAUD were excused from giving opinions in situations of potential conflict of interest were duly identified.*

CAUD also commented, in September 2022, on the sale of the shares of the subsidiary Finibanco Angola ("FNBA").

Within the scope of the supervision of governance and internal control systems, CAUD issued and submitted to BdP, on 23 December 2022, the Self-Assessment Reports of the Supervisory Body under Notice no. 3/2020, at individual and group level, including the Declaration on the adequate compliance with all the duties of disclosure to the public (item h) of paragraph 1 of Article 56 of Notice no. 3/2020), and also submitted to the Portuguese Securities Market Commission ("CMVM") under CMVM Regulation No. 9/2020 (amended by CMVM Regulation No. 7/2022).

5.1. Audit by the Statutory Auditor (ROC)

The Audit Committee, as part of the supervision of the Statutory Auditor, monitored the work carried out, considering the reports and memoranda issued, namely:

Previous CAD:

i. Memorandum on the process of preparing and validating prudential reports (credit risk - RWA) issued on 30 December 2021;

ii. Under the provisions of Articles 29 and 30 of Notice 3/2020 of Banco de Portugal, the analysis and assessment of the Bank's processes for obtaining, producing, processing and flows of information, was carried out in February 2022 by PwC, aimed at supporting CAUD in relation to the following matters: (i) survey and assessment of policies, processes and technologies supporting data governance, assessing the processes of obtaining, producing, processing and flows information, (ii) assessment of the degree of maturity of the government and data architecture and infrastructure and (iii) identification of critical reports for management and assessment of the risks associated with them;

iii. Report on the external assessment of the matters provided for in Articles 29 and 30 of Notice no. 3/2020 of Banco de Portugal issued on 18 February 2022;

iv. Opinion on the issuance of a statement of assurance on the processes for the preparation of financial and prudential reports, as required under item f) of paragraph 1 of Article 56 of Banco de Portugal Notice 3/2020, with a multi-year approach having been adopted for the validation of the different financial and prudential reports. In terms of financial reports, the process of preparing and validating the financial statements prepared in accordance with the IAS/IFRS reported on a biannual and annual basis was assessed, specifically, the financial statements with reference to 31/12/2021 and 30/06/2022;

v. Report on the procedures and measures adopted by a financial intermediary under Articles

306 to 306-G of the Securities Code (“CVM”) issued on 29 April 2022;

vi. Regular monitoring of the Banco Montepio Group's credit portfolio impairment report — 31 December 2021, issued on 2 May 2022;

vii. Opinion on the issuance of a statement of assurance on the processes of preparation of information disclosed to the public and on the adequate compliance, by Banco Montepio, with the duties of disclosure to the public, as provided for in items g) and h), paragraph 1 of Article 56 of Notice 3/2020 of Banco de Portugal, respectively, the following procedures having been carried out: (i) analysis of the process instituted for the disclosure of information to the public and compliance with the duties of information and (ii) validation of the process of disclosure of information to the public within the framework of the Market Discipline - Pillar 3, having obtained the opinion of the Compliance Department attesting to compliance, on 7 July 2022;

viii. Consideration of “Desktop Review” - Individual and consolidated accounts with reference to 31 March 2022, which included i) the identification of the main variations; ii) the investigation and justification of unusual variations and iii) analyses specific to risk areas;

Current CAUD:

ix. Monitoring of the Limited review of the financial statements for the first half of 2022, with a more detailed analysis of the impairment of credit to customers, the business plan and the recoverability of deferred taxes, the liabilities with post-employment benefits, properties received in repayment of credit, valuation of financial assets classified as level 3, and the accounting of TLTRO III lines;

x. Consideration of “Desktop Review” - Individual and consolidated accounts with reference to 30 September 2022, which included i) the identification of the main variations; ii) the investigation and justification of unusual variations and iii) analyses specific to risk areas;

xi. Follow-up to the report on the impairment of Banco Montepio Group's credit portfolio — 30 June 2022 issued on 31 October 2022;

xii. Monitoring the follow-up work on the evolution of the implementation of the recommendations reported in the Self-Assessment Report, with reference to 30 November 2021;

xiii. As part of the assessment of the internal control system underlying the business and support processes existing at the level of functional areas, and in order to support the CAUD in the assessment required in item b) of paragraph 1 of Article 56 of Banco de Portugal Notice no. 3/2020, PwC performed analyses including own portfolio and funding, customer resources, cash, real estate, pension fund and information systems and also analysed the main procedures and controls in the following functional areas: accounting and financial reporting ("DCFR"), litigation and legal ("DCONT"), strategy, planning and control ("DPEC"), procurement ("Central de compras") and model validation ("GVM").

xiv. Assessment of the performance and control functions activities for the purpose of providing an opinion on the quality of performance and adequate independence of control functions; and

xv. Issuance of Memorandum on the Assessment of the Internal Control System - Limited Statement of Assurance issued by PwC, with reference to 30 November 2022.

5.2. Supervision of the Internal Audit Function

The incumbent CAUD carried out, in addition to the analysis of the quarterly reports of the Audit and Inspection Department ("DAI"), the monthly analysis of the specific internal audit reports issued by DAI.

The Audit Committee assessed, in addition to the analysis of reports of the internal audit function of the parent company, the specific internal audit reports and other activities, the reports issued within the Group, highlighting the audits on the consistency of the Group's Internal Control System, the annual assessment reports on the performance of the Management and Supervisory bodies of the subsidiaries, the annual assessment reports on the Conduct and Organisational Culture of the subsidiaries, the audit reports on the compliance with the remuneration policies of the GBM entities and the audit report on the preparation, monitoring and execution process of the 2022 Recovery Plan.

The incumbent CAUD considered and approved on 20 December 2022 the annual Internal Audit Plans for 2023 for the BM and GBM entities. The Internal Audit Independence Report was also considered (pursuant to item d) of paragraph 1 of Article 32 of the BdP Notice no. 3/2020)

5.3. Supervision of the Risk Management Function

5.3.1. Previous CAD (Until July 2022)

The previous CAD analysed with the Risk Department ("DRI") the topics and reports that are described below, although not exhaustively:

- Issuance of an opinion on the revision of the Internal Regulations of the Risk Management Function (PLT 31/2021);
- Analysis of the Reports on the 2021 Internal Capital Adequacy Assessment Process (ICAAP) exercise and on the 2021 Internal Liquidity Adequacy Assessment Process (ILAAP) exercise;
- Monitoring by CAUD of the limits foreseen in Article 109 of the RGICSF, carried out on a monthly basis and reported quarterly to BdP;
- Assessment and issuance of an opinion on the Risk Management Function Activity Plan 2022;
- Assessment of the materiality of risks;
- Assessment of the quarterly monitoring reports of the Risk Appetite Statement (RAS);
- Monthly analysis of the Solvency, Liquidity Risk, Credit Risk and Real Estate Risk reports;
- Analysis of the quarterly Pension Fund, Operational Risk, Foreign Exchange Risk, Bank Portfolio Interest Rate Risk and Market Risk reports;
- Analysis of the weekly capital and liquidity monitoring report;
- Analysis of the annual report of the Risk Management Function — December 2021;
- Monitoring the FGR 2021 Activity Plan and the deficiencies;
- Analysis of the Market Discipline report.

In addition, a global review of Risk Management and Monitoring Policies was carried out, highlighting in 2022 the following (review or implementation of new Policies) on which the previous CAD issued an opinion:

- Operational Risk Management Policy;
- Foreign Exchange Risk Management Policy;
- Investment Policy and Market Risk Management;
- Banco Montepio Group Risk Management Policy;
- Business Model/Strategy Risk Management Policy;
- Banco Montepio Group's Risk Appetite Policy;
- Non-Compliant Exposure Policy, Non-Productive Exposure (NPE), Non-Compliant Exposure Policy.

5.3.2. Current CAUD (from 27 July 2022 to 31 December 2022)

FGR Activity Plan and deficiencies

It was presented to CAUD, which considered within the scope of the quarterly monitoring, the status of compliance with the FGR 2022 Activity Plan and the deficiencies whose implementation falls to the DRI (identified by the external auditor, by an external entity following the external assessment carried out on the Risk Management Function, by internal audit and by the BdP).

Periodic Reports

Note: the first meeting of the incumbent CAUD was held on 27 July 2022, with the single point of approval of the respective Regulations

CAUD periodically monitored the following reports:

- Quarterly monitoring reports on the Risk Appetite Statement (RAS);
- Monthly analysis of the Solvency, Liquidity Risk, Credit Risk and Real Estate Risk reports;
- Analysis of the quarterly Pension Fund, Operational Risk, Foreign Exchange Risk, Bank Portfolio Interest Rate Risk and Market Risk reports;
- Analysis of the weekly capital and liquidity monitoring report;
- Monitoring of the limits provided for in Article 109 of the RGICSF, carried out monthly and reported quarterly to BdP.

Assessment and issuance of opinions regarding Policies and regulations

In addition, the current CAUD, from the beginning of its functions, considered and issued an opinion on the following Policies (review or implementation of new Policies) and other regulations, submitted for consideration by DRI (which previously obtained an opinion from the Bank's Risk Committee):

- Resolution Policy (meeting held on 24 August 2022);
- Stress Testing Policy (meeting held on 24 August 2022);
- Capital Risk Policy (meeting held on 27 September 2022);
- Liquidity Risk Policy (meeting held on 27 September 2022);
- Bank Portfolio Interest Rate Policy (meeting held on 22 November 2022);
- Pension Fund Risk Management Policy (meeting held on 20 December 2022);
- ESG Risk Management Policy (meeting held on 20 December 2022);
- Organic Statute of the Risk Department (meeting held on 20 December 2022);
- Credit Risk Regulation (meeting held on 20 December 2022).

Other follow-up activities carried out by CAUD with DRI:

In addition to the assessment and issuance of opinions on policies related to material risks, as well as the monitoring of the activity carried out by the FGR, reflected in the reports listed above, CAUD, within the scope of its competence to monitor the effectiveness of the risk management system, carried out the following activities:

- Analysis and issuance of an opinion on the Banco Montepio Group's 2022 Recovery Plan, as part of the annual review, prepared to ensure alignment with other management and risk mechanisms and instruments, such as the Risk Appetite Statement (RAS), ICAAP, ILAAP, the contingent management mechanisms related to the Business Continuity Plan and the Resolubility Plan.
- Assessment of the Risk Independence Report (pursuant to item s) of paragraph 1 of Article 27 of BdP Notice no. 3/2020);
- Analysis of the status of activities within the scope of the resolvability exercise.

The CAUD was also made aware of the List of Related Parties prepared by the FGR (update for Q3 2022) in accordance with BdP Notice no. 3/2020.

5.4. Supervision of the Compliance Function

5.4.1. *Previous Audit Committee (Until July 2022)*

In the context of monitoring the effectiveness of the internal control system, in particular in the context of compliance and Money Laundering and Terrorist Financing risks, the previous CAD followed the activity carried out by the Compliance area, considering and issuing opinions, whenever applicable, on the following matters:

- Assessment and issuance of an opinion on the Compliance Plan 2022;
- Monitoring the 2022 Compliance Function Activity Plan and the deficiencies;
- Analysis of monthly and quarterly reports of the Compliance Department;
- Assessment and issuance of an opinion on the revision of the organic statute of the Compliance Department;
- Assessment and issuance of an opinion on the Compliance function Regulations;

- Monitoring the implementation of the Recommendations issued by BdP on Money Laundering;
- Assessment and issuance of an opinion on the Money Laundering and Terrorist Financing Prevention Report — 1 January to 31 December 2021;
- Review of the report on the monitoring of the collection and conservation of the Funds Movement Statement (DMF);
- Review of the quarterly reports of the Subsequent Control of Significant or Material Transactions ("TSR") and Non-Significant or Non-Relevant Transactions ("TNSR").

On 29 March 2022, the Audit Committee in office on that date, issued an Opinion on the Internal Control System for the Prevention of Money Laundering and Terrorist Financing ("RPB"), in compliance with the legal and regulatory standards in force, namely the requirements on that system, defined in BdP Notice no. 2/2018[15], and issued an opinion on the quality of that system, pursuant to item c) of Article 73 no. 4 of that Notice.

5.4.2. Current CAUD (from 27 July 2022 to 31 December 2022)

CAUD continuously monitors the activity of the Compliance Function, and during this period it carried out the following activities:

- Quarterly monitoring of the FCOMP 2022 Activity Plan and deficiencies - in relation to the Q2 and Q3 2022;
- Consideration of the Report on the monitoring of the collection and conservation of the Fund Movement Declaration (DMF);
- Consideration of the quarterly Reports of the Subsequent Control of Significant or Material Transactions ("TSR") and Non-Significant or Non-Relevant Transactions ("TNSR") - for Q2 and Q3 of 2022;
- Assessment of the new Control Report on Regulatory Reports (for Q3 2022);
- Conducting the Statutory Auditor (ROC) selection process for the 2023-2025 term;
- Assessment and issuance of an opinion on the review of the Compliance Reporting Policy of the Banco Montepio Group Branches;
- Assessment and issuance of an opinion on the revision of the Whistleblowing Policy - PLT 31.10.2022;

[15] Repealed by BdP Notice no. 1/2022, dated 6 July 2022, in force since 5 August 2022.

- Creation of the Ethics Channel and the Whistleblowing Committee, resulting from the review of the respective policy
- Approval of the Regulations of the Whisteblowing Committee;
- Approval of the Whistleblowing Report under BdP Instruction No. 18/2020, which was submitted to the Supervisor on 22 December 2022.

5.5. Monitoring the Internal Control Deficiency Resolution Plan

As part of its functions and responsibilities in terms of overseeing the effectiveness of internal auditing, risk management, and internal control and compliance systems, CAUD regularly monitors the Internal Control Deficiency Resolution Plan, whose implementation is followed by the Internal Control Office ("GCI").

5.6. Supervision of the process of preparation and disclosure of financial information

As part of its competencies in monitoring the quality and integrity of financial information, CAUD monitors the financial statements on a monthly basis, on an individual and consolidated basis, the results and main financial indicators during the year 2022.

The previous CAD followed the 2021 account closing process, having issued an opinion on the 2021 Individual and Consolidated Financial Statements.

Since the beginning of the term of office, the Reports containing the Individual and Consolidated Financial Statements for Q2 2022 and the Report and Accounts for the first half of 2022, on which it issued an opinion, were submitted for analysis by CAUD, on which it issued an opinion, and is following the 2022 account closing process.

CAUD has also established a close process of follow-up and monitoring of SREP measures in collaboration with DCFR throughout 2022.

In addition, CAUD analysed the information related to the Future Pension Fund Report, presented by DCFR.

5.7. Monitoring the Strategic Plan and budget execution

Within the scope of Strategic Planning and Control, CAUD monitored the Equity Conservation Plan (PCFP) on a monthly basis, including the control of the FCP and Budget objectives, activities, results, risk indicators, prudential capital and liquidity, efficiency and profitability.

On 21 December 2022, CAUD issued an opinion on the Activity Plan and Budget 2023-2025 (Opinion no. 74/2022), focusing, among other aspects, on the assumptions underlying the exercise and respective grounds, the analysis of cyclical risks, expected evolution of results and activity indicators. CAUD concluded by aligning the objectives proposed for 2023 with the guidelines and objectives formulated in the Mission Charter approved by the Bank's General Meeting on 29 April 2022, and convergent with the medium-term goals, namely in terms of growth, efficiency, maintenance of adequate levels of liquidity and capital and increased profitability, as well as aligned with the specific plans related to capital planning.

5.8. Monitoring of non-productive assets

The DRC presents a Credit Recovery Overview to CAUD every six months, in accordance with the defined plan, and in this context, the reports presented by DPEC on the control of Non-Performing Loans (NPLs) and real estate activity are appreciated by CAUD on a quarterly basis.

5.9. Participation in delegated Commissions and other work meetings

- **Internal Control Commission (COMCI)**

  Participation of CAUD's Chair, Prof. Clementina Barroso at a COMCI meeting and participation by Member Maria Lúcia Bica at a meeting, representing the CAUD Chair;

- **Meeting with MGAI**

  A meeting was held on 29 November 2022 between the members of CAUD and the administrator of MGAI, Edite Cheira, to deepen knowledge of the risks that exist in the management of non-productive assets, in particular real estate.

6. Conclusion

CAUD highlights the good institutional cooperation in the relations established with the Board of Directors, the Executive Committee, the Risk Committee, the Assessment, Nominations, Ethics, Sustainability and Governance Committee, the Divisions and Offices belonging to the organic structure of the Institution and the Statutory Auditor - PwC.

CAUD notes with great appreciation the sense of cooperation, the technical quality and the dedication to CEMG | BM of those responsible and employees of the Organic Structure with whom it works directly.

Finally, CAUD highlights the adequacy and timeliness of all the written and oral information that was provided to it, indispensable support for the exercise of the competencies and responsibilities inherent to its activity, a fact that greatly contributed to the proper operational functioning as a supervisory body.

Lisbon, 23 February 2023

The Audit Committee

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Clementina de Jesus Silva Barroso
(Chairman)

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Florbela dos Anjos Frescata Lima

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Maria Cândida de Carvalho Peixoto

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Maria Lúcia Ramos Bica

Banco Montepio

OPINION OF THE AUDIT COMMITTEE ON THE REPORT AND ACCOUNTS FOR THE FINANCIAL YEAR 2022

1. The Audit Committee, under regulatory terms and within the scope of its statutory powers, and in accordance with the respective Regulations, reviewed the Management Report and the Individual and Consolidated Financial Statements and respective Notes to the Financial Statements ("Report and Accounts") for the year ended 31 December 2022 of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio"), approved by the Board of Directors.

2. The Audit Committee considered the Additional Report to the Supervisory Body ("RAOF"), issued by PricewaterhouseCoopers & Associados — Sociedade de Revisores Oficiais de Contas, Lda. ("PwC") as well as the Legal Account Certifications ("CLC") and the Audit Reports on the Financial Statements for the year ended 31 December 2022, on an individual and consolidated basis, which do not contain any reservation or emphasis. According to the CLC issued, on an individual and consolidated basis, the PwC audit was carried out in accordance with the International Standards on Auditing ("ISAS") and other technical and ethical standards and guidelines established by the Association of Statutory Auditors.

3. The Audit Committee monitored the preparation of the Report and Accounts, prepared in accordance with the International Financial Reporting Standards adopted in the European Union ("IFRS"), for the financial year ended 31 December 2022, namely, being present at the meeting of the Executive Committee that approved the respective final version for submission for approval by the Board of Directors. In the preparation of this opinion, the Audit Committee requested all the information and clarifications it deemed relevant to comply with the applicable legal and statutory rules, questioning several people in charge, including the Executive Director in charge of Finance, the Director of Accounting and Financial Reporting, the Director of Strategic Planning and Control, the Director of Risk, the Director of Compliance, the Company Secretary and the Statutory Auditor.

4. To the best of the Audit Committee's knowledge, the Individual and Consolidated Financial Statements were prepared in accordance with the applicable Accounting Standards in force on 31 December 2022, reporting, truthfully and appropriately, in all material respects, the financial situation and results of Banco Montepio and the companies included in its consolidation perimeter. In a similar way and with identical assumptions, the Audit Committee considers that the Management Report describes the evolution of

the business, performance, and financial position of Banco Montepio and of the companies included in the consolidation perimeter, and contains a description of the relevant risks to which they are exposed and of the challenges they face.

5. The CLC and the Audit Reports on Banco Montepio's individual and consolidated financial statements were prepared according to the formats resulting from Regulation (EU) No. 537/2014, of the European Parliament and of the Council, of 16 April 2014, and of Law No. 140/2015, of 7 September, and include the "Relevant Audit Matters", which the PwC identified as being:
   (i) Impairment losses on loans and advances to customers;
   (ii) Measurement of real estate properties received by way credit recovery;
   (iii) Recoverability of the deferred tax assets;
   (iv) Fair value of financial instruments not listed in active markets – level 3 of the fair value IFRS 13 hierarchy;
   (v) Liabilities related to pensions and other benefits;
   (vi) Provisions and contingent liabilities.

   The issues in question were systematically monitored by the Audit Committee of Banco Montepio, as evidenced in the respective minutes.

6. In conclusion, the Audit Committee agrees with the content of the CLC and Audit Reports prepared by PwC and gives a favourable opinion to the Banco Montepio Report and Accounts, which includes the financial statements, on an individual and consolidated basis, for the year ended 31 December 2022, approved by the Board of Directors.

7. In view of the above, taking into account the information provided to it, its supervisory action and not being aware of any circumstance that hinders the issuance of this opinion, and in compliance with the provisions of item g), paragraph 1 of Article 423-F, in paragraphs 5 and 6 of Article 420, *ex vi* of paragraph 5 of Article 423-F, all of the Commercial Companies Code (CSC), the Audit Committee is of the opinion that the General Meeting of Banco Montepio approves:
   a) the Report and Accounts, including the various individual and consolidated accountability documents for the year ended 31 December 2022;
   b) information on corporate governance for the financial year 2022, included in the Report and Accounts, in accordance with the applicable legal provisions;

c) the proposal of the Board of Directors, pursuant to item f) of paragraph 5 of Article 66 and for the purposes of item b) of paragraph 1 of Article 376 of the Commercial Companies Code, to apply the net result calculated in the individual balance sheet for the financial year 2022 in the amount of 35,670,417.42 euros as follows:

- Reinforcement of the Legal Reserve: 3,567,041.74 euros
- Transfer to Retained earnings: 32,103,375.68 euros.

which are in accordance with the applicable accounting, legal, and statutory provisions.

Finally, this Audit Committee, which began its functions on 25 July 2022 for the term of office of 2022-2025, expresses its thanks to the members of the Audit Committee who ceased office on that date, to the Board of Directors, the Executive Committee and to the managers and collaborators of the various Departments, as well as to the Association of Statutory Auditors, for the collaboration and work carried out within the scope of their respective functions.

Lisbon, 12 April 2023

The Audit Committee

Clementina de Jesus Silva Barroso (Chairman)

Florbela dos Anjos Frescata Lima

Maria Cândida de Carvalho Peixoto

Maria Lúcia Ramos Bica

Self-Assessment Report Summary (Group)

for the period from 1 December 2021 to 30 November 2022

This document is submitted pursuant to paragraph 1 of Article 60 of Banco de Portugal Notice no. 3/2020 (hereinafter referred to as “Notice no. 3/2020” or “Notice”) and is intended to be published as an annex to the annual financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “Banco Montepio” or “Bank”).

The Annual Self-Assessment Report (hereinafter abbreviated as “Report”), prepared in accordance with the provisions of Article 54 of Notice No. 3/2020 and of the Banco de Portugal Instruction No. 18/2020 (hereinafter Instruction No. 18/2020), contains the results of the assessment carried out by Banco Montepio, as the parent company of the Banco Montepio Group (hereinafter abbreviated as “Group” or “GBM”), regarding the adequacy and effectiveness of the organisational culture in force in the Group and of the governance and internal control systems established therein, as well as the respective coherence between the internal control systems of the branches (including the subsidiary in Angola - Finibanco Angola, S.A.) and the internal control system of the parent company, with reference to the period from 1 December 2021 to 30 November 2022.

As part of the preparation of the Group Report, the individual self-assessment reports of the Group entities subject to compliance with the Notice and the Instruction were incorporated, which in turn include the annual self-assessment/independence reports of those responsible for risk management, compliance and internal auditing functions, pursuant to Articles 27, 28 and 32, respectively, of the Notice. In these annual self-assessment reports, the independence of each of the internal control functions is confirmed by the respective persons in charge. The Report also considered the assessments of the Supervisory and Management Bodies of the different entities of the Group covered, pursuant to Articles 56 and 57 of the Notice, respectively.

In addition, the Group Report includes a global analysis of the internal control deficiencies of all Group entities, which includes the description and characterisation of the deficiencies open at the reference date with a high-risk classification. A total of 15 internal control deficiencies were identified and classified with risk level F3 (high), of which 8 from Banco Montepio, 6 from Montepio Investimento, S.A. and 1 from Finibanco Angola, S.A., with no deficiency classified with a serious risk level (F4).

The Report also includes a description of the Group's organisational structure and governance model, which are considered to be aligned with the best practices in the market, in terms of corporate governance.

The Board of Directors of Banco Montepio, as the parent company of the Banco Montepio Group, exercises the powers and responsibilities assigned to it under the internal control system, expressed in Article 51 of Notice no. 3/2020, ensuring that the Group's internal control system, including remuneration practices and policies, is adequate and effective and promotes the sound and prudent management of the Group's activity.

In this context, with a view to ensuring effective management of risks associated with the Group's activity, the internal control system is applied consistently and coherently in all branches, based in Portugal or abroad, without prejudice to the necessary adaptations imposed by the legislation and regulations in force in the country of establishment, and the entire process of registering deficiencies, collecting information for action plans with a view to their rehabilitation and monitoring of the respective implementation status carried out in an integrated and univocal manner for all the Group, through the Internal Control Office.

For this purpose, the procedures are ensured through the dissemination of the Policies and other regulations approved by the Banco Montepio Board of Directors to its subsidiaries, and it is up to the administrative and management bodies of each entity to transpose and approve them, with the necessary adaptations, in accordance with the laws and regulations that apply to them and to the extent that they have an impact on them.

In addition, the processes and controls necessary to obtain all the information relevant to the preparation of individual and consolidated financial statements are regulated internally, including the information in the attached notes, in both cases in strict compliance with applicable accounting regulations and in line with good market practices, namely regarding their timeliness.

With regard to the internal control functions, the Banco Montepio Board of Directors ensures that they are appropriate to the size and nature of the Group's activities, overseeing the effectiveness and adequacy of the controls established and ensuring the reliability and timeliness of the information reported by the branches, as well as compliance with internal regulations and defined procedures, including with regard to the levels of risk tolerance defined for the Group. In accordance with the provisions of Notice no. 3/2020, the internal control functions of the parent company and the branches interact with each other, in order to ensure that the internal control functions of the parent company have the necessary information to fully carry out their responsibilities, and the respective regulations define the existence of functional and direct reporting lines between the internal control functions of the branches and the internal control functions of the parent company.

Pursuant to the provisions of Article 50 of Notice no. 3/2020, in the context of the Group, the establishment of common services for the development of the responsibilities assigned to the internal control functions in the Group's entities is foreseen, when appropriate. Such common services are contracted, ensuring cooperation with the supervisory entities, both of the provider entity and of the user entity. The Board of Directors ensures that these services are provided with the appropriate material, technical and human resources for the effective performance of their responsibilities and that the independence and access to information requirements in relation to each of the institutions are safeguarded, ensuring that such services fully comply with the provisions of Notice no. 3/2020.

After analysing the individual assessments of the Supervisory Bodies of all the entities of the Group, which incorporate the opinions of these bodies on the adequacy and effectiveness of the culture and systems of government and internal control, it is found that the Supervisory Bodies conclude, in a generic way, by an assessment of the sufficiency, adequacy and effectiveness of the matters covered in Notice no. 3/2020, although in those reports, opportunities for improvements to the governance and internal control system itself are identified, as well as to the process of remedying deficiencies at the level of the Group's entities.

In this context, the Banco Montepio Audit Committee ("CAUD"), based on the set of information and clarifications provided, evidence analysed and assessments carried out, also concluded that, although there are opportunities for improvements to the governance and internal control system itself, as well as in the process of remedying deficiencies at the level of entities and the Group, it appears that the principle of coherence is reasonably applied at the level of organisational culture and of the systems of governance and internal control in its entirety in the context of the Group.

Considering all of the above, the opinion issued by CAUD and also the conclusions and statements of the management bodies of the subsidiaries, members of the corresponding Self-Assessment Reports, the Board of Directors of Banco Montepio concluded that the organisational culture and internal control system established in the Group are adequate and effective, complying overall, in an appropriate and effective manner, with the requirements defined by the Notice, in the sense in which the identification, communication and monitoring of deficiencies processes are defined and implemented, and the continuous improvement of efficiency in the remedy of deficiencies must be ensured, namely through the faster implementation of the respective action plans (focusing on high-risk deficiencies) and the monitoring of their effective implementation.

Lisbon, 11 April 2023.

The Audit Committee

Clementina de Jesus Silva Barroso (Chairman)

Florbela dos Anjos Frescata Lima

Maria Cândida de Carvalho Peixoto

Maria Lúcia Ramos Bica

Self-Assessment Report Summary (Individual)

for the period from 1 December 2021 to 30 November 2022

This document is submitted in accordance with paragraph 1 of Article 60 of Banco de Portugal Notice no. 3/2020 (hereinafter referred to as “Notice no. 3/2020”) and is intended to be published as an annex to the annual financial statement documents of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “Banco Montepio” or “Bank”).

The Annual Self-Assessment Report (hereinafter abbreviated as “Report”), prepared in accordance with the provisions of Article 54 of Notice no. 3/2020 and in the Banco de Portugal Instruction No. 18/2020, contains the results of the assessment carried out by Banco Montepio regarding the adequacy and effectiveness of the organisational culture in force in the Institution and its governance and internal control systems, including remuneration practices and policies and other matters covered in Notice no. 3/2020, with reference to the period from 1 December 2021 to 30 November 2022.

This Report presents an analysis of the conclusions of the process of remedying internal control deficiencies, which includes the description and characterisation of the deficiencies open at the reference date, of which 8 have a high-risk classification (F3), and there are no deficiencies with a severe risk classification (F4). It is possible to verify not only an increasing trend in the number of deficiencies remedied, but also a decreasing trend in the stock of deficiencies and their degree of risk, which shows the favourable evolution and the strengthening of Banco Montepio's internal governance system and its compliance with Notice no. 3/2020, maintaining every effort to ensure its permanent improvement.

Banco Montepio's internal control policy, which considers the current regulatory context, namely Notice no. 3/2020 and the guidelines of the European Banking Authority on internal governance (EBA/GL/2017/11 and EBA/GL/2021/05), establishes the control procedures and mechanisms for monitoring the implementation of the action plans, with a view to ensuring the timely remedy of internal control deficiencies, also providing for matters related to conduct, organisational culture and internal governance, within the framework of the promotion of sound management and prudent approach to Banco Montepio's activities.

Regarding remuneration policies and practices, Banco Montepio's current remuneration policies and practices ensure that the remuneration practices and performance objectives of employees and of Members of the Management and Supervisory Bodies (“MOAF”) are aligned with long-term interests of the Institution, and compensation policies and remuneration practices that promote effective risk management are established.

The Board of Directors of Banco Montepio ensures, at all times, that the control functions — Risk Management Function, Compliance Function and Internal Audit Function — are exercised on an ongoing basis and have the authority and independence necessary to effectively and fully comply with their responsibilities, with free, full and unconditional access to all functions, activities, information, accounting records, systems and data of Banco Montepio. In this regard, it should be noted that the reports issued by the internal control functions in accordance with the provisions of Articles 27, 28 and 32 of Notice no. 3/2020, with the respective assessment of independence, are unanimous in the conclusion that there are no constraints that jeopardise or could materially jeopardise the independent exercise of those functions.

In the assessment carried out pursuant to Article 56 of Notice no. 3/2020, the Audit Committee ("CAUD"), based on the work carried out and the information collected, concluded:

- For the adequacy and effectiveness of the organisational culture and its governance and internal control systems, in all materially relevant aspects, in accordance with the requirements established in Notice no. 3/2020;
- That there are still deficiencies whose current and potential impacts have been considered for the purposes of the conclusions drawn, but the appropriate procedures and controls must be implemented with a view to the continuous strengthening of the organisational culture and of the governance and internal control systems, in order to ensure the full adoption of the requirements set out in Notice no. 3/2020;
- For the adequacy of the quality, performance and independence of the internal control functions, including the operational tasks that are subcontracted to the level of the Internal Audit Function;
- That the processes for preparing prudential and financial reports, including those carried out under the Committee's Implementing Regulation (EU) No. 680/2014, of 16 April 2014, during the reference period, are reliable;
- That the processes for preparing information released to the public by the Bank under applicable laws and regulations, including financial and prudential information, are reliable;

- That all duties to publish information released to the public by the Bank under applicable laws and regulations, which relate to matters set out in Notice no. 3/2020, were adequately fulfilled during the reference period.

In view of the work carried out and the information available, identified in the Self-Assessment Report, and considering the opinion issued by the CAUD, the Board of Directors of Banco Montepio issued an opinion considering that the organisational culture, the governance and internal control systems, the remuneration practices and policies, and the other matters discussed in Notice no. 3/2020, in force at Banco Montepio, reveal an adequate and effective response to the requirements defined by the Notice, with internal control deficiencies being duly identified and internally assigned for the respective correction.

Lisbon, 11 April 2023.

The Audit Committee

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Clementina de Jesus Silva Barroso (Chairman)

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Florbela dos Anjos Frescata Lima

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Maria Cândida de Carvalho Peixoto

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Maria Lúcia Ramos Bica

Banco Montepio

EXTERNAL AUDITOR REPORTS

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio", "Banco" or "Grupo"), which comprise the consolidated balance sheet as at 31 December 2022 (which shows total assets of Euros 19.106.251 thousand and total shareholders' equity of Euros 1.519.486 thousand including a consolidated net gain attributable to the shareholders of Euros 33.794 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco Montepio as of 31 December 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law, we are independent of entities that make up the Group, and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Audit Approach
Impairment losses on loans and advances to customers *Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point c), 13, 21 and 53 attached to the consolidated financial statements of the Bank* As of 31 December 2022, the gross amount of loans and advances to customers amounts to Euros 12.067.614 thousand and the corresponding impairment losses recognized at that date amounts to Euros 354.517 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements, in particular the adaptation to complex macroeconomic scenarios, from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount, justify that this has been a key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the loan's portfolio and for the remaining portfolio determined through collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities – "going" approach; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale – "gone" approach. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of its credit risk since the date of its recognition and not according to the credit risk at the reporting date (stages 1, 2 or 3). These	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, and the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the staging analysis and in the impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its internal regulations. For a sample of exposures representative of the credit population subject to individual analysis by the Bank as of 31 December 2022, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the debt service payment capacity; (iii) examining the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. In the specific case of the individual impairment measurement (*stage* 3), we performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for the purpose of impairment quantification with the respective agreements (ii) the most relevant collaterals and its most recent appraisals and

Key Audit Matter	Summary of the Audit Approach
internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the housing price index, (iv) the expected variation rate of the private consumption; or (v) the prospects for the evolution of Euribor; or (vi) the prospects for the evolution of net exports. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment of the Bank's loan portfolio, based on a probability of occurrence. The specificity and uncertainty of the current macroeconomic and geopolitical situation led to an increase in the complexity of determining impairment losses. In these circumstances, the internal impairment models developed by the Bank were adapted to incorporate new criteria and other judgments such as (i) the use of temporary flexibility measures to prevent contractual changes resulting from the granting of moratoria conditions, would result restructured operations due to financial difficulties, in line with the guidelines of the supervisors in this matter; and (ii) updating the macroeconomic scenarios used to determine the expected loss, in order to reflect the potential effects of the current adverse macroeconomic context, marked by the impacts of the war in Ukraine, as well as the reflection of the expected relationship of this information with the risk parameters of the collective analysis models developed by the Bank. Considering the above, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses of the customer loan portfolio, as well as different recovery strategies, condition the estimate of recovery flows and the timing of their receipt, and may have relevant impacts on the amount of impairment losses determined at any given time.	confirming the registration of them in favour of the Bank; and (iii) the discounted cash flows underlying the impairment determination. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria considered for the exposures with moratoria conditions; (iv) review and testing of the main risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) the analysis of the documentation of the backtesting exercise of the risk parameters and its results, when available; (vii) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (viii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2022. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Measurement of properties received by credit recovery *<u>Measurement and disclosures related to the valuation of properties presented in notes 1 point h) and 33 attached to the consolidated financial statements of the Bank</u>* As of 31 December 2022, the net value of real estate properties received in respect of loan recovery and	The audit procedures developed included the assessment of the key controls implemented by the Group to identify the real estate properties with

Key Audit Matter	Summary of the Audit Approach
registered in Other assets amounts to Euros 324.133 thousand. According with the policies in force at the Group, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Group's consolidated balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	impairment risk, to determine the corresponding amounts of impairment losses. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Group, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Group's accompanying notes to the consolidated financial statements, considering the applicable accounting standards
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 1 points t) and 32 attached to the consolidated financial statements</u>* In the Bank's consolidated balance sheet as of 31 December 2022, the deferred tax assets amounts to Euros 413.604 thousand, of which the recoverability of Euros 354.902 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 89.802 thousand related to the impairment losses for loans and guarantees; (ii) Euros 19.185 thousand related to other impairment losses, provisions and other taxed amounts; (iii) Euros 25.475 thousand related to employee benefits and; (iv) Euros 220.440 thousand originated by tax losses where the majority of them are related to the individual activity of Banco Montepio, generated in 2015 and 2016. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability.	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonabless of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2023-2033, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, our internal specialists in tax matters.

Key Audit Matter	Summary of the Audit Approach
Despite the extension of the time horizon for recovering tax losses, the management body carried out the recoverability analysis of deferred tax assets and based it on projections of the Bank's activity and results for the period from 2023 to 2033. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the consolidated financial statements and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy of IFRS 13 *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 47 attached to Bank's consolidated financial statements.* As of 31 December 2022, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 193.177 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income; (ii) derivatives classified as financial assets held for trading; and (iii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and inputs to be used. Due to its expression in the context of the Bank's consolidated financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of instruments, our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes annexed to the Bank's consolidated financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits	

Key Audit Matter	*Summary of the Audit Approach*
Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point s), 10, 33 and 48 attached to the consolidated financial statements of the Bank.	
As of 31 December 2022, the liabilities resulting from past services of the Group in relation to its pensioners, employees and directors amounts to Euros 648.465 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement ("Acordo Coletivo de Trabalho") of Banco Montepio. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority. These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behavior of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. Thus, this subject was considered a key matter for the purposes of our audit.	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the pension fund's assets fair value estimation process. The audit work included the analysis of the actuarial study prepared by the independent actuary with reference to 31 December 2022 and the performance of meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained, when available. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the fund's assets, independently calculating its value for a sample of assets. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 1 point v), 38 and 56 attached to the consolidated financial statements of the Bank.*	
From the provisions and contingent liabilities disclosed in notes 38 and 56 attached to the consolidated financial statements of the Bank as of 31 December 2022, we would like to highlight the following ones: Resolution Fund The resolution measures applied in 2014 to Banco Espírito Santo, S.A. – process that originated the creation of Novo Banco S.A. ("Novo	The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank with regard to the identification and monitoring of provisions and contingencies. In view of the relevance and complexity of the judgments required by the management body, within the scope of our audit we carried out, among others, the following procedures in relation to the Resolution

Key Audit Matter	Summary of the Audit Approach
Banco") - and in 2015 to Banif – Banco Internacional do Funchal, S.A. ("Banif) created uncertainty regarding the eventual lack of the Resolution Fund's resources to ensure the fulfilment of its responsibilities, particularly the short term redemption of the loans contracted to meet this purpose. Those uncertainties have highlighted a greater significance underlying the assumed responsibilities and contingent liabilities, namely: (i) of the effects of the application of the principle that any creditor of the financial institution under resolution can assume a loss higher than the one it would assume if such institution went into liquidation; (ii) of the legal proceedings initiated against the Resolution Fund; (iii) of the negative impacts of responsibilities or additional contingencies to Novo Banco and Banif, resulting from the resolution process, that must be neutralised by the Resolution Fund and (iv) of the contingent capitalisation mechanism related to the Novo Banco's sale process to Lone Star, under the terms in which the Resolution Fund, as a Novo Banco's shareholder, may be called to perform capital injections, if certain conditions regarding to the performance of a group of Novo Banco's assets and the evolution of its capitalisation levels are verified. *Competition Authority* In 2012, the Competition Authority initiated an administrative infraction proceeding against a number of banks, including Banco Montepio, for alleged practices that restrict competition. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of 13 million euros was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision ("TCRS"). On 21 December 2020, by decision of the aforementioned Court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. On April 28, 2022, the TCRS issued a decision in which it analyzed the facts that were proved, but did not rule on any sanctions, suspending the process and proceeding with a preliminary ruling to the Court of Justice of the European Union ("TJUE"), to which it was raised the question of knowing whether the facts given as proven meet the necessary characteristics to be able to constitute the infringement of the competition rules said "by object" imputed to the banks. As of this date, the decision of the TJUE is still unknown.	Fund: (i) monitoring of the most significant changes to the simplified model of cash flow projections of the Resolution Fund presented by the Bank when renegotiating the loans granted, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) consideration of the relevant public communications on the liabilities and contingent liabilities assumed by the Resolution Fund and/or the Portuguese State; (iii) analysis of the evolution of the Bank's exposure to the Resolution Fund; and (iv) understanding of the Bank's management body's view of the Resolution Fund's economic and financial situation and the predictability of expected cash flows from its regular income. Regarding the process initiated by the Competition Authority, our work included (i) an analysis of the Bank's assessment of the nature and status of the aforementioned process, and (ii) an assessment of the information obtained from the Bank's external lawyers who monitor the process. We also analysed the information available on developments on these matters after 31 December 2022. Our audit procedures also included a review of the disclosures on provisions and contingencies, contained in the notes annexed to the financial statements, considering the accounting standards applicable and in force.

Key Audit Matter	Summary of the Audit Approach
The financial statements as at 31 December 2022 reflect the management's expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund. Additionally, the Bank's management body is also convinced that the probabilities that the process initiated by the Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite happening. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party and, to that extent, this was a matter considered relevant for the purposes of our audit.	

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' report and the non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) we obtain sufficient and appropriate audit evidence relating to the financial information of entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one’s were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Directors' report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Group's consolidated financial statements for the year ended on 31 December 2022 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the consolidated financial statements, in XBRL format using iXBRL technology. the identification and assessment of the risks of material misstatement associated with the marking of information in the consolidated financial statements, in XBRL format using iXBRL technology.
This assessment was based on an understanding of the process implemented by the Bank to mark the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Consolidated Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Directors' report the non-financial statement set forth in article No. 508-G of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021, keeping us in office until the present period. Our last election took place at the general shareholders' meeting held on April 29, 2022 for the 2022 financial year.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of the same date; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Group in conducting our audit.

12 April 2023

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

[Original in Portuguese signed by]
Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio" or "Banco"), which comprise the balance sheet as at 31 December 2022 (which shows total assets of Euros 19.443.020 thousand and total shareholders' equity of Euros 1.534.238 thousand including a net gain of Euros 35.670 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Banco Montepio as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law, we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Impairment losses on loans and advances to customers *Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point b), 13, 20 and 49 attached to the financial statements of the Bank* As of 31 December 2022, the gross amount of loans and advances to customers amounts to Euros 11.418.184 thousand and the corresponding impairment losses recognized at that date amounts to Euros 342.049 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements, in particular the adaptation to complex macroeconomic scenarios, from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount, justify that this has been key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the loan's portfolio and for the remaining portfolio determined through collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities – "going" approach; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale – "gone" approach. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of its credit risk since the date of its recognition and not according to the credit risk at the reporting date (stages 1, 2 or 3). These	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, and the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the staging analysis and in the impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its internal regulations. For a sample of exposures representative of the credit population subject to individual analysis by the Bank as of 31 December 2022, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the debt service payment capacity; (iii) examining the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. In the specific case of the individual impairment measurement (*stage* 3), we performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for the purpose of impairment quantification with the respective agreements (ii) the most relevant collaterals and its most recent appraisals and

Key Audit Matter	*Summary of the Audit Approach*
internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the housing price index, (iv) the expected variation rate of the private consumption; or (v) the prospects for the evolution of Euribor; or (vi) the prospects for the evolution of net exports. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment of the Bank's loan portfolio, based on a probability of occurrence. The specificity and uncertainty of the current macroeconomic and geopolitical situation led to an increase in the complexity of determining impairment losses. In these circumstances, the internal impairment models developed by the Bank were adapted to incorporate new criteria and other judgments such as (i) the use of temporary flexibility measures to prevent contractual changes resulting from the granting of moratoria conditions, would result restructured operations due to financial difficulties, in line with the guidelines of the supervisors in this matter; and (ii) updating the macroeconomic scenarios used to determine the expected loss, in order to reflect the potential effects of the current adverse macroeconomic context, marked by the impacts of the war in Ukraine, as well as the reflection of the expected relationship of this information with the risk parameters of the collective analysis models developed by the Bank. Considering the above, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses of the customer loan portfolio, as well as different recovery strategies, condition the estimate of recovery flows and the timing of their receipt, and may have relevant impacts on the amount of impairment losses determined at any given time.	confirming the registration of them in favour of the Bank; and (iii) the discounted cash flows underlying the impairment determination. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria considered for the exposures with moratoria conditions; (iv) review and testing of the main risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) the analysis of the documentation of the backtesting exercise of the risk parameters and its results, when available; (vii) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (viii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2022. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Measurement of properties received by credit recovery *<u>Measurement and disclosures related to the valuation of properties presented in notes 1 point h) and 30 attached to the financial statements of the Bank</u>* As of 31 December 2022, the net value of real estate properties received in respect of loan recovery and	 The audit procedures developed included the assessment of the key controls implemented by the Bank to identify the real estate properties with

Key Audit Matter	*Summary of the Audit Approach*
registered in Other assets amounts to Euros 304.021 thousand. According with the policies in force at the Bank, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Bank's balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	impairment risk, to determine the corresponding amounts of impairment losses. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Bank, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 1 points s) and 29 attached to the Bank financial statements</u>* In the Bank's balance sheet as of 31 December 2022, the deferred tax assets amounts to Euros 417.557 thousand, of which the recoverability of Euros 358.855 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 87.695 thousand related to the impairment losses for loans and guarantees; (ii) Euros 25.434 thousand related to other impairment, provisions and other taxed amounts; (iii) Euros 25.818 thousand related to employee benefits and; (iv) Euros 219.908 thousand originated by tax losses, generated in 2015 and 2016. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Despite the extension of the time horizon for recovering tax losses, the management body carried out the recoverability analysis of deferred tax assets	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonabless of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2023-2033, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, our internal specialists in tax matters.

Key Audit Matter	Summary of the Audit Approach
and based it on projections of the Bank's activity and results for the period from 2023 to 2033. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the financial statements and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy of IFRS 13 *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 44 attached to Bank's financial statements.* As of 31 December 2022, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 241.879 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income; (ii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and inputs to be used. Due to its expression in the context of the Bank's financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of instruments, our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes annexed to the Bank's financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point r), 10, 30 and 45 attached to the financial statements of the Bank.*	

Key Audit Matter	Summary of the Audit Approach
As of 31 December 2022, the liabilities resulting from past services of the Bank in relation to its pensioners, employees and directors amounts to Euros 641.538 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement ("Acordo Coletivo de Trabalho") of Banco Montepio. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority. These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behavior of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. Thus, this subject was considered a key matter for the purposes of our audit.	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the pension fund's assets fair value estimation process. The audit work included the analysis of the actuarial study prepared by the independent actuary with reference to 31 December 2022 and the performance of meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained, when available. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the fund's assets, independently calculating its value for a sample of assets. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 1 point u), 36 and 52 attached to the financial statements of the Bank.* From the provisions and contingent liabilities disclosed in notes 36 and 52 attached to the financial statements of the Bank as of 31 December 2022, we would like to highlight the following ones: Resolution Fund The resolution measures applied in 2014 to Banco Espírito Santo, S.A. – process that originated the creation of Novo Banco S.A. ("Novo Banco") - and in 2015 to Banif – Banco Internacional do Funchal, S.A. ("Banif) created uncertainty regarding the eventual lack of the Resolution Fund's resources to ensure the fulfilment of its responsibilities, particularly the short term redemption of the loans contracted to meet this purpose. Those uncertainties have highlighted a greater significance	The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank with regard to the identification and monitoring of provisions and contingencies. In view of the relevance and complexity of the judgments required by the management body, within the scope of our audit we carried out, among others, the following procedures in relation to the Resolution Fund: (i) monitoring of the most significant changes to the simplified model of cash flow projections of the Resolution Fund presented by the Bank when renegotiating the loans granted, based on the contractual conditions agreed between the Banks and

Key Audit Matter	Summary of the Audit Approach
underlying the assumed responsibilities and contingent liabilities, namely: (i) of the effects of the application of the principle that any creditor of the financial institution under resolution can assume a loss higher than the one it would assume if such institution went into liquidation; (ii) of the legal proceedings initiated against the Resolution Fund; (iii) of the negative impacts of responsibilities or additional contingencies to Novo Banco and Banif, resulting from the resolution process, that must be neutralised by the Resolution Fund and (iv) of the contingent capitalisation mechanism related to the Novo Banco's sale process to Lone Star, under the terms in which the Resolution Fund, as a Novo Banco's shareholder, may be called to perform capital injections, if certain conditions regarding to the performance of a group of Novo Banco's assets and the evolution of its capitalisation levels are verified. *Competition Authority* In 2012, the Competition Authority initiated an administrative infraction proceeding against a number of banks, including Banco Montepio, for alleged practices that restrict competition. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of 13 million euros was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision ("TCRS"). On 21 December 2020, by decision of the aforementioned Court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. On April 28, 2022, the TCRS issued a decision in which it analyzed the facts that were proved, but did not rule on any sanctions, suspending the process and proceeding with a preliminary ruling to the Court of Justice of the European Union ("TJUE"), to which he raised the question of knowing whether the facts given as proven meet the necessary characteristics to be able to constitute the infringement of the competition rules said "by object" imputed to the banks. As of this date, the decision of the TJUE is still unknown. The financial statements as at 31 December 2022 reflect the management's expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund. Additionally, the Bank's	the Resolution Fund; (ii) consideration of the relevant public communications on the liabilities and contingent liabilities assumed by the Resolution Fund and/or the Portuguese State; (iii) analysis of the evolution of the Bank's exposure to the Resolution Fund; and (iv) understanding of the Bank's management body's view of the Resolution Fund's economic and financial situation and the predictability of expected cash flows from its regular income. Regarding the process initiated by the Competition Authority, our work included (i) an analysis of the Bank's assessment of the nature and status of the aforementioned process, and (ii) an assessment of the information obtained from the Bank's external lawyers who monitor the process. We also analysed the information available on developments on these matters after 31 December 2022. Our audit procedures also included a review of the disclosures on provisions and contingencies, contained in the notes annexed to the financial statements, considering the accounting standards applicable and in force.

Key Audit Matter	*Summary of the Audit Approach*
management body is also convinced that the probabilities that the process initiated by the Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite happening. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party and, to that extent, this was a matter considered relevant for the purposes of our audit.	

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' report and the non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Directors' report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Bank's financial statements for the year ended on 31 December 2022 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the financial statements, in XBRL format using iXBRL technology. the identification and assessment of the risks of material misstatement associated with the marking of information in the financial statements, in XBRL format using iXBRL technology.
This assessment was based on an understanding of the process implemented by the Bank to mark the information.

In our opinion, the financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Directors' report the non-financial statement set forth in article No. 66-B of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021, keeping us in office until the present period. Our last election took place at the general shareholders' meeting held on April 29, 2022 for the 2022 financial year.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board as of the same date; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Bank in conducting our audit.

12 April 2023

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

[Original in Portuguese signed by]

Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

Banco Montepio

PART III

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CONTENTS

Introduction

This Corporate Governance Report, referring to the financial year of 2022, is produced by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “CEMG” or “Banco Montepio”), in compliance with the duty to provide information on the corporate governance structure and practices, on an annual basis, under the terms established in Article 70(2)(b) of the Commercial Companies Code (“CSC”) and Article 29-H of the Securities Code (“CVM”).

This report, which is part of the annual management report, was produced in accordance with the various regulations and guidelines issued by the regulatory and supervisory entities competent with respect to corporate governance matters, namely Securities Market Commission (CMVM) Regulation No. 4/2013, on Corporate Governance, Banco de Portugal Notice No. 3/2020, which regulates governance and internal control systems, and the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05).

A. SHAREHOLDER STRUCTURE

I. Capital structure

1. Capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of the shares not admitted to trading, different categories of shares, rights and obligations associated with shares, and the percentage of capital represented by each category

Banco Montepio is a “Caixa Económica Bancária” (Savings Bank) ruled by the “Regime Jurídico das Caixas Económicas” (Legal Framework of Savings Banks) (Decree-Law 190/2015, of 10 September). Founded in 1844 as Caixa Económica de Lisboa, it changed its name in 1989 to Caixa Económica Montepio Geral. Before the transformation into a public limited company, Banco Montepio’s capital was composed of institutional capital (2,020 million euros), corresponding to cash entries of Montepio Geral - Associação Mutualista, and a Holding Fund (400 million euros, of which 85.4% are held by Montepio Geral - Associação Mutualista).

The transformation into a public limited company – occurred in 2017, in accordance with Decree-Law 190/2015, of 10 September, which approved the legal system of savings banks – marked the amendment of its Articles of Association and the corresponding governance model. Pursuant to this change, the Holding Fund and institutional capital were converted into ordinary shares representing the share capital.

This was followed by a public takeover bid (public offer for acquisition or OPA) of Montepio Geral - Associação Mutualista (MGAM) and a potestative acquisition, which allowed MGAM to hold the entire share capital of CEMG from November 2017 onwards.

As at 31 December 2022, the share capital of Banco Montepio totalled 2,420,000,000 euros, represented by 2,420,000,000 registered book-entry shares, of which 2,419,830,580 were held by Montepio Geral - Associação Mutualista (“MGAM”), which owns a qualifying holding of 99.99%, with the remaining capital (0.01%), corresponding to 169,420 shares, being dispersed by 37 social economy entities (see point 7, below).

A reformulation of the equity headings was approved during an extraordinary General Meeting held on 10 February 2023, for the specific purpose of reinforcing the funds susceptible of being qualified by regulatory authorities as distributable, such as to cover negative retained earnings, by reducing the share capital by 1,210,000,000 Euros, without changing the number of existing shares or altering the total value of the 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.

Thus, on the date of production of this report, the share capital of CEMG totalled 1,210,000,000 euros, corresponding to 2,420,000,000 shares with nominal value of 0.50 euro.

The shares that represent the share capital are all of the same type and category, conferring equal rights upon the respective holders, namely voting and profit-sharing rights. Under these terms, there are no shareholders with special rights.

2. Restrictions to the transfer of shares, namely consent clauses for the sale of shares or limitations on the ownership of shares

The Articles of Association of Banco Montepio do not establish any restrictions, of any type, to the transfer of shares, or any limitations on the ownership of shares.

3. Number of own shares and the corresponding percentage of share capital and voting rights

As at 31 December 2022, Banco Montepio had no own shares; no purchases or sales of own shares were made during the period considered.

4. Significant agreements to which the company is a party, which may come into effect, be amended or cease in the event of a change of control resulting from a public takeover bid, as well as the respective effects, unless this disclosure, due to its nature, causes serious harm to the company, with the exception of situations where the company is specifically obliged to disclose the information in question, by virtue of other legal imperatives

Banco Montepio has not signed any agreements whose coming into effect depends on any change to the Bank's shareholder structure following a public takeover bid, or which are amended or ceased as a result thereof.

Moreover, Banco Montepio is not a party in any significant agreements that determine any demand for payment or the incurring of expenses by the Company, in case of a change of control or alteration to the composition of the management body, which may be perceived as likely to compromise the free transfer of Banco Montepio's shares and the free assessment by the Shareholders of the performance of the Directors.

5. Regime applicable to the renewal or revoking of defensive measures, particularly measures limiting the number of votes that can be held, or the right to vote that can be exercised, by a single shareholder, individually or jointly with other shareholders

There are no statutory clauses that impose limits on the number of votes that can be held, or the right to vote that can be exercised, by a single Shareholder, individually or jointly with other Shareholders.

In accordance with the provisions included in the Articles of Association of Banco Montepio, each share corresponds to one vote and the General Meeting is composed of the shareholders with the right to vote, who will be required to prove share ownership, by sending a statement issued for this purpose, under the terms of the Law, by the financial intermediary responsible for share registration, to the Chairman of the Board of the General Meeting, by the fifth business preceding the scheduled date of the Meeting of Shareholders. Shareholders may exercise their right to vote by correspondence; however, voting by electronic means is not permitted (see articles 6 and 7 of the Articles of Association of Banco Montepio).

Moreover, no share incentive plans are in place for the Employees of Banco Montepio.

6. Shareholders' agreements known to the company that might lead to restrictions on matters of transmission of securities or voting rights

The Company has no knowledge of any shareholders' agreement entered into by its Shareholders.

II. Shareholdings and bonds held

7. Identification of the natural or legal persons that, directly or indirectly, own qualifying holdings, including a detailed indication of the percentage of capital and votes imputable and the source and causes of imputation

As at 31 December 2022, holdings in the share capital of Banco Montepio were distributed as shown in the following table:

	Shareholders	No. Shares	% of capital	% of voting rights
1	Montepio Geral - Associação Mutualista	2,419,830,580	99.993%	99.993%
2	Santa Casa da Misericórdia de Albufeira	1,000	0.00004%	0.00004%
3	Santa Casa da Misericórdia de Alhos Vedros	1,000	0.00004%	0.00004%
4	Irmandade da Santa Casa da Misericórdia de Vila Cova de Alva	1,000	0.00004%	0.00004%
5	Santa Casa da Misericórdia do Barreiro	1,000	0.00004%	0.00004%
6	Fundação INATEL	10,000	0.00041%	0.00041%
7	A “Benéfica e Previdente” - Associação Mutualista	1,000	0.00004%	0.00004%
8	Associação e Socorros Mútuos João Deus	1,500	0.00006%	0.00006%
9	A Lacobrigense - Associação de Socorros Mútuos	1,500	0.00006%	0.00006%
10	Irmandade da Santa Casa da Misericórdia de Grândola	5,000	0.00021%	0.00021%
11	Santa Casa da Misericórdia de Évora	1,000	0.00004%	0.00004%
12	Santa Casa da Misericórdia do Porto	10,000	0.00041%	0.00041%
13	Santa Casa da Misericórdia de Boticas	1,000	0.00004%	0.00004%
14	Santa Casa da Misericórdia de Idanha-a-Nova	1,000	0.00004%	0.00004%
15	Santa Casa da Misericórdia de Vagos	1,000	0.00004%	0.00004%
16	Santa Casa da Misericórdia de Soure	1,000	0.00004%	0.00004%
17	Santa Casa da Misericórdia de Lisboa	75,000	0.0031%	0.0031%
18	CSC - Associação de Socorros Mútuos de Empregados no Comércio de Lisboa	10,000	0.00041%	0.00041%
19	União Mutualista Nossa Senhora da Conceição - Associação Mutualista	3,000	0.00012%	0.00012%
20	Santa Casa da Misericórdia de Santiago do Cacém	1,000	0.00004%	0.00004%
21	Santa Casa da Misericórdia de Vila Verde	1,000	0.00004%	0.00004%
22	CEEPS - Centro de Estudos em Economia Pública e Social	1,000	0.00004%	0.00004%
23	Santa Casa da Misericórdia da Vila de São Sebastião	1,000	0.00004%	0.00004%
24	Santa Casa da Misericórdia de Póvoa do Lanhoso	2,420	0.0001%	0.0001%
25	Santa Casa da Misericórdia de Arganil	1,000	0.00004%	0.00004%
26	Mutualidade Popular - Associação Mutualista	5,000	0.00021%	0.00021%
27	Santa Casa da Misericórdia de Alcácer do Sal	1,500	0.00006%	0.00006%
28	Santa Casa da Misericórdia de Tomar	1,000	0.00004%	0.00004%
29	Santa Casa da Misericórdia de Castelo Branco	1,000	0.00004%	0.00004%
30	A Mutualidade da Moita - Associação Mutualista	1,000	0.00004%	0.00004%
31	Montepio Rainha D. Leonor - Associação Mutualista	5,000	0.00021%	0.00021%
32	A Associação Vilanovense de Socorro Mútuo	1,000	0.00004%	0.00004%
33	AME - Associação Mutualista dos Engenheiros	5,000	0.00021%	0.00021%
34	Liga das Associações de Socorros Mútuos de Vila Nova de Gaia	5,000	0.00021%	0.00021%
35	Santa Casa da Misericórdia do Bom Jesus de Matosinhos	1,000	0.00004%	0.00004%
36	Associação de Intervenção Social de Grândola (AISGRA)	1,000	0.00004%	0.00004%
37	Santa Casa da Misericórdia de Arcos de Valdevez	1,000	0.00004%	0.00004%
38	União das Misericórdias Portuguesas	7,500	0.00031%	0.00031%
	TOTAL	**2,420,000,000**	**100%**	**100%**

Pursuant to article 16 of the CVM, the minimum limit for a shareholding to be considered a qualifying holding is 5%. In this sense, only Montepio Geral - Associação Mutualista, as the holder of 99.99% of the share capital of Banco Montepio and an equal percentage of the voting rights, owns a qualifying holding.

8. Information on the number of shares and bonds held by members of the management and supervisory bodies

The members of the management and supervisory bodies of Banco Montepio did not hold, as at 31 December 2022, any shares issued by the Bank, nor had they performed during 2022 any transactions involving such securities, as relevant for the purposes of Article 447 of the Commercial Companies Code, with the text currently in effect.

9. Special powers of the management body, namely in what regards deliberations to increase share capital, including, with respect to the latter, the date on which such powers were conferred, the period during which they can be exercised and the maximum quantitative limit of the increase in share capital

Under the terms of Article 4(3) of the Articles of Association of Banco Montepio, whose text results from the statutory review approved at the General Meeting of 30 October 2018, the Board of Directors can deliberate a share capital increase, by cash entries, once or more times, up to a maximum amount corresponding to 10% of the share capital.

In accordance with Article 456(1)(c) of the Commercial Companies Code, the powers statutorily conferred upon the Board of Directors can be exercised until 30 October 2023, without prejudice to any renewal that may be eventually deliberated by the General Meeting.

Up to the present date, the Board of Directors has not deliberated any share capital increase under the aforementioned statutory provision.

10. Information on any significant business relationships between the owners of qualifying holdings and the company.

Any transaction performed between the Company and any owner of a qualifying holding, or natural or legal persons related thereto, shall comply with the principles and rules established in the Policy on Transactions with Related Parties currently in effect, observing the identification, assessment and control procedures defined in the Work Order on the Assessment and Control of Transactions with Related Parties, as internal regulations established in compliance with the provisions included in Banco de Portugal Notice no. 3/2020, which is currently undergoing the respective annual review process, for subsequent approval by the competent bodies.

Information regarding transactions with the owners of qualifying holdings during the financial year of 2022 is included in the notes to the financial statements of Banco Montepio, in the section concerning Transactions with Related Parties.

B. Governing Bodies and Committees

I. General Meeting

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the Board of the General Meeting and the respective terms of office (start and end)

Under the terms of Article 8(1) of the Articles of Association of Banco Montepio, the Board of the General Meeting is composed of a Chairman and a Secretary.

The Chairman and the Secretary of the Board of the General Meeting were elected for the term 2018-2021 on 16 March 2018 and reappointed by the General Meeting on 29 April 2022 for the quadrennium 2021-2025.

Under these terms, the composition of the Board of the General Meeting as at 31 December 2022 was as follows:

Member	Position
António Manuel Lopes Tavares	Chairman
Cassiano da Cunha Calvão	Secretary

b) Exercise of the right to vote

12. Any restrictions on the right to vote, such as limitations on voting rights depending on ownership of a certain number or percentage of shares, deadlines for exercising voting rights or systems highlighting ownership rights

The Articles of Association of Banco Montepio do not provide for any limitations on voting rights or systems highlighting ownership rights.

Under the terms of Article 6(2) of the Articles of Association of Banco Montepio, each share corresponds to one vote, and the shareholders owing at least one share at 00:00 (GMT) of the fifth business day preceding the scheduled date may participate in the General Meeting. Shareholders may exercise their right to vote by correspondence, for which purpose they shall be required to submit a declaration of vote on each of the items on the agenda to the Chairman of the Board of the General Meeting, by the second business day preceding the scheduled date of the General Meeting.

13. Indication of the maximum percentage of voting rights that may be exercised by a single Shareholder, or by related Shareholders, under any of the relationships set out in Article 20(1) of the Securities Code

The Articles of Association of Banco Montepio do not provide for any limitation on the voting rights that may be exercised by a single Shareholder, individually or with related Shareholders, under any of the relationships set out in Article 20(1) of the Securities Code.

14. Identification of the deliberations of Shareholders that, pursuant to the Articles of Association, can only be made by a qualified majority, in addition to those provided for by law, and indication of those majorities

In accordance with Article 10(2) of the Articles of Association, deliberations of the General Meeting, concerning the amendment of the Articles of Association, merger, demerger, transformation and dissolution require the approval of a majority of third thirds of the votes cast.

II. Management and Supervision

a) Composition of the Board of Directors

15. Identification of the corporate governance model adopted Banco Montepio adopted a one-tier governance (Anglo-Saxon) model in 2018, according to which management and supervision are structured as established in Article 278(1)(b) of the Commercial Companies Code, with a Board of Directors that includes the Audit Committee (elected at the General Meeting from the non-executive members) and a Statutory Auditor.

16. Statutory rules on the procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors

Under the terms of Article 5(1) of the Articles of Association of Banco Montepio, the Governing Bodies include the General Meeting, the Board of Directors, including the Audit Committee, and the Statutory Auditor, all of which are elected by the General Meeting. The term of office of the governing bodies is four years, with the exception of the Statutory Auditor, whose term of office may be set by the General Meeting as a minimum of one to a maximum of four years, with re-election being allowed in any of the cases.

Governing bodies are elected as lists, with voting being cast on the lists presented, unless the election concerns a single member is elected.

In case of definitive absence, the Board of Directors will be responsible, under the terms legally and statutorily established, for proceeding with the replacement of directors by co-optation, which must be submitted for ratification at the first following General Meeting.

The Articles of Association of Banco Montepio do not establish any other procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors.

17. Composition of the Board of Directors, including the minimum and maximum statutory number of members, the statutory term of office, the number of effective members, the date of first appointment and the end date of the term of office of each member

Under the terms of Article 12(1) of the Articles of Association of Banco Montepio, the Board of Directors is composed of a minimum of twelve and a maximum of nineteen members, including a Chairman without executive functions, all elected at the General Meeting for four-year terms, subject to renewal.

The General Meeting of Banco Montepio, held on 29 April 2022, elected the members of the Institution's Management and Supervisory Body for the term of office 2022-2025, having subsequently submitted to Banco de Portugal the competent request for authorisation of the performance of the respective duties by the elected members, under the terms of Article 30-B of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), which was granted by deliberation of the Board of Directors of Banco de Portugal on 19 July 2022, following which the members of the Management and Supervisory Body elected for the term of office 2021-2025 took office on 25 July 2022.

The composition of the Board of Directors during the financial year to which this Report refers was as follows:

Term of office 2018-2021 (in office until 25 July 2022)

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term	Independence
Carlos Manuel Tavares da Silva	Chairman of the Board of Directors	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Independent
Manuel Ferreira Teixeira	Non-Executive Member | Chairman of the Audit Committee	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Independent
Amadeu Ferreira de Paiva	Non-Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Not Independent
Carlos Francisco Ferreira Alves	Non-Executive Member	2018/2021	30/10/2018	15/01/2019	31/12/2021[1]	Independent
José da Cunha Nunes Pereira	Non-Executive Member	2018/2021	05/12/2019	01/04/2020	31/12/2021[1]	Independent
Pedro Jorge Gouveia Alves	Non-Executive Member	2018/2021	16/03/2018	23/08/2018	31/12/2021[1]	Not Independent
Rui Pedro Brás de Matos Heitor [2]	Non-Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Not Independent
Vítor Manuel do Carmo Martins	Non-Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Independent
Pedro Manuel Moreira Leitão	Executive Member | Chairman of the Executive Committee	2018/2021	05/12/2019	09/01/2020	31/12/2021[1]	Independent
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	Executive Member | Vice-Chairman of the Executive Committee	2018/2021	23/11/2018	09/01/2019	31/12/2021[1]	Independent
Helena Catarina Gomes Soares de Moura Costa Pina	Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Independent

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term	Independence
Jorge Paulo Almeida e Silva Baião	Executive Member	2018/2021	18/02/2021	23/02/2021	31/12/2021[1]	Independent
José Carlos Sequeira Mateus	Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Not Independent
Leandro Rodrigues da Graça Silva	Executive Member	2018/2021	30/10/2018	09/11/2018	31/12/2021[1]	Independent
Nuno Cardoso Correia da Mota Pinto	Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Independent
Pedro Miguel Nunes Ventaneira	Executive Member	2018/2021	16/03/2018	21/03/2018	31/12/2021[1]	Independent

[1] The term of office corresponds to the last day of the calendar year to which it refers; however, the Directors remained in office until the new governing bodies elected for the term 2021-2025 took office, as established in article 391 of the Commercial Companies Code.

[2] Director Rui Heitor resigned his term of office, with effect from 10/01/2022, in order to take office as member of the Board of Directors of Montepio Geral - Associação Mutualista, to which he was elected for the term 2021-2025.

Term of office 2022-2025 (in office since 25 July 2022)

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term	Independence
Manuel Ferreira Teixeira	Chairman of the Board of Directors	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Clementina Maria Dâmaso Barroso	Non-Executive Member | Chairman of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Eugénio Baptista	Non-Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Florbela dos Anjos Frescata Lima	Non-Executive Member | Chairman of the Risk Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Maria Cândida de Carvalho Peixoto	Non-Executive Member | Chairman of CANESG	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Maria Lúcia Ramos Bica	Non-Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Pedro Manuel Moreira Leitão	Executive Member | Chairman of the Executive Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Ângela Isabel Sancho Barros	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Independent
Helena Catarina Gomes Soares de Moura Costa Pina	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Isabel dos Santos Pereira da Silva	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
Jorge Paulo Almeida e Silva Baião	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent
José Carlos Sequeira Mateus	Executive Member	2022/2025	29/04/2022	25/07/2022	31/12/2025	Not Independent

The Board of Directors of Banco Montepio is thus the most gender-equal of Portuguese banks, surpassing the national goal of 40% of women in management positions.

Banco Montepio prioritises and values a culture of diversity, widely evidenced by its mutualist, transgenerational, multicultural DNA. The guiding principles that govern the activity of Banco Montepio, in terms of inclusion and diversity in human resources, including governing bodies, are defined in its Policy on Diversity and Inclusion, available on the Banco Montepio website, in Policies and Regulations | Banco Montepio.

In order to ensure compliance with the aforementioned principles, the Bank has implemented a Policy on Selection and Evaluation of the Adequacy of the Members of the Management and Supervisory Body that promotes a diversified composition of the management bodies, thus ensuring a wide range of qualities and competencies, with a view to benefitting from a variety of perspectives and experiences, and encouraging the independence of opinions, constructive discussion and the making of solid decisions by these bodies. The following aspects should be particularly considered with respect to meeting diversity requirements: qualifications and professional experience, gender, age, nationality and cultural background.

The aforementioned Policy on Selection and Evaluation of the Adequacy of the Members of the Management and Supervisory Body, which was approved at the General Meeting of 29 April 2022 and is undergoing the respective annual review process, for subsequent consideration at the annual General Meeting, established the deadline of 2026 for the achievement of the target of at least 33% of members of the underrepresented gender in the composition of the Board of Directors. This target has already been achieved, as evidenced by the composition of the governing bodies elected for the term of office 2022-2025.

18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members who may be considered independent

The Board of Directors is composed of a total of 12 members, namely 6 executive and 6 non-executive members, including 5 independent members, of whom 4 are non-executive directors.

In this sense, Banco Montepio benefits from a number of non-executive and independent members deemed sufficient for performing the functions for which they are responsible, in an efficient manner, adequate to the Bank's size and to the complexity of the risks associated with its activity, namely taking into account the diversity of academic skills, career path and professional experience of each of the aforementioned members, thus allowing the Bank to efficiently ensure the functions with which the Board of Directors has been entrusted, and safeguard the interests of all Stakeholders, in all matters, as well as ensure the effective supervision and evaluation of executive performance, which Banco Montepio considers to be adequate and aligned with its interests.

19. Professional qualifications and other relevant curricular information of each of the members of the Board of Directors

Information relating to the professional qualifications and other relevant curricular information of each of the members of the Board of Directors is presented in Annex I to this Report.

20. Customary and significant family, professional or commercial relationships between the members of the Board of Directors and Shareholders owning qualifying holdings that correspond to more than 2% of the voting rights

Banco Montepio was not informed of the existence of any customary and significant family, professional or commercial relationships between the members of the Board of Directors and any Shareholders owning qualifying holdings in the share capital of Banco Montepio or the respective associative bodies.

21. Organisational charts or functional maps related to the allocation of responsibilities to the various governing bodies, committees and/or company departments, including information on delegation of responsibilities, particular regarding delegation of the company's daily management

According to the corporate governance model adopted by Banco Montepio, the Bank's governing bodies include a Board of Directors, which includes an Audit Committee, elected by the General Meeting, and a Statutory Auditor.

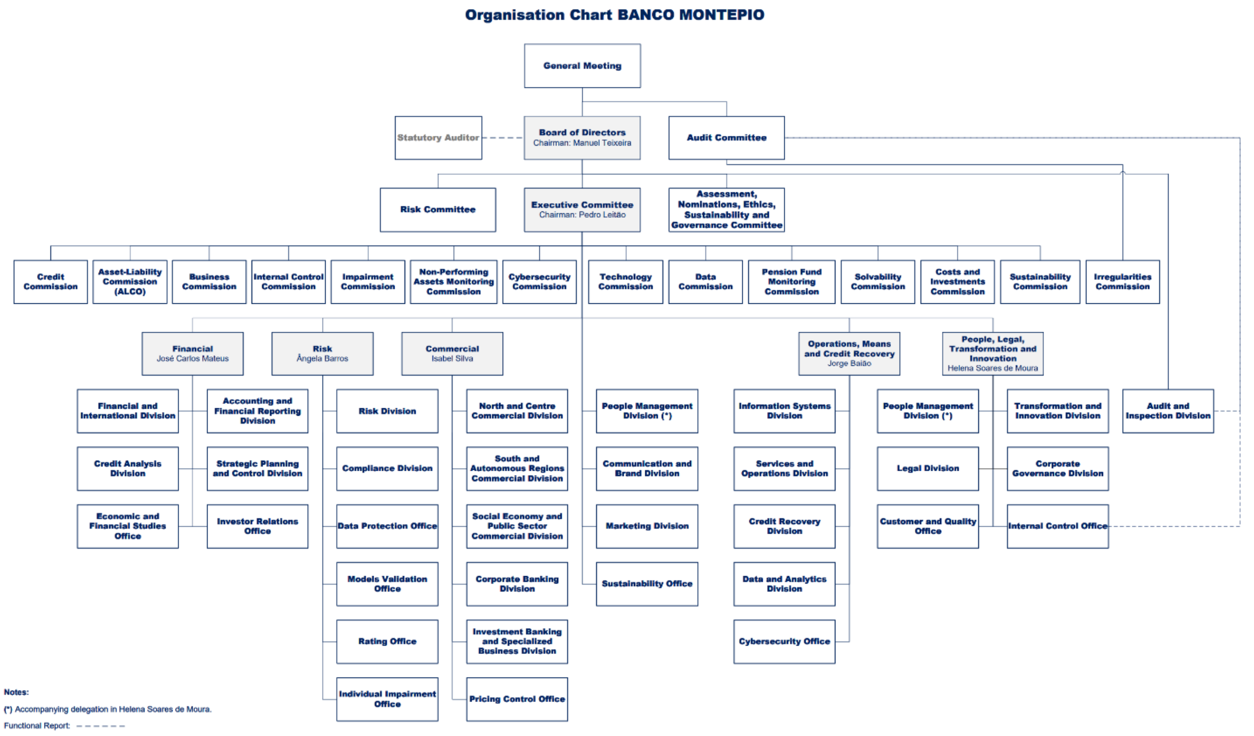
Under the terms of Article 11(c) of the Articles of Association, a Remuneration Committee, composed of three members, was also elected by the General Meeting for the term 2022-2025. Amongst other tasks, the Remuneration Committee is responsible for setting the remunerations of the members of the governing bodies, in accordance with Article 399(1) of the Commercial Companies Code.

The Board of Directors appointed two Committees – the Risk Committee and the Assessment, Nominations, Ethics, Sustainability and Governance Committee. These committees were tasked, on a permanent basis, with the monitoring of certain specific matters.

Additionally, the Board of Directors delegated the daily management of Banco Montepio on an Executive Committee, with the exception of the powers related to matters whose delegation is prohibited by Law, or those reserved thereto under the terms of the respective Regulations, having established its composition and mode of operation and appointed the respective Chairman.

On its turn, the Executive Committee appointed Operational Commissions, which were entrusted with the ongoing monitoring of certain specific issues.

In these terms, the organisational structure of Banco Montepio, as at 31 December 2022, was as shown in the table below, with the responsibilities detailed below:



21.1. Board of Directors

The **Board of Directors** is granted the broadest Company management and representation powers, as established in the Law and the Articles of Association, being responsible for the global definition and implementation of major strategic guidelines and general policies, in order to ensure the sustainability of the Institution in the medium and long term, and the prudent exercise of its activity.

In addition to the remaining non-delegable matters provided for in the applicable Law and Regulations, the Board of Directors reserves the following powers for itself:

a) Approving strategic and business plans, and annual and multiannual budgets, submitting the general guidelines for multiannual action plans and the respective updates to the General Meeting;

b) Approving the investment and financing policy;

c) Approving the global risk policy and strategy, risk appetite statement, capital and liquidity strategy and policy, and services and product policy;

d) Approving and periodically reviewing policies and practices related to corporate governance, internal control and risk management, including but not limited to the following:

(ii) the organisational structure of Banco Montepio, comprising:

1) the constitution of Committees of the Board of Directors and the establishment of the respective internal regulations;

2) the definition of the areas of responsibility of the Executive Committee, as well as the definition of objectives, reporting lines and responsibilities, and the creation or extinction of the various functional units that perform control functions or other essential functions, or that perform executive functions and report directly to the Executive Committee or the Board of Directors ("Senior Management"), excluding the mere merging or separation of functional units that do not perform control functions, or the mere clarification of the respective scope of responsibility;

3) the assessment of the structure, size, composition and performance of the management and supervisory bodies and the adequacy of their members;

(iii) the selection, assessment of adequacy and succession policies, as well as succession plans, pertaining to the members of management and supervisory bodies ("MOAF"), key function holders and Senior Management, as applicable, under the terms of the Law and applicable regulations;

(iv) the remuneration policy of key function holders, due to the respective remuneration status and impact on the risk profile of Banco Montepio, and the submission of proposals concerning the remuneration policy of the MOAF to the General Meeting, under the terms of the Law and applicable regulations;

(v) the policies and systems pertaining to risk management, internal control and compliance, prevention of money laundering and terrorist financing, management and security of financial and other information, and subcontracting;

e) Approving the results and conclusions of the SREP (Supervisory Review and Evaluation Process), ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), and the respective implementation plans;

f) Appointing Directors by co-optation;

g) Appointing the Company Secretary and the respective alternate;

h) Appointing and dismissing persons responsible for control and approval functions, regulations, activity plans and budgets of each of these functions, as well as the respective reports, for the purposes of Articles 27, 28 and 32 of Banco de Portugal Notice no. 3/2020;

i) Appointing and dismissing Senior Management members and the Ombudsman, if applicable;

j) Approving investments, divestments, extensions or reductions of activity, or other operations not included in the budget, which have an impact greater than 5% on the consolidated assets of Banco Montepio;

k) Approving credit transactions related to customers with increased or aggravated risk, or any other transactions expressly identified in the policies in effect at Banco Montepio, as well as operations and transactions involving related parties and conflicts of interest, in accordance with the policies in effect at Banco Montepio;

l) Authorising the creation or acquisition of shareholdings or other forms of lasting cooperation with other companies representing more than 15% of total own funds;

m) Deliberating, under the terms of the Law and the Articles of Association, on the issuance of shares or other securities that entail, or may entail, an increase in the consolidated regulatory own funds of Banco

Montepio, and establishing issuance conditions, respecting any limits set by the General Meeting and the Articles of Association;

n) Proposing eventual amendments to the Articles of Association of Banco Montepio.

21.2. Audit Committee

Under the terms of the Law, the Bank's Articles of Association and its Regulations, the **Audit Committee** is responsible for the continuous supervision of Banco Montepio, particularly concerning its financial performance, the definition of the strategy and general policies of the Institution, the Group's corporate structure and the decisions that should be considered strategic due to their value and risk, and in particular:

a) Supervising the management of Banco Montepio;

b) Monitoring compliance with applicable legal and regulatory provisions and the Articles of Association;

c) Producing annual reports on its supervisory action;

d) Calling the General Meeting when the Chairman of the respective Board fails to do so, as it should be due;

e) Hiring the services of experts to assist one or several of its members with the fulfilment of their responsibilities, in which case the matters entrusted to the experts in question and the economic situation of Banco Montepio should be taken into account in their hiring and remuneration.

With regard to the supervision of the quality and integrity of financial information, the Audit Committee is particularly responsible for the following:

a) Verifying, when considered convenient and as deemed adequate, the extent of treasury and of any type of assets or values owned by Banco Montepio, or received by the Bank as collateral, deposit or other security;

b) Verifying the correctness of the accounting ledgers, accounting records and supporting documents;

c) Assessing whether the accounting policies and procedures and valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and liabilities and results, and are consistent with generally accepted principles, as well as supervising, together with the Statutory Auditor, the correct application of the aforementioned policies, procedures and criteria in effect;

d) Verifying the accuracy of the accounting documents and issuing an opinion on the report, the accounts and the proposals submitted by the Management, including proposed distribution of earnings, to be submitted to the General Meeting;

e) Appraising, with the Board of Directors and the Statutory Auditor, any issues and decisions of material relevance for the preparation of the financial statements, including any changes to regulatory or accounting rules, or to accounting policies, practices, or procedures, as well as the effects of unusual transactions on financial information, the estimates and judgments adopted, and their consistent application;

f) Monitoring and supervising the preparation and disclosure of financial information and the main prudential indicators, issuing recommendations or presenting proposals aimed at ensuring the reliability of the process;

g) Supervising the integrity and effectiveness of internal information and communication management systems (namely with respect to prudential and other reporting, and accounting and financial issues), as well as internal control, internal auditing and risk management systems, with respect to the preparation and disclosure of financial information.

Within the scope of its functions and responsibilities concerning the supervision of the activity and independence of the Statutory Auditor, the Audit Committee is responsible for:

a) Selecting and proposing to the General Meeting the election of the Statutory Auditor, and issuing a prior opinion on the Statutory Auditor selection and appointment policy, and the remuneration to be paid for the legal review of the Banco Montepio Group's accounts, as well as monitoring the implementation and review of the aforementioned policy;

b) Appraising the Statutory Auditor's audit plan, on an annual basis, supervising and assessing the Statutory Auditor's activity, and monitoring and supervising the legal review of accounting documents, on an individual and consolidated basis;

c) Verifying and monitoring the Statutory Auditor's independence and objectivity, amongst other aspects, on an annual basis and with respect to the provision of additional services by the Statutory Auditor;

d) Proceeding with the prior approval, duly justified, of the hiring of non-prohibited additional services, to be provided by the Statutory Auditor to Banco Montepio Group entities, as well as the respective remuneration conditions;

e) Informing the Board of Directors of the results of the legal review of accounts and its contribution to the integrity of the financial information preparation and disclosure process, as well as the role played by CAUD in the aforementioned process.

Within the scope of its functions and responsibilities with respect to the supervision of internal audit, risk management and internal control and compliance system effectiveness, the Audit Committee is responsible for:

a) Controlling and assessing the effectiveness of systems, in terms of internal control and compliance, risk management, prevention of money laundering and terrorist financing, and internal audit, as well as governance policies and practices, particularly by issuing a prior opinion on the various policies, in relation to each system, ensuring consistency and risk control on the level of Banco Montepio and its subsidiaries, and performing control actions;

b) Issuing a prior opinion on the status and regulation, the business plan (including the audit action plan), the budget and the resources of the control functions;

c) Monitoring the implementation of the activity plans of the control functions, on a periodical basis, and evaluating the completion of the respective actions and the deficiencies identified, as well as analysing and monitoring the periodic reports of the control functions (including, amongst others, the reports specified in Articles 27, 28 and 32 of Banco de Portugal Notice no. 3/2020, namely the issuing an opinion on the respective self-assessment reports), and communicating the recommendations deemed opportune to the Executive Committee and the Board of Directors;

d) Issuing prior opinions on the risk profile and the internal control, risk management and internal auditing and compliance systems, including a detailed opinion, a summary of the deficiencies detected by any functional unit, regarding any of the processes and controls implemented, and the recommendations issued with respect to the effectiveness and adequacy of the aforementioned systems, under the terms defined in Banco de Portugal Notice no. 3/2020;

e) Issuing a prior opinion and monitoring the implementation of the policies related to the selection, assessment of adequacy, succession and remuneration of members of the management and supervisory bodies and control functions, as well as evaluating the principles applicable to the remuneration policies of Banco Montepio Group's employees, for the purposes of Article 53 of Banco de Portugal Notice no. 3/2020;

f) Issuing a prior binding opinion on the appointment, dismissal and replacement of the persons responsible for control functions and participating in the respective performance assessment process;

g) Issuing a prior binding opinion on all issues related to the organisational structure of Banco Montepio, as defined in the Regulations of the Board of Directors, and related to the organisation of the Audit Committee or the control functions, as well as issuing a prior opinion on policies pertaining to the subcontracting and outsourcing of services and activities, and the management of business continuity;

h) Assessing needs on the level of the composition and organisation of the Audit Committee;

i) Issuing prior authorisations for the subcontracting of operational tasks specifically related to internal control functions;

j) Issuing a prior opinion on changes to the group structure, for the purposes of Articles 49 and 50 of Banco de Portugal Notice no. 3/2020;

k) Issuing a prior opinion on the code of conduct and ethics, the internal policies and regulations that allow the respective development and implementation, and subsequent revisions, as well as the Banco Montepio whistleblowing policy, ensuring periodic assessment;

l) Receiving reports of irregularities submitted by shareholders, employees of Banco Montepio or others, and evaluating complaints management reports concerning complaints submitted by customers, on a periodical basis;

m) Issuing a prior opinion on policies related to the management of conflicts of interest and transactions with related parties, as well as gaining knowledge of the list of related parties and issuing a prior opinion on any transactions falling within the respective scope, in accordance with the aforementioned policies and applicable legal and regulatory provisions;

n) Evaluating proposals concerning the objectives of Banco Montepio in matters of risk, supervising the strategies defined within this scope, including strategies related to the Bank's risk appetite and risk management framework, as well as monitoring decisions involving significant risk-taking, namely for the purposes of Article 27 of Banco de Portugal Notice no. 3/2020, and, on a periodical basis, the implementation of the global risk policy and strategy, the risk appetite statement and the capital and liquidity strategy and policy;

o) Issuing a prior opinion and monitoring the implementation and effectiveness of risk management processes, on a periodical basis;

p) Issuing a prior opinion and monitoring the implementation of the approval policy for new products and services, on a periodical basis;

q) Analysing the main prudential indicators and compliance with capital and liquidity requirements, on a periodical basis, as well as materially relevant asset assessments and the decision to exclude risk categories, under the terms of Article 21 of Banco de Portugal Notice no. 3/2020;

r) Producing annual evaluation reports, opinions, statements, opinions and summaries concerning organisational culture and governance, as well as internal control systems, for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020;

s) Issuing an opinion on the internal control system for the prevention and fight against money laundering and terrorist financing, under the terms of the applicable legal and regulatory provisions;

t) Gaining knowledge of and monitoring the completion of all inspections, specific determinations or recommendations of Banco de Portugal, the Securities Market Commission, the Insurance and Pension Funds Supervisory Authority, the Tax and Customs Authority, and the IGF - Audit Authority.

21.3. Risk Committee

Under the terms of the respective Regulation, the mission of the Risk Committee is to assist the Board of Directors and the Audit Committee with the fulfilment of the respective responsibilities, with regard to the definition, implementation and supervision of the risk strategy and risk appetite, for which purpose, and without prejudice to any other responsibilities pursuant to the applicable legislation of regulations, or under the Articles of Association, the internal policies of Banco Montepio or by resolution of the Board of Directors, the Risk Committee undertakes the following responsibilities:

a) Advising the Board of Directors and the Audit Committee on the global risk policy and strategy, present and future, the risk appetite statement, and the capital and liquidity policy;

b) Advising the Board of Directors and the Audit Committee on the risk management system, including the policies, processes and methodology used to identify, evaluate, monitor and control risks;

c) Assessing whether the conditions established for the products and services offered to the Customers take into account the business model and risk strategy of Banco Montepio, as well as analysing the associated risks, considering the consistency between the prices set for the products and services and the profits obtained from the respective sale, and submitting a correction plan to the Board of Directors when this analysis indicates that the aforementioned conditions do not adequately reflect the existing risks;

d) Examining whether the incentives established in the remuneration policies and practices of Banco Montepio take into account the associated risk, capital and liquidity, as well as the probability and timing of revenues and profits;

e) Supervising the implementation of strategies related to all of Banco Montepio's significant risks, in order to assess the respective adequacy in view of the approved risk policy and strategy;

f) Supervising the implementation of strategies related to own funds and liquidity, as well as all other significant risks of Banco Montepio, namely market, credit, operational (including legal and IT risks) and reputational risks, in order to assess the respective adequacy in view of the risk policy and strategy, the risk appetite statement and the capital and liquidity policy;

g) Analysing a series of possible scenarios, including stress tests, in order to assess how Banco Montepio's risk profile would respond to external and internal events;

h) Issuing recommendations to the Board of Directors regarding necessary adjustments to the risk strategy, namely as a result of changes to the business model, market evolution or the business context in which Banco Montepio and its subsidiaries operate, as well as recommendations issued by the risk management function;

i) Issuing an opinion on decisions to appoint or replace the person responsible for the risk function;

j) Assessing the recommendations issued by external auditors and the reports produced by control functions, for the purposes of Articles 54 to 60 of Banco de Portugal Notice no. 3/2020, and monitoring the adequate implementation of the measures adopted in connection with the matters for which the Risk Committee is responsible.

21.4. Assessment, Nominations, Ethics, Sustainability and Governance Committee

The Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG") is responsible for assisting the Board of Directors and the Remuneration Committee with the fulfilment of their responsibilities 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.

Without prejudice to the remaining powers conferred upon it by the applicable legislation or regulations, the Articles of Association and the internal policies of Banco Montepio, or by deliberation of the Board of Directors, the CANESG is responsible for the following matters:

1) Regarding selection and assessment of adequacy, profile and performance:

   a) Producing, reviewing and submitting to the Board of Directors, on an annual basis, the policies for selection and assessment of adequacy of members of the management and supervisory bodies ("MOAF") and key function holders ("KFH"), and the respective succession policies (in case of succession of the KFH following a proposal from the Executive Committee), as well as monitoring their implementation;

b) Assessing the structure, size, composition and performance of the management and supervisory bodies, on an annual basis, and issuing recommendations to the Board of Directors and the Audit Committee, according to the respective responsibilities, regarding the following issues:

   i. the functional profile of the MOAF, including the description of the responsibilities and functions of each member, and the adequate knowledge, skills, experience and availability to fulfil them;

   ii. the succession plans (including the simplified assessment of potential successors), and the diversity and non-discrimination of the MOAF (including, without being limited to, gender issues);

c) Issuing recommendations to the Board of Directors regarding MOAF candidates, and proposing the MOAF adequacy assessment report, for the purposes of the respective appointment and reassessment of adequacy, in compliance with the applicable internal policy;

d) Producing a proposal concerning the KFH adequacy assessment report, to be produced by the Board of Directors, for the purposes of KFH appointment and reassessment of adequacy, in compliance with the applicable internal policy;

e) Reviewing the policy for selection and appointment of the persons who perform executive functions and report directly to the Executive Committee or the Board of Directors ("Senior Management"), on an annual basis, and issuing recommendations on their functional profile;

f) Assessing the implementation of the adequacy assessment policy applicable to the MOAF and KFH of subsidiaries, on an annual basis, and monitoring the respective appointment process.

2) Regarding the remunerations and incentives created within this scope for risk, capital and liquidity management purposes:

a) Issuing an opinion addressed to the Remuneration Committee and the Board of Directors, according to the respective responsibilities, on an annual basis, regarding (i) the remuneration policy of the MOAF, as well as the remuneration policy of key function holders, due to their remuneration status and impact on Banco Montepio's risk profile, as defined in the respective remuneration policy ("Key Function Holders Functions"); and (ii) the respective implementation regulations;

b) Monitoring the process of identification of Key Function Holders, under the terms of the respective remuneration policy and the applicable law and regulations (namely Commission Delegated Regulation (EU) No. 2021/923, of 25 March);

c) Preparing the decisions of the Remuneration Committee and of the Board of Directors, according to the respective responsibilities, on matters concerning the remunerations of MOAF and Key Function Holders, with impact on the strategy and risk management and/or the liquidity and capital of Banco Montepio, including, without being limited to, the issuing of opinions on (i) the attribution, payment and adjustment of the variable remuneration of executive directors; and (ii) the structure and remuneration criteria of Key Function Holders, in accordance with the respective remuneration policies;

d) Verifying compliance with the policies and regulations referred to in paragraph a) and the independence between the remunerations of employees performing control functions and the results of Banco Montepio, on an annual basis, and, in general terms, supervising the remunerations of employees performing control functions, as well as reporting the respective conclusions to the General Meeting, the Remuneration Committee, the Board of Directors and the Audit Committee, for the purposes of the reports specified in Articles 44 and 57 of Banco de Portugal Notice no. 3/2020 and Article 115-C(6) of the RGICSF;

e) Conducting, in coordination with the risk management and compliance functions, 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, under the terms of Article 53(3) of Banco de Portugal Notice no. 3/2020;

f) Issuing, as part of the Banco Montepio Group self-assessment report, as specified in Article 58(1)(d) of Banco de Portugal Notice no. 3/2020, an opinion on the overall consistency of the remuneration policies adopted by the subsidiaries of Banco Montepio located abroad, in relation to the provisions included in the RGICSF and the aforementioned Notice, indicating any existing deficiencies, including those detected by the control functions of the parent company;

g) Issuing an opinion, addressed to the Board of Directors, on an annual basis, on 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.

3) Regarding ethics, sustainability and corporate governance:

a) Assisting the Board of Directors with matters pertaining to the conduct standards applicable to Banco Montepio and the Banco Montepio Group, including the following:

i. issuing an opinion on the Policies pertaining to the Management of Conflicts of Interest, Transactions with Related Parties and Whistleblowing, as well as the Code of Conduct and other documents that define ethical principles, when requested by the Board of Directors or the Executive Committee;

ii. supporting the Board of Directors with regard to the definition of a policy aimed at ensuring social responsibility, diversity, equality and non-discrimination, protection of human rights, sustainable development and environmental protection, within the scope of Banco Montepio's corporate conduct, and the definition of Banco Montepio's strategy and risk management policy;

iii. supervising the production of the Annual Sustainability Report.

b) Assisting the Board of Directors with the following corporate governance issues:

i. supporting the Board of Directors with regard to the operating regulations of the Board of Directors, as well as the respective Committees, namely by reviewing existing documents and proposing changes;

ii. analysing the governance and organisational structure of the Company (as defined in the Regulations of the Board of Directors), within the responsibility scope of the Board of Directors, and proposing changes aimed at improving the decision-making process and the performance of the associated functions;

iii. supervising the production of the Annual Corporate Governance Report.

21.5. Executive Committee

The Board of Directors has delegated the daily management of Banco Montepio on an Executive Committee, with the exception of the powers related to matters whose delegation is prohibited by law, or those that the Board of Directors reserves for itself, under the terms of its Regulations, having established its composition and mode of operation and appointed the respective Chairman, as specified in Article 14 of the Articles of Association.

Under the proposal of the Chairman of the Executive Committee, the Board of Directors approved, under the terms of Article 2(2) of the Regulations of the Executive Committee, the specific allocation of the following areas of responsibility:

Areas of Responsibility (as at 31 December 2022)

Manuel Teixeira Chairman of the Board of Directors	Audit and Inspection Department (DAI) *(with functional report to the Audit Committee)*
Pedro Leitão Chairman of the Executive Committee	People Management Department (DGP) (1) Communication and Brand Department (DCM) Marketing Department (DMK) Sustainability Office (GS) APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) (2) AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado (2)
Isabel Pereira da Silva Executive Member	North and Centre Commercial Department (DCNC) South and Islands Commercial Department (DCSI) Social Economy and Public Sector Department (DCESSP) Corporate Banking Department (DBE) Investment Banking and Specialised Business Banking Department (DBINE) Pricing Control Office (GCP) Montepio Crédito (3)
Helena Soares de Moura Executive Member	People Management Department (DGP) (1) Legal Department (DJ) Transformation and Innovation Department (DTI) Corporate Governance Department (DGC) Customer and Quality Office (GCQ) Internal Control Office (GCI) *(with functional report to the Audit Committee)* APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) (2) Real Estate Area (MGAI) (4)
José Carlos Mateus Executive Member	Financial and International Department (DFI) Strategic Planning and Control Department (DPEC) Credit Analysis Department (DAC) Accounting and Financial Reporting Department (DCRF) Financial Asset Monitoring Office (GAAF) Office of Economic and Financial Studies (GEEF) Market Relations Office (GRM) Banco de Empresas Montepio (3) Finibanco Angola (3)
Jorge Baião Executive Member	Information Systems Department (DSI) Service and Operation Department (DSO) Credit Recovery Department (DAC) Data Management and Analytics (DDA)

	Cybersecurity Office (GCS) Shared Services Unit (USP) (4) Procurement Centre (CCOMP) (4) SIBS (2)
Ângela Sancho Barros Executive Member	Risk Department (DRI) Compliance Department (DCOMP) Data Protection Office (GPD) Model Validation Office (GVM) Rating Office (GR) Individual Impairment Office (GII)

(1) *With a delegation of follow-up by Dr Helena Soares de Moura.*
(2) *Position held on behalf of Banco Montepio.*
(3) *Monitoring of an entity that is part of the Banco Montepio Group.*
(4) *Shared service areas not included in Banco Montepio's organisational chart*.

Under the provisions included in Article 2(4) of the respective Regulations, the Executive Committee entrusted the ongoing monitoring of certain specific issues to the following operational commissions, all of which chaired by a member of the Executive Committee, with the composition and mode of operation established in the respective Regulations:

- **Credit Commission (CC)**, with decision-making powers delegated by the Executive Committee on credit operations that are not reserved to the Board of Directors, within the framework of the Regulations applicable to Credit Risk, Credit Recovery and Loans to Employees;
- **Asset-Liability Commission (ALCO)**, whose main responsibilities are the definition of capital planning and management measures, asset allocation, and financing and liquidity strategy, as well as the prudent management of the structural, market and liquidity risks of the Banco Montepio Group, contributing to their effective implementation;
- **Business Commission**, with the mission of: (i) analysing and proposing for deliberation the proposals for production and distribution of new products and services and/or significant changes to the offer being marketed (new products), with a view to submission for approval by the Board of Directors; (ii) monitoring of compliance with the defined business objectives, analysing and proposing commercial action priorities; and (iii) monitoring the approved strategic actions for business development;
- **Internal Control Commission (COMCI)**, whose main mission is to support the Executive Committee with regard to the process of implementation of an effective internal control system on the level of the Banco Montepio Group, namely through a continuous and effective process of follow-up and monitoring of the detected deficiencies, contributing to promoting a robust control environment and solid risk management;
- **Impairment Commission (COMIMP)**, whose mission is to analyse and make decisions on the loan impairments of Banco Montepio, on an individual and consolidated basis, monitor the loan portfolio and ensure the follow-up of non-performing exposures (NPE);
- **Non-Performing Assets Monitoring Commission (COMAANP)**, empowered to propose the strategy for the adequate management of the non-performing asset (NPA) portfolio, monitor the evolution of the NPA portfolio and the main indicators of performance and real estate risk, monitor the evolution of stock and flows of non-performing exposures (NPE), and analyse the non-performing asset (NPL) portfolios managed by the Credit Recovery Department;

- **Cybersecurity Commission (COMCIBER)**, whose main mission is to support the Executive Committee with the definition and follow-up of cybersecurity (information security) management objectives, aligned with business requirements, the requirements and expectations of the stakeholders, and relevant laws and regulations, as well as the follow-up of the implementation and continuous improvement of the information security management system (SGSI);
- **Technology Commission (COMTECH)**, responsible for proposing the strategy for the development of Information Systems and technology-based systems at Banco Montepio, confirming structural and strategic IT projects, monitoring the evolution of the most relevant IT projects, promoting the ongoing survey of needs and defining implementation priorities;
- **Data Commission (COMDATA)**, whose main mission is to support the Executive Committee with regard to the definition and monitoring of implementation of the data strategy, aligned with business requirements, the requirements and expectations of the stakeholders and the regulatory framework in effect, with a view to turning data into an increasingly predominant asset in the sustainable growth of the organisation;
- **Pension Fund Monitoring Commission (COMAFP)**, with delegated powers, on the Banco Montepio Group level, to monitor the Pension Fund investment policy, as well as the evolution of the asset portfolio and the respective profitability, to ensure the determination of the liabilities associated with the post-employment and long-term benefits of employees and directors, and to review the actuarial reports produced by the Actuary, as well as the certification issued by an external consultant, if applicable;
- **Solvability Commission (CRES)**, responsible for proposing and monitoring the implementation of the resolvability programme in the Banco Montepio Group, ensuring that the Institution complies and will continue to comply with resolution planning requirements;
- **Costs and Investments Commission (COMCINTO)**, empowered to develop, follow-up and monitor the action programmes aimed at ensuring the optimisation of the costs and investments approved under each budget year, as well as the respective control, on an individual and consolidated basis;
- **Sustainability Commission (COMSESG)**, whose main mission is to assess, debate, implement and monitor (i) the Sustainability, Sustainable Finance & ESG and Social Responsibility strategy and planning of Banco Montepio and of all entities that form the Banco Montepio Group; and (ii) the policies, voluntary codes and co-responsibility of the Bank's areas in the promotion and communication of sustainability issues within the scope of management, organisational culture and current operations.

b) Functioning of the Board of Directors

22. Existence and location where the operating regulations of the Board of Directors can be consulted

The Regulations of the Board of Directors (as well as general corporate information on Banco Montepio, namely the respective Articles of Association and Regulations of the Audit Committee, the Executive Committee and the remaining Committees) are available on the Banco Montepio website, in Policies and Regulations | Banco Montepio.

23. Number of meetings held and attendance level of each member of the Board of Directors

Under the terms of the Articles of Association and its Regulations, the Board of Directors shall meets whenever called for such purpose by the Chairman or by two Directors, and should meet at least monthly.

During the financial year of 2022, the Board of Directors held 26 meetings, with all the minutes having been drawn up, including the contents defined in Article 8 of Banco de Portugal Notice no. 3/2020, namely the recording of the presence of its members and occasional absences due to holidays, duly justified and accepted by the Board, as shown in the table below:

Member	Term of Office	Position	No. of meetings held in 2022
Carlos Manuel Tavares da Silva	*2018-2021*	*Chairman of the Board of Directors*	*14/14*
Manuel Ferreira Teixeira	*2018-2021*	*Non-Executive Member of the Board of Directors*	*14/14*
Amadeu Ferreira de Paiva	*2018-2021*	*Non-Executive Member of the Board of Directors*	*14/14*
Carlos Francisco Ferreira Alves	*2018-2021*	*Non-Executive Member of the Board of Directors*	*14/14*
José da Cunha Nunes Pereira	*2018-2021*	*Non-Executive Member of the Board of Directors*	*14/14*
Pedro Jorge Gouveia Alves	*2018-2021*	*Non-Executive Member of the Board of Directors*	*14/14*
Vítor Manuel do Carmo Martins	*2018-2021*	*Non-Executive Member of the Board of Directors*	*14/14*
Pedro Manuel Moreira Leitão	*2018-2021*	*Chairman of the Executive Committee*	*14/14*
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	*2018-2021*	*Vice-Chairman of the Executive Committee*	*14/14*
Helena Catarina Gomes Soares de Moura Costa Pina	*2018-2021*	*Executive Member of the Board of Directors*	*14/14*
Jorge Paulo Almeida e Silva Baião	*2018-2021*	*Executive Member of the Board of Directors*	*14/14*
José Carlos Sequeira Mateus	*2018-2021*	*Executive Member of the Board of Directors*	*14/14*
Leandro Rodrigues da Graça Silva	*2018-2021*	*Executive Member of the Board of Directors*	*13/14*
Nuno Cardoso Correia da Mota Pinto	*2018-2021*	*Executive Member of the Board of Directors*	*13/14*
Pedro Miguel Nunes Ventaneira	*2018-2021*	*Executive Member of the Board of Directors*	*14/14*
Manuel Ferreira Teixeira	2022-2025(1)	Chairman of the Board of Directors	12/12
Clementina Maria Dâmaso Barroso	2022-2025(1)	Non-Executive Member of the Board of Directors	12/12
Eugénio Luís Correia Martins Baptista	2022-2025(1)	Non-Executive Member of the Board of Directors	12/12
Florbela dos Anjos Frescata Lima	2022-2025(1)	Non-Executive Member of the Board of Directors	12/12
Maria Cândida de Carvalho Peixoto	2022-2025(1)	Non-Executive Member of the Board of Directors	12/12
Maria Lúcia Ramos Bica	2022-2025(1)	Non-Executive Member of the Board of Directors	12/12
Pedro Manuel Moreira Leitão	2022-2025(1)	Chairman of the Executive Committee	12/12
Ângela Isabel Sancho Barros	2022-2025(1)	Executive Member of the Board of Directors	12/12
Helena Catarina Gomes Soares de Moura Costa Pina	2022-2025(1)	Executive Member of the Board of Directors	12/12
Isabel Cristina dos Santos Pereira da Silva	2022-2025(1)	Executive Member of the Board of Directors	12/12
Jorge Paulo Almeida e Silva Baião	2022-2025(1)	Executive Member of the Board of Directors	12/12
José Carlos Sequeira Mateus	2022-2025(1)	Executive Member of the Board of Directors	12/12

(1) Took office on 25/07/2022, following authorisation by Banco de Portugal to perform duties during the new term of office.

24. Indication of the governing bodies with powers to conduct the assessment of performance of the executive directors

The Assessment, Nominations, Ethics, Sustainability and Governance Committee ("CANESG") is responsible for ensuring the assessment of performance of the Executive Directors, and proposing the attribution and payment of variable remuneration to the Remuneration Committee, if applicable.

This performance assessment should cover successive periods of 4 (four) years and allow *ex post* reassessment, individual and collective, on risk-taking, and the dilution of any eventual effects resulting from extraordinary non-recurring results.

As established in the Remuneration Policy of the Members of the Management and Supervisory Body, the attribution of the variable component of remuneration depends on an annual (as to frequency) and multiannual (as to the scope) assessment of (i) the performance of each member of the Executive Committee, based on financial and non-financial criteria; (ii) the collective performance of the Executive Committee; and (iii) the global performance and results of the Bank.

25. Predetermined criteria for assessing the performance of executive directors

Qualitative and quantitative criteria are defined for the purpose of assessing the performance of executive directors, whose weights correspond to 80% and 20%, respectively, in relation to: (i) the performance of each member of the EC, based on financial and non-financial criteria; (ii) the collective performance of the EC; and (iii) the global performance and results of the Bank, in compliance with the Remuneration Policy of the Members of the Management and Supervisory Body (MOAF) and the respective Implementation Regulations.

The non-financial criteria used for performance assessment purposes pertain to compliance by the Bank, the Executive Director, and all areas reporting to the latter, with all the rules in effect, namely the Code of Conduct, the Policy on Prevention of Conflicts of Interest, the Policy on Prevention of Money Laundering and, where applicable, the rules related to the governance model, product information and distribution, and the adequacy and quality of the services provided in connection with the sale of financial instruments, as well as the production and maintaining of records and documents.

26. Availability of each of the members of the Board of Directors, including information on the positions held simultaneously in other companies, within and outside the Group, and other relevant activities carried out by the members of the aforementioned body during the financial year

Information on the positions held simultaneously by each of the members of the Board of Directors in other companies, inside and outside the Banco Montepio Group, and other relevant activities carried out, is presented in Annex II to this Report.

c) Internal Committees of the Board of Directors and Executive Committee

27. Identification of the committees created within the Board of Directors and location where the respective operating regulations can be consulted

Under the terms of the Articles of Association of Banco Montepio, the Board of Directors is authorised to constitute any commissions and committees deemed necessary for the fulfilment of its responsibilities, and appoint the respective members and Chairmen from the group of non-executive directors, of which the majority, including the Chairman, should be independent.

Term of office 2018-2021:

Regarding the term of office 2018-2021, whose governing bodies remained in office until 25 July 2022, as established in Article 391 of the Commercial Companies Code, the following internal Committees of the Board of Directors were constituted, with the composition indicated below:

RISK COMMITTEE

Member	Position	No. of meetings held in 2022
Vítor Manuel do Carmo Martins	Chairman	8/8
Carlos Francisco Ferreira Alves	Vice-Chairman	8/8
Amadeu Ferreira de Paiva	Member	8/8
Manuel Ferreira Teixeira	Member	8/8
Rui Pedro Brás de Matos Heitor (1)	Member	Not applicable

REMUNERATIONS, NOMINATIONS AND ASSESSMENT COMMITTEE

Member	Position	No. of meetings held in 2022
José da Cunha Nunes Pereira	Chairman	20/20
Amadeu Ferreira de Paiva	Member	20/20
Carlos Francisco Ferreira Alves	Member	19/20
Manuel Ferreira Teixeira	Alternate Member	20/20
Rui Pedro Brás de Matos Heitor (1)	Alternate Member	Not applicable

CORPORATE GOVERNANCE, ETHICS AND SUSTAINABILITY COMMITTEE

Member	Position	No. of meetings held in 2022
Carlos Manuel Tavares da Silva	Chairman	1/1
Carlos Francisco Ferreira Alves	Member	1/1
José da Cunha Nunes Pereira	Member	1/1
Pedro Jorge Gouveia Alves	Member	1/1
Rui Pedro Brás de Matos Heitor (1)	Member	Not applicable

(1) Director Rui Heitor resigned his term of office, with effect from 10/01/2022, in order to take office as member of the Board of Directors of Montepio Geral - Associação Mutualista, to which he was elected for the term 2022-2025.

Term of office 2021-2025:

During the meeting held on 25 July 2022, the Board of Directors appointed the following internal Committees, composed solely of non-executive members, mostly independent, including the respective Chairmen, whose operating Regulations may be consulted on the Banco Montepio website, in Policies and Regulations | Banco Montepio:

RISK COMMITTEE

Member	Position	No. of meetings held in 2022
Florbela dos Anjos Frescata Lima	Chairman	6/6
Eugénio Luís Correia Martins Baptista	Member	6/6
Maria Lúcia Ramos Bica	Member	6/6

Under the terms of Article 1 of the respective Regulations, the Risk Committee ("CR") is composed of a minimum of 3 (three) and a maximum of 5 (five) members, including the Chairman, appointed by the Board of Directors from the group of non-executive members.

Most of the members of the Risk Committee, including the Chairman, should be independent, in accordance with the criteria set out in the applicable legal and regulatory provisions, and the internal policy for selection and assessment of the adequacy of the members of management and supervisory bodies, and are required to have, individually and as a group, the knowledge, experience and skills necessary and adequate to the fulfilment of their responsibilities.

As established in the respective Regulations, the Risk Committee holds ordinary meetings at least eleven (11) times a year, and whenever a meeting is called by the respective Chairman or requested by any of the other members, or upon request by the Audit Committee, the Board of Directors or any of its Committees, or by the Chief Risk Officer. During the financial year of 2022, the Risk Committee held 14 meetings, which were attended by all members, as shown in the tables above.

A normal transition process took place between the previous and the current Risk Committee, whereby all relevant information on the issues under regular and extraordinary monitoring was adequately transmitted, which allowed the continuity of the monitoring and control activities of this Committee, without disruptions.

As part of the corporate body transition plan, a formal briefing meeting was held on 3 August 2022, which was attended by the current members of the Risk Committee, the Chairman of the former Risk Committee, Dr Vítor Martins, the Risk Director, Dr Bruno Magalhães, and the Chief Risk Officer (CRO), Dr Ângela Barros.

ASSESSMENT, NOMINATIONS, ETHICS, SUSTAINABILITY AND GOVERNANCE COMMITTEE

Member	Position	No. of meetings held in 2022
Maria Cândida de Carvalho Peixoto	Chairman	7/7
Clementina Maria Dâmaso de Jesus Silva Barroso	Member	7/7
Eugénio Luís Correia Martins Baptista	Member	7/7

Under the terms of Article 1 of the respective Regulations, the Assessment, Nominations, Ethics, Sustainability and Governance Committee (“CANESG”) is composed of 3 (three) members, including the Chairman, appointed by the Board of Directors from the group of non-executive members.

Most of the members of the CANESG, including the Chairman, should be independent, in accordance with the criteria set out in the applicable legal and regulatory provisions, and the internal policy for selection and assessment of the adequacy of the members of management and supervisory bodies, and are required to have, individually and as a group, the knowledge, experience and skills necessary and adequate to the fulfilment of their responsibilities.

In the financial year of 2022, the CANESG, which took office in July 2022, held 7 meetings, which were attended by all members.

A normal transition process took place between the previous Remunerations, Nominations and Assessment Committee (“CRNA”) and the current CANESG, whereby all relevant information on the issues monitored was adequately transmitted, which allowed the continuity of the activities of this committee, without disruptions.

As part of the corporate body transition plan, a formal briefing meeting was held on 27 July 2022, which was attended by the current members of the CANESG and the Chairman of the former CRNA, Dr José Nunes Pereira.

28. Composition of the Executive Committee

During the financial year of 2022, the composition of the Executive Committee was as follows:

Term of office 2018-2021 (in office until 25 July 2022)

Member	Position
Pedro Manuel Moreira Leitão	Chairman
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	Vice-Chairman
Helena Catarina Gomes Soares de Moura Costa Pina	Member
Jorge Paulo Almeida e Silva Baião	Member
José Carlos Sequeira Mateus	Member

Member	Position
Leandro Rodrigues da Graça Silva	Member
Nuno Cardoso Correia da Mota Pinto	Member
Pedro Miguel Nunes Ventaneira	Member

Term of office 2022-2025 (in office since 25 July 2022)

Member	Position
Pedro Manuel Moreira Leitão	Chairman
Ângela Isabel Sancho Barros	Member
Helena Catarina Gomes Soares de Moura Costa Pina	Member
Isabel dos Santos Pereira da Silva	Member
Jorge Paulo Almeida e Silva Baião	Member
José Carlos Sequeira Mateus	Member

Under the terms of the respective Regulations, the Executive Committee holds meetings at least weekly, and whenever a meeting is called by the respective Chairman or requested by any of the other members.

During the financial year of 2022, the Executive Committee held 53 meetings sessions, with all the minutes having been drawn up, including the contents defined in Article 8 of Banco de Portugal Notice no. 3/2020, namely the recording of the presence of its members and occasional absences due to holidays, training or other reasons, duly justified and accepted by the Executive Committee, as shown in the table below:

Member	Term of Office	Position	Attendance	Representative Delegation
Pedro Manuel Moreira Leitão	*2018-2021*	*Chairman*	*29/30*	*0*
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	*2018-2021*	*Vice-Chairman*	*30/30*	*0*
Helena Catarina Gomes Soares de Moura Costa Pina	*2018-2021*	*Member*	*28/30*	*0*
Jorge Paulo Almeida e Silva Baião	*2018-2021*	*Member*	*30/30*	*0*
José Carlos Sequeira Mateus	*2018-2021*	*Member*	*28/30*	*0*
Leandro Rodrigues da Graça Silva	*2018-2021*	*Member*	*29/30*	*0*
Nuno Cardoso Correia da Mota Pinto	*2018-2021*	*Member*	*28/30*	*0*
Pedro Miguel Nunes Ventaneira	*2018-2021*	*Member*	*28/30*	*0*
Pedro Manuel Moreira Leitão	2022-2025(1)	Chairman	20/23	3
Ângela Isabel Sancho Barros	2022-2025(1)	Member	23/23	0
Helena Catarina Gomes Soares de Moura Costa Pina	2022-2025(1)	Member	20/23	2
Isabel Cristina dos Santos Pereira da Silva	2022-2025(1)	Member	22/23	1
Jorge Paulo Almeida e Silva Baião	2022-2025(1)	Member	22/23	1
José Carlos Sequeira Mateus	2022-2025(1)	Member	23/23	0

(1) Took office on 25/07/2022, following authorisation by Banco de Portugal to perform duties during the new term of office.

A normal transition process took place between the previous and the current Executive Committee, whereby all relevant information on the issues monitored was adequately transmitted, which allowed the continuity of the activities of this committee, without disruptions.

As part of the corporate body transition plan, formal briefing meetings were held to allow the transfer of areas of responsibility between the members of the Executive Committee (ceasing and new).

Regarding the executive directors who remained in office during the new term, the transfer of functions to the new executive directors (in accordance with the distribution of areas of responsibility) represented a continuous process, not completed during the aforementioned formal meetings, which allowed for close monitoring at the start of office.

29. Indication of the responsibilities of each of the committees created and summary of the activities carried out in the fulfilment of those competencies

Information on these matters is included in point 21, above.

III. Supervision

a) Composition of the Audit Committee

30. Identification of the supervisory body corresponding to the model adopted

The Audit Committee, elected at the General Meeting, is the Company's supervisory body, being responsible for supervising internal and external audit activities, the quality and integrity of financial information and reporting, as well as the process of preparation and disclosure of financial information, the effectiveness of the internal control, internal audit, risk management and compliance systems, and the activity and independence of the Statutory Auditor.

31. Composition of the Audit Committee, including the minimum and maximum statutory number of members, the statutory term of office, the number of effective members, the date of first appointment and the end date of the term of office of each member

Under the terms of Article 17(1) of the Articles of Association, the Audit Committee is composed of a minimum of three and a maximum of five members, elected at the General Meeting from the group of non-executive members of the Board of Directors.

During the financial year of 2022, as a result of the election of the governing bodies for the new term 2021-2025, which took office on 25 July 2022, the composition of the Audit Committee was as follows:

Member	Position	Term of Office	Date of Appointment	Start of Term	End of Term
Manuel Ferreira Teixeira	Chairman of the Audit Committee	2018/2021	16/03/2018	21/03/2018	31/12/2021(1)
Amadeu Ferreira de Paiva	Member of the Audit Committee	2018/2021	16/03/2018	21/03/2018	31/12/2021(1)
Carlos Francisco Ferreira Alves	Member of the Audit Committee	2018/2021	30/10/2018	15/01/2019	31/12/2021(1)
José da Cunha Nunes Pereira	Member of the Audit Committee	2018/2021	05/12/2019	01/04/2020	31/12/2021(1)
Vítor Manuel do Carmo Martins	Member of the Audit Committee	2018/2021	16/03/2018	21/03/2018	31/12/2021(1)
Clementina Maria Dâmaso Barroso	Chairman of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Florbela dos Anjos Frescata Lima	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Maria Cândida de Carvalho Peixoto	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025
Maria Lúcia Ramos Bica	Member of the Audit Committee	2022/2025	29/04/2022	25/07/2022	31/12/2025

(1) The term of office corresponds to the last day of the calendar year to which it refers; however, the Directors remained in office until the new governing bodies elected for the term 2022-2025 took office, as established in article 391 of the Commercial Companies Code.

A normal transition process took place between the previous and the current Audit Committee, whereby all relevant information on the issues monitored was adequately transmitted, which allowed the continuity of the monitoring and control activities of this committee, without disruptions.

As part of the corporate body transition plan, a formal briefing meeting was held on 27 July 2022, which was attended by the current members of the Audit Committee and the Chairman of the former Audit Committee, Dr Manuel Ferreira Teixeira.

As the former Chairman of the Audit Committee holds the position of Chairman of the Board of Directors during the current term of office, the transition between the bodies involved represented a continuous process, not completed during the formal meeting held within the scope of the transition plan defined, which allowed for close monitoring at the start of office.

32. Identification of the members of the Audit Committee considered independent, under the terms of Article 414(5) of the Commercial Companies Code

Information on these matters is included in points 17 and 18, above.

33. Professional qualifications and other relevant curricular information of each of the members of the Audit Committee

Information relating to the professional qualifications and other relevant curricular information of each of the members of the Board of Diretors is presented in Annex I to this Report.

b) Functioning of the Audit Committee

34. Existence and location where the operating regulations of the Audit Committee can be consulted

The Audit Committee Regulations are available on the Banco Montepio website, in Policies and Regulations | Banco Montepio.

35. Number of meetings held and attendance level of each member of the Audit Committee

Under the terms of the Articles of Association and the respective Regulations, the Audit Committee holds ordinary meetings at least once a month, and whenever a meeting is called by the respective Chairman, on their own initiative or at the request of any of the other members, or of the Chairman of the Board of Directors.

In the financial year of 2022, the **Audit Committee** held 23 meeting, which were attended by the members indicated in the following tables.

Term of office 2018-2021 (1 January to 21 July 2022):

Member	Position	No. of meetings held in 2022
Manuel Ferreira Teixeira	Chairman	13/13
Amadeu Ferreira de Paiva	Member	13/13
Vítor Manuel do Carmo Martins	Member	13/13

Term of office 2022-2025 (25 July to 31 December 2022):

Member	Position	No. of meetings held in 2022
Clementina de Jesus Silva Barroso	Chairman	10/10
Florbela dos Anjos Frescata Lima	Member	10/10
Maria Cândida de Carvalho Peixoto	Member	10/10
Maria Lúcia Ramos Bica	Member	10/10

36. Availability of each of the members of the Board of Directors, including information on the positions held simultaneously in other companies, within and outside the Group, and other relevant activities carried out by the members of the aforementioned body during the financial year

Information on the positions held simultaneously by each of the members of the Board of Directors in other companies, inside and outside the Banco Montepio Group, and other relevant activities carried out, is presented in Annex II to this Report.

c) Responsibilities and functions of the Audit Committee

37. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of hiring additional services from the external auditor

The hiring of any non-audit services from the Statutory Auditor is regulated by the Policy for the Selection, Appointment and Evaluation of the Statutory Auditor ("ROC"), or Company of Statutory Auditors ("SROC"), and Hiring of Services from the ROC/SROC, published on the Banco Montepio institutional website, in Policies and Regulations | Banco Montepio.

Within the scope of its responsibilities as the supervisory body of Banco Montepio, the Audit Committee assesses and controls the independence of the ROC/SROC with respect to the provision of the respective audit services and other non-prohibited services.

As part of the hiring of audit services and other non-prohibited services, the Audit Committee defines adequate measures for ensuring the independence of the ROC/SROC, by identifying situations of potential conflicts of interest that may compromise such independence, namely personal, financial and representative interests, directly or through any related person or entity, including any direct or indirect relationships, and, if applicable, involving the respective network, managers, auditors, employees or any other natural person whose services are available to or under the control of the ROC/SROC, or any person directly or indirectly linked to the ROC/SROC by a domain relationship.

In addition, the ROC/SROC is responsible, within the scope of the services provided, for identifying any threats to their independence and the safeguard measures instituted, and will be required to immediately report any situation that may affect the independent fulfilment of their responsibilities to the Audit Committee.

The hiring of non-audit services from the Statutory Auditor, which falls within the responsibility scope of the Executive Committee, is subject to prior evaluation and approval by the Audit Committee. For this purpose, the grounds for the proposal to be submitted to the Audit Committee must include an assessment of eventual threats to independence, as a result of the provision of the aforementioned services, and the safeguard measures adopted, in accordance with Article 73 of the Statutes of the Statutory Auditors Association ("EOROC").

In this sense, the Audit Committee may approve the hiring of non-audit services from the Statutory Auditor, provided that the latter has conducted an adequate assessment of the threats to their independence and presented the appropriate safeguards, and the following conclusions are reached:

d) The provision of a prohibited service is not an issue, nor is it intended that such as service be provided, directly or indirectly, by any member of the network of which the ROC/SROC is a part;

e) The hiring of the service in question by the Group does not cause the fees paid for the non-audit services hired in the last three consecutive financial years to account for more than 70% of the total value of the services provided by the ROC/SROC in the last three consecutive years. The Executive Committee is responsible for ensuring that the hiring of the aforementioned services complies with the limit established, being required to submit evidence of the control performed for this purpose to the Audit Committee.

38. Other functions of the Audit Committee

Information on these matters is included in point 21, above.

IV. Statutory Auditor

The Statutory Auditor ("ROC") is particularly responsible for conducting all examinations and verifications required for ensuring the legal review and certification of accounts, in a conscientious, impartial manner, namely by performing the following tasks:

a) Verifying the correctness of the accounting ledgers, accounting records and supporting documents;

b) Verifying, when considered convenient and as deemed adequate, the extent of treasury and of any type of assets or values owned by Banco Montepio, or received by the Bank as collateral, deposit or other security;

c) Verifying the accuracy of the accounting documents;

d) Assessing whether the accounting policies and procedures and valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and liabilities and results.

39. Identification of the statutory auditor and partners representing it

The current Statutory Auditor ("ROC") of Banco Montepio is PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PwC"), represented by Aurélio Adriano Rangel Amado (Statutory Auditor no. 1074, registered with the Securities Market Commission (CMVM) under number 20160686) and Carlos José Figueiredo Rodrigues (Statutory Auditor no. 1737, registered with the CMVM under number 20161347).

40. Indication of the number of consecutive years during which the statutory auditor performs duties for the Company and/or Group

PwC was elected for the first time as Statutory Auditor of Banco Montepio at the General Meeting held on 27 May 2019 for the three-year period 2019-2021.

By deliberation of the General Meeting held on 29 April 2022, PwC was re-elected as Statutory Auditor of Banco Montepio, for the purpose of performing duties during the year of 2022.

Thus, PwC has been performing duties for about four (4) consecutive years, currently serving its second term.

Within the scope of the respective responsibilities, the Audit Committee initiated, in the second half of 2022, the process of selection of the Statutory Auditor of the entities that compose the Banco Montepio Group for the term of office 2023-2025, with a view to submitting a proposal to the annual General Meeting, scheduled to be held on 28 April 2023.

41. Description of other services provided by the Statutory Auditor to the Company

The rules to be observed when hiring audit and additional, non-audit services from the Statutory Auditor are specified in the Policy for Selection and Assessment of the ROC or SROC (published on the institutional website), under whose terms the Audit Committee, within the scope of its responsibilities as the supervisory body of Banco Montepio, and as a specialised committee specialised tasked with the duties legally and statutorily assigned thereto, is responsible for assessing and controlling the independence of the ROC/SROC with respect to the provision of the respective audit services and other non-prohibited services.

The non-audit services provided by PwC to Banco Montepio during the financial year of 2022, as listed in the table below, relate to tax consulting services regarding which the intervention of the Statutory Auditor is required by Law, as well as reliability assurance services and other services allowed under the applicable regulatory and professional standards, namely those established in the EOROC, which are provided under a regime of total functional and hierarchical independence in relation to Banco Montepio.

	Non-audit services provided by the Statutory Auditor in 2022
Banco Montepio	Issuance of a Comfort Letter pursuant to the Euro Medium Term Programme prospectus update
	Translation of the CLC and annexation to the financial statements referring to 31/12/2021
	Review of the PBC/CFT mechanisms of Finibanco Angola, S.A.
	Provision of advice on sustainability matters (GM)
	Limited review of the financial statements for the period ended on 30/06/2022
	Assessment of adequacy of the loan portfolio impairment quantification process
	Report on Asset Safeguarding referring to 31/12/2021
	Assessment of the Internal Control System
	Provision of support to the supervisory body concerning the assessment of the prudential report production and validation process (IRRBB)
	Verification and certification of the amount of Deferred Tax Assets (“AID”) convertible into tax credit, with reference to 31/12/2022
	Issuance of a Comfort Letter pursuant to the Covered Bonds prospectus update
	Provision of support to the supervisory authority regarding the adequacy of the internal control system for the prevention of money laundering and terrorist financing, as at 31/12/2021
Montepio Crédito	Assessment of adequacy of the loan portfolio impairment quantification process
	Provision of support to the supervisory body regarding the Self-Assessment Report on the Organisational Culture and the Institution’s Governance and Internal Control Systems
	Provision of support to the supervisory authority regarding the adequacy of the internal control system for the prevention of money laundering and terrorist financing, as at 31/12/2021
Montepio Investimento	Provision of support to the supervisory body regarding the Self-Assessment Report on the Organisational Culture and the Institution’s Governance and Internal Control Systems
	Provision of support to the supervisory authority regarding the adequacy of the internal control system for the prevention of money laundering and terrorist financing, as at 31/12/2021

V. External Auditor

42. Identification of the external auditor appointed for the purposes of Article 8 and of the partner representing it in the performance of these duties, as well as the respective registration number with the Securities Market Commission (CMVM)

The duties of Auditor are performed by PwC, registered with the CMVM under number 20161485, represented by Aurélio Adriano Rangel Amado (Statutory Auditor no. 1074, registered with the CMVM under number 20160686) and Carlos José Figueiredo Rodrigues (Statutory Auditor no. 1737, registered with the CMVM under number 20161347) .

43. Indication of the number of consecutive years during which the external auditor and the partner representing it perform duties for the Company and/or Group

PwC was elected for the first time on 27 May 2019 and reappointed to office in 2022, having thus been performing these duties for about four (4) consecutive years, currently serving its second term.

44. Policy and frequency of rotation of the external auditor and the representing partner in the performance of these duties

The policy and frequency of rotation of the ROC are established in the current Policy for the Selection, Appointment and Evaluation of the Statutory Auditor (“ROC”), or Company of Statutory Auditors (“SROC”), and Hiring of Services from the ROC/SROC, which specifies minimum and maximum periods for the performance of duties concerning the legal review of accounts by the ROC and the partner responsible for guidance or direct performance of the legal review of accounts, in compliance with the applicable legal regime, as established in Article 17 of Regulation (EU) No. 537/2014, of 16 April, and Article 54 of the Statutes of the Statutory Auditors Association (approved by Law 140/2015, of 7 September), with the text provided in Law 99-A/2021,of 31 December.

45. Indication of the body responsible for the assessment of the external auditor and periodicity of the assessment

The Audit Committee is responsible for conducting an annual assessment of the quality of the services provided by the external auditor and the respective Statutory Auditor partner, as described in point 21, above, regarding the responsibilities of the Audit Committee with respect to the supervision of the activity and independence of the ROC.

46. Identification of non-audit services provided by the external auditor to the company and/or companies in a control relationship therewith, and indication of the internal procedures in place for approving the hiring of these services, as well as the reasons for the respective hiring

Information on these matters is included in points 37 and 41, above.

47. Indication of the amount of annual remuneration paid by the company and/or legal persons in a control or group relationship therewith to the auditor and other natural or legal persons that are part of the same network, and breakdown of the percentages pertaining to the legal review of accounts, reliability assurance, tax consulting and non-audit services

In Euros

Fees for services provided in 2022	Audit	Non-audit services required by law	Non-audit services not required by law	Total
Banco Montepio	1,228,000	271,000	360,000	1,859,000
Montepio Holding	20,000	---	---	20,000
Montepio Crédito	50,000	15,000	17,000	82,000
Montepio Investimento	53,000	---	13,000	66,000
Ssagincentive	19,000	---	---	19,000
	1,370,000	**286,000**	**390,000**	**2,046,000**

C. Internal Organisation

I. Articles of Association

48. Rules applicable to the alteration of the company’s Articles of Association

Under the terms of Article 10(2) of the Articles of Association of Banco Montepio and Article 386(3) of the Commercial Companies Code, the deliberations of the General Meeting concerning the alteration of the Articles of Association require approval by a majority of two thirds of the votes cast.

II. Whistleblowing

49. Means and policy for reporting irregularities within the company

The Whistleblowing Policy in effect at Banco Montepio, reviewed in October 2022, sets out the general principles of action of the Institution with respect to the communication and processing of irregularities, ensuring independence and autonomy in the assessment of reports, the possible anonymity of the whistleblowers, and the confidential nature of the identity of the whistleblowers and of any third parties referred to in the reports.

Accordingly, Banco Montepio has implemented specific, independent, autonomous, adequate means for ensuring the receiving, processing and recording of reports of irregularities pertaining to the respective governing, accounting organisation and internal supervision, as well as serious evidence of breach of the duties to which it is bound, infringement of the values or ethical standards defined in the Code of Conduct, and non-compliance with the policies or other internal regulations of Banco Montepio or related to Banco Montepio Group entities.

In this context, it should be noted that a whistleblowing channel has been implemented – the Ethics Channel – and changes introduced to the governing of the whistleblowing process, namely through the creation of a **Whistleblowing Committee**, upon which the Audit Committee has delegated responsibilities on this matter, with a view to ensuring autonomy and independence in the processing of irregularity reports received by Banco Montepio.

The **Whistleblowing Committee** is composed of a member of the Audit Committee, appointed by the latter, who chairs the Committee and has a casting vote, and the Directors of the Compliance and Audit and Inspection Departments. On 22 November 2022, the Audit Committee appointed Director Maria Lúcia Bica to the position of Chairman of the Whistleblowing Committee.

Considering the scope of action of the Whistleblowing Committee, it has been stipulated that this body will meet whenever an irregularity is reported. Therefore, no regular periodicity has been established for the holding of the respective meetings.

The Policy provides clear guidelines on the issues that may be reported and the various stages of the procedure, guaranteeing the confidentiality of the reports received and the protection of the personal data of whistleblowers. Additionally, it is ensured that the information reported by the whistleblowers is effectively analysed, the measures deemed necessary for correcting any irregularity are implemented, and whistleblowers acting in good faith are protected against any disciplinary measures, direct or indirect, or equivalent decisions. The Whistleblowing Policy is published on the Banco Montepio website and available to all Employees on the intranet site.

III. Internal Control and Risk Management

50. Persons, bodies or committees responsible for internal audit and/or implementation of internal control systems

The internal control system of Banco Montepio includes a series of strategies, policies, procedures, systems and controls aimed at ensuring the adequate identification, assessment, monitoring and control of the risks to which the Bank is or may eventually be exposed, namely by ensuring the availability of timely, objective, complete, reliable accounting, financial and management information, as well as independent reporting mechanisms for communication of this information to the management and supervisory bodies and internal control functions.

In line with the applicable regulatory requirements, namely those set out in Banco de Portugal Notice no. 3/2020, and best practice, the internal control system of Banco Montepio is based on five components, namely the following: (i) control environment; (ii) risk management system; (iii) control procedures; (iv) information and communication; and (v) independent assessment.

With a view to ensuring the continuous existence of an adequate, effective organisational culture, based on high standards of ethics and conduct of its employees, the following bodies and structural units of Banco Montepio undertake the following main responsibilities, with respect to the governing and internal control system of the Banco Montepio Group:

The **Board of Directors** is responsible for the implementation and maintenance of an adequate and effective internal control system, able to ensure business continuity, through the efficient allocation of resources, execution of operations, risk control, prudential assessment of assets and liabilities, accounting and financial information system integrity, compliance with the applicable legislation and regulations, and security and control of access to information and communication systems.

The **Audit Committee** is tasked with the continuous supervision of the Institution, being responsible for conducting an annual assessment, in a comprehensive, conclusive and reasoned manner, of the adequacy and effectiveness of its organisational culture and internal governance and control systems, in order to reflect upon the adoption of the necessary measures for correcting any deficiencies identified, as well as supervising the integrity of information and financial reporting, the internal control system and the risk management model, adopting or proposing to the Board of Directors the adoption of adequate measures for correcting any deficiencies detected, or alerting the latter, when necessary, whenever risk evolution harms or may cause harm to the institution.

The mission of the **Risk Committee** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and ensure the respective compatibility with the medium- and long-term sustainable strategy, and with the approved action programme and budget, advising the Executive Committee and the Board of Directors on these matters.

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.

The **Internal Control Commission** is responsible for promoting and supporting the continuous monitoring and assessment of effectiveness of the internal control system of Banco Montepio, with a view to ensuring that the system allows for a robust control environment and solid risk management, and benefits from a fluid, reliable information and communication system, and an effective, continuous process for monitoring and correcting the deficiencies detected.

The main mission of the **Audit and Inspection Department** ("DAI") is the **Internal Audit Function**, integrated into the internal control system monitoring process, being responsible for assessing the Bank's activities, systems and processes, and promoting the continuous monitoring of the deficiencies identified, with a periodicity deemed adequate to the associated risk, in order to ensure the adequacy and timely implementation of the corrective measures identified, for the ultimate purpose of ensuring the continuous improvement of the Bank's internal processes.

The person responsible for the Internal Audit Function (Maria Fernanda Infante Melo Costa Correia) is appointed by the Board of Directors and reports hierarchically to its Chairman and functionally to the management body and the Audit Committee.

The **Risk Department** ("DRI"), for which Bruno Manuel Ferro Espadanal Torres de Magalhães is responsible, corresponds to the **Risk Management Function** and reports hierarchically to one of the members of the Executive Committee, and functionally to the Risk Committee, the Audit Committee and the Board of Directors.

The Risk Management Function is responsible for ensuring that all material risks to which Banco Montepio and/or the Group is or may eventually be exposed are adequately identified, assessed, monitored, controlled and reported. For this purpose, the risks associated to the Bank's activity are identified in an individual, aggregated, current and prospective manner, and assessed by determining exposure, based on adequate methodologies.

The main mission of the **Compliance Department** ("DCOMP") is the **Compliance Function**, pursuant to which the department is responsible for the prevention and/or detection of situations that entail, or may eventually entail, compliance risks for Banco Montepio (among others, criminal or administrative offence penalties and/or financial losses or reputational damages, on an individual and consolidated basis). In this sense, the DCOMP should act such as to prevent the occurrence of situations of internal or external fraud, actions tending to jeopardise internal control, and obstructions to information that should be known by the Management and Supervisory Bodies, amongst others.

The person responsible for the Compliance Function (António Miguel Coelho Oliveira) reports hierarchically to one of the members of the Executive Committee and functionally to the Board of Directors and the Audit Committee.

The mission of the **Internal Control Office** ("GCI"), which reports hierarchically to one of the members of the Executive Committee and functionally to the Audit Committee, is to provide support to the management and supervisory bodies in maintaining an adequate, effective internal control system, through the permanent monitoring of the internal control deficiency correction process.

51. Information, even if through an organisational chart, on the hierarchical and/or functional dependency in relation to other bodies or committees

The hierarchical and functional dependency relationships of the internal control functions are shown in the organisational chart included in point 21, above.

52. Existence of other functional areas with risk control responsibilities

The **Data Protection Office** ("GPD") ensures compliance with personal data protection principles, duties and obligations, namely by providing support to the Data Protection Officer (DPO) with respect to their duties as guarantor of compliance with the General Data Protection Regulation ("GDPR") and the Data Protection Act (Law 58/2019, of 8 August), which ensures the implementation, in the national legislation, of the GDPR and other applicable legislation on privacy and data protection matters.

The **Data Protection Officer**, within the scope of the respective duties of advice and monitoring of compliance of the activities undertaken by the entities that form the Banco Montepio Group, according to a risk-based approach, is responsible for assessing and controlling the compliance of the activities, systems and processes of the Banco Montepio Group with the policies and procedures in place, as well as with the applicable legal and regulatory obligations concerning the protection of personal data, in an independent, objective manner.

The mission of the **Corporate Governance Department** ("DGC") is to provide functional support to the Board of Directors, the Audit Committee, the Executive Committee and the specialised Committees, promoting the good management and effectiveness of the Bank's governance system, being particularly responsible for assisting the management and supervisory bodies with the production of the respective self-assessment reports, under the terms of Banco de Portugal Notice no. 3/2020, in coordination with the Internal Control Office and the remaining internal control areas.

The middle management, composed of Department/Organic Unit managers (excluding control functions), is responsible for performing control actions over the respective areas of responsibility, by implementing the processes and control mechanisms deemed necessary for ensuring that all risks taken are identified, assessed, monitored and controlled in an adequate, timely manner, such as to guarantee that they remain within the risk tolerance limits defined in the risk management policy and the risk appetite policy of the Banco Montepio Group, as defined in the Risk Appetite Framework ("RAF").

53. Identification and description of the main types of risk (economic, financial and legal) to which the company is exposed as a result of its activity

Information regarding this matter is included in the “Risk Management” chapter of the Management Report.

54. Description of the risk identification, assessment, monitoring, control and management process

Information regarding this matter is included in the “Risk Management” chapter of the Management Report.

55. Main elements of the internal control and risk management systems implemented in the company with respect to the financial information disclosure process

Banco Montepio’s financial statements are produced in accordance with the international financial reporting standards. In this sense, a series of procedures has been implemented in order to ensure the reliability, accuracy, timeliness, consistency and integrity of the information disclosed.

The information preparation process is based on segregation of duties, such as to mitigate the risks associated with the production of financial statements.

The Market Relations Office is responsible for the disclosure of financial information to the market, based on the financial statements and management information provided by the Accounting and Financial Reporting Department and the Strategic Planning and Control Department.

IV. Investor Support

56. Department responsible for investor support, composition, duties, information provided and contact information

The **Market Relations Office** (“GRM”) is the organic unit of Banco Montepio responsible for ensuring compliance with the duties of communication and provision of information to investors, rating agencies and the market in general, under the applicable legal and regulatory framework.

The GRM is composed of a manager and two employees, who are responsible for Banco Montepio’s relationship with the market.

In the performance of its duties, the GRM carries out the following main activities:

- Replying to requests from investors, financial analysts and other Stakeholders, national and international, regarding financial and other public information pertaining to the activity of Banco Montepio, in accordance with the applicable legislation and regulations;
- Preparing press releases and presentations for disclosure of information and communication with investors and the market, in cooperation with the Communication and Brand Department;
- Coordinating relations with rating agencies, by ensuring the organisation of meetings and the production of the respective information and presentation documents;
- Coordinating the updating of debt instrument programs and prospectuses;
- *Keeping updated information on critical debt market factors and agency ratings available, on a quarterly basis;*
- Monitor legal and regulatory changes regarding information duties.

In 2022, Banco Montepio continued to engage in extensive communication with the market, having adopted the recommendations of the Securities Market Commission (“CMVM”) and the best practices in matters of financial and institutional communication.

In order to ensure the fulfilment of reporting obligations, legal and regulatory, the Institution discloses information on the respective results and activity on a quarterly basis, and publishes all relevant and mandatory information through the CMVM’s information disclosure system.

Contact information for the GRM is available on the Banco Montepio website, in Market Relations Office | Banco Montepio.

57. Representative for market relations

The representative for relations with the market and with the CMVM, appointed by Banco Montepio, is Dr Fernando Emanuel Mendes Teixeira, Manager of the GRM.

58. Information on the proportion and deadline for replying to information requests received during the year or pending from previous years

The Market Relations Office of Banco Montepio engages with investors, analysts and the market in general on a continuous basis, ensuring the provision of all relevant information on the Bank's activity and providing the clarifications requested within a maximum of one business day, when the information in question is of public domain. Requests are occasionally received by e-mail, in which case a longer period may be required for the collection of information, owing to its technical complexity. These requests are processed and answered in less than five business days.

At the end of the financial year of 2022, no requests for information and/or clarification referring to previous years were pending.

V. Website

59. Address

Banco Montepio publishes all essential information for ensuring an adequate knowledge of its activity on its institutional website – www.bancomontepio.pt.

60. Location where information about the company, the status of public limited company, the head office and the remaining items mentioned in Article 171 of the Commercial Companies Code are available

All general corporate information about Banco Montepio is available on the Institution's website, on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio.

61. Location where the articles of association and the operating regulations of the bodies and/or committees are available

The Articles of Association of Banco Montepio are available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio.

The Regulations of the Board of Directors, the Audit Committee, the Executive Committee and the remaining internal Committees established, as well as the Institution's policies and regulations, and the Code of Conduct, are available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/pr.

62. Location where the identity of the members of governing bodies, the representative for market relations and the members of the Market Relations Office, and information about the respective functions and means of access, is available

The list of members of the governing bodies of Banco Montepio is available on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/orgaos-sociais.

The identity, description of functions and contact information of the representative for market relations is available on www.bancomontepio.pt/institucional/informacao-investidores/gabinete-relacoes-mercado .

63. Location where the financial statements, which should be available for at least five years, as well as the six-monthly company event calendar, published at the start of each half-year, including general meetings of shareholders and the disclosure of annual, half-yearly and quarterly results, if applicable, are available.

The financial statements and financial information documents of Banco Montepio are published on www.bancomontepio.pt/institucional/informacao-investidores/relatorios-informacao-financeira; related press releases are available on www.bancomontepio.pt/institucional/informacao-investidores/comunicacao-resultados.

64. Location where the notice convening the general meeting and all the preparatory and subsequent information related thereto is available

The calls and preparatory information for the General Meetings of Banco Montepio are available, subject to the legally established deadlines for this purpose, on www.bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/assembleias-gerais.

65. Location where the historical archive on the deliberations made at the company's general meetings, represented share capital and voting results referring to the previous three years are available

Information regarding the deliberations made at the General Meetings of Banco Montepio is available on www. bancomontepio.pt/institucional/grupos/grupo-banco-montepio/banco-montepio/assembleias-gerais.

D. Remunerations

I. Power to establish

66. Indication regarding the power to establish the remunerations of the governing bodies, the members of the executive committee and the company's directors

Pursuant to Article 11(c) of the Articles of Association of Banco Montepio, a Remuneration Committee was elected at the General Meeting held on 29 April 2022, which is responsible, under the terms of Article 16 of the Articles of Association of Banco Montepio, for establishing the remunerations of the members of the Governing Bodies and the Statutory Auditor.

Regarding the establishment of the remunerations of the members of governing bodies, the Remuneration Committee, after consulting the CANESG, the Risk Committee and the Audit Committee, whenever relevant and within the scope of the responsibilities of the latter, is responsible for the following:

a) Issuing an opinion on the revisions of the Remuneration Policy of the members of the management and supervisory body ("MOAF");

b) Issuing an opinion to the Regulations for the Implementation of the Remuneration Policy of the MOAF, namely including the relevant criteria, objectives and adjustment indicators, for the purposes of eventual attribution and payment of variable remuneration to executive directors, in compliance with the Remuneration Policy;

c) 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) Deliberating on the verification of adjustments to the variable remuneration of executive directors, in compliance with the 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, under the terms of Article 402 of the Commercial Companies Code, as well as compensation for termination of term and any other benefits attributed to the MOAF.

In the fulfilments of its responsibilities, the Remuneration Committee takes into account the long-term interests of Banco Montepio, the sustainability of its activity and the long-term interests of Shareholders, Customers and other Stakeholders, as well as the public interest.

The CANESG, a committee created within the Board of Directors, is responsible for preparing the decisions of the Remuneration Committee and of the Board of Directors, according to the respective responsibilities, on matters concerning the remunerations of members of the management and supervisory bodies and key function holders, with impact on the strategy and risk management and/or the liquidity and capital of Banco Montepio, including, without being limited to, the issuing of opinions on the attribution, payment and adjustment of the variable remuneration of executive directors, and the structure and remuneration criteria of key function holders, in accordance with the respective Remuneration Policies.

In addition, the CANESG is responsible for producing 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 no. 3/2020, within the scope of the independent analysis of the implementation of the Remuneration Policy and remuneration practices, as well as an assessment of the consistency of remuneration practices on the Group level.

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, under the terms of Article 53(3) of Banco de Portugal Notice no. 3/2020.

II. Remuneration Committee

67. Composition of the Remuneration Committee, including the identification of the natural or legal persons hired to provide support and a statement about the independence of each of the members and advisors

The Remuneration Committee elected by the General Meeting held on 29 April 2022 presented the following composition as at 31 December 2022:

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

All members of the Remuneration Committee are independent from the members of the management body.

68. Knowledge and experience of the members of the remuneration committee in matters of remuneration policy

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

III. Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies

The CANESG is responsible for the production, monitoring and review of the Remuneration Policy of the Members of the Management and Supervisory Body (MOAF), counting for this purpose on the support of the People Management Department, the Risk Department, the Audit and Inspection Department, and the Compliance Department.

Under the proposal of the CANESG, and following the opinion of the Remuneration Committee, the review of the aforementioned Policy, as well as any corrective measured deemed justified within the scope of the analysis and annual review conducted, are submitted by the Board of Directors to the General Meeting for approval.

The current Remuneration Policy of the Members of the Management and Supervisory Body (MOAF) was approved at the General Meeting held on 29 April 2022.

The aforementioned Policy constitutes an important instrument for strategic business management, as it focuses on the following goals:

a) Rewarding professional responsibility and ensuring internal equity and external competitiveness;
b) Strengthening the commitment and motivation of people, and promoting excellent performance, by recognising and rewarding merit;

c) Ensuring the achievement of the strategic objectives, values and long-term interests of Banco Montepio, in a sustainable manner, always taking the Bank's risk management and risk appetite into account.

In this sense, the Remuneration Policy of the MOAF takes the activity, risk appetite, structure and size of Banco Montepio into account, as well as market practices, thus being based on objective, transparent, consistent criteria, compatible with the chain of responsibilities and the duties of the MOAF, for the ultimate purpose of creating incentives that ensure a level of risk-taking compatible with the strategy, tolerance and risk culture of Banco Montepio, and aligned with sound, prudent management practices.

The current Remuneration Policy of Key Function Holders, approved by the Board of Directors on 30 June 2022, also represents a strategic instrument of Banco Montepio, taking risk management into account and adopting, for this purpose, clear, accessible remuneration practices for all employees, such as to ensure the sustainable growth and profitability of Banco Montepio, as well as the protection of customers and investors, by implementing incentive policies aligned with the long-term interests of Banco Montepio. In order to pursue these purposes, the aforementioned Policy establishes a maximum ratio of 60% between variable and fixed remuneration, which is calculated and defined by occasion of the determination of the percentage of earnings do be distributed, taking into account, in the respective granting, all types of risks, current and future, as well as the cost to own funds and the liquidity needed by the Institution.

70. Information on how remuneration is structured such as to allow alignment between the interests of the members of the management body and the long-term interests of the company, and on how remuneration is based on the assessment of performance and discourages excessive risk-taking

The Remuneration Policy of the MOAF is defined based on the activity, risk appetite, structure and size of the Institution, as well as the nature of the duties performed and market practices.

The remuneration consists of the following components:

i. 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.

Regarding the payment of variable remuneration to Executive Directors, the policy adopted by the Institution sets a maximum limit for this component, depending on the performance assessment of the individual and the Institution, such as to prevent the excessive risk-taking.

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

71. Reference, if applicable, to the existence of variable component of remuneration and information on the eventual impact of performance assessment on this component

The remuneration structure of Executive Directors includes, in addition to a fixed component, an eventual variable component, based on measurable criteria and predefined assumptions.

The total amount of the variable component of remuneration is defined based on the following criteria: (i) individual performance assessment; (ii) collective assessment of the Executive Committee; (iii) performance of Banco Montepio. Financial and non-financial should be considered, which should reflect the strategic objectives of Banco Montepio and include risk indicators, in order to ensure alignment with the risk profile considered tolerable by Banco Montepio.

This variable component 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, under the terms of Article 115-F (3-5) of the RGICSF.

72. Deferred payment of variable remuneration, including information on the deferral period

Whenever the General Meeting or the Remuneration Committee decides to attribute variable remuneration to the members of the Executive Committee, payment of 50% (fifty percent) of this remuneration, or 60% (sixty percent), when the respective amount is particularly, will be deferred for a minimum of four years (deferral period). The deferral period begins after the date of attribution of the non-deferred percentage of the variable remuneration, after which the first deferred instalment will be paid 12 months after the start of the deferral period, and the following instalments 12 months after each deferred payment.

The right to receive the deferred percentage of the variable remuneration is acquired over the deferral period, on an annual proportional basis, being conditional upon the confirmation and sustainability of the economic and financial performance indicators of Banco Montepio that justify the attribution of variable remuneration, the non-occurrence of facts that may have negative impacts during the respective financial year, the favourable performance assessment of employee involved, and the assessment of the current and future risks taken by Banco Montepio.

73. Criteria on which the attribution of variable remuneration in the form of shares is based, as well as information concerning the holding, by the executive directors, of those shares, the eventual signature of contracts concerning the shares, namely hedging or risk transfer contracts, as well as the respective limit and ratio with respect to the total annual remuneration

No variable remuneration will be attributed in the form of shares.

74. Criteria on which the attribution of variable remuneration in the form of options is based and indication of the deferral period and price for exercise

At least 50% (fifty percent) of the variable remuneration, deferred and non-deferred, should be paid as specified in the RGICSF, namely in the form of instruments issued by Banco Montepio, with a residual amortisation period of at least five years, which are part of the classes of instruments listed in Commission Delegated Regulation (EU) No. 527/2014, of 12 March 2014.

During the deferral period, Banco Montepio is the holder of the instruments and cash attributed as variable remuneration.

In accordance with the Remuneration Policy of the MOAF, if other instruments are issued, the identification and management of potential conflicts of interest that may be generated by the payment of the instruments issued as part of the variable remuneration will be ensured, and adequate procedures will be adopted in order to ensure compliance with the requirements applicable to the management of privileged information and the avoidance of measures that may have a short-term impact on the price of the instruments in question.

The aforementioned instruments will only be issued if they contribute to ensuring the alignment of variable remuneration with the performance and risks of Banco Montepio.

A performance reassessment and, if necessary, a risk-based adjustment, will be carried out prior to the payment of deferred variable remuneration, or acquisition of the right to deferred-payment instruments, such as to ensure alignment between the variable remuneration and the additional risks identified or materialised after the respective attribution.

75. Main parameters and grounds underlying any annual bonus scheme and other non-monetary benefits

The value of the variable component of remuneration is defined in accordance with the performance assessment carried out, based on quantitative and qualitative criteria for assessing the performance of executive directors, set on an annual basis, and with the established methodology and rules, in compliance with the Remuneration Policy of the MOAF and the respective Execution Regulations.

Under the terms of the Remuneration Policy of the MOAF currently in effect, the following benefits are attributable to the members of the management and supervisory body:

a) Supplementary pension scheme, applicable to retirement due to old age, disability and survival, approved at the General Meeting;

b) Compensation for damages resulting from occupational accidents and illnesses, similar to the scheme applicable to the employees;

c) Health insurance providing coverage similar to that of employees, if they do not have direct access to this protection.

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.

76. Main characteristics of supplementary pension or early retirement schemes for directors, and date of approval at the general meeting, on an individual basis

In accordance with the Regulation of Implementation of the Supplementary Pension Scheme of the Members of the Management and Supervisory Body, approved at the General Meeting held on 30 June 2020, the amount of this supplement is calculated based on 4% or 5% of the fixed base remuneration earned in each year as a member of the Board of Directors, for each full year of office, depending on whether the time served in office totalled up to five (5) or more years.

IV. Disclosure of remunerations

77. Indication of the annual values of remuneration received, on an aggregate and individual basis, by the members of the management bodies, including fixed and variable remuneration, and, regarding the latter, indication of the various components that originated it

In compliance with Article 47 of Banco de Portugal Notice no. 3/2020 and Article 450 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, quantitative information on the remuneration values paid in 2022 by Banco Montepio to the employee categories listed in Article 115-C (2) of the RGICSF are disclosed, namely the following:

a) Members of the management and supervisory bodies;

b) Senior management;

c) Persons in charge of the Institution's significant business units;

d) Persons in charge of the internal control functions; and

e) Employees whose remuneration places them in the same remuneration bracket as the previous categories a), b) or c), whose professional activities have a material impact on the Institution's risk profile.

77.1. Members of the management and supervisory bodies

In the financial year of 2022, the values of fixed remuneration received, on an aggregate and individual basis, by the members of the management and supervisory bodies of Banco Montepio was as shown in the following tables:

Members of the Management and Supervisory Bodies – Term of Office 2018-2021		
Name	**Position**	**Total fixed remuneration received in 2022 (gross amounts expressed in Euros)**
Carlos Tavares	Chairman of the Board of Directors	€246,075.46
Manuel Ferreira Teixeira	Chairman of the Audit Committee	(1)
Amadeu Ferreira de Paiva	Non-Executive Member	€77,227.40
Carlos Ferreira Alves	Non-Executive Member	€77,227.40
José Nunes Pereira	Non-Executive Member	€77,227.40
Pedro Gouveia Alves	Non-Executive Member	€51,484.93
Rui Heitor	Non-Executive Member	€3,149.79
Vítor do Carmo Martins	Non-Executive Member	€77,227.40
Pedro Leitão	Chairman of the Executive Committee	(1)
Dulce Mota	Vice-Chairman of the Executive Committee	€155,854.48
Helena Soares de Moura	Executive Member	(1)
Jorge Baião	Executive Member	(1)
José Carlos Mateus	Executive Member	(1)
Leandro Graça Silva	Executive Member	€155,854.48
Nuno Mota Pinto	Executive Member	€155,854.48
Pedro Ventaneira	Executive Member	€155,844.76
	TOTAL	**€1,233,027.98**

(1) Members elected for the term of office 2022-2025, whose total remuneration values received in 2022 are shown in the table below.

Members of the Management and Supervisory Bodies – Term of Office 2022-2025		
Name	**Position**	**Total fixed remuneration received in 2022 (gross amounts expressed in Euros)**
Manuel Ferreira Teixeira	Chairman of the Board of Directors	€225,958.65
Clementina Barroso	Chairman of the Audit Committee	€70,548.39
Eugénio Baptista	Non-Executive Member	€55,306.43
Florbela Lima	Non-Executive Member	€67,500.02
Maria Cândida Peixoto	Non-Executive Member	€67,500.02
Maria Lúcia Bica	Non-Executive Member	€67,500.02
Pedro Leitão	Chairman of the Executive Committee	€395,479.09
Ângela Barros	Executive Member	€130,711.47
Helena Soares de Moura	Executive Member	€282,374.19
Isabel Silva	Executive Member	€130,574.97
Jorge Baião	Executive Member	€282,569.93
José Carlos Mateus	Executive Member	€282,275.15
	TOTAL	**€2,058,298.33**

In 2022, no variable remuneration was attributed or paid to the members of management and supervisory bodies; additionally, no amounts were deferred for payment.

77.2. Senior management, persons in charge of significant business units, persons in charge of the internal control functions and other employees whose activity has a material impact on the Institution's risk profile

The total remuneration values paid in 2022 to the aforementioned employees were as follows:

	Fixed Remuneration	Variable Remuneration [(1)]	No. of Beneficiaries
Senior Management	€2,560,512.80	€1,485.00 [(2)]	28
Persons in charge of significant business units	€920,356.72	no variable remuneration was attributed or paid in 2022	9
Persons in charge of the control functions	€853,439.67	no variable remuneration was attributed or paid in 2022	12
Employees whose remuneration places them in the same remuneration bracket as the previous categories a), b) or c), provided that the respective professional activities have a material impact on the Institution's risk profile	Not applicable	Not applicable	Not applicable

[(1)] In 2023, the attribution and payment of variable remuneration to Key Function Holders, referring to the financial year of 2021, was deliberated and will be published in the Annual Report of 2023.

[(2)] Amount attributed to two employees who joined the team of Key Function Holders.

According to the information provided by the People Management Department, the structural unit that ensures the processing of the Institution's remunerations, none of the situations specified in Article 450(1)(i) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, and Article 155-C(2)(e) of the RGICSF, was identified.

No new hiring bonuses or compensation for termination of term were paid during the financial year of 2022.

78. Amounts paid, for any reason, by other companies in a control or group relationship, or under common control

During the financial year of 2022, no remuneration or other amounts were paid, for any reason, to the members of the Board of Directors of Banco Montepio by companies in a control or group relationship with the Company.

79. Remuneration paid as profit shares and/or bonuses, and reasons for the attribution of such bonuses and/or profit shares

In 2022, no remuneration in the form of profit shares or bonuses was paid to the members of the Board of Directors.

80. Compensation paid or due to former executive directors in connection with the termination of their term during the financial year

In the year to which this Report refers, no compensation was paid or due to former executive directors in connection with the termination of their term during the financial year.

81. Indication of the annual values of remuneration received, on an aggregate and individual basis, by the members of the company's supervisory bodies

Information on these matters is included in point 77, above.

82. Indication of the remuneration of the Chairman of the Board of the General Meeting in the year to which this report refers

During the financial year of 2022, the values of the remuneration, exclusively fixed, received by the Chairman and the Secretary of the Board of the General Meeting were as follows:

Members of the Board of the General Meeting	Position	Remuneration
Dr António Manuel Tavares	Chairman	€4,000
Dr Cassiano Cunha Calvão	Secretary	€2,750

V. Agreements with remuneration implications

83. Contractual limitations established for due compensation in case of unjustified dismissal of a director and relation to the variable component of remuneration

No contracts related to compensation matters were signed with the members of the governing bodies; the rules legally established within this scope, namely in Article 403 (5) of the Commercial Companies Code, applied.

In accordance with Remuneration Policy of the Members of the Management and Supervisory Body (MOAF), the members of the Board of Directors are entitled to receive compensation for the damages suffered in the event of unjustified dismissal, whose maximum amount corresponds to the fixed monthly remunerations presumptively received until the end of the respective term of office.

Regarding the variable component of remuneration, the respective attribution to the members of the Executive Committee is conditional upon their prior written acceptance of reduction ("malus") and clawback mechanisms, as provided for and defined in Article 115-E (9-10) of the RGICSF. These reduction and clawback mechanisms will remain applicable during the total period of deferral and withholding of remuneration.

The attribution of variable remuneration to the members of the Executive Committee is also conditional upon their prior written commitment not to enter into any risk coverage or risk transfer contracts, in relation to any deferred component, that may minimise the effects of the risk associated with the established remuneration system.

84. Reference to the existence and description of agreements, including the amounts involved, between the company and the members of the governing body, whereby the payment of compensation is established in the event of resignation, unjustified dismissal or termination of employment following a change of control of the company

No agreements exist between the Company and the members of the Board of Directors, or any other employee, whereby the payment of compensation is established in the event of resignation, unjustified dismissal or termination of employment following a change of control of the Company.

VI. Share attribution plans or stock options

As no share attribution plans or stock options are in place, this chapter does not apply to Banco Montepio.

E. Transactions with Related Parties

I. Control mechanisms and procedures

89. Mechanisms implemented by the company for the purpose of controlling transactions with related parties

The Policy on Transactions with Related Parties of Banco Montepio defines the internal procedures implemented for the purpose of assessing, identifying, controlling and monitoring transactions between Banco Montepio and related parties, as well as the respective disclosure, including the scope of consolidation of the Banco Montepio Group and other entities in a control relationship.

In this sense, the workflow that characterises the process of identification and monitoring of transactions with related parties is adequately defined, as well as the list of entities to be included in the transaction system, so that an alert can be triggered in the event of any compromising business situation, allowing Banco Montepio to prevent conflicts of interest pertaining to transactions with related parties, comply with the applicable legal and regulatory requirements, and ensure transparency and objectivity in the management of the aforementioned transactions.

The Risk Management and Compliance functions are responsible for monitoring the policy on the identification and analysis of transactions with related parties, as well as the respective disclosure, being required to report the activities carried out within this scope to the Audit Committee, on a periodical basis.

Any proposals related to the persons or entities included in the list of related parties of Banco Montepio require approval by at least two thirds of the members of the Board of Directors, following the issuing of a prior opinion by the Audit Committee, as well as the opinions of the Compliance Department and the Risk Department, regarding compliance of the proposed operations with the internal regulations, legal and regulatory provisions, and other applicable conditions, namely regarding risk.

90. Indication of the transactions subject to control during the year to which this report refers

In the financial year of 2022, a total of twenty-nine (29) transactions with related parties were presented to the Audit Committee for the issuing of an opinion and subsequently submitted to the Board of Directors for approval.

Quantitative information on transactions with related parties is presented in detail in the financial statements of Banco Montepio.

91. Description of the applicable procedures and criteria used by the supervisory body for the prior assessment of business to be conducted between the company and owners of qualifying shareholdings, or entities related thereto

The Audit Committee is responsible for controlling significant or relevant transactions (transactions whose value totals at least one hundred thousand euros, individually or cumulatively in a given financial year) with related parties, by issuing a prior opinion, for which purpose it should receive complete information from the proponent area, as well as the opinions of the Compliance Department and the Risk Department, which identify the risks, potential or real, that the operations in question may entail for Banco Montepio.

II. Data on business deals

92. Location of the accounting documents where information about business conducted with related parties is available

Detailed information on transactions with related parties is available in Note 51 to the financial statements of Banco Montepio.

Annex I

Relevant curricular information of the members of the Board of Directors

MANUEL FERREIRA TEIXEIRA

Academic qualifications

- Governance & The Future of Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Corporate Governance Programme - Board Leadership at Nova - School of Business and Economics, Lisbon
- Master's degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Post-graduate degree in European Economics from Universidade Católica de Lisboa
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Chairman of the Board of Directors

Professional activities performed over the last 10 years

- Non-Executive Member of the Board of Directors, Chairman of the Audit Committee, Member of the Risk Committee and Alternate Member of the Remunerations, Nominations and Assessment Committee (which he chaired from its creation until 2020) of Banco Montepio in the term of office 2018-2021
- Executive Member of the Board of Directors of CVP – Sociedade de Gestão Hospitalar, S.A. (Hospital da Cruz Vermelha) and Chairman of the referred Board of Directors (2020-2022)
- Consultant of Santa Casa da Misericórdia de Lisboa (2015-2020)
- Secretary of State for Health of the XIX Constitutional Government
- Secretary of State for the Budget of the XVI Constitutional Government

CLEMENTINA MARIA DÂMASO DE JESUS SILVA BARROSO

Academic qualifications

- PhD in Applied Business Management from ISCTE – Instituto Universitário de Lisboa
- Degree in Business Management and Organisation from ISCTE – Instituto Universitário de Lisboa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Audit Committee
- Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee

Positions held outside Banco Montepio

- Professor at the Department of Finance of ISCTE – Instituto Universitário de Lisboa
- Chairman of the Board of Directors of Greenvolt – Energias Renováveis, S.A.
- Member of the Board of Directors of IPCG – Instituto Português de Corporate Governance

Professional activities performed over the last 5 years

- Member of the Board of Directors of Banco CTT, S.A. (2015-2022)
- Member of the General and Supervisory Board of EDP – Energias Renováveis, S.A. (2018-2021)
- Chairman of the Board of the General Meeting of Science 4 You, S.A. (2014-2020)
- Member of the Board of Directors of FundBox – SGFIM, S.A. (2011-2019), having served as Chairman of the Audit Committee from 2016 to 2019

EUGÉNIO LUÍS CORREIA MARTINS BAPTISTA

Academic qualifications

- Degree in Electrical and Computer Engineering from Instituto Superior Técnico, Universidade de Lisboa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Member of the Risk Committee
- Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee

Professional activities performed over the last 5 years

- Central Director of Information Systems at Caixa Geral de Depósitos (2003-2022)

FLORBELA DOS ANJOS FRESCATA LIMA

Academic qualifications

- Diploma in Corporate Governance from the Corporate Governance Institute
- Post-graduate degree in Finance and Controlling from CEMAF/ISCTE
- Degree in Business Management and Administration from Universidade Católica Portuguesa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Risk Committee
- Member of the Audit Committee

Positions held outside Banco Montepio

- Managing partner of Relatório Urgente, Lda.

Professional activities performed over the last 5 years

- *Partner in the SAT team at Ernst & Young, S.A., in Portugal, responsible for the Strategy team (2015-2020)*

MARIA CÂNDIDA DE CARVALHO PEIXOTO

Academic qualifications

- New governance and Internal Control Rules, Prevention of Money Laundering and Terrorist Financing and General Compliance course at Instituto de Formação Bancária (2019-2021)
- Complexities of Board Chairing in Modern Governance in Banking Programme at INSEAD - Institut Européen D'Administration des Affaires (2019)
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee
- Member of the Audit Committee

Professional activities performed over the last 5 years

- Chair of Banco Atlântico Europa, undertaking the leadership of the Board of Directors and the institutional representation of the Institution (2021-2022)

- Non-Executive Director of Banco Atlântico Europa, with the duties of Person Responsible for Regulatory Compliance, coordination of the Internal Control Commission and member of the Appointments and Remuneration Committee (2018-2021)
- Member of the Supervisory Council of Banco Atlântico Europa (2015-2018)

MARIA LÚCIA RAMOS BICA

Academic qualifications

- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa.

Positions held at Banco Montepio

- Non-Executive Member of the Board of Directors
- Member of the Audit Committee, responsible for chairing the Whistleblowing Committee
- Member of the Risk Committee

Positions held outside Banco Montepio

- Managing partner of Quinta de Serra, Sociedade Unipessoal, Lda.

Professional activities performed over the last 5 years

- Non-Executive Member of the Board of Directors of Residências Montepio, Serviços de Saúde, S.A. (2017-2022)
- Non-Executive Member of the Board of Directors of Nova Câmbios, Instituição de Pagamento, S.A. (2019-2021)
- Director of the corporate Centre of Montepio Geral – Associação Mutualista (2016-2021)

PEDRO MANUEL MOREIRA LEITÃO

Academic qualifications

- Business Sustainability Programme at INSEAD - Institut Européen D'Administration des Affaires, France
- Customer Focused Innovation at Stanford University, USA
- Value Creation for Owners and Directors – Corporate Governance for Long Term Value Creation at INSEAD - Institut Européen D'Administration des Affaires, France
- Leading Digital Business Transformation at IMD, Switzerland
- Leading Businesses into the Future and Senior Executive Programme at the London Business School, London
- Post-graduate degree in Management Consulting from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), in Lisbon
- Post-graduate degree in e-Business, Master's Degree in Management and MBA, all from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Degree in Economics from Universidade de Évora

Positions held at Banco Montepio

- Chairman of the Executive Committee

Positions held at the Banco Montepio Group

- Vice-Chairman of the Board of Directors of Montepio Holding, SGPS, S.A.
- Chairman of the Board of Directors of Montepio Investimento, S.A.

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Member of Board A of APB – Associação Portuguesa de Bancos (Portuguese Association of Banks)
- Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado

b) Other positions

- Member of the Supervisory Board of the Oeiras International School

Professional activities performed over the last 10 years

- Chairman of the Board of Directors of Montepio Investimento, S.A. (since 2022)
- Vice-Chairman of the Board of Directors of Montepio Holding, SGPS, S.A. (since 2021)
- Chairman of the Executive Committee of Banco Montepio (since 2020)
- Executive Director (Chief Digital Officer) of Banco Atlântico Europa, Portugal (2016-2019)
- Executive Director of Banco Millennium Atlântico, Angola (2011-2015)

ÂNGELA ISABEL SANCHO BARROS

Academic qualifications

- Oxford Executive Leadership Programme course at the University of Oxford
- Leadership Development Programme at the School of Economics of Universidade Católica Portuguesa
- International Certification in Banking Risk and Regulation by GARP
- Degree in Business Management and Administration from ISCTE – Instituto Universitário de Lisboa

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Executive Member of the Board of Directors of Montepio Investimento, S.A.

Professional activities performed over the last 5 years

- Senior Manager to Associate Partner at Ernst & Young, S.A. (2012-2022)

HELENA CATARINA GOMES SOARES DE MOURA COSTA PINA

Academic qualifications

- International Directors Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Corporate Governance Programme - Board Leadership at Nova - School of Business and Economics, Lisbon
- Cross-Border Dispute Resolution course at the Lex Mundi Institute, USA
- Attendance of post-graduate course in Industrial Law at the Law School of Universidade de Lisboa (FDUL)
- Post-graduate degree in Information Society Studies and Electronic Commerce from FDUL
- Law degree from FDUL

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Member of Board B of APB - Associação Portuguesa de Bancos
- Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E.

b) Other positions

- Member of the Business Council of APA - Associação Portuguesa de Arbitragem

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2018)
- Member of the Board of Directors of SIBS, SGPS, S.A. (2018-2021), Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A. (2018-2021), and Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E. (since 2022), as representative of Banco Montepio
- Litigation Director of the Ageas Group in Portugal (2017-2018)

ISABEL CRISTINA DOS SANTOS PEREIRA DA SILVA

Academic qualifications

- Specialisation in Management (curricular component of the Master's degree in Management) from Universidade do Minho
- Post-graduate degree in Social Economy – Cooperativism, Mutualism and Solidarity from the School of Economics of Universidade de Coimbra
- Degree in Business Management from Universidade do Minho

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Executive Member of the Board of Directors of Montepio Investimento, S.A.

Professional activities performed over the last 5 years

- Employee of Banco Montepio, having occupied several positions in the management structure of Retail Banking, namely Area Manager, Regional Manager, Deputy Director and Director of the North and Centre Commercial Department (1994-2022)
- Member of the Board of Directors of Norgarante – Sociedade de Garantia Mútua, S.A., as representative of Banco Montepio (2021-2022)

JORGE PAULO ALMEIDA E SILVA BAIÃO

Academic qualifications

- Specialisation Diploma in Bank Management from Instituto de Formação Bancária
- ISPA University attendance – 4th year of Applied Psychology – Social and Organisations Branch

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held outside Banco Montepio

a) As representative of Banco Montepio

- Plenary Meeting of CISP - Comissão Interbancária para os Sistemas de Pagamentos
- Resilience and Cybersecurity Forum
- Member of the Board of Directors of SIBS, SGPS, S.A.
- Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A.

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2021)
- Member of the Board of Directors of SIBS, SGPS, S.A. (since 2021) and Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A. (since 2021), as a representative of Banco Montepio;
- CIO of Grupo Crédito Agrícola - CA Serviços, ACE and CFO of CA Serviços, ACE and CA Informática, S.A. (2013-2021).

JOSÉ CARLOS SEQUEIRA MATEUS

Academic qualifications

- Governance & The Future of Banking Programme at INSEAD - Institut Européen D'Administration des Affaires
- Master's degree in Mathematics Applied to Economics and Management (without presentation of dissertation) from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa
- Degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa

Positions held at Banco Montepio

- Executive Member of the Board of Directors

Positions held at the Banco Montepio Group

- Executive Member of the Board of Directors of Montepio Holding, SGPS, S.A.
- Executive Member of the Board of Directors of Montepio Investimento, S.A.
- Member of the Liquidation Committee of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – In Liquidation

Professional activities performed over the last 5 years

- Director of Banco Montepio with executive duties (since 2018)
- Executive Director of the Board of Directors of Montepio Holding, SGPS, S.A. (since 2018)
- Executive Director of the Board of Directors of Montepio Investimento, S.A. (since 2018)
- Executive Director of the Board of Directors of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. (since 2014)
- Director of the Financial and International Department of Banco Montepio (2008-2018)

Annex II - Accumulation of positions by the members of the Board of Directors

Accumulated positions, including additional responsibilities at commissions and committees

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Manuel Ferreira Teixeira	**Caixa Económica Montepio Geral** • Chairman of the Board of Directors	• Does not hold other positions
Clementina Barroso	**Caixa Económica Montepio Geral** • Chairman of the Audit Committee • Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Professor at ISCTE, Instituto Universitário de Lisboa • Greenvolt – Energias Renováveis, S.A. (Chairman of the Board of Directors; Chairman of the Audit, Risk and Related Parties Committee; Member of the Ethics and Sustainability Commission) • Member of the Board of Directors of IPCG – Instituto Português de Corporate Governance
Eugénio Baptista	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Risk Committee • Member of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Does not hold other positions
Florbela Lima	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee • Chairman of the Risk Committee	• Managing partner of Relatório Urgente, Lda.
Cândida Peixoto	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee • Chairman of the Assessment, Nominations, Ethics, Sustainability and Governance Committee	• Does not hold other positions
Maria Lúcia Bica	**Caixa Económica Montepio Geral** • Non-Executive Member of the Board of Directors • Member of the Audit Committee, responsible for chairing the Whistleblowing Committee • Member of the Risk Committee	• Managing partner of Quinta de Serra, Sociedade Unipessoal, Lda.

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Pedro Leitão	**Caixa Económica Montepio Geral** • Chairman of the Executive Committee • Chairman of the Credit Commission • Chairman of the Business Commission • Chairman of the Sustainability Commission • Member of the ALCO* Committee • Member of the Internal Control Commission • Member of the Impairment Commission* • Member of the Non-Performing Assets Monitoring Commission* • Member of the Cybersecurity Commission • Member of the Technology Commission* • Member of the Data Commission* • Member of the Pension Fund Monitoring Commission* • Member of the Solvability Commission* • Member of the Costs and Investments Commission* * Optional presence **Montepio Holding, SGPS, S.A.** • Vice-Chairman of the Board of Directors **Montepio Investimento, S.A.** • Chairman of the Board of Directors	As a representative of Banco Montepio: • Member of Board A of APB – Associação Portuguesa de Bancos (Portuguese Association of Banks) • Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado Other positions: • Member of the Supervisory Board of the Oeiras International School
Ângela Barros	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Impairment Commission • Chairman of the Solvability Commission • Member of the Credit Commission • Member of the ALCO Commission • Member of the Business Commission • Member of the Internal Control Commission • Member of the Cybersecurity Commission • Member of the Technology Commission • Member of the Data Commission • Member of the Non-Performing Assets Monitoring Commission • Member of the Pension Fund Monitoring Commission • Member of the Sustainability Commission • Member of the Costs and Investments Commission* * Optional presence **Montepio Investimento, S.A.** • Executive Member of the Board of Directors	• Does not hold other positions
Helena Soares de Moura	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Pension Fund Monitoring Commission • Chairman of the Internal Control Commission • Member of the Business Commission • Member of the Cybersecurity Commission* • Member of the Data Commission* • Member of the Solvability Commission* • Member of the Sustainability Commission* • Member of the Costs and Investments Commission* • Member of the Credit Commission* * Optional presence	As a representative of Banco Montepio: • Member of Board B of APB - Associação Portuguesa de Bancos • Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, A.C.E. Other positions: • Member of the Business Council of APA - Associação Portuguesa de Arbitragem

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Isabel Silva	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Member of the Credit Commission • Member of the ALCO Commission • Member of the Internal Control Commission* • Member of the Impairment Commission • Member of the Business Commission • Member of the Cybersecurity Commission* • Member of the Technology Commission • Member of the Data Commission* • Member of the Solvability Commission* • Member of the Sustainability Commission • Member of the Costs and Investments Commission* * Optional presence **Montepio Investimento, S.A.** • Executive Member of the Board of Directors	• Does not hold other positions
Jorge Baião	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the Non-Performing Assets Monitoring Commission • Chairman of the Technology Commission • Chairman of the Cybersecurity Commission • Chairman of the Data Commission • Member of the Credit Commission • Member of the ALCO Commission • Member of the Business Commission • Member of the Impairment Commission • Member of the Internal Control Commission • Member of the Costs and Investments Commission • Member of the Solvability Commission* • Member of the Sustainability Commission* * Optional presence	As a representative of Banco Montepio: • Plenary Meeting of CISP - Comissão Interbancária para os Sistemas de Pagamentos • Resilience and Cybersecurity Forum • Member of the Board of Directors of SIBS, SGPS, S.A. • Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A.
José Carlos Mateus	**Caixa Económica Montepio Geral** • Executive Member of the Board of Directors • Chairman of the ALCO Commission • Chairman of the Costs and Investments Commission • Member of the Credit Commission • Member of the Business Commission • Member of the Impairment Commission • Member of the Internal Control Commission* • Member of the Non-Performing Assets Monitoring Commission • Member of the Pension Fund Monitoring Commission • Member of the Sustainability Commission • Member of the Cybersecurity Commission* • Member of the Data Commission* * Optional presence **Montepio Holding, SGPS, S.A.** • Executive Member of the Board of Directors **Montepio Investimento, S.A.** • Executive Member of the Board of Directors **Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação** • Member of the Liquidation Committee	• Does not hold other positions

Banco Montepio

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