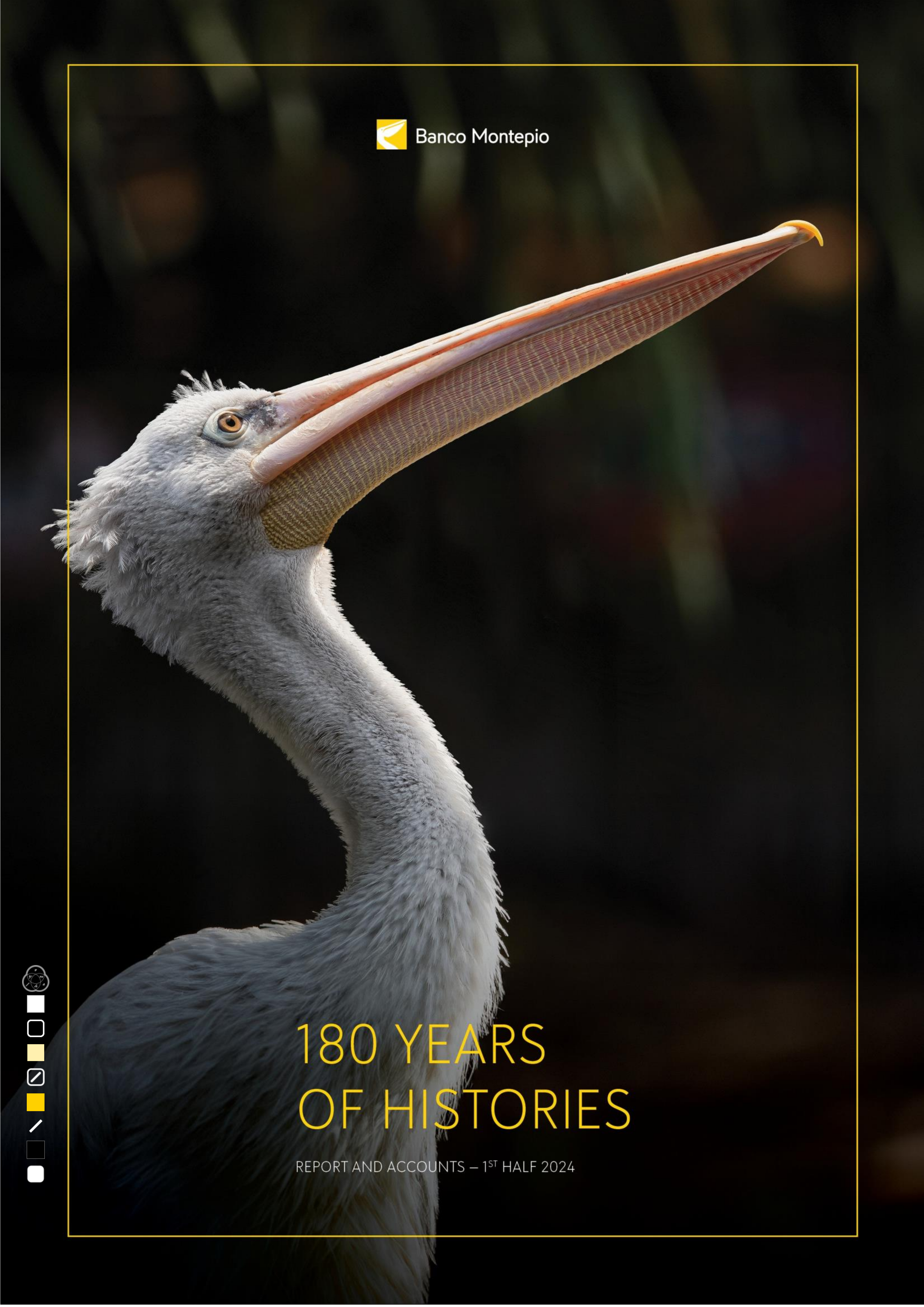
Banco Montepio



180 YEARS OF HISTORIES

REPORT AND ACCOUNTS – 1ST HALF 2024

GENDER EQUALITY DOES NOT DEPEND SOLELY ON OTHERS.

Gender equality does not depend only on others. Banco Montepio wants to write a different story in Gender Equality. We have the most gender-balanced Board of Directors in the banking sector in Portugal, with 58% of positions held by women and 42% by men.

Out of the total of 2,873 employees at Banco Montepio, 50% are women and 50% are men.

We are a flagship company for the National Goal for Gender Equality of the UN Global Compact Portugal, having achieved the target of 40% women in decision-making positions by 2030.

This report is the English version of the document “Relatório e Contas 1º Semestre 2024” delivered by Banco Montepio to the Portuguese Securities Market Commission (CMVM) in accordance with Portuguese Law. Should there be any doubt or contradiction between documents, the aforementioned Portuguese version prevails.

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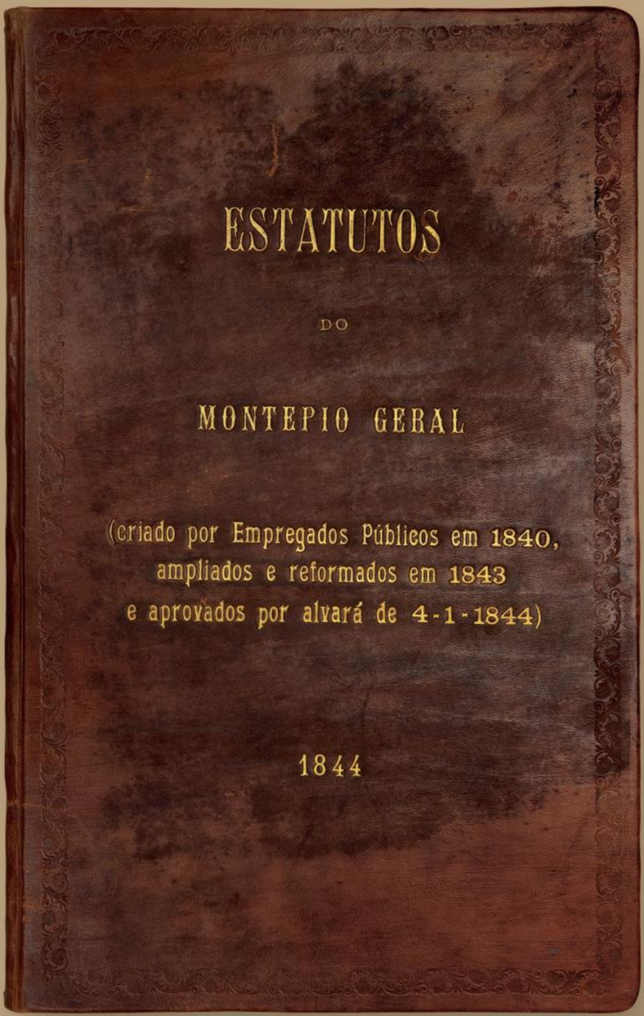
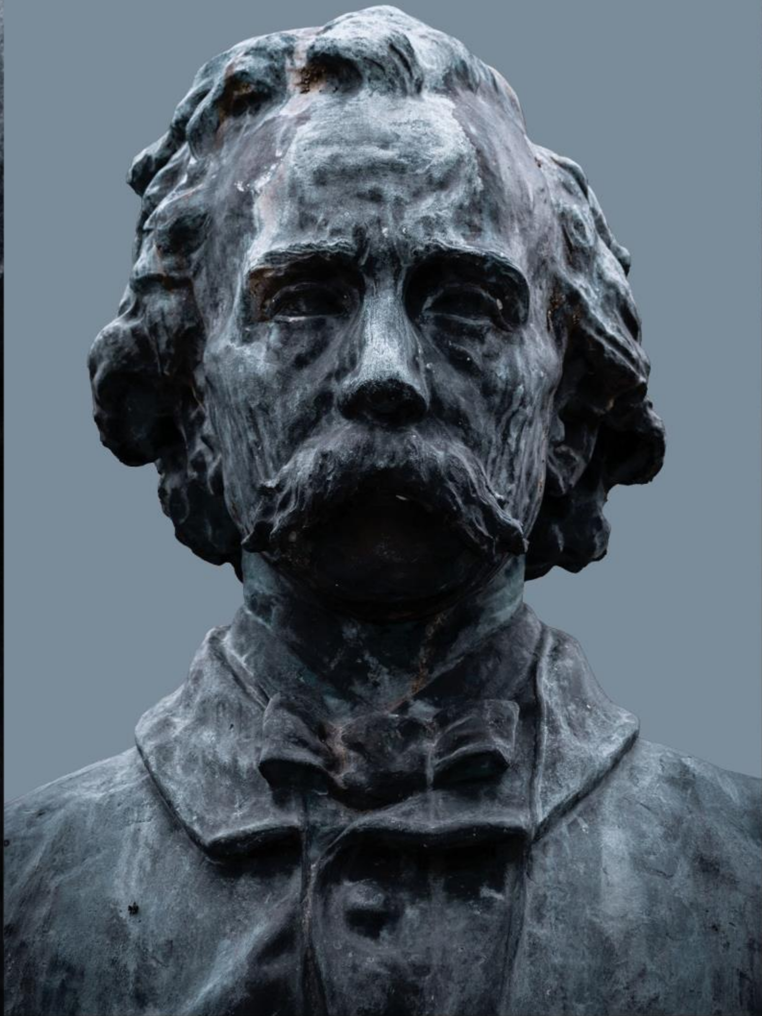
MANAGEMENT REPORT



1844

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

01. CORPORATE GOVERNANCE



1862

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

BOARD OF DIRECTORS

From left to right:

Jorge Almeida Baião (Executive Director); **Clementina Barroso** (Chairman of the Audit Committee); **Manuel Ferreira Teixeira** (Chairman of the Board of Directors); **Cândida Peixoto** (Non-executive Director); **Maria Lúcia Bica** (Non-executive Director); **José Carlos Mateus** (Executive Director). **Eugénio Baptista** (Non-executive Director); **Florbela Lima** (Non-executive Director); **Pedro Leitão** (Chairman of the Executive Committee); **Ângela Barros** (Executive Director); **Isabel Silva** (Executive Director); **Helena Soares de Moura** (Executive Director).

CORPORATE GOVERNANCE

GOVERNANCE MODEL

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as "CEMG" or "Banco Montepio") adopts an Anglo-Saxon governance model, as established in Article 278(1)(b), 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"), which took office on 25 July 2022, following authorisation from the Bank of Portugal.

Accordingly, as at 30 June 2024, the composition of the Governing Bodies of Banco Montepio was as follows:

BOARD OF THE GENERAL MEETING

Chairman	António Tavares

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman	Clementina Barroso
Members	Florbela Lima
	Cândida Peixoto
	Maria Lúcia Bica

Statutory Auditor

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

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

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

As at 30 June 2024, the composition of the internal committees of the Board of Directors of Banco Montepio was as follows:

Risk Committee

Chairman	Florbela Lima
Members	Eugénio Baptista
	Maria Lúcia Bica

Assessment, Nominations, Ethics, Sustainability and Governance Committee

Chairman	Cândida Peixoto
Members	Clementina Barroso
	Eugénio Baptista

As at 30 June 2024, the composition of Banco Montepio's Executive Committee, to which the Board of Directors has delegated the day-to-day management of the Bank, except for powers relating to matters whose delegation is forbidden by law or those reserved to it under the terms of its Regulations, was as follows:

Executive Committee

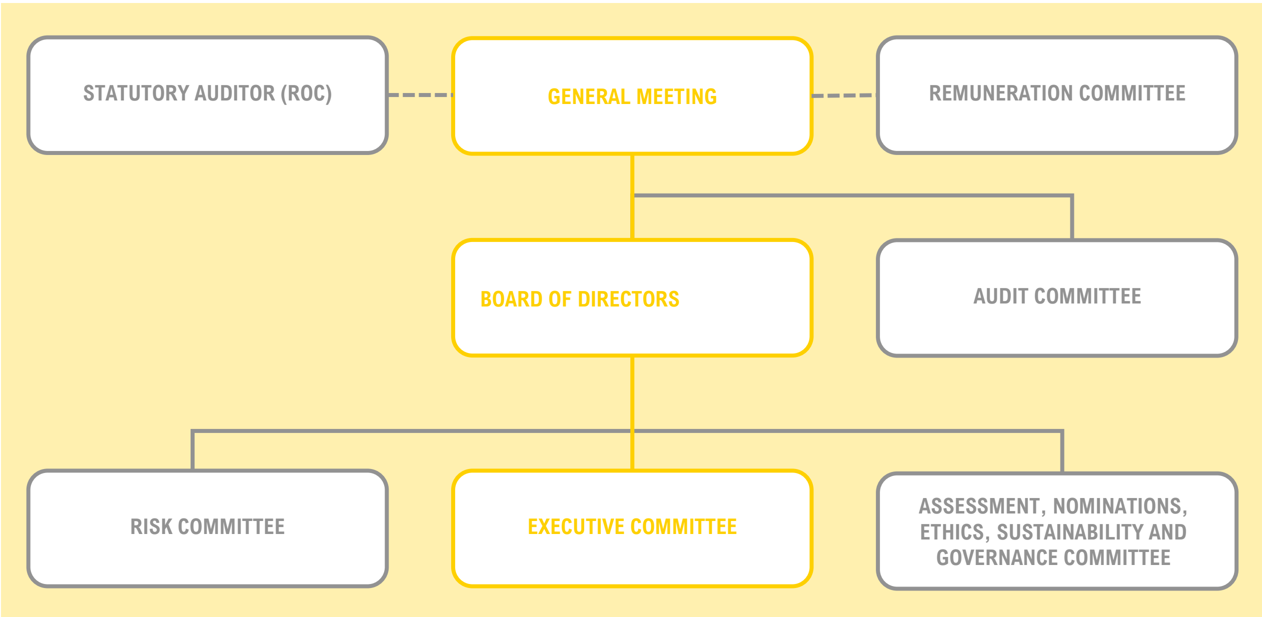
Chairman	Pedro Leitão
Members	Ângela Barros
	Helena Soares de Moura
	Isabel Silva
	Jorge Almeida Baião
	José Carlos Mateus

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

The Remuneration Committee elected by the General Meeting held on 29 April 2022 presented the following composition as at 30 June 2024 (all members are independent from the members of the management body):

REMUNERATION COMMITTEE

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



ANNUAL GENERAL MEETING

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

1. Decision on the Management Report and Accounts of the Financial Year of 2023, of the individual and consolidated activity – Approved unanimously;
2. Decision on the proposed appropriation of the net income for the year – Approved unanimously;
3. General appraisal of the company's management and auditing, under the terms of Articles 376 and 455 of the Commercial Companies Code – Approved unanimously;
4. Decision on the Report of Assessment of the Remuneration Policies and procedures adopted by Banco Montepio and Banco Montepio Group, prepared pursuant to Article 115-C(6) of the RGICSF and Article 44(1)(b) of Banco de Portugal Notice No. 3/2020 – Approved unanimously;
5. Decision on the review of the Remuneration Policy for Members of the Management and Supervisory Body (MOAF) – Approved unanimously;
6. Decision on the review of the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Bodies (MOAF) and Key Function Holders (TFE) – Approved unanimously;

7. Decision on the Policy for the Selection, Appointment and Assessment of the Statutory Auditor (ROC) or Statutory Audit Firm (SROC) and the Hiring of Services from the to the ROC/SROC – Approved unanimously;
8. Decision, in accordance with the Special Regime Applicable to Deferred Tax Assets (hereinafter REAID), approved by Law. No. 61/2014 of 26 August, as currently worded, on the adjustment of the amount of the special reserve and number of conversion rights and their subscription price, relative to the financial years of 2020 and 2021, following the Tax Authority's corrections to the amounts of tax credits calculated in the indicated financial years of 2020 and 2021 – Approved unanimously;
9. Decision on the remuneration of the members of the Board of the General Meeting for the term of office of 2022-2025 – Approved unanimously;
10. Appraisal of the general guidelines of the multiannual action plan for 2024-2026, in accordance with Article 12(f) of the Articles of Association – Approved unanimously;
11. Decision on the proper interpretation of the decision taken by the General Meeting in the extraordinary session held on 16 March 2018 – Approved unanimously;
12. Decision on other matters of interest to the Company – no inclusion of other items on the agenda.

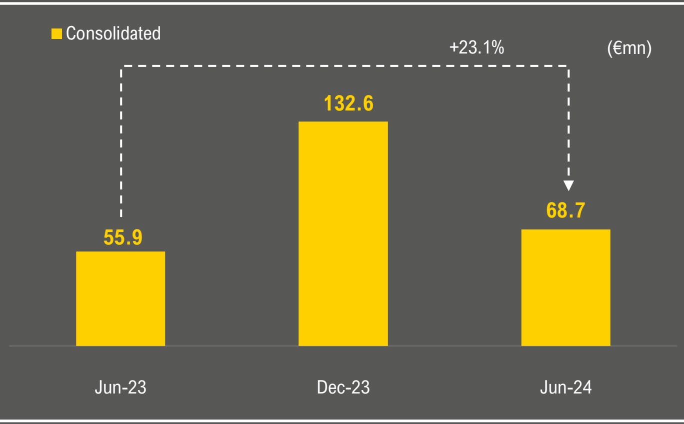
02. 1ST HALF OF 2024 IN SUMMARY

1888

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

HIGHLIGHTS

NET INCOME (1)

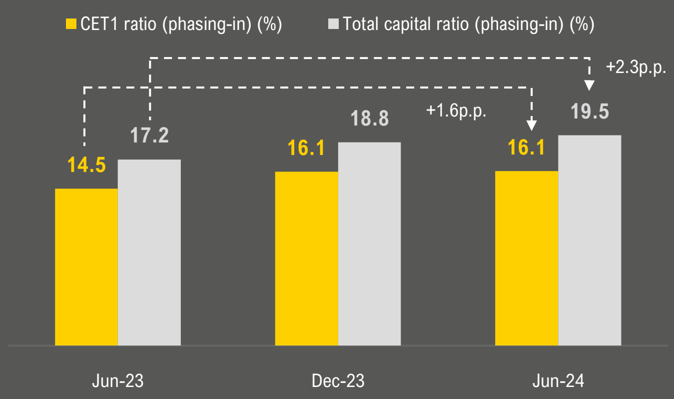


€68.7MN

+23.1% (1)

- Net income of 68.7 million euros is the highest figure ever recorded in a semester.
- Operation preserves capital generation with growth of operating income (+11,1%), reduction in the cost of risk (-0,3pp) and operating costs in line with the context of the ongoing technological evolution (cost-to-income of 50.5%[2]).

CAPITAL(3)

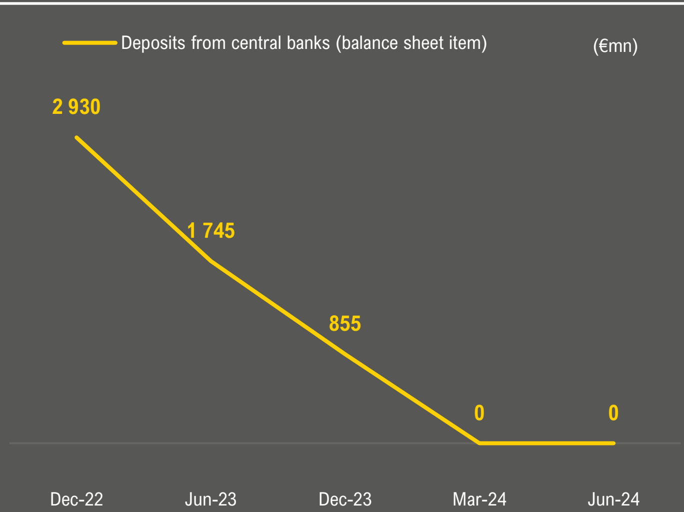


19.5%

TOTAL CAPITAL RATIO (PHASING-IN)

- Common equity tier 1 (CET1) and Total ratios of 16.1% (+1.6pp) and 19.5% (+2.3pp) respectively, at historical levels, show appropriate solvency.
- Liquidity coverage (LCR) and Net stable funding ratios rose to 219.3% and 135.4% respectively, and the total settlement of European Central Bank (ECB) funding (achieved in the first quarter of 2024), denote a strong liquidity position and capacity to diversify funding sources and to access the market.

FUNDING FROM THE ECB(4)



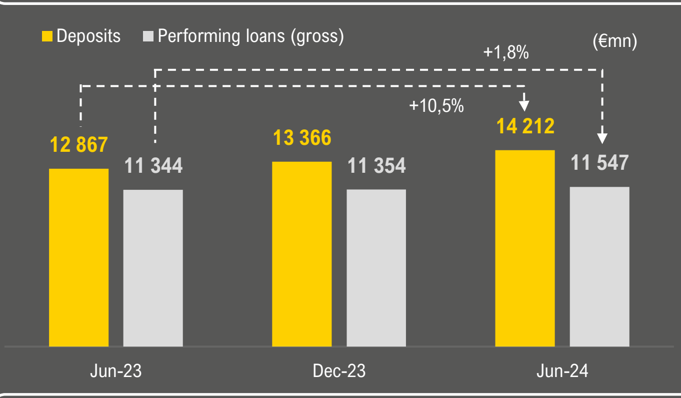
€0MN

ZERO ECB FUNDING FROM THE FIRST QUARTER OF 2024

- Banco Montepio closed the first half of 2024 with zero funding from the ECB.
- It held a net surplus position reflected in the amount of applications with the Central Bank, which exceeded 1.5 billion euros at the end of the first half.
- With exclusively market wholesale-funding since the first quarter of 2024, Banco Montepio maintains a stable and comfortable funding and liquidity structure, in compliance with the main indicators outlined in the multi-year planning.

(1) Excludes the effect of the consolidation of Finibanco Angola recorded in the financial statements as at 31 December and 30 June 2023.
(2) Excludes the value of Costs related to staff generated by the operational adjustment measures of €5.5mn as at June 2023 and €8.2mn as at December 2023, and one-off costs of €1.2mn as at June 2024 related to early retirement and employment contract terminations by mutual agreement, as well as the more volatile components of net income, such as Results from financial operations and Other income (Net gains/(losses) from the sale of other assets and Other operating income).
(3) The ratios include the accumulated net income for the period.
(4) TLTRO III –Targeted longer-term refinancing operations.

ACTIVITY

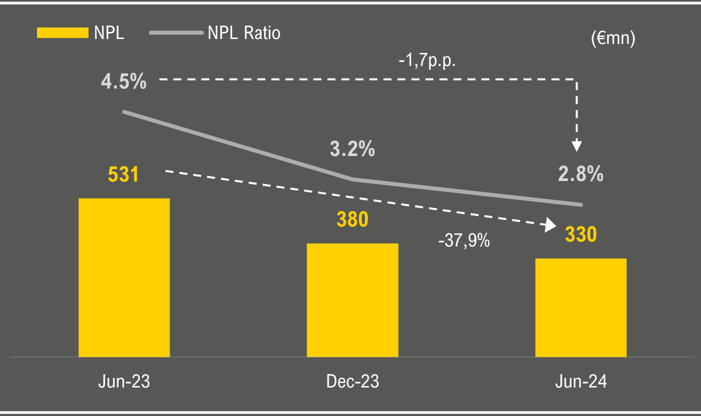


€14,212MN

CUSTOMER DEPOSITS

- Customer deposits grew by 10.5% year-on-year and 6.3% in relation to December 2023, demonstrating significant market share gains and reflecting a strengthening in liquidity position.
- Gross performing loans of 11,547 million euros, up 1.8% since June 2023 and 1.7% since December 2023, reflecting the strategic positioning in the mortgage product, part of Banco Montepio's history.

NON-PERFORMING LOANS(1)

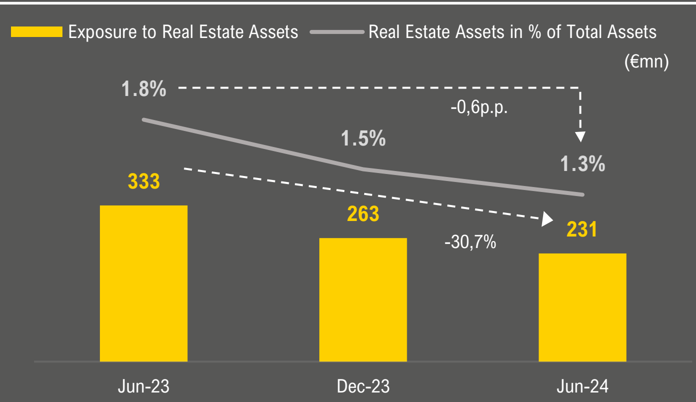


2.8%

OF GROSS LOANS TO CUSTOMERS

- Significant reduction in non-performing loans by 201 million euros (-37.9% year-on-year) to 330 million euros, ahead of the Strategic Plan targets.
- Non-performing loan (NPL) achieves a historic minimum of 2.8%, compared to 4.5% in June 2023, currently in line with the sector average.

REAL ESTATE ASSETS



1.3%

OF NET ASSETS

- Reduction in consolidated real estate by 102 million euros (-30.7% year-on-year), reaching a net asset value of 231 million euros, representing 1.3% of net assets (1.8% at June 2023) and 15.4% of own funds (24.9% at June 2023), in line with the market.
- Risk exposure (net of prudential capital deductions) represents 0.9% of total assets and 11.3% of own funds.

RATINGS

UPGRADES BY FITCH

- The financial rating agency Fitch Ratings (Fitch) upgraded Banco Montepio's senior unsecured debt from B+ to BB. This is the second consecutive upgrade in the last twelve months, covering a total of four levels.
- The following long-term ratings were also revised upwards: Long-term deposits; Issuer default rating; Long-term rating; Senior non-preferred debt; Subordinated debt.
- Fitch then upgraded Banco Montepio's Covered Bonds by one notch to AAA, the highest level in the investment grade category.
- The successive upward revisions of the ratings are external recognition of the results achieved.

(1) NPL according to European Banking Authority (EBA) criteria (numerator and denominator as applicable).

180TH ANNIVERSARY OF BANCO MONTEPIO

On 24 March, Banco Montepio celebrated its 180th anniversary.

Throughout the almost two centuries of its existence, Banco Montepio has performed a crucial economic and social role in the country; furthering its mission to make a difference in the life of each person, families, companies and institutions of the social economy. A Bank at the service of the Portuguese, communities in the country and beyond its borders.

The Bank embodying peoples' soul, in which everyone has a place: universal, intergenerational, interclass and multicultural. A Bank that promotes diversity, equity and inclusion, actively contributing to a more aware and compassionate present, and cooperating in the construction of a more sustainable future.

BEM BOM COMPETITION

Banco Montepio launched the "*Bem Bom*" (Really Good) competition on the occasion of its 180th anniversary. This competition, bringing together Banco Montepio and Rádio Comercial, aims to support families with mortgage loans. The competition targets customers who currently have a mortgage loan, or will have one in the future, for their own permanent residence at Banco Montepio, and is held every week up to January 2025, awarding a *Bem Bom* prize for house-related expenses. The winners will receive 1,500 euros per month, for an entire year, in the form of a prepaid card, amounting to a total of 18,000 euros. This prize is delivered to the winners in the city in which they live by the *Bem Bom* van.

Until the date of publication of this report, 22 prizes have been awarded in the following locations: Braga, Póvoa de Varzim, Vila Nova de Gaia, Barreiro, Loures, Entroncamento, Amadora, Lisbon, Barcelos, Évora, Ponta Delgada, Caldas da Rainha, Matosinhos, Cartaxo, Coimbra, Almada, Mafra, Vila Nova de Gaia, Vila Nova de Famalicão, Amadora and Caneças.

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

- Tânia Madeira, Director of Banco Montepio Communication and Brand

"Banco Montepio proposed a challenge that basically involves improving the life of Portuguese families. Now, when it comes to improving families' lives, Rádio Comercial always responds with: Let's do it! The *Bem Bom* competition has already started and we are very excited."

- Pedro Ribeiro, Director of Rádio Comercial Programming

SUMMARY OF INDICATORS

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23	Change Jun-24/Dec-23
ACTIVITY AND RESULTS (million euros)					
Total assets	18 094	17 989	18 169	0.4%	1.0%
Performing loans to customers (gross)	11 344	11 354	11 547	0	1.7%
Customer deposits	12 867	13 366	14 212	10.5%	6.3%
Net income	(48)	28	69	>100%	>100%
SOLVENCY [(a)]					
Common equity tier 1 ratio	14.5%	16.1%	16.1%	160.0%	0.0 p.p.
Tier 1 ratio	14.5%	16.1%	16.1%	1.6 p.p.	0.0 p.p.
Total capital ratio	17.2%	18.8%	19.5%	2.3 p.p.	0.7 p.p.
Leverage ratio	6.2%	6.7%	6.8%	0.6 p.p.	0.1 p.p.
Risk weighted assets (million euros)	7 793	7 641	7 715	(1.0%)	1.0%
LIQUIDITY RATIOS					
Liquidity coverage ratio (LCR)	245.2%	233.1%	219.3%	(25.9 p.p.)	(13.8 p.p.)
Net stable funding ratio (NSFR)	123.9%	130.4%	135.4%	11.5 p.p.	5.0 p.p.
LOAN TO DEPOSIT RATIOS					
Loans to customers (net) / Customer deposits [(b)]	89.8%	85.7%	81.9%	(7.9 p.p.)	(3.8 p.p.)
Loans to customers (net) / On-balance sheet customer resources [(c)]	86.1%	81.2%	76.7%	(9.4 p.p.)	(4.5 p.p.)
CREDIT QUALITY	0.00%	0.00%	0.00%	0.0 p.p.	0.0 p.p.
Cost of credit risk	0.1%	0.4%	0.1%	0.0 p.p.	(0.3 p.p.)
Ratio of loans and interest overdue by more than 90 days	1.7%	1.5%	1.0%	(0.7 p.p.)	(0.5 p.p.)
Coverage of loans and interest overdue by more than 90 days by Impairments for balance sheet loans	160.8%	162.7%	202.5%	41.7 p.p.	39.8 p.p.
NPL ratio (Non-performing exposures (NPE) [(d)] / Gross customer loans)	4.5%	3.2%	2.8%	(1.7 p.p.)	(0.4 p.p.)
NPL [(d)] coverage impairment at stage 3	43.0%	45.9%	43.2%	0.2 p.p.	
NPL [(d)] coverage by Impairment for balance sheet loans	60.0%	73.9%	72.2%	12.2 p.p.	(1.7 p.p.)
NPL [(d)] coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees	106.7%	115.1%	113.4%	6.7 p.p.	(1.7 p.p.)
Forborne exposures ratio (Forborne exposures [(d)] / Gross customer loans)	3.6%	2.8%	1.9%	(1.7 p.p.)	(0.9 p.p.)
PROFITABILITY AND EFFICIENCY	0.00%	0.00%	0.00%	0.0 p.p.	
Total operating income / Average total assets [(b)]	2.5%	2.8%	2.9%	0.4 p.p.	0.1 p.p.
Return on assets (gross) (Net income before income tax / Average total assets) [(b)]	1.0%	1.0%	1.2%	0.2 p.p.	0.2 p.p.
Return on equity (gross) (Net income before income tax / Average total equity) [(b)]	11.4%	11.8%	13.5%	2.1 p.p.	1.7 p.p.
Cost-to-income (Operating costs / Total operating income) [(b)]	55.2%	50.8%	52.4%	(2.8 p.p.)	1.6 p.p.
Cost-to-Income, excluding specific impacts [(e)]	46.6%	46.2%	50.5%	3.9 p.p.	4.3 p.p.
Staff costs / Total operating income [(b)]	33.7%	30.5%	30.4%	(3.3 p.p.)	(0.1 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)					
Employees					
Grupo Banco Montepio	3 119	2 983	2 994	(125)	11
Banco Montepio	2 968	2 860	2 873	(95)	13
Distribution Network - Banco Montepio					
Branches in Portugal	243	232	226	(17)	(6)
Representation Offices	5	5	5	0	0
BANCO MONTEPIO RATINGS	**Long-term**		**Outlook**		
Fitch	BB	Stable			
Moody's	Ba2	Stable			
DBRS	BB	Stable			

(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. Calculated in accordance with the Financial Statements attached to this report.

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

(e) Excludes staff costs generated by the operational adjustment measures of €5.5m in Jun-23 and €8.2m in Dec-23 and one-off costs of €12m in Jun-24 related to early retirements and terminations by mutual agreement, as well as the more volatile components of results, such as Results from financial operations and Other results (Results from the sale of other assets and Other operating results).

MAIN EVENTS

JANUARY

For the third time in a row, Banco Montepio is the "**No. 1 Consumer Choice Brand**" in the Mortgage Loans category.

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

Banco Montepio was distinguished as a **"Recommended Brand 2024"** in the "Banks" category due to having achieved the best average satisfaction index of the Complaints Portal.

FEBRUARY

Banco Montepio advised the consortium led by I-Sete and Amener, in structuring **Green Bonds**, amounting to 2.8 million euros, by private and direct offer.

Fitch upgraded Banco Montepio's ratings:

- senior unsecured debt to **BB**;
- long-term deposits to **BB+**;
- issuer default rating intrinsic rating (IDR) to **bb**;
- long-term rating (LT IDR) to **BB**, with **Stable Outlook**;
- non-preferential senior debt to **BB-**;
- subordinated debt to **B+**;
- covered bonds to **AAA** (**investment grade**).

MARCH

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

180 ANOS UM BANCO DE CAUSAS DESDE 1844.

Banco Montepio now has zero financing from the ECB, with early repayment of TLTRO, demonstrating its ability to diversify funding sources.

APRIL

Launch of the **"*Bem Bom*" competition** in partnership with Rádio Comercial, aimed at supporting families with mortgage loans.

CONCURSO BEM BOM

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

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

Banco Montepio advised again the consortium led by I-Sete and Amener, in structuring **Green Bonds**, amounting to 9 million euros, by private and direct offer.

Banco Montepio was distinguished for the 14th time by Superbrands as a **brand of excellence**.

MAY

Banco Montepio placed €250M in an **issuance of senior preferred debt eligible for MREL, anticipating the achievement of the goal set for January 1, 2025.** Demand was more than 6 times higher than the offer.

Liquidation of Montepio Gestão de Activos Imobiliários (MGAI), under the Banco Montepio Group's simplification.

Banco Montepio advised TMG Automotive on the structuring of its first issuance of **Sustainability-Linked Bonds**, amounting to 6 million euros, by private and direct offer.

JUNE

Publication of **Banco Montepio's Sustainability Report 2023**, verified by an external entity, and with measurement of social impact, a pioneering initiative in the sector. A testament to the unwavering commitment that is at the core of the oldest financial institution in Portugal.

Banco Montepio was one of the 13 founding banks of the **SIBS ESG platform**, designed to facilitate the collection and sharing of information on sustainability by companies.

Banco Montepio signed the **Portuguese Procurement Association (APCADEC) Code of Ethics**, aiming to strengthen professionalism and transparency, leading to lower financial, operating and reputation risks of organisations.

03. THE BANCO MONTEPIO GROUP

1928

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

THE BANCO MONTEPIO GROUP

WHO WE ARE

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

It is a unique institution 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 Individual Customers at all stages of their lives, Customers of the Business Sector, Social Economy Institutions and social entrepreneurs.

Banco Montepio is Portugal's oldest financial institution – 180 years old celebrated on 24 March

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

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

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

GROUP STRUCTURE

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

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

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

In recent years, a strategy to simplify the Group was implemented, framed within the approved Adjustment Plan, which resulted in a structural change aimed at rationalizing and maximizing efficiency at various levels.

Proceeding with the real estate deleveraging plan and the internationalisation of its real estate management skills through the creation of an in-house real estate and asset division within Banco Montepio, the dissolution and liquidation of Montepio Gestão de Activos Imobiliários, A.C.E. took place on 13 May 2024, by decision of the respective Board of Directors taken on 21 November 2023 and authorised at Banco Montepio's General Meeting held on 29 December 2023, with a view to stronger verticalization and integration, in convergence with the sector benchmark.

Aiming at the reorganization and full integration of corporate banking into Banco Montepio, on 8 September 2023, Montepio Holding agreed with RAUVA Enterprises, S.A. to sell 100% of the share capital of Montepio Investimento, S.A. (Banco de Empresas Montepio or BEM), with this operation being subject to the verification of precedent conditions, including approval by the Supervisory and Regulatory authorities.

In the first half of 2024, the securitization of mortgage loans Pelican Mortgages No. 4, which were part of the consolidation perimeter of the Banco Montepio Group by the fully-consolidation method, was also liquidated, in the context of greater efficiency in capital and liquidity management.

As at 30 June 2024, the Banco Montepio Group was composed of the following entities:

Banco Montepio Group Entities

Full consolidation

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

Special purpose and investment fund entities

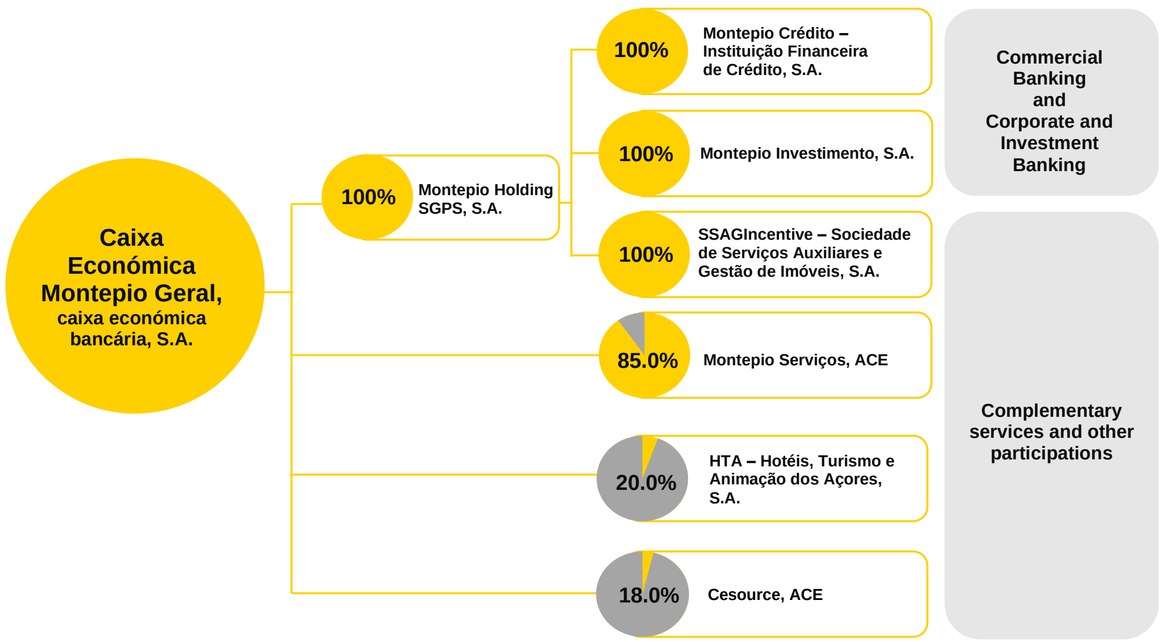
- Valor Arrendamento – Fundo de Investimento Imobiliário Fechado
- Polaris – Fundo de Investimento Imobiliário Fechado; PEF – Portugal Estates Fund
- Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (FEIIA)
- Pelican Mortgages No 3
- Aqua Mortgages No 1
- Pelican Finance No 2

Entities referring to securitisation vehicles, aimed at funding and liquidity management or strengthening of own funds ratios.

Consolidation by the equity method

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

The Banco Montepio Group's structure as at 30 June 2024 was as follows:



THE BANCO MONTEPIO BRAND

BRAND REPUTATION

Brand Image

The Brand Score study presented the results of the Brand and Communication Barometer for the second quarter of 2024, showing an upswing for the Banco Montepio Brand's Image of 8 percentage points (p.p.) to 70% of promoters. This is Banco Montepio's best result ever and the second-best position among the 11 banking brands assessed in this study. This distinction arises from the impact of the "*Bem Bom*" Campaign, launched on the occasion of the Institution's 180th anniversary, to support families with mortgage loans at Banco Montepio.

Brand Equity

Banco Montepio rose in terms of Brand Equity (market valuation) in the second quarter, by 12 p.p. to 54%, recording the highest equity rise in the banking system, indicator that has been consistently appreciating in value over the last five years, and attained its peak in 2024, performing as an important asset in retaining the loyalty of current customers and attracting new customers.

Efficacy

The efficacy of the Banco Montepio brand – which measures the impact of Communication on Equity – was up 15 p.p. in the second quarter of 2024, recording the best efficacy with respect to financial institutional campaigns in this period.

Corporate reputation

Banco Montepio is among the 100 companies with best reputation in Portugal, for the Corporate Reputation Business Monitor (MERCO) Ranking of Companies. Merco is a reputational assessment tool launched in 2000, based on multistakeholder methodology involving six evaluations and more than twenty sources of information.

AWARDS AND DISTINCTIONS

Mortgage Loans

- Consumer Choice 2024
- Five Stars 2024

Sustainability Banking

- Five Stars 2024

Brand excellence

- Superbrands 2024

Satisfaction

- Recommended Brand 2024

Commitment to Education

- EPA 2024 award-tribute

Banco Montepio's Mortgage Loan doubly distinguished

Banco Montepio's Mortgage Loan was distinguished by two different entities with the awards: Consumer Choice 2024, for the third time consecutively and Five Stars 2024.

> **"The consumers' distinction fills us with pride and inspires us. Because, for Banco Montepio it never is, and will never be, just about awards. Being the bank chosen by customers and non-customers – in an independent manner – as the bank to buy a house, is all about well-being, making dreams come true and a relationship that very often starts early in life and may be lifelong. We endeavour to make customers and families feel that the right relationship is with Banco Montepio, whether because it has more benefits or because they have the best experience and life with this 100% Portuguese brand that is 180 years old this year."**
> ***– Pedro Leitão, CEO of Banco Montepio***

Consumer Choice 2024 award, Mortgage Loan category

Banco Montepio's Mortgage Loan is the Consumer Choice 2024, for the third time consecutively.

Portuguese consumers assessed and awarded Banco Montepio as the "No. 1 Brand in Consumer Choice" in the Mortgage Loan category, out of a total of twelve banks assessed. Banco Montepio recorded a final score of 79% and a recommendation score of 81%, and led in the dimensions: Attributes, Benefits, Values and Emotions.

In the assessment of the brand's emotional positioning, Banco Montepio was ranked leader in all attributes and highlighted in "Brand Loyalty", which represents a relationship of optimism and satisfaction, leading the consumer to have a long-lasting relationship with the brand and become its prescriber, and "Love of the Brand", which expresses the feeling of attachment to and esteem for Banco Montepio, generating positive emotions offering the consumer general well-being, happiness and delight.

Five Stars 2024 award, Mortgage Loan category

Banco Montepio won the Five Stars title for the first time in the Mortgage Loan category, out of a total of 7 banking brands assessed.

Banco Montepio recorded an overall satisfaction of 77.20%, following assessment of the base variables that influence consumer decision-making: satisfaction through experimentation; price-quality relationship; recommendation intention; trust in the brand; and innovation.

In addition to these characteristics, a further five specific attributes were assessed in the mortgage loan context; instalment; procedural speed; contracting of other products and their costs; clarity of the information; and procedural monitoring. It should be highlighted that Banco Montepio was awarded scores equal to or more than 8, on a scale of 1 to 10, in all 5 attributes.

Five Star Award – Sustainability Banking 2024

Banco Montepio was distinguished, for the second year consecutively, with the Five Stars title in the Banking - Sustainability category.

The Institution recorded an overall satisfaction of 79.20%, following assessment of the attributes: satisfaction through experimentation; price-quality relationship; recommendation intention; trust in the brand; and innovation.

The distinction was awarded by Five Stars Consulting, which implemented the Five Stars methodology, assessed 5 banking brands and involved 1,347 consumers, between May and September 2023.

Banco Montepio distinguished as "Recommended Brand 2024"

Banco Montepio achieved the best average satisfaction index of the Complaints Portal, in the "Banks" category.

This distinction assesses the brands' relationship of proximity with their customers throughout the entire purchasing process, thus reflecting that Banco Montepio is a trusted brand for the consumers.

The "Recommended Brand 2024" stamp is the full responsibility of the Portuguese consumers, revealing their assessment of brands and entities, throughout the entire year, on the Complaints Portal platform. This recognition reflects Banco Montepio's commitment to its customers.

Recommended Brand 2024, awarded by Consumers Trust, a global brand holding the *Portal da Queixa* (Complaints Portal) platform.

Brand of Excellence – Superbrands 2024

Banco Montepio was distinguished for the 15th time by Superbrands as a brand of excellence. This award annually distinguishes the most important brands in the domestic market, described as "the ones that stick in the minds and hearts of the Portuguese".

Banco Montepio receives EPA 2024 award-tribute

Banco Montepio was honoured at the 16th Aveiro Vocational School (EPA – Escola Profissional de Aveiro) Grand Gala, in Ovar Arts Centre.

The EPA award-tribute pays tribute to Banco Montepio, as a partner, due to having contributed to the educational commitment of Aveiro Vocational School, currently named AEVA - Associação para a Educação e Valorização da Região de Aveiro (Association for the Education and Development of the Region of Aveiro).

This year, the distinction was awarded to Banco Montepio, which has contributed over the years to the growth of the former EPA, making it its main business partner and enabling AEVA to currently be one of country's largest and best vocational schools.

CAMPAIGNS AND PARTNERSHIPS

Bem Bom Competition

Under the commemoration of its 180th anniversary, Banco Montepio launched the "*Bem Bom*" competition, in partnership with Rádio Comercial. The competition targets customers with mortgage loans at Banco Montepio and takes place every week up to January 2025. The winners will receive 1,500 euros per month, for an entire year, amounting to a total of 18,000 euros, with an extraordinary prize totalling 180,000 euros to celebrate the 180 years of history of a mutualist bank in an unforgettable way.

Campaign – Representation Offices

Under the motto "A Portuguese Bank that speaks our language" aimed at strengthening Banco Montepio's positioning among the emigrant community, a new campaign was launched combining Portuguese culture, Banco Montepio and promoting greater proximity and better communication.

Um banco português que fala *a nossa língua.*
Um banco português que fala *our language.*
Um banco português que fala *notre langue.*
Um banco português que fala *unsere Sprache.*

Banco Montepio supports the "Pirilampo Mágico 2024" campaign

The "Pirilampo Mágico 2024" (Magic Firefly 2024) campaign, promoted by the National Federation of Social Solidarity Cooperatives (FENACERCI) and supported by Banco Montepio since 2017, returned between 9 May and 2 June, under the motto "The Magic of Solidarity". The opening ceremony was held on 8 May at the Auditorium of the National Coach Museum.

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

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

EVENTS, SUPPORT AND COMMITMENTS

Pioneer Main Sponsor of ESG WEEK 2024

The 3rd edition of the “ESG WEEK | Environmental, *Social*, Governance”, an initiative organised by the Portuguese Association of Business Ethics (APEE), counted on Banco Montepio as its Pioneer Main Sponsor and Host of the first forum held between 16 and 17 April 2024 in the “Atmosfera M” space, in Lisbon.

The ESG WEEK 2024 aims to discuss major topics of Sustainability and comprised two forums exclusively face-to-face, with thematic sessions, presentation of sustainability reports and digital contents of various organisations.

The opening session of the Ethics Congress included a speech by Pedro Leitão, CEO of Banco Montepio, Mário Parra Da Silva, Chairman of APEE, Carlos Abade, Chairman of the Governing Board of Turismo De Portugal, and Luís Guerreiro, Chairman of the Institute of Support to Small and Medium-sized Enterprises and Innovation (IAPMEI).

Renewal of the commitment to iGen

Banco Montepio renewed its commitment to the iGen forum, part of the Diversity and Inclusion Policy in force at the Bank. Created in 2013, iGen is a Forum of Organisations for Gender Equality, composed of 73 national and multinational organisations of the public, private and social economy sectors, which operate in Portugal and together represent approximately 2% of Portuguese gross domestic product (GDP). It is promoted by the Commission for Equality in Labour and Employment (CITE - Comissão para a Igualdade no Trabalho e no Emprego) and by the member organisations, and coordinated by a task force mandated by these organisations, in which the activities pursued follow a participative methodology.

Founder of the SIBS ESG Platform

In a context of growing demands on the disclosure of information, Banco Montepio is one of the 13 founding banks of the SIBS ESG platform. This platform, free of charge, was designed to facilitate the collection and sharing of information on sustainability by companies, helping them to structure and complete ESG information.

> **“This initiative of SIBS, in partnership with various financial entities, represents a significant step in what concerns the capacity to measure and report ESG performance, in a transversal manner. Supporting and stimulating the transition to ESG practices, ensuring that no company is left behind, requires this type of collaborative effort, involving capacity-building, close assistance, possible financial or tax incentives, stakeholder engagement and possible supportive public policies. This enables creating an environment in which all companies, irrespective of their size or sector, can endorse ESG practices in an effective and sustainable manner."**
>
> ***– Pedro Leitão, CEO of Banco Montepio***

Main Sponsor of the closing session of the 25th anniversary of the Economists’ Association

The closing session took place on 27 May 2024, marking the end of the Commemorations of the 25th anniversary of the Portuguese Economists’ Association, which started in 2023, with a view to being an occasion for reflection on the current economic challenges of Portugal and Europe, concerning economic growth and international trade, in a current context of growing de-globalisation.

The main speakers included the keynote speaker Elhanan Helpman, President of the International Economics Association (IEA) and Professor at Harvard, who addressed the topic of International Trade, and Clara Raposo, Vice-Governor of Banco de Portugal.

The Trading Game powered by Banco Montepio

The Trading Game powered by Banco Montepio is an online competition, organised by the Junior Company of Students of the Faculty of Economics of the University of Coimbra (JEEFEUC) in partnership with Banco Montepio, held via the Montepio Trader Go platform, which aims to promote financial literacy among higher education students. This event allows all national higher education students to trade a broad set of financial assets for four weeks. In addition to the competitive aspect, it enables the participants to learn about issues related to financial markets, through training sessions taking place alongside the competition.

During the competition, the traders have access to a stock exchange simulator provided by Banco Montepio. A prize is awarded at the end of each week, and at the end of the competition, the first three classified with highest return (greatest capital value) receive prizes that include the possibility of a professional internship at Banco Montepio's Financial and International Division. The Trading Game powered by Banco Montepio has already run five editions, and has proved to be a growing success, year upon year.

Code of ethics with the Portuguese Procurement Association (APCADEC)

Banco Montepio endorsed APCADEC Code of Ethics, strengthening its alignment with procurement best practice.

This Code aims to strengthen professionalism and transparency, leading to lower financial, operating and reputation risks of organisations.

The signed document is aligned with the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption, the basic documents of the Ten Principles of the United Nations Global Compact, which are incorporated into our organisation's strategy, policies and procedures.

"ABECEDÁRIO_FESTIVAL DA PALAVRA" (ALPHABET_FESTIVAL OF THE WORD)

The Bank supported the literary festival promoted by the Reading Booth at Praça de Londres, which aims to disseminate and value the Portuguese language and literature, and intends to give voice to the word, honouring a different word in each edition, while supporting street bookstores. In this edition, the chosen word was 'Freedom', in a year marking the 50th anniversary of the 25th of April."

500 Years Since the Birth of Luís Vaz de Camões

Banco Montepio joined the celebration of the 500th anniversary of the birth of one of the greatest exponents of Portuguese literature and a symbol of Portuguese language and culture. The Bank supported the Annual Colloquium commemorating the 5th Centenary of the birth of Luís Vaz de Camões, promoted by the Associação Saudade, and the publication of three commemorative books.

Expresso's weekly podcast, "To be or not to be"

Expresso's weekly podcast, "To be or not to be", has the support of Banco Montepio. Through the motto "it's not enough to appear, you have to be", it challenges listeners to think and act on sustainability issues. Banco Montepio has joined this project to reinforce its commitment to social, economic and environmental sustainability.

CHANNELS, NETWORKS AND CUSTOMER RELATIONS

CHANNELS AND NETWORKS

As at 30 June 2024, Banco Montepio had a network of 226 branches in Portugal.

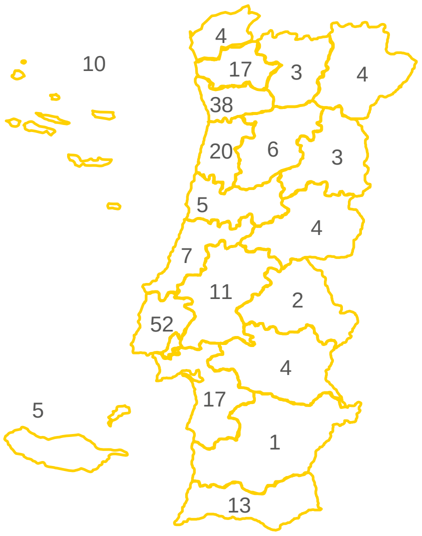
It also has 5 representation offices (Frankfurt, Geneva, Paris, Newark and Toronto) which ensured the Bank's presence among communities that are resident abroad, supporting the Portuguese diaspora.

No. of Branches and Representation Offices (Banco Montepio)

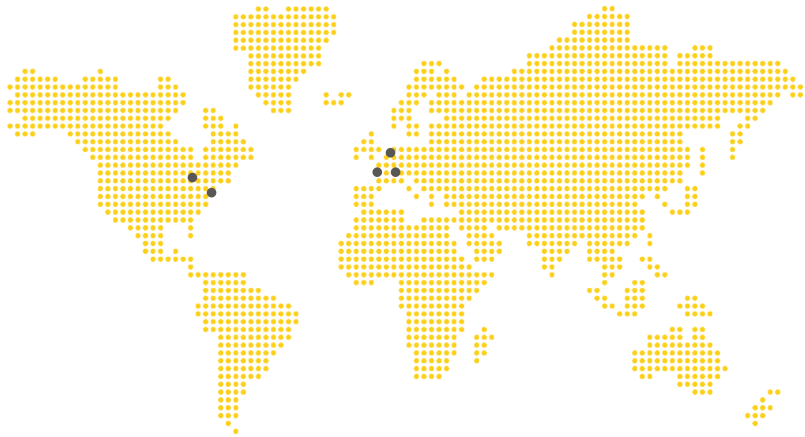
	Jun-23	Dec-23	Jun-24
Branches in Portugal	243	232	226
Representation Offices	5	5	5

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" by telephone, web, sms, app and the dedicated channel "Connect24", the internal network of "Chave24" automated tellers and regular automated teller machines (ATM).

Branches (by districts and autonomous regions)



Representation Offices



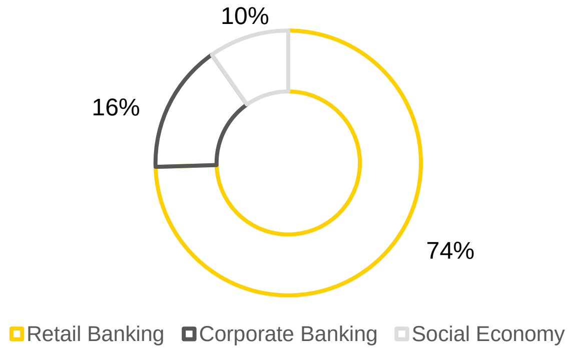
CUSTOMER MANAGERS

As part of the Adjustment Plan, and alongside the results achieved in terms of optimising the commercial network and improving efficiency, Banco Montepio's workforce, in June 2024, reduced by 3.0% year-on-year.

Banco Montepio's network of Customer Managers amounted to 369 employees at the end of the first half of 2024, distributed between Retail Banking, Corporate Banking and Social Economy.

There was a reduction of 17 managers in the first half of 2024, compared to December 2023, related to the progressive adjustment of the distribution model and reorganisation of the Commercial Network and the Corporate Network, with a view to updating the service model and increasing efficiency.

Distribution of Customer Managers per Segment
30 June 2024



The distribution of managers by segment comprised 148 managers assigned to Small Businesses, 51 to Small and Medium-Sized Companies with a turnover of more than 4 million euros, 36 to Institutional and Social Economy and 29 to Large Companies (with a turnover of more than 150 million euros) and 127 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

	Jun-23	Dec-23	Jun-24	Change Jun-24/Dec-23	
				Amount	%
Retail Banking	**289**	**287**	**275**	**(12)**	(4.2)
Individuals	133	132	127	(5)	(3.8)
Small Business	156	155	148	(7)	(4.5)
Social Economy	**38**	**37**	**36**	**(1)**	(2.7)
Institutions and Social Economy a)	38	37	36	(1)	(2.7)
Corporate Banking	**64**	**62**	**58**	**(4)**	(6.5)
Companies with turnover > 150m€	6	6	7	1	16.7
Companies with turnover > 4m€	58	56	51	(5)	(8.9)
Total managers	**391**	**386**	**369**	**(17)**	**(4.4)**

a) Includes Microcredit managers.

Note: Does not include managers of preventive credit monitoring.

MONTEPIO24

During the first half of 2024, Banco Montepio maintained the growth of the levels of use its distance channels and increased the weight and importance of its digital offer.

The Montepio24 service aggregates Banco Montepio's different digital channels, enabling its customers to conduct the online management of their accounts and financial daily life. This service is under continuous evolution, both through the broadening of the available operations and improvement of the user's experience.

As at 30 June 2024, Montepio24 recorded a 5.4% increase in the number of active customers[1] compared to the same period last year, supported by growth of 6.1% in the Individual Customers segment and 1.7% in the Corporate segment.

The number of transactions carried out through the Montepio24 service also increased, in this case 13% year-on-year, based on the 13% growth of the number of digital transactions per active customer[2].

ACTIVE DIGITAL CUSTOMERS[1] (YoY) **+ 5%**

DIGITAL TRANSACTIONS[2] (YoY) **+ 13%**

In addition, Connect24, a channel dedicated to open banking, in which customers can login and access information and banking transactions, when requested by other authorised entities, recorded an increase of 158% as at 30 June 2024, compared to the same period of 2023, in transactions initiated through third-party platforms – Third Party Providers (TPP) or other Banks.

[1] Login the last 90 days.
[2] Includes fees and commissions for stock exchange orders, processing SEPA credit transfer (CT) and SEPA direct debit (DD) forms, of the NetGlobal service and transfers, for cards and cheques requested on digital channels, and for credit card cash advances.

The number of active digital customers of Banco Montepio represents more than 60% of active customers.

The increased adherence to digital channels was also reflected in the preference for documents via this same channel – 95% of customers with current accounts subscribe to digital documentation.

CUSTOMERS WITH DIGITAL DOCUMENTATION	(% CUSTOMERS WITH CURRENT ACCOUNT)	95%	(YoY)	+ 3 p.p.

The mobile channel (M24 App) maintained its growth trend as the customers' preferred channel for online access to their account, with an increase in accesses (+22.8%) and in the number of transactions (+17.5%) made through this channel in the first half of 2024 compared to the same period of 2023.

The number of mobile[1] active digital customers increased by 12% year-on-year, accounting for more than 40% of the Bank's active customers.

ACTIVE DIGITAL CUSTOMERS (% OF ACTIVE CUSTOMERS)	> 60%	**MOBILE ACTIVE DIGITAL CUSTOMERS** (% OF ACTIVE CUSTOMERS)	> 40%

AUTOMATED TELLER MACHINES (ATM)

Banco Montepio's Multibanco network had a total number of 982 automated teller machines (ATM) at the end of June 2024, a slight decrease from 31 December 2023. Market share, in terms of number of machines, stood at 7.9%, in a national total network amounting to 12,487 ATM. In terms of transactions conducted, Banco Montepio's market share reached 8.5% at the end of the first half of 2024.

> **55% of the Chave24 machines are next generation (known as Virtual Teller Machines – VTM)**

Complementing this network, Banco Montepio is pursuing its plan to renovate the set of Chave24 machines, the internal ATM network present at the Bank's branches. This investment proposes to strengthen customer self-service capacity at the branch, taking advantage of the growing technological capacity of this new generation of equipment.

COMPLAINTS MANAGEMENT

With the mission to propose and fulfil the guidelines defined in this area, the management of complaints is the responsibility of the Transformation and Quality Division – Complaints Management Department, which ensures the receipt and handling of complaints, as well as the respective response to the Complainant and/or Supervisory Entities.

An 18.5% reduction in the number of complaints was recorded in the first half of 2024, with an even more pronounced drop in complaints submitted to Banco de Portugal, of 43.1%, and 36.7%, when considering the complaints recorded through the Complaints Book and Electronic Complaints Book respectively.

Indicators on Complaints

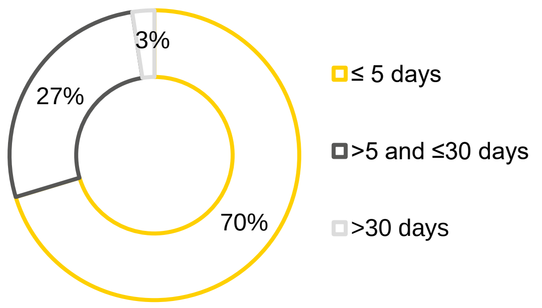
			Change Jun-24/Jun-23	
	Jun-23	Jun-24	Amount	%
Total Complaints	**2 583**	**2 105**	**(478)**	**(19)**
Of which:				
Banco de Portugal	218	124	(94)	(43)
Complaints Book and Electronic Complaints Book	607	384	(223)	(37)

The average response time was 5 business days, corresponding to a decrease of 7 business days compared to the first half of 2023.

Concerning the complaints made to Banco de Portugal and through the physical Complaints Book and the Electronic Complaints Book, the average response time was 8 and 7 business days, respectively. The legal time limit for responding to these complaints is 15 business days (if filed in the physical Complaints Book and the Electronic Complaints Book), and 20 business days (if filed with Banco de Portugal).

New Complaints in 1st Half of 2024

Average response time (business days)



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

In this spirit of focusing on customer satisfaction, and as mentioned in the Prizes and distinctions section of this Report, Banco Montepio achieved the best average Satisfaction Index throughout 2023, in its category, and was distinguished as a Recommended Brand 2024 by the Complaint Portal.

TECHNOLOGY AND INNOVATION

In the first half of 2024, Banco Montepio remained focused on continuously improving its value proposition for customers and increasing the efficiency of its internal operations, integrating innovation and quality processes and incorporating best practices in areas such as customer experience, data security and processing and ESG principles.

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

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

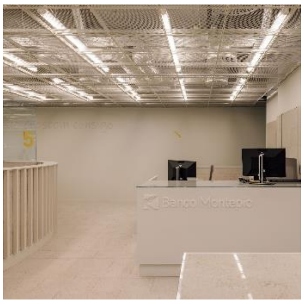
- **Launch of the new digital day of account opening using a digital mobile key (CMD)**, aimed at making the procedure simpler, clearer, and triggering and better experience. The launch of the new journey enables opening an account 100% online, without the need to submit documents and with authentication made through a digital mobile key. In a fast, secure and convenient manner, it is now possible to open an account and subscribe to Banco Montepio's digital channels in 5 minutes.
- **Launch of a new APProva app journey**, which is subscribed using the customer's access credentials to Montepio24, further simplifying and enhancing the robustness of customer security, both upon subscription and when conducting transactions, spurring the levels of subscription and use of this App in the authentication of online operations (transactions on Montepio24 channels and online purchases with cards).
- **Launch of the online journey of enrolment in the *Bem Bom* competition**, enabling customers with mortgage loans for their own permanent residence at Banco Montepio to enrol in the competition underway on a weekly basis.

The Bank has also developed other initiatives, such as the implementation of the alternative authentication method of the 3D Secure SMS + ePIN, and the Confirmation of Payee (CoP) functionality, which brings in greater security when carrying out transactions, as it enables the automatic identification of the name of the beneficial owner of the account associated with the entered international bank account number (IBAN). Additionally, the Bank is currently preparing the launch of the SPIN functionality, a service provided by Banco de Portugal which enables simplification and speed in making transfers that will be offered to customers during the third quarter of 2024.

- **Launch of the new pet-friendly branch**

Opening of Banco Montepio's first pet-friendly branch in Benfica (Fonte Nova), which inaugurated a new generation of more inclusive branches, adapted to people with reduced mobility that permits entering with pets. It also provides the possibility of personalised customer service by self-service scheduling of appointments on the new, next generation Chave24, and strengthens the commitment with sustainability by focusing on Portuguese cork as a key material in decoration.





- **Artificial Intelligence (AI)**

Banco Montepio continues to invest in the adoption of artificial intelligence (AI) technologies, including Generative AI, with a view to offering better service to its customers and employees, with resources that lead to increased productivity and return via the introduction of initiatives to optimise operations. These initiatives are guided by strict internal rules underpinning the ethical dimension in the use of models, ensuring data privacy and security in all the Bank's activities.

Banco Montepio is attentive to new technologies and trends concerning AI, and, accompanying the innovative underlying factors that characterise the organisation, the first half of 2024 was marked by investment in the AI Generative sphere as an accelerator to faster access to documental and relational information through natural language. For the same accelerator purpose, Generative AI projects that lead to stability in data modelling in critical processes for Banco Montepio were also focused on by the data engineering and governance teams.

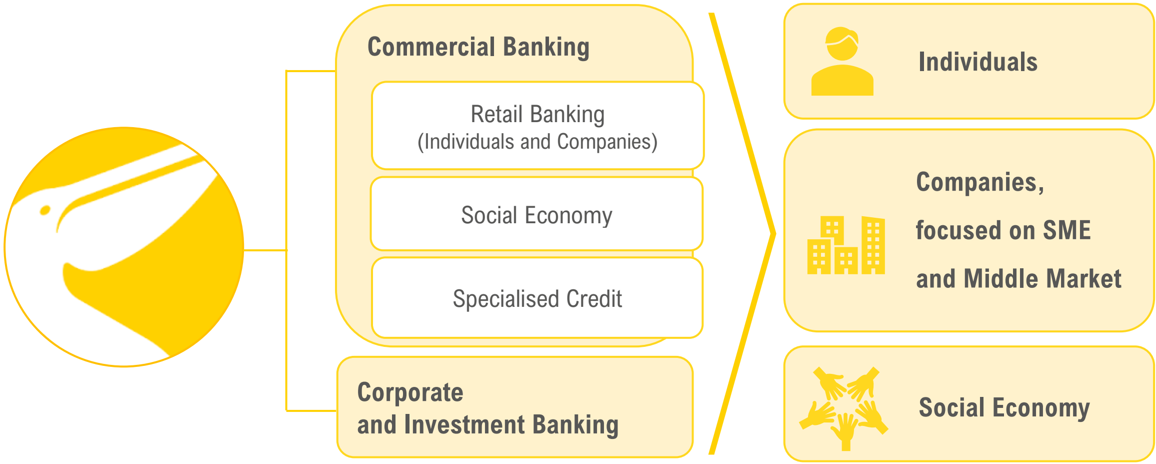
BUSINESS SEGMENTS

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

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

Banco Montepio offers a range of banking products and financial services that include all the services inherent to universal banking, namely deposit-taking, lending and financial services to companies and individuals, custody and the distribution of medium and long-term savings solutions, Mutual Savings Modalities, Retirement Saving Plans and Pension Funds, investment funds and life and non-life insurance, among others.

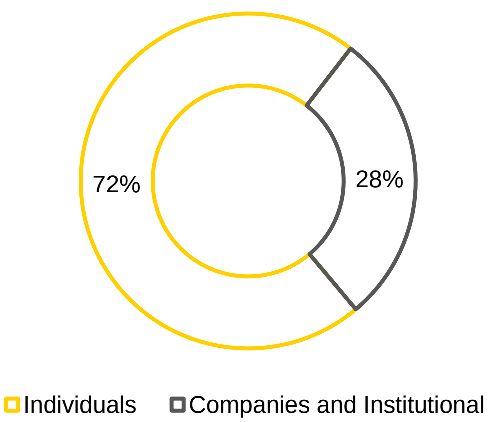
Business segments of the Banco Montepio Group



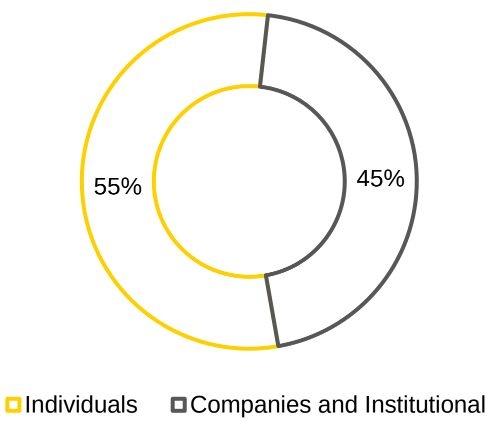
As at 30 June 2024, Banco Montepio had a network of 226 branches operating in Portugal, serving 1,309 thousand customers, of which 167 thousand are Companies and 1,143 thousand are Individuals, with market shares of 5% in deposits and loans granted to customers.

Banco Montepio's customer deposits amounted to 14.2 billion euros, with Individual Customers representing 72% of this amount, (and gross customer credit reached 11.9 billion euros, divided by 55% of Individual Customers and 45% of Corporate and Institutional Customers.

Customer deposits breakdown
30 June 2024



Loans to Customers (Gross) breakdown
30 June 2024



The first half of 2024 was marked by great dynamism in term deposits, both because of the diversity of supply, which cuts across the entire banking sector, and because of the rapid evolution of the markets and interest rates, which required active management of pricing and supply in general. The context was of rising interest rates in the first quarter of the year, followed by their maintenance and decrease in the second quarter. These movements were the result of the fall in reference rates for credit operations. Banco Montepio launched several Term Deposits to keep the offer competitive, thus retaining and attracting new customers in the individual, corporate and social sector segments. The dynamism of Banco Montepio's offer is reflected in increased market share in terms of total deposits from 5.0% in June 2023 to 5.2% in June 2024.

The first half of 2024 was marked by significant dynamism in term deposits, characterized by frequent adaptation across the entire banking sector, in a context of changing macroeconomic conditions and the beginning of a new monetary policy cycle, which led to active management of pricing and of the overall offer by Banco Montepio. Banco Montepio launched various term deposits and frequently updated interest rates to maintain the competitiveness of the offering, thus enabling the retention and attraction of new resources in the individual, corporate, and social sectors. The dynamism of Banco Montepio's offering resulted in an increase in market share of total deposits to 5.2% in June 2024, an increase of 20 basis points compared to the same period last year.

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

PAYMENTS

POINT OF SALE (POS) TERMINALS

In the first half of 2024, Banco Montepio’s total number of point of sale (TPA) terminals reached 26,962 installed units. Banco Montepio's market share in terms of the number of POS terminals stood at 5.4% as at 30 June 2024, with the number of POS terminals available on the national market of the SIBS Global Network reaching 500,017 units, a variation of 8% compared to the first half of 2023.

BANK CARD FOR SERVICE PAYMENTS

Banco Montepio has progressively focused on technological investment for the secure use of cards by implementing the new Multibanco chip which will enable contactless purchases at all point of sale terminals, and by implementing fraud prevention tools while not jeopardising the current simplicity of using cards.

Banco Montepio keeps focused on Sustainability principles, pursuing its participation in the *Merece* (Deserve) programme. Since the beginning in 2024, approximately 1,700 kg of cards have recycled, corresponding to 34,000 cancelled cards.

IMMEDIATE TRANSFERS

Banco Montepio has been offering the instant transfer service since 2018. It was one of the first banks in Portugal to allow its customers to make instant transfers, in all channels, with credit at the destination within 10 seconds. This service, offered optionally by banks, is growing, and could be the main way of transferring money in the coming years, considering that in January 2025 it will become mandatory for those who offer SEPA transfer services. A total number of 1,202,506 immediate transfers were made in the first half of 2024, up 20% on the same period of 2023.

INDIVIDUALS

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

The 180 Anniversary Saving Term Deposit was launched to commemorate Banco Montepio’s 180th anniversary, with a maturity period of 180 days, non-renewable, and an interest rate of 3.40%. The launch took place on the actual anniversary day, 24 March, with the product having been offered for a month.

STRUCTURED DEPOSITS

In the first half of 2024, Banco Montepio continued to strengthen its offer of structured deposits, having launched two issues of this type of deposit, aimed at diversifying the offer to customers in terms of products with guaranteed capital:

- ***Banco Montepio Empresas Globais Março 2024*** (Banco Montepio Global Companies March 2024), a structured deposit for the period of 2 years, not withdrawable in advance, in euros, with guaranteed capital on maturity and remuneration linked to the performance of a basket of 4 shares in international companies.

- ***Banco Montepio Empresas Blue Chip Maio 2024*** (Banco Montepio Blue Chip Companies May 2024), a structured deposit for the period of 2 years, not withdrawable in advance, in euros, with guaranteed capital on maturity and remuneration linked to the performance of a basket of 4 shares in blue chip companies.

INVESTMENT FUNDS

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

In June 2024, three funds managed by Montepio Gestão de Activos were distinguished with the Awards for Best Funds in 2024, by the Association of Investment Funds, Pensions and Assets (APFIPP) in partnership with Jornal de Negócios:

- “Best Real Estate Investment Fund” Award for the third consecutive year for the Fundo de Investimento Imobiliário Valor Prime (Prime Value Real Estate Investment Fund);
- “Best Short-Term Fund” Award for the Fundo Montepio Tesouraria (Montepio Treasury Fund);
- “Best Equities Fund” Award for the Fundo Euro Financial Services (Euro Financial Services Fund).

RETIREMENT SAVINGS PLANS

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

Quarterly campaigns were carried out during the first half of 2024, aimed at encouraging subscription by current customers and attracting new customers, especially among younger people (up to 35 years old), through online subscriptions and the promotion of transfers from external entities to Futuro PPR (Retirement Saving Plans).

MUTUAL SAVINGS MODALITIES

Banco Montepio ensures the distribution of saving and protection solutions of Montepio Geral – Associação Mutualista (MGAM), exclusive to its associate members. Due to its unique mutual nature, it is a distinctive and unique offer on the market.

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

PUBLIC SUBSCRIPTION OFFERS

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

Public subscription offers

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

INSURANCE

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

MORTGAGE LOANS AND MULTIFUNCTIONAL CREDIT

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

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

During the first half of 2024, Banco Montepio maintained a competitive list of spreads, and developed a series of actions that contributed to the provision of a unique offer on the market. Such as the Worten Campaign, the Member Get Member Action and Transfers from Other Credit Institutions. Under the celebration of its

180th anniversary, Banco Montepio pursued yet another action to benefit Portuguese families, the *Bem Bom* competition.

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

PERSONAL LOANS

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

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

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

COMPANIES

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

CREDIT

In the first half of 2024, Banco Montepio strengthened its presence in this segment, providing credit lines in partnership with Turismo de Portugal (TP) and with the Agriculture and Fisheries Funding Institute (IFAP), with a view to supporting and empowering Portuguese companies to overcome the challenges emerging from current topics such as sustainability, energy transition, capitalisation and competitiveness, particularly the renewal of the "*Linha de Apoio ao Turismo 2021*" (Tourism Support Line 2021), "*Linha de Apoio à Qualificação da Oferta*" (Offer Qualification Support Line) and "*Linha de Crédito Tesouraria – Setor Agrícola II 2024*" (Cash Flow Credit Line – Agricultural Sector II 2024).

Banco Montepio has maintained its commitment to facilitating access to European Funds, with better financing conditions, also for Social Sector entities, by providing European Investment Bank (EIB) facilities, especially the "*Linha de + Impacto Social*" (+ Social Impact Line).

Renewal of the Tourism Support Line 2021

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

Renewal of the Offer Qualification Support Line

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

Cash Flow Credit Line – Agricultural Sector II 2014

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

+ Social Impact Line

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

SERVICES

Banco Montepio supports consortium with Green Bond issues

Banco Montepio advised the consortium led by I-Sete and Amener, in structuring two Green Bond issues amounting to 2.8 million euros in February 2024, and 9 million euros in April 2024, both by private and direct offer.

The "I-VINTE SEIS 2024 – 2033" and "ALENTEJO CENTRAL SMARTLIGHT 2024 – 2031" bond issues seek to support the consortium's projects in the field of energy efficiency management in public lighting systems of the municipalities of Setúbal and the 14 municipalities incorporated in the Inter-municipal Community of Central Alentejo, respectively, aimed at contributing to the carbon neutrality of these municipalities.

Both issues, certified as Green Bonds, comply with the conditions established in the Green Bond Principles, published by the International Capital Market Association, in accordance with the Second Party Opinions issued by an independent external entity which considered that this project contributes to SDG 7 – Renewable and Accessible Energy and SDG 9 – Industry, Innovation and Infrastructure.

Acting as Overall Coordinator and investor, the Banco Montepio Group was responsible for the organisation and structuring of the operations and underwrote the issues.

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

In May 2024, Banco Montepio advised TMG Automotive on the structuring of its first issuance of Sustainability-Linked Bonds, amounting to 6 million euros, by private and direct offer.

The conditions of the "SUSTAINABILITY-LINKED BONDS TMG AUTOMOTIVE 2024-2028" are indexed to sustainability goals related to (i) the reduction of the intensity of direct (scope 1) and indirect (scope 2) greenhouse gas emissions; and (ii) the increased proportion of sales of products with more than 25% of renewable carbon.

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

Acting as Overall Coordinator and investor, Banco Montepio was responsible for the organisation and structuring of the operations and underwrote the issues.

SOCIAL ECONOMY

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

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, positioning themselves as important agents in job creation and in the improvement of the socioeconomic conditions of families.

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

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

As a result of the work carried out by the commercial teams, Banco Montepio maintained a penetration rate of 27% in the first half of 2024 among Social Economy and Solidarity Customers segments (with a social purpose), thus continuing to implement the strategy of continuous specialised monitoring of the Social Sector Customer base as a differentiating pillar.

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

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

Support to the Public Sector

The Public Sector is composed of several public institutional units, particularly public administrations and the entire entrepreneurial sector of total or majority-held public capital, and area monitored by the Social Economy and Public Sector Commercial Division (DCESSP).

Banco Montepio is present in this segment, by actively participating in public tenders. In this field, awards were made to Banco Montepio, as well as proposals for global involvement, resulting from the strategy of Customer loyalty and expansion of the customer base.

Support to Entrepreneurship and Social Innovation

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.

Microcredit

In the first half of 2024, Banco Montepio provided the following products to people with an entrepreneurial spirit and the desire to create their own business.

Entrepreneurship and Own Job Creation Support Line (LAECPE)

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

E.mpreendedor solution

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

E.mpresário solution

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

Banco Montepio also provides access to a set of 24 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:

Partnerships and Protocols

- ACB – Associação Comercial de Braga (Commercial Association of Braga);
- ACIS – Associação Empresarial dos Concelhos de Vila Franca de Xira e Arruda dos Vinhos (Business Association of the Municipalities of Vila Franca de Xira e Arruda dos Vinhos);
- ACM – Alto Comissariado para as Migrações (High Commissioner for Migrations);
- AEBA – Associação Empresarial do Baixo Ave (Business Association of Baixo Ave);
- AEFAFE – Associação Empresarial de Fafe, Cabeceiras de Basto e Celorico de Basto (Business Association of Fafe, Cabeceiras de Basto and Celorico de Basto);
- AEP – Associação Empresarial Penafiel, (Penafiel Business Association), in Penafiel;
- AERLIS – Associação Empresarial da Região de Lisboa (Business Association of the Lisbon Region);
- AESintra – Associação Empresarial de Sintra (Business Association of Sintra);
- Amadora Inova da Câmara Municipal da Amadora (Amadora Innovates of the Municipality of Amadora);
- ANJE – Associação Nacional de Jovens Empresários (National Association of Young Entrepreneurs);
- B2A – Business Advisors Association;
- Beira Serra – Associação de Desenvolvimento (Beira Serra Development Association);
- Centro Empresarial INOVAGAIA (Business Centre), in VN Gaia;
- DNA Cascais;
- DOLMEN – Desenvolvimento Local e Regional, CRL (Local and Regional Development), in Amarante;
- FISOOT – Formação, Integração Social e Ofertas de Oportunidades de Trabalho (Training, Social Integration and Job Offers);
- Lions Clube de Coimbra (Lions Club of Coimbra);
- NERSANT – Associação Empresarial da Região de Santarém (Business Association of the Region of Santarém);
- Novos Percursos, CRL (New Pathways);
- Penha Empreende da Junta de Freguesia da Penha de França (Penha Ventures of Penha de França Parish Council);
- Querer Ser – Associação para o Desenvolvimento Social, (Wanting to Be – Association for Social Development), in Rio Tinto, Gondomar);
- RedOeiras+;
- Sol do Ave – Associação para o desenvolvimento integrado do Vale do Ave (Ave Sun – Association for the integrated development of the Ave Valley);
- Talentus – Associação Nacional de Formadores e Técnicos de Formação (National Association of Trainers and Training Technicians).

Regarding financing from an overall perspective of stimulation, in the first half of 2024, through its Entrepreneurship and Own Job Creation Support Line (LAECPE), composed of two distinct credit lines (Microinvest and Invest+), Banco Montepio supported:

- **52 Projects**
- **More than 1,000,000 euros of loans**
- **69 jobs**

Banco Montepio's active participation in topics related to the Social Economy, Microcredit and Entrepreneurship and Social Innovation gave rise to several actions carried out in the first half of 2024, especially the XVII National Start Up Competition, the União das Misericórdias Portuguesas Protocol and Pirilampo Mágico Campaign.

XVII National Start Up Competition

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

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

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

União das Misericórdias Portuguesas Protocol

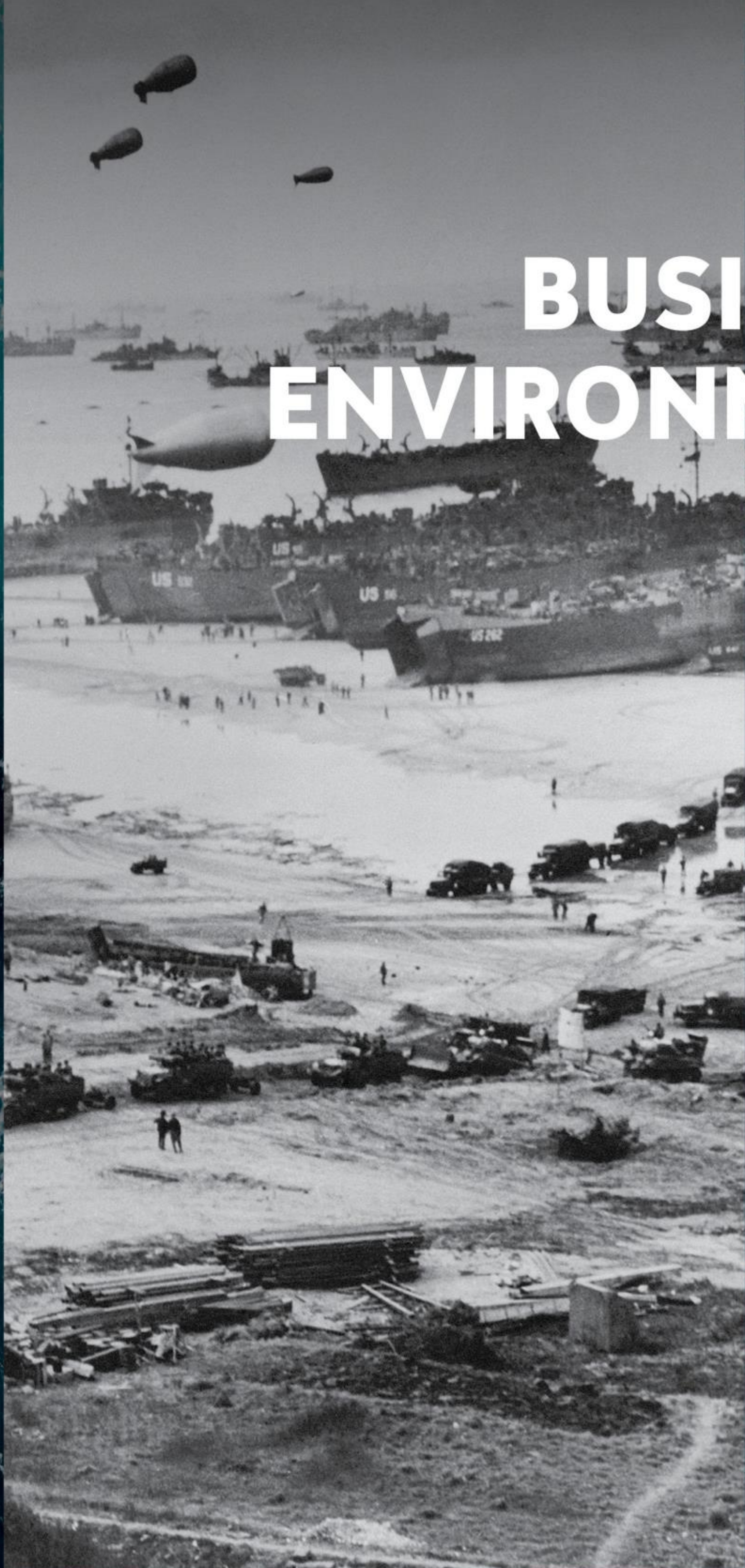
Banco Montepio renewed its protocol with the União das Misericórdias Portuguesas (UMP), strengthening their existing partnership relations.

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

Pirilampo Mágico (Magic Firefly) 2024 Campaign

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

04. BUSINESS ENVIRONMENT



1944

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

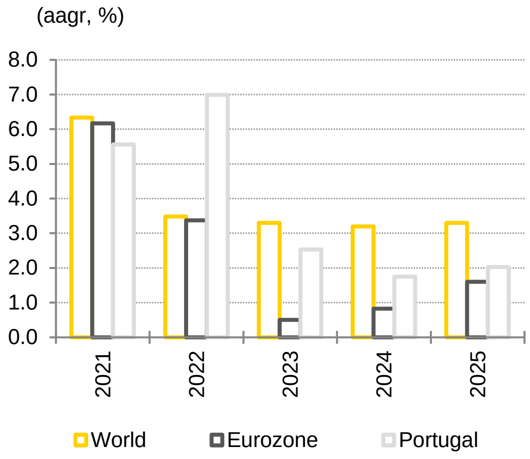
BUSINESS ENVIRONMENT

ECONOMY

World Economy

The first half of 2024 was marked by the maintenance of activity resilience, despite the geopolitical and macroeconomic context incorporating indicators related to the expectation of contraction in relevant economies, particularly in the United States of America (USA or US). As a result, the yield curve in this country reached significantly negative levels in 2023, similar to those that preceded previous recessions, adding to the fact that, since 1945, US inflation has never fallen from 5% to 3% without a recession occurring within the following 18 months.

Gross Domestic Product (GDP)



Source: Thomson Reuters, Banco Montepio and IMF.

In the World Economic Outlook (WEO) update, dated July 2024, the International Monetary Fund (IMF) upheld its forecasts of growth for the global economy in 2024, in relation to its April 2024 forecasts of 3.2% (+3.3% in 2023), but upgraded the outlook for 2025, from 3.2% to 3.3%, thus foreseeing a small acceleration of activity in the following year, although keeping below the average of 3.8% for the period 2000-2019.

Regarding the main economies, the IMF made a minor upward revision of its growth forecasts for the Eurozone in 2024, from 0.8% to 0.9%, mentioning that economic growth in the single currency countries appears to have already dropped to its lowest level (the region's economy advanced by 0.5% in 2023), but maintaining its forecast for 2025, at 1.5%, which the IMF considers should be sustained by stronger private consumption due to real salary growth as well as higher investment due to less restrictive financing conditions, in a context of gradual alleviation of the monetary policy this year.

For the USA, the IMF cut its forecast for 2024 by a tenth to 2.6%, pointing to a slowdown to 1.9% in 2025 (similar to the figure forecast in April), in view of the evolution of private consumption and a negative contribution of foreign trade. However, the dynamism of activity at the turn of the year slightly reduced the divergence of the product between the countries' economies, as cyclical factors diminished and the activity moved towards being more in line with its potential.

Regarding the BRIC countries, the IMF has revised upwards the growth forecast for China and India to 5.0% in 2024 and 4.5% in 2025 (+0.4 p.p. in both years) and to 7.0% in 2024 (+0.2 p.p.) and 6.5% in 2025 (maintaining the previous forecast). For Russia, the forecast is now for growth of 3.2% in 2024 and 1.5% in 2025 (0.0 p.p. and -0.3 p.p. compared to previous figures) and for Brazil, it now projects growth of 2.1% in 2024 and 2.4% in 2025 (-0.1 p.p. for this year and +0.3 p.p. for the next).

The IMF foresees a slowdown of global inflation from 6.7% in 2023 to 5.9% in 2024 keeping the April forecast), projecting a new drop in 2025, to 4.4% (versus +4.5% in the previous forecasts). Despite the projected slowdown, the IMF warned that inflation in services is holding back the progress in deflation, jeopardising the normalisation of monetary policy. The IMF also considered that the upward risks of inflation have increased, thus reinforcing the prospect of even higher interest rates for an even longer period (*higher-for-even-longer*), in the context of escalating trade tensions and increased political uncertainty.

In July 2024 WEO update, the IMF indicated that the risks for the outlooks continue balanced, but stressed that some short-term risks have increased, including the aforesaid lack of progress in the deflation of services and pressures on prices stemming from new trade or geopolitical tensions.

Economy of the Eurozone

Economic activity in the region started in 2024 with a quarter-on-quarter growth of 0.3% in the first quarter and grew by 0.2% in the following quarter, showing a better-than-expected beginning of the year, supported by the upward revision of data from the third and fourth quarters of the previous year (from declines of 0.1% to slight increases). As a result, these new data no longer indicate that the Eurozone economy entered a technical recession in the second half of 2023, as initially reported and anticipated by the market. The region is expected to register a slight acceleration only at the end of the year.

After the slowdown of the region's economy in 2023, towards growth of approximately 0.5% (+3.4% in 2022 and +6.2% in 2021), constrained particularly by the context of high inflation and by the economic impact of interest rates at historically high levels, it is expected that the economy should accelerate in 2024, but to still rather low growth, of merely 0.8%. This scenario is shared by the European Central Bank (ECB) (+0.8%, in 12 September 2024) and the European Commission projections (+0.8%, on 15 May 2024), but above that projected by the Organisation for Economic Co-operation and Development (OECD) (+0.7%, on 25 September 2024) and slightly below the figure forecast by IMF (+0.9%, on 16 July 2024).

Throughout the first half of 2024, we saw a continuation of the downward trend in inflation that began at the end of 2022, with the year-on-year indicator closing the half year at 2.5%, well above the ECB's medium-term inflation target of 2.0%, but below that observed at the end of 2023 (+2.9%), and well below the figure recorded at the end of 2022 (+9.2%) and the peak of 10.6% observed in October 2022. In average annual terms, inflation fell to 5.4% in 2023 from 8.4% observed in the previous year and should continue its downward trend throughout the second half of 2024 – despite the upward risks caused by the current geopolitical context in the Middle East and Eastern Europe – with average annual inflation being forecast to stand around 2.4% in 2024.

In view of the scenario of the continuing downward trend of inflation (general and underlying), as expected, the ECB kicked off a cycle of cuts of its key interest rates in its meeting held on 6 June 2024, reducing the interest rate applicable to main refinancing operations (refi rate) from 4.50% to 4.25%, and the deposit facility rate from 4.00% to 3.75%, having once again reduced interest rates at the meeting on 12 September (with the refi rate decreasing to 3.65% and the deposit facility rate to 3.50%, representing a narrowing of the spread between the two rates. This process of gradual interest rate reduction is expected to continue over the coming months and approximately until the end of 2025

Portuguese economy

The Portuguese economy started 2024 with a robust quarter-on-quarter growth of 0.6% in the first quarter, decelerating from the even higher growth of 0.8% recorded in the last quarter of 2023. This was due to a new positive contribution from net external demand, reflecting an increase in exports that outpaced imports, coupled with a slight positive contribution from domestic demand. This was driven by growth in private consumption and a positive contribution from inventory investment, which more than offset the decline in fixed capital investment, in a context of stagnant public consumption. GDP continued to grow quarter-on-quarter in the second quarter, albeit at a slower pace (+0.2%), with growth solely resulting from domestic demand. This reflected expansions in both consumption (private and public) and investment (primarily in fixed capital), which more than offset the negative contribution from net external demand (due to export growth being lower than import growth). The economy is expected to return to acceleration in the second half of 2024, with average quarterly growth rates around 0.4% to 0.5%.

On an annual average basis, the Portuguese economy is expected to slow down in 2024, with GDP projected to grow around 1.8%, following growth of 2.5% in 2023 and 7.0% in 2022, the latter being the highest rate since 1972 (after an expansion of 5.6% in 2021 and a historic decline of 8.2% in 2020, due to the adverse effects of the Covid-19 pandemic). These growth prospects are above the OECD's forecast (+1.6% in May) and the European Commission's forecast (+1.7% in May), but slightly below the forecasts of the Bank of Portugal (+2.0% in June), the IMF (+2.0% in July), and the Government (+2.0%, presented in September as part of the preparation for the 2025 State Budget, above the +1.5% presented in the Stability Programme

2024-2028, published in April), and are in line with the recent forecasts of the Public Finance Council (+1.8% in September).

Throughout the year, prices showed a strong exacerbation of the inflation rate (measured by the year-on-year change in the Harmonised Index of Consumer Prices), from 1.9% observed in December 2023 to 2.5% in January. This acceleration was largely driven by the increased electricity prices and the end of the exemption of value added tax (VAT) for a basket of essential food products. This was followed by some alleviation of inflation in the next months, but with a strong acceleration surging once again in May, which primarily reflected the base effect associated with the price reduction recorded in May, following the VAT exemption for a basket of essential food products, but also due to the “Taylor Swift” effect (an event that triggered a heavy exacerbation of prices, especially in accommodation and restaurants). However, inflation should resume its downward trend by the end of the year, with an expected slowdown, in terms of annual averages, to a figure around 2.7% in 2024 (+5.3% in 2023).

In the labour market, according to the monthly estimates of the National Statistics Institute (INE), there was a slight volatility in the unemployment rate throughout the first half of the year, although it hovered around the 6.5% with which it had ended the year 2023. In annual terms, we expect the unemployment rate to stand at 6.5%, similar to the figure observed in 2023, but forecast to be surrounded by downward risks.

With the evolution of the budget balance, as a percentage of GDP, moving from a deficit of 0.3% in 2022 to a surplus of 1.2% in 2023, a reduction is expected in 2024. This has been corroborated by the budget execution data provided throughout the year, but with an estimate that it will close the current year above the figure presented by the Government in the Stability Program 2024-2028 (+0.3%, in line with the value presented as part of the preparation for the 2025 State Budget). In turn, the public debt to GDP ratio should remain on the downward trend initiated in 2021 throughout 2024.

Household savings rate set to rise in 2024, to a value around 9.3%, following the 8.0% recorded in 2023 and 7.3% observed in 2022 and after having reached peaks of 11.0% in 2021 and 12.0% in 2020, due to the accumulation occurred during the lockdown periods of the pandemic crisis.

FINANCIAL MARKETS

The first half of 2024 showed a maintenance of the trend of improvement in market sentiment, started in the last quarter of 2022, reflected in a half year of gains, particularly for equity markets. This positive sentiment was primarily sustained by the continued resilience of economies (especially the US economy, which led to an upward revision of outlooks on the country's GDP growth). The strong monetary tightening carried out by central banks to bring inflation down to their targets, resulted in good outcomes by listed companies, with expectations continuing to favourable for sectors related to technology and artificial intelligence.

Accordingly, the main global stock exchanges stayed on their trend of recovery started in 2023, with variations in the USA, in Europe and Asia, and negative movements only in Latin America, and the MSCI World Index reaching new record highs in June. However, the prices of equities fluctuated throughout the half year period, influenced by factors such as the continued non-negligible possibility of a global recession triggered by the reduction in real household income arising from the tightened monetary policy and inflation, the continuation of the war between Russia and Ukraine, the fears related to navigation in the Red Sea (which led the main shipping companies to stop using the Suez Canal route, replacing it with the lengthier and more costly Cape of Good Hope route), the rising fears of an escalation of the conflicts in the Middle East – namely following Iran's attack on Israel.

However, there was a relief in inflationary pressures in the Eurozone and the USA, although with some occasional reversals, with inflation in services remaining particularly high due to labour market shortages, where wages continue to grow above historical averages, both in the USA and the Eurozone.

The main US equity indices recorded gains in the first half of 2024, with the S&P 500 advancing 14.5%, reaching new all-time highs in mid-June. The Nasdaq showed an even higher increase (+18.1%), benefiting from the technology sector, particularly the rally in artificial intelligence stocks, also ending the semester with new all-time highs, recorded on the same day. Meanwhile, the Dow Jones appreciated by 3.8%, also reaching new all-time highs during the first half.

In Europe, the upward trend was widespread across most European markets, with the Eurostoxx 50 rising by 8.2% — highlighting sectoral gains in technology (+16.9%), banking (+15.2%), media (+14.4%), and healthcare (+13.7%) — while the Portuguese PSI index appreciated by only 1.3%, and the French CAC 40 closed in negative territory, a period marked by sociopolitical developments in the country (-0.8%). The global MSCI index appreciated by 10.3% in the first half (after a 20.1% rise in 2023), closing the semester at new all-time highs.

Benchmark government bond yields rose in major economies, still as a result of restrictive monetary policies that lasted longer than anticipated by the markets. In Germany, 2-year yields rose by 43 basis points to 2.833%, and 10-year yields advanced by 48 basis points to 2.500%. In the USA, yields for the same term rose by 50 basis points to 4.754%, with 10-year yields showing a nearly parallel evolution (+52 basis points) to 4.396%, approaching the highest levels since July 2007.

Credit spreads showed adverse movements in investment grade Credit Default Swap (CDS) indices, having fallen to their lowest levels since the beginning of 2022 during the half year period. A primarily adverse performance was also observed in the spreads of public debt yields of most of the peripheral countries of the Eurozone, with Greece standing out on the negative side (+22 b.p. to a spread of 125 b.p.), followed by Portugal (+12 b.p. to 75 b.p.) which continued with a spread lower than that of Spain (which fell 5 b.p. to 92 b.p.), followed by Ireland (+10 b.p. to 45 b.p.). The exacerbation of the spreads was influenced, at the end of the half year period, by fears about the results of the parliamentary elections in France, with the opinion polls pointing to strong increased in voting on the extreme right and left, which was perceived by the markets as a factor that could place in question several points of consensus reached up to then, especially in terms of budgetary policy conduct.

With the expectation and subsequent materialisation, in June, of the start of the cycle of cuts in key interest rates, following the cycle of rises of the highest speed and intensity in its history, which culminated in September 2023, Euribor rates were essentially cut throughout the first half of the year (-20 b.p. at 3 months and -18 b.p. at 6 months, but with a rise of +6 b.p. at 12 months), closed the first half of the year at 3.711% at 3 months, 3.682% at 6 months and 3.578% at 12 months, still with a negative slope but showing a minor differential among the terms.

FINANCIAL SYSTEM

The first half of 2024 continued to be marked by the continued restrictive monetary policy of the ECB, with the first cut to key rates occurring near the end of the first half of the year.

The effect of "*higher for longer*" rates continues to be favourable to the Portuguese and European banking system's performance, above all spurred by the robust net interest income and propitious evolution of economic conditions, which has enabled containing the deterioration of the quality of bank assets, particularly default on loans granted. However, restrictive financial conditions for a period longer than that initially expected, and the persistence of geopolitical tensions may increase credit risk, in a context of higher indebtedness.

According to Banco de Portugal data, the financial intermediation margin of Portuguese banks stood at 2.8% in the first quarter of 2024, stabilising with respect to the figure recorded at the end of 2023 and persisting at a high level. This performance has contributed to increased return on equity (RoE) which reached 15.5% in the period under review (versus 14.8% in 2023). The increase in revenue due to this effect also affected the cost-to-income ratio, which remained at a historically low level, despite having increased to 39.3% in the first quarter (37% at the end of 2023), due to an exacerbation of operating costs.

The Portuguese banking system continued to show a strong robustness of its capital and liquidity levels, when compared to the European Economic Area (EEA). Capital reached peak levels, with the common equity tier 1 (CET1) ratio staying at 17.1% in the first quarter of 2024 (16% in the EEA), while the liquidity coverage ratio (LCR) increased to 260.8% in the first quarter (161% in the EEA), representing an increase of 6 p.p. in relation to the figure of December 2023, primarily reflecting the increased highly liquid assets.

The assets of the Portuguese banking system closed the first quarter with 2.6% growth relative to the end of the previous year, reflecting a modest increase in credit, simultaneously with a robust increase in debt securities (quarterly growth of 9.9% and 14.2% year-on-year).

The portfolio of loans and advances to customers recovered to the levels of the second quarter of 2023, although with different contributions from each segment throughout the year: the Individuals segment increased by 1.4 billion euros (weights of 61% for mortgage loans and 39% for consumer credit, with year-on-year growths of 0.2% and 4%, respectively), while loans granted to the Non-Financial Corporations fell by close to 600 million euros.

In loans to individuals, the stock of mortgage loans increased by 831 million euros (+0.8%) in the first half of the year, breaking 11 months of negative year-on-year changes, despite the increase of early repayments (partial and total) which reached 5.7 billion euros (+24% year-on-year, from 4.6 billion euros in the same period of 2023).

The stock of consumer credit also showed a positive evolution, increasing 2.5% from December 2023, i.e. 536 million euros, reflecting annual changes around 6%, greatly higher than the figures observed over time in the EEA, where the average stood at 2.5%.

The stock of loans granted to Non-Financial Corporations decreased by approximately 1% (-0.6 billion euros) in the first half of the year, having recorded a negative annual change for the 21st consecutive month in June 2024. The aggregate “Trade, Transport, Restaurant and Hotel” sectors continued to be the most representative in the stock of loans, accounting for 34.3%, with “Construction and real estate activities” gaining some relative weight to 21.7%, in contrast to the aggregate “Industries, Electricity, gas and water” which fell to 24.2%.

In an analysis by company size, only micro-enterprises have shown successive growth, contrary to small, medium, and large enterprises, which have been recording negative variations in all months of 2024.

In the first half of the year, total deposits grew by 8.4 billion euros (+3.5%), more than recovering from the negative variation observed in 2023 (-5.8 billion euros). There was an increase in individual savings, in a context of rising interest rates on term deposits from the second half of 2023. However, this trend varied between segments, with corporate deposit balances remaining negative until the end of the first quarter (-0.2 billion euros compared to December 2023), which can be explained by the greater use of own resources for financing activities, instead of financing, in a context of rising credit costs, although showing some recovery in the following months.

The loan-to-deposit ratio (net loans and advances to customers divided by customer deposits) decreased once again in the first quarter of 2024, from 78% to a record low of 76.7% since the beginning of the series in 2008.

Despite the maintenance of high interest rates, the cost of credit risk fell once again in the first quarter of 2024, from 0.4% at the end of 2023 to 0.2% by the end of first quarter, in line with the reduction of the weight of stage 2 loans, down from 10.7% in the last quarter of 2023 to 10.6% in the first quarter of 2024.

Likewise, the ratio of gross non-performing loans (NPL ratio) stayed at 2.7%, expressing the stabilisation of the ratio for companies of around 5%, while the ratio for individuals increased marginally by 0.1 p.p. in the quarter to 2.5%, reflecting the same movement in the ratios relative to mortgage loans and consumer credit.

MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2024

The slowdown of the global economy throughout 2024, which will tend to support a continued decline of inflation, enabled some of the main monetary authorities to have started the expected downward cycle of interest rates in the second half of the year (particularly in the Eurozone, by June 2024).

In a context of relatively low economic growth, particularly in the eurozone, this scenario is consistent with the prospect of a "soft landing" for the economy, with inflation controlled without a major adverse impact on activity and the labour market.

However, this relatively benign scenario is subject to diverse risks and uncertainties, with geopolitical tensions being likely to persist throughout the second half of 2024, and the ongoing military conflicts not expected to be resolved quickly (namely the conflicts between Russia and Ukraine and in the Middle East), which could give rise to disruptions in supply chains and pressure on production costs.

Other political and geopolitical factors will continue to bring in uncertainty and risks, namely the tensions between the USA and China, particularly in terms of technological supremacy, with impacts on global trade and investment and customs policies, as well as the US presidential elections taking place towards the end of the year (5 November 2024).

In the European Union, fears resurged around the political impacts arising from the European Parliamentary elections held on 9 June 2024, especially in France, where the country's president Emmanuel Macron decided to dissolve parliament. However, the elections derived from this decision led to a rather complex political scenario, with parliament's fragmentation into three blocks and a notable increase in the weight of parties at the extreme fringes of the political spectrum.

The higher-than-expected slowdown of the Chinese economy also embodies a downward risk for the world's economy, namely a significant correction of the real estate sector. It should be noted that the non-residential real estate market in the USA has registering a fall in prices, which adds to the adverse evolution in some European economies, particularly the German.

While European bank loans granted to the commercial real estate sector are not very expressive (close to 22% of loans granted to non-financial corporations), the risks associated to bank exposures to that sector may have spread through the issuance of securitisation and derivatives of credit containing these risks, which could be domiciled in the portfolios of institutions of different nature in various jurisdictions at a worldwide scale.

Moreover, the monetary supervision authorities have progressively reinforced their concerns about the expansion of loans granted by non-banking financial intermediaries, outside the perimeter of action of those authorities and, consequently, not subject to the prudential rules, scrutiny and information disclosure criteria imposed on banks.

This fear is enhanced by the viewpoint that the activity of non-banking institutions is primarily financed by banks, especially with respect to investment funds. As reiterated in the latest report on financial stability issued by Banco de Portugal, although this sector has not accumulated vulnerabilities in Portugal, it is exposed to the risk of contagion.

At a domestic level, the economy should also be constrained by the risks identified for the global economy, in addition to the pressure on household financial capacity to continue bearing interest rate levels greatly above those in force up to the last cycle of economic policy restriction, in addition to the prices in the housing market which have more than doubled in the last ten years. Nevertheless, according to Banco de Portugal's analysis in its most recent Economic Bulletin dated June 2024, the risks surrounding the projections for economic activity are mostly balanced, albeit identifying upward risks for inflation.

As a result, growth in activity could be lower than anticipated if external risks materialise: (i) a worsening of geopolitical tensions, with an impact on raw material prices and confidence; (ii) a slower recovery in world trade, against a backdrop of risks of geo-economic fragmentation or slowdown in the Chinese economy; (iii) a greater than expected impact of the tightening of financial conditions; (iv) possibility of a different from expected evolution of monetary policy outside the Eurozone, particularly in the USA, creating factors of uncertainty around the current economic growth projections.

The risks of national origin are associated with a scenario of uncertainty in the conduct of economic policy, in the context of the parliamentary elections that took place in the first quarter of the year, and possible delays in the implementation of European funds. From a positive angle, Banco de Portugal notes that the growth of real disposable income could be stronger and conveyed through consumption in a manner heavier than that currently considered. Nonetheless, expectations point to an increase in the saving rate in 2024.

For inflation, Banco de Portugal stresses that the escalation of geopolitical conflicts could lead to a rise in the prices of some commodities. Furthermore, the recent upside surprises in the price of services suggest that the indirect and secondary effects of the inflationary cycle could be more persistent, postponing the convergence towards the ECB inflation goal.

The still high interest rates, the persistent inflationary pressures, the phasing out of public support for families and businesses, and the end of moratorium programs will continue to be particularly relevant challenges throughout the second half of 2024, as they contribute to the deterioration of the financial situation of economic agents. The materialization of credit risk is thus a risk factor, which could lead to an increase in insolvencies in some sectors of activity.

Concerning financial stability, the analysis of climate and transition risks plays a critical role in banks' action, particularly in terms of governance and their business models, as well as their appetite to support significant volumes of loans required for achieving carbon neutrality goals. Hence, the development of appropriate techniques for analysis and assessment policies will be crucial.

It is also important to highlight the progress observed in digital transformation, with the channelling of enormous investments and growing incorporation of developments associated with Artificial Intelligence characterising their nature in an increasingly systemic manner. Accordingly, the assessment and control of operational and cybersecurity risks, with the growing sophistication of incidents, continues to dominate banks' attention.

05. FINANCIAL INFORMATION

1956

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

FINANCIAL INFORMATION

ACTIVITY BY SEGMENTS

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

Retail Network	Incorporates sole proprietorships, Micro-enterprises and Companies with a turnover of up to 4 million euros and Economic Groups where at least one of the participants has a turnover of up to 4 million euros.
Corporate Banking Division (DBE)	Small, Medium and Large Companies with a turnover of more than 4 million euros; Large Companies with a turnover of more than 150 million euros; Economic Groups where at least one of the participants has a turnover of more than 150 million euros; Institutional, Central Public Administration and subsidiaries of the Montepio Group.
Social Economy and Public Sector Commercial Division (DCESSP)	Third sector entities and the local public sector.

RETAIL BANKING

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

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

Summary of indicators - Retail Banking (million euros)

	Jun-23	Dec-23	Jun-24	Change-24/jun-23	
				Amount	%
Income Statement					
Net interest income [1]	143.9	301.8	146.3	2.4	1.7
Net fees and commissions	52.8	104.6	52.4	(0.5)	(0.9)
Total operating income	197.1	407.1	199.0	1.9	1.0
Operating costs [2]	36.9	76.5	39.0	2.1	5.6
Operating income before impairment	160.1	330.6	160.0	(0.1)	(0.1)
Balance Sheet					
Loans to customers (gross)	7 602	7 622	7 730	127.7	1.7
Customer deposits	10 820	11 106	11 671	850.8	7.9

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

CORPORATE AND INVESTMENT BANKING

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

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

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

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

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

	Jun-23	Dec-23	Jun-24	Change-24/jun-23	
				Amount	%
Income Statement					
Net interest income [1)]	46.2	92.4	43.0	(3.2)	(7.0)
Net fees and commissions	10.2	19.9	8.8	(1.4)	(13.4)
Total operating income	55.0	110.3	51.2	(3.8)	(6.9)
Operating costs [2)]	6.0	12.0	4.6	(1.4)	(23.4)
Operating income before impairment	49.0	98.3	46.6	(2.4)	(4.9)
Balance Sheet					
Loans to customers (gross)	2 928	2 891	2 929	0.9	0.0
Customer deposits	1 109	925	1 061	(48.8)	(4.4)

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

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

SOCIAL ECONOMY

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

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

Summary of indicators - Social Economy (million euros)

	Jun-23	Dec-23	Jun-24	Change-24/jun-23 Amount	%
Income Statement					
Net interest income 1)	5.5	11.9	7.0	1.5	27.2
Net fees and commissions	1.0	2.1	1.2	0.2	27.8
Total operating income	6.4	13.9	8.1	1.7	27.5
Operating costs 2)	1.5	3.1	1.6	0.1	7.7
Operating income before impairment	4.9	10.8	6.5	1.6	33.8
Balance Sheet					
Loans to customers (gross)	263	272	300	37.7	14.4
Customer deposits	720	833	910	189.3	26.3

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

SUBSIDIARY COMPANIES

Montepio Investimento, S.A.

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

Under the Group's simplification strategy, in August 2022, Banco Montepio decided to integrate Montepio Investimento, S.A. and the carve-out of the entire activity to the parent company. Hence, the integration of BEM's activities into Banco Montepio was completed in November 2023, with the respective transfer of assets and liabilities related to the business.

In addition, it was decided to sell 100% of BEM's share capital, as BEM's business had been integrated into Banco Montepio. In accordance with the established plan, in September 2023, Montepio Holding agreed with RAUVA Enterprises, S.A., to sell the entire share capital of BEM. This operation is subject to the fulfillment of certain conditions precedent, including approval by the Supervisory and Regulatory authorities.

Following this integration, the BEM results of the first half of 2024 are not directly comparable with those of the first half of 2023, as they reflect different realities in terms of business continuity, resulting from the transfer of assets and liabilities to Banco Montepio and the respective impact on the income statement items related to the activity.

As at 30 June 2024, the Net assets of BEM stood at 189.3 million euros, corresponding to an increase of 1.3 million euros in relation to the end of 2023, reflecting the increased Loans and deposits at credit institutions payable on demand (+1.5 million euros) and the reduction of Other assets (-0.2 million euros). In turn, Liabilities amounted to 1.5 million euros, up 0.2 million euros compared to the value of December 2023, due to the increased Current tax liabilities (+0.4 million euros) and decreased Other liabilities (-0.2 million euros).

As at 30 June 2024, Equity amounted to 187.8 million euros (+1.1 million euros compared to December 2023) due to the integration of the Net income of the first half of 2024.

In this context, Operating income before impairment and provisions stood at 1.5 million euros in the first half of 2024, which reflects the Net interest income of 2.1 million euros, highlighting the interest of deposits held by BEM at Banco Montepio, the negative Other operating income of 0.3 million euros, expressing the expenses related to the banking sector's contribution, the additional solidarity levy and Resolution Fund, and the reduction in Operating costs of 0.3 million euros, revealing the effect of the transfer of the BEM activity to Banco Montepio.

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

Activity and Results (million euros)

	Jun-23	Dec-23	Jun-24	Change-24/jun-23 Amount	%
Total assets	435.2	188.0	189.3	(245.8)	(56.5)
Loans to customers (net)	358.6	0.0	0.0	(358.6)	-
Securities portfolio [1)]	51.2	0.0	0.0	(51.2)	-
Equity	185.8	186.7	187.8	2.0	1.1
Total operating income	5.0	9.4	1.8	(3.2)	(64.5)
Operating costs [2)]	2.3	4.5	0.3	(2.0)	(88.3)
Cost-to-Income	45.3%	48.1%	14.9%	(30.4 p.p.)	
Net operating income before impairment and provisions	2.7	4.9	1.5	(1.2)	(44.8)

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.

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

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 Corporate segment.

Montepio Crédito has a team of professionals specialised in the business model to provide the best service and support to its customers, through its diversity of specialised offers in the areas of personal loans, linked loans, equipment leasing, operational leasing and long-term rental (LTR).

In April 2024, new members of the governing bodies of Montepio Crédito, including the new Chief Executive Officer (CEO), took office.

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

As at 30 June 2024, Net assets amounted to 590.5 million euros compared to 573.5 million euros recorded at the end of 2023 (+16.9 million euros), essentially due to the notable increases in Loans and deposits at other credit institutions payable on demand (+3.4 million euros), in Loans to customers (+11.0 million euros), in Deferred tax assets (+0.8 million euros) and in Other assets (+1.8 million euros).

Liabilities stood at 529.4 million euros, reflecting an increase of 20.4 million euros in relation to the value observed at the end of 2023, primarily due to the increase in Resources from other credit institutions (+36.8 million euros), as opposed to the reductions seen in Financial liabilities associated with transferred assets (-16.6 million euros), reflecting the redemptions associated with securitisation operations. Equity stood at 61.0 million euros as at 30 June 2024, down 3.5 million, demonstrating the incorporation of the Net income recorded for the period.

Operating income reached 1.6 million euros in the first half of 2024, revealing a reduction of 5.8 million euros compared to the figure of 7.4 million euros recorded in the first half of 2023, penalised by the evolution of net interest income (-3.5 million euros), due to the rise in market interest rates, which led to an increase in the cost of funding that was not offset by the increase in interest on loans. It should be noted that Montepio

Crédito's loan portfolio has a significant proportion of fixed-rate operations and the financing obtained is essentially variable-rate, the main component of which comes from Group funding. The reduction in Operating income was also influenced by the lower Net fees and commissions (-0.4 million euros), as a result of the legislative change that occurred in this area, the lower Net gains/(losses) from financial assets and liabilities at fair value through profit or loss (-0.9 million euros) and Other operating income which was negative by 0.9 million euros (-1.0 million euros).

Operating costs amounted to 5.7 million euros in the first half of 2024, representing a reduction of 0.5 million euros compared to the same period of 2023, due to the strong decrease in General and administrative expenses (-21.2%) and in Amortization for the year (-15.3%), which more than offset the increase in Staff costs (+3.0%). In the first half of 2024, this evolution resulted in negative Operating income before impairments and provisions of 4.1 million euros, indicating a reduction of 5.4 million euros compared to the first half of 2023.

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

Activity and Results (million euros)

	Jun-23	Dec-23	Jun-24	Change-24/jun-23	
				Amount	%
Total assets	573.3	573.5	590.5	17.2	3.0
Loans to customers (net)	549.5	553.0	564.0	14.6	2.6
Equity	68.1	64.5	61.0	(7.1)	(10.4)
Total operating income	7.4	8.9	1.6	(5.8)	(78.4)
Operating costs 1)	6.2	11.2	5.7	(0.5)	(7.3)
Net operating income before impairment and provisions	1.2	(2.3)	(4.1)	(5.4)	<(100)

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 purpose is the transaction and management of real estate properties. The evolution of this company's financial statements is closely linked to the execution of the Banco Montepio Group's Real Estate Reduction Plan, reflected in the sale of properties in the portfolio (with no new additions).

As at 30 June 2024, the Assets of SSAGINCENTIVE remained roughly in line with the value recorded at the end of 2023, of 53.2 million euros, reflecting the reduction recorded in Inventories (-2.5 million euros). Reference is made to the reduction observed in the heading of Financial holdings (-12.2 thousand euros), reflecting the liquidation of Montepio Gestão de Activos Imobiliários, ACE on 13 May 2024.

SSAGINCENTIVE is reducing its activity, under the Group's strategy to lower its exposure to real estate

Cash and bank deposits amounted to 42.6 million euros as at 30 June 2024, representing an increase of 2.5 million euros in relation to the end of 2023, reflecting the deposits made at the parent company.

The heading of Inventories refers to the acquisitions made in the past from Banco Montepio, related to real estate properties intended for sale, in particular subdivisions of properties stated at market value. As at 30 June 2024, Inventories amounted to 10.4 million euros, of which 3.4 million euros refer to buildings and 6.9 million euros to land, showing a reduction of 2.5 million euros in relation to the 2023 year-end, determined by the sales occurred throughout the first half of the year, arising from the successful implementation of the Group's real estate deleveraging plan, in consolidated terms, under which 23 properties were sold generating capital gains of 0.2 million euros, compared to 18 properties sold and capital gains of 0.1 million euros in the same period of 2023.

As at 30 June 2024, Equity stood at 52.7 million euros, consisting of the main source of asset financing and representing 99.0% of Total assets (99.1% at the end of 2023).

Sales and services rendered amounted to 2.2 million euros in the first half of 2024, compared to 1.8 million euros recorded in the first half 2023, given the increasingly reduced stock, and correspond to amounts from sales of inventories as part of SSAGINCENTIVE's day-to-day business. The Cost of goods sold and materials consumed amounted to 2.1 million euros in the first six months of 2024, compared to 1.7 million euros in the same half year of 2023, representing the acquisition cost of the properties sold, after deducting their impairment.

The heading of Impairment of inventories amounted to 0.5 million euros in the first half of 2024 compared to the value of 0.2 million euros recorded in the first half of 2023, reflecting the higher level of impairments of real estate properties recorded in the period.

Overall, the Operating income for the first half of 2024 stood at -0.4 million euros, essentially showing the favourable evolution of the Gross margin (+0.1 million euros) and Other expenses and losses (-0.1 million euros), mitigated by the increased Inventory impairment (+0.3 million euros).

The key indicators of SSAGINCENTIVE are presented in the following.

Activity and Results (million euros)

	Jun-23	Dec-23	Jun-24	Change-24/jun-23	
				Amount	%
Total assets	53.5	53.2	53.2	(0.2)	(0.4)
Inventories	15.7	12.9	10.4	(5.4)	(34.2)
Equity	53.1	52.7	52.7	(0.4)	(0.8)
Total operating income	(0.4)	(1.2)	(0.4)	(0.1)	(16.9)

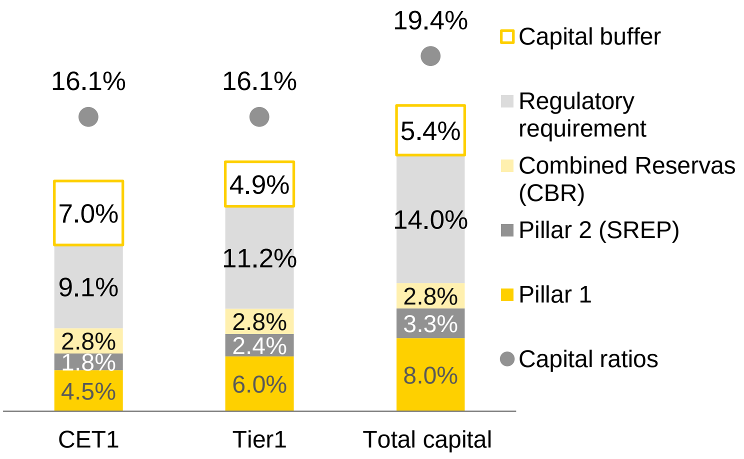
CAPITAL AND LIQUIDITY

CAPITAL

As at 30 June 2024, Banco Montepio's capital ratios were at record highs and above the prudential levels required by Banco de Portugal, namely with significant gaps in relation to the overall capital requirement[3].

On a fully implemented basis, the Common Equity Tier 1 (CET1) and Total capital ratios stood at 16.1% and 19.4%, respectively, representing an increase of 1.7 p.p. and 2.3 p.p. from December 2023, with a marginal difference existing on the present date between this approach and phased-in.

Capital ratios, requirements and buffers
(fully implemented 30 June 2024)



Banco Montepio's performance embodies a significant surplus (buffer) in relation to the regulatory minimum, of 7.0% for CET1 and 5.4% for Total capital as at 30 June 2024.

The achieved capital buffer reflects the growing financial resilience of Banco Montepio, having reached historic levels and in alignment with market benchmarks, and the ability to face challenges in diverse market contexts – factors that strengthen investor confidence, indeed already recognised, namely by the rating agencies[4], which have been marking the notable progress in the upward trajectory of risk ratings. The flexibility provided by the additional capital enables Banco Montepio to explore the opportunities for growth and innovation delineated in the strategic plan, ensuring long-term sustainability and competitiveness.

TOTAL CAPITAL RATIO (*fully implemented*)	19.4%	+2.3 pp (YoY)	(buffer relative to the regulatory requirement)	5.4%
CET1 RATIO (*fully implemented*)	16.1%	+1.7 pp (YoY)	(buffer relative to the regulatory requirement)	7.0%

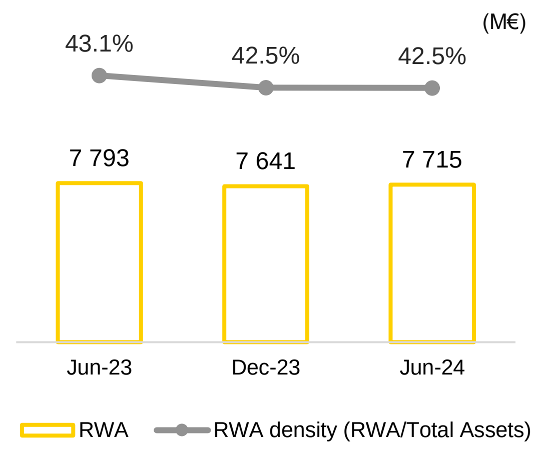
The ongoing strengthening of solvency indicators was further supported by the increase in own funds through organic capital generation, as well as the enhancement of Tier 2 eligible instruments. This was achieved through a market issuance with a nominal value of 250 million euros, which replaced and increased the previous private issuance fully subscribed by the main shareholder, with a nominal value of 200 million euros.

Banco Montepio continued to be focused on the efficiency of its operative structure and on the optimisation of balance sheet risks, aimed at the organic generation of capital. In this regard, special reference is made

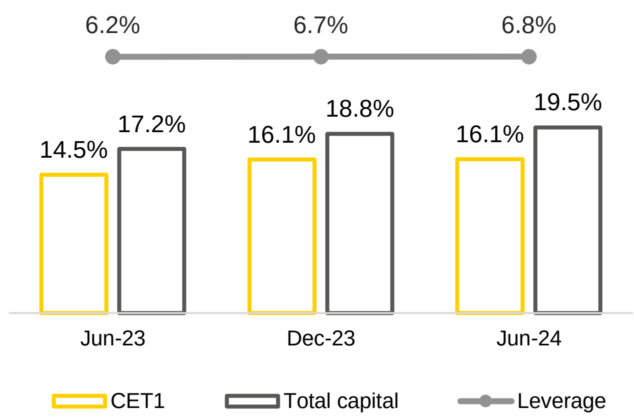
[3] According to the provisions in force, as at 30 June 2024, the regulatory ratios, measured by the Overall Capital Requirements (OCR) were 9.10%, 11.21% and 14.02%, for Common equity tier 1, Tier 1 and Total capital respectively, which include the Conservation Reserve, the Countercyclical Reserve, the Reserve for Other Systemic Institutions, and a capital add-on defined within the scope of the annual Supervisory Review and Evaluation Process (SREP) exercise by Banco de Portugal.
[4] Over the last two years, the rating agencies had made successive upward revisions to Banco Montepio's risk rating, the most recent having been in February 2024 by Fitch.

to the reduction in risk-weighted assets (RWA) to 7,715 million euros, determined by the year-on-year reduction of 78 million euros (-1.0%), essentially indicating the continuous improvement of the balance sheet structure, with a significant reduction in the stock of NPLs (Non-Performing Loans) and properties, as well as other non-core assets.

Risk-weighted (phasing-in)



Capital and leverage ratios (phasing-in)



Note: The ratios include the accumulated net profit for the respective periods.

The reduction in RWA was influenced by the deleveraging of non-performing assets, namely in the component of real estate with higher risk weights, and by the more efficient capital allocation in investment and loan granting decisions which, nevertheless, has enabled appropriate growth of turnover arising from the greater dynamics imprinted by Banco Montepio, especially in the housing and corporate segments.

It is worth highlighting the impact of the securitisation operations and provision of financing facilities of the European Investment Fund (EIF) / European Investment Bank (EIB) in the proportion of on-balance sheet assets with low-risk weights, whose intensity will decline over time. Reference is also made to the impact induced by the adoption of the standard method, in force at Banco Montepio, to calculate risk-weighted assets, which traditionally tends to have a higher density in comparison to the internal ratings-based (IRB), frequently resulting in the assignment of higher risk weights in certain assets.

Reflecting the effects referred to above, Banco Montepio's average risk weight (RWA density) stood at 42.5% at the end of the first half of 2024, compared to 43.1% as at 30 June 2023, in line with the average and tendency observed in the Portuguese banking sector[5].

RWA (phasing-in)	**7,715** (€M)	**-1.0%** (YoY)	**RWA density (phasing-in)**	**42.5%**	**-0.6 pp** (YoY)

Total own funds increased to 1,501 million euros as at 30 June 2024 (+66 million euros in relation to the end of 2023 and +162 million euros on a year-on-year basis), primarily reflecting the positive evolution of the results generated and the impact of the new subordinated debt issue carried out in March, amounting to 250 million euros, partially mitigated by the repurchase and repayment of two subordinated debt issues of 50

[5] According to Banco de Portugal (Portuguese banking system: recent developments, 1st quarter of 2024), the Portuguese banking sector's average risk weight was 42.4% in March 2024 and 44.2% in June 2023.

million euros and by the exercise of the early repayment option (call option) of a subordinated debt issue amounting to 100 million euros with maturity in 2029.

The leverage ratio increased to 6.8% (on a phasing-in basis), compared to 6.2% at the end of June 2023 (+6.6 p.p.), staying comfortably above the minimum reference defined by the Basel Committee on Banking Supervision (3%).

The table below presents a summary of the Banco Montepio Group's ratios of own funds as at 30 June 2024 and 2023 and 31 December 2023:

Capital and capital requirements

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23		Change Jun-24/Dec-23	
				Amount	%	Amount	%
Total own funds							
Common Equity Tier 1	1 133	1 229	1 245	112	9.9	16	1.3
Tier 1	1 133	1 229	1 245	112	9.9	16	1.3
Total Capital	1 339	1 436	1 501	162	12.1	65	4.6
Risk-weighted assets	**7 793**	**7 641**	**7 715**	**(78)**	**(1.0)**	**74**	**1.0**
Phasing-in ratios							
Common Equity Tier 1	14.5%	16.1%	16.1%	2 p.p.		0 p.p.	
Tier 1	14.5%	16.1%	16.1%	2 p.p.		0 p.p.	
Total Capital	17.2%	18.8%	19.5%	2 p.p.		1 p.p.	
Fully implemented ratios							
Common Equity Tier 1	14.4%	16.0%	16.1%	2 p.p.		0 p.p.	
Tier 1	14.4%	16.0%	16.1%	2 p.p.		0 p.p.	
Total Capital	17.1%	18.6%	19.4%	2 p.p.		1 p.p.	
Leverage ratios							
Phasing-In	6.2%	6.7%	6.8%	1 p.p.		0 p.p.	
Fully implemented	6.1%	6.7%	6.7%	1 p.p.		0 p.p.	

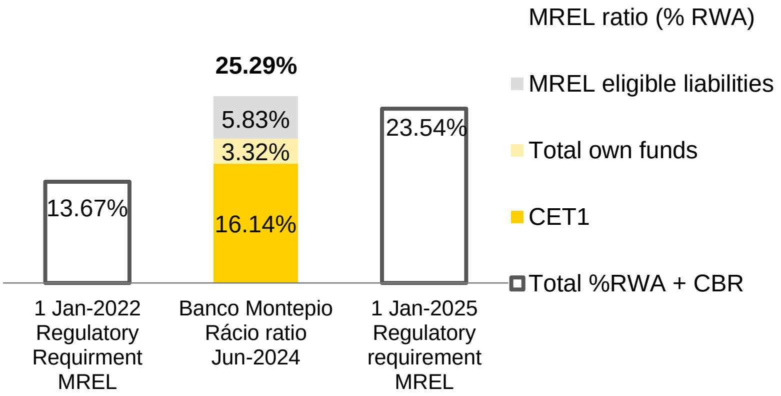
Note: The ratios include the accumulated net income for the period.

OWN FUNDS REQUIREMENT AND ELIGIBLE LIABILITIES (MREL)

As at 30 June 2024, the Minimum Requirement for own funds and eligible liabilities (MREL) ratio, determined as a percentage of the total risk exposure amount (TREA), stood at 25.3%, above the requirements set by Banco de Portugal at the time, including the Combined Buffer Requirement (CBR), of 16.44%, and being above the requirement of 23,54% that will be in force from 1 January 2025.

The MREL ratio, determined as a percentage of the total Leverage Ratio Exposure (LRE) Measure stood at 10.6% as at 30 June 2024, also comfortably above the defined minimum requirement of 5.33%.

MREL ratio and requirements



It should be noted that, in May 2024, Banco Montepio successfully accomplished an issuance of securities representing senior debt amounting to 250 million euros, eligible for compliance with the minimum requirement for own funds and eligible liabilities (including CBR), thus completing a total amount of 450 million euros of senior debt eligible for meeting the MREL requirements.

The issue has a maturity period of 4 years, with a call option at the end of the third year, and an interest rate of 5.625% (fixed up to the date of exercise of the call option), lower than the issuance carried out in October 2023 amounting to 200 million euros.

Eligible issuance for MREL	**(29 May 2024)**	**€250M**	**MREL RATIO**	**(TREA, as % of RWA)**	**25.3%**

The conditions of the issuance in May 2024, more favourable than the previous one, reveal the investors' confidence in Banco Montepio's risk profile and reinforce the opportunity of refinancing the first issuance whose call option is at the end of the second year.

LIQUIDITY

Reflecting the execution of the multi-year funding and liquidity management plan, the funding raised from the ECB was fully settled in the first quarter of 2024, via the maturity of 800 million euros of the 7th series of Targeted longer-term refinancing operations (TLTRO-III) and early repayment of 54.83 million euros of the

	1st MREL eligible issuance	2nd MREL eligible issuance
Amount	200 million euros	250 million euros
Issue Date	30 October 2023	29 May 2024
Interest rate (fixed up to the call option date)	10%	5.625%
Call option date	At the end of the 2nd year	At the end of the 3rd year

10th series, whose maturity had initially been set for December 2024. Thus, Banco Montepio has been using exclusively market financing since March 2024, demonstrating its capacity to diversify funding sources and access the market.

As a result, the value of the pool of eligible collateral for Eurosystem operations was 3,972 million euros, reflecting a decrease of 718 million euros compared to 31 December 2023. This decrease is mainly due to the use of other funding sources, particularly through Repurchase Agreements (Repos) and the maturity of securities in the banking portfolio. The collateral pool was predominantly composed of High-Quality Liquid Assets (HQLA), mainly public debt securities of European countries, as well as retained issuance securities and credit rights.

However, reflecting the continuous improvement in the liquidity profile, with the full repayment of financing from the ECB, there was an increase of 181 million euros in the pool of available assets.

ECB funding	**0M€**

It is important to highlight the maturity of mortgage bonds withheld amounting to 213 million euros and the cancellation of the traditional securitisation Pelican Mortgages No. 4 amounting to 248 million euros, values net of haircut. As part of the diversification of funding sources, the Bank increased its activity in the collateralised money market (repo), which amounted to 430 million euros in funding obtained at the end of the first half of 2024.

Pool of eligible assets for refinancing operations with the ECB

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23		Change Jun-24/Dec-23	
				Amount	%	Amount	%
Pool of eligible assets [(a)]	4 894	4 690	3 972	(922)	(18.8)	(718)	(15.3)
Use of the pool	1 812	899	0	(1 812)	-	(899)	-
Pool of available assets	**3 082**	**3 791**	**3 972**	**890**	**28.9**	**181**	**4.8**

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

In addition, access to market sources of funding, both through the contracting of Repos and debt issuance, favourably influenced the liquidity buffer, which reflects immediately available liquidity, resulting from the aggregation of the value of assets available to obtain funding from the ECB and cash and deposits made with the central bank, which amounted to 1,523 million euros.

With respect to the issuance of debt, Banco Montepio proceeded:

- In March 2024, with the issuance of 250 million euros of Tier 2 subordinated debt which, due to having occurred alongside the early repayment of 200 million of Tier 2 debt, generated a net liquidity increase of 50 million euros;
- In May 2024, with the issuance of 250 million euros de senior preferred debt under the Euro Medium Term Note (EMTN) Programme, in which, as noted above, the more favourable conditions than those obtained in the issuance of October 2023 stood out particularly.

The liquidity buffer[6] thus stood at 5,472 million euros as at 30 June 2024, up 682 million euros compared to the end of 2023, reflecting a solid liquidity position.

LIQUIDITY BUFFER *(assets eligible for liquidity-providing operations of €3,972 million + investments at the ECB of €1,523 million* + other adjustments)

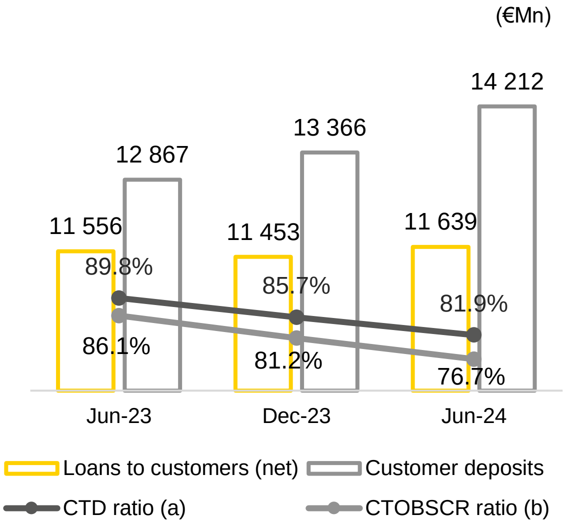
€5,472M

+€682M (relative to Dec-23)

The loan-to-deposit ratio, calculated pursuant to Banco de Portugal Instruction No. 16/2004, fell to 81.9% as at 30 June 2024, compared to 85.7% at the end of 2023 due to the strong growth in Banco Montepio's customer deposits, significantly above the sector average, despite an increase in Loans to customers (net), which resulted in a substantial widening of the commercial gap.

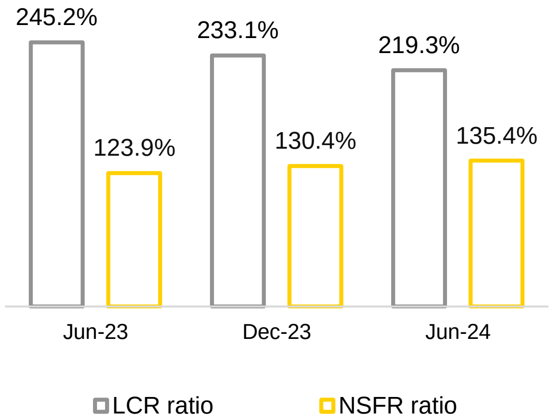
[6] Liquidity Buffer = €1385M of deposit facility + €138M of Banco de Portugal Sight deposit balance + €3946M of ECB Pool + €26 million of non-pool eligible securities - €23 million of the Interbank Clearing System (SICOI) Guarantee.

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



Banco Montepio continued to stand out in the evolution of deposits, with an increase of 6.3% since the end of 2023 and 10.5% year-on-year (+846 million euros and +1,346 million euros respectively), an outperformance when compared to the sector average (a differential of c. 2 p.p. and 4 p.p. respectively) that was reflected in important gains of market share. Indeed, considering the evolution of the portfolio of deposits in the segments of individuals, Non-Financial Corporations and administrative public sector[7], Banco Montepio's performance was better than the sector's average, recording a market share increase of 18 b.p. in relation to 30 June 2023 and enshrining its vocation as a saving bank.

Portfolio of Customer Deposits[(7)]	Evolution relative to Jun-23 (YoY)		Evolution relative to Dec-23	
		+10% (Banco Montepio)		**+6%** (Banco Montepio)
		+6% (sector)		**+4%** (sector)

This performance was achieved while maintaining adequate control over deposit costs, with the interest rates on new term deposit operations aligned with the market average. Banco Montepio managed to significantly reverse the adverse impact of the 2023 market context, characterized by the migration of deposits to alternative investments and the early repayment of mortgage loans in a high-interest-rate environment, which negatively affected the entire Portuguese banking sector.

Notwithstanding the settlement of funding from the ECB, Banco Montepio maintained stable and comfortable liquidity levels, with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) standing at 219.3% and 135.4%, respectively, as at 30 June 2024. To this end, the Bank used the usual market instruments, such as financing via repos, the issuance of debt under the EMTN programme referred to above (Tier 2 subordinated debt and senior preferred debt) alongside the increased Customer resources and sales of debt securities of the banking book.

[7] Individuals, Non-Financial Corporations and Administrative Public Sector – source and segmentation pursuant to the Monetary and Financial Statistics (Banco de Portugal).

LCR	219.3%	NSFR	135.4%

BALANCE SHEET AND RESULTS

The balance sheet and results of the first half of 2024 continue to reflect the success achieved in the implementation of the Adjustment Plan 2020-2023, which enabled ensuring Banco Montepio’s normalisation and business sustainability, despite the unbalanced starting point and the challenging macroeconomic and financial context.

With the completion of the above-mentioned Plan, the Board of Directors of Banco Montepio approved the Triple A Programme on 31 July 2024, which defines Banco Montepio’s strategic guidelines for the period 2024-2026. This programme marks the start of a new cycle of sustainable growth – an Ambitious, Authentic and Agile cycle. The delineated growth strategy seeks to strengthen Banco Montepio’s scale and market share, within a framework of prudent and realistic management.

The strategic evolution model is based on 5 key lines, which will result in positive impacts both in terms of activity indicators and financial results:

- Growth of business and market share;
- Accelerated digitalisation of the new business model;
- Convergence towards average market profitability;
- Simplification of the Bank and its interaction with customers; and
- Enhancement of the brand, reputation and talent.

The starting point for this new growth cycle is the normalization of Banco Montepio in terms of key economic and financial indicators, converging towards market benchmarks, with an overall improvement in the risk profile and a simplified structure focused solely on the Portuguese market.

In fact, at 30 June 2024, Banco Montepio's consolidated financial statements take into account the deconsolidation of the stake held in Finibanco Angola as of 30 June 2023 (inclusive) following its sale, with the assets and liabilities of this subsidiary and the respective non-controlling interests having been derecognised.

BALANCE SHEET ANALYSIS

In the first half of 2024, Banco Montepio pursued a trajectory of reducing the weight of non-performing assets, converging to sector benchmark levels and continuing to surpass its commitments by achieving an NPL ratio of 2.8% and Real estate to net assets ratio of 1.3% as at 30 June 2024 (-0.4 p.p. and -0.2 p.p. compared to December 2023, respectively).

NPL ratio less than 3% and Real estate to net assets ratio close to 1%, for the first time ever in Banco Montepio's history

Despite the goal of ceasing to be an NPL Bank having been achieved in 2023, ahead of the initially designed plan, the focus remained on reducing the stock of NPL without deteriorating the capital base – one of the critical success factors for the successive upgrades in risk ratings over the past 12 months.

In the same vein, the ratio of real estate to net assets continued to be under dedicated management, aiming for a reduction compared to the levels already achieved at the end of 2023, even though they had already met the target of 2% set for the end of 2024.

Banco Montepio also recorded 1.7% growth in the portfolio of performing loans, in relation to 31 December 2023, demonstrates its ability to expand the business in a sustainable manner, strengthening its position in the Portuguese banking sector and the confidence of its customers.

Synthetic balance sheet as at 30 June 2024 and 2023 and 31 December 2023

(million euros)

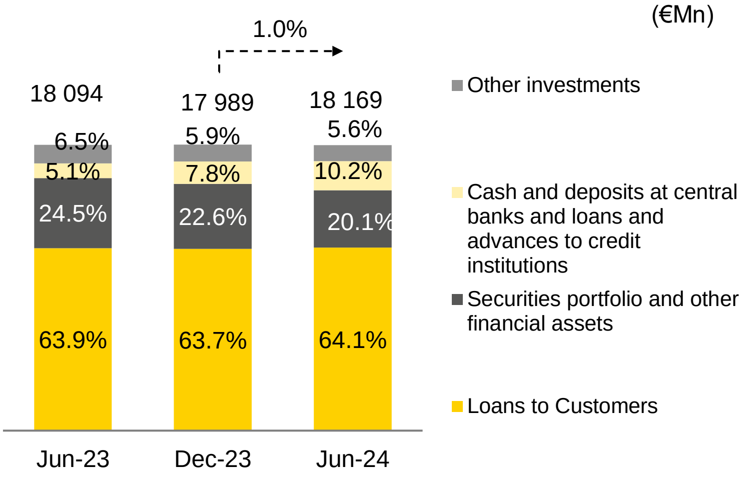
	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23		Change Jun-24/Dec-23	
				Amount	%	Amount	%
Cash and deposits at central banks and loans and advances to credit institutions	926	1 411	1 857	931	>100	446	31.6
Cash and deposits at central banks	630	1 171	1 663	1 033	>100	492	42.0
Loans and deposits to credit institutions payable on demand and Other loans and advances to credit institutions	296	240	194	(102)	(34.4)	(46)	(19.0)
Loans to customers	11 556	11 453	11 639	82	0.7	185	1.6
Securities portfolio and other financial assets [a)]	4 441	4 074	3 646	(795)	(17.9)	(428)	(10.5)
Non current assets held for sale and investment properties	65	58	52	(13)	(20.0)	(6)	(9.5)
Non current assets held for sale - Discontinued operations	10	0	0	(10)	-	0	-
Current tax assets	2	2	1	(1)	(38.4)	(0)	(30.5)
Deferred tax assets	385	381	344	(42)	(10.8)	(37)	(9.8)
Other	707	610	630	(77)	(10.9)	20	3.3
Total assets	**18 094**	**17 989**	**18 169**	**76**	**0.4**	**180**	**1.0**
Deposits from central banks and other credit institutions	2 610	1 783	778	(1 832)	(70.2)	(1 005)	(56.4)
Deposits from central banks	1 750	874	0	(1 750)	-	(874)	-
Deposits from other credit institutions	860	909	778	(82)	(9.5)	(131)	(14.4)
Customer resources	12 867	13 366	14 212	1 346	10.5	846	6.3
Debt issued	774	947	1 210	436	56.3	263	27.7
Non current liabilities held for sale - Discontinued operations	0	0	0	0	-	0	-
Other	303	326	310	7	2.2	(17)	(5.1)
Total liabilities	**16 553**	**16 423**	**16 510**	**(43)**	**(0.3)**	**87**	**0.5**
Share capital	1 210	1 210	1 210	0	0.0	0	0.0
Reserves, results and other	331	356	450	119	36.0	93	26.2
Total equity	**1 541**	**1 566**	**1 660**	**119**	**7.7**	**93**	**6.0**
Total liabilities and equity	**18 094**	**17 989**	**18 169**	**76**	**0.4**	**180**	**1.0**

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

ASSETS

Net assets increased to 18,169 million euros (+180 million euros, +1.0% in relation to the end of 2023), underpinned by the evolution observed in the headings of Cash and deposits at central banks (+492 million euros) and the Loan portfolio (+185 million euros). These effects were attenuated by the reduction in the Securities portfolio (-428 million euros), of Loans and deposits at other credit institutions payable on demand and Investments at credit institutions (-46 million euros) and Deferred tax assets (-37 million euros).

Asset structure



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

As at 30 June 2024, the liquidity deposited at central banks and other credit institutions stood at 1,857 million euros, compared to the 1,411 million euros recorded at the end of 2023, reflecting an increase of 446 million euros (+31.6%). Despite the settlement of the TLTRO (800 million euros relative to the maturity of the 7th series and 54.83 million euros relative to the early repayment of the 10th series), the growth observed in customer deposits, combined with the management efforts directed at raising financing exclusively on the market (contracting of repos and debt issuance) resulted in the strengthening of Banco Montepio's liquidity position.

LOANS TO CUSTOMERS

As at 30 June 2024, Loans to customers (gross) amounted to 11,877 million euros, reflecting an increase of 142 million euros (+1.2%) compared to the value of 11,734 million euros recorded as at 31 December 2023, which primarily expresses the performance of the production of mortgage loans, in the Individuals segment, driven by a series of actions and campaigns carried out throughout the first half of the year, such as the Worten Campaign and the *Bem Bom* Competition, with growth that more than doubled the sector average in terms of entirely new production, reaching a market share of around 6% in the first half of the year (an increase of 2 percentage points compared to the same period last year).

In the Corporate segment, Banco Montepio renovated its commercial dynamics and value proposition, with a favourable impact on the production of loans from the fourth quarter of 2023 onwards, albeit still insufficient to prevent the reduction of stock in the segment, a negative trend observed in the market overall.

Banco Montepio continued to provide mechanisms to support business development and improved company competitiveness, as well as to deal with current topics such as sustainability and energy transition.

In this regard, special reference is made to the protocol established with the European Investment Bank (EIB) that will enable supporting SME and Midcaps in Portugal. At the same time, Banco Montepio continued to offer a series of credit facilities with the European Investment (EIF) and Banco Português de Fomento (BPF), which enabled companies to raise loans with more advantageous market conditions, particularly the Renewal of the Tourism Support Line 2021, the Renewal of the Offer Qualification Support Line, the Cash Flow Credit Line – Agricultural Sector II 2024 Line, and + Social Impact Line, for Social Sector entities.

As a result, the performing loans increased by 192.5 million euros in the year-to-date (+1.7%) and by 203.0 million euros compared to the same period of 2023 (+1.8%), with Banco Montepio having strengthened its position in the credit market, with significant gains of market share[8] both in the portfolio and in new operations.

Performing loans (gross) — **€11,547M** — **+ 1.8%** (YoY)

Market share of Loans to Customers[(8)] — **+0.1 p.p.** (Portfolio, YoY) — **+1.7 p.p.** (New operations, accumulated, YoY)

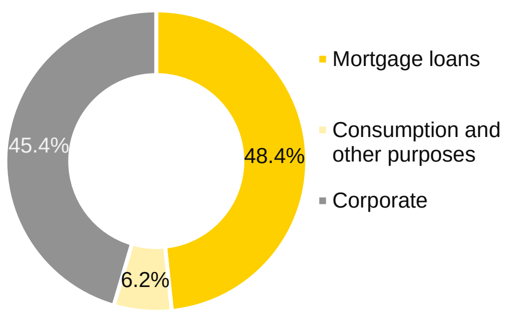
By its turn, the Non-performing loans fell by 50.1 million euros (-13.2%) and 201.4 million euros (-37.9%) on a year-to-date and year-on-year basis respectively. It should be noted that credit quality indicators continued to benefit from strict risk-taking discipline, as well as from the measures that were approved and adopted in the areas of credit monitoring and recovery throughout the first half of the year.

It is important to highlight that, notwithstanding the notable growth in June 2024, both in terms of new contracts[9] which entered into default (+15%) and the amount in default (+65%), compared to the same period of 2023, revealing the impacts of the context of continuous rises in key interest rates, even so, due to the actions that have progressively been implemented, the figures remained below those recorded in the pre-moratorium period, at -31% and -60%, respectively, in relation to the end of June 2019.

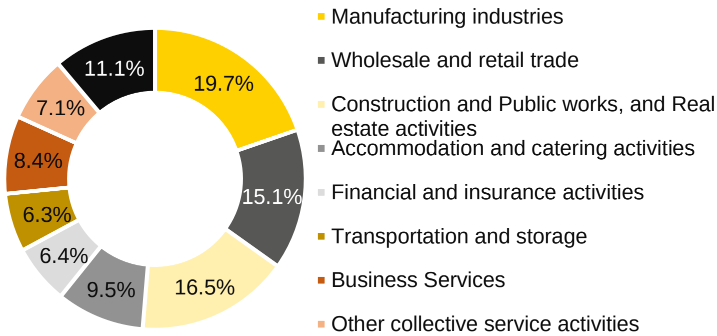
Accordingly, the weight of the loans granted to Individuals increased to 55%, compared to 53% at the end of 2023, driven by the performance of mortgage loans, which account for 48.4% of the loan portfolio. Concerning loans granted to companies, 51% of this segment is composed of Manufacturing industries, Wholesale and retail trade, and Construction and real estate activities, as illustrated in the charts below.

Loan portfolio (gross) - 30 June 2024

Loan portfolio structure



Loans to companies (by activity sector)



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[8] Individuals, Non-Financial Corporations and Administrative Public Sector – source and segmentation pursuant to the Monetary and Financial Statistics (Banco de Portugal).
[9] Contracts of more than 90 days, excluding sight deposits and cards.

The following table presents the evolution of gross loans by segment and activity sector. As mentioned above, the growth trend in the private individuals segment is noteworthy, at 3.4% for the year and 4.0% compared to 30 June 2023, surpassing the sector's average in Portugal[10], which merely grew by 1% in the same periods, sustained by the progression in mortgage loans, spurred by the strategy defined for the segment.

In turn, the corporate segment declined by 1.3% in the year and 4.3% year-on-year, showing the reduction of non-performing loans of 50.1 million euros in relation to the end of 2023 and of 201.4 million euros year-on-year, fulfilling the bank's strategy of converging the NPL ratio to the sector average.

Loans to customers
(by sector of activity)

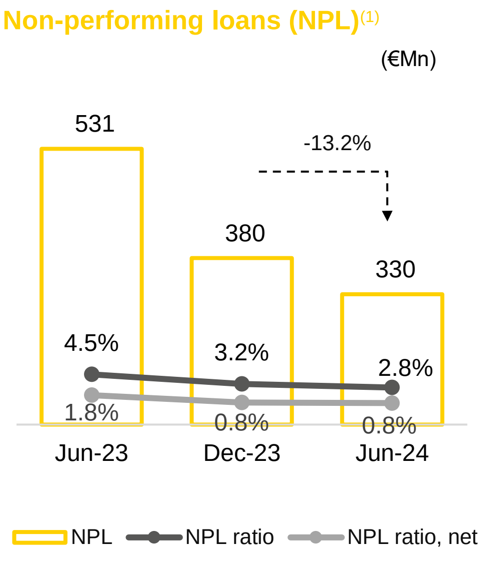
(million euros)

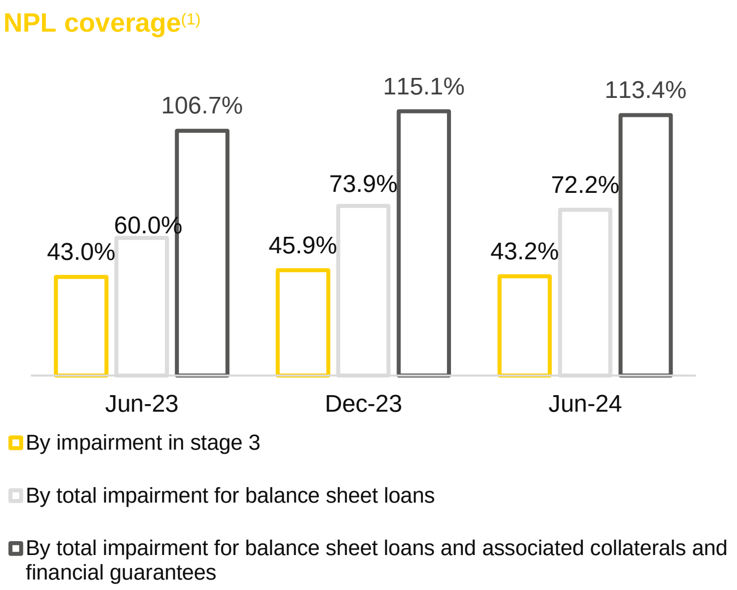
	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23		Change Jun-24/Dec-23	
				Amount	%	Amount	%
Individuals	**6 232**	**6 268**	**6 479**	**247**	**4.0**	**211**	**3.4**
Mortgage loans	5 505	5 541	5 743	238	4.3	202	3.6
Others	727	727	736	9	1.2	9	1.2
Corporate	**5 643**	**5 466**	**5 397**	**(245)**	**(4.3)**	**(68)**	**(1.3)**
Manufacturing industries	1 153	1 089	1 065	(88)	(7.6)	(24)	(2.2)
Wholesale and retail trade	855	823	816	(39)	(4.6)	(7)	(0.9)
Construction and Public works, and Real estate activities	960	921	889	(71)	(7.4)	(32)	(3.5)
Accommodation and catering activities	561	518	511	(51)	(9.0)	(7)	(1.4)
Financial and insurance activities	381	387	343	(37)	(9.8)	(44)	(11.4)
Transportation and storage	365	350	339	(26)	(7.2)	(12)	(3.4)
Business Services	420	439	451	31	7.4	12	2.7
Other collective service activities	372	375	383	11	2.8	8	2.2
Others	575	563	601	26	4.5	38	6.8
Gross loans	**11 875**	**11 734**	**11 877**	**2**	**0.0**	**142**	**1.2**
Impairment for credit risk	**319**	**281**	**238**	**(81)**	**(25.3)**	**(43)**	**(15.3)**
Net loans	**11 556**	**11 453**	**11 639**	**82**	**0.7**	**185**	**1.6**

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, with special attention given to Small and Medium-sized Enterprises (SME) and Social Economy Entities.

Despite the challenging context of maintenance of interest rates at high levels, and reflecting the impact of the measures mentioned above, Banco Montepio continued to reduce its stock of non-performing loans (NPL), which was evidenced in the reduction of the ratio of NPL to Total gross loans to customers, standing at 2.8% as at 30 June 2024 (compared to 3.2% as at 31 December 2023) – greatly below the reference threshold of 5% stipulated by the EBA, with Banco Montepio already having reached a figure in line with the Portuguese banking system's average. As pointed out above, this evolution reflects the combined effect of the growth of the portfolio of performing loans (+1.7% compared to the end of 2023) and the progressive reduction of the stock of NPL, which amounted to 330 million euros as at 30 June 2024 (-1.2% compared to the end of 2023). In turn, the ratio of NPL net of impairments remained unchanged in relation to December 2023 at 0.8%, compared to 1.8% in June 2023.

[10] According to the Monetary and Financial Statistics relative to June 2024 (Banco de Portugal).





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

As at 30 June 2024, the coverage of NPL by impairment at stage 3 stood at 43.2% (45.9% at the end of December 2023), practically in line with the Member States of the European Union, which presented an average of 42.0% in 30 June 2024[11]. The total impairment coverage for on-balance sheet loans stood at 72.2% (73.9% at the end of December 2023), and the total impairment coverage of NPL for on-balance sheet loans, collateral and associated financial guarantees reached 113.4% (115.1% in December 2023). This evolution reflects the recovery in significant NPL dossiers, which resulted in the reversal of impairment, with favourable impacts on the cost of risk.

NPL RATIO	2.8%	NPL STAGE 3 IMPAIRMENT COVERAGE	43.2%

SECURITIES PORTFOLIO AND OTHER INSTRUMENTS

In the context of the strategy of rebalancing the asset structure, Banco Montepio continued, throughout the first half of 2024, to identify and implement a series of measures aimed at improving the liquidity levels and active management of the Portfolio of securities and other instruments.

As at 30 June 2024, the portfolio of securities and other instruments amounted to 3,646 million euros, compared to 4,074 million euros recorded as at 31 December 2023, showing a reduction of 428 million euros (-10.5%). This evolution reflects the reduction of the portfolio of Financial assets at amortized cost of 706 million euros, especially via the repayment upon maturity and early repayment of public debt, and, in the opposite direction, the increased corporate debt, primarily via the acquisition of commercial paper. Reference is also made to the increase recorded in the portfolio of Financial assets at fair value through profit or loss of 281 million euros, as a result of the strategy defined in the planning process.

[11] According to the "EBA Risk Dashboard Q2 2024".

Securities portfolio and other instruments

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23		Change Jun-24/Dec-23	
				Amount	%	Amount	%
Financial assets held for trading	86	19	29	(56)	(65.6)	10	55.3
Financial assets at fair value through other comprehensive income	86	48	329	243	>100	281	>100
Other financial assets at amortised cost	4 123	3 879	3 173	(950)	(23.0)	(706)	(18.2)
Financial assets not held for trading mandatorily at fair value through profit or loss [1]	146	128	115	(32)	(21.5)	(13)	(10.4)
Total Securities portfolio and other financial assets	**4 441**	**4 074**	**3 646**	**(795)**	**(17.9)**	**(428)**	**(10.5)**

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.

The analysis of the securities portfolio by type of instrument, as at 30 June 2024, points to a reduction, in relation to December 2023, of 420 million euros in Bonds and other debt instruments, which include public debt, that gave rise to the aforesaid reduction in the portfolio of securities and other instruments

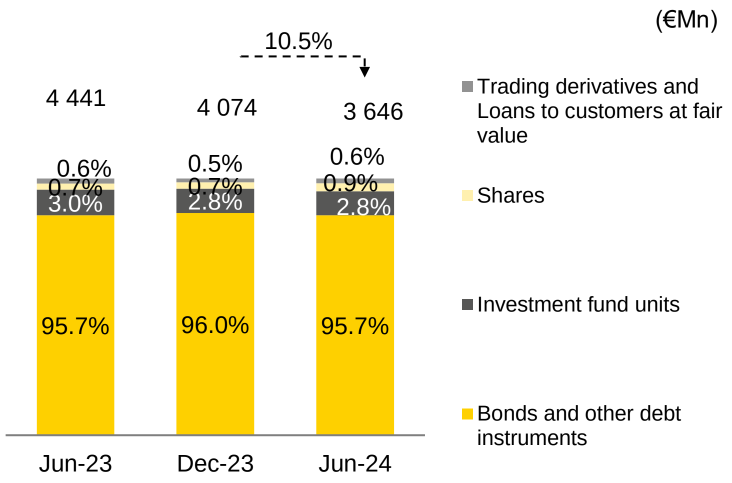
Securities portfolio and other financial assets by type of instrument

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23		Change Jun-24/Dec-23	
				Amount	%	Amount	%
Bonds and other debt instruments	4 247	3 907	3 488	(759)	(17.9)	(420)	(10.7)
Shares	32	30	34	2	5.0	4	12.3
Investment fund units	133	115	102	(32)	(23.8)	(14)	(11.8)
Trading derivatives	20	13	14	(6)	(28.2)	2	11.8
Loans to customers at fair value	9	9	9	0	0.7	0	1.9
Total securities portfolio and other financial assets	**4 441**	**4 074**	**3 646**	**(795)**	**(17.9)**	**(428)**	**(10.5)**

The structure of the portfolio remained predominantly composed of Bonds and other debt instruments, which account for 95.7% of the total portfolio, consistent with the previous periods.

Structure of the securities portfolio and other instruments

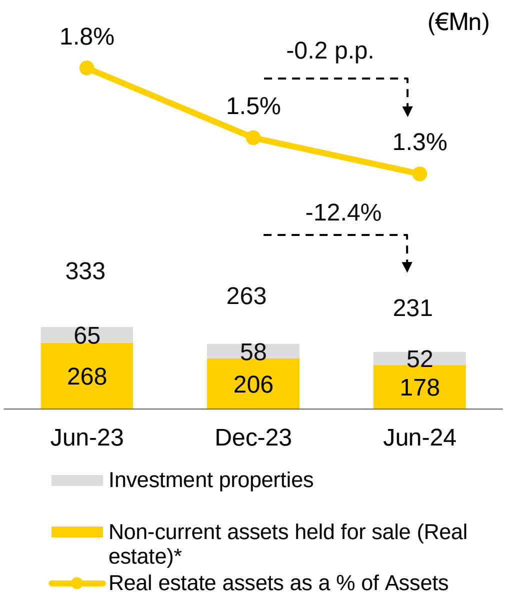


NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

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

Therefore, the analysis of the evolution of exposure to real estate assets is presented from a management perspective, considering that these are effectively assets held on the balance sheet, but for the purpose of their sale. Hence, considering all the properties recorded on Banco Montepio's consolidated balance sheet (resulting from the entry of properties through loan recovery or real estate funds that are fully consolidated), there was a 12.4% deleveraging of these non-performing assets as at 30 June 2024, compared to the end of 2023 (-32 million euros). Exposure to these assets thus stood at 231 million euros, in line with the real estate integrated management guidelines and consequent reduction of exposure to the real estate sector.

Exposure to real estate assets



* Including the amount reclassified to other assets.

Non-current assets held for sale, together with the amount reclassified to Other assets, decreased by 27 million euros compared to 31 December 2023 (-13.2%), standing at 178 million euros at the end of June 2024, reflecting, on the one hand, the real estate sales made and, on the other, the coordinated management of plans to reduce non-performing assets (NPA), favouring other forms of credit recovery that do not involve bringing real estate onto the balance sheet.

Concerning Investment properties, which includes the properties held by the Real Estate Investment Funds consolidated in Banco Montepio, there was a decrease of 6 million euros compared to the end of 2023 (-9.5%), with its total value standing at 52 million euros as at 30 June 2024.

The plan to reduce exposure to real estate risk has been progressively and successfully implemented, with a notable downward trend evidenced by the weight of real estate assets in total net assets, which stood at a record level for Banco Montepio – 1.3% at the end of June 2024, compared to 1.5% at the end of December 2023.

Weight of real estate assets in net assets **1.3%** **-0.6 p.p.** (YoY)

CURRENT AND DEFERRED TAX ASSETS

As at 30 June 2024, the aggregate of Current and deferred tax assets amounted to 345 million euros, compared to 383 million euros at the end of 2023, of which 1 million euros refer to Current tax and 344 million euros refer to Deferred tax.

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

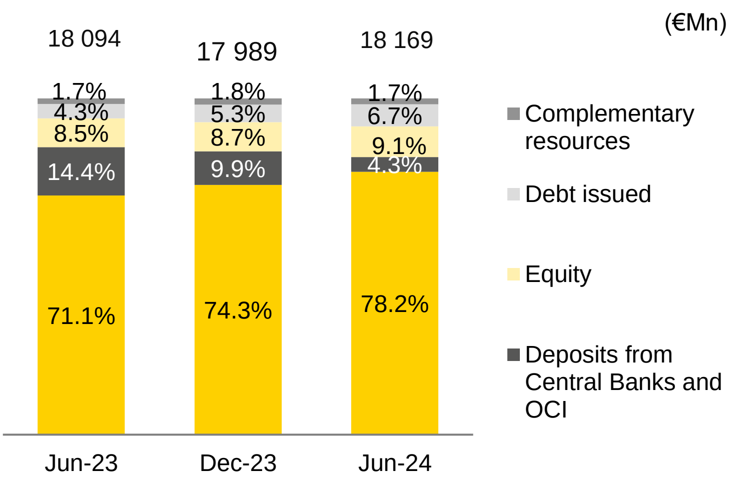
The aggregate of Other presented in the Assets of the synthetic accounting balance sheet includes the headings of Assets with repurchase agreements, Hedge derivatives, Other tangible assets, Intangible assets, Investments in associates and Other assets.

As at 30 June 2024, the aggregate of Other increased to 630 million euros, essentially due to the increase in the heading of Other assets, compared to 610 million euros as at 31 December 2023, of which 178 million euros (206 million euros in 2023) correspond to properties held for sale reclassified from the heading of Non-current assets held for sale to Other assets.

LIABILITIES

Total liabilities stood at 16,510 million euros as at 30 June 2024, reflecting an increase of 87 million euros (+0.5%) in relation to the end of 2023, evidencing, on the one hand, the reduction in Wholesale resources of 1,005 million euros compared to the end of 2023, of which 874 million euros are Resources from central banks, particularly the TLTRO-III repayment and its non-replacement by new ECB funding, and, on the other hand, the reduction in Resources from other credit institutions to 778 million euros (-131 million euros).

Liabilities and equity structure



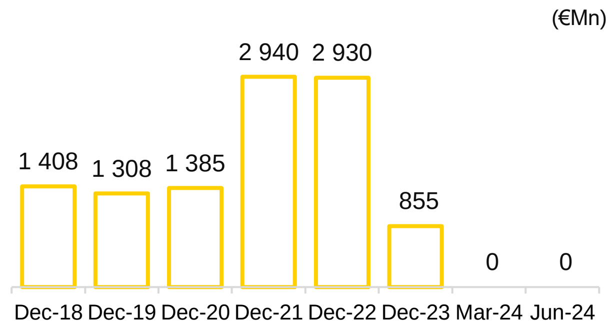
As at 30 June 2024, Equity financed 9.1% of assets and Customer deposits remained the main source of balance sheet funding, having increased their relative weight to 78.2% of total liabilities and equity, while Resources from central banks and other credit institutions fell to 4.3%.

RESOURCES FROM CENTRAL BANKS AND RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 30 June 2024, the funding received from central banks and other credit institutions amounted to 778 million euros, compared to 1,783 million euros at the end of 2023, a decrease of 56.4% due essentially to the reduction of 874 million euros in central bank resources, which shows that TLTRO-III was repaid at maturity and early, and was not replaced by new funding from the ECB.

Resources from other credit institutions amounted to 778 million euros (-131 million euros in relation to the end of 2023). This evolution reveals Banco Montepio's active liquidity management, showing the contracting of funding operations with financial counterparties (repos) of the value of 430 million euros (-117 million euros relative to the end of 2023) and 301 million euros of the European Investment Bank facility, placed within the Bank's strategy of diversifying its funding sources.

ECB funding (TLTRO*)



* TLTRO –Targeted longer-term refinancing operations.

CUSTOMER RESOURCES

Total customer funds, which include customer deposits and off-balance sheet funds, increased to 15,591 million euros as at 30 June 2024 (+5.8%), of which 91.2% correspond to customer deposits.

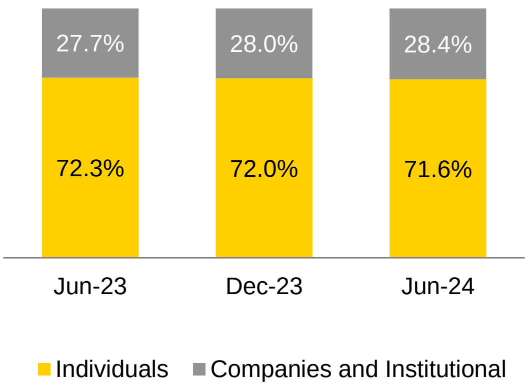
Customer deposits reached 14,212 million euros as at 30 June 2024, being 846 million euros higher than the amount recorded at the end of 2023, mainly concentrated in Individual customers, who account for 71.6% of the total.

This evolution was driven by the increased Deposits of individual customers by 555 million euros and Deposits of corporate and institutional customers by 291 million euros, with Term deposits having increased by 905 million euros and Sight deposits having fallen by 59 million euros. As a result, the sight deposit/term deposit portfolio mix stood at 39%/61% compared to 42%/58% at the end of 2023.

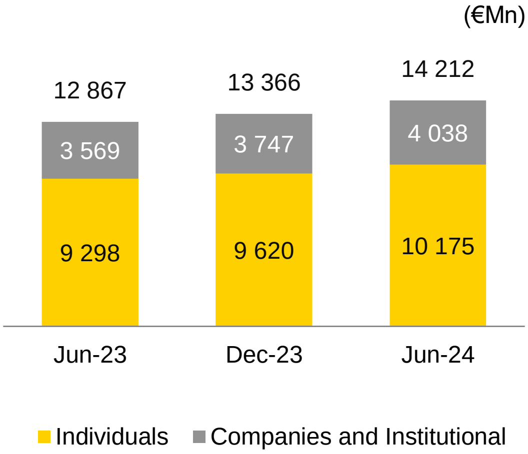
As noted above, Banco Montepio's recorded a better relative performance in the deposit market, reflected in important gains of market share which strengthen its liquidity position and vocation as a saving bank in Portugal.

Off-balance sheet resources reached 1,379 million euros as at 30 June 2024, compared to 1,370 million euros at the end of December 2023, representing an increase of 0.6%, primarily supported by the increase in Securities investment funds (+37 million euros), partially mitigated by the reduction in Real estate investment funds (-30 million euros).

Customer deposits structure



Customer deposits



Customer resources

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23 Amount	Change Jun-24/Jun-23 %	Change Jun-24/Dec-23 Amount	Change Jun-24/Dec-23 %
Customer deposits	**12 867**	**13 366**	**14 212**	**1 346**	**10.5**	**846**	**6.3**
Sight deposits	6 148	5 591	5 533	(615)	(10.0)	(59)	(1.1)
Term deposits	6 719	7 775	8 679	1 960	29.2	905	11.6
Off-balance sheet resources	**1 197**	**1 370**	**1 379**	**182**	**15.2**	**9**	**0.6**
Total customer resources	**14 063**	**14 737**	**15 591**	**1 528**	**10.9**	**855**	**5.8**

Customer deposits **€14,212M** **+ 10.5%** (YoY) **+ 6.3%** (relative to Dec-23)

Market share of the Customer deposit portfolio[12] **+0.2 p.p.** (YoY) **+0.1 p.p.** (relative to Dec-23)

DEBT ISSUED

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

As at 30 June 2024, the amount of Debt issued stood at by 1,210 million euros representing an increase of 263 million euros (+27.7%), compared to the value of 947 million euros recorded as at 31 December 2023, reflecting the increase in Liabilities represented by securities of 222 million euros and in Other subordinated debt of 41 million euros.

During the first half of 2024, Banco Montepio restructured its subordinated and senior debt. Reference is made to the issuance, in March 2024, of 250 million euros eligible for Tier 2 with a maturity period of 10 years and 3 months at a fixed interest rate of 8.5% per year up to the date of exercise of the call option, as well as the repurchase of two issuances of 50 million euros, with the repurchase of the remaining 100 million euros in April 2024.

It should be noted that there were also two issuances, in October 2023 and May 2024, of securities representing preferred debt securities under the Euro Medium Term Note (EMTN) Programme, in a total amount of 450 million euros, eligible for compliance with the minimum requirement for own funds and eligible liabilities (MREL).

In turn, the issuance in October 2023, amounting to 200 million euros, has a maturity period of 3 years, with an option for early repayment (call option) by Banco Montepio at the end of the second year, an issuance price of 100% and a fixed interest rate of 10% per year for the first 2 years.

The issuance in May 2024, amounting to 250 million euros, has a maturity period of 4 years, with an option for early repayment (call option) by Banco Montepio at the end of the third year, an issuance price of 99.755% and a fixed interest rate of 5.625% per year up to the exercise of the call option. The more favourable conditions of this issuance reveal the investors' confidence in Banco Montepio's risk profile and reinforce the opportunity of refinancing the first issuance whose call option is at the end of the second year.

OTHER

The aggregate Other, presented in the Liabilities of the synthetic balance sheet, incorporates the headings of Financial liabilities held for trading, Hedge derivatives, Provisions, Current tax liabilities and Other liabilities.

As at 30 June 2024, the aggregate Other fell to 310 million in comparison to the 326 million euros recorded as at 31 December 2023, primarily via the reduction in the headings of Other liabilities (-12 million euros) and Provisions (-4 million euros).

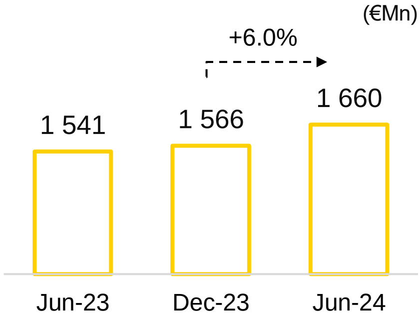
[12] Individuals, Non-Financial Corporations and Administrative Public Sector – source and segmentation pursuant to the Monetary and Financial Statistics (Banco de Portugal).

EQUITY

Equity increased to 1,660 million euros, reflecting an increase of 93 million euros compared to the 1,566 million euros recorded as at 31 December 2023 (+6,0%), reflecting:

- The impact of net income of 68.7 million euros;
- The recording of dividends relative to 2023 amounting to 6 million euros, and;
- The impact of positive actuarial deviations of 31.3 million euros.

Equity



ANALYSIS OF RESULTS

In the first half of 2024, Banco Montepio's net profit favourably increased to 68.7 million euros, a historic level in terms of half-year performance, showing a 23.1% increase compared to the same period last year on a comparable basis, excluding the impact of Finibanco Angola. This reflects the current and future reality of the Banco Montepio Group, focusing its activities exclusively on the domestic market.

NET INCOME **€68.7M** **+ 23.1%**
(year-on-year, excluding the Finibanco Angola consolidation effect in the same period of the

Synthetic income statement

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23	
				Amount	%
Net interest income	194.3	408.1	198.6	4.2	2.2
Commercial net interest income [a]	221.1	462.1	212.2	(8.9)	(4.0)
Net fees and commissions	65.3	127.0	63.1	(2.3)	(3.5)
Core operating income	**259.7**	**535.1**	**261.6**	**1.9**	**0.7**
Income from equity instruments	0.8	0.9	0.5	(0.3)	(38.8)
Results from financial operations	(15.5)	(26.5)	0.0	15.5	>100
Other operating income	(15.3)	(5.6)	(7.1)	8.3	54.0
Operating income	**229.6**	**503.9**	**255.1**	**25.4**	**11.1**
Staff Costs	77.3	153.7	77.4	0.1	0.1
General and administrative expenses	31.4	64.2	34.6	3.2	10.1
Depreciation and amortization	18.0	37.9	21.6	3.6	20.0
Operating costs	**126.8**	**255.8**	**133.6**	**6.9**	**5.4**
Operating costs, excluding specific impacts [c]	**121.3**	**247.5**	**132.4**	**11.1**	**9.2**
Operating income before provisions and impairments	**102.9**	**248.1**	**121.4**	**18.6**	**18.0**
Net provisions and impairments	15.6	65.7	13.8	(1.8)	(11.6)
Share of profit (losses) booked under the equity method	(0.2)	0.6	(0.3)	(0.1)	(59.8)
Net income before income tax	**87.1**	**182.9**	**107.3**	**20.2**	**23.2**
Income tax	31.2	50.3	38.6	7.4	23.5
Net income after income tax from continuing operations	**55.9**	**132.6**	**68.7**	**12.9**	**23.1**
Recurring net income	**(102.4)**	**(102.5)**	**0.0**	**102.4**	**-**
Foreign exchange reserve	1.7	1.7	0.0	(1.7)	-
Net Income	**(48.3)**	**28.4**	**68.7**	**117.0**	**>100**

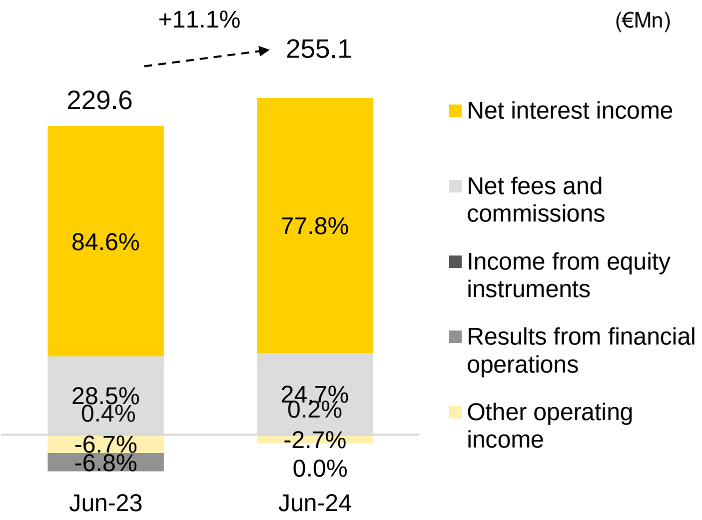
(a) Commercial net Interest income is the margin arising from interest received from customers related to the granting of loans, and from interest paid to customers regarding the remuneration of funds raised.
(b) Excluding staff costs generated by operational adjustment measures of €5.5m in Jun-23 and €8.2m in Dec-23 and one-off costs of €1.2m in Jun-24 related to early retirements and terminations by mutual agreement.

The evolution of profitability throughout the first half of 2024 reflects the greater contribution of operating income of 25.4 million euros (+11.1%), particularly revealing the increased net interest income (+4.2 million euros) and the progression of the Results from financial operations (+15.5 million euros), combined with lower impairments and provisions (-1.8 million euros), effects attenuated by the higher operating costs (+6.9 million euros), although in line with the context of technological development.

OPERATING INCOME

Operating income evolved favourably to 255.1 million euros in the first half of 2024 (+25.4 million euros compared to the first half of 2023), having benefited from the favourable impacts of the increased Net interest income (+4.2 million euros), driven by the active management of the offer of products and services provided to the customers, the progression in Results from financial operations (+15.5 million euros), supported by the Net gains/(losses) from foreign exchange differences, and Other income (+8.3 million euros), essentially via the lower cost of Contributions from the banking sector (IFRIC 21). These combined effects more than offset the notable reduction in Net fees and commissions (-3.2 million euros) and Income from equity instruments (-0.3 million euros).

Operating income breakdown



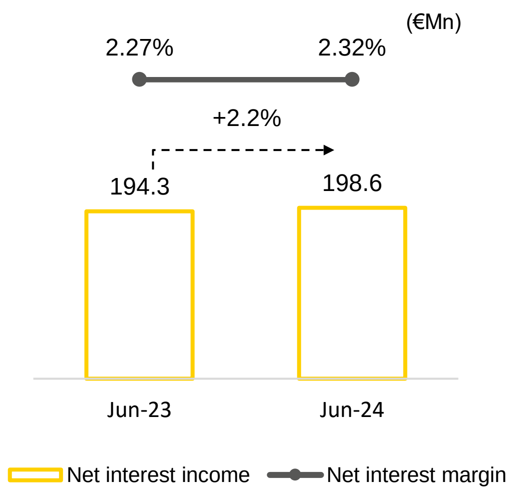
NET INTEREST INCOME

The net interest margin for the first six months of 2024 increased to 198.6 million euros, representing a 2.2% rise (+4.2 million euros) compared to the same period last year. This reflects a decrease in the commercial net interest margin by 8.9 million euros, highlighting the strong growth in deposits by 1,346 million euros and the consequent increase in interest paid to customers (volume effect). However, this is offset by the increase in liquidity deposited with the central bank and remunerated at the Deposit Facility Rate (DFR), resulting in a favourable final impact on the overall net interest margin.

The context of Euribor rates has impacted the yields of financial assets and liabilities, requiring strict risk management and mitigation strategies. Although the downward cycle of Euribor indexes started in the fourth quarter of 2023, the levels observed throughout the first half of 2024 were still relatively high in comparison to those recorded in 2023.

Nevertheless, concerning financial liabilities, Banco Montepio has been successful in preserving a negative risk premium in relation to the sector average in new term deposit operations (accumulated figures of the first six months of 2024, the

Net interest income



applied average interest rate was below the sector average by approximately 20 b.p.[13]).

Effectively, Banco Montepio's performance in customer deposits expressed the active management of the commercial business, which was effective in balancing, on the one hand, the competitive scenario that has characterised the deposit market in Portugal, and, on the other hand, the appropriate cost of deposits. The achieved efficacy was influenced by Banco Montepio's saving vocation, based on a robust value proposition, combined with high brand awareness and confidence of the investors and customers.

It is important to highlight that, in June 2024, the mixed rate already represented 27% of the mortgage loan portfolio at Banco Montepio, in line with the sector average[14] (26%), with the preference for mixed rates, lower than variable or Euribor-linked rates, contributing to reduce the average rate of new loans raised.

In turn, the net interest income was impacted by the higher regulatory costs arising from the issuance of debt eligible for MREL, of 200 million euros in October 2023, with a rate of 10%, and of 250 million euros in May 2024, with a rate of 5.625%, as well as by the increase of 50 million euros in subordinated debt.

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

On the other hand, special reference is made to the positive impacts on net interest income of the funding strategy related to TLTRO III / management of surplus liquidity associated with the rise of key market rates (+33.2 million euros compared to the first half of 2023, and +10.2 million euros in the year) stemming from the full repayment of the TLTRO, comparing favourably with the same period of 2023, expressed in a negative net impact of 22.9 million euros, and the interest of the heading of wholesale funding and other which primarily reflect the cost related to Repos contracted at a rate lower than the rate applicable to the deposit facility (DFR).

In the first half of 2024, the evolution of Net interest income reflected the prevalence of the price effect over the volume effect, showing the increase in the implicit lending interest rate to 4.1% (+1.0 p.p. relative to the first half of 2023) compared to the increase in the implicit borrowing interest rate to 1.9% (+1.1 p.p. relative to the first half of 2023).

Consequently, in the first half of 2024, there was an increase in interest on portfolio of Loans to customers of 72.5 million euros, essentially via the price effect, alongside an increase in interest on the portfolio of Customer deposits (+81.4 million euros), revealing the pricing management aimed at the attraction of new deposits and renewal of existing deposits, as well as the reduction of the weight of sight deposits (non-remunerated) in the total portfolio, with the average remuneration interest rates of Loans to customers and Customer resources standing at 5.3% and 1.5%, respectively (4.0% and 0.3% in the first half of 2023).

Accordingly, in the first half of 2024, the net interest income rate increased to 2.32%, compared to 2.27% in the first half of 2023, having benefited from the effective management of the balance sheet in a context of high levels of market interest rates, contributing to improve Banco Montepio's profitability and capital position.

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

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

(million euros)

	1st half of 2023			1st half of 2024		
	Avg. amount	**Avg. rate (%) [(a)]**	**Interest**	**Avg. amount**	**Avg. rate (%) [(a)]**	**Interest**
Assets						
Cash and deposits	657	2.4	7.8	1 074	3.3	18.0
Loans and advances to OCI	136	1.0	0.7	186	2.7	2.6
Loans to customers	11 982	4.0	243.3	11 863	5.3	315.8
Securities portfolio	4 263	0.5	10.9	3 825	0.8	14.6
Other assets at fair value	9	3.9	0.2	8	4.9	0.2
Other (includes derivatives)	0	0.0	0.0	0	0.0	0.0
subtotal	17 046	3.1	262.8	16 956	4.1	351.3
Liabilities						
Resources from central banks	2 409	2.5	30.7	376	4.1	7.8
Resources from OCI	464	0.7	1.7	974	2.7	13.5
Customer deposits	12 783	0.3	22.2	13 699	1.5	103.6
Senior debt	585	0.2	0.5	786	2.9	11.4
Subordinated debt	217	8.9	9.7	257	8.6	11.2
Other (includes derivatives)	0	0.0	3.6	0	0.0	5.2
subtotal	16 458	0.8	68.4	16 092	1.9	152.8
Net interest income		**2.27**	**194.3**		**2.32**	**198.6**

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

Explanation of the evolution of net interest income between the 1st half of 2023 and 2024

(million euros)

	Volume effect	**Price effect**	**Residual effect**	**Total**
Assets				
Cash and deposits	5.0	3.2	2.1	10.3
Loans and advances to OCI	0.2	1.2	0.4	1.9
Loans to customers	(2.4)	74.4	0.6	72.5
Securities portfolio	(1.1)	5.4	(0.5)	3.8
Other assets at fair value	(0.0)	0.0	(0.0)	0.0
Other (includes derivatives)	0.0	0.0	(0.0)	(0.0)
subtotal	(1.4)	89.0	1.0	88.5
Liabilities				
Resources from central banks	(26.1)	19.2	(16.0)	(22.9)
Resources from OCI	1.8	4.8	5.2	11.8
Customer deposits	1.6	74.4	5.4	81.4
Senior debt	0.2	7.9	2.7	10.9
Subordinated debt	1.8	(0.3)	0.0	1.6
Other (includes derivatives)	0.0	0.0	1.6	1.6
subtotal	(1.5)	87.4	(1.6)	84.3
Change in net interest income	**0.1**	**1.5**	**2.5**	**4.2**

NET FEES AND COMMISSIONS

In the first half of 2024, Net fees and commissions amounted to 63.1 million euros, compared to 65.3 million euros recorded in the first half of 2023 (-2.3%), showing the higher income derived from account maintenance and management, which was, however, insufficient to offset the reduction in fees and commissions related to the market, payment services and loans.

INCOME FROM EQUITY INSTRUMENTS

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

The book value recorded as at 30 June 2024 amounted to 0.5 million euros, essentially including dividends received from SIBS amounting to 0.4 million euros and from Abanca amounting to 0.05 million euros, compared to 0.8 million euros as at 30 June 2023, of which 0.6 million euros were dividends received from Unicre and 0.2 million euros from SIBS.

RESULTS FROM FINANCIAL OPERATIONS

Results from financial operations of the first half of 2024 stood at 4.0 thousand euros, 15.5 million euros higher than the figure for the first half of 2023, reflecting the stronger contribution of the fair value of financial assets and liabilities of 1.7 million euros and of the Net gains/(losses) from foreign exchange differences of 21.1 million euros, in this case arising from the appreciation of the Kwanza. This positive evolution was penalised by the adverse impact of the derivative instruments associated with securitisation operations of 4.5 million euros, and by the lower contribution of the securities portfolio by 3.0 million euros.

Results from financial operations

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23	
				Amount	%
Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	4.6	(6.3)	(1.0)	(5.5)	<(100)
Net gains / (losses) from financial assets at fair value through other comprehensive income	0.1	0.1	0.0	(0.1)	-
Net gains / (losses) from foreign exchange differences	(20.1)	(20.3)	1.0	21.1	>100
Results from financial operations	**(15.5)**	**(26.5)**	**0.0**	**15.5**	**>100**

OTHER INCOME

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

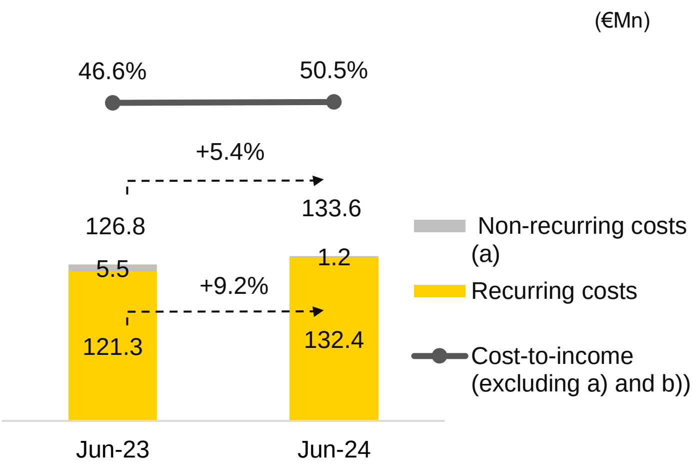
In the first half of 2024, Other income amounted to -7.1 million euros, a favourable evolution of +8.3 million euros compared to the amount recorded in the first half of 2023 (-15.3 million euros), showing the higher income from the disposal of loans by 1.4 million euros and the lower contribution of real estate assets held for sale by 1.5 million euros, and the higher Other operating income by 8.2 million euros. The improvement in Other operating costs was mainly due to lower costs of contributions to the sector (IFRIC 21) by 6.9 million euros, with the main reduction arising from the heading of Annual contribution to the Single Resolution Fund, which in 2024 assumes a zero allocation as it is above the target level (1% of covered deposits), and also due to the lower cost associated with Expenses related to real estate properties by 1.2 million euros, as a result of the deleveraging that has been carried out on these assets.

OPERATING INCOME **€255.1M** **+ 11.1%** (YoY)

OPERATING COSTS

Operating costs stood at 133.6 million euros in the first half of 2024, an increase of 6.9 million euros (+5.4%), via the higher General and administrative expenses and Depreciation and amortization, essential to sustain business development, especially technological, combined with strict control of the organisation's cost implementation.

Operating costs

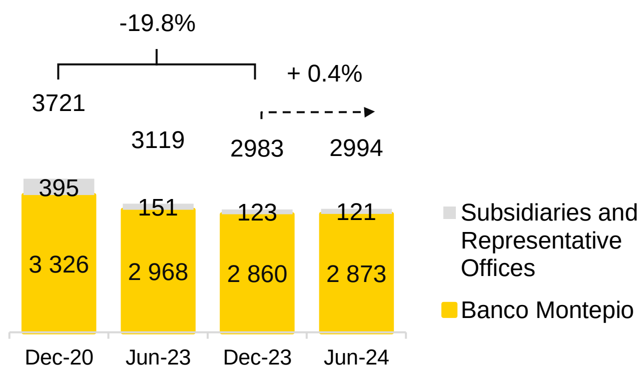


a) Impact of operating costs associated with the measures of the Operational Optimisation Programme (in 2023) and non-recurring costs related to early retirements and terminations by mutual agreement (2023 and 2024). b) Results from financial operations and other results (results from the sale of other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

Excluding the impact resulting from the implementation of the measures of the Operational Optimisation Programme for the workforce (in 2023) and non-recurring costs related to early retirement and employment contract termination by mutual agreement (in 2023 and 2024), Operating costs amounted to 132.4 million euros (+9.2%) compared to the first half of 2023.

Staff costs reached 77.4 million euros in the first half of 2024, reflecting a minor increase of 0.1 million euros (+0.1%) in relation to the 77.3 million euros recorded in the first half of 2023. Excluding the impact of recording non-recurrent costs related to the Operational Optimisation Programme (in 2023), and related to early retirement and employment contract termination by mutual agreement (in 2023 and 2024), staff costs increased by 4.3 million euros (+6.1%), which, apart from the effect of the salary updates, also reflect the effects of the change in the heading of pension funds and the creation of the subsidiary Montepio Serviços, ACE, in August 2023, which is included in Banco Montepio's full consolidation perimeter.

Number of employees at Banco Montepio Group



Following the successful implementation of the Operational Optimisation Programme completed in 2023, the number of employees of the Banco Montepio Group increased by 0.4% only, in relation to the end of the year, to meet the present needs of hiring employees with specific skills and the integration of internship programs.

General administrative expenses stood at 34.6 million euros in the first half of 2024, reflecting an increase of 3.2 million euros in relation to the value of 31.4 million euros recorded in the first half of 2023 (+10.1%), essentially showing the effect of the higher inflation level on hired services with an impact on costs incurred, primarily on the hiring of information technology services (+2.1 million euros), in the context of the Banco Montepio Group's process of digital transformation. Conversely, savings were recorded in costs related to other specialised services (-0.7 million euros), which include costs incurred with hiring external consultants, the payment of services related to data banks, expenses associated with the processing made by SIBS, as well as costs related to the payment of fees and retainers.

Depreciation and amortization amounted to 21.6 million euros in the first half of 2024, compared to 18.0 million euros in the first half of 2023 (+20.0%), showing the efforts made to implement the overall strategy of investment in information technology and digitalization, aimed at continuous improvement in automation and process re-engineering.

The efficiency gains achieved and the favourable evolution of Core operating income enabled containing the cost-to-income ratio, which stood at 50.5% (+4 p.p.), excluding non-recurring costs related to measures to adjust the workforce (in 2023) and early retirement and employment contract termination by mutual agreement (in 2023 and 2024), as well as the more volatile components of net income, such as Results from financial operations and Other income (Net gains/(losses) from the sale of other assets and other Operating income).

Operating costs

(million euros)

	Jun-23	Dec-23	Jun-24	Change Jun-24/Jun-23 Amount	%
Staff Costs	77.3	153.7	77.4	0.1	0.1
General and administrative expenses	31.4	64.2	34.6	3.2	10.1
Depreciation and amortisation	18.0	37.9	21.6	3.6	20.0
Operating costs	**126.8**	**255.8**	**133.6**	**6.9**	**5.4**
Operating costs, excluding specific impacts	**121.3**	**247.5**	**132.4**	**11.1**	**9.2**
Efficiency ratios					
Cost-to-income (Operating costs / Total operating income) (b)	55.2%	50.8%	52.4%	(2.8 p.p.)	
Cost-to-income, excluding specific impacts (a) (c)	46.6%	46.2%	50.5%	4.0 p.p.	

(a) Excluding staff costs generated by operational adjustment measures of €5.5m in Jun-23 and €8.2m in Dec-23 and one-off costs of €1.2m in Jun-24 related to early retirements and terminations by mutual agreement.

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

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

COST-TO-INCOME RATIO **50.5%** (excluding specific impacts)

IMPAIRMENT AND PROVISIONS

The allocations for impairment and provisions amounted to 13.8 million euros in the first half of 2024, reflecting a reduction of 1.8 million euros compared to the figure recorded in the first half in 2023.

Impairment of loans and advances to customers and to credit institutions (net of reversals) stood at 7.3 million euros in the first half of 2024, compared to 8.4 million euros in the first half of 2023 (-1.2 million euros, -13.8%), reflecting the lower reinforcement of impairment of loans to customers. This evolution led to the cost of credit risk to stand at 0.1% in the first half of 2024, in line with the first half of 2023 and compared to 0.4% at the end of 2023 (-0.3 p.p. in the year). It should be highlighted that the cost of risk of the first half of 2023 had been favourably affected by the sound outcome of the pertinent dossiers that caused a reversal in the period.

The aggregate of Other impairments and provisions fell to 6.5 million euros in the first half of 2024, reflecting a reduction of 0.6 million euros compared to the figure recorded in the first half of 2023 (7.1 million euros), as a result of the reduction of the Impairment of other financial assets (-0.7 million euros), reflecting the lower allocation to Other financial liabilities at amortized cost and the lower Impairment of other assets (-1.8 million euros). In turn, Other provisions amounted to -2.4 million euros in the first half of 2024 (-4.2 million euros in the first half of 2023), through the reversal of impairment for guarantees and commitments (of 1.5 million euros) and to other risks and charges (of 0.9 million euros).

Impairment and provisions

(million euros)

	Jun-23	Dec-23	Jun-24	Change 2023/2022	
				Amount	%
Impairment of loans and advances to customers and to credit institutions	8.4	49.6	7.3	(1.2)	(13.8)
Impairment of other financial assets	1.7	1.2	0.9	(0.7)	(43.7)
Impairment of other assets	9.7	24.0	7.9	(1.8)	(18.3)
Other provisions	(4.2)	(9.1)	(2.4)	1.9	44.0
Total net impairments and provisions	**15.6**	**65.7**	**13.8**	**(1.8)**	**(11.6)**

Cost of credit risk **0.1%** **-0.3 p.p.**
(relative to Dec-23)

TAXES

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

Current and deferred taxes in the first half of 2024 amounted to 38.6 million euros, compared to 31.2 million euros in the first half of 2023, having been calculated in accordance with International Accounting Standard (IAS) and observing the tax framework applicable to each subsidiary of the Banco Montepio Group.

INCOME FROM DISCONTINUED OPERATIONS

In the first half of 2024, the value of the heading of Income from discontinued operations was zero, due to the deconsolidation of the stake held in the subsidiary Finibanco Angola, S.A. taking effect on 30 June 2023.

NON-CONTROLLING INTERESTS

Following the deconsolidation of the stake held in the subsidiary Finibanco Angola, S.A., and derecognition of the respective non-controlling interests, the heading did not record any value in the first half of 2024.

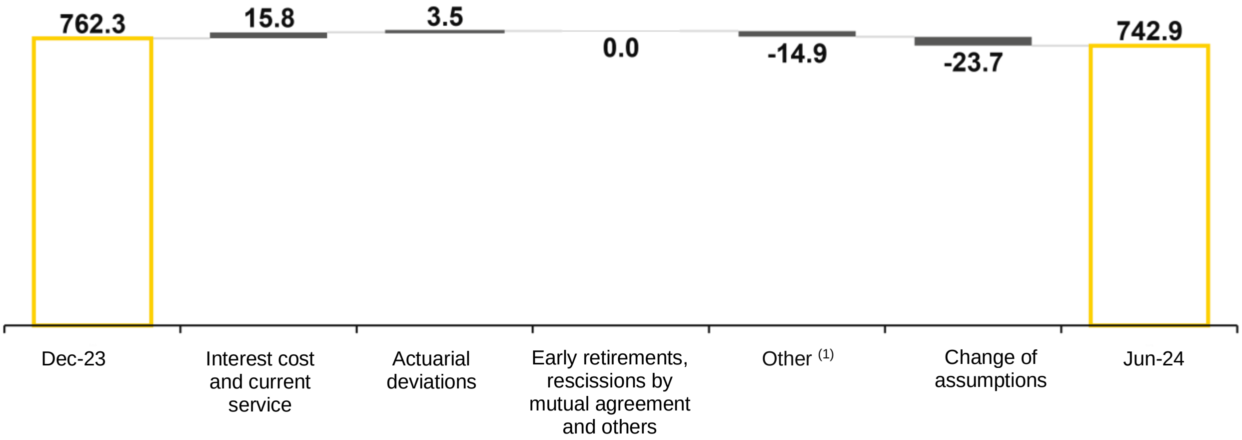
PENSION FUND

The liabilities related to post-employment and long-term benefits of employees amounted to 742.9 million euros as at 30 June 2024, compared to 762.3 million euros recorded as at 31 December 2023, showing a decrease of 19.4 million euros, which mainly reflects the effect of the change in actuarial assumptions, particularly those arising from the adjustment of the discount rate.

The evolution of the liabilities stemmed, on the one hand, from the increased cost of interest and current service by 15.8 million euros and the actuarial deviations by 3.5 million euros. On the other hand, the change in actuarial assumptions, primarily through the impact of the rise in the discount rate, and the Other component, which includes Pensions paid by the Fund, Pensions paid by Banco Montepio and the Contribution from participants, influenced the reduction in liabilities by 23.7 million euros and 14.9 million euros, respectively.

Evolution of pension liabilities

(€Mn)

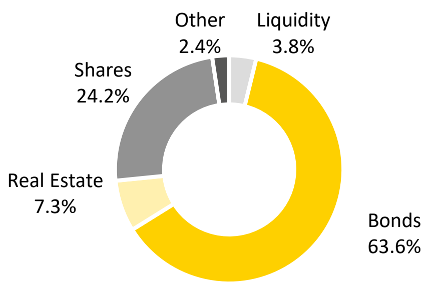


(1) Includes Pensions paid by the Fund, Pensions paid by Banco Montepio, Contribution from participants and others.

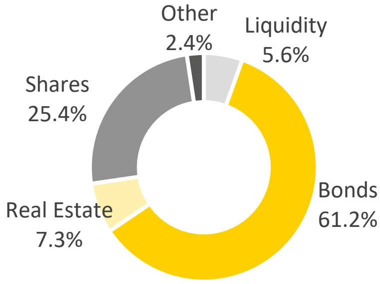
The value of the Pension Fund's assets amounted to 823.9 million euros as at 30 June 2024, compared to 812.7 million euros at the end of 2023 (+1.4%), and incorporates the favourable impact associated with the Pension Fund's return since the beginning of the year, which stood at 3.4%. The Pension Fund's assets continued to show a conservative distribution, with 60% of these assets invested in Bonds (63.6% as at 31 December 2023), in line with the investment policy and in compliance with the legal restrictions and limits for prudential diversification and dispersal.

Distribution of the pension fund asset portfolio

31 December 2023



30 June 2024



The evolution of the main Pension Fund indicators with reference to 31 December 2023 and 30 June 2024 is presented below, namely the liabilities, the value of the Pension Fund's assets and the respective funding levels.

Pension Fund

(million euros)

	Dec-23	Jun-24	Change Jun-24/Dec-23 Amount	%
Total liabilities	762.3	742.9	(19.4)	(2.5)
Minimum liabilities to be financed	746.4	727.5	(18.9)	(2.5)
Value of the Pension Fund's assets	812.7	823.9	11.2	1.4
Coverage:				
Minimum liabilities [(1)]	109.6%	113.9%	4.3 p.p.	
Total liabilities [(1)]	107.3%	111.6%	4.3 p.p.	

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

Banco Montepio's total liabilities were entirely funded, with a coverage level of 111.6% 30 June 2024 (107.3% as at 31 December 2023).

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 3.85% at 30 June 2024, from 3.60% at 31 December 2023, 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 30 June 2024, the average duration of the liabilities related to Bank Montepio Group employee pensions was 14.5 years (14.1 years as at 31 December 2023), including actively employed and pensioners.

The main actuarial assumptions used to determine liabilities as at 31 December 2023 and 30 June 2024 were those presented in the table below. This information is supplemented by the details in Note 48 to the consolidated financial statements of this report.

Actuarial assumptions

	Dec-23	Jun-24
Financial Assumptions		
Salary growth rate	3.0% in the first year, 2.0% in the second and 1.0% in subsequent years	3.0% in the first year, 2.0% in the second and 1.0% in subsequent years
Pension growth rate	2.5% in the first year, 1.5% in the second and 0.75% in subsequent years	2.5% in the first year, 1.5% in the second and 0.75% in subsequent years
Rate of return of the Fund	3.60%	3.85%
Discount rate	3.60%	3.85%
Revaluation rate	0.00%	0.00%
Salary growth rate - Social Security	1.50%	1.50%
Pension growth rate	1.25%	1.23%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial Valuation Methods [(1)]	UCP	UCP

(1) Projected Unit Credit method.

06. STRATEGY

1974

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

STRATEGY

Banco Montepio, transformation, normalisation, growth

TRANSFORMATION AND NORMALISATION CYCLE

The progress experienced at Banco Montepio is evident at diverse levels, with a turnaround having occurred in all spheres of activity, corresponding to a continuous and sustainable de-escalation of the risk profile, in a context of stability and enhancement of the robustness of the governance model, and the delivery (in some cases in advance) of the proposed milestones, which has, in fact, been acknowledged in an independent manner by the market, embodying the successful completion of the Adjustment Plan started in 2020[15].

Banco Montepio has evolved favourably in most of the indicators, presenting a MREL ratio of 25.3% (above the requirement of 23.5%, which will be enforced from 1 January 2025), capital ratios at record high levels (CET1 of 16.1% and Total capital of 19.4% on a fully implemented basis) and with significant surpluses in relation to the regulatory minimum requirements, robust liquidity indicators (LCR of 219.3% and NSFR of 135.4%), strong contraction of non-preforming assets (NPL ratio of 2.8% and weight of exposure to real estate risk in total net assets of 1.3%) and improved efficiency levels (cost-to-income of 50.5%, excluding specific impacts).

Reference is also made to the significant reduction of the NPL ratio, based on the implementation of a series initiatives to improve internal processes and the departure of the largest NPL, without significant entry of new defaults, arising from the improved credit quality generated over the last 4 years, which now stands within the normal market range.

At the same time, the process of organisational simplification has been pursued. Following the voluntary liquidation of Banco Montepio Geral Cabo Verde in 2022, the Banco Montepio Group finalised the sale of Finibanco Angola, S.A. in 2023. This had a positive impact on capital ratios and represented another important step in implementing the commitments made in the Adjustment Plan, particularly in simplifying the Group’s corporate structure and focusing on the domestic market.

In the domestic market, the entire shareholding in Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. was sold in 2022, with the transfer to Banco Montepio of the business of BEM having been completed in 2023. The integration of BEM's activity into Banco Montepio enabled capturing synergies and, at the same time, preserving and enhancing the integrated value proposition of commercial banking and investment banking. In September 2023, it was agreed the sale of 100% of BEM's share capital to the fintech RAUVA Enterprises, S.A., accomplishing yet another step in the Group’s simplification. Also, the dissolution and liquidation of Montepio Gestão de Activos Imobiliários, ACE (MGAI) was completed in May 2024, with the internalisation of real estate management skills through the creation of an in-house real estate and assets division. Special reference is also made to the continuity of the plan to streamline the operating structure, with the closing of 104 branches and the staff reduction in domestic activity by 690 employees since the end of 2019.

Banco Montepio’s evolution is inscribed in a framework of normalisation, with the recorded progress having been acknowledged by the three rating agencies that assess the institution, with upgrades of 3 levels by Moody's and DBRS, and 4 levels by Fitch, in a period of just a year and a half.

GROWTH CYCLE

Having closed the transformation and normalisation cycle, Banco Montepio embarked on a new cycle focused on growth, and adopted a strategic evolution model for the three-year period 2024-2026 based on 5 key lines, approved at the General Meeting of Shareholders: **(I) Growth of business and market share; (II) Accelerated digitalisation of the new business model; (III) Convergence towards average market**

[15] Adjustment Plan launched in 2020, based on 4 strategic pillars: (i) maximisation of operating income; (ii) digital transformation and operational optimisation; (iii) capital preservation; and (iv) simplification and governance of the Group.

profitability; (IV) Simplification of the Bank and its interaction with customers; and V) enhancement of the brand, reputation and talent.

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

I **Growth of business and market share** concentrates on ensuring greater relevance in key segments, strengthening the customer base and consequent ambition to increase market shares in mortgage loans, consumer credit and loans to companies. This strategy is focused on increasing the level of equipment in core growth areas, with Banco Montepio pursuing the role of distribution anchor of the Montepio Group entities, combined with reinforcement of the distribution capacity and generation of a complementary margin by fostering partnerships, and at the same time, promoting an integrated ESG vision and leveraging the Group's mutualist nature.

II The **accelerated digitalisation of the new business model** line aims to evolve in service capacity and delivery of an omnichannel experience, using Artificial Intelligence (AI) and Generative AI tools, by expanding the functional coverage of the different App/Home Banking resources for customers, accelerating the transformation of the contact centre, broadening the channels for customer service for remote managers, boosting marketing capacities and, complementing the above, starting a plan to upgrade the physical spaces of branches and central services. In another sphere, it also involves the review and automation of key days, critical for the acceleration of business and improvement of the end-user's experience.

III The third sphere of action foresees a **progressive convergence towards the average market profitability**, by spurring productivity and efficiency, combining simplicity and digitalisation, with the implementation of ongoing dynamics of detection and exploration of opportunities for efficiency gains. While, on the one hand, digital transformation opens doors to tactical and one-off opportunities in headcount and the branch network, accompanying the market trend, on the other hand, a strengthening of the investment level is expected to materialise and accelerate transformation in the new cycle. In the final analysis, Banco Montepio expects to achieve cost-to-income, ROE, and ROA ratios in 2026 that are in line with the range of national benchmarks.

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

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

07. RISK

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

RISK

RISK MANAGEMENT

The Banco Montepio Group's risk management framework includes series of policies, procedures, limits and controls that enable the appropriate and integrated identification, measurement, assessment, monitoring, mitigation and reporting of the risks derived from the activities developed in the different business lines and entities.

Main elements supporting the Banco Montepio Group's risk management framework

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

Risk management falls under the overall strategy, embodied in the definition of risk appetite in its various dimensions, both in consolidated and individual terms for the entities comprising the Banco Montepio 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 supervisory bodies and internal control functions;
- Normative compliance: respect for the legal and regulatory provisions of prudential or performance-related nature, as well as compliance with Banco Montepio's own internal rules and with the professional and ethical rules, practices and codes of conduct endorsed by Banco Montepio.

The adopted governance follows the model with three lines of defence.

Model of three lines of defence

1st 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.
2nd 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.
3rd 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 particularly ensures the timely and continuous identification of any flaws whose resolution contributes to strengthen the internal control system.

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

- The monitoring is made through control actions and evaluations, implemented by the risk management and compliance functions within the scope of their activities;
- The internal audit function carries out autonomous and periodic assessments, with its own resources or through subcontracting coordinated and supervised by the latter, with a view to ensuring the alignment, throughout the Group, of internal auditing practices, compliance with professional and regulatory requirements;
- All Banco Montepio employees, at the most varied hierarchical levels, participate in control actions, namely through the execution of procedures to review the tasks performed and in the fulfilment of their daily responsibilities;
- The Board of Directors acts at the highest level, on the internal governance structure, the organisational culture, the main business areas and the evolution of the institution's overall objectives, following-up the internal and external changes that could compromise the execution of the defined strategy and objectives;
- The Audit Committee monitors the internal control system and monitors, in particular, the process of remedying the respective deficiencies;

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

The Internal Control Office (GCI), in close articulation with the internal control function, ensures the integrated monitoring of the internal control framework, particularly involving follow-up of the resolution of shortcomings – detected by the control functions, external auditors and supervisors – the respective mitigating measures and action plans for their accomplishment, encouraging their implementation with the owners of the measures considering all the entities of the Banco Montepio Group.

INTERNAL CONTROL FUNCTIONS

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

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

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

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

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

Main developments under the risk management function that place in the first half of 2024

- Development of new rating models (under implementation phase);
- Continued strengthening and improvement of the risk management information system and reports produced, including enhancement of the robustness of the processes for reporting capital and liquidity risk and for calculating and reporting interest rate risk, pursuant to Banco de Portugal Instruction No. 34/2018 and most recent EBA guidelines;
- Self-assessment of the gaps in internal processes and methodologies in the light of the regulatory requirements in the field of digital operational resilience issued in the Digital Operational Resilience of Financial Services Act (DORA) approved by the European Commission at the end of 2022;
- Updating and review of internal regulations on the various processes related to risk management;
- Regular monitoring of the bank's risk taxonomy, as well as the process of identifying material risks;
- Participation in the European Central Bank exercises called "Quantitative impact study - QIS", aimed at estimating, and anticipating, the impacts associated with the current Capital Requirements Regulation (CRR III) on the solvency of financial institutions;

- Consolidation of the use of the Montepio Integrated Operational Risk Management (MGIRO) application, by all areas of the Bank, to support operational risk management in all its phases;
- Consolidation of the implementation of the framework for the management of climate risks and other ESG risk factors (ongoing);
- Development of a portal to receive company information concerning ESG risk in partnership with other banks and with SIBS ownership;
- Strengthening of the regulations, internal processes and methodologies supporting the Bank's solvability under the regulatory requirements inherent in compliance with the European Directive on the resolution of credit institutions;
- Participation in the cyber stress test exercise developed by Banco de Portugal;
- Review of the Bank's business continuity plan;
- Mapping of the risks, vulnerabilities and threats related to cybersecurity and taking out insurance to mitigate this risk.

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

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

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

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

Main developments under the compliance function in the first half of 2024

- Drafting of the Annual Activity Plan of the Compliance Function, incorporating, in addition to the recurring activities, other actions that directly address the function's mission, the Bank's goals and activities derived from the exercise of independent assessment of the compliance function;
- Drafting of the annual training plan for all Compliance Function employees;
- Strengthening of the screening applications, completion of the implementation of the new customer risk model in the context of anti-money laundering and countering the financing of terrorism, and conduct of the exercise of calibration of new scenarios to generate warnings in the application of transaction monitoring, reflected in greater effectiveness in the management of the risk of financial crime;

- Start of the project to review the Code of Conduct and implementation of a series of initiatives, with a view to fostering an organisational culture of compliance in line with Banco Montepio’s values and principles and with the legal and regulatory requirements applicable to the activity pursued;
- Review of the Policy on Communication of Irregularities (whistleblowing), the Policy on Transactions with Related Parties, and the Policy on complex structures and unconventional or non-transparent activities;
- Support to the development of the new model for assessing the suitability of operations and the framework of the target market of investment funds, as well as the strengthening of controls on the marketing of investment funds;
- Review of the Organic Statute and Regulation of the Compliance Function, in particular the creation of the Compliance Analytics Division;
- Continuous compliance monitoring actions in line with the approved Monitoring Plan, specifically on the compliance risk associated with the handling of complaints, the marketing of mutualist products and investment funds, supervision of the depositary function, control of transactions with related parties, the product governance process, non-compliance with the Code of Conduct and control of regulatory reporting.

In turn, the Banco Montepio Group’s internal audit function is carried out by the Audit and Inspection Division (DAI), which conducts the corporate function, within the scope of the common services regime, by functionally coordinating the audit function of the subsidiaries aimed at ensuring the alignment of practices and procedures at the Group level, performing its duties in an independent and objective manner. In this context, the DAI reports functionally to the Board of Directors and the Audit Committee, and reports hierarchically to the Chairman of the Board of Directors.

In terms of its mission, the internal audit function assists the Banco Montepio Group in meeting its objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes, with a view to adding value.

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

The 2024 Audit Plan, approved by the Banco Montepio Group’s Board of Directors, with a favourable opinion from the Audit Committee, covers regulatory activities, business processes, risk management and continuous monitoring of the identified shortcomings.

Risk Appetite Framework (RAF)

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

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

RISK MANAGEMENT GOVERNANCE MODEL

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

In Banco Montepio's current internal governance model, the head of the Risk Division reports hierarchically to the member of the Executive Committee responsible for risk, and there is also functional reporting to the

Risk Committee (made up exclusively of non-executive directors), the Audit Committee, as Banco Montepio's supervisory body, and the Board of Directors.

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

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

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

Audit Committee

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

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

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

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

The Cybersecurity Commission (COMCIBER) holds quarterly meetings and is responsible for the definition and follow-up of cybersecurity (information security) management goals, aligned with business requirements, stakeholder requirements and expectations, and relevant laws and regulations, and for the follow-up of the implementation and continuous improvement of the information security management system. It also deliberates on management matters, definition of requirements and adoption of policies and procedures on information security.

The Business Continuity Commission (CCN) holds six-monthly meetings and is responsible for ensuring the comprehensiveness and ongoing updating of the Business Continuity Plan (PCN), and whenever applicable, proposing improvements in the detection, assessment and recovery processes with a view to the ongoing improvement of incident management and its associated internal control framework.

Risk Division (DRI)

The Risk Division 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 committees to support the Board of Directors and the Executive Committee.

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

The following have also been set up: the Impairment Commission (COMIMP), the Non-Performing Assets Monitoring Commission (COMAANP), the Business Commission (COMNEG), the Pension Fund Monitoring Commission (COMAFP), the Technology Commission (COMTECH), the Internal Control Commission (COMCI), the Cybersecurity Commission (COMCIBER), the Data Committee (COMDATA); the Sustainability Commission (COMSESG), in which the Risk Division participates, as well as the Business Continuity Commission (COMCN) and the Solvability Commission (CRES), in which this division performs secretarial duties.

Subsidiary Companies

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

Independent Model Validation

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

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

During the first half of 2024, the Model Validation Office completed a series of validation procedures, particularly the periodic validation of the models, methodologies and results of the ICAAP and ILAAP processes, the validation of the Corporate Rating models, and the validation of the calibration of the mortgage loan performance scoring model.

The Model Validation Office also drafted the annual report on model risk (including control of the inventory of models and the updating of the models' risk tiers), monitored the implementation of recommendations with model owners, analysed rating model overrides with the respective four-monthly reports, and monitored model risk limits.

Information Management

Banco Montepio strengthened the data governance dynamics in the first half of 2024, under the leadership of the Data and Analytics Division (DDA) and alignment with the DAMA-DMBOK framework (DAMA International Guide to Data Management Body of Knowledge) and BCBS 239 principles (Principles of effective risk data aggregation and risk reporting).

The governance operative model is being adopted progressively at Banco Montepio according to the maturity of the organic units, giving priority, throughout the first half of 2024, to the regulatory framework and scope of special audit of data quality promoted by Banco de Portugal.

In addition to the technological implementation to centralise the information on data assets and their business context, capacity-building sessions were fostered in governance literacy for all the Bank's employees and for training employees with specific governance functions (lines of defence), benefiting more than 12 organic units and 16 data initiatives. The areas' commitment has been evident, which has led to the consolidation of the business glossary and centralised data inventory, and the implementation of a robust data quality control and monitoring process.

In view of the business and regulatory requirements, Banco Montepio has an activity plan with practical actions for the ongoing improvement of the Governance and Data Quality dimensions to maximise the value of corporate information, increase operational efficiency and strengthen risk management and identification.

CREDIT RISK

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

During the first half of 2024, the Bank continued to review its credit risk management models and policies, keeping up with changes in the regulatory framework, guidelines issued by national and European supervisors and regulators and best market practices.

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

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

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

As part of the monitoring of the evolution of the customer's risk profile, the Bank has a classification framework (Early Warning Systems) used by the commercial, credit analysis and credit recovery areas, with the aim of identifying early signs of possible difficulties in meeting their financial plans and thus defining the best strategies with customers to mitigate the risk of default.

As at 30 June 2024, the weight of non-performing exposures (NPL) measured based on the heading of Loans to customers (gross) decreased by 0.4 p.p. in relation to 31 December 2023, to stand at 2.8%. This evolution was driven by the positive effect of the reduction of non-performing exposures by 50.1 million euros (-13.2%) and the growth in performing loans by 193 million euros (+1.7%).

The amount of total impairments for credit risk reached 238 million euros as at 30 June 2024, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 202.5%. Furthermore, the coverage of NPL by Impairments at stage 3 stood at 43.2%, while the coverage by total impairment on the balance sheet stood at 72.2%, and, when considering the associated collateral and financial guarantees, at 113.4%.

Credit quality indicators

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CREDIT CONCENTRATION RISK

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

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

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

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

MARKET RISK

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

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

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

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

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

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

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

A summary of the VaR indicators in June 2024 and December 2023 is presented below, where it is highlighted that in the first half year of 2024 there continues to be a percentage drop in the VaR of the banking and trading books, in a scenario of greater financial stability at a global level.

VaR indicators [1]

	Jun-24		Dec-23	
	Banking Book	Trading Portfolio	Banking Book	Trading Portfolio
Market VaR [1] [2]	**1.18%**	**1.99%**	**1.37%**	**2.15%**
Interest Rate Risk	1.12%	2.19%	1.19%	0.56%
Exchange Rate Risk	0.08%	0.42%	0.07%	0.72%
Price Risk	0.01%	1.15%	0.01%	1.39%
Credit risk (spread)	0.71%	0.53%	0.40%	0.11%
Commodity Risk	0.00%	0.06%	0.00%	0.50%

(1) 10-day time horizon and 99% significance level; Percentage of total portfolio assets for VaR calculation.

(2) Includes diversification effect.

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

EXCHANGE RATE RISK

Concerning the exchange rate risk of the banking book, in general, the different resources captured in different currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the investments and resources. The Banco Montepio Group's current foreign exchange exposure in consolidated terms fell compared to the previous year, essentially after the sale of the stake in Finibanco Angola, and results mainly from the positions in kwanza relating to Montepio Holding's deposits in that Angolan financial institution.

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

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

INTEREST RATE RISK IN THE BANKING BOOK

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

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

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

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

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

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

LIQUIDITY RISK

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

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

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

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

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

Liquidity position gaps in June 2024

(million euros)

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated mismatches	5 669	5 671	5 659	4 895	4 821

Customer resources constitute the main source of funding, accounting for 86.1% of total funding sources in June 2024.

Breakdown of liabilities as at 30 June 2024

Liabilities	%
Resources from central banks	0.0%
Resources from other credit institutions	4.7%
Resources from customers	86.1%
Debt securities issued	5.8%
Other liabilities	3.4%
Total	**100.0%**

The Liquidity Coverage Ratio (LCR) reached 219.3% in June of 2024, comfortably above the minimum requirement of 100%. Also noteworthy is the strengthening of the commercial gap with the loan-to-deposit ratio, considering Net loans to customers and Customer deposits, standing at less than 100%.

The Net Stable Funding Ratio (NSFR) stood at 135.4% in June 2024, also with a significant buffer compared to the minimum requirement of 100%.

REAL ESTATE RISK

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

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

In the first half of 2024, the Banco Montepio Group's accounting exposure, net of impairment, to real estate risk, in the components described above, fell by around 32.3 million euros, from 307.2 million euros at the end of 2023 to 274.9 million euros as at 30 June 2024. The net book value of real estate on the consolidated balance sheet (which includes the Banco Montepio Group's real estate funds, that are fully consolidated) amounted to 230 million euros, corresponding to a ratio of less than 1.5% of net assets. It should be noted that in prudential terms, the Group has been allocating additional capital to cover the risk of the properties recorded in the consolidated balance sheet, giving rise to exposure at risk of 169 million euros, representing a weight of 11% of own funds (compared to 16% in December 2023).

PENSION FUND RISK

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

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

As at 30 June 2024, the Pension Fund's accumulated negative actuarial deviations stood at 22.5 million euros, denoting the positive effect of the increased discount rate from 3.60% in 2023 to 3.85% in June 2024, although the coverage of total liabilities by assets, reflected in a funding ratio of 111%, largely mitigated the impact on capital ratios.

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 applies the standard method for quantifying its own funds requirements for operational risk, supported by an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

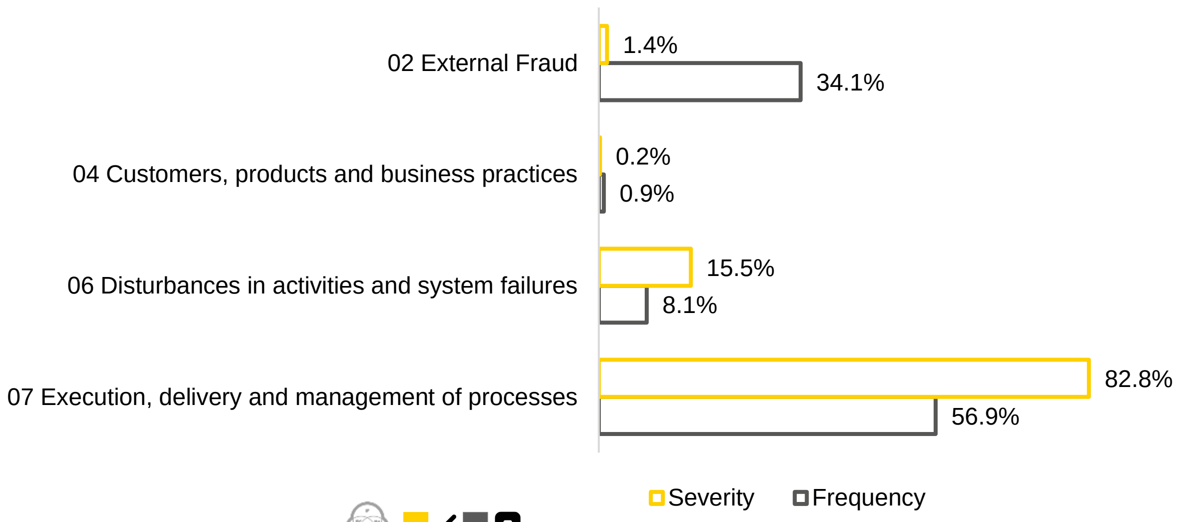
The implemented operational risk management model follows the principle of the 3 lines of defence, in line with the internal control system.

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

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

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

Operational Risk Typologies by Frequency and Severity June 2024



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, enabling the identification of the potential exposure of each body/organic unit to the operational risk, determination of its risk profile and prioritisation of any mitigation actions.

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

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

Business Continuity Management

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

The Business Continuity Committee (BCC) is the Executive Committee's delegated committee that provides support in matters relating to, in particular, ensuring the completeness and continuous updating of the Business Continuity Plan (BCP), approving disaster and recovery scenarios, and having an overview of incidents and events, with a view to identifying risk trends and patterns in order to propose or change preventive action controls.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RISK

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

Within the scope of this risk management, the Risk Division ensures the identification, measurement, evaluation, management, monitoring and communication of information and communication technology and security risk events. Taking into account the ongoing digital transformation and the increase in Banco Montepio's technological dependence, as well as the increase in cyber-attacks in Portugal and around the world, Banco Montepio has created a Cybersecurity Office, in order to centralise and focus teams on implementing a framework of processes for mitigating security events, as well as defining and implementing an action plan whenever they occur. This office is in direct contact with the Risk Division in terms of managing and monitoring security risk.

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

ESG RISKS

ESG risks are based on the assessment of environmental, social and governmental components. Environmental risks ("Climate and Environmental Risk via Physical Risk" and "Climate Risk via Transition Risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. Social and Governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

The activity of the ESG Risk Management Centre started in 2023, endowed with exclusively dedicated employees.

As part of ESG risk management, Banco Montepio has contracted an ESG data platform, together with ESG scores for an SME portfolio. These ESG scores are currently integrated into the enterprise risk assessment system (MARE) and databases (SAS). These scores constitute a key element in decision-making. In order to better control ESG risk, Banco Montepio has developed an internal report characterising the SME portfolio by ESG risk class, considering the scores mentioned above.

The first half of 2024 was characterised by the dissemination of the Market Discipline qualitative and quantitative models, and calculation of the Ecological Asset Ratio for the first time. As in previous editions, physical risks associated with the banking book are reported, using a specific methodology based on the location of the loans. More details can be found in the Market Discipline document.

In terms of quantifying climate risks, stands out the limit for the Top 7 GHG Emissions sectors in Banco Montepio's Risk Appetite Statement (RAS). The Risk Appetite Statement also presents other indicators, such as the average ESG score of the SME portfolio.

Banco Montepio’s ICAAP exercise includes a transition risk stress test which assesses the impact on the banking book of a shock in the price of carbon of 100 dollars.

The Bank currently also includes climate factors in its Market Risk Report, with investments in Green Bonds being controlled, as well as the investment portfolio’s exposures to more carbon-intensive sectors.

In order to support the management and monitoring of ESG risks in the first lines of defence, the Sustainability Office is responsible for coordinating the end-to-end implementation of the sustainability strategy. As noted in previous reports, there is a Sustainability Commission (COMSESG) emanating from the Executive Committee, whose main mission is to appraise, debate, implement and monitor the strategy and internal policies on sustainability, sustainable finance, ESG and social responsibility.

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 Group’s solvency and the assessment of the adequacy of internal capital.

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

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

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

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

STRESS TESTS

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

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

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

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

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

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

The mechanisms and tools used during the stress tests supported 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

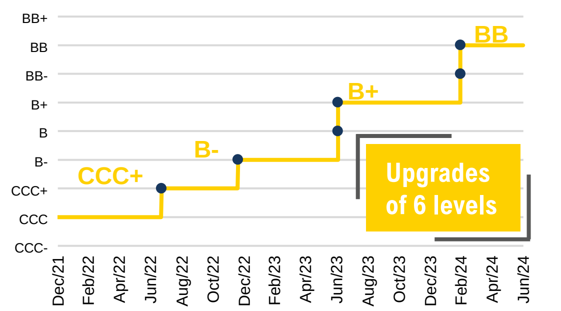
In February 2024, Fitch upgraded Banco Montepio's senior unsecured debt to BB, the second consecutive upgrade in eight months, amounting to a total of four levels. The following long-term ratings were also revised upwards: (i) Long-term deposits to BB+; Issuer's intrinsic rating to bb; Long-term rating (LT IDR) to BB, with Stable Outlook; Non-preferred senior debt to BB-; and Subordinated debt to B+. Fitch then upgraded Banco Montepio's Covered Bonds by one notch to AAA, the highest level in the investment grade category.

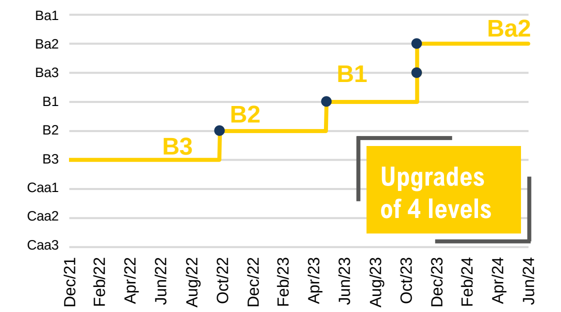
The risk ratings assigned to Banco Montepio with reference to 30 June 2024 and 30 June 2023 are shown in the following table.

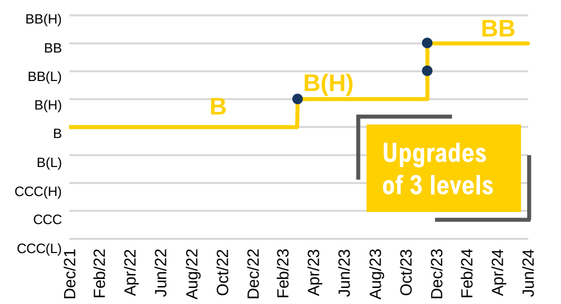
The successive upgrades occurred since June 2022 reflect the external acknowledgement of Banco Montepio's excellent trajectory, which improved its profitability, reduced non-performing and non-strategic assets, and strengthened its capital ratios, by successfully implementing digital transition and operational optimisation measures.

Branch	Financial instrument	30/Jun/23	30/Jun/224
Fitch Ratings	Covered Bonds (CTP)[1]	AA	**AAA**
	Long-term[2]	B	**BB**
	Customer deposits	B+	**BB+**
	Outlook	Positive	**Stable**
Moody's	Covered Bonds (CTP)[1]	Aa2	**Aaa**
	Long-term[2]	B1	**Ba2**
	Customer deposits	Ba2	**Baa3**
	Outlook	Positive	**Stable**
DBRS	Covered Bonds (CTP)[1]	B (high)	**BB**
	Customer deposits	BB (low)	**BB (high)**
	Outlook	Stable	**Stable**

Senior unsecured debt rating







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

(2) Long-term Senior Preferred Debt rating by Fitch, Senior Unsecured Debt rating by Moody's and Long-term Senior Debt rating by DBRS.

08. REGULATORY INFORMATION

1998

We were already 154 years old when Expo 98 showed that we were capable of making the world look at Portugal. To the 10 million people who visited us, we added a set of infrastructures that enriched, culturally and architecturally, that area of the city.

CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Interim Condensed Consolidated Balance Sheet on 30 June 2024 and 31 December 2023

(Euro thousand)

	Jun 2024	Dec 2023
Assets		
Cash and deposits at central banks	1 662 990	1 171 398
Loans and deposits to credit institutions payable on demand	46 411	61 041
Other loans and advances to credit institutions	147 840	178 902
Loans and advances to customers	11 638 545	11 453 259
Financial assets held for trading	29 468	18 970
Financial assets at fair value through profit or loss	114 940	128 228
Financial assets at fair value through other comprehensive income	328 749	48 100
Hedging derivatives	10 865	6 174
Other financial assets at amortized cost	3 173 224	3 878 848
Investments in associated companies	3 673	4 702
Non-current assets held for sale	74	74
Investment properties	52 159	57 665
Other tangible assets	193 226	195 400
Intangible assets	60 322	57 744
Current tax assets	1 090	1 568
Deferred tax assets	343 646	381 062
Other assets	362 219	346 320
Total Assets	18 169 441	17 989 455
Liabilities		
Deposits from central banks	-	873 933
Deposits from other credit institutions	778 036	909 426
Deposits from customers	14 212 181	13 366 408
Debt securities issued	952 280	730 045
Financial liabilities held for trading	12 859	12 636
Hedging derivatives	2 406	3 525
Provisions	17 176	20 830
Current tax liabilities	1 764	1 661
Other subordinated debt	257 545	217 019
Other liabilities	275 347	287 501
Total Liabilities	16 509 594	16 422 984
Equity		
Share capital	1 210 000	1 210 000
Legal reserve	207 487	196 833
Fair value reserves	6 105	6 792
Other reserves and Retained earnings	167 519	124 480
Consolidated net income for the period attributable to the shareholder	68 736	28 366
Total Equity	1 659 847	1 566 471
Total Liabilities and Equity	18 169 441	17 989 455

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Banco Montepio

Interim Condensed Consolidated Income Statement
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Jun 2024	Jun 2023
Interest and similar income	351 312	262 774
Interest and similar expense	152 752	68 425
Net interest income	198 560	194 349
Dividends from equity instruments	494	807
Net fee and commission income	63 072	65 336
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(972)	4 567
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	-	55
Net gains/(losses) arising from exchange differences	976	(20 135)
Net gains/(losses) arising from sale of other financial assets	5 679	5 594
Other operating income/(expense)	(12 735)	(20 942)
Total operating income	255 074	229 631
Staff costs	77 439	77 343
General and administrative expenses	34 585	31 406
Depreciation and amortization	21 617	18 015
Total operating cost	133 641	126 764
Impairment of loans and advances to customers and to credit institutions	7 272	8 432
Impairment of other financial assets	942	1 674
Impairment of other assets	7 922	9 699
Other provisions	(2 376)	(4 246)
Operating income	107 673	87 308
Share of profits/(losses) booked under the equity method	(334)	(209)
Profit/(loss) before income tax	107 339	87 099
Income Tax		
Current	(886)	2 751
Deferred	(37 717)	(34 000)
Profit/ (loss) after income tax from continuing operations	68 736	55 850
Profit/ (loss) from discontinued operations	-	(102 358)
Consolidated net income after income tax	68 736	(46 508)
Consolidated net income for the period attributable		
to the shareholders	68 736	(48 250)
Non-controlling Interests	-	1 742
Consolidated net profit/ (loss) for the period	68 736	(46 508)
Earnings per share (in Euro)		
From continuing operations		
Basic	0.0284	0.0231
Diluted	0.0284	0.0231
From discontinued operations		
Basic	-	(0.0430)
Diluted	-	(0.0430)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

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 first half 2024 financial information, with references to the various chapters of this Report.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

Definition	Sum of the items ‘Financial assets held for trading’, ‘Financial assets at fair value through other comprehensive income’, ‘Other financial assets at amortised cost’, and ‘Financial assets at fair value through profit or loss’.
Relevance	Assess the relative weight of this item from an assets’ structure perspective.
Reference to FSNO	(notes 22, 23, 24, 26)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Financial assets held for trading	85 705	18 970	29 468
(b)	Financial assets at fair value through other comprehensive income	85 707	48 100	328 749
(c)	Other financial assets at amortised cost	4 123 419	3 878 848	3 173 224
(d)	Financial assets at fair value through profit or loss*	146 446	128 228	114 940
(e)	Securities portfolio and other financial assets* (a +b +c +d)	4 441277	4 074 146	3 646 381
(f)	Total net assets	18 093 738	17 989 455	18 169 441
	% Securities portfolio and other financial assets (e / f)	**24.5%**	**22.6%**	**20.1%**

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

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	(notes 18, 19, 20, 21, 22, 23, 24, 26)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Total net assets	18 093 738	17 989 455	18 169 441
(b)	Cash and deposits at central banks and loans and advances to credit institutions	926 091	1411341	1857 241
(c)	Net loans to customers	11556 384	11453 259	11638 545
(d)	Financial assets held for trading	85 705	18 970	29 468
(e)	Financial assets at fair value through other comprehensive income	85 707	48 100	328 749
(f)	Other financial assets at amortised cost	4 123 419	3 878 848	3 173 224
(g)	Financial assets at fair value through profit or loss	146 446	128 228	114 940
(h)	Other investments (a - b - c - d - e - f - g)	1169 986	1050 709	1027 274
	% of Other investments (h / a)	**6.5%**	**5.8%**	**5.7%**

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	(notes 37, 39)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Debt securities issued	562 618	730 045	952 280
(b)	Other subordinated debt	211301	217 019	257 545
(c)	Debt issued (a +b)	773 919	947 064	1209 825
(d)	Total liabilities	16 552 871	16 422 984	16 509 594
	% of Debt issued (c / d)	**4.7%**	**5.8%**	**7.3%**

COMPLEMENTARY RESOURCES

Definition	Total liabilities excluding 'Central bank resources and OCI, 'Customer resources', 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item compared to Customer resources and Debt issued from a funding structure perspective.
Reference to FSNO	(notes 34, 35, 36, 37, 39)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Total liabilities	16 552 871	16 422 984	16 509 594
(b)	Central bank resources and OCI	2 609 645	1 783 359	778 036
(c)	Customer resources	12 866 536	13 366 408	14 212 181
(d)	Debt securities issued	562 618	730 045	952 280
(e)	Other subordinated debt	211 301	217 019	257 545
(f)	Complementary resources (a - b - c - d - e)	302 771	326 153	309 551
	% of Complementary resources (f / a)	**1.8%**	**2.0%**	**1.9%**

OFF-BALANCE SHEET RESOURCES

Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers resources. Excluding securities investment funds and real estate investment funds included in the Bank's own portfolio.
Relevance	Contribute to the analysis of the evolution of Total customers resources.
Reference to FSNO	(note 49)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Securities investment funds	197 898	300 641	337 553
(b)	Real estate investment funds	686 549	744 785	714 465
(c)	Pension funds	285 472	301 454	305 338
(d)	Capitalization Insurance	26 638	23 235	21 542
	Off-balance sheet resources (a + b + c + d)	**312 110**	**324 689**	**326 880**

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)

		Jun-23	Dec-23	Jun-24
(a)	Interest received from loans to customers	243 293	545 820	315 835
(b)	Interest paid on customers' deposits	22 207	83 677	103 623
	Commercial net interest income (a - b)	**221 086**	**462 143**	**212 212**

OPERATING COSTS

Definition	Sum of Commercial net interest income and Net fees and commissions, subtracted by Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	(notes 10, 11, 12)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Staff costs	77 343	153 727	77 439
(b)	General and administrative expenses	31406	64 154	34 582
(c)	Depreciation and amortisation	18 015	37 915	21617
	Operating costs (a + b + c)	**126 764**	**255 796**	**133 639**

RESULTS FROM THE COMMERCIAL ACTIVITY

Definition	Sum of Commercial net interest income and Net fees and commissions, subtracted by Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	(notes 2, 4, 10, 11, 12)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Commercial net interest income	221086	462 143	212 422
(b)	Net commissions	65 336	126 960	63 071
(c)	Operating costs	126 764	255 796	133 639
	Results from the commercial activity (a + b - c)	**159 658**	**333 307**	**141 854**

RATIOS

LOAN-TO-DEPOSIT RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMER RESOURCES

Definition	Percentage of Net loans to customers funded by the total amount of On-balance sheet resources from customers.
Relevance	Assess the leverage degree of the banking activity through the relationship between Funds raised with customers and Loans granted to customers.
Reference to FSNO	(notes 21, 36, 37)
Components and calculus	

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Net loans to customers	11 556 384	11 453 259	11 638 545
(b)	Customer resources	12 866 536	13 366 408	14 212 181
(c)	Debt securities issued	562 618	730 045	952 280
	Net loans to customers / On-balance sheet customer resources (a / (b + c))	**86.1%**	**81.2%**	**76.7%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Reference to FSNO	(notes 5, 6, 7, 8, 9, 10, 11, 12)
Components and calculus	

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Total operating income	229 631	503 883	255 074
(b)	Results from financial operations (i + ii + iii)	(15 513)	(26 453)	4
(i)	Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	4 567	(6 324)	(972)
(ii)	Net gains / (losses) from financial assets at fair value through other comprehensive income	55	137	0
(iii)	Net gains / (losses) from foreign exchange differences	(20 135)	(20 266)	976
(c)	Other income (iv + v)	(15 348)	(5 603)	(7 056)
(iv)	Net gains / (losses) arising from the sale of other financial assets	5 594	11 710	5 679
(v)	Other operating income / (expenses)	(20 942)	(17 313)	(12 735)
(d)	Operating costs, excluding specific impacts [1)]	121 273	247 548	132 407
	Cost-to-Income, excluding specific impacts ((d) / (a - b - c))	**46.6%**	**46.2%**	**50.5%**

1) Excluding the amount related to staff costs generated by the operational adjustment measures of €5.5m in Jun-23 and €8.2m in Dec-23 and one-off costs of €1.2m in Jun-24 related to early retirements and terminations by mutual agreement.

COST OF CREDIT RISK

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairment in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FSNO	(notes 13, 21)

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Impairment of loans and advances to customers and to credit institutions (annualized[1])	17 004	49 623	14 624
(b)	Average gross loans to customers[2]	11 981 645	11 890 543	11 862 793
	Cost of credit risk (a / b)	**0.1%**	**0.4%**	**0.1%**

1) Annualized values considering the total number of days elapsed and total days of the year.
2) Average balance for period.

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS

Definition	Ratio that assesses the quality of the loan portfolio.
Relevance	Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Loans and interest overdue by more than 90 days	198 171	172 732	117 566
(b)	Gross loans to customers	11 874 977	11 734 214	11 876 613
	Ratio of loans and interest overdue by more than 90 days (a / b)	**1.7%**	**1.5%**	**1.0%**

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)

		Jun-23	Dec-23	Jun-24
(a)	Impairment for credit risk (balance sheet)	318 593	280 955	238 068
(b)	Loans and interest overdue by more than 90 days	198 171	172 732	117 566
	Coverage of loans and interest overdue by more than 90 days (a / b)	**160.8%**	**162.7%**	**202.5%**

NPL RATIO (*NON-PERFORMING LOANS* / GROSS LOANS TO CUSTOMERS)

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing loans (NPL - non-performing loans, according to the EBA definition) in relation to the total customer loans portfolio.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Stock of Non-performing exposures	531 343	380 069	329 962
(b)	Gross loans to customers	11 874 977	11 734 214	11 876 613
	Non-performing exposures / Gross loans to customers (a / b)	**4.5%**	**3.2%**	**2.8%**

NON-PERFORMING LOANS COVERAGE BY TOTAL IMPAIRMENT FOR BALANCE SHEET LOANS

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the balance of non-performing loans (NPL, according to the EBA definition).
Relevance	Assess the institution’s capacity to absorb potential losses arising from the NPL portfolio.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Impairment for credit risk (balance sheet)	318 593	280 955	238 068
(b)	Stock of Non-performing exposures	531 343	380 069	329 962
	Coverage of Non-performing exposures by Impairment for credit risk (a / b)	**60.0%**	**73.9%**	**72.2%**

NON-PERFORMING LOANS COVERAGE BY IMPAIRMENT FOR STAGE 3 LOANS

Definition	Ratio that measures the proportion of impairment for stage 3 loans in relation to the balance of non-performing loans (NPL, according to the EBA definition).
Relevance	Assess the institution’s capacity to absorb potential losses arising from the NPL portfolio.
Reference to FSNO	(note 53)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Impairment for loans in stage 3	228 555	174 417	142 463
(b)	Stock of Non-performing exposures	531 343	380 069	329 962
	Coverage of Non-performing exposures by Impairment for loans in stage 3 (a / b)	**43.0%**	**45.9%**	**43.2%**

NON-PERFORMING LOANS COVERAGE BY TOTAL IMPAIRMENT FOR BALANCE SHEET LOANS AND ASSOCIATED COLLATERALS AND FINANCIAL GUARANTEES

Definition	Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing loans (NPL, according to EBA's definition).
Relevance	Assess the institution's capacity to absorb the potential losses arising from the NPL portfolio.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Impairment for credit risk (balance sheet)	318 593	280 955	238 068
(b)	Associated collaterals and financial guarantees	248 318	156 405	136 125
(c)	Stock of Non-performing exposures	531 343	380 069	329 962
	Coverage of Non-performing exposures by Impairment for credit risk and associated collaterals and financial guarantees ((a + b) / c)	**106.7%**	**115.1%**	**113.4%**

FORBORNE EXPOSURES / GROSS CUSTOMER LOANS

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio.
Reference to FSNO	(note 21)

Components and calculus

(thousand euros)

		Jun-23	Dec-23	Jun-24
(a)	Stock of Forborne exposures	430 450	326 323	224 353
(b)	Gross customer loans	11 874 977	11 734 214	11 876 613
	Forborne exposures / Gross loans to customers (a / b)	**3.6%**	**2.8%**	**1.9%**

GLOSSARY

ATM: Automated Teller Machine.

Liquidity buffer: Sum of the aggregate amount of the balance sheet item “Cash and deposits at central banks” and the market value, net of haircuts applied by the ECB, of eligible and uncommitted assets for liquidity-providing operations under the Eurosystem's monetary policy.

CET1 ratio: ratio between Common equity tier 1 capital and Risk-weighted assets.

CET1: Common Equity Tier 1.

Commercial net interest income: corresponds to the difference between the Income received from Loans and advances granted to customers and the Interest paid on Customer deposits.

Complementary resources: sum of the balance sheet headings of Financial liabilities held for trading, Hedge derivatives, Non-current liabilities held for sale - Discontinued operations, Provisions, Current tax liabilities and Other liabilities.

Core operating income: sum of the income statement headings of Net interest income and Net fees and commissions.

Cost of credit risk: ratio between the income statement heading of Impairment of loans and advances to customers and credit institutions (annualised value) and the average balance of Loans to customers (gross).

Cost-to-income ratio: Ratio between Operating costs and Total operating income, pursuant to Banco de Portugal Instruction 16/2004.

Coverage of loans and interest overdue by more than 90 days by Impairment for balance sheet loans: ratio between Impairment for accumulated loans (book value) and total Loans and interest overdue by more than 90 days.

CRR: Capital Requirements Regulation.

Debt issued: sum of the balance sheet heading of Liabilities represented by securities and Other subordinated liabilities.

EBA: European Banking Authority.

EMTN: Euro Medium Term Note Programme.

Fully implemented: refers to the full implementation of the prudential rules established in the legislation in force in the European Union, that were produced based on the standards defined by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

Gross return on assets: Ratio between Net income before taxes and minority interests and Average net assets, pursuant to Banco de Portugal Instruction 16/2004.

Gross return on equity: Ratio between Net income before taxes and minority interests and Average equity, pursuant to Banco de Portugal Instruction 16/2004.

IAS: International Accounting Standards.

ICAAP: Internal Capital Adequacy Assessment Process.

IFRS: International Financial Reporting Standards.

ILAAP: Internal Liquidity Adequacy Assessment Process.

Impairments and provisions: sum of the income statement headings of Impairment of loans and advances to customers and credit institutions, Impairment of other financial assets, Impairment of other assets and Other provisions.

LCR ratio: Liquidity Coverage Ratio. Ratio between the Buffer of net assets and the Net outflows in a stress period of 30 days.

Leverage ratio: ratio between Tier 1 own funds and Non-weighted exposure.

Loans and interest overdue by more than 90 days: corresponds to Loans with principal instalments or interest in arrears for a period of more than 90 days.

Loans to customers (gross): corresponds to Loans to customers before deducting Impairment for credit risks (book value).

Loans to customers (net): corresponds to Loans to customers (gross) after deducting Impairment for credit risks (book value).

Loan-to-deposit ratio: ratio between Loans to customers (net) and Customer resources, pursuant to Banco de Portugal Instruction 16/2004.

Loan-to-resource ratio: ratio between Loans to customers (net) and the sum of the balance sheet heading of Customer resources and Securities placed with customers.

LTV ratio: Loan-to-value ratio, referring to the ratio between the value of the loan and the value of the real estate property given as collateral.

MREL: Minimum Requirement for own funds and eligible liabilities.

Net fees and commissions: corresponds to the income statement item Net fees and commissions income.

Net interest income: sum of the balance sheet headings of Interest and similar income and Interest and similar expenses.

NPL coverage by Total impairment for balance sheet loans and associated collateral and financial guarantees: ratio between the sum of the total accumulated impairment for loans (book value) and their associated collateral and financial guarantees and the balance of non-productive loans (NPL, as defined by the EBA).

NPL coverage by Total impairment for balance sheet loans: ratio between the sum of the total accumulated impairment for loans (book value) and the balance of non-productive loans (NPL, as defined by the EBA).

NPL ratio: ratio between the non-performing loans (NPL, as defined by the EBA) and total Loans to customers (gross).

NPL: Non-performing loans (as defined by the EBA).

NSFR ratio: Net stable funding ratio. Ratio between available stable funding and required stable funding.

OCR: Overall capital requirements.

Off-balance sheet customer resources: corresponds to the Disintermediation resources managed by the Group's companies (assets under management), excluding securities investment funds and real estate investment funds in its own portfolio, i.e., the sum of the Securities investment funds and Real estate investment funds, Pension funds and Capitalisation insurance.

On-balance sheet customer resources: sum of the balance sheet heading of Customer resources and Securities placed with customers.

Operating costs: sum of the income statement headings of Staff costs, General and administrative expenses, and Depreciation and amortisation.

Operating income before impairment: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income, Net gains from the sale of other assets, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Other assets: sum of the income statement heading of Hedge derivatives, Non-current assets held for sale, Non-current assets held for sale - Discontinued operations, Investment properties, Other tangible assets, Intangible assets, Investments in associates, Current tax assets, Deferred tax assets and Other assets.

Other impairments and provisions: sum of the income statement headings of Impairment of other financial assets, Impairment of other assets and Other provisions.

Other results: sum of the income statement headings of Net gains from the sale of other assets and Other operating income.

Performing loans: corresponds to Loans to customers (gross) after deducting non-performing exposures (as defined by the EBA).

Phasing-in: transitional period. This refers to the phased implementation of the prudential rules under the terms established in the legislation in force in the European Union.

Ratio of forborne exposures: Ratio between deferred exposures (forborne exposures, as defined by the EBA) and Loans to customers (gross).

Ratio of loans and interest overdue by more than 90 days: Ratio between Loans and interest overdue by more than 90 days and Loans to customers (gross).

Results from commercial activity: sum of the income statement headings of Interest and similar income, Interest and similar expenses, Net fees and commissions, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Results from financial operations: sum of the income statement headings of Net gains/(losses) from financial assets and liabilities at fair value through profit or loss, Net gains/(losses) from financial assets at fair value through other comprehensive income, and Net gains/(losses) from foreign exchange difference.

ROA: Return On Assets.

ROE: Return On Equity.

RWA: Risk-Weighted Assets.

Securities portfolio: sum of the balance sheet headings of Financial assets held for trading, Financial assets at fair value through other comprehensive income, Other financial assets at amortised cost, and Financial assets at fair value through profit or loss.

Tier 1 ratio: ratio between Tier 1 own funds and Risk-weighted assets.

TLTRO: Targeted Longer-Term Refinancing Operations.

Total capital ratio: ratio between Total own funds and Risk-weighted assets.

Total customer resources: sum of On-balance sheet customer resources and Off-balance sheet customer resources.

Total operating income: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income and Net gains from the sale of other assets.

PART II
ACCOUNTS, NOTES TO THE ACCOUNTS AND OPINIONS

2002

On January 1st, we would begin the process of saying goodbye to familiar expressions like *"ten thousand reis"* or *"two contos"*: we abandoned the Escudo as cash and welcomed the Euro. Portugal and 11 other European Union countries. Banco Montepio was 158 years old.

ACCOUNTS AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

2011

On November 1st, we created a new hero: American surfer Gareth McNamara conquered a giant 23.77-meter wave at the so-called Nazaré Canyon, at Praia do Norte. We had 167 springs.

Banco Montepio

Interim Condensed Consolidated Income Statement
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Notes	Jun 2024	Jun 2023
Interest and similar income	2	351 312	262 774
Interest and similar expense	2	152 752	68 425
Net interest income	2	198 560	194 349
Dividends from equity instruments	3	494	807
Net fee and commission income	4	63 072	65 336
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	5	(972)	4 567
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	6	-	55
Net gains/(losses) arising from exchange differences	7	976	(20 135)
Net gains/(losses) arising from sale of other financial assets	8	5 679	5 594
Other operating income/(expense)	9	(12 735)	(20 942)
Total operating income		255 074	229 631
Staff costs	10	77 439	77 343
General and administrative expenses	11	34 585	31 406
Depreciation and amortization	12	21 617	18 015
Total operating cost		133 641	126 764
Impairment of loans and advances to customers and to credit institutions	13	7 272	8 432
Impairment of other financial assets	14	942	1 674
Impairment of other assets	15	7 922	9 699
Other provisions	16	(2 376)	(4 246)
Operating income		107 673	87 308
Share of profits/(losses) booked under the equity method	17	(334)	(209)
Profit/(loss) before income tax		107 339	87 099
Income Tax			
Current	32	(886)	2 751
Deferred	32	(37 717)	(34 000)
Profit/ (loss) after income tax from continuing operations		68 736	55 850
Profit/ (loss) from discontinued operations	58	-	(102 358)
Consolidated net income after income tax		68 736	(46 508)
Consolidated net income for the period attributable			
to the shareholders		68 736	(48 250)
Non-controlling Interests	45	-	1 742
Consolidated net profit/ (loss) for the period		68 736	(46 508)
Earnings per share (in Euro)			
From continuing operations			
Basic		0,0284	0,0231
Diluted		0,0284	0,0231
From discontinued operations			
Basic		-	(0,0430)
Diluted		-	(0,0430)

THE CHIEF ACCOUNTANT | THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Consolidated Financial Statements

Banco Montepio

Interim Condensed Consolidated Statement of Comprehensive Income
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Jun 2024	Jun 2023
		(Restated)
Items that may be reclassified to the Income Statement		
From continuing operations		
Fair value reserves		
Financial assets at fair value through other comprehensive income and loans and advances to customers		
Debt instruments	(1 221)	770
Taxes related to fair value changes	302	(330)
	(919)	**440**
From discontinued operations		
Exchange rate difference resulting from consolidation	-	(22 123)
Recycling of foreign exchange reserves (already in made in the period)	-	116 098
Attributable to interests they do not control	-	(12 521)
	-	**81 454**
	(919)	**81 894**
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	232	315
Actuarial gains/(losses) for the period recorded against retained earnings	31 327	(17 688)
Taxes	-	5 865
	31 559	**(11 508)**
Other comprehensive income/(loss) for the period	**30 640**	**70 386**
Attributable continuing operations	30 640	(11 068)
Attributable discontinued operations	-	81 454
Attributable to shareholders	30 640	82 907
Attributable to interests they do not control	-	(12 521)
Consolidated net income for the period	**68 736**	**(46 508)**
Attributable continuing operations	68 736	55 850
Attributable discontinued operations	-	(102 358)
Attributable to shareholders	68 736	(48 250)
Attributable to interests they do not control	-	1 742
Total consolidated comprehensive income/(loss) for the period	**99 376**	**23 878**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Consolidated Financial Statements

Banco Montepio

Interim Condensed Consolidated Balance Sheet on 30 June 2024 and 31 December 2023

(Euro thousand)

	Notes	Jun 2024	Dec 2023
Assets			
Cash and deposits at central banks	18	1 662 990	1 171 398
Loans and deposits to credit institutions payable on demand	19	46 411	61 041
Other loans and advances to credit institutions	20	147 840	178 902
Loans and advances to customers	21	11 638 545	11 453 259
Financial assets held for trading	22	29 468	18 970
Financial assets at fair value through profit or loss	23	114 940	128 228
Financial assets at fair value through other comprehensive income	24	328 749	48 100
Hedging derivatives	25	10 865	6 174
Other financial assets at amortized cost	26	3 173 224	3 878 848
Investments in associated companies	27	3 673	4 702
Non-current assets held for sale	28	74	74
Investment properties	29	52 159	57 665
Other tangible assets	30	193 226	195 400
Intangible assets	31	60 322	57 744
Current tax assets	32	1 090	1 568
Deferred tax assets	32	343 646	381 062
Other assets	33	362 219	346 320
Total Assets		18 169 441	17 989 455
Liabilities			
Deposits from central banks	34	-	873 933
Deposits from other credit institutions	35	778 036	909 426
Deposits from customers	36	14 212 181	13 366 408
Debt securities issued	37	952 280	730 045
Financial liabilities held for trading	22	12 859	12 636
Hedging derivatives	25	2 406	3 525
Provisions	38	17 176	20 830
Current tax liabilities	-	1 764	1 661
Other subordinated debt	39	257 545	217 019
Other liabilities	40	275 347	287 501
Total Liabilities		16 509 594	16 422 984
Equity			
Share capital	41	1 210 000	1 210 000
Legal reserve	42	207 487	196 833
Fair value reserves	43	6 105	6 792
Other reserves and Retained earnings	43	167 519	124 480
Consolidated net income for the period attributable to the shareholder		68 736	28 366
Total Equity		1 659 847	1 566 471
Total Liabilities and Equity		18 169 441	17 989 455

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Consolidated Financial Statements

Banco Montepio

Interim Condensed Consolidated Statement of Cash Flows
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Jun 2024	Jun 2023
Cash arising from operating activities		
Interest income received	344 553	250 188
Interest expense paid	(136 702)	(13 336)
Commission received	75 915	78 377
Commission paid	(12 857)	(13 061)
Payments with staff and suppliers	(107 194)	(102 353)
Recovery of loans and interest	3 382	4 205
Other payments and receivables	(26 114)	22 246
Income tax payment	(305)	3 466
	140 678	229 732
(Increases)/Decreases in operating assets		
(Increases)/Decreases in operating assets	(161 158)	91 485
(Purchase)/Sale of financial assets held for trading	(17 064)	(66 029)
Purchase)/Sale of financial assets at fair value through profit or loss	12 812	3 711
(Purchase)/Sale of financial assets at fair value through other comprehensive income	(281 798)	12 992
(Purchase)/Sale of other financial assets at amortized cost	673 984	(47 168)
Discontinued operations	-	2 145
Other assets	14 073	61 202
	240 849	58 338
Increases/(decreases) in operating liabilities		
Deposits from customers	809 751	(262 367)
Deposits from credit institutions	(130 006)	517 442
Deposits from central banks	(854 830)	(1 185 000)
	(175 085)	(929 925)
	206 442	(641 855)
Cash from investing activities		
Dividends received (note 3)	494	807
Dividends paid	(6 000)	-
(Purchase) / Sale of investments in associates	674	-
Sales of fixed assets and investment properties (notes 30 and 31)	(19 508)	(17 370)
	(24 340)	(16 563)
Cash from financing activities		
(Issuance) / Repayment of cash bonds and subordinated debt (notes 37 and 39)	296 605	(1)
Lease agreements	(2 721)	(304)
	293 884	(305)
Effects of exchange rate changes on cash and cash equivalents	976	(20 135)
Net change in cash and cash equivalents	476 962	(678 858)
Cash and cash equivalents at the beginning of the period		
Cash and deposits at central banks (note 18)	1 171 398	1 383 739
Loans and deposits to credit institutions payable on demand (note 19)	61 041	52 287
	1 232 439	1 436 026
Cash and cash equivalents at the end of the period		
Cash and deposits at central banks (note 18)	1 662 990	630 052
Loans and deposits to credit institutions payable on demand (note 19)	46 411	127 116
	1 709 401	757 168

THE CHIEF ACCOUNTANT

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To be read with the notes attached to the Interim Consolidated Financial Statements

Banco Montepio

Interim Condensed Consolidated Statement of Changes in Equity for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Share capital (note 41)	Issue premium	Legal reserves (note 42)	Fair value reserves (note 43)	Other reserves and Retained earnings (note 43)	Consolidated net income/ (loss) for the period	Equity attributable to Shareholders	Non-controlling interests (note 45)	Total Shareholders Equity
Balance on 31 January 2023	**2 420 000**	**-**	**193 266**	**4 065**	**(1 143 081)**	**33 794**	**1 508 044**	**11 442**	**1 519 486**
Other comprehensive income	-	-	-	755	82 152	-	82 907	(12 521)	70 386
Exchange rate difference resulting from consolidation	-	-	-	-	(22 123)	-	(22 123)	(5 455)	(27 578)
Deconsolidation of Finibanco Angola	-	-	-	-	116 098	-	116 098	(7 066)	109 032
Remeasurements of post-employment and long-term benefits (note 48)	-	-	-	-	(17 688)	-	(17 688)	-	(17 688)
Changes in the fair value of debt instruments (note 47)	-	-	-	770	-	-	770	-	770
Changes in fair value of capital instruments (note 47)	-	-	-	315	-	-	315	-	315
Taxes on changes in fair value (notes 32 and 43)	-	-	-	(330)	-	-	(330)	-	(330)
Taxes on changes in liabilities (note 32)	-	-	-	-	5 865	-	5 865	-	5 865
Consolidated net income for the period	-	-	-	-	-	(48 250)	(48 250)	1 742	(46 508)
Total comprehensive income for the period	-	-	-	755	82 152	(48 250)	34 657	(10 779)	23 878
Dividends paid	-	-	-	-	-	-	-	(663)	(663)
Incorporation into reserves of 2022 net income	-	-	-	-	33 794	(33 794)	-	-	-
Reduction of share capital/ Coverage of negative retained earnings	(1 210 000)	-	-	-	1 210 000	-	-	-	-
Constitution of the legal reserve	-	-	3 567	-	(3 567)	-	-	-	-
Other consolidation movements	-	-	-	-	(1 834)	-	(1 834)	-	(1 834)
Balance on 30 June 2023	1 210 000	-	196 833	4 820	177 464	(48 250)	1 540 867	-	1 540 867
Other comprehensive income	-	-	-	1 972	(52 553)	-	(50 581)	-	(50 581)
Exchange rate difference resulting from consolidation	-	-	-	-	(66 799)	-	(66 799)	-	(66 799)
Changes in the fair value of debt instruments (note 47)	-	-	-	848	-	-	848	-	848
Changes in fair value of capital instruments (note 47)	-	-	-	1 906	-	-	1 906	-	1 906
Taxes on changes in fair value (notes 32 and 43)	-	-	-	(782)	-	-	(782)	-	(782)
Taxes on changes in liabilities (note 32)	-	-	-	-	14 237	-	14 237	-	14 237
Gains on capital instruments	-	-	-	-	9	-	9	-	9
Consolidated net income for the period	-	-	-	-	-	76 616	76 616	-	76 616
Total comprehensive income for the period	-	-	-	1 972	(52 553)	76 616	26 035	-	26 035
Capital Increase (*)	144 188	34 587	-	-	-	-	178 775	-	178 775
Capital Reduction (*)	(144 188)	(34 587)	-	-	-	-	(178 775)	-	(178 775)
Other consolidation movements	-	-	-	-	(431)	-	(431)	-	(431)
Balance on 31 December 2023	**1 210 000**	**-**	**196 833**	**6 792**	**124 480**	**28 366**	**1 566 471**	**-**	**1 566 471**
Other comprehensive income	-	-	-	(687)	31 327	-	30 640	-	30 640
Remeasurements in the period	-	-	-	-	31 327	-	31 327	-	31 327
Changes in the fair value of debt instruments (note 47)	-	-	-	(1 221)	-	-	(1 221)	-	(1 221)
Changes in fair value of capital instruments (note 47)	-	-	-	232	-	-	232	-	232
Taxes on changes in fair value (notes 32 and 43)	-	-	-	302	-	-	302	-	302
Consolidated net income for the period	-	-	-	-	-	68 736	68 736	-	68 736
Total comprehensive income for the period	-	-	-	(687)	31 327	68 736	99 376	-	99 376
Application of 2023 net income	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	10 654	-	-	(10 654)	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	11 712	(11 712)	-	-	-
Dividends distributed	-	-	-	-	-	(6 000)	(6 000)	-	(6 000)
Balance on 30 June 2024	**1 210 000**	**-**	**207 487**	**6 105**	**167 519**	**68 736**	**1 659 847**	**-**	**1 659 847**

(*) Related to the transfer of assets and liabilities related to the BEM business to Banco Montepio.

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim 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 30 June 2024, 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 30 June 2024, Montepio Holding, S.G.P.S. holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., of Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito) and of Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

The Investees of Montepio Holding thus develop a varied set of activities, including the rendering of complementary financial services in the insurance area, specialized consumer credit and long-term rental.

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. (“BEM”), is a bank 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio.

With a view to achieving Banco Montepio Group’s strategic objectives, namely the simplification of the Group's governance structure and the improvement of the operating model, Banco Montepio's Board of Directors decided to integrate BEM's activity into Banco Montepio, allowing the simplification of the approach to the corporate segment and the capturing of synergies, leveraging the learning and results of the commercial banking and investment banking model through the unification of the relationship, as well as making Banco Montepio Group’s government structure less complex.

Following this deliberation, several initiatives were initiated that meant that, with reference to 27 November 2023, the assets and liabilities related to the business recorded in the financial statements were transferred from BEM to Banco Montepio, so that, on 31 December 2023, the balance sheet already shows the impact of this transfer. In this context, Montepio Holding agreed with RAUVA Enterprises, S.A., the sale of 100% of BEM's share capital, this operation being subject to the verification of certain precedent conditions, including approval by the Supervisory and Regulatory authorities.

The integration of BEM's activity was carried out with reference to 27 November 2023, with BEM receiving Euro 178,775 thousand in shares issued by Banco Montepio, corresponding to the value of BEM's net assets transferred to Banco Montepio, as verified by the independent Statutory Auditor's report issued on 22 November 2023 for this purpose. On 29 December 2023, the General Meeting of Banco Montepio decided to reduce share capital in the amount of Euro 178,775 thousand, having in this context amortized the shares held by BEM through payment of the same amount.

Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

Ssagincentive, 100% controlled by Montepio Holding, SGPS, in turn 100% held by Banco Montepio, has as its object the trading and management of real estate, as well as the management and acquisition for resale of real estate acquired by Group companies as a result of the recovery of credit granted by same. Ssagincentive is also responsible for the acquisition for management or resale of real estate under litigation initiated by Group companies.

H.T.A. – Hotéis, Turismo e Animação dos Açores, S.A.

H.T.A., 20.0% held by Banco Montepio, has as its main activity the promotion, realization, exploration and management of any tourism activities and investments, including the construction, remodelling and exploration of hotel, casino and gaming house units, the exploration of games of chance, the acquisition of real estate for resale, the import and export of goods, the explorations of spas, as well as all remaining activities related to those previously referred.

CESource

The purpose of this Grouping, 18.0% held by Banco Montepio, is to provide specialized services in the area of information technologies, contributing, through the optimization of such management, to the improvement of the conditions and means of the exercise or result of the economic activities of the members of this Grouping.

Montepio Serviços, A.C.E.

The Grouping aims to improve the conditions for the exercise and the results of the economic activities of the grouped members, essentially aiming to optimize resources, achieve greater operational efficiency and obtain economies of scale through the elimination of replicated cost structures.

Montepio – Gestão de Activos Imobiliários – Em liquidação was liquidated on 13 May 2024 for which reason as at 30 June 2024 it no longer integrates the consolidation perimeter.

The remaining entities of the consolidation perimeter are disclosed in note 57.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of 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 30 June 2024 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2024.

The consolidated financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 30 September 2024. The condensed interim consolidated financial statements herein presented relate to 30 June 2024. These financial statements have been prepared, for the purposes of recognition and measurement, in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), as endorsed by the European Union. Consequently, these financial statements do not include all the information required in the preparation of consolidated financial statements prepared in accordance with IFRS, as endorsed by the European Union, so they must be read in conjunction with the financial statements for the financial year ended 31 December 2023.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand and 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 point z).

Comparability of information

The Group adopted IFRS and interpretations of mandatory application for the periods beginning on or after 1 January 2023, as described in note 54. The accounting policies have been applied consistently by all Group entities and are consistent with those used in the preparation of the financial statements of the previous period. However, as a result of the sale of the financial interest held by Banco Montepio in the share capital of Finibanco Angola, S.A., which led to the loss of control and consequent recycling of the negative foreign exchange reserve from the Reserves – exchange differences caption to profit or loss for the period, we restated the Consolidated Statement of Comprehensive Income for the period ended 30 June 2023 in order to accommodate these accounting movements in the items already reclassified to profit or loss, thus changing the total of the comprehensive income previously reported. On this basis, the Consolidated Statement of Comprehensive Income was restated with reference to 30 June 2023 with a view to being presented, for comparison purposes, in the 2024 report and accounts. This change did not have any impact on either the profit or loss for the period or the consolidated equity of Banco Montepio.

(Euro thousand)

	Jun 2023 As reported	Effect of reexpression	Jun 2023 Restated
Items that may be reclassified to the Income Statement			
From continuing operations			
Fair value reserves			
Financial assets at fair value through other comprehensive income and loans and advances to customers			
Debt instruments	770	-	770
Taxes related to fair value changes	(330)	-	(330)
	440	**-**	**440**
From discontinued operations			
Exchange rate difference resulting from consolidation	(27 578)	5 455	(22 123)
Recycling of foreign exchange reserves	-	116 098	116 098
Attributable to interests they do not control	(5 455)	(7 066)	(12 521)
	(33 033)	**114 487**	**81 454**
	(27 138)	**109 032**	**81 894**
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	315	-	315
Remeasurements of post-employment and long-term benefits	(17 688)	-	(17 688)
Taxes related to changes in liabilities	5 865	-	5 865
	(11 508)	**-**	**(11 508)**
Other comprehensive income/(loss) for the period	**(38 646)**	**109 032**	**70 386**
Attributable continuing operations	(11 068)	-	(11 068)
Attributable discontinued operations	(33 033)	114 487	81 454
Attributable to shareholders	(38 646)	121 553	82 907
Attributable to interests they do not control	(5 455)	(7 066)	(12 521)
Consolidated net income for the period	**(46 508)**	**-**	**(46 508)**
Attributable continuing operations	55 850	-	55 850
Attributable discontinued operations	(102 358)	-	(102 358)
Attributable to shareholders	(48 250)	-	(48 250)
Attributable to interests they do not control	1 742	-	1 742
Total consolidated comprehensive income/(loss) for the period	**(85 154)**	**109 032**	**23 878**

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 the period ended 30 June 2024 and financial year ended 31 December 2023.

Subsidiaries

Subsidiaries are entities controlled by the Group (including investment funds and securitization vehicles). The Group controls an entity when it is exposed, or has rights, to variable returns derived from its involvement with this entity, can appropriate these through the power it holds over the entity's relevant activities (de facto control) and has the ability to allocate these variable returns through the power it holds over the entity's relevant activities. As established in IFRS 10, the Group analyses the objective and the structuring of the manner the operations of an entity are developed in evaluating the control over same. The financial statements of the subsidiaries are consolidated by the full consolidation method 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 value of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses determined are recognized in the income statement for the financial year. The recoverable value is determined based on the highest between the value in use of the assets and their fair value less costs to sell, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is allocated to the cash-generating units to which it belongs for the purpose of carrying out impairment tests, which are performed at least once a year. Goodwill impairment losses are not reversible. When the Group reorganizes its activity, implying a change in the composition of its cash-generating units, to which goodwill has been allocated, the allocation of the goodwill to the new cash-generating units is revised whenever there is a rationale for such. The reallocation is made applying a relative fair value approach, of the new cash-generating units resulting from the reorganization. Goodwill is not adjusted in function of the final determination of the contingent purchase price paid, with such difference being booked in the income statement, or reserves if applicable, when the determination of the final contingent price occurs one year after the acquisition of control of the business, or if the determination of this price occurs less than one year after the referred date, when the adjustments relate to information obtained in respect of facts occurring after the date of the acquisition.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted for as a transaction with shareholders and, as such, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized directly in reserves. Likewise, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognized against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of part of a shareholding in a subsidiary, with loss of control, are recognized in the income statement.

On dilutions of controlling interests not resulting in a loss of control, the difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized against reserves.

Investments in subsidiaries and associates resident abroad

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries not considered as having a functional currency of a hyperinflationary economy, are converted into Euro at the official exchange rate in force at the balance sheet date.

Regarding shareholdings in foreign currency that are consolidated in the Group accounts under the full consolidation and equity methods, the exchange differences between the conversion to Euro of the opening net assets at the beginning of the period and their value in Euro at the exchange rate ruling at the balance sheet date to which the consolidated accounts relate, are charged against reserves – exchange differences. Exchange differences resulting from hedging instruments related to shareholdings in foreign currency are booked in reserves resulting from those financial shareholdings. Whenever the hedge is not fully effective, the ineffective portion is accounted for in the income statement for the financial year.

The income and expenses of these investees are converted to Euro at an approximate rate to the rates ruling as at the dates of the transactions. Exchange differences resulting from the conversion to Euro of the results for the financial year, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognized in reserves - exchange differences.

On the disposal of financial shareholdings in foreign subsidiaries resulting in loss of control, the exchange differences related to the financial shareholding in the foreign operation and to the associated hedging operation previously recognized in reserves, are transferred to profit or loss as part of the gain or loss arising from the disposal.

Balances and transactions eliminated on consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Financial instruments – IFRS 9

c.1) Classification of financial assets

The Group classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

c.1.1) *Debt instruments*

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories are based on the following two elements:

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

Based on these elements, the Group classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

  - they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

  In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

  - they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Group's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Group also considered whether it expects to recover the book value of the asset through the sale to a third party.

This portfolio also includes all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term.
- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Group manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Group's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Group in identifying the business model for a set of assets include past experience of how: (i) cash flows are received; (ii) how asset performance is assessed and reported to the management body; (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading serve, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Near-maturity sales and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To the effect, the Banco Montepio Group considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not coincide with the reference interest rate term (for example, the interest rate is adjusted every three months), the Group assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of: (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Group assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the “solely payments of principal and interest” (“SPPI”) test).

In this assessment, the Group considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

c.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Group exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss.

c.3) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers, debt securities issued and other subordinated liabilities;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 d);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

c.4) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets and liabilities are recognized in the balance sheet on the transaction date - the date on which the Group undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be: (i) amortized over the life of the instrument; (ii) deferred until the fair value of the instrument can be determined using observable market data or (iii) recognized through the liquidation of the asset or liability.

The Group recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

c.5) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Group values its financial assets: (i) at amortized cost; (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

c.6) *Interest recognition*

Interest income and expense on 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.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income related to financial instruments measured at amortized cost or a fair value through other comprehensive income and associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value, which corresponds to its amortized cost before deducting the respective impairment.

For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

c.7) *Reclassifications between financial instrument categories*

Reclassifications of financial assets can only occur when the Group changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

c.8) *Modification of loans*

Occasionally, the Group renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Group assesses whether the new contract terms are substantially different from the original terms. The Group makes this analysis considering, among others, the following factors:

- if the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- a significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- a significant extension of the contract maturity when the debtor is not in financial difficulty;
- a significant change in interest rate;
- a change from the currency in which the credit was contracted; and
- the inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Group derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Group also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Group recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Group may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 (“ECL lifetime”) or from Stage 2 to Stage 1 (“ECL 12 months”), except for financial assets acquired or originated in impairment that are classified in Stage 3, it being that this situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Group shall continue to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

c.9) *De-recognition that does not result from a modification*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and: (i) the Group substantially transfers all risks and rewards associated with holding the asset or (ii) the Group neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Gains and losses from the disposal of other assets. These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Group engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to channel those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Group:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Group (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Group substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

c.10) *Write-off policy*

The Group recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by the Group turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

c.11) *Impairment of financial assets*

The Group determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments. The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against a cumulative balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The allocations and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Group, according to the contractual conditions of the financial asset, and all cash flows that the Group expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Group that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Group expects to make less the cash flows it expects to receive from the originator are considered.

   The Group estimates cash flows considering the contractual term defined for the operations or the behavioural maturity. For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation and (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

c.12) *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% and (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures.
- Non-performing loans, that is, when interest relating to loan obligations is no longer recognized in the financial statements due to the degradation of credit quality;
- Individually significant customers with individual impairment;
- Sale of loan contract with losses in excess of 5%;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in the Group or the CRC (Central Credit Register), in the case of Corporate customers;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

c.12.3) *Significant increase in credit risk ("SICR")*

To determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date and the exposure's risk rating attributed at the initial moment of the exposure´s recognition, and
- The exposure's annualized lifetime PD at the reporting date and the lifetime PD identified at the initial moment of the exposure´s recognition.

The Group identifies the occurrence of a significant increase in credit risk when at least one of the following criteria is verified: (i) through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was and (ii) when there is a change in the annualized lifetime PD since the origination and until the reporting date with an increase of 200% or 5 percentage points.

When evaluating the significant increase in credit risk, the Group also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis the Group and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in 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 energy crisis, the high inflation level and the consequent subsequent successive reference interest rate hikes, and with the aim of anticipating the risk degradation associated with exposures most impacted, the following additional criteria were considered for the Stage 2 classification levels:

Stage 2

- Customers of the Individuals segment for whom average balances of demand and time deposits are lower than the amount of the instalment, whose rating, according to the internal scale, is equal to or higher than 11. For these customers, a worsening of the scoring rating to the minimum rating for classification in stage 2 is also considered, considering their original rating and the thresholds for classification in stage 2 defined internally.

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, home loans, consumption).

Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. The Group estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. The Group obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, the Banco Montepio Group calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity.

c.12.6) *Measurement of ECL – Individual analysis*

The exposure of Individually Significant customers of Banco Montepio and Montepio Crédito is subject to individual analysis which focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for said analysis.

Following the analysis carried out internally and considering the accounting framework described in IFRS 9 and also known market practices, Banco Montepio and Montepio Crédito changed, during the second half of

2023, the criteria for marking customers for the purposes of individual credit analysis, in compliance, namely, with criteria for perceiving implicit risk and the frequency of the analysis.

As at 30 June 2024 and 31 December 2023, all customers of Banco Montepio that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ Euro 10.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ Euro 5.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ Euro 1.0 million;
- Other customers when duly justified.

Simultaneously, all customers of Montepio Crédito that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ Euro 1.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ Euro 0.5 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ Euro 0.25 million;
- Other customers when duly justified.

The selection of the Individually Significant customer universe for Banco Montepio and Montepio Crédito is made quarterly, considering, for the purpose of determining the exposure of customers, all active credit operations (on- and off-balance sheet) and excluding the operations classified as written off.

The individual analysis is the responsibility of the Individual Impairment Office and in the evaluation of impairment losses the following factors are considered:

- Exposure of each Customer, internal rating of the Customer, staging associated with each operation and existence of signs of impairment;
- Economic and financial viability of the customer and ability to generate future cash flows to pay the debt;
- Collaterals associated with the financial assets and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors;
- Expectation regarding the credit recovery period.

For the financial assets of Individually Significant customers classified in Stage 1 and in Stage 2, the expected credit loss (ECL) is assigned in accordance with the collective analysis methodology, given that, for these Stages, impairment is not determined on an individual basis.

For the financial assets of Individually Significant customers classified in Stage 3, the impairment value is determined using the discounted cash-flows method, corresponding to the difference between the loan value and the sum of the expected cash-flows relating to the various operations of the customer, discounted at the original interest rate of each financial asset. If the impairment value determined is zero, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the methodology in force. On the other hand, if the impairment rate determined through individual analysis is lower than that determined on a collective basis, the latter prevails.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method or the gone concern method:

- In case of the continuity of the activity of the company (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 interest rate of the financial assets;
- In the case of the cessation of the activity of the company (gone concern), the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance and selling expenses and/or procedural expenses, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above-mentioned adjustments, are discounted at the original interest rate of the financial assets;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

c.13) *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.

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's beneficiary.

g) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

The Group carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or 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 values of the items on the date they are reclassified according to their underlying nature. These adjustments shall be recognized in the income statement.

In the case of financial shareholdings in associates measured under the equity method, the cessation of their classification as held for sale implies the retrospective replacement of the equity method.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

The Group recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- 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, 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 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.

Finance leases are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalment's receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
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 value is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable value.

The recoverable value is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of tangible fixed assets are recognized in profit or loss for the period. Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Investment properties

Real estate owned by the investment funds consolidated in the Group, are recognized as investment properties given that the main objective subjacent to these is capital appreciation on a long-term basis and not their sale in the short term nor their own use. These investments are initially recognized at their acquisition cost, including the transaction costs, and subsequently revaluated at their fair value. The fair value of the investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognized in results in the financial year in which they occur, in the caption Other operating income/(expense). The fair value level according to the IFRS 13 hierarchy corresponds to level 3.

Fair value is determined by independent appraisers duly certified for the effect, and being registered with the CMVM (Portuguese Securities' Market Commission), using at least two of the following methods:

- Comparative market method - This method considers similar real estate transaction values comparable to the property under study obtained through market surveys carried out in the area where the property is located.
- Income method - This method aims to estimate the value of the property from the capitalization of its net income, discounted to the present moment, using the discounted cash-flow method, and should be used when the property is intended for lease, when the lease market is active for the type of property being valued or when the property is intended for economic exploration.
- 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 and deposit equivalents at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits and deposit equivalents at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- 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 employee benefits

Defined benefit plans

Banco Montepio and Montepio Crédito have the responsibility to pay their employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (“ACT”) they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, the Group set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 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.

The liabilities for defined benefit post-employment benefits are determined by the responsible actuary certified by the Insurance and Pension Funds Supervisory Authority, observing at least a half-yearly frequency with reference to the end of June and December of each year.

For the purposes of determining the liabilities for defined benefit post-employment benefits, a set of relevant actuarial assumptions are considered, namely the expected rate of return for the Pension Fund, the discount rate, the growth rate of salaries and pensions and the mortality tables.

In accordance with the provisions of IAS 19, the discount rate considered on each date of determination of the liabilities for post-employment benefits must correspond to the bond rates of high-quality entities for maturities identical to those of the bonds carried in the pension plan.

In line with the recommendations of IAS 19, the Group recognizes in the income statement the impacts related to the cost of current services, the net interest income/cost of the pension plan, the cost of past services, the cost of early retirements and any settlement or curtailment of liabilities that have been identified.

The actuarial deviations calculated on each date of determination of liabilities are recorded in equity and include, namely, the value of non-financial actuarial deviations, corresponding to the difference between the assumptions used and those actually verified and also those resulting from the change in actuarial assumptions, and the amount of financial actuarial deviations, determined by the difference between the effective rate of return and the expected rate of return of the Pension Fund.

The Group, in accordance with the provisions of Bank of Portugal Notice 12/2001, ensures, on each date of determination of liabilities, compliance with the required financing levels, which correspond to a minimum financing level of 95% of liabilities for past services of the active population and 100% of liabilities for pensions under payment.

Employment termination benefits

The occurrence that gives rise to this obligation is: (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision; (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and the Group paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for the Group to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at the Group's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by the Group in accordance with IAS 19 as another long-term employment benefit. The effects of the remeasurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount the Group's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

t) Income taxes

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).

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 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%.

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: 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.

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 Banco Montepio Group 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. The most significant of these accounting estimates and judgments used in the application of the accounting policies by the Group are discussed in the following paragraphs to improve understanding of how their application affects the Group's reported results and related disclosure.

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

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

<u>Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income</u>

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Group monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Group uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Group expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 20, 21, 24, and 26, with a consequent impact in the income statement of the Group.

In accordance with the provisions of IFRS 9, Banco Montepio, for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 52).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 22, 23 and 24.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 48.

Entities included in the consolidation perimeter

For the purpose of determining the entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and can appropriate those variable returns through the power it holds over that entity (de facto control).

The decision as to whether an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to the variable returns and its ability to use its power to appropriate those returns.

Different assumptions and estimates could lead the Group to a different consolidation perimeter with a direct impact in the consolidated net income, as per note 58.

Income taxes

The Group complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 33.

This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Group considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, changed the rules applicable to impairment losses recognized from 1 January 2019, as well as to impairment losses recorded in tax periods beginning before 1 January 2019 and not yet tax accepted, contemplating a maximum adaptation period of 5 years, that is, until 31 December 2023.

Banco Montepio opted to apply the new tax regime for impairment from the 2023 period onwards; therefore, regarding the calculation of current and deferred tax for the periods 2019 through 2022, the tax estimate is based on the regime in force until 31 December 2018, while for the calculation of current and deferred tax for the 2023 period, same is based on the new tax regime for impairment.

The entity Montepio Crédito opted to apply the new tax regime for impairment and therefore prepared its tax estimate based on the new tax regime for impairment.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2023, the tax rules resulting from Law no. 98/2019, of 4 September, were applied.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by the subsidiaries resident in Portugal, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term employee benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and 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 50.

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 expenses and the book value of the loans on the date the assets are received in recovery. Investment properties are measured at fair value based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in notes 28, 29 and 33.

Provisions and contingent liabilities

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 38.

Recoverable value of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable value be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal. Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable value of the Bank's own properties, which are presented in note 31.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	20 615	8 442
Loans and advances to customers	315 835	243 293
Financial assets held for trading	1 547	495
Financial assets at fair value through profit or loss	210	173
Financial assets at fair value through other comprehensive income	2 536	396
Other financial assets at amortized cost	10 564	9 966
Other interest and similar income	5	9
	351 312	262 774
Interest and similar expense		
Deposits from central banks and other credit institutions	21 284	32 367
Deposits from customers	103 623	22 207
Debt securities issued	11 389	531
Hedging derivatives	1 418	-
Other subordinated debt	11 247	9 684
Lease liabilities	146	257
Other interest and similar expense	3 645	3 379
	152 752	68 425
Net interest income	198 560	194 349

The caption Interest and similar income – Loans and advances to customers, includes, as at 30 June 2024, respectively, the amount of Euro 9,813 thousand and the amount of Euro 9,484 thousand (30 June 2023: Euro 9,799 thousand and Euro 9,253 thousand, respectively), related to commissions and to other expenses, which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 c).

The caption Interest and similar income – Financial assets at fair value through profit or loss, includes, as at 30 June 2024, the amount of Euro 210 thousand (30 June 2023: Euro 173 thousand) related to interest on loan contracts that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

The caption Interest and similar expense – Other interest and similar charges includes, as at 30 June 2024, the amount of Euro 3,242 thousand (30 June 2023: Euro 3,289 thousand) related to costs incurred with the synthetic securitization operations.

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

	Jun 2024	Jun 2023
		(Euro thousand)
Financial assets at fair value through other comprehensive income	494	807

As at 30 June 2024, this caption includes, essentially, dividends received related to financial shareholdings held in ABANCA in the amount of Euro 51 thousand and in SIBS in the amount of Euro 439 thousand (30 June 2023: Euro 41 thousand received from ABANCA and Euro 186 thousand received from SIBS). As at 30 June 2023, this caption also included the dividends received from Unicre in the amount of Euro 573 thousand.

4 Net fee and commission income

The amount of this caption has the following breakdown:

	Jun 2024	Jun 2023
		(Euro thousand)
Fee and commission income		
From banking services	57 583	56 481
From transactions on behalf of third parties	7 714	11 466
From insurance brokerage services	5 811	5 656
Guarantees provided	2 429	2 050
Commitments to third parties	679	792
Other fee and commission income	1 699	1 932
	75 915	78 377
Fee and commission expense		
From banking services rendered by third parties	11 590	11 626
From transactions with securities	176	144
Other fee and commission expense	1 077	1 271
	12 843	13 041
Net fee and commission income	63 072	65 336

As at 30 June 2024 and 2023, the caption Insurance brokerage services has the following breakdown:

	Jun 2024	Jun 2023
		(Euro thousand)
Life insurance	2 911	2 768
Non-life insurance	2 900	2 888
	5 811	5 656

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)

	Jun 2024			Jun 2023		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	273	274	(1)	1 105	578	527
Issued by other entities	135	97	38	49	23	26
Shares	864	730	134	783	436	347
Investment units	36	-	36	5	17	(12)
	1 308	1 101	207	1 942	1 054	888
Derivative financial instruments						
Interest rate contracts	33 143	33 101	42	38 244	36 786	1 458
Exchange rate contracts	11 152	11 227	(75)	11 951	12 056	(105)
Futures contracts	1 676	1 777	(101)	5 535	6 310	(775)
Option contracts	6 434	6 221	213	4 156	3 875	281
Commodities contracts	174	58	116	-	151	(151)
	52 579	52 384	195	59 886	59 178	708
Financial assets at fair value through profit or loss						
Investment units	1 133	811	322	2 112	893	1 219
Loans and advances to customers	12	(9)	21	70	77	(7)
	1 145	802	343	2 182	970	1 212
Other financial assets at fair value through profit or loss						
Securities						
Issued by other entities	(725)	327	(1 052)	2 386	2 119	267
Shares	1	-	1	16	-	16
Loans and advances to customers	35	10	25	21	16	5
	(689)	337	(1 026)	2 423	2 135	288
Financial liabilities at fair value through profit or loss						
Deposits from customers	925	1 986	(1 061)	2 229	758	1 471
	925	1 986	(1 061)	2 229	758	1 471
Hedged financial liabilities						
Debt securities issued	31 553	31 183	370	-	-	-
	86 821	87 793	(972)	68 662	64 095	4 567

Financial assets at fair value through profit or loss include, as at 30 June 2024, in terms of Investment units, a positive impact of Euro 322 thousand (30 June 2023: positive impact of Euro 1,219 thousand), determined by: (i) the positive effects of Fundo VIP (fund) of Euro 797 thousand, of Fundo Discovery Portugal Real Estate Fund of Euro 668 thousand and of Fundo SC1 – FCR (fund) of Euro 86 thousand and (ii) by the negative impacts of Fundo Aquarius (fund) of Euro 614 thousand, of Fundo Vega (fund) of Euro 445 thousand and of Fundo C2 Growth I (fund) of Euro 187 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)

	Jun 2024			Jun 2023		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	-	-	-	2	-	2
Issued by other entities	-	-	-	53	-	53
	-	-	-	55	-	55

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024			Jun 2023		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	9 936	8 960	976	19 154	39 289	(20 135)

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 r).

8 Net gains/(losses) arising from sale of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Disposal of loans and advances to customers	1 761	342
Disposal of other financial assets at amortized cost	1 236	1 070
Disposal of other assets	2 682	4 182
	5 679	5 594

As at 30 June 2024, the caption Disposal of loans and advances to customers considers the capital gain of Euro 2,287 thousand determined within the scope of the Zêzere operation and the capital loss of Euro 429 thousand related to the repurchase of some loans included in the Alvito operation.

As at 30 June 2023, the caption Disposal of loans and advances to customers considers the result of the sale of loans within the scope of the Minho operation, with the realization of a capital gain of Euro 342 thousand.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

		(Euro thousand)
	Jun 2024	**Jun 2023**
Other operating income		
Reimbursement of expenses	3 486	2 957
Revaluation of investment properties	1 205	847
Management fees on demand deposits	1 859	1 690
Services provided	2 179	2 157
Tax recovery	1 137	1 520
Rentals of investment properties	363	487
Other	2 695	3 805
	12 924	13 463
Other operating expenses		
Contributions		
Banking sector	10 371	11 674
Ex-ante to the Single Resolution Fund	-	5 188
National Resolution Fund	1 990	2 291
Deposits Guarantee Fund	61	145
Revaluation of investment properties	699	951
Taxes	768	884
Servicing and expenses with recovery and disposal of loans	2 475	1 911
Expenses with issuances	621	636
Donations and memberships	126	178
Other	8 548	10 547
	25 659	34 405
Other operating income/(expense)	(12 735)	(20 942)

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. Additionally, in 2020 this regime was supplemented by an additional solidarity contribution by the banking sector, in the form of a budgetary policy instrument in response to the post-pandemic crisis context. The base for this contribution follows the same requirements applicable to the calculation of the banking sector contribution previously described, being set out in Ordinance no. 191/2020.

The caption Contribution *ex-ante* to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution is determined by 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 the first half of 2024 and 2023, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, with reference to 30 June 2023, Banco Montepio had settled Euro 11,325 thousand in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 20. For irrevocable payment commitments only cash collateral is accepted.

In the first half of 2024, the Banco Montepio Group did not make any contribution to the Single Resolution Fund, in accordance with the information transmitted by the SRB - Single Resolution Board of 15 February 2024, in which it states that the means available in the Single Resolution Fund on 31 December 2023 reached the target level of at least 1% of the covered deposits held by the Member States participating in the Single Resolution Mechanism, as stipulated in Regulation (EU) no. 806/2014.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of 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.

As at 30 June 2024, the caption Other operating expense - Other includes the amount of Euro 137 thousand (30 June 2023: Euro 1,517 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)

	Jun 2024	Jun 2023
Remuneration	57 267	55 833
Mandatory social charges	15 899	15 386
Charges with the Pension Fund	2 100	1 851
Other staff costs	2 173	4 273
	77 439	77 343

In the first half of 2024, variable remuneration was paid to Other key management personnel in the global amount of Euro 474 thousand for financial year 2023. Other key management personnel are the first-line managers.

The remuneration and other benefits attributed to the General Meeting Board, the Supervisory Board of the subsidiaries of Banco Montepio, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, including the respective charges, are presented as follows:

(Euro thousand)

	Jun 2024					
	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	4	104	1 495	390	2 911	4 904
Pension costs	-	-	310	7	82	399
Costs with healthcare benefits (SAMS)	-	-	8	3	53	64
Social Security charges	1	21	326	92	557	997
	5	125	2 139	492	3 603	6 364

As at 30 June 2024, loans granted to members of the Board of Directors of Banco Montepio (including the members of the Audit Committee) amounted to Euro 79 thousand (30 June 2023: Euro 122 thousand), to members of the Boards of Directors of Banco Montepio's subsidiaries, Euro 1,465 thousand (30 June 2023: Euro 1,998 thousand) and to Other key management personnel, Euro 2,924 thousand (30 June 2023: Euro 2,772 thousand), as described in note 50.

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Rental costs	534	313
Specialized services		
Other specialized services	9 532	10 192
IT services	9 939	7 840
Independent work	1 830	1 522
Communication costs	2 140	2 052
Maintenance and repairs	2 867	2 508
Advertising costs	1 903	1 728
Water, energy and fuel	1 328	897
Transportation	1 479	1 251
Insurance	534	539
Consumables	273	243
Travel, accommodation and entertainment expenses	625	498
Training	326	424
Other general and administrative costs	1 275	1 399
	34 585	31 406

The caption Rents and hires includes, as at 30 June 2024, the amount of Euro 254 thousand (30 June 2023: Euro 110 thousand) related to short-term lease contracts, of which Euro 26 thousand (30 June 2023: Euro 60 thousand) correspond to rents paid on real estate and Euro 228 thousand (30 June 2023: Euro 50 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.

12 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Intangible assets (note 31)		
Software	14 039	11 155
Other tangible assets (note 30)		
Real estate		
For own use	1 352	1 388
Leasehold improvements in rented buildings	48	63
Equipment		
IT equipment	1 368	972
Fixtures	877	782
Furniture	60	66
Transportation	90	92
Security equipment	51	47
Machinery and tools	15	20
Right-of-use assets		
Real estate	2 904	2 353
Motor vehicles	813	1 077
	7 578	6 860
	21 617	18 015

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)

	Jun 2024	Jun 2023
Other loans and advances to credit institutions (note 20)		
Charge for the period	18	490
Reversals for the period	(32)	(590)
	(14)	(100)
Loans and advances to customers (note 21)		
Charge for the period	166 009	171 977
Reversals for the period	(155 341)	(159 240)
Recovery of loans and interest	(3 382)	(4 205)
	7 286	8 532
	7 272	8 432

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)

	Jun 2024	Jun 2023
Financial assets at fair value through other comprehensive income (note 24)		
Charge for the period	208	31
Reversals for the period	(1)	(1)
	207	30
Other financial assets at amortized cost (note 26)		
Charge for the period	735	1 644
	735	1 644
	942	1 674

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Non-current assets held for sale (note 28)		
Charge for the period	78	13
Reversals for the period	(26)	-
	52	13
Other tangible assets (note 30)		
Charge for the period	1 284	1 107
	1 284	1 107
Other assets (note 33)		
Charge for the period	7 952	11 355
Reversals for the period	(1 366)	(2 776)
	6 586	8 579
	7 922	9 699

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 spaces from independent appraisers. Based on the values evidenced by those assessments, it was necessary to make an allocation, net of reversals, for impairment in respect of Other tangible assets of Euro 1,284 thousand (30 June 2023: Euro 1,107 thousand), in the first half of 2024.

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Guarantees and commitments (note 38)		
Charge for the period	8 045	9 858
Reversals for the period	(9 534)	(13 268)
	(1 489)	(3 410)
Other risks and charges (note 38)		
Charge for the period	635	333
Reversals for the period	(1 522)	(1 169)
	(887)	(836)
	(2 376)	(4 246)

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)

	Jun 2024	Jun 2023
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	(334)	(209)

18 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousands)

	Jun 2024	Dec 2023
Cash	146 097	149 325
Deposits at central banks		
Bank of Portugal	1 516 893	1 022 073
	1 662 990	1 171 398

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 deposits to credit institutions payable on demand

This caption is presented as follows:

(Euro thousand)	Jun 2024	Dec 2023
Credit institutions in Portugal	914	695
Credit institutions abroad	25 939	43 087
Amounts to be collected	19 558	17 259
	46 411	61 041

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In the first half of 2024, Deposits and deposit equivalents at other credit institutions and central banks were remunerated at the implicit average rate of 3.32% (in 2023: 2.90%).

20 Other loans and advances to credit institutions

This caption is presented as follows:

(Euro thousand)	Jun 2024	Dec 2023
Other loans and advances to credit institutions in Portugal	3 323	3 717
Other loans and advances to credit institutions abroad		
Term deposits	57 634	63 539
CSA's	3 591	9 099
Reverse repos	-	28 504
Other loans and advances	84 345	75 091
	145 570	176 233
	148 893	179 950
Impairment for credit risk of other loans and advances to credit institutions	(1 053)	(1 048)
	147 840	178 902

As at 30 June 2024 and 31 December 2023, the caption Term deposits, recorded under Loans and advances to credit institutions abroad, includes the amount of Euro 11,325 thousand, related to a deposit made and accepted as collateral within the scope of the ex-ante contribution to the Single Resolution Fund, as per note 9.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in the Bank's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that the Group negotiated with each one of the counterparties and materialized through the effective transfers of cash, which are processed via TARGET2 to each one of the counterparties in question, as a guarantee/security of the Group's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 30 June 2024, the Group holds the amount of Euro 3,591 thousand (31 December 2023: Euro 9,099 thousand) related to loans and advances to credit institutions given as collateral for the above-mentioned operations.

The caption Loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited by vehicles incorporated in the scope of the Group's securitization operations.

In the first half of 2024, the Other loans and advances to credit institutions were remunerated at the implicit average rate of 2.74% (in 2023: 1.66%).

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	1 048	7
Charge for the period	18	2 560
Reversals for the period	(32)	(1 615)
Exchange rate differences	19	(119)
Other	-	215
Closing balance	1 053	1 048

21 Loans and advances to customers

This caption is presented as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Corporate		
Loans not represented by securities		
Loans	2 923 202	2 977 982
Current account loans	398 569	390 053
Finance lease	374 103	375 486
Discounted bills	21 431	27 123
Factoring	262 703	244 570
Overdrafts	2 019	776
Other loans	320 579	312 253
Loans represented by securities		
Commercial paper	223 289	199 184
Bonds	375 678	390 170
Retail		
Mortgage loans	5 459 015	5 309 216
Finance leases	32 730	35 278
Consumer credit and other loans	1 357 043	1 289 142
	11 750 361	11 551 233
Value correction of assets subject to hedging operations	(45)	(70)
Past due loans and advances and interest		
Less than 90 days	8 731	10 319
More than 90 days	117 566	172 732
	126 297	183 051
	11 876 613	11 734 214
Impairment for credit risks	(238 068)	(280 955)
	11 638 545	11 453 259

As at 30 June 2024, the caption Loans and advances to customers includes the amount of Euro 3,079,633 thousand (31 December 2023: Euro 3,046,532 thousand) related to the issue of covered bonds realized by the Group, as referred to in note 37.

As at 30 June 2024, the loans and advances that the Group granted to its shareholders and to related parties amounted to Euro 67,730 thousand (31 December 2023: Euro 46,959 thousand), as described in note 50. The celebration of business between the Group and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposed made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Directorate. The impairment for credit risks related to these contracts amounts to Euro 93 thousand as at 30 June 2024 (31 December 2023: Euro 97 thousand).

As at 30 June 2024, the caption Loans and advances to customers includes the amount of Euro 269,633 thousand (31 December 2023: Euro 632,118 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 c), were not the object of derecognition, as referred in note 51.

The caption Value correction of assets subject to hedge operations 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 30 June 2024 and 31 December 2023, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Variable-rate loans and advances	8 688 276	9 130 714
Fixed-rate loans and advances	3 188 337	2 603 500
	11 876 613	11 734 214

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Asset-backed loans	71 804	139 339
Other guaranteed loans	25 899	22 994
Finance leases	3 661	5 003
Secured loans	-	314
Other loans and advances	24 933	15 401
	126 297	183 051

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Corporate		
Construction/Production	12 985	16 900
Investment	43 479	99 409
Treasury	29 289	30 736
Others	7 550	7 557
Retail		
Mortgage loans	11 092	10 558
Consumer credit	19 297	15 183
Others	2 605	2 708
	126 297	183 051

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 30 June 2024 and 31 December 2023, is as follows:

(Euro thousand)

	Jun 2024				
	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	195 644	497 234	8 156 968	71 804	8 921 650
Other guaranteed loans	421 606	252 838	201 884	25 899	902 227
Finance leases	30 087	201 847	174 899	3 661	410 494
Secured loans	223 898	227 417	147 652	-	598 967
Other loans and advances	250 949	183 375	584 018	24 933	1 043 275
	1 122 184	1 362 711	9 265 421	126 297	11 876 613

(Euro thousand)

	Dec 2023				
	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	203 059	556 939	7 981 490	139 339	8 880 827
Other guaranteed loans	389 029	223 993	232 015	22 994	868 031
Finance leases	31 932	203 547	175 285	5 003	415 767
Secured loans	199 954	234 632	154 768	314	589 668
Other loans and advances	223 567	175 685	565 268	15 401	979 921
	1 047 541	1 394 796	9 108 826	183 051	11 734 214

The outstanding amount of Finance leases, by residual maturity, is as follows:

(Euro thousand)

	Jun 2024			
	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	66 030	242 646	122 653	431 329
Outstanding interest	(16 715)	(51 320)	(31 512)	(99 547)
Residual values	20 244	36 162	18 645	75 051
	69 559	227 488	109 786	406 833

(Euro thousand)

	Dec 2023			
	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	63 792	240 005	120 932	424 729
Outstanding interest	(15 566)	(47 542)	(31 744)	(94 852)
Residual values	21 265	34 500	25 122	80 887
	69 491	226 963	114 310	410 764

As regards operating leases, the Group does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	280 955	354 517
Charge for the period	166 009	403 343
Reversals for the period	(155 341)	(346 959)
Utilization	(53 733)	(131 258)
Exchange rate differences	54	(863)
Transfers and others	-	1 398
Financial liabilities associated with transferred assets and stage 3	124	777
Closing balance	238 068	280 955

The use of impairment corresponds to loans and advances written off until 30 June 2024 and during financial year 2023 and loan sale operations to third-party entities.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Asset-backed loans and Finance leases	158 328	205 428
Other guaranteed loans	39 761	39 015
Unsecured loans	39 979	36 512
	238 068	280 955

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Asset-backed loans and Finance leases	21 029	87 514
Other guaranteed loans	3 327	8 994
Unsecured loans	29 377	34 750
	53 733	131 258

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 30 June 2024, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 224,736 thousand (31 December 2023: Euro 326,600 thousand) and present an impairment of Euro 68,507 thousand (31 December 2023: Euro 102,845 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 30 June 2024 and 31 December 2023, by credit type, is as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Corporate		
Loans not represented by securities		
Loans	4 658	17 535
Current account loans	146	693
Finance leases	76	831
Others loans	1 054	1 875
Retail		
Mortgage loans	6 225	15 868
Consumer credit and other loans	615	2 085
	12 774	38 887

As at 30 June 2024, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 2,852 thousand, which corresponds to an impairment rate of 22.3% (31 December 2023: Euro 7,894 thousand, impairment rate of 20.3%).

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity date of the operation is 25 March 2036, and the respective amount is Euro 185,853 thousand as at 30 June 2024 (31 December 2023: Euro 248,315 thousand). As mentioned in accounting policy c.14), Banco Montepio contracted two guarantees from EIB and EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, supporting, respectively, a commission of 0.3% and 4.5%, with quarterly payments.

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 is Euro 622,821 thousand as at 30 June 2024 (31 December 2023: Euro 672,117 thousand).

As at 31 May 2023, Banco Montepio carried out a synthetic securitization, with an underlying portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 4 February 2066, and the amount is Euro 715,040 thousand as at 30 June 2024 (31 December 2023: 755,750 thousand).

22 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Financial assets held for trading		
Securities		
Shares	5 924	2 439
Bonds	9 192	3 543
Investment Units	68	211
	15 184	6 193
Derivative instruments		
Derivative instruments with positive fair value	14 284	12 777
	29 468	18 970
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	12 859	12 636
	12 859	12 636

As provided for in IFRS 13, as at 30 June 2024 and 31 December 2023, the financial instruments measured in accordance with the valuation levels described in note 47, are as follows:

(Euro thousand)

	Jun 2024			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	5 924	-	-	5 924
Bonds	9 192	-	-	9 192
Investment Units	68	-	-	68
	15 184	-	-	15 184
Derivative instruments				
Derivative instruments with positive fair value	-	12 769	1 515	14 284
	15 184	12 769	1 515	29 468
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	12 715	144	12 859
	-	12 715	144	12 859

(Euro thousand)

	Dec 2023			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 439	-	-	2 439
Bonds	3 543	-	-	3 543
Investment Units	211	-	-	211
	6 193	-	-	6 193
Derivative instruments				
Derivative instruments with negative fair value	-	8 924	3 853	12 777
	6 193	8 924	3 853	18 970
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	9 746	2 890	12 636
	-	9 746	2 890	12 636

As at 30 June 2024 and 31 December 2023, there are no securities given as collateral classified as held for trading.

The book value of the derivative financial instruments as at 30 June 2024 and their comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		Jun 2024								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the period (1)**	**Fair value**	**Changes in fair value in the period**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	99 092	981	(792)	189	927	(2 268)	1 061	97 127	99 017
Interest rate swap	Loans and advances to customers	789	10	(5)	5	(1)	(45)	25	800	760
Interest rate swap	-	167 014	4 436	(3 149)	1 287	278	-	-	-	-
Currency Swap (Short)	-	66 213	43	(86)	(43)	(8)	-	-	-	-
Currency Swap (Long)	-	69 205	-	-	-	-	-	-	-	-
Futures (Short)	-	6 369								
Futures (Long)	-	2 594	-	-	-	-	-	-	-	-
Forwards (Short)	-	3 082								
Forwards (Long)	-	3 084	8 814	(8 827)	(13)	88	-	-	-	-
Options (Short)	-	203 402								
		823 161	14 284	(12 859)	1 425	1 284	(2 313)	1 086	97 927	99 777

(1) Includes the result of derivatives disclosed in note 5

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2023 and their comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		Dec 2023								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year(1)**	**Fair value**	**Changes in fair value in the year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Deposits from customers	98 758	141	(879)	(738)	787	(3 329)	(1 236)	95 299	98 628
Interest rate swap	Loans and advances to customers	847	11	(5)	6	5	(70)	4	781	847
Interest rate swap	-	483060	6 839	(5 830)	1 009	(2 110)	-	-	-	-
Currency Swap (Short)	-	53 945	81	(116)	(35)	(47)	-	-	-	-
Currency Swap (Long)	-	56 388								
Futures (Short)	-	3 864	-	-	-	-	-	-	-	-
Futures (Long)	-	15								
Forwards (Short)	-	1 561	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 562								
Options (Short)	-	172 690	5 705	(5 806)	(101)	(625)	-	-	-	-
Options (Long)	-	172 894								
		1 045 584	12 777	(12 636)	141	(1 990)	(3 399)	(1 232)	96 080	99 475

(1) Includes the result of derivatives disclosed in note 5

23 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Variable income securities		
Investment Units	106 124	119 575
Loans and advances to customers at fair value		
Loans not represented by securities	8 816	8 653
	114 940	128 228

The caption Variable-income securities – Investment units includes investments made in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 106,124 thousand (31 December 2023: Euro 119,575 thousand), of which the amount of Euro 43,734 thousand (31 December 2023: Euro 56,428 thousand) refers to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 55 and the amount of Euro 39,836 thousand (31 December 2023: Euro 36,469 thousand) refers to real estate investment funds.

As set out in IFRS 13, financial instruments are measured in accordance with the valuation levels described in note 47, and all are classified as level 3.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective Funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 30 June 2024, for Variable-income securities recorded under level 3, considering a 10% change in the value of the financial assets, an impact of Euro 10,612 thousand (31 December 2023: Euro 11,958 thousand) was determined.

The movements occurring in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	119 575	138 800
Acquisitions	548	7 463
Remeasurements	(319)	(2 933)
Disposals	(13 680)	(23 755)
Closing balance	106 124	119 575

The movements occurring in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations observed in the first half of 2024 and in financial year 2023.

24 Financial assets at fair value through other comprehensive income

This caption, as at 30 June 2024, is presented as follows:

(Euro thousand)

	Jun 2024				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 073	-	(1 823)	(40)	18 210
Foreign	281 864	92	(1 240)	(203)	280 513
Bonds issued by other entities					
Domestic	6 577	248	(665)	(268)	5 892
Foreign	603	-	(16)	-	587
Variable income securities					
Shares					
Domestic	5 227	11 785	-	-	17 012
Foreign	6 233	364	(62)	-	6 535
	320 577	12 489	(3 806)	(511)	328 749

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Dec 2023				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 024	-	(1 688)	(40)	18 296
Bonds issued by other entities					
Domestic	6 611	229	(706)	(264)	5 870
Foreign	637	-	(18)	-	619
Variable income securities					
Shares					
Domestic	5 227	11 785	-	-	17 012
Foreign	6 233	363	(293)	-	6 303
	38 732	12 377	(2 705)	(304)	48 100

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

With regard to variable-income securities – national shares, as at 30 June 2024, the Group considered for the purposes of valuing the relevant shares recorded under this caption - SIBS, Unicre and ABANCA - the maintenance of the assumptions disclosed in the financial statements as at 31 December 2023.

In the first half of 2024 and financial year 2023, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	Jun 2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 210	-	-	-	18 210
Foreign	280 513	-	-	-	280 513
Bonds issued by other entities					
Domestic	4 299	-	1 593	-	5 892
Foreign	-	587	-	-	587
	303 022	587	1 593	-	305 202
Variable income securities					
Shares					
Domestic	-	-	16 100	912	17 012
Foreign	-	-	6 118	417	6 535
	-	-	22 218	1 329	23 547
	303 022	587	23 811	1 329	328 749

(Euro thousand)

	Dec 2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 296	-	-	-	18 296
Bonds issued by other entities					
Domestic	4 307	-	1 563	-	5 870
Foreign	-	619	-	-	619
	22 603	619	1 563	-	24 785
Variable income securities					
Shares					
Domestic	-	-	16 100	912	17 012
Foreign	-	-	5 893	410	6 303
	-	-	21 993	1 322	23 315
	22 603	619	23 556	1 322	48 100

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 47.

As at 30 June 2024, for securities recorded under level 3, a 10% change in the value of the financial asset was considered, with an impact of Euro 2,381 thousand (31 December 2023: Euro 2,356 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 11,462 thousand (31 December 2023: positive amount of Euro 11,203 thousand) recognized in fair value reserves.

In this caption, the Group has some securities measured at acquisition cost and it is the Group's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

The movements occurring in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)	Jun 2024	Dec 2023
Opening balance	23 556	32 396
Remeasurements	255	2 129
Reimbursements	-	(10 969)
Closing balance	23 811	23 556

The movements occurring in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)	Jun 2024	Dec 2023
Opening balance	304	552
Charge for the period	208	23
Reversals for period	(1)	(108)
Utilization	-	(138)
Transfers	-	(25)
Closing balance	511	304

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 30 June 2024, amounts to Euro 257,075 thousand after haircut (31 December 2023: Euro 18,394 thousand).

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)	Jun 2024	Dec 2023
Assets		
Interest rate swaps	10 865	6 174
Liabilities		
Interest rate swaps	2 406	3 525
	8 459	2 649

The Banco Montepio Group contracted interest rate swaps to hedge its interest rate risk arising from bond issues at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether the Group is exposed to fair value changes, or whether it is hedging future transactions. The Group performs periodic effectiveness tests of the hedging relationships.

In the first half of 2024, the Group contracted two hedging operations for interest rate risk on bonds issued. As at 30 June 2024, the fair value hedging operations can be analyzed as follows:

(Euro thousand)

Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in fair value of derivative in the financial period	Fair value of hedge element (2)	Changes in fair value of the hedged item in the financial period (2)
			Jun 2024				
Interest rate swap	Debt securities issued	Interest rate	700 000	8 459	5 811	1 399	4 362
			700 000	8 459	5 811	1 399	4 362

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

As at 31 December 2023, the fair value hedging operation can be analysed as follows:

(Euro thousand)

Derivative	Hedged item	Hedged risk	Notional	Fair value derivative (1)	Changes in fair value of the derivative in the financial year	Fair value of hedge element (2)	Changes in fair value of the hedged item in the financial year (2)
			Dec 2023				
Interest rate swap	Debt securities issued	Interest rate	200 000	2 649	2 649	2 963	2 963
			200 000	2 649	2 649	2 963	2 963

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

26 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Fixed income securities		
Bonds issued by public entities		
Domestic	1 036 213	1 054 287
Foreign	2 024 468	2 787 013
Bonds issued by other entities		
Domestic	19 673	8 059
Foreign	67 916	30 667
Commercial paper		
Domestic	9 992	4 979
Foreign	19 790	-
	3 178 052	3 885 005
Impairment for other financial assets at amortized cost	(4 828)	(6 157)
	3 173 224	3 878 848

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 47.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 c).

As at 30 June 2024, the loan obtained from the EIB is collateralized by Italian, Spanish and Greek sovereign bonds with a nominal value of Euro 368,007 thousand (31 December 2023: Euro 357,282 thousand by Italian, Greek and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 35.

As at 30 June 2024, the nominal value of the assets pledged as collateral to the European Central Bank under this caption, for liquidity-providing operations, amounts to Euro 2,071,217 thousand (31 December 2023: Euro 2,859,409 thousand) after the application of a haircut.

These financial assets pledged as collateral may be forfeited in the event of non-compliance with the contractual obligations assumed by the Group under the terms and conditions of the contracts signed.

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 30 June 2024 and 31 December 2023.

As at 30 June 2024 and 31 December 2023, the nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 29,000 thousand, as per note 46.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	6 157	6 693
Charge for the period	735	1 252
Utilization	(2 064)	(1 788)
Closing balance	4 828	6 157

27 Investments in associated companies

Esta rubrica é apresentada como segue:

(Euro thousand)

	Jun 2024	Dec 2023
HTA - Hotés, Turismo e Animação dos Açores, S.A.	3 673	4 028
Montepio - Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	674
	3 673	4 702

Associates included in the Group's consolidation perimeter are listed in note 57.

The financial information of Associates is presented in the following tables:

(Euro thousand)

	Assets	Liabilities	Equity	Income	Net profit / (loss)	Acquisition cost
30 June 2024						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	31 951	13 584	18 367	3 072	(1 672)	3 673
31 December 2023						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	34 748	14 605	20 143	12 623	2 750	4 028
Montepio Gestão de Activos Imobiliários, A.C.E. - em Liquidação	3 750	1 300	2 450	-	-	674

(Euro thousand)

	Percentage held		Book value		Profit / Loss	
	Jun 2024	Dec 2023	Jun 2024	Dec 2023	Jun 2024	Jun 2023
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,0%	20,0%	3 673	4 028	(334)	(209)
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	27,5%	-	674	-	-

Montepio - Gestão de Activos Imobiliários, A.C.E. – Em liquidação was liquidated on 13 May 2024.

The movement in this caption is analysed as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Openning balance	4 702	4 390
Share of profit of associated companies	(334)	550
Other reserves and retained earnings	(21)	(238)
Liquidation of Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	(674)	-
Closing balance	3 673	4 702

The Group analyses, on a regular basis, the impairment related to its investments in associates.

28 Non-current assets held for sale

This caption is analysed as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Properties and other assets resulting from the resolution of customer loan agreements	269	217
Impairment for non-current assets held for sale	(195)	(143)
	74	74

The assets included in this caption are accounted for in accordance with the accounting policy described in note 1 h).

The movements occurring in non-current assets held for sale in the first half of 2024 and financial year 2023 are analysed as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Opening balance	217	58
Acquisitions	668	253
Disposals	(616)	(94)
Closing balance	269	217

The movements in impairment of non-current assets held for sale are analysed as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Opening balance	143	47
Charge for the period	78	111
Reversal for the period	(26)	(15)
Closing balance	195	143

29 Investment properties

The caption Investment properties includes the real estate owned by "Valor Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional", by "Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular", 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..

As at 30 June 2024, the amount of rental income received related to investment properties totalled Euro 363 thousand (31 December 2023: Euro 915 thousand) and maintenance costs of leased and non-leased properties totalled Euro 820 thousand (31 December 2023: Euro 2,032 thousand), as described in note 9.

The movements in this caption are analysed as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Opening Balance	57 665	72 726
Acquisitions	-	21
Revaluations	(109)	1 474
Disposals	(5 397)	(16 556)
Closing balance	52 159	57 665

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)
	Jun 2024	**Dec 2023**
Investments		
Real estate		
For own use	179 855	182 963
Leasehold improvements in rented buildings	28 605	28 604
Equipment		
IT equipment	92 664	93 868
Fixtures	34 451	33 870
Furniture	17 219	17 198
Security equipment	4 525	4 400
Machinery and tools	2 805	2 802
Transportation equipment	1 664	1 664
Other equipment	5	5
Works of art	2 870	2 870
Assets in operating leases	58	58
Righ-of-use assets		
Real estate	32 540	31 627
Motor vehicles	15 371	14 633
Other tangible assets	540	540
Work in progress	2 762	1 370
	415 934	416 472
Accumulated depreciation		
For the current financial period	(7 578)	(14 219)
Relating to previous financial periods	(214 801)	(206 528)
	(222 379)	(220 747)
Impairment for other tangible assets	(329)	(325)
	193 226	195 400

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

The movements in impairment of Other tangible assets are analysed as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Opening Balance	325	505
Charge for the period	1 284	1 592
Transfers	(1 280)	(1 772)
Closing balance	329	325

As at 30 June 2024, a reinforcement of impairment, net of reversals, was made in Euro 1,284 thousand (2023: Euro 1,592 thousand) related to the closure of branches in the scope of the Distribution network resizing plan, 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)

	Jun 2024	Dec 2023
Investment		
Software	249 673	234 209
Other Intagible Assets	3 012	3 012
Work in progress	8 885	7 732
	261 570	244 953
Accumulated depreciation		
For the current financial period	(14 039)	(23 696)
Relating to previous financial periods	(187 209)	(163 513)
	(201 248)	(187 209)
	60 322	57 744

32 Taxes

Deferred tax assets and liabilities, as at 30 June 2024 and 31 December 2023, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	Jun 2024	Dec 2023	Jun 2024	Dec 2023	Jun 2024	Dec 2023
Deferred taxes not dependent on future profitability						
Impairment on loans granted	15 874	35 216	-	-	15 874	35 216
Post-employment and long-term employee benefits	18 561	16 973	-	-	18 561	16 973
Crédito tributário			-	-	-	-
	34 435	52 189	-	-	34 435	52 189
Deferred taxes dependent on future profitability						
Financial instruments	5 870	6 956	(8 216)	(8 239)	(2 346)	(1 283)
Other tangible assets	1 125	4 198	-	-	1 125	4 198
Provisions / Impairment						
Impairment on loans granted	19 956	35 485	-	-	19 956	35 485
Other risks and charges	4 490	5 561	-	-	4 490	5 561
Impairment in securities and non-financial assets	5 161	5 280	(36)	(37)	5 125	5 243
Impairment in financial assets	1 628	1 971	-	-	1 628	1 971
Post-employment and long-term employee benefits	39 283	40 606	-	-	39 283	40 606
Others	5 174	5 529	-	-	5 174	5 529
Taxes losses carried forward	234 776	231 563	-	-	234 776	231 563
	317 463	337 149	(8 252)	(8 276)	309 211	328 873
Net deferred tax assets/ (liabilities)	351 898	389 338	(8 252)	(8 276)	343 646	381 062

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets ("Regime" or "REAID"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same.

In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employee benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders.

According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of said Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (see note 43).

As at 30 June 2024, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, the Banco Montepio Group has a special reserve in the amount of Euro 4,809 thousand (31 December 2023: Euro 4,809 thousand), which, as at 31 December 2023, corresponds to a tax credit of Euro 273 thousand that is an integral part of the total current tax assets.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved/known at the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 1,726 thousand (31 December 2023: Euro 1,845 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of the Banco Montepio Group).

In the first half of 2024, deferred taxes recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 26,414 thousand (31 December 2023: Euro 24,592 thousand) related to the referred benefits in excess of the existing limits, of which Euro 12,076 thousand (2023: Euro 4,970 thousand) do not depend on future profitability.

In the first half of 2024 and financial year 2023, 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%.

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 stability 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 the improvement of the 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 30 June 2024 and 31 December 2023, the Banco Montepio Group recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax evolved at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry Date	Jun 2024	Dec 2023
2032	15 632	15 338
2033	26 829	26 829
Undetermined	192 315	189 396
	234 776	231 563

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 profit or loss and in reserves in the first half of 2024 and in financial year 2023 originated as follows:

(Euro thousand)

	Jun 2024		Dec 2023	
	Recognized in net income/ (loss)	Recognized to reserves and retained earnings	Recognized in net income/ (loss)	Recognized to reserves and retained earnings
Financial instruments	(1 721)	302	1 113	(1 112)
Impairment / Provisions	(36 294)	-	(56 866)	-
Post-employment and long-term employee benefits	259	-	(11 127)	20 102
Tax losses carried forward	3 219	-	11 123	-
Others	(3 180)	-	3 979	-
Deferred taxes/ recognized as profit/ (losses)	(37 717)	302	(51 778)	18 990
Current taxes	(886)	-	1 465	-
	(38 603)	302	(50 313)	18 990

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	Jun 2024		Jun 2023	
	%	Value	%	Value
Profit/ (Loss) before income tax		107 339		87 099
Income tax based on the current nominal tax rate	(21,0)	(22 541)	(21,0)	(18 291)
Capital gains and losses for tax purposes	3,0	3 194	(5,0)	(4 321)
Banking sector extraordinary contribution	(1,7)	(1 859)	(2,7)	(2 350)
Post-employement benefits and Pension Fund	6,5	7 011	1,6	1 393
Taxable provisions/impairment	(10,4)	(11 187)	(1,2)	(1 072)
Autonomous taxation	(0,4)	(407)	(0,3)	(252)
Corrections to previous period	-	-	1,4	1 240
Effect of differences in income tax for the period	(10,9)	(11 751)	(12,9)	(11 251)
Deductions / (add-backs) for taxable income purposes (*)	(1,0)	(1 063)	3,3	2 893
Others	-	-	0,9	762
Income tax for the period	(36,0)	(38 603)	(35,9)	(31 249)

(*) 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.

Banco Montepio opted for the application of the new tax regime for impairment as from financial year 2023, for which reason, for the current and deferred tax assessment related to prior financial years, it estimated its taxes based on the regime that was in force until 31 December 2018, and in the respect of current and deferred tax of financial year 2023 it based same on the new tax regime for impairment.

The entity Montepio Crédito opted to apply the new tax regime for impairment and thus based its tax estimate on the new tax regime for impairment.

The Tax Authority can review Banco Montepio’s taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

The Banco Montepio Group was subject to inspections by the Tax Authority under the Special Taxation Regime of Groups of Companies (“RETGS”), up to and including the 2021 tax period, with the inspection of the 2022 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 1,090 thousand (31 December 2023: Euro 1,568 thousand) relates, essentially, to IRC recoverable, additional payments on account, special payments on account and payments on account.

33 Other assets

This caption is presented as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Assets received in recovery of credit	280 481	313 112
Post-employment benefits	80 974	50 428
Other debtors	84 540	73 219
Sundry debtors	15 883	18 299
Price deposits	6 085	6 514
Bonifications to be received from the Portuguese State	7 487	5 368
Deferred costs	10 813	5 565
Other amounts receivable	5 140	8 392
	491 403	480 897
Impairment for assets received in recovery for credit	(102 099)	(107 582)
Impairment for other assets	(27 085)	(26 995)
	362 219	346 320

The caption Assets received in recovery of credit is presented as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Assets received in recovery of credit	280 481	313 112
Impairment for Assets received in recovery of credit	(102 099)	(107 582)
	178 382	205 530

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 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 30 June 2024, properties for which promissory contracts to buy and sell, in the amount of Euro 16,898 thousand (31 December 2023: Euro 20,265 thousand), have already been celebrated.

The movements in the first half of 2024 and financial year 2023 in Assets received in recovery of credit are analysed as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Opening balance	313 112	447 959
Acquisitions	4 308	16 150
Disposals	(37 055)	(148 614)
Other movements	116	(1 928)
Transfers	-	(455)
Closing Balance	280 481	313 112

The movement in impairment of Assets received in recovery of credit are analysed as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Opening balance	107 582	123 826
Charge for the period	5 553	21 117
Reversals for the period	(40)	(2 814)
Utilization	(12 276)	(36 319)
Transfers	1 280	1 772
Closing balance	102 099	107 582

The caption Transfers considers the impairment associated with branches closed that were transferred to Other tangible assets as described in note 30.

The caption Post-employment and long-term employee benefits corresponds to the net value of the assets and of the liabilities of the Pension Fund.

As at 30 June 2024 and 31 December 2023, the caption Other debtors is analysed as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Supplementary capital contributions	14 910	14 910
Others	69 630	58 309
	84 540	73 219

The caption Supplementary capital contributions considers the amounts subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 30 June 2024 and 31 December 2023.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, which amounts were determined in accordance with the legal provisions applicable to low-interest loans, and which do not bear interest and are regularly claimed.

As at 30 June 2024 and financial year 2023, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Bonifications overdue and not yet claimed	2 498	2 027
Bonifications claimed from State not yet settled	4 648	3 023
Bonifications processed and not yet claimed	341	318
	7 487	5 368

The movements in the impairment of Other assets are analysed as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Opening balance	26 995	24 596
Charge for the period	2 399	5 298
Reversals for the period	(1 326)	(1 268)
Utilization	(983)	(1 423)
Transfers	-	(208)
Closing balance	27 085	26 995

As at 30 June 2024, the impairment of Other assets includes the impairment constituted for the Supplementary capital contributions of Euro 14,910 thousand (31 December 2023: Euro 14,910 thousand), for Price deposits of Euro 3,302 thousand (31 December 2023: Euro 2,577 thousand), for Guarantee commissions of Euro 510 thousand ((31 December 2023: Euro 609 thousand), for Factoring operations of Euro 498 thousand (31 December 2023: Euro 498 thousand) and for Other debtors of Euro 7,865 thousand (31 December 2023: Euro 8,401 thousand).

The expectations regarding receipts associated with price deposits 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 price deposits being adjusted whenever this is found to be necessary.

34 Deposits from central banks

As at 31 December 2023, this caption includes deposits obtained from the European System of Central Banks, which are collateralized by loans to customers, securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 24 and 26.

For the financing lines under the TLTRO III program, the effective interest rate used in the first half of 2024 and financial year 2023 considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 30 June 2024, the Group had no funds obtained from the European System of Central Banks.

As at 31 December 2023, these funds consisted of two operations with maturities and amounts as follows: in March 2024, in the amount of Euro 817,437 thousand and in December 2024, in the amount of Euro 56,496 thousand.

35 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Deposits repayable on demand	5 682	-	5 682	5 607	-	5 607
Term deposits	-	12 497	12 497	-	12 518	12 518
	5 682	12 497	18 179	5 607	12 518	18 125
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	12 757	-	12 757	34 465	-	34 465
Sales operations with repurchase agreement	-	430 744	430 744	-	548 900	548 900
Others deposits	16 349	-	16 349	7 929	-	7 929
	29 106	730 751	759 857	42 394	848 907	891 301
	34 788	743 248	778 036	48 001	861 425	909 426

The EIB loan amount, presented in the previous table, has as its main objective the financing of SMEs and considers the loan obtained in November 2020, in the amount of Euro 300,000 thousand, which has a term of twelve years, a grace period of four years, constant amortizations and a rate of 0.019%.

The amount of the EIB loan is collateralized by Italian, Spanish and Greek sovereign bonds in the nominal amount of Euro 368,007 thousand (31 December 2023: Euro 357,282 thousand, by Italian, Spanish and Greek 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)

	Jun 2024			Dec 2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 371 143	143 097	5 514 240	5 470 291	105 104	5 575 395
Term deposits	-	8 565 328	8 565 328	-	7 662 053	7 662 053
Saving accounts	-	114 084	114 084	-	112 859	112 859
Others deposits	20 797	-	20 797	19 430	-	19 430
Adjustments arising from fair value option operations	(2 268)	-	(2 268)	(3 329)	-	(3 329)
	5 389 672	8 822 509	14 212 181	5 486 392	7 880 016	13 366 408

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits, pursuant to that stipulated in said Ordinance. The criteria to calculate the annual contributions to the Deposits Guarantee Fund are defined in Bank of Portugal Notice no. 11/94, of 29 December.

In the first half of 2024, deposits from customers were remunerated at the implicit average rate of 1.50% (in 2023: 0.64%).

37 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

	Jun 2024	Dec 2023
	(Euro thousand)	
EMTN bonds	460 293	205 300
Covered bonds	328 677	328 483
Securitizations	163 310	196 262
	952 280	730 045

The fair value of the debt securities issued is presented in note 47.

In the first half of 2024, under the EMTN (Euro Medium Term Note) Programme, Banco Montepio issued senior debt securities in the amount of Euro 250,000 thousand, at a fixed interest rate of 5.625% and for a term of four years. If the early repayment option is not exercised at the end of the third year, the interest rate for the remaining period will be indexed to the three-month Euribor plus a spread of 2.6%.

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in a total of Euro 2,050,000 thousand, at nominal value, as at 30 June 2024 (31 December 2023: Euro 2,300,000 thousand).

As at 30 June 2024, 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	301 988	-	November 2016	November 2024	quarterly	Euribor 3M + 0,80%	Aaa/AAA
Covered bonds - 8S	1 250 000	1 252 085	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	Aaa/AAA
Covered bonds - 11S	500 000	328 677	328 677	November 2019	November 2024	annually	Fixed at 0.125%	Aaa/AAA
	2 050 000	1 882 750	328 677					

As at 31 December 2023, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 6S	300 000	302 065	-	November 2016	November 2024	quarterly	Euribor 3M + 0,80%	Aaa/AA+
Covered bonds - 8S	1 250 000	1 252 517	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	Aaa/AA+
Covered bonds - 9S	250 000	251 303	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	Aaa/AA+
Covered bonds - 11S	500 000	328 483	328 483	November 2019	November 2024	annually	Fixed at 0.125%	Aaa/AA+
	2 300 000	2 134 368	328 483					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in the Group’s accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in 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 30 June 2024, the value of the loans collateralizing these issues amounted to Euro 3,079,633 thousand (31 December 2023: Euro 3,046,532 thousand), according to note 21.

The movements in Debt securities issued during the first half of 2024, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements (a)	Balance on 30 June
EMTN bonds	205 300	250 000	-	4 993	460 293
Covered bonds	328 483	-	-	194	328 677
Securitisations	196 262	-	(32 952)	-	163 310
	730 045	250 000	(32 952)	5 187	952 280

(a) Included is the movement of accrued interest on the balance sheet date.

The movements in Debt securities issued during financial year 2023, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements (a)	Balance on 31 December
Cash bonds	-	200 000	-	5 300	205 300
Covered bonds	327 492	-	-	991	328 483
Securitisations	279 159	-	(82 897)	-	196 262
	606 651	200 000	(82 897)	6 291	730 045

(a) Included is the movement of accrued interest on the balance sheet date.

In accordance with the accounting policy described in note 1 c), the purchase of debt securities issued by the Group is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 30 June 2024, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	20 363
PELICAN FINANCE no 2 A	06/12/2021	25/01/2035	Euribor 1M + 0,7%	113 240
PELICAN FINANCE no 2 B	06/12/2021	25/01/2035	Euribor 1M +1,35%	8 210
PELICAN FINANCE no 2 C	06/12/2021	25/01/2035	Euribor 1M + 2,25%	6 941
PELICAN FINANCE no 2 D	06/12/2021	25/01/2035	Euribor 1M + 4,25%	7 655
PELICAN FINANCE no 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	6 901
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
EMTN BONDS	30/10/2023	30/10/2026	Annual fixed rate of 10,0%	200 000
CEMG COVERED BONDS 5,625 29/05/2028	29/05/2024	29/05/2028	Annual fixed rate of 5,625%	250 000
				1 113 310
			Covered Bonds - 11S repurchases	(171 400)
			Accrual based accounting, deferred income and costs and others	10 370
				952 280

As at 31 December 2023, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	22 174
PELICAN FINANCE no 2 A	06/12/2021	25/01/2035	Euribor 1M + 0,7%	137 899
PELICAN FINANCE no 2 B	06/12/2021	25/01/2035	Euribor 1M +1,35%	10 002
PELICAN FINANCE no 2 C	06/12/2021	25/01/2035	Euribor 1M + 2,25%	8 455
PELICAN FINANCE no 2 D	06/12/2021	25/01/2035	Euribor 1M + 4,25%	9 325
PELICAN FINANCE no 2 E	06/12/2021	25/01/2035	Fixed rate 6,4%	8 407
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
EMTN BONDS	30/10/2023	30/10/2026	Annual fixed rate of 10,0%	200 000
				896 262
			Covered Bonds - 11S repurchases	(171 400)
			Accrual based accounting, deferred income and costs and others	5 183
				730 045

38 Provisions

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Provisions for guarantees and commitments	8 861	10 362
Provisions for other risks and charges	8 315	10 468
	17 176	20 830

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to the Group's activity, being revised at each reporting date to reflect the best estimate of the amount 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)

	Jun 2024	Dec 2023
Opening balance	10 362	19 517
Charge for the period	8 045	21 806
Reversal for the period	(9 535)	(30 891)
Utilization	(11)	(70)
Closing balance	8 861	10 362

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	10 468	11 235
Charge for the period	635	1 703
Reversal for the period	(1 521)	(1 680)
Utilization	(1 267)	(790)
Closing balance	8 315	10 468

39 Other subordinated debt

As at 30 June 2024 and 31 December 2023, the main characteristics of subordinated debt, are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Jun 2024	Dec 2023
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	-	50 056
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	-	107 803
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	-	52 661
CX ECONOMICA MONTEPIO GERAL 8.50 12/06/2034	Mar 2024	Jun 2034	250 000	8,5% the first 5 years and at EurSwap for 5y + 5,815% for the remaining years	251 048	-
FINIBANCO VALOR INVEST 2010	Fev 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 497	6 499
					257 545	217 019

In the first half of 2024, under the EMTN (Euro Medium Term Note) Programme, Banco Montepio issued subordinated debt securities in the amount of Euro 250,000 thousand, with a fixed interest rate of 8.5% and a term of ten years. If the early repayment option is not exercised at the end of the fifth year, the interest rate for the remaining period will be indexed to the five-year swap rate plus a spread of 5.815%.

The movements in Other subordinated debt during the first half of 2024 and financial year 2023, were as follows:

(Euro thousand)

	Jun 2024					Dec 2023		
	Balance at 1 January	Issued	Reimbursements	Other movements	Balance at 30 June	Balance at 1 January	Other movements	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 056	-	(50 000)	(56)	-	50 044	12	50 056
MONTEPIO EMTN SUB 2019/2029	107 803	-	(100 000)	(7 803)	-	107 825	(22)	107 803
MONTEPIO EMTN SUB 2020/2030	52 661	-	(50 000)	(2 661)	-	52 705	(44)	52 661
CX ECONOMICA MONTEPIO GERAL 8.50 12/06/2034	-	250 000	-	1 048	251 048	-	-	-
FINIBANCO VALOR INVEST 2010	6 499	-	-	(2)	6 497	6 455	44	6 499
	217 019	250 000	(200 000)	(9 474)	257 545	217 029	(10)	217 019

(a) Includs accrued interest

Regarding the Finibanco Valor Invest 2010 issue, the redemption is at nominal value and, as a result of applicable Laws or Regulations, including any European Union Directives or Regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

40 Other liabilities

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Domestic and foreign operations pending settlement	158 357	152 443
Sundry creditors	32 901	45 975
Staff costs payable	32 308	30 912
Other expenses	19 424	21 165
Lease liabilities	6 303	7 689
Administrative public sector	16 383	14 843
Suppliers	9 156	13 926
Deferred income	515	548
	275 347	287 501

As at 30 June 2024, the caption Staff charges payable includes the amount of Euro 17,668 thousand (31 December 2023: Euro 17,729 thousand), related to holiday pay and subsidy, Euro 11,791 thousand related to accrued termination charges and variable remuneration (31 December 2023: Euro 10,454 thousand) and Euro 2,849 thousand (31 December 2023: Euro 2,729 thousand) related to end-of-career awards.

As at 30 June 2024 and 31 December 2023, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Up to 1 year	2 861	4 060
1 to 5 years	3 408	3 629
More than 5 years	34	-
	6 303	7 689

41 Share capital

As at 30 June 2024, Banco Montepio's share capital, which is fully realized, amounts to Euro 1,210,000 thousand (31 December 2023: Euro 1,210,000 thousand).

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

The shareholder structure of Banco Montepio's share capital as at 30 June 2024 and 31 December 2023 is as follows:

	Jun 2024		Dec 2023	
	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 income, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 30 June 2024, the legal reserve amounts to Euro 207,487 thousand (31 December 2023: 196,833 thousand).

43 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Fair value reserves		
Fair value reserve		
Financial assets at fair value through other comprehensive income		
Debt instruments	(3 404)	(2 183)
Equity instruments	12 087	11 855
	8 683	9 672
Taxes		
Financial assets at fair value through other comprehensive income	(2 578)	(2 880)
	(2 578)	(2 880)
Fair value reserve net of taxes	6 105	6 792
Other reserves and retained earnings		
Special regime for deferred tax assets	4 809	4 809
Post-employment benefits (note 48)	23 297	(84 087)
Other reserves and retained earnings	139 413	203 758
	167 519	124 480

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	Jun 2024				
	Balance on 1 January	Revaluation	Acquisitions	Impairment recognised in the period	Balance on 30 June
Fixed income securities					
Bonds issued by Portuguese public entities	(1 688)	(135)	-	-	(1 823)
Bonds issued by foreign public entities	-	-	(945)	(203)	(1 148)
Bonds issued by other entities:					
Domestic	(477)	63	-	(4)	(418)
Foreign	(18)	3	-	-	(15)
	(2 183)	(69)	(945)	(207)	(3 404)
Variable income securities					
Shares					
Domestic	11 785	-	-	-	11 785
Foreign	70	232	-	-	302
	11 855	232	-	-	12 087
	9 672	163	(945)	(207)	8 683

(Euro thousand)

	Dec 2023				
	Balance on 1 January	Revaluation	Disposals	Impairment recognised in the year	Balance on 31 December
Fixed income securities					
Bonds issued by Portuguese public entities	(2 599)	920	(9)	-	(1 688)
Bonds issued by foreign public entities	(765)	-	692	73	-
Bonds issued by other entities:					
Domestic	(403)	(131)	(97)	154	(477)
Foreign	(53)	17	16	2	(18)
Commercial Paper	19	-	(38)	19	-
	(3 801)	806	564	248	(2 183)
Variable income securities					
Shares					
Domestic	10 785	1 000	-	-	11 785
Foreign	(1 151)	-	1 221	-	70
	9 634	1 000	1 221	-	11 855
	5 833	1 806	1 785	248	9 672

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Amortised cost of financial assets at fair value through other comprehensive income	320 577	38 732
Recognised accumulated impairment	(511)	(304)
Amortised cost of financial assets at fair value through other comprehensive income net of impairment	320 066	38 428
Market value of financial assets at fair value through other comprehensive income	328 749	48 100
Potential realised gains/ (Losses) recognised in the fair value reserve	8 683	9 672

As described in note 32, following the adhesion of Banco Montepio to the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014, of 26 August, a Special reserve was constituted that reflects the conversion of eligible deferred tax assets into tax credits.

Considering that Banco Montepio recorded net losses in 2020 and in 2021, and considering the eligible deferred tax assets at the reference date of the 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)

	Jun 2024	Dec 2023
Special reserve		
2021 (Negative net income of 2020)	4 509	4 509
2022 (Negative net income of 2021)	300	300
	4 809	4 809

As at 31 December 2023, Banco Montepio had a tax credit of Euro 273 thousand, as described in note 32.

44 Distribution of dividends

The Annual General Meeting held on 30 April 2024 approved the proposal to apply the Net Income for Financial Year 2023, in the positive amount of Euro 106,544,699.15, to cover actuarial deviations related to the Pension Fund in Euro 76,649,473.12, to reinforce the Legal Reserve in Euro 10,654,469.92, to Retained Earnings in Euro 13,240,756.11 and to distribute dividends in Euro 6,000,000.00.

In financial year 2023, Banco Montepio did not distribute dividends.

45 Non-controlling interests

This caption is presented as follows:

(Euro thousand)

	Income Statement	
	Jun 2024	Jun 2023
Finibanco Angola, S.A.	-	1 742

The movements in this caption are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	-	11 442
Foreign exchange differences	-	(5 455)
Dividends	-	(663)
Discontinuing participation	-	(7 066)
	-	(1 742)
Net income attributable to non-controlling interests	-	1 742
	-	-

46 Guarantees and other commitments

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Guarantees granted	502 514	519 196
Commitments to third parties	1 662 084	1 571 256
Deposit and custody of securities	7 015 444	7 050 460
	9 180 042	9 140 912

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Garantees granted		
Guarantees	456 513	468 399
Letters of credit	46 001	50 797
	502 514	519 196
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	691 743	638 083
Securities subscription	590	590
Term liability to the Guarantee Deposits Fund	22 768	22 768
Potential liability with the Investor's Indemnity System	2 466	5 094
Revocable commitments		
Revocable credit facilities	944 517	904 721
	1 662 084	1 571 256

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. Credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time of their contracting.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, with the Group requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of the commitments expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 30 June 2024 and 31 December 2023, 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 30 June 2024 and 31 December 2023, 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 29,000 thousand, as described in note 26.

As at 30 June 2024 and 31 December 2023, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that the Group assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 c). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by the Group in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

47 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of the Group.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13, as follows:

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

a) Financial instruments shall be classified in level 2 if they are:

i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, 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, the Group calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

As 30 June 2024, no funds had been taken from the European Central Bank. The rate of return of funding from the European Central Bank was 1.09% for live operations as at 31 December 2023.

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 30 June 2024, the average discount rate was 3.21% (31 December 2023: 2.77%).

For Loans and advances to credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by the Group to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity.

The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 30 June 2024, the average discount rate was 3.56% for mortgage loans (31 December 2023: 3.70%), 6.71% for private individual loans (31 December 2023: 5.82%) and 5.01% for the remaining loans (31 December 2023: 4.79%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by the Group to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of the Group at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 30 June 2024 was 2.76% (31 December 2023: 2.67%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which the Group applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of the Group.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- <u>*Cash, Deposits at central banks and Deposits and deposit equivalents to other credit institutions repayable on demand*</u>

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

	Type of instruments		Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash Flow Method [2]	Interest rate curves
		Exchange rate options	Black-Scholes Model	Implied Volatilities
		Interest rate options	Normal Model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3]
Financial assets at amortized cost	Debt securities Loans and advances		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)

	Jun 2024		Dec 2023	
	CVA	DVA	CVA	DVA
Adjustment	297	299	257	144
Of which : Derivatives expiry	(3)	-	(3)	14

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, as described in note 1 n):

- Comparative market method;
- Income method;
- Cost method.

As at 30 June 2024, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Yen
1 day	3,700000	5,300000	5,230000	1,270000	-0,080000
7 days	3,660000	5,324000	5,250000	1,190000	-0,170000
1 month	3,655500	5,420000	5,280000	1,190000	-0,170000
2 months	3,651500	5,450000	5,280000	1,210000	-0,170000
3 months	3,628500	5,580000	5,280000	1,245000	-0,180000
6 months	3,528500	5,510000	5,300000	1,250000	-0,060000
9 months	3,428500	5,470000	5,300000	1,250000	0,140000
1 year	3,332500	5,500000	5,240000	1,315000	-0,150000
2 years	3,011500	5,386539	5,173098	0,993000	-0,150092
3 years	2,841500	5,273079	5,173098	0,947500	-0,150092
5 years	2,698500	5,045846	5,173098	0,950000	-0,150092
7 years	2,668500	4,818925	5,173098	0,996000	-0,150092
10 years	2,699500	4,477921	5,173098	1,062500	-0,150092
15 years	2,765500	4,231105	5,173098	1,128000	-0,150092
20 years	2,721500	4,198000	5,173098	1,128000	-0,150092
30 years	2,540500	4,035000	5,173098	1,128000	-0,150092

As at 31 December 2023, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Yen**
1 day	3,800000	5,365000	5,230000	1,855000	0,125000
7 days	3,895000	5,306250	5,220000	1,650000	-0,340000
1 month	3,903500	5,420000	5,285000	1,780000	-0,340000
2 months	3,900500	5,460000	5,215000	1,755000	-0,300000
3 months	3,868500	5,530000	5,320000	1,675000	-0,280000
6 months	3,684500	5,500000	5,370000	1,690000	-0,190000
9 months	3,446500	5,410000	5,290000	1,700000	-0,050000
1 year	3,213500	5,340000	5,250000	1,710000	0,080000
2 years	2,565500	5,195685	5,182845	1,242500	0,079931
3 years	2,321500	5,052550	5,182845	1,164000	0,079931
5 years	2,181500	4,765493	5,182845	1,146000	0,079931
7 years	2,197500	4,478436	5,182845	1,189000	0,079931
10 years	2,288500	4,047457	5,182845	1,252500	0,079931
15 years	2,416500	3,759688	5,182845	1,302500	0,079931
20 years	2,416500	3,758500	5,182845	1,302500	0,079931
30 years	2,280500	3,590950	5,182845	1,302500	0,079931

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**Jun 2024**	**Dec 2023**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1,07050	1,10500	6,532	6,332	6,750	6,815	6,905
EUR/GBP	0,84638	0,86905	5,080	4,880	5,055	5,230	5,445
EUR/CHF	0,9634	0,9260	6,400	5,985	6,010	6,050	6,085
EUR/JPY	171,94	156,33	9,770	9,430	9,830	9,930	10,038

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 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

	Jun 2024				
	At fair value through profit or loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial Assets					
Cash and deposits at central banks		-	1 662 990	1 662 990	1 662 990
Loans and deposits to credit institutions payable on demand	-	-	46 411	46 411	46 411
Other loans and advances to credit institutions	-	-	147 840	147 840	147 840
Loans and advances to customers	800	-	11 637 745	11 638 545	11 884 994
Financial assets held for trading	29 468	-	-	29 468	29 468
Financial assets at fair value through profit or loss	114 940	-	-	114 940	114 940
Financial assets at fair value through other comprehensive income	-	328 749	-	328 749	328 749
Hedging derivatives	10 865	-	-	10 865	10 865
Other financial assets at amortized cost	-	-	3 173 224	3 173 224	2 834 611
Non-current assets held for sale	-	-	74	74	74
	156 073	328 749	16 668 284	17 153 106	17 060 942
Financial liabilities					
Deposits from other credit institutions	-	-	778 036	778 036	736 150
Deposits from customers	97 127	-	14 115 054	14 212 181	14 181 119
Debt securities issued	-	-	952 280	952 280	928 363
Financial liabilities held for trading	12 859	-	-	12 859	12 859
Hedging derivatives	2 406	-	-	2 406	2 406
Other subordinated debt	-	-	257 545	257 545	267 968
	112 392	-	16 102 915	16 215 307	16 128 865

(Euro thousand)

	Dec 2023				
	At fair value through profit or loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial Assets					
Cash and deposits at central banks	-	-	1 171 398	1 171 398	1 171 398
Loans and deposits to credit institutions payable on demand	-	-	61 041	61 041	61 041
Other loans and advances to credit institutions	-	-	178 902	178 902	178 902
Loans and advances to customers	781	-	11 452 478	11 453 259	11 725 686
Financial assets held for trading	18 970	-	-	18 970	18 970
Financial assets at fair value through profit or loss	128 228	-	-	128 228	128 228
Financial assets at fair value through other comprehensive income	-	48 100	-	48 100	48 100
Hedging derivatives	6 174	-	-	6 174	6 174
Other financial assets at amortized cost		-	3 878 848	3 878 848	3 565 959
Non-current assets held for sale	-	-	74	74	74
	154 153	48 100	16 742 741	16 944 994	16 904 532
Financial liabilities					
Deposits from central bank	-	-	873 933	873 933	873 933
Deposits from other credit institutions	-	-	909 426	909 426	869 147
Deposits from customers	95 299	-	13 271 109	13 366 408	13 322 243
Debt securities issued	-	-	730 045	730 045	728 269
Financial liabilities held for trading	12 636	-	-	12 636	12 636
Hedging derivatives	3 525	-	-	3 525	3 525
Other subordinated debt	-	-	217 019	217 019	203 188
	111 460	-	16 001 532	16 112 992	16 012 941

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 30 June 2024:

(Euro thousand)

	Jun 2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 662 990	-	-	-	1 662 990
Loans and deposits to credit institutions payable on demand	46 411	-	-	-	46 411
Other loans and advances to credit institutions	-	-	147 840	-	147 840
Loans and advances to customers	-	800	11 884 194	-	11 884 994
Financial assets held for trading	15 184	12 769	1 515	-	29 468
Financial assets at fair value through profit or loss	-	-	114 940	-	114 940
Financial assets at fair value through other comprehensive income	303 022	587	23 811	1 329	328 749
Hedging derivatives	10 865	-	-		10 865
Other financial assets at amortized cost	2 834 611	-	-	-	2 834 611
Non-current assets held for sale	-	-	74	-	74
	4 873 083	14 156	12 172 374	1 329	17 060 942
Financial liabilities					
Deposits from other credit institutions	-	-	736 150	-	736 150
Deposits from customers	-	97 127	14 083 992	-	14 181 119
Debt securities issued	-	-	928 363	-	928 363
Financial liabilities held for trading	-	12 715	144	-	12 859
Hedging derivatives	-	2 406	-	-	2 406
Other subordinated debt	-	-	267 968	-	267 968
	-	112 248	16 016 617	-	16 128 865

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2023:

(Euro thousand)

	Dec 2023				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 171 398	-	-	-	1 171 398
Loans and deposits to credit institutions payable on demand	61 041	-	-	-	61 041
Other loans and advances to credit institutions	-	-	178 902	-	178 902
Loans and advances to customers	-	781	11 724 905	-	11 725 686
Financial assets held for trading	6 193	8 924	3 853	-	18 970
Financial assets at fair value through profit or loss	-	-	128 228	-	128 228
Financial assets at fair value through other comprehensive income	22 603	619	23 556	1 322	48 100
Hedging derivatives	6 174	-	-		6 174
Other financial assets at amortized cost	3 565 959	-	-	-	3 565 959
Non-current assets held for sale	-	-	74	-	74
	4 833 368	10 324	12 059 518	1 322	16 904 532
Financial liabilities					
Deposits from central bank	873 933	-	-	-	873 933
Deposits from other credit institutions	-	-	869 147	-	869 147
Deposits from customers	-	95 299	13 226 944	-	13 322 243
Debt securities issued	-	-	728 269	-	728 269
Financial liabilities held for trading	-	9 746	2 890	-	12 636
Hedging derivatives	-	3 525	-	-	3 525
Other subordinated debt	-	-	203 188	-	203 188
	873 933	108 570	15 030 438	-	16 012 941

48 Post-employment and long-term employee 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 Pension Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

The Group has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, the Group signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	Jun 2024	Dec 2023
Financial assumptions		
Salary growth rate	3,0% in the first year, 2,0% in the second year and 1,0% in the nexts	3,0% in the first year, 2,0% in the second year and 1,0% in the nexts
Pension growth rate	2,5% in the first year, 1,5% in the second year and 0,75% in the nexts	2,5% in the first year, 1,5% in the second year and 0,75% in the nexts
Rate of return of the Fund	3,85%	3,60%
Discount rate	3,85%	3,60%
Revaluation rate		
Salary growth rate - Social Security	1,50%	1,50%
Pension growth rate	1,23%	1,25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds and (ii) duration of the liabilities. As at 30 June 2024, the average duration of the pension liabilities of the employees is 14.5 years (31 December 2023: 14.1 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

(Euro thousand)

	Jun 2024	Dec 2023
Active	2 609	2 631
Retirees and survivors	1 700	1 700
	4 309	4 331

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(405 591)	(415 048)
Active	(280 169)	(288 858)
	(685 760)	(703 906)
Liabilities with healthcare benefits		
Pensioners	(26 729)	(27 899)
Active	(27 360)	(27 304)
	(54 089)	(55 203)
Liabilities with death benefits		
Pensioners	(1 934)	(1 980)
Active	(1 154)	(1 213)
	(3 088)	(3 193)
Total liabilities	(742 937)	(762 302)
Coverages		
Pension Fund value	823 911	812 730
Net assets/(liabilities) in the balance sheet	80 974	50 428
Accumulated actuarial remeasurements recognized in other comprehensive income	188 427	219 754

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	Jun 2024				Dec 2023			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the period	703 906	55 203	3 193	762 302	599 032	46 812	2 621	648 465
Recognized in net income/(loss) (note 10)								
Current service cost	1 520	502	23	2 045	2 596	846	38	3 480
Interest cost	12 670	993	58	13 721	25 159	1 966	110	27 235
Early retirement, terminations by mutual agreement and others	(38)	-	-	(38)	6 989	-	-	6 989
Recognized in Equity (note 43)								
Actuarial gains /(losses)								
Changes in assumptions	(21 272)	(2 293)	(166)	(23 731)	86 701	6 906	472	94 079
Not related to Changes in assumptions	3 840	(316)	(20)	3 504	10 750	(1 327)	(48)	9 375
Other								
Pensions paid by the Fund	(15 703)	-	-	(15 703)	(28 701)	-	-	(28 701)
Pensions paid by Banco Montepio	(318)	-	-	(318)	(991)	-	-	(991)
Participant contributions	1 155	-	-	1 155	2 371	-	-	2 371
Liabilities at the end of the period	685 760	54 089	3 088	742 937	703 906	55 203	3 193	762 302

The evolution of the Pension Fund's net asset value in the period until 30 June 2024 and in financial year ended 31 December 2023 can be analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Value of the Fund at beginning of the period	812 730	787 037
Recognized in net income/(loss)		
Share of net interest	14 629	33 056
Recognized in equity		
Financial deviations	11 100	18 967
Other		
Participant contributions	1 155	2 371
Pensions paid by the Fund	(15 703)	(28 701)
Fund's value at the end of the period	823 911	812 730

The amounts paid by the Pension Fund consider the effect of the application of Ordinance no. 141, of 2024.

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 30 June 2024 and 31 December 2023, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	Jun 2024				Dec 2023			
	Assets of the fund	%	Quoted	Unquoted	Assets of the fund	%	Quoted	Unquoted
Variable-income securities								
Shares	121 290	14,7	121 290	-	101 268	12,5	101 268	-
Shares investment funds	88 016	10,7	24 080	63 936	99 245	12,2	41 321	57 924
Bonds	504 572	61,2	449 626	54 946	516 587	63,6	455 834	60 753
Real estate	4 908	0,6	-	4 908	4 908	0,6	-	4 908
Real estate investment Funds	55 254	6,7	4 111	51 143	55 491	6,8	4 022	51 469
Venture capital Funds	3 659	0,4	-	3 659	3 590	0,4	-	3 590
Loans and advances to banks and other	46 212	5,6	8 071	38 141	31 641	3,9	-	31 641
	823 911	100,0	607 178	216 733	812 730	100,0	602 445	210 285

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of the Group, are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Loans and advances in banks and other	20 579	9 888
Real estate	4 908	4 908
Bonds	394	387
	25 881	15 183

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Actuarial gains/(losses) at the beginning of the period	219 754	135 267
Actuarial gains/(losses) in the financial period		
Changes in discount rate	(23 731)	56 974
Payroll update	-	11 385
Pension growth rate update	-	23 343
Deviation on the Pension Fund return	(11 100)	(18 967)
Resulting from changes in plan conditions	-	2 377
Other	3 504	9 375
Actuarial gains/(losses) recognized in other comprehensive income	188 427	219 754

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	Jun 2024	Jun 2023
Current service cost	2 045	1 769
Net interest income/(expense) on the liabilities coverage balance	(908)	(2 905)
Costs with early retirement, mutually agreed termination and other	(38)	4 055
Costs for the period	1 099	2 919

The evolution of net assets/(liabilities) in the balance sheet, as at 30 June 2024 and 31 December 2023, is analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
At the beginning of the period	50 428	138 572
Current service cost	(2 045)	(3 480)
Net interest income/(expense) on the liabilities coverage balance	908	5 821
Actuarial gains/(losses)	20 227	(103 454)
Financial gains/(losses)	11 100	18 967
Pensions paid by Banco Montepio	318	991
Early retirement, mutually agreed terminations and others	38	(6 989)
At the end of the period	80 974	50 428

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to positive and negative changes in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities.

As at 30 June 2024, the impact of these changes is analysed as follows:

(Euro thousand)

	Jun 2024			
	Liabilities			
	Increase 0,50 p.p.	Decrease 0,50 p.p.	Increase 1,00 p.p.	Decrease 1,00 p.p.
Discount rate	(46 607)	49 200	(93 213)	98 400
Salary growth rate	28 355	(26 455)	56 710	(52 910)
Pension growth rate	45 137	(43 165)	90 275	(86 329)

(Euro thousand)

	Jun 2024	
	Liabilities	
	Decrease in life expectancy by 1 year	Increase in life expectancy by 1 year
Future mortality	(18 019)	17 785

As at 31 December 2023, the impact of these changes is analysed as follows:

(Euro thousand)

	Dec 2023	
	Liabilities	
	Increase	Decrease
Discount rate (0,50% change)	(48 162)	53 801
Salary growth rate (0,50% change)	30 689	(26 507)
Pension growth rate (0,50% change)	48 446	(44 405)
SAMS contribution (0,50% change)	2 597	(2 483)
Future mortality (1 year change)	(18 599)	18 375

As at 30 June 2024, the cost associated with the end-of-career awards amounted to Euro 2,849 thousand (31 December 2023: Euro 2,729 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 30 June 2024 and 31 December 2023, the amount of the funds for which the Group acts as depository bank is analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Securities Investment Funds	301 462	245 320
Real estate Investment Funds	754 301	744 824
Pension Funds	305 338	301 455
Bank and insurance	21 542	23 235
	1 382 642	1 314 834

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

50 Related parties

As defined in IAS 24, the companies detailed in note 57, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of the Group. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties.

The Group’s first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio Group entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 30 June 2024, the list of related parties considered by Banco Montepio is presented as follows:

Majority shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chaim of the Board Directors
Manuel Ferreira Teixeira
Non-executive members
Clementina Barroso
Eugénio Luís Baptista
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica
Executive Committee
Chaim of the Executive Committee
Pedro Leitão
Executive members
Ângela Barros
Helena Soares de Moura
Isabel Silva
Jorge Baião
José Carlos Mateus
Audit Committee
Chaim of the Audit Committee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Board of Directors of Other Related Parties
Alice Pinto
Alípio Dias
Amândio Coelho
António Gouveia
Dalila Teixeira
Edite Cheira
Fernando Amaro
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Cidrais Guimarães
Jaquelina Rodrigues
João Almeida Gouveia
João Carvalho das Neves
João Costa Pinto
João Fernandes
Jorge Oliveira
José António Gonçalves
José Mendes Alfaia
Laura Duarte
Licinio Santos
Luís Franco
Luís Pinheiro
Manuel Baptista
Margarida Andrade
Margarida Duarte
Maria Clemente
Nuno Marques da Silva
Nuno Mendes
Paulo Jorge Rodrigues
Paulo Jorge Silva
Paulo Magalhães
Pedro Araújo
Pedro Crespo
Pedro Ribeiro
Rui Gama
Rui Heitor
Virgílio Lima
Vitor Filipe

Other key management personnel

Alexandra Ponciano
Alexandra Quirino Silva
Alexandra Rolo
Ana Sá Couto
António Carlos Machado
António Coelho
António Figueiredo Lopes
António Longo
Armando Cardoso
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Cláudia Monteiro
Daniel Caçador
Edite Cheira
Fabienne Lehuédé
Fernanda Correia
Fernando Teixeira
Filipe Guimarães Cizeron
Frederico Tomáz
Helder Reis
Joana Correia
Jorge Barros Luís
Jorge Dourado
Luís Galharoz
Luís Montanha Rebelo
Luís Sena
Manuel Castanho
Miguel Esteves
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Medeiros
Paula Pinheiro
Paula Viegas
Paulo Amorim
Paulo Trindade
Pedro Miguel Mendes
Pedro Pessoa Fragoso
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sandra Martins Colaço
Sanguini Shirish
Sara Candeias
Tânia Madeira
Vânia Fernandes

Other Related parties
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
CESource, A.C.E.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
GreenVolt - Energias Renováveis, S.A.
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E. - Em liquidação (*)
Montepio Residências para Estudantes, S.A.
NovaCâmbios - 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.

(*) A Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação foi liquidada em 13 de maio de 2024.

As at 30 June 2024, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions of guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	Jun 2024							
Companies	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Garantees and commitments provided	Provisions for guarantees and commitments assumed	Total
Board of Directors	79	-	-	-	-	-	-	79
Board of Directors of Other Related Parties	1 465	2	-	-	-	-	-	1 463
Other key management personnel	2 924	3	-	-	-	-	-	2 921
CESource, A.C.E.	-	-	-	-	39	-	-	39
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	26	-	-	27
GreenVolt - Energias Renováveis, S.A.	61 317	76	-	-	-	-	-	61 241
Lusitania, Companhia de Seguros, S.A.	3	-	1 837	244	-	-	-	1 596
Moçambique Companhia de Seguros, S.A.R.L.	-	-	376	-	-	-	-	376
Montepio Geral Associação Mutualista	565	4	-	-	9 045	120	-	9 726
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	86	-	-	87
NovaCâmbios - Instituição de Pagamento, S.A.	508	3	-	-	-	829	-	1 334
Residências Montepio, Serviços de Saúde, S.A.	868	5	-	-	31	750	1	1 643
	67 730	93	2 214	244	9 227	1 699	1	80 532

As at 31 December 2023, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions of guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	Dec 2023						
Companies	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Garantees and commitments provided	Total
Board of Directors	105	-	-	-	-	-	105
Board of Directors of Other Related Parties	1 903	1	-	-	-	-	1 902
Other key management personnel	2 385	1	-	-	-	-	2 384
Bolsimo - Gestão de Activos, S.A.	1	-	-	-	10	-	11
CESource, A.C.E.	-	-	-	-	28	-	28
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	-	-	1
GreenVolt - Energias Renováveis, S.A.	41 127	84	-	-	-	-	41 043
Lusitania, Companhia de Seguros, S.A.	1	-	1 802	239	-	-	1 564
Moçambique Companhia de Seguros, S.A.R.L.	-	-	371	-	-	-	371
Montepio Geral Associação Mutualista	4	1	-	-	10 957	120	11 079
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	192	-	193
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	-	1 934	-	1 934
NovaCâmbios - Instituição de Pagamento, S.A.	408	3	-	-	-	963	1 368
Residências Montepio, Serviços de Saúde, S.A.	1 024	7	-	-	24	750	1 790
	46 959	97	2 174	239	13 145	1 833	63 773

As at 30 June 2024, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, and Other liabilities, are analysed as follows:

(Euro thousand)

	Jun 2024			
Companies	Deposits from customers	Debt securities issued and Other subordinated liabilities	Other liabilities	Total
Board of Directors	848	-	-	848
Board of Directors of Other Related Parties	2 815	-	-	2 815
Other key management personnel	2 767	-	-	2 767
Bolsimo - Gestão de Activos, S.A.	2 167	-	-	2 167
Empresa Gestora de Imóveis da Rua do Prior S.A	465	-	-	465
Fundação Montepio Geral	2 929	-	-	2 929
Fundo de Pensões - Montepio Geral	20 020	400	-	20 420
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 295	-	-	3 295
GreenVolt - Energias Renováveis, S.A.	249	-	-	249
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	2	-	-	2
Lusitania Vida, Companhia de Seguros, S.A.	14 955	-	-	14 955
Lusitania, Companhia de Seguros, S.A.	6 129	3 200	-	9 329
Montepio Geral Associação Mutualista	139 311	133 771	6 721	279 803
Montepio Gestão de Activos - S.G.O.I.C., S.A.	6 950	-	-	6 950
Montepio Residências para Estudantes, S.A:	761	-	-	761
NovaCâmbios - Instituição de Pagamento, S.A.	582	-	-	582
Residências Montepio, Serviços de Saúde, S.A.	803	-	-	803
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 301	-	-	3 301
Sociedade Portuguesa de Administrações, S.A.	964	-	-	964
	209 313	137 371	6 721	353 405

As at 31 December 2023, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, and Other liabilities, are analysed as follows:

(Euro thousand)

Companies	Dec 2023 Deposits from customers	Debt securities issued and Other subordinated liabilities	Other liabilities	Total
Board of Directors	848	-	-	848
Board of Directors of Other Related Parties	2 286	-	-	2 286
Other key management personnel	2 326	-	-	2 326
Bolsimo - Gestão de Activos, S.A.	193	-	-	193
Empresa Gestora de Imóveis da Rua do Prior S.A	398	-	-	398
Fundação Montepio Geral	2 311	-	-	2 311
Fundo de Pensões - Montepio Geral	9 211	401	-	9 612
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 751	-	-	1 751
GreenVolt - Energias Renováveis, S.A.	6 205	-	-	6 205
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	99	-	-	99
Lusitania Vida, Companhia de Seguros, S.A.	16 037	-	-	16 037
Lusitania, Companhia de Seguros, S.A.	8 828	3 051	-	11 879
Montepio Geral Associação Mutualista	129 191	212 829	6 721	348 741
Montepio Gestão de Activos - S.G.O.I.C., S.A.	7 189	-	-	7 189
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	2 000	-	-	2 000
Montepio Residências para Estudantes, S.A:	704	-	-	704
NovaCâmbios - Instituição de Pagamento, S.A.	633	-	-	633
Residências Montepio, Serviços de Saúde, S.A.	533	-	-	533
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 628	-	-	3 628
Sociedade Portuguesa de Administrações, S.A.	1 099	-	-	1 099
	195 470	216 281	6 721	418 472

As at 30 June 2024, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Companies	Jun 2024 Interest and similar income	Interest and similar expenses	Net fee and comission income/ (expense)	Staff costs	Other operating income/(expense)	General administrative expenses
Board of Directors	1	5	1	-	-	-
Board of Directors of Other Related Parties	22	20	2	-	-	-
Other key management personnel	42	26	2	-	-	-
Bolsimo -Gestão de Activos, S.A.	-	4	4	-	-	160
CESource, A.C.E.	-	-	-	(110)	-	-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	7	-	-	-	-
Fundação Montepio Geral	-	20	-	-	-	-
Fundo de Pensões - Montepio Geral	-	164	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	23	1 268	-	-	-
GreenVolt - Energias Renovàveis, S.A.	1 503	4	17	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	87	3 001	-	(2)	-
Lusitania, Companhia de Seguros, S.A.	-	177	2 537	-	(33)	-
Montepio Geral Associação Mutualista	1	8 300	1 400	(8 050)	71	1 046
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	109	791	(333)	51	-
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	-	132	-
Montepio Residências para Estudantes, S.A.	-	8	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	17	1	20	-	4	-
Residências Montepio, Serviços de Saúde, S.A.	59	4	8	(62)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	53	-	-	-	-
Sociedade Portuguesa de Administrações, S. A.	-	4	-	-	-	-
	1 645	9 016	9 052	(8 555)	223	1 206

As at 30 June 2023, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Companies	Jun 2023 Interest and similar income	Interest and similar expenses	Net fee and comission income/ (expense)	Staff costs	Other operating income/(expense)	General administrative expenses
Board of Directors	1	-	-	-	-	-
Board of Directors of Other Related Parties	25	4	3	-	-	-
Other key management personnel	33	5	2	-	-	-
Bolsimo -Gestão de Activos, S.A.	40	-	-	(134)	-	150
CESource, A.C.E.	-	-	-	(216)	-	-
Fundação Montepio Geral	-	-	1	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	1 416	-	-	-
GreenVolt - Energias Renovàveis, S.A.	574	17	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	2 841	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	2 739	-	3	-
Montepio Geral Associação Mutualista	-	9 278	1 556	(4 757)	281	981
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	31	609	(376)	8	-
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(1 097)	(1 517)	-
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	18	-	27	-	4	-
Residências Montepio, Serviços de Saúde, S.A.	57	-	26	(61)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	21	-	-	-	-
	748	9 357	9 221	(6 641)	(1 221)	1 131

As at 30 June 2024 and 31 December 2023, there were no transactions with the Group's Pension Fund.

51 Securitization of assets

As at 30 June 2024 and 31 December 2023, there are three live securitization operations, two of which originated in Banco Montepio and one realized jointly by Banco Montepio and Montepio Crédito.

We present next some additional details of the live securitization operations as at 30 June 2024.

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.

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, 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 30 June 2024, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

				Loans 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	76 937	762 375	81 121	20 363
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	46 306	236 500	49 792	-
Pelican Finance No.2	December 2021	euro	Consumer loans	360 301	146 390	360 301	142 906	142 947
				1 359 176	269 633	1 359 176	273 819	163 310

* Includes nominal value, accrued interest and other adjustments.

In the first half of 2024, credit securitization operation Pelican Mortgages no.4 was liquidated.

As at 31 December 2023, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

				Loans 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	83 240	762 375	87 968	22 174
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	320 836	1 028 600	353 346	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	50 308	236 500	53 579	-
Pelican Finance No.2	December 2021	euro	Consumer loans	360 301	177 734	360 301	174 089	174 088
				2 387 776	632 118	2 387 776	668 982	196 262

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

	Jun 2024				Dec 2023				
	Pelican Mortgage n.º 3	Aqua Mortgage n.º 1	Pelican Finance n.º 2	Total	Pelican Mortgage n.º 3	Aqua Mortgage n.º 1	Aqua Mortgage n.º 4	Pelican Finance n.º 2	Total
Domestic loans and advances									
Retail									
Mortgage	76 875	46 159	-	123 034	83 233	320 608	50 118	-	453 959
Consumer loans and other	-	-	144 643	144 643	-	-	-	176 716	176 716
	76 875	46 159	144 643	267 677	83 233	320 608	50 118	176 716	630 675
Credit and overdue interest									
Less than 90 days	6	15	58	79	6	85	14	47	152
More than 90 days	56	132	1 689	1 877	1	143	176	971	1 291
	62	147	1 747	1 956	7	228	190	1 018	1 443
	76 937	46 306	146 390	269 633	83 240	320 836	50 308	177 734	632 118

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, 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 partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no. 2.g

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 30 June 2024, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	Group's interest held (nominal amount) euros	Maturity	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	72 698 815	52 335 952	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	1 876 980	1 876 980	2054	AA-	Aa2	AA-	n.a.	AA	Aa2	A+	n.a.
	Class C	12 000 000	1 580 615	1 580 615	2054	A	A3	A	n.a.	A	A1	BBB+	n.a.
	Class D	6 375 000	839 702	839 702	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	113 198 470	-	2035	AA-	n.a.	n.a.	AA	AA	n.a.	n.a.	AAH
	Class B	20 700 000	8 210 260	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	6 941 041	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	7 654 977	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	6 901 378	-	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	32 436 051	32 436 051	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	13 856 159	13 856 159	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 2023, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	Group's interest held (nominal amount) euros	Maturity	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	79 163 483	56 989 873	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	2 043 889	2 043 889	2054	AA-	Aa2	AA-	n.a.	A+	Aa2	A+	n.a.
	Class C	12 000 000	1 721 170	1 721 170	2054	A	A3	A	n.a.	A-	A1	BBB+	n.a.
	Class D	6 375 000	914 371	914 371	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	256 116 689	256 116 689	2056	AAA	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AAA
	Class B	55 500 000	22 672 409	22 672 409	2056	AA	n.a.	n.a.	A+	AA	n.a.	n.a.	n.a.
	Class C	60 000 000	24 510 712	24 510 712	2056	A-	n.a.	n.a.	BBB	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	10 212 797	10 212 797	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	11 234 076	11 234 076	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	137 898 949	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AAH
	Class B	20 700 000	10 001 781	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	8 455 612	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	9 325 332	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	8 407 294	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	35 089 309	35 089 309	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	14 989 602	14 989 602	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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.

Synthetic securitizations

On 18 December 2020, the Group contracted an operation that configures a synthetic securitization structure, based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18.0% of the portfolio), junior (1.7% of the portfolio) and Synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Group transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with the Group supporting a commission of 0.3% and 4.5% (after retrocession effect) to guarantee each of the tranches, respectively. The Banco Montepio Group retained the risk of the junior tranche and of the excess spread. The legal maturity date of the operation is 25 March 2036, and the respective amount is Euro 185,853 thousand as at 30 June 2024 (31 December 2023: Euro 248,315 thousand). This operation has an average maturity of 2.85 years.

On 21 December 2022, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. The securitization in question was structured in such a way that it could be categorized as Simple, Transparent and Standardized (STS), with same being attested by Prime Collateralized Securities (PCS). Since this is a collateralized operation, the structuring resorts to the use of a Special Purpose Vehicle (SPV) established for the purpose in Ireland. This SPV is not subject to consolidation by Banco Montepio. The legal maturity date of the operation is 29 December 2052, and the respective amount is Euro 622,821 thousand as at 30 June 2024 (31 December 2023: Euro 672,117 thousand).

On 31 May 2023, the Group carried out an operation that configures a synthetic securitization structure, based on a portfolio of loans to individuals with mortgage guarantee. As this is a synthetic operation, it does not entail any assignment of loans, being based on the contracting of a financial guarantee that focuses on the mezzanine component of the operation, with Banco Montepio maintaining exposure to the senior, junior and Synthetic Excess Spread (in an amount equal to one year's Expected Loss of the securitized portfolio) components. The mezzanine risk of the operation is thus assumed by market counterparties, in this manner substantiating the significant transfer of risk, with reference to the underlying portfolio, and promoting its prudential derecognition. This new securitization is of a non-collateralized nature, having no recourse to an SPV or equivalent, thus not configuring a Simple, Transparent and Standardized (STS) operation. The legal maturity date of the operation is 4 February 2066, and the respective amount is Euro 715,040 thousand as at 30 June 2024 (31 December 2023: Euro 755,750 thousand).

The operations in question are aimed at strengthening the CET1 ratio, not generating any increase in liquidity, with only the prudential effects being captured. In these operations there was no sale of loans to third parties, with there being no transfer of collections.

With these operations, the Group reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio without, however, the accounting derecognition of the financial assets. Thus, as most of the risks and benefits associated with the loans in question were not transferred, the financial assets' derecognition criteria defined in the accounting policy presented in 1 c.9) above are not met.

52 Balance sheet and income statement indicators by 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 30 June 2024, the Banco Montepio Group had a domestic network of 226 branches (31 December 2023: 232 branches).

The information by operating segments as at 30 June 2024 reflects the organizational and management model of the Banco Montepio Group, which follows the approved strategic guidance. The control over the performance of the activities carried out by the Group follows the allocation between the operating segments, with the respective management information considering the accounting policies underlying the preparation of the financial statements, as well as the internal management criteria. It is the responsibility of the Strategic Planning and Control Directorate to develop, produce and report management information related to the performance of the various operating segments and the respective control in relation to the objectives defined, reporting hierarchically to the Chief Financial Officer (CFO). The Executive Committee monitors the performance of the operating segments of the internal organizational model in a timely manner, as well as that of the respective budgetary control. The management information is reported to the Executive Committee and to the Board of Directors according to the model established, as well as to the competent organic units.

In evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Banking, which includes the sub segments of Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and Micro businesses;

2) Social Economy, which incorporates the customers allocated to the Social Economy and Public Sector business areas;

3) Specialized credit, which includes the consumer credit business primarily developed by the subsidiary Montepio Crédito;

4) Corporate and Investment Banking, which includes the Large Companies, the Small and Medium Enterprises allocated to this segment and the Financial Institutions, as well as the activity developed in the Investment Banking area;

5) International Activity, incorporating the contribution of Finibanco Angola, presented in the financial statements as a Discontinued Operation until 30 June 2023;

6) Markets, which includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding;

7) Non-core, which includes the operations related to the management of real estate held for trading and of non-performing loans; and

8) Other segments, which group the operations not included in the other segments. Each segment is allocated the Group's structures that are directly or indirectly dedicated to same, as well as the autonomous units of the Group which activity is also imputed.

Description of the operating segments

On a consolidated basis, each of the reportable segments includes income and costs related to the following activities, products, customers, and Group structures:

Retail Banking

This operating segment corresponds to all the activity developed by the Group in Portugal with Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and micro businesses, commercially designated as the Individuals and Small Businesses segment, fundamentally originated by the branch network, electronic channels and promotor network. The financial information of this segment includes, among others, products and services, such as mortgage loans, individual and consumer credit, credit to Companies of the Retail segment, demand and term deposits and other savings applications, retirement solutions products, namely PPRs, debit and credit cards, account management and electronic payment services, and investment fund placement, securities' trading and custodianship services, as well as insurance brokerage and non-financial services.

Social Economy

This operating segment reinforces the Group's role while agent of reference of the Social Economy, in the market and with the different stakeholders, incorporating the activity related to the Social Economy and Public Sector business areas.

Specialized Credit

This operating segment highlights one of the cornerstones of the Transformation Plan, reflecting the focus on consumer credit. This segment reflects the activity developed by Montepio Crédito.

Corporate and Investment Banking

This operating segment includes the activity developed by the Group with Small, Medium and Large companies, through the commercial structure dedicated to this segment. It also includes the institutional customers' business, namely the financial sector. Of note among the products and services provided are treasury and investment financing, commercial discounting, provision of guarantees, leasing, factoring, renting, foreign operations, such as documentary credits, cheques and remittances, deposits, payment and reception services, cards, as well as custodianship services.

The Corporate Banking business includes the Corporate segment in Portugal which operates, in the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group Companies.

In addition, this operating segment includes the activity developed in the Investment Banking area by Banco de Empresas Montepio ("BEM") until 28 November 2023, date on which this activity was transferred to Banco Montepio.

Markets

This segment includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding.

Non-core

This segment includes operations related to the management of properties held for trading and non-performing loans.

Other segments

This segment includes all the support activity developed in respect of the main activities constituting the core business of the segments mentioned above. The interest rate, foreign exchange, liquidity and other risks, excluding credit risk, are imputed to this segment.

Allocation criteria of the results to the segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information on which decisions are made in the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related to the operating segments are consistent with those used in the preparation of the financial statements, which are described in note 1, with the following principles having been adopted:

Measurement of segmental profit or loss

The Group uses the net income/(loss) as a measure of the profits or losses to evaluate the performance of each operating segment.

Autonomous operating units

As mentioned above, each autonomous operating unit is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the primary business developed by same, their assets, liabilities, income and expenses are included in the corresponding Operating Segments.

Group structures dedicated to the segment

The Group's activity covers practically all the operating segments and is, therefore, broken down accordingly.

In preparing the financial information, the following criteria are used:

(i) The operations are allocated to each business segment in function of their origination by the commercial structures, even if, at a later date, and as an example, it is decided to securitize some of the assets originated in same;

(ii) The calculation of the net interest income is performed considering the business negotiated with customers and other counterparties recognized in each one of the segments, taking into account the respective associated interest rates. In addition, the Group applies a liquidity premium, pre-defined and subject to periodic review, related with deposit taking and funding allocation to each operation segment.

(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

As at 30 June 2023, in the disclosure of financial information by geographical areas, the operating unit integrating the International Area is Finibanco Angola, S.A. (operation fully disposed of on 28 August 2023).

The financial and economic elements related to the international area are those presented in the financial statements.

Restatement of previously reported information

Information relating to prior periods is restated whenever changes occur in the internal organization of the Group that affect the composition of the reportable segments (operating and geographical) or relevant changes in the criteria for allocation of indirect revenues and costs, ensuring the comparability of the information provided across the reported periods.

In the first half of 2024, the group changed the determination of the net interest income process, by applying a liquidity premium, as described in the previous paragraphs. Thus, as at 30 June 2023, the reporting by operating segment has been restated, in accordance with the requirements of IFRS 8.

As at 30 June 2024, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated								
	Commercial Banking				Investment Banking	Markets	Non-Core segments	Other segments	Total
	Retail	Social Economy	Specialized credit	Subtotal					
Interest and similar income	328 677	19 923	13 762	**362 362**	96 146	35 243	8 476	(150 915)	**351 312**
Interest and similar expense	182 339	12 927	16 571	**211 837**	53 174	45 299	5 420	(162 978)	**152 752**
NET INTEREST INCOME	**146 338**	**6 996**	**(2 809)**	**150 525**	**42 972**	**(10 056)**	**3 056**	**12 063**	**198 560**
Dividends from equity instruments	-	-	-	**-**	-	-	-	494	**494**
Net fee and commission income	52 369	1 226	1 487	**55 082**	8 846	629	775	(2 260)	**63 072**
Net gains/(losses) arising from financing operations	-	-	3 775	**3 775**	-	(21)	-	(3 750)	**4**
Other operating income/(expense)	262	(82)	(855)	**(675)**	(571)	(1 040)	4 644	(9 414)	**(7 056)**
OPERATING INCOME	**198 969**	**8 140**	**1 598**	**208 707**	**51 247**	**(10 488)**	**8 475**	**(2 867)**	**255 074**
Staff costs	30 200	1 448	3 580	**35 228**	3 904	1 821	2 229	34 257	**77 439**
General and administrative expenses	8 130	197	1 878	**10 205**	722	1 935	567	21 156	**34 585**
Depreciation and amortization	677	2	266	**945**	4	1	1	20 666	**21 617**
OPERACIONAL COSTS	**39 007**	**1 647**	**5 724**	**46 378**	**4 630**	**3 757**	**2 797**	**76 079**	**133 641**
Total provisions and impairment	(68)	(387)	216	**(239)**	(6 713)	942	21 544	(1 774)	**13 760**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	(334)	**(334)**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**160 030**	**6 880**	**(4 342)**	**162 568**	**53 330**	**(15 187)**	**(15 866)**	**(77 506)**	**107 339**
Taxes	40 007	1 720	(774)	**40 953**	13 365	(3 845)	(3 696)	(8 174)	**38 603**
NET INCOME/LOSS	**120 023**	**5 160**	**(3 568)**	**121 615**	**39 965**	**(11 342)**	**(12 170)**	**(69 332)**	**68 736**
Assets	7 730 134	300 419	-	**8 030 553**	2 928 784	5 503 621	560 544	1 145 939	**18 169 441**
Liabilities	11 671 170	909 741	-	**12 580 911**	1 060 518	1 987 862	-	880 303	**16 509 594**
Investments in associated companies	-	-	-	**-**	-	3 673	-	-	**3 673**

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 30 June 2023, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated									
	Commercial Banking				Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
	Retail	Social Economy	Specialized credit	Subtotal						
Interest and similar income	197 112	9 387	12 407	**218 906**	71 018	-	19 244	8 176	(54 570)	**262 774**
Interest and similar expense	53 204	3 888	11 664	**68 756**	24 816	-	42 513	3 252	(70 912)	**68 425**
NET INTEREST INCOME	**143 908**	**5 499**	**743**	**150 150**	**46 202**	**-**	**(23 269)**	**4 924**	**16 342**	**194 349**
Dividends from equity instruments	-	-	-	**-**	-	-	-	-	807	**807**
Net fee and commission income	52 835	959	1 862	**55 656**	10 218	-	389	(100)	(827)	**65 336**
Net gains/(losses) arising from financing operations	-	-	4 739	**4 739**	(957)	-	(14 622)	-	(4 673)	**(15 513)**
Other operating income/(expense)	313	(76)	75	**312**	(421)	-	(1 127)	2 570	(16 682)	**(15 348)**
OPERATING INCOME	**197 056**	**6 382**	**7 419**	**210 857**	**55 042**	**-**	**(38 629)**	**7 394**	**(5 033)**	**229 631**
Staff costs	29 207	1 342	3 476	**34 025**	4 729	-	1 729	2 322	34 538	**77 343**
General and administrative expenses	7 265	185	2 383	**9 833**	1 074	-	1 487	587	18 425	**31 406**
Depreciation and amortization	477	2	315	**794**	238	-	1	1	16 981	**18 015**
OPERACIONAL COSTS	**36 949**	**1 529**	**6 174**	**44 652**	**6 041**	**-**	**3 217**	**2 910**	**69 944**	**126 764**
Total provisions and impairment	(1 057)	(334)	876	**(515)**	(4 551)	-	1 672	19 823	(870)	**15 559**
Share of profit/(loss) of associated companies under the equity method	-	-	-	**-**	-	-	-	-	(209)	**(209)**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**161 164**	**5 187**	**369**	**166 720**	**53 552**	**-**	**(43 518)**	**(15 339)**	**(74 316)**	**87 099**
Taxes	40 291	1 297	195	**41 783**	13 518	-	(5 612)	(3 574)	(14 866)	**31 249**
Non-controlling interests	-	-	-	**-**	-	1 742	-	-	-	**1 742**
Net income/(loss) from discontinued operations	-	-	-	**-**	-	(102 358)	-	-	-	**(102 358)**
NET INCOME/LOSS	**120 873**	**3 890**	**174**	**124 937**	**40 034**	**(104 100)**	**(37 906)**	**(11 765)**	**(59 450)**	**(48 250)**
Assets	7 602 412	262 706	578 589	**8 443 707**	3 000 534	-	5 367 369	864 249	417 879	**18 093 738**
Liabilities	10 820 394	720 387	507 349	**12 048 130**	1 109 333	-	3 383 564	-	11 844	**16 552 871**
Investments in associated companies	-	-	-	**-**	-	-	3 982	-	-	**3 982**

The caption Net gains/(losses) from discontinued operations includes the contribution of Finibanco Angola, S.A., which impacts on the various captions of the Income Statement are presented in note 58.

As at 30 June 2024, the net contribution both to the income statement as well as to the balance sheet corresponds, in its entirety, to the domestic activity.

As at 30 June 2023, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity		
	Domestic	International	Total
Interest and similar income	262 774	-	262 774
Interest and similar expense	68 764	(339)	68 425
Inter-Segment	339	(339)	-
Net interest income	194 349	-	194 349
Dividends from equity instruments	807	-	807
Net fee and commission income	65 336	-	65 336
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	4 567	-	4 567
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	55	-	55
Net gains/(losses) arising from foreign exchange differences	(20 135)	-	(20 135)
Net gains/(losses) arising from sale of other financial assets	5 594	-	5 594
Other operating income/(expense)	(20 942)	-	(20 942)
Total operating income	229 631	-	229 631
Staff costs	77 343	-	77 343
General and administrative expenses	31 406	-	31 406
Depreciation and amortization	18 015	-	18 015
	126 764	-	126 764
Impairment of loans and advances to customers and to credit institutions	8 432	-	8 432
Impairment of other financial assets	1 674	-	1 674
Impairment of other assets	9 699	-	9 699
Other provisions	(4 246)	-	(4 246)
Operating profit/(loss)	87 308	-	87 308
Share of profit/(losses) of associated companies under the equity method	(209)	-	(209)
Profit/(loss) before taxes and non-controlling interests	87 099	-	87 099
Current taxes	(2 751)	-	(2 751)
Deferred taxes	34 000	-	34 000
Profits/(losses) from discontinued operations	-	(102 358)	(102 358)
Non-controlling interests	-	1 742	1 742
Consolidated net income for the period attributable to the shareholders	55 850	(104 100)	(48 250)

As at 31 December 2023, the net contribution to the balance sheet corresponds, in its entirety, to the domestic activity.

53 Risk management

Objectives of the Risk Management Policy

The Group is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, the Group is subject to other non-financial risks, namely operating, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of the Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of the Group. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Directorate, the unit responsible for the risk management function of the Group, which regularly informs the Management (elsewhere also "Board of Directors") and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Group's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body delegated by the Board of Directors with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of the Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to 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 the norm that regulates the entire monitoring and control process of risk matters and densifies the activities to be developed by the Bank that assure the adequacy of internal and regulatory capital, considering the business strategy defined.

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Directorate is responsible for promoting that all Group Companies implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio risk management function, in the Banco Montepio Group's Risk Management Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Directorate is responsible for monitoring the risk management activity of Group Companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Directorate is more effective and efficient.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, 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.

Sole traders ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the 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 intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Directorate, a body independent of the commercial structure. The Risk Directorate is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio Group's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

The Banco Montepio Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 c.

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 1 percentage point: impact of 0.77% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of 1 percentage point: impact of -0.92% 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 7.05% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.61% 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:

	2023	2024	2025	2026	2027
Unemployment Rate (2)					
Base Scenario	6.57%	6.04%	5.49%	5.17%	5.08%
Worst-case Scenario	6.57%	7.09%	7.58%	6.71%	5.88%
Best-case Scenario	6.57%	5.81%	5.12%	4.87%	4.89%
GDP Growth Rate (2)					
Base Scenario	2.08%	2.08%	1.98%	1.74%	1.39%
Worst-case Scenario	2.08%	-1.07%	-1.33%	3.40%	2.01%
Best-case Scenario	2.08%	3.45%	2.54%	1.49%	1.35%
3-Month Euribor Interest Rate (1)					
Base Scenario	3.96%	3.10%	2.45%	2.26%	2.33%
Worst-case Scenario	3.96%	3.23%	0.91%	0.93%	0.98%
Best-case Scenario	3.96%	3.53%	2.92%	2.26%	2.33%
Housing Price Index Growth Rate (2)					
Base Scenario	2.55%	-2.19%	0.76%	2.12%	2.35%
Worst-case Scenario	2.55%	-6.69%	-9.60%	8.41%	6.65%
Best-case Scenario	2.55%	-1.03%	1.64%	0.90%	2.38%
Growth Rate of Disposable Income Per Capita (1)					
Base Scenario	0.74%	5.27%	2.21%	1.60%	1.28%
Worst-case Scenario	0.74%	4.76%	-1.95%	1.49%	2.06%
Best-case Scenario	0.74%	5.68%	3.46%	1.68%	1.17%
Growth Rate of Exports of Goods and Services (2)					
Base Scenario	3.18%	5.66%	4.20%	2.07%	2.36%
Worst-case Scenario	3.18%	2.50%	-0.61%	2.23%	3.30%
Best-case Scenario	3.18%	6.94%	6.01%	2.47%	2.64%
Growth Rate of Family Comsumption (2)					
Base Scenario	1.62%	2.03%	1.16%	0.10%	0.22%
Worst-case Scenario	1.62%	-1.73%	-2.82%	0.73%	0.97%
Best-case Scenario	1.62%	2.96%	2.14%	0.35%	0.14%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: National Institute of Statistics; Projections: Moody's Analytics

The Group's credit risk exposure can be analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Loans and deposits at credit institutions payable on demand	46 411	61 041
Other loans and advances to credit institutions	147 840	178 902
Loans and advances to customers	11 638 545	11 453 259
Financial assets held for trading	23 476	16 320
Financial assets at fair value through profit or loss	8 816	8 653
Financial assets at fair value through other comprehensive income	305 202	24 785
Hedging derivatives	10 865	6 174
Investments in associated companies	3 173 224	3 878 848
Other financial assets at amortized cost	63 752	63 752
Other assets	502 514	519 196
Guarantees granted	691 743	638 083
Irrevocable credit lines	944 517	904 721
	17 556 905	17 753 734

The analysis of the main credit risk exposures by sector of activity, for the first half of 2024, can be analysed as follows:

(Euro thousand)

Jun 2024																
Activity	Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Investments in associated companies	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	Book value	Off-balance sheet value		Provisions
Corporate																
Agriculture, forestry and fishing	-	-	-	131 371	9 047	-	-	-	-	-	-	-	-	792	6 029	41
Extractive Industries	-	-	-	12 958	997	-	-	-	-	-	7 559	2	-	1 642	1 817	8
Manufacturing industries	-	-	-	1 064 784	33 878	-	8	-	-	-	5 012	29	-	37 819	109 760	538
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	144 427	3 002	-	-	-	-	-	53 877	84	-	362	21 608	15
Water supply	-	-	-	64 160	696	-	-	-	-	-	-	-	-	2 211	5 016	15
Construction	-	-	-	382 369	11 437	-	182	-	-	-	-	-	-	129 267	114 752	3 586
Wholesale and retail trade	-	-	-	815 999	26 328	-	5 560	-	-	-	14 407	3	-	54 692	114 125	780
Transport and storage	-	-	-	338 653	7 752	-	-	-	-	-	-	-	-	4 711	19 792	93
Accommodation and catering activities	-	-	-	510 655	10 420	-	-	-	-	-	-	-	3 673	17 104	22 432	122
Information and Communication	-	-	-	47 306	1 260	-	-	-	-	-	-	-	-	7 807	19 088	82
Financial and insurance activities	46 411	148 893	1 053	343 332	24 635	19 556	-	1 836	243	10 865	33 827	21	-	200 117	18 109	44
Real estate activities	-	-	-	506 601	26 023	-	61	-	-	-	2 689	1	-	10 815	94 248	417
Consulting, scientific, technical and similar	-	-	-	328 628	4 895	-	3 005	-	-	-	-	-	-	17 620	39 717	180
Administrative and supporting service activities	-	-	-	122 370	2 565	-	-	-	-	-	-	-	-	5 015	17 790	276
Public administration and defence, compulsory social security	-	-	-	40 171	270	3 920	-	298 966	243	-	3 060 681	4 688	-	79	54 348	11
Education	-	-	-	61 173	1 302	-	-			-	-	-	-	199	4 664	42
Healthcare services and social support	-	-	-	334 280	7 401	-	-	4 324	25	-	-		-	1 801	15 375	148
Artistic activities, shows and recreational	-	-	-	48 592	1 362	-	-	-	-	-	-		-	5 528	5 066	22
Other services	-	-	-	99 517	2 914	-	-	-	-	-	-		-	2 930	8 007	69
Retail													-			
Mortgage Loans	-	-	-	5 743 208	34 494	-	-	587	-	-	-	-	-	-	-	-
Others	-	-	-	736 060	27 390	-	-	-	-	-	-	-	-	2 003	-	2 372
	46 411	**148 893**	**1 053**	**11 876 613**	**238 068**	**23 476**	**8 816**	**305 713**	**511**	**10 865**	**3 178 052**	**4 828**	**3 673**	**502 514**	**691 743**	**8 861**

The analysis of the main credit risk exposures by sector of activity, for financial year 2023, can be analysed as follows:

(Euro thousand)

Dec 2023																
Activity	Loans and deposits at credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Investments in associated companies	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	Book value	Off-balance sheet value		Provisions
Corporate																
Agriculture, forestry and fishing	-	-	-	135 169	2 644	-	-	-	-	-	-	-	-	808	5 127	52
Extractive Industries	-	-	-	14 338	859	501	-	-	-	-	5 026	1	-	1 394	2 266	11
Manufacturing industries	-	-	-	1 088 778	37 534	-	50	-	-	-	4 714	16	-	34 078	116 700	1 244
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	123 078	5 018	-	-	-	-	-	14 689	24	-	362	16 068	10
Water supply	-	-	-	62 121	1 461	-	-	-	-	-	-	-	-	2 217	9 431	84
Construction	-	-	-	395 323	23 667	-	200	-	-	-	-	-	-	136 157	94 538	4 443
Wholesale and retail trade	-	-	-	823 379	29 946	-	5 314	-	-	-	12 983	3	-	54 222	145 780	1 009
Transport and storage	-	-	-	350 422	9 690	-	-	-	-	-	3 109	-	-	5 315	19 350	163
Accommodation and catering activities	-	-	-	517 717	13 600	-	-	-	-	-	-	-	4 028	13 228	23 370	164
Information and Communication	-	-	-	47 009	1 074	-	-	-	-		-	-	-	2 166	23 995	92
Financial and insurance activities	61 041	179 950	1 048	387 318	43 456	15 819	-	1 802	239	6 174	501		-	205 308	19 200	85
Real estate activities	-	-	-	526 027	29 883	-	65	-	-	-	2 683	2	-	16 754	79 253	1 164
Consulting, scientific, technical and similar	-	-	-	319 042	6 856	-	3 012	-	-	-	-	-	-	23 809	33 508	198
Administrative and supporting service activities	-	-	-	120 194	1 915	-	-	-	-	-	-	-	674	6 408	14 919	123
Public administration and defence, compulsory social security	-	-	-	24 355	619	-	-	18 336	40	-	3 841 300	6 111	-	75	896	5
Education	-	-	-	61 972	1 211	-	-	-	-	-	-	-	-	192	3 891	43
Healthcare services and social support	-	-	-	325 601	8 166	-	-	4 332	25	-	-	-	-	4 056	14 641	387
Artistic activities, shows and recreational	-	-	-	49 030	1 650	-	-	-	-	-	-	-	-	7 489	5 185	24
Other services	-	-	-	94 947	3 001	-	12	-	-	-	-	-	-	3 013	9 965	73
Retail						-										
Mortgage Loans	-	-	-	5 541 139	33 273	-	-	619	-	-	-	-	-	-	-	-
Others	-	-	-	727 255	25 432	-	-	-	-	-	-	-	-	2 145	-	988
	61 041	**179 950**	**1 048**	**11 734 214**	**280 955**	**16 320**	**8 653**	**25 089**	**304**	**6 174**	**3 885 005**	**6 157**	**4 702**	**519 196**	**638 083**	**10 362**

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 502,514 thousand (31 December 2023: Euro 519,016 thousand), the irrevocable credit facilities amounting to Euro 691,743 thousand (31 December 2023: Euro 638,083 thousand) and the revocable credit facilities in the amount of Euro 944,517 thousand (31 December 2023: Euro 904,721 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Collective analysis	**13 612 491**	**173 297**	**13 439 194**	**13 243 159**	**189 568**	**13 053 591**
Stage 1	11 448 408	25 858	11 422 550	10 864 106	27 285	10 836 821
Stage 2	1 946 412	66 629	1 879 783	2 152 775	71 895	2 080 880
Stage 3	217 671	80 810	136 861	226 278	90 388	135 890
Individual analysis	**402 896**	**73 632**	**329 264**	**552 875**	**101 749**	**451 126**
Stage 1	141 923	2 735	139 188	189 512	2 040	187 472
Stage 2	88 128	5 314	82 814	148 457	10 580	137 877
Stage 3	172 845	65 583	107 262	214 906	89 129	125 777
	14 015 387	**246 929**	**13 768 458**	**13 796 034**	**291 317**	**13 504 717**

As at 30 June 2024 and 31 December 2023, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Amortized cost (AC)	**3 178 052**	**4 828**	**3 173 224**	**3 885 005**	**6 157**	**3 878 848**
Stage 1	3 171 625	4 811	3 166 814	3 885 005	6 157	3 878 848
Stage 2	6 427	17	6 410	-	-	-
Fair value (FVOIC)	**305 713**	**511**	**305 202**	**25 089**	**304**	**24 785**
Stage 1	303 876	268	303 608	23 287	65	23 222
Stage 2	1 837	243	1 594	1 802	239	1 563
Other loans and advances to credit institutions	**148 893**	**1 053**	**147 840**	**179 950**	**1 048**	**178 902**
Stage 1	148 353	1 037	147 316	179 506	1 035	178 471
Stage 2	540	16	524	444	13	431
	3 632 658	**6 392**	**3 626 266**	**4 090 044**	**7 509**	**4 082 535**

As at 30 June 2024 and 31 December 2023, the transfer between Stages, in Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Gross value					
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Initial gross value	3 885 005	-	3 885 005	4 120 289	5 791	4 126 080
Exposure of new net derecognition credits, refunds and other variations	(713 380)	6 427	(706 953)	(235 284)	(5 791)	(241 075)
Final gross value	3 171 625	6 427	3 178 052	3 885 005	-	3 885 005

(Euro thousand)

	Jun 2024			Dec 2023		
	Impairment losses					
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Initial impairment losses	6 157	-	6 157	6 051	642	6 693
Exposure of new net derecognition credits, refunds and other variations	(1 346)	17	(1 329)	106	(642)	(536)
Final impairment losses	4 811	17	4 828	6 157	-	6 157

As at 30 June 2024 and 31 December 2023, the transfer between Stages, in Financial assets at fair value through other comprehensive income, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial gross value	23 287	1 802	25 089	74 520	2 284	76 804
Transfer to stage 1	-	-	-	(119)	119	-
Exposure of new net derecognition credits, refunds and other variations	280 589	35	280 624	(51 114)	(601)	(51 715)
Final gross value	303 876	1 837	305 713	23 287	1 802	25 089

(Euro thousand)

	Jun 2024			Dec 2023		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial impairment losses	65	239	304	181	371	552
Transfer to stage 1	-	-	-	(14)	14	-
Exposure of new net derecognition credits, refunds and other variations	203	4	207	(102)	(146)	(248)
Final impairment losses	268	243	511	65	239	304

As at 30 June 2024 and 31 December 2023, the transfer between Stages, in Other loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial gross value	179 506	444	179 950	106 366	17	106 383
Exposure of new net derecognition credits, refunds and other variations	(31 153)	96	(31 057)	73 140	427	73 567
Final gross value	148 353	540	148 893	179 506	444	179 950

(Euro thousand)

	Jun 2024			Dec 2023		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial impairment losses	1 035	13	1 048	7	-	7
Exposure of new net derecognition credits, refunds and other variations	2	3	5	1 028	13	1 041
Final impairment losses	1 037	16	1 053	1 035	13	1 048

As at 30 June 2024 and 31 December 2023, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
Segment	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Retail	**6 876 645**	**64 214**	**6 812 431**	**6 660 323**	**59 668**	**6 600 655**
Mortgage loans	5 833 369	34 452	5 798 917	5 627 991	33 234	5 594 757
Stage 1	4 776 309	1 192	4 775 117	4 622 655	1 569	4 621 086
Stage 2	1 004 462	21 869	982 593	956 272	20 054	936 218
Stage 3	52 598	11 391	41 207	49 064	11 611	37 453
Consumer credit	771 180	24 879	746 301	762 440	24 261	738 179
Stage 1	685 524	3 379	682 145	673 759	2 786	670 973
Stage 2	53 193	4 086	49 107	56 029	4 596	51 433
Stage 3	32 463	17 414	15 049	32 652	16 879	15 773
Credit cards	272 096	4 883	267 213	269 892	2 173	267 719
Stage 1	255 603	3 212	252 391	248 870	864	248 006
Stage 2	13 426	361	13 065	18 131	267	17 864
Stage 3	3 067	1 310	1 757	2 891	1 042	1 849
Corporate	**6 735 846**	**109 083**	**6 626 763**	**6 582 836**	**129 900**	**6 452 936**
Non-Construction	6 045 139	99 486	5 945 653	5 948 428	114 521	5 833 907
Stage 1	5 156 856	16 575	5 140 281	4 851 036	20 400	4 830 636
Stage 2	791 604	37 078	754 526	996 124	43 053	953 071
Stage 3	96 679	45 833	50 846	101 268	51 068	50 200
Construction	690 707	9 597	681 110	634 408	15 379	619 029
Stage 1	574 115	1 500	572 615	467 786	1 665	466 121
Stage 2	83 728	3 235	80 493	126 219	3 926	122 293
Stage 3	32 864	4 862	28 002	40 403	9 788	30 615
	13 612 491	**173 297**	**13 439 194**	**13 243 159**	**189 568**	**13 053 591**

As at 30 June 2024 and 31 December 2023, impairment is detailed as follows:

(Euro thousand)

	Jun 2024						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	401 698	73 590	6 735 846	109 083	7 137 544	182 673	6 954 871
Retail - mortgage loans	1 198	42	5 833 369	34 452	5 834 567	34 494	5 800 073
Retail - other loans	-	-	1 043 276	29 762	1 043 276	29 762	1 013 514
	402 896	73 632	13 612 491	173 297	14 015 387	246 929	13 768 458

(Euro thousand)

	Dec 2023						
	Impairment calculated on an individual basis		Impairment calculated on an individual basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	551 680	101 708	6 582 837	129 901	7 134 517	231 609	6 902 908
Retail - mortgage loans	1 195	41	5 627 991	33 233	5 629 186	33 274	5 595 912
Retail - other loans	-	-	1 032 331	26 434	1 032 331	26 434	1 005 897
	552 875	101 749	13 243 159	189 568	13 796 034	291 317	13 504 717

As at 30 June 2024 and 31 December 2023, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	Jun 2024			
	Stage 1	Stage 2	Stage 3	Total
Initial gross value	11 053 618	2 301 232	441 184	13 796 034
Transfer to stage 1	525 145	(520 755)	(4 390)	-
Transfer to stage 2	(531 859)	549 005	(17 146)	-
Transfer to stage 3	(26 443)	(85 293)	111 736	-
Write-Offs	(1)	(563)	(53 180)	(53 744)
Exposure of new net derecognition credits, refunds and other variations	569 871	(209 086)	(87 688)	273 097
Final gross value	11 590 331	2 034 540	390 516	14 015 387

(Euro thousand)

	Jun 2024			
	Stage 1	Stage 2	Stage 3	Total
Initial impairment losses	29 325	82 475	179 517	291 317
Transfer to stage 1	2 986	(2 964)	(22)	-
Transfer to stage 2	(17 729)	18 849	(1 120)	-
Transfer to stage 3	(8 105)	(23 360)	31 465	-
Write-Offs	(1)	(563)	(53 180)	(53 744)
Exposure of new net derecognition credits, refunds and other variations	22 117	(2 494)	(10 267)	9 356
Final impairment losses	28 593	71 943	146 393	246 929

(Euro thousand)

	Dec 2023			
	Stage 1	Stage 2	Stage 3	Total
Initial gross value	10 938 081	2 451 355	769 136	14 158 572
Transfer to stage 1	831 100	(818 322)	(12 778)	-
Transfer to stage 2	(870 956)	931 575	(60 619)	-
Transfer to stage 3	(51 980)	(77 120)	129 100	-
Write-Offs	(30)	(3 910)	(127 388)	(131 328)
Exposure of new net derecognition credits, refunds and other variations	207 403	(182 346)	(256 267)	(231 210)
Final gross value	11 053 618	2 301 232	441 184	13 796 034

(Euro thousand)

	Dec 2023			
	Stage 1	Stage 2	Stage 3	Total
Initial impairment losses	13 416	72 378	288 240	374 034
Transfer to stage 1	2 688	(2 614)	(74)	-
Transfer to stage 2	(30 890)	34 605	(3 715)	-
Transfer to stage 3	(15 043)	(25 808)	40 851	-
Write-Offs	(30)	(3 910)	(127 388)	(131 328)
Exposure of new net derecognition credits, refunds and other variations	59 184	7 824	(18 397)	48 611
Final impairment losses	29 325	82 475	179 517	291 317

As at 30 June 2024 and 31 December 2023, the fair value analysis of collaterals associated with the Group's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collateral	Jun 2024	Dec 2023
Individual analysis		
Securities and other financial assets	16 902	18 786
Real Estate - Construction and CRE	193 364	213 360
Other real estate	307 373	367 207
Other guarantees	67 143	108 464
Collective analysis - Stage 1	-	
Securities and other financial assets	941 692	861 359
Real Estate - Mortgage loans	11 099 655	10 746 489
Real Estate - Construction and CRE	1 887 914	1 661 021
Other real estate	2 138 803	1 736 434
Other guarantees	895 604	822 872
Collective analysis - Stage 2	-	
Securities and other financial assets	235 441	345 660
Real Estate - Mortgage loans	2 195 510	2 048 096
Real Estate - Construction and CRE	220 745	361 663
Other real estate	391 986	550 260
Other guarantees	41 668	53 824
Collective analysis - Stage 3	-	
Securities and other financial assets	27 451	28 280
Real Estate - Mortgage loans	126 591	118 103
Real Estate - Construction and CRE	16 407	41 746
Other real estate	44 647	72 289
Other guarantees	16 229	17 317
	20 865 125	**20 173 231**

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 the first half of 2024 and financial year 2023, is presented as follows:

(Euro thousand)

	Jun 2024		Dec 2023	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 785 233	140 727	5 756 249	171 884
Construction and CRE	1 352 311	41 946	1 378 268	59 725
Retail - Mortgage loans	5 834 567	34 494	5 629 186	33 274
Retail - Other loans	1 043 276	29 762	1 032 331	26 434
	14 015 387	246 929	13 796 034	291 317

The live loans and advances portfolio, by segment and by production year, in the first half of 2024, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Retail - Mortage loans			Retail - Other		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	515	15 088	247	544	20 606	1 411	29 512	729 716	5 129	17 769	13 815	309
2005	116	8 613	172	124	3 474	36	8 009	339 411	2 935	4 730	4 217	92
2006	163	14 115	367	107	3 602	247	9 697	425 218	3 981	12 275	9 630	205
2007	256	7 641	204	136	5 234	209	9 831	431 599	3 878	31 333	32 519	594
2008	861	25 857	649	318	10 702	665	5 146	228 296	2 405	49 804	63 556	842
2009	1 231	31 345	601	325	10 514	708	2 797	135 056	825	39 075	40 996	766
2010	1 357	40 198	805	216	8 010	910	2 825	157 198	1 275	28 587	18 488	395
2011	1 654	54 339	1 277	292	5 314	302	1 046	55 026	322	22 811	19 848	485
2012	1 899	45 028	840	458	9 893	1 117	623	32 963	304	16 080	9 340	321
2013	2 533	101 996	2 079	204	11 633	523	786	41 693	352	15 041	11 015	362
2014	3 516	188 483	11 569	2 146	45 656	708	947	53 495	380	16 780	16 246	928
2015	3 700	112 061	3 678	377	14 798	356	1 111	61 562	544	14 228	15 711	736
2016	4 456	317 148	5 954	813	33 821	3 550	1 589	103 734	988	23 626	21 936	996
2017	5 748	191 240	4 762	458	83 873	11 256	2 182	152 208	1 097	17 763	23 068	827
2018	6 514	167 741	5 237	840	49 329	1 849	2 307	169 359	1 381	28 033	48 655	1 406
2019	7 505	282 914	22 152	1 057	73 631	1 446	2 832	215 986	1 080	22 466	57 430	2 247
2020	10 839	478 749	11 453	1 376	113 086	3 475	3 128	270 389	1 307	21 580	76 330	3 832
2021	11 993	499 279	14 143	1 898	115 089	2 947	5 670	539 414	2 495	30 391	126 385	6 482
2022	16 077	1 245 637	32 702	2 195	282 575	5 499	4 858	497 123	2 184	28 825	135 218	4 630
2023	12 425	865 421	13 940	1 665	270 993	2 381	6 605	653 518	1 217	38 577	178 009	2 578
2024	10 108	1 092 340	7 896	3 530	180 478	2 351	5 175	541 603	415	20 392	120 864	729
	103 466	5 785 233	140 727	19 079	1 352 311	41 946	106 676	5 834 567	34 494	500 166	1 043 276	29 762

The live loans and advances portfolio, by segment and by production year, in financial year 2023, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			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	494	17 044	327	562	26 998	5 320	31 128	793 538	5 546	18 203	14 294	262
2005	128	8 896	131	130	4 153	380	8 344	360 474	2 880	4 822	4 489	71
2006	173	14 969	267	114	5 136	587	10 108	450 627	4 016	12 564	9 971	151
2007	263	8 538	542	153	13 617	3 702	10 279	457 919	3 450	32 423	33 917	417
2008	907	27 492	500	320	11 250	755	5 361	241 608	2 412	51 633	66 259	565
2009	1 370	39 782	1 901	339	13 329	984	2 936	143 137	819	40 547	42 941	703
2010	1 410	47 949	1 918	234	16 512	2 458	2 968	168 336	1 418	29 440	19 492	475
2011	1 956	60 327	2 387	311	11 610	3 012	1 099	58 804	330	23 625	20 732	439
2012	1 904	46 790	1 488	417	13 258	3 058	652	35 923	339	16 595	9 736	197
2013	2 802	108 276	2 282	217	12 324	724	825	44 631	319	15 604	11 665	366
2014	3 821	231 700	18 504	1 649	47 747	717	997	56 800	362	17 762	18 080	1 046
2015	3 820	123 063	4 710	403	16 238	536	1 173	66 065	577	14 930	18 359	1 435
2016	4 743	336 201	7 647	716	34 542	3 840	1 688	112 715	976	25 082	26 143	942
2017	7 464	224 582	10 716	544	93 938	11 834	2 296	163 047	1 152	18 822	28 171	792
2018	7 689	201 236	12 400	920	57 020	2 185	2 437	183 551	1 425	29 308	55 606	1 221
2019	8 405	337 852	32 760	1 206	78 690	1 826	2 982	230 707	977	24 061	66 702	2 029
2020	11 409	575 494	13 205	1 522	132 052	4 909	3 304	290 112	1 134	23 494	89 093	3 727
2021	13 463	579 689	17 798	2 328	148 174	4 408	5 943	575 025	2 392	32 397	145 172	5 775
2022	16 548	1 388 407	26 074	2 461	308 929	4 829	5 041	521 950	1 838	31 206	153 070	3 842
2023	17 399	1 377 962	16 327	1 964	332 751	3 661	6 715	674 217	912	40 432	198 439	1 979
	106 168	5 756 249	171 884	16 510	1 378 268	59 725	106 276	5 629 186	33 274	502 950	1 032 331	26 434

The gross exposure of loans and advances and impairment, individual and collective, by segment, in the first half of 2024 and financial year 2023, is analysed as follows:

(Euro thousand)

Jun 2024	*Corporate*		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	303 075	52 324	98 623	21 266	1 198	42	-	-	402 896	73 632
Collective	5 482 158	88 403	1 253 688	20 680	5 833 369	34 452	1 043 276	29 762	13 612 491	173 297
	5 785 233	140 727	1 352 311	41 946	5 834 567	34 494	1 043 276	29 762	14 015 387	246 929

(Euro thousand)

Dec 2023	*Corporate*		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	378 911	71 156	172 769	30 552	1 195	41	-	-	552 875	101 749
Collective	5 377 338	100 728	1 205 499	29 173	5 627 991	33 233	1 032 331	26 434	13 243 159	189 568
	5 756 249	171 884	1 378 268	59 725	5 629 186	33 274	1 032 331	26 434	13 796 034	291 317

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for Companies, in the first half of 2024 and financial year 2023, is analysed as follows:

(Euro thousand)

Jun 2024	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	24 919	5 880	28 663	8 267	43 639	2 895	73 704	15 386	230 772	41 162	401 697	73 590
Collective	690 708	9 596	1 296 820	27 156	1 050 595	24 217	562 981	11 084	3 134 743	37 030	6 735 847	109 083
	715 627	15 476	1 325 483	35 423	1 094 234	27 112	636 685	26 470	3 365 515	78 192	7 137 544	182 673

(Euro thousand)

Dec 2023	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	96 154	13 271	38 160	8 301	40 076	4 351	76 615	17 281	300 676	58 505	551 681	101 709
Collective	634 409	15 379	1 324 669	31 349	1 063 718	26 614	571 090	13 794	2 988 950	42 764	6 582 836	129 900
	730 563	28 650	1 362 829	39 650	1 103 794	30 965	647 705	31 075	3 289 626	101 269	7 134 517	231 609

The amount of restructured loans and advances by stage and by segment, as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

Jun 2024	*Corporate*		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	54 587	3 778	6 958	658	28 426	413	4 415	343	94 406	5 192
Stage 3	80 389	41 647	26 669	14 966	18 117	3 816	5 182	2 885	130 343	63 314
	134 976	45 425	33 627	15 624	46 543	4 229	9 597	3 228	224 749	68 506

(Euro thousand)

Dec 2023	*Corporate*		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	73 041	4 298	11 246	1 240	35 129	599	4 543	422	123 959	6 559
Stage 3	129 496	66 417	50 590	22 247	16 053	3 776	6 509	3 847	202 648	96 287
	202 537	70 715	61 836	23 487	51 182	4 375	11 052	4 269	326 607	102 846

The gross exposure of performing and non-performing loans and advances, in the first half of 2024 and financial year 2023, is analysed as follows:

(Euro thousand)

Jun 2024

	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk de crédito				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 restructured	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 082 732	-	-	-	-	-	-	7 335	-	-	-	-	-
Other balance sheet credit exposures (b)	12 998 660	34 948	94 688	329 962	329 962	329 943	129 665	94 662	5 191	142 463	63 303	136 125	128 736
Off-balance sheet exposures (c)	2 138 774	1 068	32	60 058	60 058	60 058	681	5 441	1	3 420	-	-	-

(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)

Dec 2023

	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk de crédito				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 restructured	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	4 499 762	-	-	314	314	314	-	9 971	-	314	-	-	-
Other balance sheet credit exposures (b)	12 416 263	44 895	124 219	379 755	379 755	379 710	202 104	104 076	6 557	174 103	96 282	156 405	185 544
Off-balance sheet exposures (c)	2 061 819	1 474	92	60 545	60 545	60 545	551	5 870	2	4 491	-	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 30 June 2024, 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€	3 371	486 208	15 200	877 527	84 750	12 591 196	169	5 631
>= 0.5 M€ and <1M€	459	322 896	311	205 288	1 034	649 601	1	500
>= 1 M€ and <5M€	522	1 168 113	205	365 252	108	165 521	-	-
>= 5 M€ and <10M€	85	569 405	20	142 539	2	15 438	-	-
>= 10 M€ and <20M€	51	748 931	10	118 528	-	-	-	-
>= 20 M€ and <50M€	16	501 696	-	-	-	-	-	-
>= 50M€	9	1 300 464	2	133 343	-	-	-	-
	4 513	5 097 713	15 748	1 842 477	85 894	13 421 756	170	6 131

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 31 December 2023, is presented as follows:

(Euro thousand)

	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€	3 605	522 227	15 316	880 985	84 746	12 242 001	183	5 570
>= 0.5 M€ and <1M€	454	318 756	320	212 244	833	522 084	1	500
>= 1 M€ and <5M€	511	1 149 832	211	359 452	87	133 165	-	-
>= 5 M€ and <10M€	79	533 307	18	127 370	2	15 438	-	-
>= 10 M€ and <20M€	44	633 110	10	126 747	-	-	-	-
>= 20 M€ and <50M€	15	426 372	1	30 000	-	-	-	-
>= 50M€	9	1 307 411	2	133 343	-	-	-	-
	4 717	4 891 015	15 878	1 870 141	85 668	12 912 688	184	6 070

The LTV (loan-to-value) ratio of the Corporate, Construction and Real Estate activities and Mortgage segments, as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

Segment/ Ratio	Jun 2024			Dec 2023		
	Number of properties	Total exposure	Impairment	Number of properties	Total exposure	Impairment
Corporate						
Without associated property (*)	-	4 612 926	92 625	-	4 596 715	100 752
< 60%	1 922	536 682	24 534	2 070	545 325	15 943
>= 60% and < 80%	595	287 447	7 190	550	228 477	11 103
>= 80% and < 100%	544	328 245	14 940	621	328 043	19 814
>= 100%	15	19 933	1 437	17	57 689	24 273
Construction and CRE						
Without associated property (*)	-	649 470	12 893	-	682 437	18 761
< 60%	773	457 640	9 920	766	431 678	18 925
>= 60% and < 80%	241	130 873	2 784	246	160 513	7 399
>= 80% and < 100%	409	105 718	15 613	376	83 236	11 583
>= 100%	14	8 610	736	71	20 404	3 057
Mortgage						
Without associated property (*)	-	24 666	452	-	28 167	991
< 60%	61 288	2 943 522	14 277	60 624	2 801 856	13 361
>= 60% and < 80%	19 524	1 860 549	10 854	19 695	1 816 651	9 917
>= 80% and < 100%	4 963	988 294	8 156	5 200	964 808	7 952
>= 100%	119	17 536	755	149	17 704	1 053

(*) Includes operations with other associated collateral, namely financial collateral.

The fair value and the net value of real estate received in recovery/execution of loans, by asset type, recorded in the caption Other assets (note 33), as at 30 June 2024 and 31 December 2023, are presented as follows:

(Euro thousand)

Assets	Jun 2024		
	Number of properties	Fair value of assets	Book value
Land	**854**	**114 604**	**99 448**
Urban	659	82 417	71 317
Rural	195	32 187	28 131
Buildings under construction	**181**	**26 077**	**22 189**
Commerce	39	2 741	2 491
Residential	115	22 941	19 318
Other	27	395	380
Constructed buildings	**683**	**71 865**	**56 745**
Commerce	332	49 211	40 199
Residential	142	17 997	12 808
Other	209	4 657	3 738
	1 718	212 546	178 382

(Euro thousand)

Assets	Dec 2023		
	Number of properties	Fair value of assets	Book value
Land	**945**	**125 807**	**109 522**
Urban	745	94 163	81 515
Rural	200	31 644	28 007
Buildings under construction	**238**	**34 435**	**30 028**
Commerce	46	3 273	2 984
Residential	150	30 730	26 627
Other	42	432	417
Constructed buildings	**760**	**80 089**	**65 980**
Commerce	390	56 550	48 404
Residential	155	18 719	13 668
Other	215	4 820	3 908
	1 943	240 331	205 530

The carrying amount reported in the table above takes into account, upon initial recognition and as defined in the accounting policy described in note 1 h), the lower value between its fair value net of selling expenses and the carrying amount of the credit existing on the date on which the transfer was made, and is subsequently updated due, in particular, to changes in the appraised value of the property and/or estimated selling expenses. In situations where a potential capital gain is determined, same is not recognized in the financial statements.

The time elapsed since the receipt in recovery/execution of real estate, recorded in the caption Other assets (note 33), as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	Jun 2024				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**106**	**1 043**	**3 781**	**94 518**	**99 448**
Urban	61	41	3 688	67 527	71 317
Rural	45	1 002	93	26 991	28 131
Buildings under construction	**-**	**62**	**1 991**	**20 136**	**22 189**
Commerce	-	-	461	2 030	2 491
Residential	-	62	1 335	17 921	19 318
Other	-	-	195	185	380
Constructed buildings	**3 382**	**6 591**	**11 797**	**34 975**	**56 745**
Commerce	2 640	4 792	7 066	25 701	40 199
Residential	636	1 743	3 007	7 422	12 808
Other	106	56	1 724	1 852	3 738
	3 488	7 696	17 569	149 629	178 382

(Euro thousand)

Elapsed time since recovery/execution	Dec 2023				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**200**	**1 095**	**6 377**	**101 850**	**109 522**
Urban	-	174	5 427	75 914	81 515
Rural	200	921	950	25 936	28 007
Buildings under construction	**-**	**439**	**2 117**	**27 472**	**30 028**
Commerce	-	159	461	2 364	2 984
Residential	-	280	1 461	24 886	26 627
Other	-	-	195	222	417
Constructed buildings	**4 927**	**5 819**	**12 561**	**42 673**	**65 980**
Commerce	3 600	3 909	7 998	32 897	48 404
Residential	1 327	1 640	2 963	7 738	13 668
Other	-	270	1 600	2 038	3 908
	5 127	7 353	21 055	171 995	205 530

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In the Group, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for the Group and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios, for the various Group entities.

To reduce concentration risk, the Group seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Directorate of Banco Montepio. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Directorate. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

The Group regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

The Group's investment portfolio is mainly concentrated in debt instruments (bonds and commercial paper), and as at 30 June 2024 this represented 94.7% (31 December 2023: 96.4%) of the total portfolio, with the dominant position being held by bonds of sovereign issuers, essentially Portugal, Spain and Italy.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 30 June 2024 and 31 December 2023.

Regarding the credit quality of the debt securities, circa 98.4% of the portfolio is investment grade (31 December 2023: 99.2%). Of note are the Portuguese, Spanish and Italian sovereign bonds with rating A-, BBB+ and BBB-, respectively, and that represent 84.0% (31 December 2023: 91.3%) of the debt portfolio. The main changes in the portfolio composition refer to the increase in exposure to supranational debt from the Eurozone, which is responsible for the increase in AAA ratings, simultaneously with the reduction in exposures to sovereign debt from Italy and Spain, which was reflected in the decrease in BBB+ and BBB ratings. It should be noted that the increase in debt without a risk rating (NR) is essentially due to positions taken in commercial paper.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	Jun 2024		Dec 2023		Change	
	Amount	%	Amount	%	Amount	%
AAA	234 016	6,7	34 607	0,9	199 409	576,2
AA+	82 936	2,4	87 503	2,2	(4 567)	(5,2)
AA	4 876	0,1	4 861	0,1	15	0,3
AA-	144 318	4,1	139 879	3,6	4 439	3,2
A+	7 055	0,2	7 089	0,2	(34)	(0,5)
A	5 206	0,1	501	-	4 705	939,1
A-	1 045 891	30,0	1 056 639	27,0	(10 748)	(1,0)
BBB+	884 967	25,4	1 031 009	26,4	(146 042)	(14,2)
BBB	41 325	1,2	34 395	0,9	6 930	20,1
BBB-	980 577	28,1	1 478 053	37,8	(497 476)	(33,7)
BB+	13 733	0,4	14 177	0,4	(444)	(3,1)
NR	42 718	1,3	18 463	0,5	24 255	131,4
	3 487 618	100,0	3 907 176	100,0	(419 558)	(10,7)

The position in bonds recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 305,202 thousand (31 December 2023: Euro 24,785 thousand), the position in Other financial assets at amortized cost stood at Euro 3,173,224 thousand (31 December 2023: Euro 3,878,848 thousand) and the position in Financial assets held for trading stood at Euro 9,192 thousand (31 December 2023: Euro 3,543 thousand).

Regarding the trading portfolio, as at 30 June 2024 and 31 December 2023, the main VaR indicators are as follows:

	Jun 2024	Average	Minimum	Maximum	Dec 2023
Market VaR	305	290	94	576	134
Interest rate risk	337	242	7	551	35
Exchange risk	65	162	7	112	45
Price risk	186	156	89	165	118
Spread Risk	82	69	72	58	7
Diversification effect	(365)	(339)	*(81)*	(310)	(71)

The value of the VaR of the trading portfolio increased from 31 December 2023 to 30 June 2024, having remained at moderate or reduced levels during the first half of 2024 and in line with that observed in the previous year.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating the Group (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, in the first half of 2024 and financial year 2023:

(Euro thousand)

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
30 June 2024					
Assets					
Debt securities	33 959	50 249	216 734	1 814 773	1 418 459
Loans and advances	6 282 275	2 867 344	1 118 834	2 581 101	1 079 375
Others	1 402 571	-	-	-	-
Off-balance sheet	11 686	29 984	67 161	884 121	16
Total	7 730 491	2 947 577	1 402 729	5 279 995	2 497 850
Liabilities					
Debt securities issued	17 138	520 969	36 034	835 494	6 901
Term deposits	3 914 186	2 695 396	1 473 088	523 378	-
Others	2 551 385	241 042	357 548	1 089 383	2 411 359
Off-balance sheet	301 362	529 098	15 905	76 416	782
Total	6 784 071	3 986 505	1 882 575	2 524 671	2 419 042
GAP (Assets - Liabilities)	946 420	(1 038 928)	(479 846)	2 755 324	78 808
31 December 2023					
Assets					
Debt securities	36 441	795 387	61 512	1 576 179	1 464 794
Loans and advances	5 909 394	2 910 606	1 248 353	1 361 841	1 224 992
Others	921 625	-	-	-	-
Off-balance sheet	10 007	9 133	40 901	280 745	-
Total	6 877 467	3 715 126	1 350 766	3 218 765	2 689 786
Liabilities					
Debt securities issued	172 005	100 000	550 635	255 184	8 407
Term deposits	2 428 905	1 691 921	2 512 806	1 084 309	-
Others	1 390 240	-	58 603	150 000	150 492
Off-balance sheet	39 158	264 833	12	93	853
Total	4 030 308	2 056 754	3 122 056	1 489 586	159 752
GAP (Assets - Liabilities)	2 847 159	1 658 372	(1 771 290)	1 729 179	2 530 034

(Euro thousand)

	Jun 2024				Dec 2023			
	June	Annual Average	Maximum	Minimum	December	Annual Average	Maximum	Minimum
Interest Rate Gap	2 261 774	4 627 614	6 993 454	2 261 774	6 993 454	7 160 391	7 327 328	6 993 454

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 30 June 2024, 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 71,332 thousand (31 December 2023: increase of Euro 16,734 thousand).

The following table presents the average interest rates, in relation to the Group's major asset and liability categories for the first half of 2024 and financial year 2023, as well as the respective average balances and the income and expenses for the financial year:

(Euro thousand)

	Jun 2024			Dec 2023		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest- generating assets						
Deposits at central banks and other credit institutions	1 074 247	3,32	18 042	825 854	2,90	24 280
Other loans and advances to other credit institutions	185 873	2,74	2 573	157 832	1,66	2 650
Loans and advances to customers	11 862 843	5,27	315 835	11 890 626	4,53	545 820
Securities portfolio	3 824 853	0,76	14 647	4 143 598	0,52	21 905
Other assets at fair value	8 495	4,89	210	8 736	4,54	402
Other (derivatives includes)	-	-	5	-	-	3 405
	16 956 311	**4,10**	**351 312**	**17 026 646**	**3,47**	**598 462**
Interest-generating liabilities						
Deposits from ECB	375 717	4,11	7 805	1 952 041	2,94	58 164
Deposits from other credit institutions	973 623	2,74	13 479	671 457	1,91	12 988
Deposits from customers	13 698 842	1,50	103 623	12 898 030	0,64	83 677
Senior debt	786 284	2,87	11 389	611 680	0,77	4 790
Subordinated debt	257 408	8,64	11 247	216 438	8,92	19 584
Other (derivatives includes)	-	-	5 209	-	-	11 153
	16 091 874	**1,88**	**152 752**	**16 349 646**	**1,15**	**190 356**
Net interest income		**2,32**	**198 560**		**2,36**	**408 106**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, in the first half of 2024 and financial year 2023, is analysed as follows:

(Euro thousand)

	Jun 2024							
	Euro	U. S. Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	1 649 911	9 849	-	753	1 306	7	1 164	1 662 990
Loans and deposits to credit institutions payable on demand	20 464	17 883	6 188	1 143	71	132	530	46 411
Other loans and advances to credit institutions	88 705	43 749	15 362	17	7	-	-	147 840
Loans and advances to customers	11 623 489	14 620	-	-	-	-	436	11 638 545
Financial assets held for trading	27 688	1 591	-	128	61	-	-	29 468
Financial assets at fair value through profit or loss	114 940	-	-	-	-	-	-	114 940
Financial assets at fair value through other comprehensive income	328 749	-	-	-	-	-	-	328 749
Hedging derivatives	10 865	-	-	-	-	-	-	10 865
Other financial assets at amortized cost	3 098 774	74 450	-	-	-	-	-	3 173 224
Investments in associated companies	3 673	-	-	-	-	-	-	3 673
Non current assets held for sale	74	-	-	-	-	-	-	74
Investment properties	52 159	-	-	-	-	-	-	52 159
Other tangible assets	193 226	-	-	-	-	-	-	193 226
Intangible assets	60 322	-	-	-	-	-	-	60 322
Current tax assets	1 090	-	-	-	-	-	-	1 090
Deferred Tax Assets	343 646	-	-	-	-	-	-	343 646
Other assets	353 039	7 215	-	-	644	-	1 321	362 219
Total Assets	**17 970 814**	**169 357**	**21 550**	**2 041**	**2 089**	**139**	**3 451**	**18 169 441**
Liabilities by currency								
Deposits from central banks	-	-	-	-	-	-	-	-
Deposits from other credit institutions	772 952	4 317	-	44	60	-	663	778 036
Deposits from customers	14 036 397	123 638	-	3 218	18 325	134	30 469	14 212 181
Debt securities issued	952 280	-	-	-	-	-	-	952 280
Financial liabilities held for trading	12 859	-	-	-	-	-	-	12 859
Hedging derivatives	2 406	-	-	-	-	-	-	2 406
Provisions	17 176	-	-	-	-	-	-	17 176
Current tax liabilities	1 764	-	-	-	-	-	-	1 764
Other subordinated debt	257 545	-	-	-	-	-	-	257 545
Other liabilities	268 826	3 712	18	175	-	-	2 616	275 347
Total Liabilities	**16 322 205**	**131 667**	**18**	**3 437**	**18 385**	**134**	**33 748**	**16 509 594**
Exchange forward transactions	-	(35 226)	-	1 443	15 912	-	30 513	-
Exchange gap	-	2 464	21 532	47	(384)	5	216	-
Stress Test	-	(493)	(4 306)	(10)	76	(1)	(43)	-

(Euro thousand)

	Dec 2023						
	Euro	U. S. Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Other foreign currencies	Total amount
Assets by currency							
Cash and deposits at central banks	1 162 808	5 493	-	1 446	906	745	1 171 398
Loans and deposits to credit institutions payable on demand	18 662	25 060	14 698	1 415	199	1 007	61 041
Other loans and advances to credit institutions	106 402	57 043	15 432	18	7	-	178 902
Loans and advances to customers	11 441 471	11 788	-	-	-	-	11 453 259
Financial assets held for trading	18 578	210	-	95	87	-	18 970
Financial assets at fair value value through profit or loss	128 228	-	-	-	-	-	128 228
Financial assets at fair value through other comprehensive income	48 100	-	-	-	-	-	48 100
Hedging derivatives	6 174	-	-	-	-	-	6 174
Other financial assets at amortized cost	3 799 810	79 038	-	-	-	-	3 878 848
Investments in associated companies	4 702	-	-	-	-	-	4 702
Non-current assets held for sale	74	-	-	-	-	-	74
Investment properties	57 665	-	-	-	-	-	57 665
Other tangible assets	195 400	-	-	-	-	-	195 400
Intangible assets	57 744	-	-	-	-	-	57 744
Current tax assets	1 568	-	-	-	-	-	1 568
Deferred Tax Assets	381 062	-	-	-	-	-	381 062
Other assets	338 323	7 996	-	1	-	-	346 320
Total Assets	**17 766 771**	**186 628**	**30 130**	**2 975**	**1 199**	**1 752**	**17 989 455**
Liabilities by currency							
Deposits from central banks	873 933	-	-	-	-	-	873 933
Deposits from other credit institutions	888 939	20 238	-	133	72	44	909 426
Deposits from customers	13 196 941	118 940	-	3 160	18 615	28 752	13 366 408
Debt securities issued	730 045	-	-	-	-	-	730 045
Financial liabilities held for trading	12 636	-	-	-	-	-	12 636
Hedging derivatives	3 525	-	-	-	-	-	3 525
Provisions	20 807	23	-	-	-	-	20 830
Current tax liabilities	1 661	-	-	-	-	-	1 661
Other subordinated debt	217 019	-	-	-	-	-	217 019
Other liabilities	281 307	2 111	37	1 093	230	2 723	287 501
Total Liabilities	**16 226 813**	**141 312**	**37**	**4 386**	**18 917**	**31 519**	**16 422 984**
Exchange forward transactions	-	(45 423)	-	1 404	17 720	29 834	-
Exchange gap	-	(107)	30 093	(7)	2	67	-
Stress Test	-	22	(6 019)	2	-	-	-

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 30 June 2024, the LCR value was 219.3% (31 December 2023: 233.1%).

As regards the net stable funding ratio, designated NSFR, same stood at 135.4% (31 December 2023: 130.4%).

As at 30 June 2024, the Group’s financing structure was as follows:

(Euro thousand)

	Total	In cash	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from other credit institutions	778 036	-	465 532	8 435	4 062	300 007
Deposits from customers	14 212 181	-	9 047 876	2 721 583	1 438 651	1 004 071
Debt securities issued	952 280	-	-	-	14 823	937 457
Financial liabilities held for trading	12 859	-	370	77	1 468	10 944
Other subordinated debt	257 545	-	-	-	1 222	256 323
Other liabilities	275 347	275 347	-	-	-	-
	16 488 248	**275 347**	**9 513 778**	**2 730 095**	**1 460 226**	**2 508 802**

As at 31 December 2023, the Group’s financing structure was as follows:

(Euro thousand)

	Total	In cash	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	873 933	-	817 437	-	56 496	-
Deposits from other credit institutions	909 426	-	596 400	8 283	4 236	300 507
Deposits from customers	13 366 408	-	7 813 230	1 641 788	2 458 040	1 453 350
Debt securities issued	730 045	-	-	2 963	3 776	723 306
Financial liabilities held for trading	12 636	-	107	10	774	11 745
Other subordinated debt	217 019	-	-	-	10 696	206 323
Other liabilities	287 501	287 501	-	-	-	-
	16 396 968	**287 501**	**9 227 174**	**1 653 044**	**2 534 018**	**2 695 231**

In the 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 30 June 2024 and 31 December 2023, on the assets and related collaterals:

(Euro thousand)

Assets	Jun 2024			
	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	885 762	-	17 283 679	-
Equity instruments	-	-	135 663	140 821
Debt securities	885 172	357 942	3 202 417	2 801 529
Other assets	-	-	1 187 655	-

(Euro thousand)

Assets	Dec 2023			
	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	2 416 932	-	15 572 522	-
Equity instruments	-	-	145 540	153 067
Debt securities	1 003 226	359 853	3 489 794	3 234 435
Other assets	-	-	1 212 810	-

(Euro thousand)

Associated liabilities, contingent liabilities and securities borrowed	Jun 2024	Dec 2023
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	742 688	1 469 650
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	852 701	2 383 400

The encumbered assets are mostly related to the Group's funding operations, namely of the EIB in Repos operations, with the issuance of covered bonds and securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repos transactions in the money market are collateralized, essentially, by sovereign debt bonds.

The amounts presented in the previous tables correspond to the position in the first half of 2024 and in financial year 2023 and reflect the high level of collateralization of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 30 June 2024 to Euro 3,949,355 thousand (31 December 2023: Euro 3,765,706 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 30 June 2024, amounts to Euro 3,946,077 thousand (31 December 2023: Euro 4,666,394 thousand) with a usage of Euro 22,460 thousand associated with the Bank's intraday credit line (31 December 2023: Euro 924,754 thousand):

(Euro thousand)

	Jun 2024	Dec 2023
Total eligible collateral	**4 713 556**	**5 562 498**
Total collateral in the pool	3 946 077	4 666 394
Collateral outside the pool	767 479	896 104
Used collateral	**764 201**	**1 796 792**
Collateral used for ECB	22 460	924 754
Collateral committed to other financing operations	741 741	872 038
Collateral available for ECB	**3 923 617**	**3 741 640**
Total available collateral	**3 949 355**	**3 765 706**

Note: collateral amount considers the applied haircut

As at 30 June 2024 and 31 December 2023, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

Liabilities	Jun 2024							
	Total	In cash (1)	Up 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Deposits from other credit institutions	779 169	34 733	431 477	8 548	4 183	37 553	112 618	150 057
Deposits from customers	14 319 454	5 536 270	3 668 639	2 670 654	1 417 292	427 117	599 482	-
Debt securities issued	1 157 470	182	14 765	363 299	41 210	90 473	575 105	72 436
Financial liabilities held for trading	12 859	12 859	-	-	-	-	-	-
Other subordinated debt	472 754	-	210	-	21 456	21 603	65 078	364 407
Other liabilities	294 286	-	294 286	-	-	-	-	-
	17 035 992	**5 584 044**	**4 409 377**	**3 042 501**	**1 484 141**	**576 746**	**1 352 283**	**586 900**

(1) It encompasses trading liabilities, including derivatives, considered at fair value.

(Euro thousand)

Liabilities	Dec 2023							
	Total	In cash (1)	Up 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Deposits from central banks	883 362	-	824 759	-	58 603	-	-	-
Deposits from other credit institutions	911 716	47 915	550 758	8 409	4 378	37 557	112 628	150 071
Deposits from customers	13 486 414	5 594 816	2 348 443	1 721 090	2 389 570	501 934	930 561	-
Debt securities issued	901 582	142	16 884	16 426	380 192	75 581	326 623	85 734
Financial liabilities held for trading	12 636	12 636	-	-	-	-	-	-
Other subordinated debt	353 876	-	216	15 250	5 289	23 360	124 126	185 635
Other liabilities	309 991	-	309 991	-	-	-	-	-
	16 859 577	**5 655 509**	**4 051 051**	**1 761 175**	**2 838 032**	**638 432**	**1 493 938**	**421 440**

(1) It encompasses trading liabilities, including derivatives, considered at fair value.

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 30 June 2024 and 31 December 2023, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	Jun 2024	Dec 2023
Non-current assets held for sale	74	74
Real estate received in recovery of credit	178 349	205 511
Investment properties	52 159	57 665
Investment units in Real Estate Funds	44 320	43 954
	274 902	307 204
Stress test	(27 490)	(30 720)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Also with regard to real estate risk, Banco Montepio has defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of credit. This prudential deduction, with no impact on the financial statements, is carried out through the application of a gradual haircut plan applicable to the properties considering their ageing in the balance sheet. Regarding the portfolios of properties received in recovery of credit and investment properties, the Banco Montepio Group considered, as at 30 June 2024, a specific prudential deduction of Euro 69,975 thousand.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Directorate exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring as at 30 June 2024, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

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

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Directorate.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which 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.

Information and Communication Technologies Risk

Information and communication technologies risk is characterized by the risk of losses in capital and the Bank's net equity due to breach of confidentiality, lack of integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technologies (IT) within a reasonable period of time and cost when the environment or business requirements change (i.e., agility). This scope also includes the risk of losses resulting from external security risk events or inadequate or deficient internal processes, including cyberattacks or inadequate physical security.

As part of the management of this risk, Banco Montepio's Risk Directorate ensures the identification, measurement, assessment, management, monitoring and communication of information and communication technology risk events and security. Considering the ongoing digital transformation and the Bank's increased technological dependence, as well as the increase in cyberattacks in Portugal and around the world, in 2022 the Bank created a Cybersecurity Office independent of the Information Systems Directorate, in order to centralize and focus teams on implementing a process framework to mitigate security events as well as defining and implementing an action plan whenever they occur; this Office is in direct contact with the Bank's Risk Directorate within the scope of management and security risk monitoring.

Environmental, Social and Governance Risks

ESG Risks are based on the assessment of Environmental, Social and Governance (ESG) components. Environmental risks ("Climate and Environmental Risk via Physical Risk" and "Climate Risk via Transition Risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. Social and Governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

To centralize the management of these risks, in 2023 the Bank created a team in the Risk Directorate specializing in the management and monitoring of this risk (ESG Risk Management Centre).

Pension Fund risk

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

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Directorate ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Within the scope of emerging risks, among which ESG risks stand out, the Group 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.

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 Directorate. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Directorate carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Directorate, together with the first-line organic units.

The own funds of the Group are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of 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 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 through 2023. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. Also in accordance with Regulation (EU) no. 575/2013, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. In addition to the regulatory deductions, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This prudential reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties considering their ageing on the balance sheet. Regarding portfolios of property received in recovery of credit and investment properties, the Group considered, as at 30 June 2024, a specific prudential deduction of - Euro 60,975 thousand (with a negative impact of 66 basis points on CET1), resulting from the internal prudential haircut policy. Bearing in mind the plan defined in its own internal regulations, an additional impact of - Euro 15,174 thousand is estimated until the end of the year 2024 (*ceteris paribus* in Banco Montepio Group's portfolio as at 30 June 2024). However, Banco Montepio continues to make efforts to reduce its exposure to properties, particularly those with a greater ageing in its portfolio, to reduce the amount of this potential prudential impact.

- Level 1 Own Funds or Tier 1 (T1): includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by 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.

Regulation 2020/873 of the European Parliament and Council introduced an additional transitional plan regarding the impacts of increased IFRS 9 impairments occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 75% in 2024 and 100% in 2025.

As referred, the effects related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the IFRS 9 impairment increase occurring after 1 January 2020 in Stages 1 and 2, are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRR of 4.5% for CET1, of 6.0% for Tier 1 and of 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by 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	Jun 2024				Dec 2023			
	Ratio	Tier 1	Tier 2	Reserves (1)	Ratio	Tier 1	Tier 2	Reserves (1)
CET1	9.10%	4.50%	1.83%	2.77%	9.09%	4.50%	1.83%	2.77%
T1	11.21%	6.00%	2.44%	2.77%	11.20%	6.00%	2.44%	2.77%
Total	14.02%	8.00%	3.25%	2.77%	14.02%	8.00%	3.25%	2.77%

(1) Considers:
Conservation reserve of 2.5%;
Reserve The SII of 0.25%
Countercyclical Reserve currently set at 0% in Portugal, however presents the value of 0.016% given the geographical distribution of Banco Montepio Group's.

Pursuant to these provisions, as at 30 June 2024, the regulatory ratios, considering the reserves, for Common Equity Tier 1, Tier 1 and Total were 9.10%, 11.21% and 14.02%, respectively, including the own funds reserves.

The summary of the calculation of the Group's capital requirements as at 30 June 2024 and 31 December 2023, under phase-in, is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Capital Common Equity Tier 1		
Realized share capital	1 210 000	1 210 000
Net income/(loss), reserves and retained earnings	439 537	350 471
Other regulatory adjustments	(404 697)	(331 061)
	1 244 840	1 229 410
Capital Tier 2		
Subordinated debt	256 323	206 323
Regulatory adjustments	-	(89)
	256 323	206 234
Total own funds	1 501 163	1 435 644
Own funds requirements		
Credit risk	544 647	528 826
Market risk	2 486	4 108
Operating risk	54 308	54 308
Other requirements	15 731	24 060
	617 172	611 302
Prudential Ratios		
Commom Equity Tier 1 Ratio	16.1%	16.1%
Tier 1 Ratio	16.1%	16.1%
Total Capital Ratio	19.5%	18.8%

It should be noted that the ratios, as at 30 June 2024 and 31 December 2023, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 32.

If the transitional plan was not applied to the initial impacts of the adoption of IFRS 9, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of the Banco Montepio Group, as at 30 June 2024 and 31 December 2023, would be:

(Euro thousand)

	Jun 2024	Dec 2023
Capital Common Equity Tier 1	1 241 722	1 218 980
Capital Tier 1	1 241 722	1 218 980
Total own funds	1 498 045	1 425 214
Own funds requirements	617 197	611 382
Prudential Ratios		
Common Equity Tier 1 Ratio	16.1%	16.0%
Tier 1 Ratio	16.1%	16.0%
Total Capital Ratio	19.4%	18.6%

Additionally, in accordance with the decision of the Bank of Portugal within the scope of the SREP process, as of 01/07/2024 Banco Montepio will deduct from own funds the value of the collateral associated with the Irrevocable Payment Commitments (IPC) relating to the SRF (Euro 11.3 million) and DGF (Euro 24.6 million). This deduction will have an estimated impact of -0.44p.p. on the Group's CET1 ratio.

54 Recently issued accounting policies

IFRS Disclosures – New standards as at 30 June 2024, for annual periods beginning on 1 January 2024:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2024:

a) **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants'. These amendments clarify that liabilities are classified as current or non-current balances depending on the right of an entity to defer payment beyond 12 months after the reporting date. They also clarify that "covenants", which an entity is obliged to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if its verification only occurs after the reporting date. When an entity classifies liabilities arising from financing contracts as non-current and these liabilities are subject to "covenants", it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the "covenants" and the dates of fulfilment; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the "covenants" on the due dates. These amendments apply retrospectively.

b) **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements, to enable: (i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows and (ii) the understanding of the impact of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020**.**

c) **IFRS 16** (amendment), 'Lease liabilities in sale and leaseback transactions'. This amendment introduces guidance on the subsequent measurement of lease liabilities in sale and leaseback transactions that qualify as 'sales' under the principles of IFRS 15, with greater impact when some or all of the lease payments are variable and not dependent on an index or rate. When subsequently measuring lease liabilities, seller-lessees shall determine 'lease payments' and 'revised lease payments' so that they do not recognize gains/(losses) in respect of the retained Right-of-use asset. This amendment applies retrospectively.

The Banco Montepio Group did not record any significant impact resulting from the application of these amendments on its financial statements.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, not yet endorsed by the European Union:

a) **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025). This amendment is still subject to endorsement by the European Union. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined.

b) **IFRS 7** and **IFRS 9** (amendment), 'Classification and measurement of financing' (effective for annual periods beginning on or after 1 January 2026). This amendment is still subject to endorsement by the European Union. The amendments relate to: (i) clarification of the concept of the date of recognition and derecognition of some financial assets and liabilities, introducing a new exception for financial liabilities settled through an electronic payment system; (ii) clarification and examples of when a financial asset meets the criterion that contractual cash flows correspond to "principal and interest payments only" ("SPPI"), such as: 1) non-recourse assets; 2) contractually linked instruments and 3) instruments with features linked to compliance with environmental, social and governance ("ESG") goals; (iii) new disclosure requirements for instruments with contractual terms that may alter cash flows in terms of period and amount and (iv) new disclosures required for equity instruments designated at fair value through other comprehensive income. These changes apply on the date they become effective without restatement of the comparative.

c) **IFRS 18** (new standard), 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 18 will replace the current IAS 1. While maintaining many of the principles in IAS 1, IFRS 18 places greater focus on specifying a structure for the income statement, consisting of mandatory categories and subtotals. Income statement items will be classified into one of three categories: operating, investing, financing. Specified subtotals and totals will be required, with the main change being the mandatory inclusion of the subtotal "Operating profit/(loss)". This standard also includes improvements in the disclosure of management performance measures, including reconciliation with the closest subtotal required by IFRS. This standard also reinforces the guidance on the principles of aggregation and disaggregation of information contained in the financial statements and related notes, based on their shared characteristics. This standard applies retrospectively.

d) **IFRS 19** (new standard), 'Non-publicly reporting subsidiaries: Disclosures' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 19 is a voluntary standard that allows eligible subsidiaries to use IFRS with reduced disclosure requirements. IFRS 19 is a standard that only deals with disclosures and is applied in conjunction with the requirements of the other IFRS for the purposes of recognition, measurement and presentation. A subsidiary is considered eligible if: (i) it is not subject to a public reporting obligation and (ii) the parent entity prepares consolidated financial statements for public reporting in accordance with IFRS. IFRS 19 may be applied by eligible subsidiaries in the preparation of their own consolidated, separate or individual financial statements. Full comparative information is required unless an exemption applies.

The Banco Montepio Group does not anticipate any significant impact resulting from the application of these amendments on its financial statements.

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 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)

	Jun 2024			Dec 2023		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	-	-	-	45 349	45 509	160
	54 615	72 024	17 409	99 964	117 533	17 569

As at 30 June 2024 and 31 December 2023, the assets received under these operations are as follows (see note 23):

(Euro thousand)

	Jun 2024	Dec 2023
	Senior securities	
Fundo Vega, FCR	20 632	20 874
Discovery Portugal Real Estate Fund	14 314	13 647
Fundo Aquarius, FCR	8 788	10 579
Fundo de Reestruturação Empresarial, FCR	-	11 328
	43 734	56 428

Although the subordinated securities are fully provided against, the Group also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

56 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (“RGICSF “) and by its regulations and its mission is to provide financial support for the resolution measures implemented by 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 30 June 2024, the periodic contribution made by the Group amounted to Euro 1,990 thousand (31 December 2023: Euro 2,291 thousand), based on a contribution rate of 0.032%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, 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 ("AdC") 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 ("TFEU"), having applied on Banco Montepio a fine of Euro 13 million.

Banco Montepio, in like manner to various other institutions charged, challenged this Decision judicially through the Court of Competition, Regulation and Supervision ("TCRS") on 21 October 2019.

This appeal suspended the effects of the Decision of the AdC, namely the obligation to pay the fine, following the decision of the TCRS and the subsequent security deposit presented under the terms decided by the Court.

The discussion and judgment hearing began in October 2021. At the conclusion of the hearing, in April 2022, the 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 TFEU.

By judgment issued on 29 July 2024, the CJEU concluded that the article 101 of the TFUE must be interpreted in the sense that the exchange of information between competing credit institutions such as that described by the TCRS in the forwarding ruling can be regarded as a restriction of competition by object. By judgment of 20 September 2024, the TCRS confirmed the decision of the AdC and maintained the fine imposed on Banco Montepio in the amount of Euros 13 million.

This decision of the TCRS is not definitive, since an appeal may be lodged with the Lisbon Court of Appeal, where all relevant issues associated with the case will be assessed.

Considering all the relevant circumstances, arising from the defence presented 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.

In March and April 2024, Banco Montepio was summoned to the collective actions brought by ASSOCIAÇÃO IUS OMNIBUS (processes no. 2/24.1YQSTR and no. 6/24.4YQSTR) and by AMPEMEP - Associação de Micro, Pequenas e Médias Empresas Portuguesas (Process no. 10/24.1YQSTR) at the TCRS, in which other Credit Institutions are also defendants.

These processes take the form of private enforcement actions for the alleged violation of competition law arising from information sharing that is the subject of the aforementioned process PRC/2012/9 of the AdC. The actions brought allege general estimates of damages based on economic studies and do not include specific compensation claims against each of the defendants. Banco Montepio will contest, in due course, the three processes referred to above.

Bank of Portugal

As at 30 June 2024 and 31 December 2023, the Bank has been subject to some administrative offense processes instituted by the Bank of Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, having, to the effect, made provisions in the global amount of Euro 380,000.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Directorate and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For most of these processes, 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, and, as regards one of the two processes still underway, same is still in a preliminary phase, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions that might hypothetically be imputed to it.

Thus, and notwithstanding the Board of Directors considering as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to any of the infractions that are imputed to it, even if the respective risk of being sentenced still exists, it is the Board's conviction that the amount of the consequent sanctions will not exceed the amount of provisions recognized by the Bank as at 30 June 2024.

57 Subsidiary and associates

As at 30 June 2024 and 31 December 2023, the Companies consolidated under the full consolidation method in the Group are as follows:

					Group	
Subsidiary	Head office	Share capital	Currency	Activity	% of control	% of effective part
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	Euro	Specialised loans	100,00%	100,00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	Euro	Management of shareholding	100,00%	100,00%
Montepio Investimento, S.A.	Lisbon	180 000 000	Euro	Banking	100,00%	100,00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	Euro	Management of real estate	100,00%	100,00%
Montepio Serviços, A.C.E:	Lisbon	-	-	Support services provided to companies	85,00%	85,00%

As at 30 June 2024, the Group´s associates accounted for under the equity method, are as follows:

(Euro)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20,00%
CESource, ACE	Lisbon	-	Management of IT systems	18,00%
Montepio Serviços, A.C.E.	Lisbon	-	Support services provided to companies	85%

As at 31 December 2023, the Group´s associates accounted for under the equity method, are as follows:

(Euro)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20,00%
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	Lisbon	2 449 707	Management of real estate	27,50%
CESource, ACE	Lisbon	-	Management of IT systems	18,00%

Montepio – Gestão de Activos Imobiliários, A.C.E. - Em liquidação was liquidated on 13 May 2024.

As at 30 June 2024, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
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
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

In the first half of 2024, the Pelican Mortgages no. 4 securitization was liquidated.

As at 31 December 2023, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

58 Non-current assets and liabilities held for sale – Discontinued operations

As at 30 June 2023, the sale was finalized, by Montepio Holding to Access Bank Plc, of the shareholding representing 51% of Finibanco Angola's share capital, with Montepio Holding receiving, on this date, the sales price of the shares.

On 10 August 2023, the Angolan National Bank authorized the transfer of shares representing 29.22% of the share capital of Finibanco Angola held by Montepio Holding in favour of the shareholder Access Bank Plc, with Montepio Holding having received, on 24 August 2023, the price attributed to the shares representing 29.22% of the share capital of Finibanco Angola, for which reason the Banco Montepio Group no longer holds any financial shareholding in the share capital of Finibanco Angola.

With reference to 30 June 2023, the caption Net gains/(losses) from discontinued operations in the amount of Euro 10,092 thousand corresponds, in its entirety, to Finibanco Angola.

The breakdown of Net gains/(losses) from discontinued operations by income statement captions is analysed as follows:

	(Euro thousand)
	Jun 2023
	Finibanco Angola
Net interest income	5 811
Net Fee and commission income	908
Net gains/ (losses) arising from financing activities	1 811
Other operating income/(expense)	(904)
Total operating income	**7 626**
Staff costs	3 033
General and administrative expenses	2 135
Depreciation and amortisation	641
Total operating expense	**5 809**
Loans, other assets and other provisions impairment	(402)
Operating profit	**2 219**
Profit before income tax	**2 219**
Taxes	(18)
Recycling of foreign exchange and other reserves	(104 559)
Net profit/ (loss) for the period	**(102 358)**

59 Subsequent events

The Banco Montepio Group analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue and, and during that period no subsequent events were identified.

Deposit Guarantee Fund

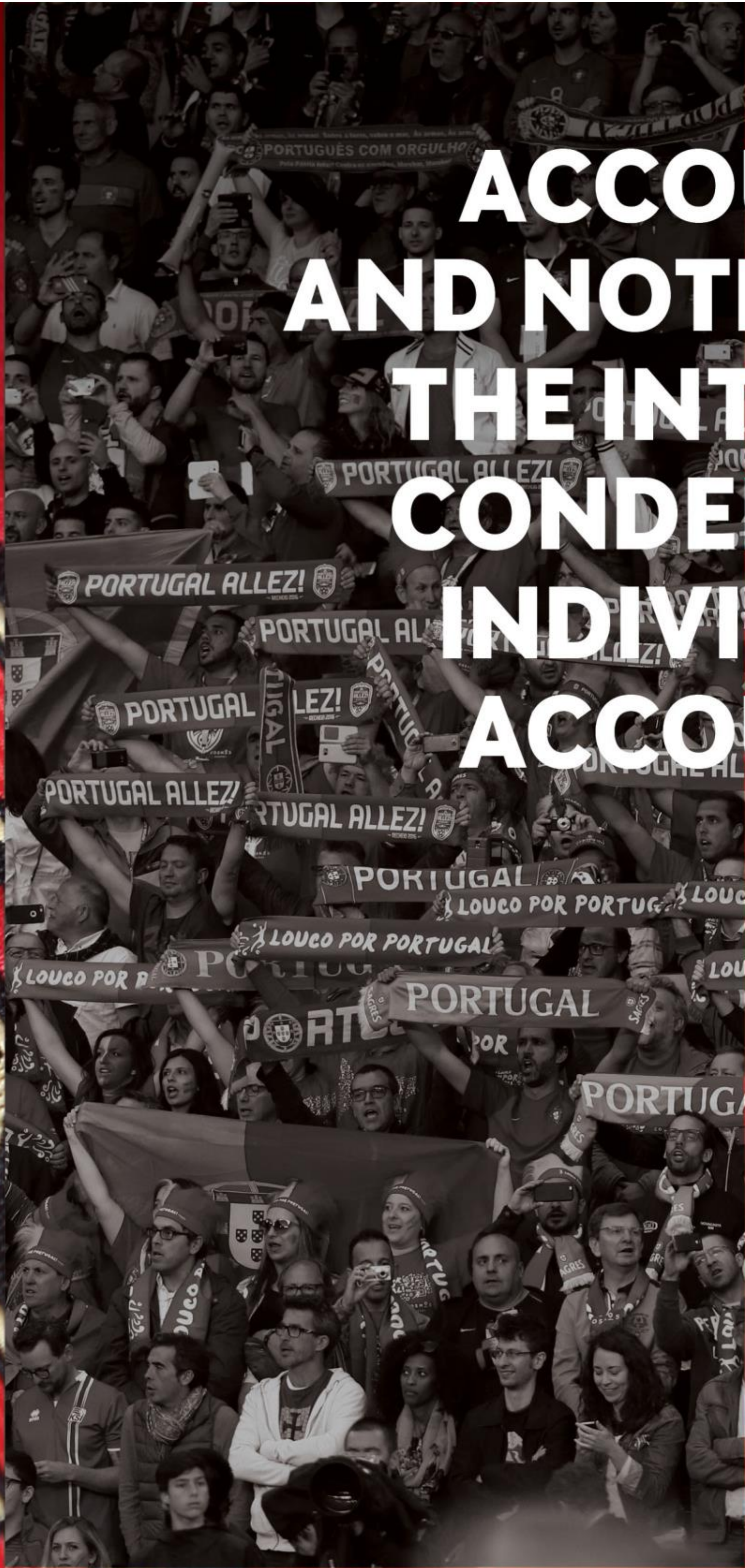
On 30 August 2024, the Deposits Guarantee Fund ("Fund") sent a letter to Banco Montepio, stating the need to make a contribution to the Fund amounting to 50% of the irrevocable payment commitments previously established to cover the periodic contributions owed by the Bank (as described in note 46), which totals 11,384 thousand euros. This contribution will have an unfavorable impact on the net result for the fiscal year ending 31 December 2024.

Competition Authority

On 20 September 2024, the Court of Competition, Regulation and Supervision issued a sentence in the scope of process no. 225/15.4YUSTR-W which refers to the judicial appeal of the decision issued by the Competition Authority of 9 September 2019 in respect of process PRC/2012/9, as described in note 56.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version issued in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.



ACCOUNTS AND NOTES TO THE INTERIM CONDENSED INDIVIDUAL ACCOUNTS

2016

The earthquake occurred in Paris, but the strongest aftershocks were felt in Portugal: a kick led the country to collective ecstasy and the conquest of the European Football Championship. We will never forget: we were 172 years old.

Banco Montepio

Interim Condensed Individual Income Statement
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Notes	Jun 2024	Jun 2023
Interest and similar income	2	358 568	260 415
Interest and similar expense	2	167 683	80 186
Net interest income		190 885	180 229
Dividends from equitty instruments	3	494	807
Net fee and commission income	4	62 759	63 579
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	5	244	8 860
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	6	-	55
Net gains/(losses) arising from exchange differences	7	781	935
Net gains/(losses) arising from sale of other financial assets	8	6 106	4 854
Other operating income/(expense)	9	(16 304)	(22 191)
Total operating Income		244 965	237 128
Staff costs	10	72 011	72 278
General and administrative expenses	11	31 971	28 027
Depreciation and amortization	12	21 034	17 276
Total operating cost		125 016	117 581
Impairment of loans and advances to customers and to credit institutions	13	6 567	5 723
Impairment of other financial assets	14	942	1 672
Impairment of other assets	15	9 289	51 032
Other provisions	16	(2 383)	(3 450)
Profit/ (loss) before income tax		105 534	64 570
Income Tax			
Current	29	(387)	3 054
Deferred	29	(39 179)	(34 348)
Net profit/ (loss) for the period		65 968	33 276
Earnings per share			
Basic		0,027	0,014
Diluted		0,027	0,014

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Separate Financial Statements

Banco Montepio

Interim Condensed Individual Stastement of Comprehensive Income
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Notes	Jun 2024	Jun 2023
Items that may be reclassified into the Income Statement			
Fair value reserves			
Financial assets at fair value through other comprehensive income			
Debt instruments	41	(1 221)	617
Taxes related fair value changes	29 e 41	301	(290)
		(920)	327
Items that will not be reclassified into the Income Statement			
Fair value reserves			
Financial assets at fair value through other comprehensive income			
Equity instruments	41	232	336
Remeasurements of post-employment and long-term benefits	45	31 257	(17 698)
Taxes on changes in liabilities	29	-	5 864
		31 489	(11 498)
Other comprehensive income/ (loss) for the period		30 569	(11 171)
Net profit/ (loss) for the period		65 968	33 276
Total comprehensive income/ (loss) for the period		96 537	22 105

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Separate Financial Statements

Banco Montepio

Interim Condensed Individual Balance Sheet on 30 June 2024 and 31 December 2023

(Euro thousand)

	Notes	Jun 2024	Dec 2023
Assets			
Cash and deposits at central banks	17	1 662 989	1 171 397
Loans and deposits to credit institutions payable on demand	18	31 266	46 065
Other loans and advances to credit institutions	19	110 866	125 067
Loans and advances to customers	20	11 503 643	11 293 205
Financial assets held for trading	21	27 953	15 117
Financial assets at fair value through profit or loss	22	174 510	209 657
Financial assets at fair value through other comprehensive income	23	328 744	48 095
Hedging derivatives	24	10 865	6 174
Other financial assets at amortized cost	25	3 276 296	4 316 171
Investments in associated companies	26	276 033	278 913
Other tangible assets	27	176 564	179 004
Intangible assets	28	60 167	57 537
Current tax assets	29	701	1 302
Deferred tax assets	29	350 200	389 077
Other assets	30	454 225	437 987
Total Assets		18 445 022	18 574 768
Liabilities			
Deposits from central banks	31	-	873 933
Deposits from other credit institutions	32	967 250	1 097 099
Deposits from customers	33	14 299 767	13 449 021
Debt securities issued	34	788 970	533 783
Financial liabilities associated to transfered assets	35	167 628	511 013
Financial liabilities held for trading	21	12 859	12 636
Hedging derivatives	24	2 406	3 525
Provisions	36	16 516	20 178
Current tax liabilities	-	336	703
Other subordinated debt	37	257 545	217 019
Other liabilities	38	262 219	276 869
Total Liabilities		16 775 496	16 995 779
Equity			
Share capital	39	1 210 000	1 210 000
Legal reserve	40	207 487	196 833
Fair value reserves	41	5 875	6 563
Other reserves and Retained earnings	41	180 196	59 048
Net profit / (loss) for the period		65 968	106 545
Total Equity		1 669 526	1 578 989
Total Liabilities and Equity		18 445 022	18 574 768

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Separate Financial Statements

Banco Montepio

Interim Condensed Individual Statement of Cash Flows
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Jun 2024	Jun 2023
Cash flows arising from operating activities		
Interest income received	349 181	243 085
Interest expense paid	(152 274)	(24 842)
Commission received	74 624	75 305
Commission paid	(12 053)	(12 542)
Payments with staff and suppliers	(98 397)	(96 245)
Recovery of loans and interests	1 751	3 437
Other payments and receivables	(24 749)	(19 186)
Income tax payment	(153)	6 733
	137 930	175 745
(Increases) / decreases in operating assets		
Loans and advances to credit institutions and customers	(199 782)	97 279
(Purchase) / Sale of financial assets held for trading	(5 697)	(66 067)
(Purchase) / Sale of financial assets at fair value through profit or loss	33 549	19 736
(Purchase) / Sale of financial assets at fair value through other comprehensive income	(281 798)	12 920
(Purchase) / Sale of hedging derivatives	(9 803)	-
(Purchase) / Sale of other financial assets at amortized cost	698 091	(24 071)
Other assets	9 191	42 471
	243 751	82 268
Increases / (decreases) in operating liabilities		
Deposits from customers	810 342	(253 783)
Deposits from credit institutions	(128 494)	470 749
Deposits from central banks	(854 830)	(1 185 000)
	(172 982)	(968 034)
	208 699	(710 021)
Cash from investing activities		
Dividends received (note 3)	494	807
(Purchase) / Sale of investments in associates	661	-
Purchase of fixed assets (notes 27 and 28)	(23 371)	(18 484)
	(22 216)	(17 677)
Cash from financing activities		
Dividends distribution	(6 000)	-
(Issuance) / Repayment of cash bonds and subordinated debt (notes 34 and 37)	299 404	-
Lease agreements	(3 450)	318
	289 954	318
Effect of changes in cash exchange rate and cash equivalents	356	469
Net change in cash and cash equivalents	476 793	(726 911)
Cash and cash equivalents at the beginning of the period		
Cash and deposits at central banks (note 17)	1 171 397	1 383 801
Loans and advances to credit institutions payable on demand (note 18)	46 065	83 372
	1 217 462	1 467 173
Cash and cash equivalents at the end of the period		
Cash and deposits at central banks (note 17)	1 662 989	630 051
Loans and advances to credit institutions payable on demand (note 18)	31 266	110 211
	1 694 255	740 262

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim Separate Financial Statements

Banco Montepio

Interim Condensed inidividual Statement of Changes in Equity
for the six months periods ended on 30 June 2024 and 2023

(Euro thousand)

	Share capital (note 39)	Issue premium	Legal Reserve (note 40)	Fair value Reserve (note 41)	Retained earnings (note 41)	Total Equity
Balance on 31 December 2022	**2 420 000**	**-**	**193 266**	**3 975**	**(1 083 003)**	**1 534 238**
Other comprehensive income:	-	-	-	663	(11 834)	(11 171)
Remeasurements of post-employment and long-term benefits (note 45)	-	-	-	-	(17 698)	(17 698)
Changes in fair value of debt instruments	-	-	-	617	-	617
Changes in fair value of capital instruments	-	-	-	336	-	336
Taxes related on changes in fair value (note 29)	-	-	-	(290)	-	(290)
Taxes on changes in liabilities (note 29)	-	-	-	-	5 864	5 864
Net income for the period	-	-	-	-	33 276	33 276
Total comprehensive income for the period	-	-	-	663	21 442	22 105
Reduction of share capital/ Coverage of negative retained earnings	(1 210 000)	-	-	-	1 210 000	-
Legal Reserve	-	-	3 567	-	(3 567)	-
Balance on 30 June 2023	**1 210 000**	**-**	**196 833**	**4 638**	**144 872**	**1 556 343**
Other comprehensive income:	-	-	-	1 925	(51 953)	(50 028)
Remeasurements of post-employment and long-term benefits (note 45)	-	-	-	-	(66 200)	(66 200)
Ganhos relativos a instrumentos de capital	-	-	-	-	9	9
Changes in fair value of debt instruments	-	-	-	864	-	864
Changes in fair value of capital instruments	-	-	-	1 906	-	1 906
Taxes related on changes in fair value (note 29)	-	-	-	(845)	-	(845)
Taxes on changes in liabilities (note 29)	-	-	-	-	14 238	14 238
Net income for the period	-	-	-	-	73 269	73 269
Total comprehensive income for the period	-	-	-	1 925	21 316	23 241
Capital Increase (*)	144 188	34 587	-	-	-	178 775
Capital Reduction (*)	(144 188)	(34 587)	-	-	-	(178 775)
Other consolidation movements	-	-	-	-	(595)	(595)
Balance on 31 December 2023	**1 210 000**	**-**	**196 833**	**6 563**	**165 593**	**1 578 989**
Other comprehensive income:	-	-	-	(688)	31 257	30 569
Remeasurements of post-employment and long-term benefits (note 45)	-	-	-	-	31 257	31 257
Changes in fair value of debt instruments	-	-	-	(1 221)	-	(1 221)
Changes in fair value of capital instruments	-	-	-	232	-	232
Taxes related on changes in fair value (note 29)	-	-	-	301	-	301
Net income for the period	-	-	-	-	65 968	65 968
Total comprehensive income for the period	-	-	-	(688)	97 225	96 537
Distribution of dividends	-	-	-	-	(6 000)	(6 000)
Constitution of the legal reserve	-	-	-	-	-	-
Legal Reserve	-	-	10 654	-	(10 654)	-
Balance on 30 June 2024	**1 210 000**	**-**	**207 487**	**5 875**	**246 164**	**1 669 526**

(*) Related to the transfer of assets and liabilities associated with BEM business to Banco Montepio

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Interim 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 30 June 2024 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2024.

The condensed interim separate financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 30 September 2024. The condensed interim separate financial statements herein presented relate to 30 June 2024. These financial statements have been prepared, for the purposes of recognition and measurement, in accordance with IAS 34 Interim Financial Reporting (“IAS 34”), as endorsed by the European Union. Consequently, these financial statements do not include all the information required in the preparation of separate financial statements prepared in accordance with IFRS, as endorsed by the European Union, so they must be read in conjunction with the financial statements for the financial year ended 31 December 2023.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).

b) Financial instruments – IFRS 9

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 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 serve, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under "other" business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Near-maturity sales and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually and in aggregate (even if frequent). To the effect, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not coincide with the reference interest rate term (for example, the interest rate is adjusted every three months), the Bank assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of: (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test). In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

b.1.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Bank exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss.

b.2) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers, debt securities issued and other subordinated liabilities;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 c);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

(iv) Financial liabilities associated with assets transferred

This category includes liabilities associated with credit securitization operations that were not derecognized following the application of IFRS 9 - Financial instruments. These liabilities are initially recorded at the amount received on the cession of the loans and are subsequently valued at amortized cost, in a manner coherent with the valuation of the corresponding assets and the conditions defined in the securitization operation.

b.3) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets and liabilities are recognized in the balance sheet on the transaction date - the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e., level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be: (i) amortized over the life of the instrument; (ii) deferred until the fair value of the instrument can be determined using observable market data or (iii) recognized through the liquidation of the asset or liability.

Banco Montepio recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

b.4) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Bank values its financial assets: (i) at amortized cost; (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

b.5) *Interest recognition*

Interest income and expense on 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.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, Banco Montepio estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income related to financial instruments measured at amortized cost or a fair value through other comprehensive income and associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value, which corresponds to its amortized cost before deducting the respective impairment.

For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

b.6) *Reclassifications between financial instrument categories*

Reclassifications of financial assets can only occur when Banco Montepio changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

b.7) *Modification of loans*

Occasionally, the Bank renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Bank assesses whether the new contract terms are substantially different from the original terms. The Bank makes this analysis considering, among others, the following factors:

- If the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- A significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- A significant extension of the contract maturity when the debtor is not in financial difficulty;
- A significant change in interest rate;
- A change from the currency in which the credit was contracted;
- 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) *<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 Bank substantially transfers all risks and rewards associated with holding the asset or (ii) the Bank neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Gains and losses from the disposal of other assets. These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Bank engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to channel those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Bank:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Bank (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria.

Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

b.9) *<u>Write-off policy</u>*

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) *<u>Impairment of financial assets</u>*

The Bank determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments.

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against a cumulative balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The allocations and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

   The Bank estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

   For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation and (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

b.11) *<u>Impairment model of loans and advances to customers</u>*

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of 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 from their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- 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% and (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures;
- Non-performing loans, that is, when interest relating to loan obligations is no longer recognized in the financial statements due to the degradation of credit quality;
- Individually significant customers with individual impairment;

- Sale of loan contract with losses in excess of 5%;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in Banco Montepio or the CRC (Central Credit Register), in the case of Corporate customers;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

b.11.3) *Significant increase in credit risk ("SICR")*

To determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group's history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date and the exposure's risk rating attributed at the initial moment of the exposure´s recognition, and
- The exposure's annualized lifetime PD at the reporting date and the lifetime PD identified at the initial moment of the exposure´s recognition.

Banco Montepio identifies the occurrence of a significant increase in credit risk when at least one of the following criteria is verified: (i) through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was and (ii) when there is a change in the annualized lifetime PD since the origination and until the reporting date with an increase of 200% or 5 percentage points.

When evaluating the significant increase in credit risk, Banco Montepio also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis 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").

b.11.4) *Additional Stage criteria and deterioration of credit ratings*

In the context of the recent energy crisis, the high inflation level and the consequent subsequent successive reference interest rate hikes, and with the aim of anticipating the risk degradation associated with exposures most impacted, the following additional criteria were considered for the Stage 2 classification levels:

Stage 2

- Customers of the Individuals segment for whom average balances of demand and time deposits are lower than the amount of the instalment, whose rating, according to the internal scale, is equal to or higher than 11. For these customers, a worsening of the scoring rating to the minimum rating for classification in stage 2 is also considered, taking into account their original rating and the thresholds for classification in stage 2 defined internally.

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*

The exposure of Individually Significant customers is subject to individual analysis which focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for said analysis.

Following the analysis carried out internally and considering the accounting framework described in IFRS 9 and also known market practices, Banco Montepio changed, during the second half of 2023, the criteria for marking customers for the purposes of individual credit analysis, in compliance, namely, with criteria for perceiving implicit risk and the frequency of the analysis.

As at 30 June 2024 and 31 December 2023, all Customers that meet the following criteria are subject to individual analysis:

- Customers classified in Stage 1 with exposure/EAD ≥ Euro 10.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 2 with exposure/EAD ≥ Euro 5.0 million and risk rating ≥ Risk Appetite Statement limit defined or without a valid risk rating;
- Customers classified in Stage 3 with exposure /EAD ≥ Euro 1.0 million;
- Other customers when duly justified.

The selection of the Individually Significant customer universe is made quarterly, considering, for the purpose of determining the exposure of customers, all active credit operations (on- and off-balance sheet) and excluding the operations classified as written off.

The individual analysis is the responsibility of the Individual Impairment Office and in the evaluation of impairment losses the following factors are considered:

- Exposure of each customer, internal rating of the customer, staging associated with each operation and existence of signs of impairment;
- Economic and financial viability of the customer and ability to generate future cash flows to pay the debt;
- Existence of collaterals associated with the financial assets and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the customers and/or guarantors;
- Expectation regarding the credit recovery period.

For the financial assets of Individually Significant customers classified in Stages 1 and 2, the expected credit loss (ECL) is assigned in accordance with the collective analysis methodology, given that, for these Stages, impairment is not determined individually.

For the financial assets of Individually Significant customers classified in Stage 3, the impairment value is determined using the discounted cash-flows method, corresponding to the difference between the loan value and the sum of the expected cash-flows relating to the various operations of the customer, discounted at the original interest rate of each financial asset. If the impairment value determined is zero, the average impairment rate of financial assets classified in Stage 2 of the same segment is attributed, calculated on a collective basis, in accordance with the methodology in force. On the other hand, if the impairment rate determined through individual analysis is lower than that determined on a collective basis, the latter prevails.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method or the gone concern method:

- In case of the continuity of the activity of the company (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 financial assets;
- In the case of the cessation of the activity of the company (gone concern), the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance and selling expenses and/or procedural expenses, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after the above-mentioned adjustments, are discounted at the original effective interest rate of the financial assets;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

b.12) *<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.

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's beneficiary.

f) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

Banco Montepio carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or 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 value of investments in subsidiaries and associates is assessed whenever there are signs of evidence of impairment. Impairment losses are calculated based on the difference between the recoverable value of investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period. The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value and business risks.

h) 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 is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

Banco Montepio recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);

- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease, lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Banco Montepio risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- 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 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.

Finance leases are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalment's receivable from the lessee during the lease term and any unsecured residual value that the lessee is responsible for. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: income in the form of account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);

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 Banco Montepio's financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for Banco Montepio. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following annual periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable value is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable value.

The recoverable value is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Intangible assets

Software

Banco Montepio accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. Banco Montepio does not capitalize internal costs arising from software development.

o) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits and deposit equivalents at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits and deposit equivalents at other credit institutions;

- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- 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 employee benefits

Defined benefit plans

Banco Montepio has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement ("ACT") it signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, Banco Montepio set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 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.

The liabilities for defined benefit post-employment benefits are determined by the responsible actuary certified by the Insurance and Pension Funds Supervisory Authority, observing at least a half-yearly frequency with reference to the end of June and December of each year.

For the purposes of determining the liabilities for defined benefit post-employment benefits, a set of relevant actuarial assumptions are considered, namely the expected rate of return for the Pension Fund, the discount rate, the growth rate of salaries and pensions and the mortality tables.

In accordance with the provisions of IAS 19, the discount rate considered on each date of determination of the liabilities for post-employment benefits must correspond to the bond rates of high-quality entities for maturities identical to those of the bonds carried in the pension plan.

In line with the recommendations of IAS 19, the Bank recognizes in the income statement the impacts related to the cost of current services, the net interest income/cost of the pension plan, the cost of past services, the cost of early retirements and any settlement or curtailment of liabilities that have been identified.

The actuarial deviations calculated on each date of determination of liabilities are recorded in equity and include, namely, the value of non-financial actuarial deviations, corresponding to the difference between the assumptions used and those actually verified and also those resulting from the change in actuarial assumptions, and the amount of financial actuarial deviations, determined by the difference between the effective rate of return and the expected rate of return of the Pension Fund.

The Bank, in accordance with the provisions of Bank of Portugal Notice 12/2001, ensures, on each date of determination of liabilities, compliance with the required financing levels, which correspond to a minimum financing level of 95% of liabilities for past services of the active population and 100% of liabilities for pensions under payment.

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

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).

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. The most significant of these accounting estimates and judgments used in the application of the accounting policies by Banco Montepio are discussed in the following paragraphs in order to improve understanding of how their application affects Banco Montepio's reported results and related disclosure.

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

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

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Bank uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic variables and how each one impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

The loss given default corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Bank expects to receive, through cash flows generated by the customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

The use of alternative methodologies and of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 19,20, 23, and 25, with a consequent impact in the income statement of Banco Montepio.

In accordance with the provisions of IFRS 9, Banco Montepio, in accordance with the provisions of IFRS 9 and for the purposes of measuring credit impairment losses, updated the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 13 and 49).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value. Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 21, 22 and 23. The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 44.

Impairment of investments in subsidiaries and associates

Banco Montepio assesses the recoverable value when there are signs of evidence of impairment. Impairment losses are assessed based on the difference between the recoverable value of the investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period.

The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks, which require the use of certain assumptions or judgment in establishing the fair value estimates.

Different methodologies and the use of different assumptions and estimates could result in a different level of impairment losses being recognized and presented in note 26, with the consequent impact on the income statement of Banco Montepio.

Income taxes

Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business. The Bank complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the period and presented in note 29. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Bank considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September, changed the rules applicable to impairment losses recognized from 1 January 2019, as well as to impairment losses recorded in tax periods beginning before 1 January 2019 and not yet tax accepted, contemplating a maximum adaptation period of 5 years, that is, until 31 December 2023.

Banco Montepio opted to apply the new tax regime for impairment from the 2023 period onwards; therefore, regarding the calculation of current and deferred tax for the 2019 through 2022 periods, the tax estimate is based on the regime in force until 31 December 2018, while for the calculation of current and deferred tax for the 2023 period, same is based on the new tax regime for impairment.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2023, the tax rules resulting from Law no. 98/2019, of 4 September, were applied.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by Banco Montepio, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term employee benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 45.

Classification and valuation of 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 expenses and the book value of the loans on the date the assets are received in recovery. Fair value is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in note 30.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 36.

Recoverable value of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable value be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal.

Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable value of the Bank's own properties.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Interest and similar income		
Deposits from central banks and other loans and advances to credit institutions	20 471	12 970
Loans and advances to customers	314 717	229 359
Financial assets held for trading	341	161
Financial assets at fair value through profit or loss	8	6
Financial assets at fair value through other comprehensive income	2 536	267
Other financial assets at amortized cost	20 489	17 642
Other interest and similar income	6	10
	358 568	260 415
Interest and similar expense		
Deposits from central banks and other credit institutions	23 338	32 297
Deposits from customers	104 357	22 207
Debt securities issued	11 389	531
Financial liabilities associated to transferred assets	12 120	11 985
Hedging derivatives	1 418	-
Other subordinated debt	11 247	9 684
Lease liabilities	194	192
Other interest and similar expense	3 620	3 290
	167 683	80 186
Net interest income	190 885	180 229

The caption Interest and similar income – Loans and advances to customers, includes, as at 30 June 2024, respectively, the amount of Euro 7,975 thousand and the amount of Euro 3,767 thousand (30 June 2023: Euro 8,093 thousand and Euro 3,803 thousand, respectively), related to commissions and to other losses, which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 b).

The caption Interest and similar income – Other financial assets at fair value through profit or loss, includes, as at 30 June 2024, the amount of Euro 8 thousand (30 June 2023: 6 thousand) related to interest on loan contracts that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

The caption Interest and similar expense – Other interest and similar charges includes, as at 30 June 2024, the amount of Euro 3,242 thousand (30 June 2023: Euro 3,289 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)

	Jun 2024	Jun 2023
Financial assets at fair value through other comprehensive income	494	807

As at 30 June 2024, this caption includes, essentially, dividends received related to financial shareholdings held in ABANCA in the amount of Euro 51 thousand and in SIBS in the amount of Euro 439 thousand (30 June 2023: Euro 41 thousand received from ABANCA and Euro 186 thousand from SIBS). As at 30 June 2023, this caption also included the dividends received from Unicre in the amount of Euro 573 thousand.

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Fee and commission income		
From banking services	58 172	55 627
From transactions on behalf of third parties	7 715	11 312
From insurance brokerage services	4 894	4 737
Guarantees provided	2 429	2 050
Other fee and commission income	1 414	1 579
	74 624	75 305
Fee and commission expense		
From banking services rendered by third parties	10 986	10 821
From transactions with securities	176	135
Other fee and commission expense	703	770
	11 865	11 726
Net fee and commission income	62 759	63 579

As at 30 June 2024 and 2023, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Life insurance	2 180	2 187
Non-life insurance	2 714	2 550
	4 894	4 737

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)

	Jun 2024			Jun 2023		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	273	274	(1)	1 105	578	527
Issued by other entities	135	97	38	49	23	26
Shares	864	730	134	783	436	347
Investment units	36	-	36	5	17	(12)
	1 308	1 101	207	1 942	1 054	888
Derivative financial instruments						
Interest rate contracts	35 481	33 101	2 380	38 572	36 786	1 786
Exchange rate contracts	11 152	11 227	(75)	11 951	12 056	(105)
Futures contracts	1 676	1 777	(101)	5 535	6 310	(775)
Option contracts	6 607	6 279	328	4 156	4 026	130
	54 916	52 384	2 532	60 214	59 178	1 036
Financial assets at fair value through profit or loss						
Investment units	1 133	2 192	(1 059)	1 260	508	752
Loans and advances to customers	12	15	(3)	70	51	19
	1 145	2 207	(1 062)	1 330	559	771
Other financial assets at fair value through profit or loss						
Securities						
Shares	1	-	1	16	-	16
Securitization units	2 222	2 991	(769)	5 623	950	4 673
Loans and advances to customers	35	10	25	21	16	5
	2 258	3 001	(743)	5 660	966	4 694
Financial liabilities at fair value through profit or loss						
Deposits from customers	925	1 986	(1 061)	2 229	758	1 471
	925	1 986	(1 061)	2 229	758	1 471
Hedging derivatives						
Interest rate contracts	14 480	-	14 480	-	-	-
Hedged financial liabilities						
Debt securities issued	17 073	31 182	(14 109)	-	-	-
	92 105	91 861	244	71 375	62 515	8 860

Financial assets at fair value through profit or loss include, as at 30 June 2024, in terms of Investment units, a negative impact of Euro 1,059 thousand (30 June 2023: positive impact of Euro 752 thousand), determined by: (i) the negative effects of Fundo Carteira Imobiliária (fund) of Euro 1,264 thousand, of Fundo Aquarius (fund) of Euro 614 thousand, of Fundo Vega (fund) of Euro 445 thousand and of Fundo C2 Growth I (fund) of Euro 187 thousand and (ii) the positive effects of Fundo VIP (fund) of Euro 797 thousand and of Fundo Discovery Portugal Real Estate Fund of Euro 668 thousand.

The caption Other financial assets at fair value through profit or loss of the securitization units reflects the change in the value of the securitized loan portfolio, which as at 30 June 2024 recorded the amount of Euro 169,053 thousand (30 June 2023: Euro 562,179 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)

	Jun 2024			Jun 2023		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	-	-	-	2	-	2
Issued by other entities	-	-	-	24	-	24
Commercial paper			-	29	-	29
	-	-	-	55	-	55

7 Net gains Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024			Jun 2023		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differencies	7 394	6 613	781	10 883	9 948	935

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 q).

8 Net gains/(losses) arising from sale of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Disposal of loans and advances to customers	1 761	(33)
Disposal of other assets	3 391	3 817
Disposal of other financial assets at amortized cost	954	1 070
	6 106	4 854

As at 30 June 2024, the caption Disposal of loans and advances to customers considers the capital gain of Euro 2,287 thousand determined within the scope of the Zêzere operation and the capital loss of Euro 429 thousand related to the repurchase of some loans included in the Alvito operation.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Other operating income		
Services provided	2 584	2 537
Management fees on demand deposits	1 859	1 690
Reimbursement of expenses	1 264	1 242
Tax recovery	1 137	1 520
Other	1 486	1 980
	8 330	8 969
Other operating expenses		
Contributions		
Banking sector	9 607	10 857
Ex-ante to the Single Resolution Fund	-	5 021
National Resolution Fund	1 843	2 131
Deposits Guarantee Fund	60	144
Expenses with trading properties	753	3 373
Servicing and expenses with recovery and disposal of loans	2 475	3 066
Taxes	558	364
Expenses with issuances	621	636
Donations and memberships	115	154
Other	8 602	5 414
	24 634	31 160
Other net operating income/(expense)	(16 304)	(22 191)

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. Additionally, in 2020 this regime was supplemented by an additional solidarity contribution by the banking sector, in the form of a budgetary policy instrument in response to the post-pandemic crisis context. The base for this contribution follows the same requirements applicable to the calculation of the banking sector contribution previously described, being set out in Ordinance no. 191/2020.

The caption Contribution *ex-ante* to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution is determined by 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 30 June 2024 and 2023, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, as at 30 June 2023, Banco Montepio settled Euro 11,325 thousand in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 19. For irrevocable payment commitments only cash collateral is accepted.

In the first half of 2024, Banco Montepio did not make any contribution to the Single Resolution Fund, in accordance with the information transmitted by the SRB - Single Resolution Board of 15 February 2024, in which it states that the means available in the Single Resolution Fund on 31 December 2023 reached the target level of at least 1% of the covered deposits held by the Member States participating in the Single Resolution Mechanism, as stipulated in Regulation (EU) no. 806/2014.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of 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 – Other includes, as at 30 June 2024, the amount of Euro 131 thousand (30 June 2023: Euro 1,410 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E..

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)

	Jun 2024	Jun 2023
Remuneration	52 442	51 407
Mandatory social charges	15 516	14 788
Charges with Pension Funds	2 074	1 824
Other staff costs	1 979	4 259
	72 011	72 278

In the first half of 2024, variable remuneration was paid to Other key management personnel in the global amount of Euro 438 thousand for financial year 2023. Other key management personnel are the first-line managers.

Remuneration and other benefits attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee) and Other key management personnel, including the respective charges, are presented as follows:

(Euro thousand)

	Jun 2024			
	General Meeting Board	Board of Directors	Other key management staff	Total
Remuneration and other short-term benefits	4	1 495	2 161	3 660
Pension costs	-	310	52	362
Costs with healthcare benefits (SAMS)	-	8	32	40
Social Security charges	1	326	397	724
	5	2 139	2 642	4 786

(Euro thousand)

	Jun 2023			
	General Meeting Board	Board of Directors	Other key management staff	Total
Remuneration and other short-term benefits	4	1 578	1 771	3 353
Pension costs	-	310	61	371
Costs with healthcare benefits (SAMS)	-	8	32	40
Social Security charges	1	340	385	726
	5	2 236	2 249	4 490

As at 30 June 2024, loans granted by Banco Montepio to members of the Board of Directors (including the members of the Audit Committee) amounted to Euro 79 thousand (30 June 2023: Euro 122 thousand) and to Other key management personnel, Euro 2,924 thousand (30 June 2023: Euro 2,772 thousand), as described in note 47.

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Rental costs	526	321
Specialized services		
IT services	9 484	7 385
Independent work	2 133	2 754
Other specialized services	8 602	7 471
Maintenance and repairs	2 618	2 354
Communication costs	2 038	1 954
Advertising costs	1 519	1 463
Transportation	1 477	1 250
Water, energy and fuel	1 255	830
Insurance	471	473
Travel, accommodation and entertainment expenses	591	443
Training	291	396
Consumables	264	233
Other general administrative costs	702	700
	31 971	28 027

The caption Rents and hires includes, as at 30 June 2024, the amount of Euro 227 thousand (30 June 2023: Euro 104 thousand) related to short-term lease contracts, of which Euro 26 thousand (30 June 2023: Euro 56 thousand) correspond to rents paid on real estate and Euro 201 thousand (30 June 2023: Euro 48 thousand) to rents paid on vehicles, in both cases used by Banco Montepio as a lessee.

12 Depreciation and amortization

The amount of this caption has the following breakdown:

		(Euro thousand)
	Jun 2024	**Jun 2023**
Intangible assets (note 28)		
Software	13 987	10 956
Other tangible assets (note 27)		
Real Estate		
For own use	1 218	1 254
Leasehold improvements in rented buildings	48	47
Equipment		
IT equipment	1 351	939
Fixtures	868	775
Furniture	58	55
Security equipment	51	41
Machinery and tools	13	18
Transportation	5	4
Right-of-use assets		
Real Estate	2 622	2 131
Motor vehicles	813	1 056
	7 047	6 320
	21 034	17 276

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)
	Jun 2024	**Jun 2023**
Other loans and advances to credit institutions (note 19)		
Charge for the period	7	30
Reversal for the period	(8)	(584)
	(1)	(554)
Loans and advances to customers (note 20)		
Charge for the period	162 448	165 276
Reversal for the period	(154 129)	(155 562)
Recovery of loans and interest	(1 751)	(3 437)
	6 568	6 277
	6 567	5 723

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)

	Jun 2024	Jun 2023
Financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	208	28
Reversal for the period	(1)	-
	207	28
Other financial assets at amortized cost (note 25)		
Charge for the period	735	1 644
	735	1 644
	942	1 672

15 Impairment of other assets

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Investments in associated companies (note 26)		
Charge for the period	2 219	39 551
Other tangible assets (note 27)		
Charge for the period	1 284	1 107
Other assets (note 30)		
Charge for the period	7 031	10 801
Reversal for the period	(1 245)	(427)
	5 786	10 374
	9 289	51 032

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	Jun 2024	Jun 2023
Guarantees and commitments (note 36)		
Charge for the period	8 033	9 854
Reversal for the period	(9 530)	(13 096)
	(1 497)	(3 242)
Other risks and charges (note 36)		
Charge for the period	635	332
Reversal for the period	(1 521)	(540)
	(886)	(208)
	(2 383)	(3 450)

17 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Cash	146 096	149 324
Deposits at central banks		
Bank of Portugal	1 516 893	1 022 073
	1 662 989	1 171 397

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 deposit to credit institutions repayable on demand

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Credit institutions in Portugal	493	516
Credit institutions abroad	10 918	28 064
Amounts to be collected	19 855	17 485
	31 266	46 065

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In the first half of 2024, Deposits and deposit equivalents at other credit institutions and central banks were remunerated at the implicit average rate of 3.35% (in 2023: 2.84%).

19 Other loans and advances to credit institutions

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Othre loans and advances to credit institutions in Portugal		
Term deposits	3 113	2 762
	3 113	2 762
Othre loans and advances to credit institutions abroad		
Term deposits	41 018	47 031
CSA's	3 591	9 099
Reverse repos	1 030	29 641
Other loans and advances	62 142	36 563
	107 781	122 334
	110 894	125 096
Impairment for credit risk of other loans and advances to credit institutions	(28)	(29)
	110 866	125 067

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. Despite the fact that collaterals under the CSA contracts can take the form of securities or cash, in Banco Montepio's case, all collaterals are in the form of cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that Banco Montepio negotiated with each one of the counterparties and are materialized through the effective transfers of cash, which are processed via TARGET2 to each one of the counterparties in question, as a guarantee/security of Banco Montepio's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 30 June 2024, Banco Montepio holds the amount of Euro 3,591 thousand (31 December 2023: Euro 9,099 thousand) related to loans and advances to credit institutions given as collateral for the above-mentioned operations.

As at 30 June 2024 and 31 December 2023, the caption Loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 11,325 thousand, related to a deposit made as collateral in the scope of the Contribution *ex-ante* to the Single Resolution Fund, as described in note 9.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	29	1 356
Charge for the period	7	60
Reversal for the period	(8)	(1 602)
Transfers	-	215
Closing balance	28	29

In the first half of 2024, the Other loans and advances to credit institutions were remunerated at the implicit average rate of 3.90% (in 2023: 3.42%).

20 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Corporate		
Loans not represented by securities		
Loans	2 923 202	2 977 982
Current account loans	820 511	775 110
Finance lease	253 860	256 279
Discounted bills	21 449	27 140
Factoring	262 544	244 395
Overdrafts	2 019	776
Other loans	285 669	280 857
Loans represented by securities		
Commercial paper	223 289	199 184
Bonds	375 678	390 170
Retail		
Mortgage loans	5 459 015	5 309 216
Finance leases	25 513	27 726
Consumer credit and other loans	961 443	901 112
	11 614 192	11 389 947
Value correction of assets subject to hedging operations	(45)	(70)
Past due loans and advances and interest		
Less than 90 days	8 377	9 970
More than 90 days	104 577	160 271
	112 954	170 241
	11 727 101	11 560 118
Impairment for credit risks	(223 458)	(266 913)
	11 503 643	11 293 205

As at 30 June 2024, the caption Loans and advances to customers includes the amount of Euro 3,079,633 thousand (31 December 2023: Euro 3,046,532 thousand) related to the issue of covered bonds realized by Banco Montepio, as per note 34.

As at 30 June 2024, the loans and advances granted to shareholders and to related parties, including companies in the consolidation perimeter, amounted to Euro 489,686 thousand (31 December 2023: Euro 432,042 thousand), as described in note 47. The celebration of business between Banco Montepio and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the amount, is always, under a proposal by the commercial network, submitted to deliberation and assessment by the Board of Directors and the Audit Committee, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Directorate. The impairment for credit risks related to these contracts amounts to Euro 615 thousand as at 30 June 2024 (31 December 2023: Euro 882 thousand).

As at 30 June 2024, the caption Loans and advances to customers includes the amount of Euro 169,055 thousand (31 December 2023: Euro 513,797 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 b), were not the object of derecognition, as referred in note 48.

The caption Value correction of assets subject to hedge operations 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 30 June 2024 and 31 December 2023, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Variable-rate loans and advances	8 990 817	9 434 181
Fixed-rate loans and advances	2 736 284	2 125 937
	11 727 101	11 560 118

The analysis of Past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Asset-backed loans	66 251	134 318
Other guaranteed loans	25 888	22 949
Finance leases	2 084	2 658
Secured loans	-	314
Other loans and advances	18 731	10 002
	112 954	170 241

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Corporate		
Construction/Production	12 985	16 900
Investment	43 479	99 409
Treasury	29 289	30 736
Others	5 504	4 856
Retail		
Mortgage loans	11 092	10 558
Consumer credit	8 001	5 074
Others	2 604	2 708
	112 954	170 241

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 30 June 2024, 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	191 385	404 696	7 908 425	66 251	8 570 757
Other guaranteed loans	421 606	252 838	201 884	25 888	902 216
Finance leases	6 277	101 225	171 871	2 084	281 457
Secured loans	223 898	227 417	147 652	-	598 967
Other loans and advances	665 526	136 722	552 725	18 731	1 373 704
	1 508 692	1 122 898	8 982 557	112 954	11 727 101

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2023, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	198 428	469 135	7 743 022	134 318	8 544 903
Other guaranteed loans	389 027	223 993	232 015	22 949	867 984
Finance leases	6 262	103 632	174 111	2 658	286 663
Secured loans	199 954	234 632	154 768	314	589 668
Other loans and advances	600 999	125 599	534 300	10 002	1 270 900
	1 394 670	1 156 991	8 838 216	170 241	11 560 118

As at 30 June 2024, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	59 736	156 555	112 904	329 195
Outstanding interest	(16 132)	(40 265)	(29 921)	(86 318)
Residual values	2 145	10 576	23 775	36 496
	45 749	126 866	106 758	279 373

As at 31 December 2023, the outstanding amount of Finance leases, by residual maturity of instalments, is as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	57 341	155 443	119 174	331 958
Outstanding interest	(14 909)	(38 071)	(30 379)	(83 359)
Residual values	1 389	9 676	24 341	35 406
	43 821	127 048	113 136	284 005

As regards operating leases, Banco Montepio does not have significant agreements as lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	266 913	342 049
Charge for the period	162 448	389 203
Reversal for the period	(154 129)	(339 412)
Utilization	(52 271)	(130 562)
Exchange rate differences	54	(863)
Transfers	-	6 179
Financial liabilities associated with transferred assets and stage 3 interest	443	319
Closing balance	223 458	266 913

The caption Transfers includes, in 2023, the impairment associated with the loans and advances granted by Banco Empresas Montepio that, in the scope of the transfer of assets and liabilities allocated to the activity, came to be recorded in the assets of Banco Montepio.

The use of impairment corresponds to loans and advances written off until 30 June 2024 and during financial year 2023 and loan sale operations to third-party entities.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Asset-backed loans and finance leases	151 367	199 125
Other guarateed loans	39 753	38 984
Unsecured loans	32 338	28 804
	223 458	266 913

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Asset-backed loans and finance leases	19 794	86 184
Other guarateed loans	3 327	8 994
Unsecured loans	29 150	35 384
	52 271	130 562

Banco Montepio has adopted forbearance measures and practices, aligned in terms of risk, to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 30 June 2024, the loan and advances portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 221,549 thousand (31 December 2023: Euro 323,514 thousand) and present an impairment of Euro 67,367 thousand (31 December 2023: Euro 101,831 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 30 June 2024 and 31 December 2023, by credit type, is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Corporate		
Loans not represented by securities		
Loans	4 583	17 535
Current account loans	146	693
Finance leases	6	794
Other loans	1 054	1 875
Retail		
Mortgage loans	6 225	15 868
Consumer credit and other loans	173	895
	12 187	37 660

As at 30 June 2024, for restructured loans not yet due, the impairment associated with these operations amounts to Euro 2,675 thousand, which corresponds to an impairment rate of 22.0% (31 December 2023: Euro 7,615 thousand, impairment rate of 20.2%).

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity date of the operation is 25 March 2036, and the respective amount is Euro 185,853 thousand as at 30 June 2024 (31 December 2023: Euro 248,315 thousand). As mentioned in accounting policy b.12), Banco Montepio contracted two guarantees from EIB and EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, supporting, respectively, a commission of 0.3% and 4.5%, with quarterly payments.

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 is Euro 622,821 thousand as at 30 June 2024 (31 December 2023: Euro 672,117 thousand).

On 31 May 2023, Banco Montepio carried out a synthetic securitization, with an underlying portfolio of loans to individuals with mortgage guarantee. The legal maturity date of the operation is 4 February 2066, and the amount is Euro 715,040 thousand as at 30 June 2024 (31 December 2023: Euro 755,750 thousand).

21 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Financial assets held for trading		
Securities		
Shares	5 924	2 439
Bonds	9 192	3 543
Investment units	68	211
	15 184	6 193
Derivative instruments		
Derivative financial instruments with positive fair value	12 769	8 924
	27 953	15 117
Financial liabilities held for trading		
Derivative instruments		
Derivative financial instruments with negative fair value	12 859	12 636
	12 859	12 636

As provided for in IFRS 13, as at 30 June 2024 and 31 December 2023, the financial instruments measured in accordance with the following valuation levels described in note 44, are as follows:

(Euro thousand)

	Jun 2024			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	5 924	-	-	5 924
Bonds	9 192	-	-	9 192
Investment units	68	-	-	68
	15 184	-	-	15 184
Derivative instruments				
Derivative instruments with positive fair value	-	12 769		12 769
	15 184	12 769	-	27 953
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	12 715	144	12 859
	-	12 715	144	12 859

(Euro thousand)

	Dec 2023			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	2 439	-	-	2 439
Bonds	3 543	-	-	3 543
Investment units	211	-	-	211
	6 193	-	-	6 193
Derivative instruments				
Derivative instruments with positive fair value	-	8 924	-	8 924
	6 193	8 924	-	15 117
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	9 746	2 890	12 636
	-	9 746	2 890	12 636

The book value of the derivative financial instruments as at 30 June 2024 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		Jun 2024								
		Derivative					Related Asset/Liability			
Derivative	Related financial asset/liability	Notional	Positive fair value	Negative fair value	Total fair value	Changes in fair value in the period (1)	Fair value	Changes in fair value in the period	Book value	Reimbursement amount at maturity date
Interest rate swaps	Deposits from customers	99 092	981	(792)	189	927	(2 268)	1 061	97 127	99 017
Interest rate swaps	Loans and advances to customers	789	10	(5)	5	(1)	(45)	25	800	760
Interest rate swaps	-	167 014	2 921	(3 149)	(228)	2 616	-	-	-	-
Currency swap (short)	-	66 213	43	(86)	(43)	(8)	-	-	-	-
Currency swap (long)	-	69 205								
Futures (short)	-	6 369	-	-	-	-	-	-	-	-
Futures (long)	-	2 594								
Forwards (Short)	-	3 082	-	-	-	-	-	-	-	-
Forwards (Long)	-	3 084								
Options (Short)	-	203 402	8 814	(8 827)	(13)	88	-	-	-	-
Options (Long)	-	202 317								
		823 161	12 769	(12 859)	(90)	3 622	(2 313)	1 086	97 927	99 777

(1) Includes the result of derivatives disclosed in note 5.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2023 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		Dec 2023								
		Derivado					Ativo / Passivo associado			
Derivative	Related financial asset/liability	Notional	Positive fair value	Negative fair value	Total fair value	Changes in fair value in the year (1)	Fair value	Changes in fair value in the year	Book value	Reimbursement amount at maturity date
Interest rate swaps	Deposits from customers	98 758	141	(879)	(738)	787	(3 329)	(1 236)	95 299	98 628
Interest rate swaps	Loans and advances to customers	847	11	(5)	6	5	(70)	4	781	847
Interest rate swaps	-	483 060	2 986	(5 830)	(2 844)	7 048	-	-	-	-
Currency swap (short)	-	53 945	81	(116)	(35)	(47)	-	-	-	-
Currency swap (long)	-	56 388								
Future options (short)	-	3 864	-	-	-	-	-	-	-	-
Future options (long)	-	15	-	-						
Forwards (Short)	-	1 561	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 562								
Options (Short)	-	172 690	5 705	(5 806)	(101)	(625)	-	-	-	-
Options (Long)	-	172 894								
		1 045 584	8 924	(12 636)	(3 712)	7 168	(3 399)	(1 232)	96 080	99 475

(1) Includes the result of derivatives disclosed in note 5.

22 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Variable income securities		
Investment units	165 336	186 669
Securitization units	8 718	22 444
Loans and advances to customers at fair value		
Loans not represented by securities	456	544
	174 510	209 657

As at 30 June 2024, the level 3 assets in the caption Variable-income securities – Investment units include investments made in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 165,336 thousand (31 December 2023: Euro 186,669 thousand), of which Euro 99,048 thousand (31 December 2023: Euro 106,563 thousand) are related to real estate investment funds. The caption Variable-income securities – Investment units includes, as at 30 June 2024, the amount of Euro 43,734 thousand (31 December 2023: Euro 56,428 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 51. The securitization units correspond to the residual notes acquired by Banco Montepio.

The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective Funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 30 June 2024, for Variable-income securities recorded under level 3, considering a 10% change in the value of the financial assets, an impact of Euro 17,405 thousand (31 December 2023: Euro 20,911 thousand) was determined.

The movements occurring in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	209 113	209 068
Acquisitions	548	7 462
Remeasurements	(4 796)	(14 273)
Disposals	(30 811)	(38 716)
Transfers	-	45 572
Closing balance	174 054	209 113

The movements occurring in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations observed in the first half of 2024 and financial year 2023.

23 Financial assets at fair value through other comprehensive income

This caption, as at 30 June 2024, is presented as follows:

(Euro thousand)

	Jun 2024				
	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 073	-	(1 823)	(40)	18 210
Foreign	281 865	92	(1 241)	(203)	280 513
Bonds issued by other entities					
Domestic	6 805	19	(664)	(268)	5 892
Foreign	603	-	(16)	-	587
Variable income securities					
Shares					
Domestic	5 222	11 785	-	-	17 007
Foreign	6 233	364	(62)	-	6 535
	320 801	12 260	(3 806)	(511)	328 744

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2023, is presented as follows:

(Euro thousand)

	Dec 2023				
	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	20 025	-	(1 688)	(40)	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	6 839	-	(705)	(264)	5 870
Foreign	637	-	(19)	-	618
Variable income securities					
Shares					
Domestic	5 222	11 785	-	-	17 007
Foreign	6 233	363	(293)	-	6 303
	38 956	12 148	(2 705)	(304)	48 095

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

As at 30 June 2024 and 31 December 2023, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	Jun 2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	18 210	-	-	-	18 210
Foreign	280 513	-	-	-	280 513
Bonds issued by other entities					
Domestic	4 299	-	1 593	-	5 892
Foreign	-	587	-	-	587
	303 022	587	1 593	-	305 202
Variable income securities					
Shares					
Domestic	-	-	16 100	907	17 007
Foreign	-	-	6 118	417	6 535
	-	-	22 218	1 324	23 542
	303 022	587	23 811	1 324	328 744

(Euro thousand)

	Dec 2023				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	18 297	-	-	-	18 297
Foreign	-	-	-	-	-
Bonds issued by other entities					
Domestic	4 307	-	1 563	-	5 870
Foreign	-	618	-	-	618
	22 604	618	1 563	-	24 785
Variable income securities					
Shares					
Domestic	-	-	16 100	907	17 007
Foreign	-	-	5 893	410	6 303
	-	-	21 993	1 317	23 310
	22 604	618	23 556	1 317	48 095

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 44.

As at 30 June 2024, for securities recorded under level 3, a 10% change in the value of the financial asset was considered, with an impact of Euro 2,381 thousand (31 December 2023: Euro 2,356 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the net positive amount of Euro 11,462 thousand (31 December 2023: positive amount of Euro 11,203 thousand) recognized in fair value reserves.

In this caption, Banco Montepio has some securities measured at acquisition cost and it is Banco Montepio's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

As at 30 June 2024, the impairment recorded for these level 3 securities amounted to Euro 244 thousand (31 December 2023: Euro 239 thousand).

The movements occurring in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	Jun 2024	**Dec 2023**
Opening balance	23 556	32 396
Revaluations	255	2 129
Amortization at nominal value	-	(10 969)
Closing balance	23 811	23 556

The movements occurring in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	304	528
Charge for the period	208	19
Reversal for the period	(1)	(106)
Utilization	-	(137)
Closing balance	511	304

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 257,075 thousand after haircut (31 December 2023: Euro 18,394 thousand).

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)

	Jun 2024	Dec 2023
Assets		
Interest rate swaps	10 865	6 174
Liabilities		
Interest rate swaps	2 406	3 525
	8 459	2 649

In the first half of 2024, the Bank contracted two hedging operations for interest rate risk on bonds issued. As at 30 June 2024, the fair value hedging operations can be analysed as follows:

(Euro thousand)

	Jun 2024						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value derivative(1)**	**Changes in fair value of the derivative in the financial period**	**Fair value of hedge element(2)**	**Changes in fair value of the hedged item in the financial period(2)**
Interest rate swap	Debt securities issued	Interest rate	700 000	8 459	5 811	1 399	4 362
			700 000	8 459	5 811	1 399	4 362

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

As at 31 December 2023, the fair value hedging operation can be analysed as follows:

(Euro thousand)

	Dec 2023						
Derivative	Hedged item	Hedged risk	Notional	Fair value derivative(1)	Changes in fair value of the derivative in the financial year	Fair value of hedge element(2)	Changes in fair value of the hedged item in the financial year(2)
Interest rate swap	Debt securities issued	Interest rate	200 000	2 649	2 619	2 963	2 963
			200 000	2 649	2 619	2 963	2 963

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

25 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Fixed income securities		
Bond issued by public entities		
Domestic	1 036 213	1 054 288
Foreign	2 024 468	2 787 013
Bonds issued by other entities		
Domestic	122 745	445 382
Foreign	67 916	30 666
Commercial Paper		
Domestic	9 992	4 979
Foreign	19 790	-
	3 281 124	4 322 328
Impairment for other financial assets at amortized cost	(4 828)	(6 157)
	3 276 296	4 316 171

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 44.

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 b).

As at 30 June 2024, the loan obtained from the EIB is collateralized by Italian, Spanish and Greek sovereign bonds with a nominal value of Euro 368,007 thousand (31 December 2023: Euro 357,282 thousand by Italian, Greek and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 32.

The nominal value of the assets pledged as collateral to the European Central Bank under this caption for liquidity-providing operations amounts to Euro 2,071,217 thousand (31 December 2023: Euro 2,859,409 thousand) after the application of a haircut.

As at 30 June 2024 and 31 December 2023, the nominal value of the securities given in guarantee to the Deposits Guarantee Fund amounted to Euro 29,000 thousand, as per note 43.

As at 30 June 2024 and 31 December 2023, the securities given in guarantee to the Portuguese Securities Market Commission ("CMVM") within the scope of the Investors' Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)	Jun 2024	Dec 2023
Opening balance	6 157	6 692
Charge for the period	735	1 252
Utilizations	(2 064)	(1 788)
Transfers	-	1
Closing balance	4 828	6 157

26 Investments in associated companies

This caption is presented as follows:

(Euro thousand)	Jun 2024	Dec 2023
Montepio Holding, S.G.P.S., S.A.	413 750	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, A.C.E.	-	661
CESource, A.C.E.	-	-
Montepio Serviços, A.C.E.	-	-
	416 950	417 611
Impairment of investments in associated companies	(140 917)	(138 698)
	276 033	278 913

Investments in subsidiaries and associates

Banco Montepio analyses the adequacy of the amount of the impairment of investments made in its subsidiaries, considering the recoverable value of the businesses developed by each one. The recoverable value, in accordance with the accounting policy described in this report, was determined by the higher of fair value less costs to sell and value in use, in the case of continuing subsidiaries, and fair value less costs to sell, in the case of discontinued subsidiaries.

The value in use was determined based on the business plan approved by management and, depending on the specificity of the businesses and the markets in which Banco Montepio's subsidiaries operate, differentiated levels for the discount rate, for the solvency levels required for the banking activity and for the growth of net income in perpetuity, were also considered.

The verification of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these same assumptions and, consequently, in the recoverable value determined for the subsidiaries object of this analysis.

The financial statements have been prepared on the assumption of the continuity of the respective operations, which depend on the future evolution of the assumptions underlying the recoverable value of its financial shareholdings as well as on the success of the initiatives to be taken by the Board of Directors to reinforce the net equity.

Montepio Holding, S.G.P.S., S.A.

As a result of the analyses carried out, we concluded on the need to recognize, in the financial statements as at 30 June 2024, an impairment in Banco Montepio in the amount of Euro 140,917 thousand (31 December 2023: Euro 138,698 thousand) related to the financial shareholding held in Montepio Holding, S.G.P.S., S.A.

(Montepio Holding). As at 30 June 2024, Montepio Holding holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., of Montepio Crédito – Instituição Financeira de Crédito, S.A. and of Ssagincentive, Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A. The valuation of Montepio Holding was made considering that the best estimate for determining its fair value corresponded to the amount of its equity adjusted for the fair value effect of assets and liabilities recorded at amortized cost or historical cost.

Montepio Serviços, A.C.E.

In June 2024, Agrupamento Montepio Serviços, A.C.E. was constituted with Banco Montepio holding 85% of the voting rights. The purpose of the Grouping is to improve the conditions for the exercise and the results of the economic activities of the grouped members, essentially aiming to optimize resources, achieve greater operational efficiency and obtain economies of scale through the elimination of replicated cost structures.

The movements in impairment of investments in subsidiaries and associates are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	138 698	92 606
Charge for the period	2 219	46 092
Closing balance	140 917	138 698

The information related to subsidiaries and associates is presented in the following table:

(Euro thousand)

	Number of shares	% Stake	Unit value	Acquisition cost
30 June 2024				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
CESource, A.C.E.	-	18,00%	-	-
Montepio Serviços, A.C.E.	-	85,00%	-	-
				416 950
31 December 2023				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	661 421	27,00%	1,00	661
CESource, A.C.E.	-	18,00%	-	-
Montepio Serviços, A.C.E.	-	85,00%	-	-
				417 611

Montepio - Gestão de Activos Imobiliários, A.C.E. – Em liquidação was liquidated on 13 May 2024.

The subsidiaries and associates of Banco Montepio are listed in note 53.

27 Other tangible assets

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Investments		
Real estate		
For own use	162 499	165 607
Leasehold improvements in rented building	28 605	28 604
Equipment		
IT equipment	91 293	92 501
Fixtures	34 102	33 521
Furniture	16 830	16 808
Security equipment	4 460	4 335
Machinery and tools	2 677	2 674
Transportation equipment	302	302
Other equipment	1	1
Works of art	2 870	2 870
Assets in operating leases	58	58
Right-of-use assets		
Real estate	33 160	32 246
Motor vehicles	9 330	9 052
Other tangible assets	540	540
Work in progress	2 761	1 369
	389 488	390 488
Accumulated depreciation		
For the current financial period	(7 047)	(12 967)
Relating to previous financial periods	(205 548)	(198 192)
	(212 595)	(211 159)
Impairment of Other Tangible Assets	(329)	(325)
	176 564	179 004

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in note 1 i).

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	325	505
Charge for the period	1 284	1 592
Transfers	(1 280)	(1 772)
Closing balance	329	325

As at 30 June 2024, a reinforcement of impairment, net of reversals, was made in Euro 1,284 thousand (31 December 2023: Euro 1,592 thousand) related to the closure of branches in the scope of the Distribution network resizing plan.

The caption Transfers relates to the impairment associated with branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 30.

28 Intangible assets

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Investments		
Software	244 615	229 150
Other Intangible Assets	3 012	3 012
Work in progress	8 781	7 629
	256 408	239 791
Accumulated depreciation		
For the current financial period	(13 987)	(23 344)
Relating to previous financial periods	(182 254)	(158 910)
	(196 241)	(182 254)
	60 167	57 537

29 Taxes

Deferred tax assets and liabilities recognized on the balance sheet in the first half of 2024 and financial year 2023, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	Jun 2024	Dec 2023	Jun 2024	Dec 2023	Jun 2024	Dec 2023
Deferred taxes not dependent on future profitability						
Impairment on loans granted	15 874	35 216	-	-	15 874	35 216
Post-employment and long-term employee benefits	18 561	16 973	-	-	18 561	16 973
	34 435	52 189	-	-	34 435	52 189
Deferred taxes dependent on future profitability						
Financial instruments	15 195	17 031	(8 216)	(8 239)	6 979	8 792
Provisions/Impairment						
Impairment on loans granted	19 782	35 312	-	-	19 782	35 312
Other risks and charges	4 490	5 560	-	-	4 490	5 560
Impairment in securities and non-financial assets	4 276	4 286	-	-	4 276	4 286
Impairment in financial assets	1 628	1 971	-	-	1 628	1 971
Post-employment and long-term employee benefits	38 978	40 313	-	-	38 978	40 313
IFRS 16	1 125	4 198	-	-	1 125	4 198
Taxes losses carried forward	233 333	230 928	-	-	233 333	230 928
Other	5 174	5 528	-	-	5 174	5 528
	323 981	345 127	(8 216)	(8 239)	315 765	336 888
Net deferred tax assets/(liabilities)	358 416	397 316	(8 216)	(8 239)	350 200	389 077

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets ("Regime" or "REAID"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employee benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020 and 2021, and following the approval of the annual accounts by the corporate bodies and, consequently, the application of said Regime, in financial years 2021 and 2022, respectively, there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (as described in note 41).

As at 30 June 2024, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio has a special reserve in the amount of Euro 4,809 thousand (31 December 2023: Euro 4,809 thousand), which, as at 31 December 2023, corresponds to a tax credit of Euro 273 thousand and which is an integral part of the total current tax assets.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved at the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 1,726 thousand (31 December 2023: Euro 1,845 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of Banco Montepio).

In the first half of 2024, deferred taxes recorded in the caption Post-employment and long-term employee benefits include the amount of Euro 26,414 thousand (31 December 2023: Euro 24,592 thousand) related to the referred benefits in excess of the existing limits, of which Euro 12,076 thousand (2023: Euro 4,970 thousand) do not depend on future profitability.

In the first half of 2024 and financial year 2023, 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 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 stability 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 improvement of the 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 the first half of 2024 and financial year 2023, Banco Montepio recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax evolved at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	Jun 2024	Dec 2023
2032	15 632	15 338
2033	26 829	26 829
Undetermined	190 872	188 761
	233 333	230 928

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 profit or loss and in reserves during the first half of 2024 and financial year 2023 originated as follows:

(Euro thousand)

	Jun 2024		Dec 2023	
	Charged to net income/(loss)	Recognized in reserves and retained earnings	Recognized in net income/(loss)	Recognized in reserves and retained earnings
Financial instruments	(2 470)	301	(393)	(1 135)
Impairment/Provision	(36 294)	-	(56 458)	-
Post-employment and long-term employee benefits	253	-	(11 132)	20 102
Tax losses carried forward	2 405	-	11 020	-
Other	(3 073)	-	4 204	-
Deferred taxes/recognized as profit/(loses)	(39 179)	301	(52 759)	18 967
Current taxes	(387)	-	1 802	-
	(39 566)	301	(50 957)	18 967

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	Jun 2024		Jun 2023	
	%	Value	%	Value
Profit/ (loss) before income tax		105 534		64 570
Income tax based on the current nominal tax rate	(21,0)	(22 162)	(21,0)	(13 560)
Fiscal Profit/ (loss)	3,0	3 194	(6,7)	(4 321)
Banking sector extraordinary contribution	(1,6)	(1 707)	(3,5)	(2 280)
Post-employment benefits and pension fund	6,6	7 011	2,2	1 393
Taxable provisions/impairment	(10,6)	(11 136)	(2,1)	(1 365)
Autonomous taxation	(0,4)	(387)	(0,4)	(244)
Corrections to previous periods	-	-	1,9	1 240
Effect of differences in income tax for the period	(11,0)	(11 556)	(17,4)	(11 251)
Deferred tax from taxes losses carried forward	-	-	4,5	2 893
Deductions/(add-backs) for taxable income purposes	(2,7)	(2 823)	-	-
Other	-	-	(5,9)	(3 799)
Income tax for the period	(37,5)	(39 566)	(48,5)	(31 294)

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes, contemplating a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio opted for the application of the new tax regime on impairment as from financial year 2023, for which reason, for the current and deferred tax assessment related to prior financial years, it estimated its taxes based on the regime that was in force until 31 December 2018, and in the respect of current and deferred tax of financial year 2023 it based same on the new tax regime for impairment.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period corresponds to that of the exercise of that right.

Banco Montepio was subject to inspections by the Tax Authority up to and including the 2021 tax period.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

As at 30 June 2024, Current tax assets, in the amount of Euro 701 thousand (31 December 2023: Euro 1,302 thousand) includes corporate tax recoverable in the amount of Euro 701 thousand (31 December 2023: Euro 1,029 thousand). As at 31 December 2023, this caption also included the amount of Euro 273 thousand related to the tax credit for financial years 2021 and 2020, determined in the scope of the REAID.

30 Other assets

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Assets received in recovery of credit	270 217	299 806
Post-employment benefits	78 780	48 279
Supplies - Montepio Holding	107 145	107 145
Other debtors	81 881	71 850
Sundry debtors	12 568	16 225
Price deposits	6 891	6 514
Bonifications to be received from the Portuguese Government	7 487	5 368
Deferred costs	9 864	4 781
Other amounts receivable	5 029	8 525
	579 862	568 493
Impairment for assets received in recovery of credit	(100 011)	(104 893)
Impairment for other assets	(25 626)	(25 613)
	454 225	437 987

The caption Assets received in recovery of credit is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Assets received in recovery of credit	270 217	299 806
Impairment for assets received in recovery of credit	(100 011)	(104 893)
	170 206	194 913

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 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 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 30 June 2024, properties for which promissory contracts to buy and sell, in the amount of Euro 15,980 thousand (31 December 2023: Euro 19,683 thousand), have already been celebrated.

The movements in the first half of 2024 and financial year 2023 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	299 806	420 119
Acquisitions	4 308	16 037
Disposals	(34 013)	(134 418)
Other movements	116	(1 932)
Closing balance	270 217	299 806

The movement in impairment of Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	104 893	116 098
Charge of the period	4 800	18 766
Reversal of the period	(8)	(102)
Utilization	(10 954)	(33 835)
Transfers	1 280	3 966
Closing balance	100 011	104 893

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 employee 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 the first half of 2024, gains in the amount of Euro 3,389 thousand (31 December 2023: Euro 7,864 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 30 June 2024 and 31 December 2023, the caption Other debtors is analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Supplementary capital contributions	14 910	14 910
Other	66 971	56 940
	81 881	71 850

The caption Supplementary capital contributions considers the amounts subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 30 June 2024 and 31 December 2023.

The caption Other debtors includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors. Additionally, it considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by Banco Montepio with financial settlement after 30 June 2024.

As at 30 June 2024 and 31 December 2023, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Bonifications overdue and not yet claimed	2 497	2 029
Bonifications claimed from state not yet settled	4 770	3 144
Bonifications processed and not yet claimed	220	195
	7 487	5 368

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, which amounts were determined in accordance with the legal provisions applicable to low-interest loans, and which do not bear interest and are regularly claimed.

The movements in the impairment of Other assets are analysed as follows:

	(Euro thousand)	
	Jun 2024	**Dec 2023**
Opening balance	25 613	22 132
Charge of the period	2 231	4 967
Reversal for the period	(1 237)	(575)
Utilization	(981)	(705)
Transfers	-	(206)
Closing balance	25 626	25 613

As at 30 June 2024, the impairment of Other assets includes the impairment constituted for the exposures of Supplementary capital contributions of Euro 14,910 thousand (31 December 2023: Euro 14,910 thousand), for Price deposits of Euro 3,302 thousand (31 December 2023: Euro 2,577 thousand), for Guarantee commissions of Euro 510 thousand (31 December 2023: Euro 609 thousand), for Factoring operations of Euro 498 thousand (31 December 2023: Euro 498 thousand) and for Other debtors of Euro 6,406 thousand (31 December 2023: Euro 7,019 thousand).

The expectations regarding receipts associated with price deposits are regularly evaluated by the Loan Recovery Directorate, 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 price deposits is adjusted whenever this is found to be necessary.

31 Deposits from central banks

As at 31 December 2023, this caption includes deposits from the European System of Central Banks, which are collateralized by loans to customers, securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 23 and 25, respectively.

For the financing lines under the TLTRO III program, the effective interest rate used in the first half of 2024 and financial year 2023 considers the interest rates applicable to each operation in the elapsed period and the confirmation obtained from the European Central Bank regarding the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 30 June 2024, Banco Montepio had no funds obtained from the European System of Central Banks.

As at 31 December 2023, these funds consisted of two operations with maturities and amounts were as follows: in March 2024, in the amount of Euro 817,437 thousand and in December 2024, in the amount of Euro 56,496 thousand.

32 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Deposits repayable on demand	194 896	-	194 896	193 279	-	193 279
Term deposits	-	12 497	12 497	-	12 518	12 518
	194 896	12 497	207 393	193 279	12 518	205 797
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	300 007	300 007
Deposits repayable on demand	12 757	-	12 757	34 465	-	34 465
Sales operations with repurchase agreement	-	430 744	430 744	-	548 900	548 900
Other deposits	16 349	-	16 349	7 930	-	7 930
	29 106	730 751	759 857	42 395	848 907	891 302
	224 002	743 248	967 250	235 674	861 425	1 097 099

The EIB loan amount, presented in the previous table, has as its main objective the financing of SMEs and considers the loan obtained in November 2020, in the amount of Euro 300,000 thousand, which has a term of twelve years, a grace period of four years, constant amortizations and a rate of 0.019%.

The amount of the EIB loan is collateralized by Italian, Spanish and Greek sovereign bonds in the nominal amount of Euro 368,007 thousand (31 December 2023: Euro 357,282 thousand by Italian, Spanish 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)

	Jun 2024			Dec 2023		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 418 454	143 097	5 561 551	5 552 501	105 104	5 657 605
Term deposits	-	8 605 603	8 605 603	-	7 662 456	7 662 456
Saving accounts	-	114 084	114 084	-	112 859	112 859
Other deposits	20 797	-	20 797	19 430	-	19 430
Adjustments arising from fair value option operations	(2 268)	-	(2 268)	(3 329)	-	(3 329)
	5 436 983	8 862 784	14 299 767	5 568 602	7 880 419	13 449 021

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions authorized to receive deposits, pursuant to that stipulated in said Ordinance. The criteria to calculate the annual contributions to the Deposits Guarantee Fund are defined in Bank of Portugal Notice no. 11/94, of 29 December.

In the first half of 2024, Deposits from customers were remunerated at the implicit average rate of 1.5% (in 2023: 0.76%).

34 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	Jun 2024	Dec 2023
EMTN bonds	460 293	205 300
Covered bonds	328 677	328 483
	788 970	533 783

In the first half of 2024, under the EMTN (Euro Medium Term Note) Programme, Banco Montepio issued senior debt securities in the amount of Euro 250,000 thousand, at a fixed interest rate of 5.625% and for a term of four years. If the early repayment option is not exercised at the end of the third year, the interest rate for the remaining period will be indexed to the three-month Euribor plus a spread of 2.6%.

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 2,050,000 thousand, at nominal value, as at 30 June 2024 (31 December 2023: Euro 2,300,000 thousand).

As at 30 June 2024, 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	301 988	-	November 2016	November 2024	Quarterly	Euribor 3M + 0,80%	Aaa/AAA
Covered bonds - 8S	1 250 000	1 252 085	-	December 2016	December 2026	Quarterly	Euribor 3M + 0,90%	Aaa/AAA
Covered bonds - 11S	500 000	328 677	328 677	November 2019	November 2024	Anually	Fixed at 0,125%	Aaa/AAA
	2 050 000	1 882 750	328 677					

As at 31 December 2023, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch /Dbrs)
Covered bonds - 6S	300 000	302 065	-	November 2016	November 2024	Quarterly	Euribor 3M + 0.80%	Aaa/AA+
Covered bonds - 8S	1 250 000	1 252 517	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	Aaa/AA+
Covered bonds - 9S	250 000	251 303	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	Aaa/AA+
Covered bonds - 11S	500 000	328 483	328 483	November 2019	November 2024	Anually	Fixed at 0.125%	Aaa/AA+
	2 300 000	2 134 368	328 483					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in Banco Montepio's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in 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 30 June 2024, the value of the loans collateralizing these issues amounted to Euro 3,079,633 thousand (31 December 2023: Euro 3,046,532 thousand), according to note 20.

The movements in Debt securities issued are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	533 783	327 492
Issuance	250 000	200 000
Other movements [(a)]	5 187	6 291
Final balance	788 970	533 783

(a) Included is the movement of accrued interest on the balance sheet.

In accordance with the accounting policy described in note 1 b), the purchase of debt securities issued by Banco Montepio is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 30 June 2024, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
EMTN BONDS	30/10/2023	30/10/2026	Annual fixed rate of 10,0%	200 000
CEMG COVERED BONDS 5.625 29/05/2028	29/05/2024	29/05/2028	Annual fixed rate of 5,625%	250 000
				950 000
			Repurchase of covered bonds - 11S	(171 400)
			Accrual based accounting, deferred income, costs and others	10 370
				788 970

As at 31 December 2023, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
EMTN BONDS	30/10/2023	30/10/2026	Annual fixed rate of 10,0%	200 000
				700 000
			Repurchase of covered bonds - 11S	(171 400)
			Accrual based accounting, deferred income, costs and others	5 183
				533 783

35 Financial liabilities associated with assets transferred

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)

	Jun 2024	Dec 2023
Pelican Mortgages No 3	76 702	82 960
Pelican Mortgages No 4	-	319 541
Aqua Mortgages No 1	45 945	49 885
Pelican Finance No 2	44 981	58 627
	167 628	511 013

In the first half of 2024, Banco Montepio proceeded with the early redemption of the Pelican Mortgages no. 4 securitization operation.

36 Provisions

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Provisions for guarantees and commitments	8 853	10 362
Provisions for other risks and charges	7 663	9 816
	16 516	20 178

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to Banco Montepio's activity, being revised at each reporting date to reflect the best estimate of the amount 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)

	Jun 2024	Dec 2023
Opening balance	10 362	19 312
Charge of the period	8 033	21 767
Reversal of the period	(9 530)	(30 672)
Utilization	(12)	(71)
Transfers	-	26
Closing balance	8 853	10 362

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Opening balance	9 816	9 312
Charge of the period	635	1 702
Reversal of the period	(1 521)	(982)
Utilization	(1 267)	(759)
Transfers	-	543
Closing balance	7 663	9 816

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	Jun 2024	Dec 2023
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	-	50 056
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	-	107 803
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9,5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9,742%	-	52 661
CX ECONOMICA MONTEPIOGERAL 8.50 12/06/2034	Mar 2024	Jun 2034	250 000	8,5% the first 5 years and at swap for 5y + 5,815%	251 048	-
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	6 497	6 499
					257 545	217 019

In the first half of 2024, under the EMTN (Euro Medium Term Note) Programme, Banco Montepio issued subordinated debt securities in the amount of Euros 250,000 thousand, with a fixed interest rate of 8.5% and a term of ten years. If the early repayment option is not exercised at the end of the fifth year, the interest rate for the remaining period will be indexed to the five-year swap rate plus a spread of 5.815%.

The movements in Other subordinated debt during the first half of 2024 and financial year 2023, were as follows:

(Euro thousand)

	Jun 2024					Dec 2023		
	Balance on 1 January	Issued	Reimbursements	Other movements (a)	Balance on 30 June	Balance at 1 January	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 056	-	(50 000)	(56)	-	50 044	12	50 056
MONTEPIO EMTN SUB 2019/2029	107 803	-	(100 000)	(7 803)	-	107 825	(22)	107 803
MONTEPIO EMTN SUB 2020/2030	52 661	-	(50 000)	(2 661)	-	52 705	(44)	52 661
CX ECONOMICA MONTEPIO GERAL 8.50 12/06/2034	-	250 000	-	1 048	251 048	-	-	-
FINIBANCO VALOR INVEST 2010	6 499	-	-	(2)	6 497	6 455	44	6 499
	217 019	250 000	(200 000)	(9 474)	257 545	217 029	(10)	217 019

(a) Include 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)

	Jun 2024	Dec 2023
Domestic and foreign operations pending settlement	158 326	152 422
Sundry creditors	27 759	40 602
Staff costs payable	31 242	29 864
Other expenses	18 929	21 222
Administrative public sector	15 837	13 997
Lease liabilities	5 848	7 915
Suppliers	3 938	10 536
Deferred income	340	311
	262 219	276 869

As at 30 June 2024, the caption Staff charges payable includes the amount of Euro 16,779 thousand (31 December 2023: Euro 16,822 thousand), related to holiday pay and subsidy, Euro 11,733 thousand related to accrued termination charges and variable remuneration (31 December 2023: Euro 10,424 thousand) and Euro 2,730 thousand (31 December 2023: Euro 2,618 thousand) related to end-of-career awards.

The caption Amounts payable corresponds, essentially, to the application of the accruals' principle to General administrative expenses.

As at 30 June 2024 and 31 December 2023, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Up to 1 year	2 829	4 073
1 to 5 years	2 985	3 842
More than 5 years	34	-
	5 848	7 915

39 Share capital

As at 30 June 2024 and 31 December 2023, Banco Montepio's share capital, which is fully realized, amounts to Euro 1,210,000 thousand.

The General Meeting of Banco Montepio held on 10 February 2023 unanimously deliberated on the reformulation of equity captions with the special purpose of reinforcing funds susceptible of regulatory qualification as distributable, aiming at covering negative retained earnings, through the reduction of share capital in Euro 1,210,000,000.00, without changing the number of existing shares and without changing the total equity value, through the reduction of the nominal unit value of each share from Euro 1.00 to Euro 0.50 and the consequent amendment of no. 1 of article 4 of Banco Montepio's By-laws.

The shareholder structure of Banco Montepio's share capital as at 30 June 2024 and 31 December 2023 is as follows:

	Jun 2024		Dec 2023	
	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 income, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 30 June 2024, the legal reserve amounts to Euro 207,487 thousand (31 December 2023: 196,833 thousand).

41 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Fair value reserve		
Fair value reserve		
Financial assets at fair value through other comprehensive income	8 454	9 443
	8 454	9 443
Taxes		
Financial assets at fair value through other comprehensive income	(2 579)	(2 880)
	(2 579)	(2 880)
Fair value reserve net of taxes	5 875	6 563
Other reserves and retained earnings		
Special regime applicable to deferred tax assets	4 809	4 809
Post-employment benefits (note 45)	31 257	(76 059)
Other reserves and retained earnings	177 542	163 710
Realized gains on equity instruments	(33 412)	(33 412)
	180 196	59 048

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	Jun 2024				
	Balance on 1 January	**Revaluation**	**Acquisitions**	**Impairment variation**	**Balance on June 30**
Fixed income securities					
Bonds issued by Portuguese public entities	(1 688)	(135)	-	-	(1 823)
Bonds issued by foreign public entities	-	-	(946)	(203)	(1 149)
Bonds issued by other entities					
Domestic	(705)	64	-	(4)	(645)
Foreign	(19)	3	-	-	(16)
	(2 412)	(68)	(946)	(207)	(3 633)
Variable income securities					
Shares					
Domestic	11 785	-	-	-	11 785
Foreign	70	232	-	-	302
	11 855	232	-	-	12 087
	9 443	164	(946)	(207)	8 454

(Euro thousand)

	Dec 2023				
	Balance on 1 January	**Revaluation**	**Disposals**	**Impairment variation**	**Balance on 31 December**
Fixed income securities					
Bonds issued by Portuguese public entities	(2 599)	920	(8)	(1)	(1 688)
Bonds issued by foreign public entities	(765)	-	692	73	-
Bonds issued by other entities					
Domestic	(496)	(244)	(96)	131	(705)
Foreign	(53)	17	15	2	(19)
Commercial Paper	19	-	(38)	19	-
	(3 894)	693	565	224	(2 412)
Variable income securities					
Shares					
Domestic	10 785	1 000	-	-	11 785
Foreign	(1 171)	1 242	(1)	-	70
	9 614	2 242	(1)	-	11 855
	5 720	2 935	564	224	9 443

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	Jun 2024	**Dec 2023**
Amortized cost of financial assets at fair value through other comprehensive income	320 801	38 956
Recognized accumulated impairment	(511)	(304)
Amortized cost of financial assets at fair value through other comprehensive income net of impairment	320 290	38 652
Market value of financial assets at fair value through other comprehensive income	328 744	48 095
Potential realized gains/(losses) recognized in the fair value reserve	8 454	9 443

As described in note 28, 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)

	Jun 2024	Dec 2023
Special reserve		
2021 (Negative net income of 2020)	4 509	4 509
2022 (Negative net income of 2021)	300	300
	4 809	4 809

As at 31 December 2023, Banco Montepio had a tax credit of Euro 273 thousand, as described in note 29.

42 Distribution of dividends

The Annual General Meeting held on 30 April 2024 approved the proposal to apply the Net Income for Financial Year 2023, in the positive amount of Euro 106,544,699.15, to cover actuarial deviations related to the Pension Fund in Euro 76,649,473.12, to reinforce the Legal Reserve in Euro 10,654,469.92, to Retained Earnings in Euro 13,240,756.11 and to distribute dividends in Euro 6,000,000.00.

In financial year 2023, Banco Montepio did not distribute dividends.

43 Guarantees and other commitments

The balances of these accounts are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Guarantees granted	500 000	516 551
Commitments to third parties	1 679 756	1 625 013
Deposit and custody of securities	7 015 444	7 050 460
	9 195 200	9 192 024

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Guarantees granted		
Guarantees	453 999	465 754
Letters of credit	46 001	50 797
	500 000	516 551
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	715 693	698 783
Potential liability with the Investors Indemnity System	590	590
Term liability to the Guarantee Deposits Fund	22 768	22 768
Securities subscription	2 466	5 094
Revocable commitments		
Revocable credit facilities	938 239	897 778
	1 679 756	1 625 013

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. Credit concession commitments require, substantially, that customers maintain compliance with certain conditions defined at the time of their contracting.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same principles of any commercial operation, namely the solvency of the underlying customer and business, with Banco Montepio requiring, when necessary, that these operations be adequately covered by collaterals. Considering that it is expected that the majority of the commitments expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 30 June 2024 and 31 December 2023, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by Banco Montepio, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 30 June 2024 and 31 December 2023, 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 29,000 thousand, as described in note 25.

As at 30 June 2024 and 31 December 2023, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that Banco Montepio assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 b). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by Banco Montepio in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

44 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of Banco Montepio.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of Banco Montepio.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13.

Debt and equity instruments

Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

c) Financial instruments shall be classified in level 2 if they are:

iii. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

iv. valued using indicative third-party purchase prices, based on observable market data.

d) For financial instruments that do not have a 30-day history available in the system, the fair value level 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:

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:

- *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.

As 30 June 2024, no funds had been taken from the European Central Bank. The rate of return of funding from the European Central Bank was 1.09% for live operations as at 31 December 2023.

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 30 June 2024, the average discount rate was 3.21% (31 December 2023: 2.77%) for the remaining resources.

For Loans and advances to credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by Banco Montepio to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 30 June 2024, the average discount rate was 3.56% for mortgage loans (31 December 2023: 3.70%), 6.95% for private individual loans (31 December 2023: 6.28%) and 5.0% for the remaining loans (31 December 2023: 4.77%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by Banco Montepio to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of Banco Montepio at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 30 June 2024 was 2.77% (31 December 2023: 2.67%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which Banco Montepio applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of Banco Montepio.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Deposits and deposit equivalents to other credit institutions repayable on demand*

Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

	Type of instruments		Valuation methods	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	*Swaps*	Discounted Cash flow method [2]	Interest rate curves
		Exchange rate options	Black-Scholes Model	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk 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)

	Jun 2024		Dec 2023	
	CVA	DVA	CVA	DVA
Adjustment	297	299	257	144
Of which: Derivatives expiry	(3)	-	(3)	14

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 30 June 2024, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Yen
1 day	3,700000	5,300000	5,230000	1,270000	-0,080000
7 days	3,660000	5,324000	5,250000	1,190000	-0,170000
1 month	3,655500	5,420000	5,280000	1,190000	-0,170000
2 months	3,651500	5,450000	5,280000	1,210000	-0,170000
3 months	3,628500	5,580000	5,280000	1,245000	-0,180000
6 months	3,528500	5,510000	5,300000	1,250000	-0,060000
9 months	3,428500	5,470000	5,300000	1,250000	0,140000
1 year	3,332500	5,500000	5,240000	1,315000	-0,150000
2 years	3,011500	5,386539	5,173098	0,993000	-0,150092
3 years	2,841500	5,273079	5,173098	0,947500	-0,150092
5 years	2,698500	5,045846	5,173098	0,950000	-0,150092
7 years	2,668500	4,818925	5,173098	0,996000	-0,150092
10 years	2,699500	4,477921	5,173098	1,062500	-0,150092
15 years	2,765500	4,231105	5,173098	1,128000	-0,150092
20 years	2,721500	4,198000	5,173098	1,128000	-0,150092
30 years	2,540500	4,035000	5,173098	1,128000	-0,150092

As at 31 December 2023, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Yen, used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Yen
1 day	3,800000	5,365000	5,230000	1,855000	0,125000
7 days	3,895000	5,306250	5,220000	1,650000	-0,340000
1 month	3,903500	5,420000	5,285000	1,780000	-0,340000
2 months	3,900500	5,460000	5,215000	1,755000	-0,300000
3 months	3,868500	5,530000	5,320000	1,675000	-0,280000
6 months	3,684500	5,500000	5,370000	1,690000	-0,190000
9 months	3,446500	5,410000	5,290000	1,700000	-0,050000
1 year	3,213500	5,340000	5,250000	1,710000	0,080000
2 years	2,565500	5,195685	5,182845	1,242500	0,079931
3 years	2,321500	5,052550	5,182845	1,164000	0,079931
5 years	2,181500	4,765493	5,182845	1,146000	0,079931
7 years	2,197500	4,478436	5,182845	1,189000	0,079931
10 years	2,288500	4,047457	5,182845	1,252500	0,079931
15 years	2,416500	3,759688	5,182845	1,302500	0,079931
20 years	2,416500	3,758500	5,182845	1,302500	0,079931
30 years	2,280500	3,590950	5,182845	1,302500	0,079931

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**Jun 2024**	**Dec 2023**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1,0705	1,1050	6,5320	6,3320	6,7500	6,8150	6,9050
EUR/GBP	0,84638	0,86905	5,0800	4,8800	5,0550	5,2300	5,4450
EUR/CHF	0,9634	0,9260	6,4000	5,9850	6,0100	6,0500	6,0850
EUR/JPY	171,9400	156,3300	9,7700	9,4300	9,8300	9,9300	10,0380

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 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

	Jun 2024				
	At fair value through profit or loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial assets					
Cash and deposits at central banks	-	-	1 662 989	1 662 989	1 662 989
Loans and deposits to credit institutions payable on demand	-	-	31 266	31 266	31 266
Loans and advances to credit institutions	-	-	110 866	110 866	110 866
Loans and advances to customers	800	-	11 502 843	11 503 643	11 854 540
Financial assets held for trading	27 953	-	-	27 953	27 953
Financial assets at fair value through profit or loss	174 510	-	-	174 510	174 510
Financial assets at fair value through other comprehensive income	-	328 744	-	328 744	328 744
Hedging derivatives	10 865	-	-	10 865	10 865
Other financial assets at amortized cost	-	-	3 276 296	3 276 296	2 814 821
	214 128	328 744	16 584 260	17 127 132	17 016 554
Financial liabilities					
Deposits from other credit institutions	-	-	967 250	967 250	925 364
Deposits from customers	97 127	-	14 202 640	14 299 767	14 268 673
Debt securities issued	-	-	788 970	788 970	785 992
Financial liabilities related to transferred assets	-	-	167 628	167 628	159 194
Financial liabilities held for trading	12 859	-	-	12 859	12 859
Hedging derivatives	2 406	-	-	2 406	2 406
Other subordinated debt	-	-	257 545	257 545	267 968
	112 392	-	16 384 033	16 496 425	16 422 456

(Euro thousand)

	Dez 2023				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 171 397	1 171 397	1 171 397
Loans and deposits to credit institutions payable on demand	-	-	46 065	46 065	46 065
Loans and advances to credit institutions	-	-	125 067	125 067	125 067
Loans and advances to customers	781	-	11 292 424	11 293 205	11 568 142
Financial assets held for trading	15 117	-	-	15 117	15 117
Financial assets at fair value through profit or loss	209 657	-	-	209 657	209 657
Financial assets at fair value through other comprehensive income	-	48 095	-	48 095	48 095
Hedging derivatives	6 174	-	-	6 174	6 174
Other financial assets at amortized cost	-	-	4 316 171	4 316 171	3 565 959
	231 729	48 095	16 951 124	17 230 948	16 755 673
Financial liabilities					
Deposits from central banks	-	-	873 933	873 933	873 933
Deposits from other credit institutions	-	-	1 097 099	1 097 099	1 056 820
Deposits from customers	95 299	-	13 353 722	13 449 021	13 404 852
Debt securities issued	-	-	533 783	533 783	528 106
Financial liabilities related to transferred assets	-	-	511 013	511 013	529 771
Financial liabilities held for trading	12 636	-	-	12 636	12 636
Hedging derivatives	3 525	-	-	3 525	3 525
Other subordinated debt	-	-	217 019	217 019	203 188
	111 460	-	16 586 569	16 698 029	16 612 831

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 30 June 2024:

(Euro thousand)

	Jun 2024				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	1 662 989	-	-	-	1 662 989
Loans and deposits to credit institutions payable on demand	31 266	-	-	-	31 266
Other loans and advances to credit institutions	-	-	110 866	-	110 866
Loans and advances to customers	-	800	11 853 740	-	11 854 540
Financial assets held for trading	15 184	12 769	-	-	27 953
Financial assets at fair value through profit or loss	-	-	174 510	-	174 510
Financial assets at fair value through other comprehensive income	303 022	587	23 811	1 324	328 744
Hedging derivatives	10 865	-	-	-	10 865
Other financial assets at amortized cost	2 814 821	-	-	-	2 814 821
	4 838 147	14 156	12 162 927	1 324	17 016 554
Financial liabilities					
Deposits from other credit institutions	-	-	925 364	-	925 364
Deposits from customers	-	97 127	14 171 546	-	14 268 673
Debt securities issued	-	-	785 992	-	785 992
Financial liabilities related to transferred assets	-	-	159 194	-	159 194
Financial liabilities held for trading	-	12 715	144	-	12 859
Hedging derivatives	-	2 406	-	-	2 406
Other subordinated debt	-	-	267 968	-	267 968
	-	112 248	16 310 208	-	16 422 456

The following table summarizes, by valuation levels, the fair value of Banco Montepio's financial assets and liabilities, as at 31 December 2023:

(Euro thousand)

	Dec 2023				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	1 171 397	-	-	-	1 171 397
Loans and deposits to credit institutions payable on demand	46 065	-	-	-	46 065
Other loans and advances to credit institutions	-	-	125 067	-	125 067
Loans and advances to customers	-	781	11 567 361	-	11 568 142
Financial assets held for trading	6 193	8 924	-	-	15 117
Financial assets at fair value through profit or loss	-	-	209 657	-	209 657
Financial assets at fair value through other comprehensive income	22 604	618	23 556	1 317	48 095
Hedging derivatives	6 174	-	-	-	6 174
Other financial assets at amortized cost	3 565 959	-	-	-	3 565 959
	4 818 392	10 323	11 925 641	1 317	16 755 673
Financial liabilities					
Deposits from central banks	873 933	-	-	-	873 933
Deposits from other credit institutions	-	-	1 056 820	-	1 056 820
Deposits from customers	-	95 299	13 309 553	-	13 404 852
Debt securities issued	-	-	528 106	-	528 106
Financial liabilities related to transferred assets	-	-	529 771	-	529 771
Financial liabilities held for trading	-	9 746	2 890	-	12 636
Hedging derivatives	-	3 525	-	-	3 525
Other subordinated debt	-	-	203 188	-	203 188
	873 933	108 570	15 630 328	-	16 612 831

As at 30 June 2024, the Bank considered for purposes of valuing the shares of SIBS, Unicre and ABANCA, the maintenance of the assumptions disclosed in the financial statements as at 31 December 2023.

45 Post-employment and long-term employee 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 Pension Fund.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

Banco Montepio has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, Banco Montepio signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS came to be made based on a fixed amount per employee and were, thus, no longer indexed to the remuneration.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	Jun 2024	Dec 2023
Financial assumptions		
Salary growth rate	3,0% in the first year, 2,0% in the second year, and 1,0% in the following years	3,0% in the first year, 2,0% in the second year, and 1,0% in the following years
Pension growth rate	2,5% in the first year, 1,5% in the second year, and 0,75% in the following years	2,5% in the first year, 1,5% in the second year, and 0,75% in the following years
Rate of return of Fund	3,85%	3,60%
Discount rate	3,85%	3,60%
Revaluation rate		
Salary growth rate - Social Security	1,50%	1,50%
Monetary correction rate	1,25%	1,25%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90 -1 year	TV 88/90 -1 year
Women	TV 99/01 -2 years	TV 99/01 -2 years
Actuarial valuation method	UCP	UCP

UCP - Unit Credit projected

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds and (ii) duration of the liabilities. As at 30 June 2024, the average duration of the pension liabilities of the employees is 14.4 years (31 December 2023: 14.1 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	Jun 2024	Dec 2023
Active	2 514	2 533
Retirees and survivors	1 693	1 693
	4 207	4 226

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(405 054)	(414 413)
Active	(273 361)	(282 496)
	(678 415)	(696 909)
Liabilities with healthcare benefits		
Pensioners	(26 609)	(27 770)
Active	(26 470)	(26 333)
	(53 079)	(54 103)
Liabilities with death benefits		
Pensioners	(1 928)	(1 973)
Active	(1 120)	(1 179)
	(3 048)	(3 152)
Total liabilities	(734 542)	(754 164)
Coverages		
Pension Fund value	813 322	802 443
Net assets/(liabilities) in the balance sheet	78 780	48 279
Accumulated actuarial remeasurements recognized in other comprehensive income	180 470	211 726

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	Jun 2024				Dec 2023			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the financial period	696 909	54 103	3 152	754 164	592 991	45 958	2 589	641 538
Recognized in net income/(loss) (note 10)								
Current service cost	1 477	481	22	1 980	2 552	810	37	3 399
Interest cost	12 545	973	57	13 575	24 906	1 930	108	26 944
Early retirement, mutually agreed termination and others	(38)	-	-	(38)	6 989	-	-	6 989
Recognized in equities (note 41)								
Actuarial gains/(losses)								
Changes in assumptions	(20 921)	(2 238)	(164)	(23 323)	85 594	6 738	463	92 795
Not related to changes in assumptions	3 286	(240)	(19)	3 027	11 203	(1 333)	(45)	9 825
Other								
Pensions paid by the Fund	(15 680)	-	-	(15 680)	(28 660)	-	-	(28 660)
Pensions paid by Banco Montepio	(318)	-	-	(318)	(991)	-	-	(991)
Participant contributions	1 155	-	-	1 155	2 325	-	-	2 325
Liabilities at the end of the financial period	678 415	53 079	3 048	734 542	696 909	54 103	3 152	754 164

The evolution of the Pension Fund's net asset value as at 30 June 2024 and 31 December 2023 can be analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Value of the Fund at the beginning of the financial period	802 443	777 405
Recognized in net income/(loss) (note 10)		
Share of net interest	14 444	32 651
Recognized in equity (note 41)		
Financial deviations	10 960	18 722
Others		
Participant Contributions	1 155	2 325
Pensions paid by the Fund	(15 680)	(28 660)
Fund´s value at the end of the period	813 322	802 443

The amounts paid by the Pension Fund consider the effect of the application of Ordinance no. 141, of 2024.

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 30 June 2024 and 31 December 2023, Banco Montepio participates in 98.7% in the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

As at 30 June 2024 and 31 December 2023, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	Jun 2024				Dec 2023			
	Assets of the Fund	%	Quoted	Unquoted	Assets of the Fund	%	Quoted	Unquoted
Variable-income securities								
Shares	119 731	14,7	119 731	-	99 986	12,5	99 986	-
Shares investment funds	86 885	10,7	23 770	63 115	97 988	12,2	40 798	57 190
Bonds	498 086	61,3	443 846	54 240	510 049	63,6	450 065	59 984
Real Estate	4 845	0,6	-	4 845	4 846	0,6	-	4 846
Real Estate investment funds	54 544	6,7	4 058	50 486	54 788	6,8	3 971	50 817
Venture capital funds	3 612	0,4	-	3 612	3 545	0,4	-	3 545
Loans and advances to banks and other	45 619	5,6	7 968	37 651	31 241	3,9	-	31 241
	813 322	100,0	599 373	213 949	802 443	100,0	594 820	207 623

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of Banco Montepio, are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Loans and advances to banks and other	20 315	9 763
Real Estate	4 845	4 846
Bonds	389	382
	25 549	14 991

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Actuarial gains/(losses) at the beginning of the financial period	211 726	127 828
Actuarial (gains)/losses in the financial period		
Changes in discount rate	(23 323)	56 161
Payroll update	-	11 215
Pensions growth rate update	-	23 043
Deviation of the Pension Fund return	(10 960)	(18 722)
Resulting from changes in plan conditions	-	2 376
Other changes	3 027	9 825
Actuarial gains/(losses) recognized in other comprehensive income	180 470	211 726

The costs for the period with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	Jun 2024	Jun 2023
Current service cost	1 980	1 706
Net interest expense/(income) on the liabilities coverage balance	(869)	(2 850)
Costs with early retirement, mutually agreed termination and other	(38)	4 055
Costs for the financial period	1 073	2 911

The evolution of net assets/(liabilities) in the balance sheet, as at 30 June 2024 and 31 December 2023, is analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
At the beginning of the financial period	48 279	135 867
Current service cost	(1 980)	(3 399)
Net interest expense/(income) on the liabilities coverage balance	869	5 707
Actuarial gains/(losses)	20 296	(102 620)
Financial gains/(losses)	10 960	18 722
Pensions paid by Banco Montepio	318	991
Early retirement, mutually agreed termination and other	38	(6 989)
At the end of the financial period	78 780	48 279

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, a sensitivity analysis was performed to positive and negative changes in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities.

As at 30 June 2024, the impact of these changes is analysed as follows:

(Euro thousand)

	Jun 2024			
	Liabilities			
	Increase 0,50 p.p.	Decrease 0,50 p.p.	Increase 1,00 p.p.	Decrease 1,00 p.p.
Discount rate	(46 052)	48 610	(92 105)	97 219
Salary growth rate	27 043	(25 473)	54 086	(50 947)
Pension growth rate	44 280	(42 391)	88 560	(84 781)

(Euro thousand)

	Jun 2024	
	Liabilities	
	Reduction in life expectancy by 1 year	Increase in life expectancy by 1 year
Future mortality	(17 913)	17 681

As at 31 December 2023, the impact of these changes is analysed as follows:

(Euro thousand)

	Dec 2023	
	Liabilities	
	Increase	Decrease
Discount rate (0,50% change)	(47 638)	53 206
Salary growth rate (0,50% change)	30 137	(26 078)
Pension growth rate (0,50% change)	48 008	44 012
SAMS contribution (0,50% change)	2 540	(2 540)
Future mortality (1 year change)	(18 502)	18 281

As at 30 June 2024, the cost associated with the end-of-career awards amounted to Euro 2,730 thousand (31 December 2023: Euro 2,618 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 30 June 2024 and 31 December 2023, the amount of the funds for which Banco Montepio acts as depository bank is analysed as follows:

(Euro thousands)

	Jun 2024	Dec 2023
Securities investment funds	337 553	300 641
Real Estate investment funds	754 301	744 824
Pension funds	305 338	301 454
Bank and insurance	21 542	23 235
	1 418 734	1 370 154

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

47 Related parties

As defined in IAS 24, the companies detailed in note 53, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of Banco Montepio. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article 85 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties. First-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 30 June 2024, the list of related parties considered by Banco Montepio is presented as follows:

Majority shareholder
Montepio Geral Associação Mutualista

Board of Directors
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 Committee
Chairman of the Audit Committee
Clementina Barroso
Members
Florbela Lima
Maria Cândida Peixoto
Maria Lúcia Bica

Board of Directors of Other Related Parties
Alice Pinto
Alípio Dias
Amândio Coelho
António Gouveia
Dalila Teixeira
Edite Cheira
Fernando Amaro
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Cidrais Guimarães
Jaquelina Rodrigues
João Almeida Gouveia
João Carvalho das Neves
João Costa Pinto
João Fernandes
Jorge Oliveira
José António Gonçalves
José Mendes Alfaia
Laura Duarte
Licinio Santos
Luís Franco
Luís Pinheiro
Manuel Baptista
Margarida Andrade
Margarida Duarte
Maria Clemente
Nuno Marques da Silva
Nuno Mendes
Paulo Jorge Rodrigues
Paulo Jorge Silva
Paulo Magalhães
Pedro Araújo
Pedro Crespo
Pedro Ribeiro
Rui Gama
Rui Heitor
Virgílio Lima
Vitor Filipe

Other key management personnel

Alexandra Ponciano
Alexandra Quirino Silva
Alexandra Rolo
Ana Sá Couto
António Carlos Machado
António Coelho
António Figueiredo Lopes
António Longo
Armando Cardoso
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Cláudia Monteiro
Daniel Caçador
Edite Cheira
Fabienne Lehuédé
Fernanda Correia
Fernando Teixeira
Filipe Guimarães Cizeron
Frederico Tomáz
Helder Reis
Joana Correia
Jorge Barros Luís
Jorge Dourado
Luís Galharoz
Luís Montanha Rebelo
Luís Sena
Manuel Castanho
Miguel Esteves
Miguel Gomes da Silva
Miguel Oliveira
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Medeiros
Paula Pinheiro
Paula Viegas
Paulo Amorim
Paulo Trindade
Pedro Miguel Mendes
Pedro Pessoa Fragoso
Pedro Pires
Ricardo Domingos Chorão
Ricardo Silva Ribeiro
Rita Santos
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sandra Martins Colaço
Sanguini Shirish
Sara Candeias
Tânia Madeira
Vânia Fernandes

Other related parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
CESource, A.C.E.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
GreenVolt - Energias Renováveis, S.A.
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação (*)
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Residências para Estudantes, S.A.
Montepio Serviços, A.C.E.
NovaCâmbios - Instituição de 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

(*) Montepio Gestão de Activos Imobiliários, A.C.E. - Em liquidação was liquidated on May 13, 2024

As at 30 June 2024, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	Jun 2024							
Company	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Guarantees and commitments assumed	Provisions for guarantees and commitments assumed	Total
Board of Directors	79	-	-	-	-	-	-	79
Board of Directors of Other Related Parties	1 465	2	-	-	-	-	-	1 463
Other key management personnel	2 924	3	-	-	-	-	-	2 921
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	13	-	-	13
CESource, A.C.E.	-	-	-	-	39	-	-	39
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	-	-	-	26	-	-	27
GreenVolt - Energias Renováveis, S.A.	61 317	76	-	-	-	-	-	61 241
Lusitania, Companhia de Seguros, S.A.	3	-	1 837	244	-	-	-	1 596
Moçambique Companhia de Seguros, S.A.R.L.	-	-	376	-	-	-	-	376
Montepio Crédito - Instituição Financeira de Crédito, S.A.	421 956	522	-	-	206	23 800	522	444 918
Montepio Geral Associação Mutualista	565	4	-	-	9 045	120	-	9 726
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	1	-	86	-	-	87
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	107 208	-	-	107 208
Montepio Investimento, S.A.	-	-	-	-	50	181	-	231
Montepio Serviços, A.C.E.	-	-	-	-	1 388	-	-	1 388
NovaCâmbios - Instituição de Pagamento, S.A.	508	3	-	-	-	829	-	1 334
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	150	15	135
Residências Montepio, Serviços de Saúde, S.A.	868	5	-	-	31	750	1	1 643
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	-	-	-	11	-	-	11
	489 686	615	2 214	244	118 103	25 830	538	634 436

As at 31 December 2023, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and commitments assumed, are presented as follows:

(Euro thousand)

	Dec 2023							
Company	Loans and advances to customers	Impairment of loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment of financial assets at fair value through other comprehensive income	Other assets	Guarantees and commitments assumed	Provisions for guarantees and other commitments assumed	Total
Board of Directors	105	-	-	-	-	-	-	105
Board of Directors of Other Related Parties	1 903	1	-	-	-	-	-	1 902
Other key management personnel	2 385	1	-	-	-	-	-	2 384
Bolsimo - Gestão de Activos, S.A.	1	-	-	-	10	-	-	11
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	14	-	-	14
CESource, A.C.E.	-	-	-	-	28	-	-	28
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	-	-	-	-	-	-	1
GreenVolt - Energias Renováveis, S.A.	41 127	84	-	-	-	-	-	41 043
Lusitania, Companhia de Seguros, S.A.	1	-	1 802	239	-	-	-	1 564
Moçambique Companhia de Seguros, S.A.R.L.	-	-	371	-	-	-	-	371
Montepio Crédito - Instituição Financeira de Crédito, S.A.	385 083	785	-	-	219	60 550	-	445 067
Montepio Geral Associação Mutualista	4	1	-	-	10 957	120	1	11 079
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	1	-	192	-	-	193
Montepio Gestão de Ativos Imobiliários, A.C.E. - Em Liquidação	-	-	-	-	1 954	-	-	1 954
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	107 176	-	-	107 176
Montepio Investimento, S.A.	-	-	-	-	-	181	-	181
Montepio Serviços, A.C.E.	-	-	-	-	1 618	-	-	1 618
NovaCâmbios - Instituição de Pagamento, S.A.	408	3	-	-	-	963	-	1 368
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	150	1	149
Residências Montepio, Serviços de Saúde, S.A.	1 024	7	-	-	24	750	1	1 790
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.	-	-	-	-	22	-	-	22
	432 042	882	2 174	239	122 214	62 714	3	618 020

As at 30 June 2024, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	Jun 2024				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued and Other subordinated debt	Other liabilities	Total
Board of Directors	-	848	-	-	848
Board of Directors of Other Related Parties	-	2 815	-	-	2 815
Other key management personnel	-	2 767	-	-	2 767
Bolsimo - Gestão de Activos, S.A.	-	2 167	-	-	2 167
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	5 445	-	-	5 445
Empresa Gestora de Imóveis da Rua do Prior S.A	-	465	-	-	465
Fundação Montepio Geral	-	2 929	-	-	2 929
Fundo de Pensões - Montepio Geral	-	20 020	400	-	20 420
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	3 295	-	-	3 295
GreenVolt - Energias Renováveis, S.A.	-	249	-	-	249
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	2	-	-	2
Lusitania Vida, Companhia de Seguros, S.A.	-	14 955	-	-	14 955
Lusitania, Companhia de Seguros, S.A.	-	6 129	3 200	-	9 329
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	4 198	-	-	4 198
Montepio Geral Associação Mutualista	-	139 311	133 771	6 721	279 803
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	6 950	-	-	6 950
Montepio Holding, S.G.P.S., S.A.	-	32 757	-	2	32 759
Montepio Investimento, S.A.	189 259	-	-	11	189 270
Montepio Residências para Estudantes, S.A.	-	761	-	-	761
Montepio Serviços, A.C.E.	-	703	-	775	1 478
NovaCâmbios - Instituição de Pagamento, S.A.	-	582	-	-	582
PEF - Fundo de Investimento Imobiliário Fechado	-	440	-	-	440
Polaris-Fundo de Investimento Imobiliário Fechado	-	302	-	-	302
Residências Montepio, Serviços de Saúde, S.A.	-	803	-	-	803
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 301	-	-	3 301
Sociedade Portuguesa de Administrações, S.A.	-	964	-	-	964
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	42 629	-	24	42 653
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	1 085	-	-	1 085
	189 259	296 872	137 371	7 533	631 035

As at 31 December 2023, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	Dec 2023				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued and Other subordinated debt	Other liabilities	Total
Board of Directors	-	848	-	-	848
Board of Directors of Other Related Parties	-	2 286	-	-	2 286
Other key management personnel	-	2 326	-	-	2 326
Bolsimo - Gestão de Activos, S.A.	-	193	-	-	193
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	7 828	-	-	7 828
Empresa Gestora de Imóveis da Rua do Prior S.A	-	398	-	-	398
Fundação Montepio Geral	-	2 311	-	-	2 311
Fundo de Pensões - Montepio Geral	-	9 211	401	-	9 612
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 751	-	-	1 751
GreenVolt - Energias Renováveis, S.A.	-	6 205	-	-	6 205
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	99	-	-	99
Lusitania Vida, Companhia de Seguros, S.A.	-	16 037	-	-	16 037
Lusitania, Companhia de Seguros, S.A.	-	8 828	3 051	-	11 879
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	800	-	-	800
Montepio Geral Associação Mutualista	-	129 191	212 829	6 721	348 741
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	7 189	-	-	7 189
Montepio Gestão de Ativos Imobiliários, A.C.E. - Em Liquidação	-	2 000	-	-	2 000
Montepio Holding, S.G.P.S., S.A.	-	32 397	-	2	32 399
Montepio Investimento, S.A.	187 748	-	-	15	187 763
Montepio Residências para Estudantes, S.A.	-	704	-	-	704
Montepio Serviços, A.C.E.	-	239	-	1 352	1 591
NovaCâmbios - Instituição de Pagamento, S.A.	-	633	-	-	633
PEF - Fundo de Investimento Imobiliário Fechado	-	174	-	-	174
Polaris-Fundo de Investimento Imobiliário Fechado	-	326	-	-	326
Residências Montepio, Serviços de Saúde, S.A.	-	533	-	-	533
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 628	-	-	3 628
Sociedade Portuguesa de Administrações, S.A.	-	1 099	-	-	1 099
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	40 155	-	2	40 157
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	690	-	-	690
	187 748	278 079	216 281	8 092	690 200

As at 30 June 2024, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	Jun 2024						
Compny	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	Staff costs	General and administrative expenses
Board of Directors	1	5	1	-	-	-	-
Board of Directors of Other Related Parties	22	20	2	-	-	-	-
Other key management personnel	42	26	2	-	-	-	-
Bolsimo - Gestão de Ativos, S.A.	-	4	4	-	-	(134)	160
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	27	-	300	-	-
CESource, A.C.E.	-	-	-	-	-	(110)	-
Finibanco Angola, S.A.	-	-	-	-	-	-	-
Empresa Gestora de Imóveis da Rua do Prior, S.A.	-	7	-	-	-	-	-
Fundação Montepio Geral	-	20	-	-	-	-	-
Fundo de Pensões - Montepio Geral	-	164	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	23	1 268	-	-	-	-
GreenVolt - Energias Renovàveis, S.A.	1 503	4	17	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	87	3 001	(2)	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	177	2 537	(33)	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	12 610	2 011	2	245	-	(170)	20
Montepio Geral Associação Mutualista	1	8 300	1 400	71	-	(8 050)	1 046
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	109	791	51	-	(333)	-
Montepio Gestão de Ativos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(126)	-	-	-
Montepio Hording, S.G.P.S., S.A.	-	284	-	-	-	-	-
Montepio Investimento, S.A.	-	2 093	-	41	-	-	-
Montepio Residências para Estudantes, S.A.	-	8	-	-	-	-	-
Montepio Serviços, A.C.E.	-	1	-	(1 458)	-	1 346	-
NovaCâmbios - Instituição de Pagamento, S.A.	17	1	20	4	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	2	6	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	2	4	2	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	59	4	8	-	-	(62)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	53	-	-	-	-	-
Sociedade Portuguesa de Administrações, S.A.	-	4	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	426	-	18	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	1	3	1	-	-	-
	14 257	13 838	9 092	(1 188)	300	(7 513)	1 226

As at 30 June 2023, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General administrative expenses, are analysed as follows:

(Euro thousand)

	Jun 2023						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/(expense)	gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	Staff costs	General and administrative expenses
Board of Directors	1	-	-	-	-	-	-
Board of Directors of Other Related Parties	25	4	3	-	-	-	-
Other key management personnel	33	5	2	-	-	-	-
Bolsimo - Gestão de Ativos, S.A.	40	-	-	-	-	(134)	150
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	32	-	447	-	-
CESource, A.C.E.	-	-	-	-	-	(216)	-
Finibanco Angola, S.A.	-	-	-	-	-	-	-
Fundação Montepio Geral	-	-	1	-	-	-	-
Fundo de Pensões - Montepio Geral	-	-	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	1 416	-	-	-	-
GreenVolt - Energias Renovàveis, S.A.	574	17	-	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	1	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	2 841	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	2 739	3	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	6 676	2 197	27	150	-	(214)	20
Montepio Geral Associação Mutualista	-	9 278	1 556	281	-	(4 757)	981
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	31	609	8	-	(376)	-
Montepio Gestão de Ativos Imobiliários, A.C.E. - Em Liquidação	-	-	-	(1 410)	-	(1 097)	-
Montepio Hording, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Investimento, S.A.	4 460	-	32	211	-	(360)	-
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	18	-	27	4	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	-	-	6	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	2	-	2	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	57	-	26	-	-	(61)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	21	-	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	-	-	18	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	10	1	-	-	-
	11 886	11 554	9 330	(734)	447	(7 215)	1 151

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 the first half of 2024 and financial year 2023, there were no transactions with Banco Montepio's Pension Fund.

48 Securitization of assets

As at 30 June 2024, there are three live securitization operations, three of which originated in Banco Montepio and one realized jointly with Montepio Crédito.

We present next some additional details of the live securitization operations as at 30 June 2024.

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.

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 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 30 June 2024, the securitization operations realized by Banco Montepio 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	março de 2007	euro	Mortgage loans	762 375	76 936	762 375	81 121	20 363
Aqua Mortgage No. 1	dezembro de 2008	euro	Mortgage loans	236 500	46 307	236 500	49 792	-
*Pelican Finance No. 2 ** *	dezembro 2021	euro	Consumer loan	360 301	45 812	360 301	142 906	142 947
				1 359 176	169 055	1 359 176	273 819	163 310

* Includes nominal value, accrued interest and other adjustments.

** The amounts presented correspond to the total issuance (Banco Montepio together with Montepio Crédito).

As at 31 December 2023, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Assets transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	83 241	762 375	87 968	22 174
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	320 836	1 028 600	353 346	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	50 309	236 500	53 579	-
*Pelican Finance No. 2 ** *	December 2021	euro	Consumer loan	360 301	59 411	360 301	174 089	174 089
				2 387 776	513 797	2 387 776	668 982	196 263

* Inclui valor nominal, juros corridos e outros ajustamentos.

** Os valores apresentados correspondem ao total da emissão (conjunto do Banco Montepio com o Montepio Crédito).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 30 June 2024, is presented as follows:

(Euro thousand)

	Jun 2024: Pelican Mortgage n.º 3	Jun 2024: Aqua Mortgage n.º 1	Jun 2024: Pelican Finance n.º 2	Jun 2024: Total	Dec 2023: Pelican Mortgage n.º 3	Dec 2023: Pelican Mortgage n.º 4	Dec 2023: Aqua Mortgage n.º 1	Dec 2023: Pelican Finance n.º 2	Dec 2023: Total
Domestic loans and advances									
Retail									
Mortgage	76 874	46 159	-	123 033	83 234	320 608	50 118	-	453 960
Consumer loans	-	-	45 015	45 015	-	-	-	59 056	59 056
	76 874	46 159	45 015	168 048	83 234	320 608	50 118	59 056	513 016
Credit and overdue interest									
Less than 90 days	6	16	12	34	6	85	15	3	109
More than 90 days	56	132	785	973	1	143	176	352	672
	62	148	797	1 007	7	228	191	355	781
	76 936	46 307	45 812	169 055	83 241	320 836	50 309	59 411	513 797

In the first half of 2024, credit securitization operation Pelican Mortgages no.4 was liquidated.

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, 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 partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no. 2.

In the case of the more senior notes, these are recorded as Other financial assets at amortized cost (note 25), while in the case of the residual notes these are recorded in the caption Financial assets at fair value through profit or loss (note 22), and, as at 30 June 2024, these are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	CEMG interest held (nominal amount) euros	Maturity date	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	72 698 815	52 335 952	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	1 876 980	1 876 980	2054	AA-	Aa2	AA-	n.a.	AA	Aa2	A+	n.a.
	Class C	12 000 000	1 580 615	1 580 615	2054	A	A3	A	n.a.	A	A1	BBB+	n.a.
	Class D	6 375 000	839 702	839 702	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	113 198 470	-	2035	AA-	n.a.	n.a.	AA	AA	n.a.	n.a.	AAH
	Class B	20 700 000	8 210 260	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	6 941 041	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	7 654 977	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	6 901 378	-	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	32 436 051	32 436 051	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	13 856 159	13 856 159	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 2023, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	CEMG interest held (nominal amount) euros	Maturity date	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	79 163 483	56 989 873	2054	AAA	Aaa	AAA	n.a.	AAA	Aaa	AA+	n.a.
	Class B	14 250 000	2 043 889	2 043 889	2054	AA-	Aa2	AA-	n.a.	A+	Aa2	A+	n.a.
	Class C	12 000 000	1 721 170	1 721 170	2054	A	A3	A	n.a.	A-	A1	BBB+	n.a.
	Class D	6 375 000	914 371	914 371	2054	BBB	Baa3	BBB	n.a.	BBB+	A3	BB+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	256 116 689	256 116 689	2056	AAA	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AAA
	Class B	55 500 000	22 672 409	22 672 409	2056	AA	n.a.	n.a.	A+	AA	n.a.	n.a.	n.a.
	Class C	60 000 000	24 510 712	24 510 712	2056	A-	n.a.	n.a.	BBB	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	10 212 797	10 212 797	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	11 234 076	11 234 076	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance No 2	Class A	285 400 000	137 898 949	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AAH
	Class B	20 700 000	10 001 781	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	AH
	Class C	17 500 000	8 455 612	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBBH
	Class D	19 300 000	9 325 332	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BB
	Class E	17 400 000	8 407 294	-	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class X	1 000	1	1	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	35 089 309	35 089 309	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	14 989 602	14 989 602	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce the exposure to potential losses and to increase the soundness and resilience of Banco Montepio.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Directorate, the unit responsible for the risk management function of Banco Montepio, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

Banco Montepio's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body delegated by the Board of Directors with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of Banco Montepio and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to 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 the norm that regulates the entire monitoring and control process of risk matters and densifies the activities to be developed by the Bank that assure the adequacy of internal and regulatory capital, considering the business strategy defined.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, 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.

Sole traders ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 18 classes, of which the first 15 correspond to performing risk classes, classes 16 and 17 to those recording arrears, and class 18 to default, in accordance with the applicable internal definition, which follows the 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 to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Directorate, a body independent of the commercial structure. The Risk Directorate is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are presented in note 1 b).

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of one percentage point: impact of 0.75% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of one percentage point: impact of -0.91% 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 -6.68% 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:

	2023	2024	2025	2026	2027
Unemployment rate [2]					
Base Scenario	6.57%	6.04%	5.49%	5.17%	5.08%
Worst-case Scenario	6.57%	7.09%	7.58%	6.71%	5.88%
Best-case Scenario	6.57%	5.81%	5.12%	4.87%	4.89%
GDP growth rate [2]					
Base Scenario	2.08%	2.08%	1.98%	1.74%	1.39%
Worst-case Scenario	2.08%	-1.07%	-1.33%	3.40%	2.01%
Best-case Scenario	2.08%	3.45%	2.54%	1.49%	1.35%
3-Month Euribor Interest Rate [1]					
Base Scenario	3.96%	3.10%	2.45%	2.26%	2.33%
Worst-case Scenario	3.96%	3.23%	0.91%	0.93%	0.98%
Best-case Scenario	3.96%	3.53%	2.92%	2.26%	2.33%
Housing Price Index Growth Rate [2]					
Base Scenario	2.55%	-2.19%	0.76%	2.12%	2.35%
Worst-case Scenario	2.55%	-6.69%	-9.60%	8.41%	6.65%
Best-case Scenario	2.55%	-1.03%	1.64%	0.90%	2.38%
Growth Rate of Disposable Income Per Capita [1]					
Base Scenario	0.74%	5.27%	2.21%	1.60%	1.28%
Worst-case Scenario	0.74%	4.76%	-1.95%	1.49%	2.06%
Best-case Scenario	0.74%	5.68%	3.46%	1.68%	1.17%
Growth Rate of Exports of Goods and Services [2]					
Base Scenario	3.18%	5.66%	4.20%	2.07%	2.36%
Worst-case Scenario	3.18%	2.50%	-0.61%	2.23%	3.30%
Best-case Scenario	3.18%	6.94%	6.01%	2.47%	2.64%
Growth Rate of Family Comsumption [2]					
Base Scenario	1.62%	2.03%	1.16%	0.10%	0.22%
Worst-case Scenario	1.62%	-1.73%	-2.82%	0.73%	0.97%
Best-case Scenario	1.62%	2.96%	2.14%	0.35%	0.14%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: National Institute of Statistics; Projections: Moody's Analytics

Banco Montepio's credit risk exposure can be analysed as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Loans and deposits at credit institutions payable on demand	31 266	46 065
Other loans and advances to credit institutions	110 866	125 067
Loans and advances to customers	11 503 643	11 293 205
Financial assets held for trading	21 961	12 467
Financial assets at fair value through profit or loss	9 174	22 988
Financial assets at fair value through other comprehensive income	305 202	24 785
Hedging derivatives	10 865	6 174
Other financial assets at amortized cost	3 276 296	4 316 171
Other assets	193 729	189 337
Guarantees granted	500 000	516 051
Irrevocable credit lines	715 693	698 783
Revocable credit lines	938 239	897 778
	17 616 934	18 148 871

The analysis of the main credit risk exposures by sector of activity, for the first half of 2024, can be analysed as follows:

(milhares de euros)

Activity	jun 2024														
	Loans and deposits at other credit institutions payable on demand	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 amortized 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	-	-	-	122 670	8 894	-	-	-	-	-	-	-	785	6 029	41
Extractive industries	-	-	-	12 687	966	-	-	-	-	-	7 559	2	1 628	1 817	8
Manufacturing industries	-	-	-	1 052 479	33 534	-	8	-	-	-	-	-	37 502	109 760	538
Electricity generation and distribution, gas steam and air conditioning	-	-	-	144 358	3 002	987	-	-	-	-	-	-	359	21 608	15
Water supply	-	-	-	56 117	672	-	-	-	-	-	-	-	2 192	5 016	15
Construction	-	-	-	365 167	11 158	-	182	-	-	-	-	-	128 183	114 752	3 586
Wholesale and retail trade	-	-	-	795 785	25 945	-	205	-	-	-	19 419	32	54 233	114 125	779
Transport and storage	-	-	-	276 202	6 906	-	-	-	-	-	-	-	4 671	19 792	93
Accommodation and catering activities	-	-	-	506 334	10 363	-	-	-	-	-	-	-	16 961	22 432	122
Information and Communication	-	-	-	45 795	1 218	-	-	-	-	-	-	-	7 742	19 088	82
Financial and insurance activities	31 266	110 894	28	761 186	25 143	17 054	-	1 836	244	10 865	47 156	33	198 620	42 059	59
Real estate activities	-	-		503 376	25 977	-	61	-	-	-	2 689	1	10 724	94 248	417
Consulting, scientific, technical and similar	-	-	-	324 398	4 811	-	-	-	-	-	-	-	17 472	39 717	180
Administrative and supporting service activities	-	-	-	108 800	2 464	-	-	-	-	-	-	-	4 973	17 790	276
Public administration and defence, compulsory social security	-	-	-	40 036	269	3 920	-	298 966	242	-	3 060 681	4 688	78	54 348	11
Education	-	-	-	60 534	1 291	-	-	-	-	-	-	-	197	4 664	42
Human Health Services and Social action activities	-	-	-	331 413	7 384	-	-	4 324	25	-	3 007	18	1 786	15 375	148
Artistic activities, shows and recreational	-	-	-	47 211	1 349	-	-	-	-	-	-	-	5 482	5 066	22
Other services	-	-	-	64 791	1 887	-	-	-	-	-	-	-	4 426	8 007	54
Retail															
Mortgage Loans	-	-	-	5 743 208	34 494	-	8 718	587	-	-	103 072	-	-	-	-
Others	-	-	-	364 554	15 731	-	-	-	-	-	-	-	1 986	-	2 365
	31 266	**110 894**	**28**	**11 727 101**	**223 458**	**21 961**	**9 174**	**305 713**	**511**	**10 865**	**3 243 583**	**4 774**	**500 000**	**715 693**	**8 853**

The analysis of the main credit risk exposures by sector of activity, for financial year 2023, can be analysed as follows:

(Euro thousand)

Activity	Dec 2023														
	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	-	-	-	127 661	2 525	-	-	-	-	-	-	-	802	5 127	52
Extractive industries	-	-	-	13 771	800	-	-	-	-	-	5 026	1	1 383	2 266	11
Manufacturing industries	-	-	-	1 076 087	37 216	501	50	-	-	-	4 714	16	33 813	116 700	1 244
Electricity generation and distribution, gas steam and air conditioning	-	-	-	123 002	5 008	-	-	-	-	-	14 689	24	359	16 068	10
Water supply	-	-	-	54 400	1 436	-	-	-	-	-	-	-	2 200	9 431	84
Construction	-	-	-	377 609	23 418	-	200	-	-	-	-	-	135 098	94 538	4 443
Wholesale and retail trade	-	-	-	804 675	29 157	-	218	-	-	-	12 983	3	53 800	145 780	1 009
Transport and storage	-	-	-	287 754	8 585	-	-	-	-	-	3 109	-	5 274	19 350	163
Accommodation and catering activities	-	-	-	513 787	13 529	-	-	-	-	-	-	-	13 125	23 370	164
Information and Communication	-	-	-	45 366	966	-	-	-	-		-	-	2 149	23 995	92
Financial and insurance activities	46 065	125 096	29	768 789	44 228	11 966	-	1 802	239	6 174	501	-	203 892	79 900	86
Real estate activities	-	-		522 593	29 849	-	65	-	-	-	2 683	2	16 624	79 253	1 164
Consulting, scientific, technical and similar	-	-	-	315 263	6 792	-	-	-	-	-	-	-	23 624	33 508	198
Administrative and supporting service activities	-	-	-	108 023	1 824	-	-	-	-	-	-	-	6 358	14 919	123
Public administration and defence, compulsory social security	-	-	-	24 182	619		-	18 336	40	-	3 841 300	6 111	74	896	5
Education	-	-	-	61 336	1 205	-	-	-	-	-	-	-	191	3 891	43
Human Health Services and Social action activities	-	-	-	322 671	8 131	-	-	4 332	25	-	-	-	4 024	14 641	387
Artistic activities, shows and recreational	-	-	-	47 443	1 639	-	-	-	-	-	-	-	7 431	5 185	24
Other services	-	-	-	62 605	2 009	-	10	-	-	-	-	-	3 703	9 965	72
Retail															
Mortgage Loans	-	-	-	5 541 139	33 273	-	22 445	619	-	-	437 323	-	-	-	-
Others	-	-	-	361 962	14 704	-	-	-	-	-	-	-	2 127	-	988
	46 065	**125 096**	**29**	**11 560 118**	**266 913**	**12 467**	**22 988**	**25 089**	**304**	**6 174**	**4 322 328**	**6 157**	**516 051**	**698 783**	**10 362**

As regards credit risk, the portfolio of financial assets at amortized cost is dominated by bonds of sovereign issuers, essentially the Portuguese Republic.

In terms of credit quality, an increase in the average level of the counterparties was observed, due to the improved rating of the Portuguese sovereign debt.

Banco Montepio's total credit portfolio, in addition to Loans and advances to customers includes the guarantees and standby letters provided and the documentary credits in the aggregate amount of Euro

500,000 thousand (31 December 2023: Euro 516,551 thousand), the irrevocable credit facilities amounting to Euro 715,693 thousand (31 December 2023: Euro 698,783 thousand) and the revocable credit facilities in the amount of Euro 938,240 thousand (31 December 2023: Euro 897,778 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
Stage impacts	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Collective analysis	**13 478 266**	**158 762**	**13 319 504**	**13 125 349**	**176 458**	**12 948 891**
Stage 1	11 356 897	24 750	11 332 147	10 789 067	26 466	10 762 601
Stage 2	1 927 599	65 186	1 862 413	2 133 113	70 401	2 062 712
Stage 3	193 770	68 826	124 944	203 169	79 591	123 578
Collective analysis	**402 769**	**73 549**	**329 220**	**547 881**	**100 817**	**447 064**
Stage 1	141 923	2 734	139 189	185 803	2 028	183 775
Stage 2	88 128	5 314	82 814	148 457	10 580	137 877
Stage 3	172 718	65 501	107 217	213 621	88 209	125 412
	13 881 035	**232 311**	**13 648 724**	**13 673 230**	**277 275**	**13 395 955**

As at 30 June 2024 and 31 December 2023, the detail of the application of Stages to Other financial assets is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
Stage impacts	**Gross Value**	**Impairment**	**Net Value**	**Gross Value**	**Impairment**	**Net Value**
Amortized cost (AC)	**3 281 124**	**4 828**	**3 276 296**	**4 322 328**	**6 157**	**4 316 171**
Stage 1	3 274 697	4 811	3 269 886	4 322 328	6 157	4 316 171
Stage 2	6 427	17	6 410	-	-	-
Fair value (FVOIC)	**305 713**	**511**	**305 202**	**25 089**	**304**	**24 785**
Stage 1	303 876	267	303 609	23 287	65	23 222
Stage 2	1 837	244	1 593	1 802	239	1 563
Other loans and advances to other institutions	**110 894**	**28**	**110 866**	**125 096**	**29**	**125 067**
Stage 1	110 354	12	110 342	124 652	16	124 636
Stage 2	540	16	524	444	13	431
	3 697 731	**5 367**	**3 692 364**	**4 472 513**	**6 490**	**4 466 023**

As at 30 June 2024 and 31 December 2023, the transfer between Stages, in Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Gross value					
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Initial gross value	4 322 328	-	4 322 328	4 616 632	5 791	4 622 423
Exposure of new net derecognition credits, refunds and other variations	(1 047 631)	6 427	(1 041 204)	(294 304)	(5 791)	(300 095)
Final gross value	3 274 697	6 427	3 281 124	4 322 328	-	4 322 328

(Euro thousand)

	Jun 2024			Dec 2023		
	Impairment losses					
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Initial impairment losses	6 157	-	6 157	6 050	642	6 692
Exposure of new net derecognition credits, refunds and other variations	(1 346)	17	(1 329)	107	(642)	(535)
Final impairment losses	4 811	17	4 828	6 157	-	6 157

As at 30 June 2024 and 31 December 2023, the transfer between Stages, in Financial assets at fair value through other comprehensive income, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial gross value	23 287	1 802	25 089	70 347	2 284	72 631
Transfer to stage 1			-	(119)	119	-
Exposure of new net derecognition credits, refunds and other variations	280 589	35	280 624	(46 941)	(601)	(47 542)
Final gross value	303 876	1 837	305 713	23 287	1 802	25 089

Euro thousand

	Jun 2024			Dec 2023		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial impairment losses	65	239	304	157	371	528
Transfer to stage 1			-	(14)	14	-
Exposure of new net derecognition credits, refunds and other variations	202	5	207	(78)	(146)	(224)
Final impairment losses	267	244	511	65	239	304

As at 30 June 2024 and 31 December 2023, the transfer between Stages, in Other loans and advances to credit institutions, is presented as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
	Gross value					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial gross value	124 652	444	125 096	398 649	17	398 666
Exposure of new net derecognition credits, refunds and other variations	(14 298)	96	(14 202)	(273 997)	427	(273 570)
Final gross value	110 354	540	110 894	124 652	444	125 096

(Euro thousand)

	Jun 2024			Dec 2023		
	Impairment losses					
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Initial impairment losses	16	13	29	1 356	-	1 356
Exposure of new net derecognition credits, refunds and other variations	(4)	3	(1)	(1 340)	13	(1 327)
Final impairment losses	12	16	28	16	13	29

As at 30 June 2024 and 31 December 2023, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	Jun 2024			Dec 2023		
Segment	Book value	Impairment	Net value	Book value	Impairment	Net value
Retail	**6 501 890**	**52 548**	**6 449 342**	**6 290 063**	**48 926**	**6 241 137**
Mortgage loans	*5 833 368*	*34 452*	*5 798 916*	*5 627 991*	*33 234*	*5 594 757*
Stage 1	4 776 309	1 192	4 775 117	4 622 655	1 569	4 621 086
Stage 2	1 004 461	21 869	982 592	956 272	20 054	936 218
Stage 3	52 598	11 391	41 207	49 064	11 611	37 453
Consumer credit	*400 176*	*13 278*	*386 898*	*397 677*	*13 601*	*384 076*
Stage 1	347 745	2 324	345 421	341 395	1 770	339 625
Stage 2	38 027	2 888	35 139	41 150	3 370	37 780
Stage 3	14 404	8 066	6 338	15 132	8 461	6 671
Credit cards	*268 346*	*4 818*	*263 528*	*264 395*	*2 091*	*262 304*
Stage 1	252 116	3 202	248 914	243 763	851	242 912
Stage 2	13 306	347	12 959	17 926	248	17 678
Stage 3	2 924	1 269	1 655	2 706	992	1 714
Corporate	**6 976 376**	**106 214**	**6 870 162**	**6 835 286**	**127 532**	**6 707 754**
Non Construction	*6 302 876*	*96 896*	*6 205 980*	*6 216 123*	*112 395*	*6 103 728*
Stage 1	5 422 733	16 580	5 406 153	5 127 861	20 657	5 107 204
Stage 2	788 686	36 881	751 805	991 950	42 827	949 123
Stage 3	91 457	43 435	48 022	96 312	48 911	47 401
Construction	*673 500*	*9 318*	*664 182*	*619 163*	*15 137*	*604 026*
Stage 1	557 994	1 452	556 542	453 394	1 619	451 775
Stage 2	83 119	3 201	79 918	125 815	3 902	121 913
Stage 3	32 387	4 665	27 722	39 954	9 616	30 338
	13 478 266	**158 762**	**13 319 504**	**13 125 349**	**176 458**	**12 948 891**

As at 30 June 2024 and 31 December 2023, impairment is detailed as follows:

(Euro thousand)

	Jun 2024						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	401 570	73 507	6 976 376	106 214	7 377 946	179 721	7 198 225
Mortgage loans	1 199	42	5 833 369	34 452	5 834 568	34 494	5 800 074
Other loans	-	-	668 521	18 096	668 521	18 096	650 425
	402 769	73 549	13 478 266	158 762	13 881 035	232 311	13 648 724

(Euro thousand)

	Dec 2023						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	546 686	100 777	6 835 286	127 533	7 381 972	228 310	7 153 662
Mortgage loans	1 195	40	5 627 991	33 234	5 629 186	33 274	5 595 912
Other loans	-	-	662 072	15 691	662 072	15 691	646 381
	547 881	100 817	13 125 349	176 458	13 673 230	277 275	13 395 955

As at 30 June 2024, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	Jun 2024			
	Stage 1	Stage 2	Stage 3	Total
Initial gross value	10 974 870	2 281 570	416 790	13 673 230
Transfer to stage 1	517 094	(513 429)	(3 665)	-
Transfer to stage 2	(524 687)	540 528	(15 841)	-
Transfer to stage 3	(24 024)	(82 257)	106 281	-
Write-Offs	(1)	(563)	(51 721)	(52 285)
Exposure of new net derecognition credits, refunds and other variations	555 568	(210 122)	(85 356)	260 090
Final gross value	11 498 820	2 015 727	366 488	13 881 035

(milhares de euros)

	Jun 2024			
	Stage 1	Stage 2	Stage 3	Total
Initial impairment losses	28 494	80 981	167 800	277 275
Transfer to stage 1	2 968	(2 949)	(19)	-
Transfer to stage 2	(17 132)	18 149	(1 017)	-
Transfer to stage 3	(7 526)	(22 509)	30 035	-
Write-Offs	(1)	(563)	(51 721)	(52 285)
Exposure of new net derecognition credits, refunds and other variations	20 681	(2 609)	(10 751)	7 321
Final impairment losses	27 484	70 500	134 327	232 311

As at 31 December 2023, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	Dec 2023			
	Stage 1	Stage 2	Stage 3	Total
Initial gross value	10 558 514	2 392 752	677 182	13 628 448
Transfer to stage 1	805 835	(800 633)	(5 202)	-
Transfer to stage 2	(836 911)	895 977	(59 066)	-
Transfer to stage 3	(46 616)	(71 478)	118 094	-
Write-Offs	(30)	(3 910)	(126 690)	(130 630)
Exposure of new net derecognition credits, refunds and other variations	494 078	(131 138)	(187 528)	175 412
Final gross value	10 974 870	2 281 570	416 790	13 673 230

(Euro thousand)

	Dec 2023			
	Stage 1	Stage 2	Stage 3	Total
Initial impairment losses	30 175	69 404	261 782	361 361
Transfer to stage 1	2 548	(2 527)	(21)	-
Transfer to stage 2	(29 062)	32 459	(3 397)	-
Transfer to stage 3	(13 419)	(23 833)	37 252	-
Write-Offs	(30)	(3 910)	(126 690)	(130 630)
Exposure of new net derecognition credits, refunds and other variations	38 282	9 388	(1 126)	46 544
Final impairment losses	28 494	80 981	167 800	277 275

As at 30 June 2024 and 31 December 2023, the fair value analysis of collaterals associated with Banco Montepio's total portfolio, is as follows:

(Euro thousand)

Fair value of collaterals	Jun 2024	Dec 2023
Individual analysis		
Securities and other financial assets	16 902	18 786
Real estate - Construction and CRE	193 364	213 360
Other real estate	307 373	367 207
Other guarantees	67 143	108 453
Collective analysis - Stage 1		
Securities and other financial assets	941 692	861 359
Real estate - Mortgage loans	11 099 655	10 746 489
Real estate - Construction and CRE	1 887 914	1 661 021
Other real estate	2 138 803	1 736 434
Other guarantees	446 508	393 262
Collective analysis - Stage 2		
Securities and other financial assets	235 441	345 660
Real estate - Mortgage loans	2 195 510	2 048 096
Real estate - Construction and CRE	220 745	361 663
Other real estate	391 986	550 260
Other guarantees	26 888	40 276
Collective analysis - Stage 3		
Securities and other financial assets	27 451	28 280
Real estate - Mortgage loans	126 591	118 103
Real estate - Construction and CRE	16 407	41 746
Other real estate	44 647	72 289
Other guarantees	4 238	5 851
	20 389 258	**19 718 595**

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other 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 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousad)

Segment	Jun 2024 Total exposure	Jun 2024 Total impairment	Dec 2023 Total exposure	Dec 2023 Total impairment
Corporate	6 046 068	138 101	6 024 864	168 869
Construction and CRE	1 331 878	41 620	1 357 108	59 441
Retail mortgage loans	5 834 568	34 494	5 629 186	33 274
Retail other loans	668 521	18 096	662 072	15 691
	13 881 035	232 311	13 673 230	277 275

The live loans and advances portfolio, by segment and by production year, as at 30 June 2024, is presented as follows:

(Euro Thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	353	15 088	247	518	20 606	1 411	29 512	729 716	5 129	17 222	13 815	309
2005	76	8 613	172	118	3 474	36	8 009	339 411	2 935	4 523	4 217	92
2006	115	14 115	367	102	3 602	247	9 697	425 218	3 981	12 043	9 630	205
2007	206	7 641	204	128	5 234	209	9 831	431 599	3 878	31 056	32 519	594
2008	833	25 857	649	313	10 702	665	5 146	228 296	2 405	49 638	63 554	841
2009	1 199	31 345	601	322	10 515	708	2 797	135 056	825	39 025	40 996	766
2010	1 281	40 198	805	208	8 010	910	2 825	157 198	1 275	28 518	18 488	395
2011	1 572	54 221	1 277	279	5 314	302	1 046	55 026	322	22 731	19 848	485
2012	1 857	45 219	840	456	9 893	1 117	623	32 963	304	16 018	9 339	320
2013	2 472	101 788	2 070	196	10 312	519	786	41 693	352	14 966	11 010	356
2014	3 468	188 628	11 582	2 143	45 656	708	947	53 495	380	16 620	16 169	920
2015	3 592	111 242	3 662	372	14 798	356	1 111	61 562	544	13 818	14 943	700
2016	4 267	316 538	5 901	804	33 775	3 530	1 589	103 734	988	22 432	19 083	819
2017	5 366	189 948	4 628	437	83 825	11 255	2 182	152 208	1 097	15 624	14 941	542
2018	5 950	164 450	4 865	809	49 154	1 837	2 307	169 359	1 381	24 985	33 522	986
2019	6 574	273 114	21 665	978	72 814	1 421	2 832	215 986	1 080	18 772	33 642	1 179
2020	9 583	908 856	11 430	1 221	110 115	3 434	3 128	270 389	1 307	15 467	33 930	1 472
2021	10 636	479 618	13 619	1 689	112 147	2 898	5 670	539 415	2 495	22 411	59 506	2 568
2022	14 532	1 210 578	32 155	2 005	278 837	5 362	4 858	497 124	2 184	19 614	64 335	2 632
2023	10 521	807 659	13 600	1 491	265 888	2 355	6 605	653 518	1 217	25 704	91 398	1 460
2024	9 094	1 051 352	7 762	3 412	177 207	2 340	5 175	541 602	415	13 910	63 636	455
	93 547	6 046 068	138 101	18 001	1 331 878	41 620	106 676	5 834 568	34 494	445 097	668 521	18 096

The live loans and advances portfolio, by segment and by production year, as at 31 December 2023, is presented as follows:

(Euro Thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	348	17 044	327	534	26 998	5 320	31 128	793 538	5 546	17 620	14 294	262
2005	85	8 896	131	124	4 153	380	8 344	360 474	2 880	4 605	4 489	71
2006	123	14 969	267	109	5 136	587	10 108	450 627	4 016	12 315	9 971	151
2007	216	8 538	542	143	13 617	3 702	10 279	457 919	3 450	32 137	33 917	417
2008	880	27 492	500	317	11 250	755	5 361	241 608	2 412	51 454	66 257	563
2009	1 338	39 782	1 901	337	13 329	984	2 936	143 137	819	40 491	42 941	703
2010	1 341	47 949	1 918	226	16 512	2 458	2 968	168 336	1 418	29 371	19 492	475
2011	1 876	60 228	2 387	300	11 610	3 012	1 099	58 804	330	23 542	20 732	439
2012	1 867	46 980	1 488	416	13 258	3 058	652	35 923	339	16 529	9 734	196
2013	2 745	108 227	2 253	211	10 759	719	825	44 631	319	15 523	11 643	347
2014	3 747	231 829	18 503	1 646	47 746	717	997	56 800	362	17 553	17 863	1 035
2015	3 694	122 891	4 685	396	16 234	535	1 173	66 065	577	14 471	17 151	1 379
2016	4 524	335 526	7 590	706	34 488	3 823	1 688	112 715	976	23 735	21 889	718
2017	7 022	222 643	10 539	522	93 853	11 830	2 296	163 047	1 152	16 413	17 210	471
2018	7 008	195 982	11 990	872	56 752	2 167	2 437	183 551	1 425	25 948	36 468	708
2019	7 298	323 357	31 855	1 103	77 508	1 790	2 982	230 707	977	19 899	37 988	888
2020	9 958	999 838	13 020	1 353	128 195	4 873	3 304	290 112	1 134	16 406	39 310	1 281
2021	11 973	553 567	17 322	2 091	144 239	4 369	5 943	575 025	2 392	23 653	68 777	2 270
2022	14 909	1 347 530	25 624	2 268	304 445	4 722	5 041	521 950	1 838	20 465	72 384	2 140
2023	15 428	1 311 596	16 027	1 788	327 026	3 640	6 715	674 217	912	25 777	99 562	1 177
	96 380	6 024 864	168 869	15 462	1 357 108	59 441	106 276	5 629 186	33 274	447 907	662 072	15 691

The gross exposure of loans and advances and impairment, individual and collective, by segment, as at 30 June 2024 and 31 December 2023, is analysed as follows:

(Euro thousand)

Jun 2024	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	302 947	52 241	98 623	21 266	1 199	42	-	-	402 769	73 549
Collective	5 743 121	85 860	1 233 255	20 354	5 833 369	34 452	668 521	18 096	13 478 266	158 762
	6 046 068	138 101	1 331 878	41 620	5 834 568	34 494	668 521	18 096	13 881 035	232 311

(Euro thousand)

Dec 2023	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	376 396	70 233	170 290	30 544	1 195	40	-	-	547 881	100 817
Collective	5 648 468	98 636	1 186 818	28 897	5 627 991	33 234	662 072	15 691	13 125 349	176 458
	6 024 864	168 869	1 357 108	59 441	5 629 186	33 274	662 072	15 691	13 673 230	277 275

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for Companies, as at 30 June 2024 and 31 December 2023, is analysed as follows:

(Euro thousand)

jun 2024	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	24 919	5 880	28 663	8 266	43 629	2 889	73 704	15 386	230 655	41 086	401 570	73 507
Collective	673 500	9 317	1 284 237	26 781	1 027 562	23 840	559 755	11 037	3 431 322	35 239	6 976 376	106 214
	698 419	15 197	1 312 900	35 047	1 071 191	26 729	633 459	26 423	3 661 977	76 325	7 377 946	179 721

(Euro thousand)

Dec 2023	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	93 675	13 263	37 919	8 267	39 646	3 937	76 615	17 281	298 831	58 029	546 686	100 777
Collective	619 163	15 138	1 311 633	31 005	1 045 310	26 239	567 655	13 759	3 291 525	41 392	6 835 286	127 533
	712 838	28 401	1 349 552	39 272	1 084 956	30 176	644 270	31 040	3 590 356	99 421	7 381 972	228 310

The amount of restructured loans and advances by stage and by segment, as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

Jun 2024	**Corporate**		**Construction and CRE**		**Retail - Mortgage loans**		**Retail - Others**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	54 502	3 775	6 958	658	28 426	413	3 203	244	93 089	5 090
Stage 3	80 167	41 522	26 669	14 966	18 117	3 816	3 514	1 973	128 467	62 277
	134 669	45 297	33 627	15 624	46 543	4 229	6 717	2 217	221 556	67 367

(Euro thousand)

Dec 2023	**Corporate**		**Construction and CRE**		**Retail - Mortgage loans**		**Retail - Others**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 1	-	-	-	-	-	-	-	-	-	-
Stage 2	72 943	4 294	11 246	1 240	35 129	599	3 275	321	122 593	6 454
Stage 3	129 346	66 328	50 590	22 247	16 053	3 776	4 939	3 027	200 928	95 378
	202 289	70 622	61 836	23 487	51 182	4 375	8 214	3 348	323 521	101 832

The gross exposure of performing and non-performing loans and advances, in the first half of 2024 and financial year 2023, is analysed as follows:

(Euro thousand)

	Jun 2024												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 194 522	-	-	-	-	-	-	7 335	-	-	-	-	-
Other balance sheet credit exposures (b)	12 787 643	31 061	93 391	305 992	305 992	305 992	127 775	91 093	5 090	130 397	62 265	129 936	127 505
Off-balance sheet exposures (c)	2 153 933	1 010	32	59 980	59 980	59 980	681	5 434	1	3 420	-	-	-

(a) Includes debt instruments of the financial asset available for sale and commercial paper and bonds recognised under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.

(Euro thousand)

	Dec 2023												
	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 959 530	-	-	314	314	314	-	9 971	-	314	-	-	-
Other balance sheet credit exposures (b)	12 164 230	41 428	122 853	355 427	355 427	355 416	200 384	100 732	6 452	162 386	95 374	150 031	184 335
Off-balance sheet exposures (c)	2 113 112	1 337	92	60 444	60 444	60 444	551	5 870	2	4 491	-	-	-

(a) Includes debt instruments of the financial asset available for sale and commercial paper and bonds recognised under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.

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 30 June 2024, is presented as follows:

(Euro thousand)

	Corporate, 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€	3 371	486 208	10 312	765 274	84 750	12 591 196	169	5 631
>= 0,5 M€ e <1M€	459	322 896	311	205 288	1 034	649 601	1	500
>= 1 M€ e <5M€	522	1 168 113	202	359 414	108	165 521	-	-
>= 5 M€ e <10M€	85	569 405	20	142 539	2	15 438	-	-
>= 10 M€ e <20M€	51	748 931	10	118 528	-	-	-	-
>= 20 M€ e <50M€	16	501 696	-	-	-	-	-	-
>= 50M€	9	1 300 464	2	133 343	-	-	-	-
	4 513	5 097 713	10 857	1 724 386	85 894	13 421 756	170	6 131

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 2023, is presented as follows:

(Euro thousand)

	Corporate, 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€	3 605	522 227	10 543	772 742	84 746	12 242 001	183	5 570
>= 0,5 M€ e <1M€	454	318 756	320	212 244	833	522 084	1	500
>= 1 M€ e <5M€	511	1 149 832	210	356 300	87	133 165	-	-
>= 5 M€ e <10M€	79	533 307	18	127 370	2	15 438	-	-
>= 10 M€ e <20M€	44	633 110	10	126 747	-	-	-	-
>= 20 M€ e <50M€	15	426 372	1	30 000	-	-	-	-
>= 50M€	9	1 307 411	2	133 343	-	-	-	-
	4 717	4 891 015	11 104	1 758 746	85 668	12 912 688	184	6 070

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE, and Mortgage segments, as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

Segment/Ratio	Jun 2024			Dec 2023		
	No. Of real estate	Total exposure	Impairment	No. Of real estate	Total exposure	Impairment
Corporate						
With out real estate (*)	-	4 873 762	90 000	-	4 865 331	97 737
< 60%	1 922	536 682	24 534	2 070	545 325	15 943
>= 60% e < 80%	595	287 447	7 190	550	228 477	11 103
>= 80% e < 100%	544	328 245	14 940	621	328 043	19 814
>= 100%	15	19 933	1 437	17	57 689	24 273
Construction and CRE						
With out real estate (*)	-	629 037	12 568	-	661 278	18 477
< 60%	773	457 640	9 920	766	431 678	18 925
>= 60% e < 80%	241	130 873	2 784	246	160 513	7 399
>= 80% e < 100%	409	105 718	15 613	376	83 236	11 583
>= 100%	14	8 610	736	71	20 404	3 057
Mortgage						
Without real estate (*)	-	24 666	452	-	28 167	991
< 60%	61 288	2 943 522	14 277	60 624	2 801 856	13 361
>= 60% e < 80%	19 524	1 860 549	10 854	19 695	1 816 651	9 917
>= 80% e < 100%	4 963	988 294	8 156	5 200	964 808	7 952
>= 100%	119	17 536	755	149	17 704	1 053

(*) Includes operations with other associated collaterals, namely financial collaterals.

The fair value and the net value of real estate received in recovery of loans, by asset type, as at 30 June 2024 and 31 December 2023, are presented as follows:

(Euro thousand)

Assets	Jun 2024		
	Number of properties	Fair value assets	Book value
Land	**782**	**107 038**	**94 779**
Urban	602	76 129	67 781
Rural	180	30 909	26 998
Buildings under construction	**175**	**25 369**	**21 563**
Commercial	37	2 422	2 196
Housing	111	22 552	18 987
Other	27	395	380
Constructed buildings	**652**	**68 544**	**53 864**
Commercial	307	46 798	38 066
Housing	138	17 353	12 305
Other	207	4 393	3 493
	1 609	200 951	170 206

(Euro thousand)

Assets	Dec 2023		
	Number of properties	Fair value assets	Book value
Land	**867**	**116 762**	**103 851**
Urban	684	86 507	77 093
Rural	183	30 255	26 758
Buildings under construction	**231**	**33 621**	**29 303**
Commercial	44	2 933	2 665
Housing	145	30 256	26 221
Other	42	432	417
Constructed buildings	**711**	**75 366**	**61 759**
Commercial	347	52 863	45 062
Housing	151	17 947	13 036
Other	213	4 556	3 661
	1 809	225 749	194 913

The carrying amount reported in the table above takes into account, upon initial recognition and as defined in the accounting policy described in note 1 h), the lower value between its fair value net of selling expenses and the carrying amount of the credit existing on the date on which the transfer was made, and is subsequently updated due, in particular, to changes in the appraised value of the property and/or estimated selling expenses. In situations where a potential capital gain is determined, same is not recognized in the financial statements.

The time elapsed since the receipt in recovery of real estate, as at 30 June 2024 and 31 December 2023, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	Jun 2024				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**106**	**1 043**	**3 781**	**89 849**	**94 779**
Urban	61	41	3 688	63 991	67 781
Rural	45	1 002	93	25 858	26 998
Buildings under construction	**-**	**-**	**1 991**	**19 572**	**21 563**
Commercial	-	-	461	1 735	*2 196*
Housing	-	-	1 335	17 652	*18 987*
Other	-	-	195	185	*380*
Constructed buildings	**3 382**	**6 591**	**11 797**	**32 094**	**53 864**
Commercial	2 640	4 792	7 066	23 568	38 066
Housing	636	1 743	3 007	6 919	12 305
Other	106	56	1 724	1 607	3 493
	3 488	7 634	17 569	141 515	170 206

					(Euro thousand)
	Dec 2023				
Elapsed time since recovery/execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**200**	**1 095**	**6 377**	**96 179**	**103 851**
Urban	-	174	5 427	71 492	77 093
Rural	200	921	950	24 687	26 758
Buildings under construction	**-**	**377**	**2 117**	**26 809**	**29 303**
Commercial	-	159	461	2 045	*2 665*
Housing	-	218	1 461	24 542	*26 221*
Other	-	-	195	222	*417*
Constructed buildings	**4 835**	**5 819**	**12 561**	**38 544**	**61 759**
Commercial	3 508	3 909	7 998	29 647	45 062
Housing	1 327	1 640	2 963	7 106	13 036
Other	-	270	1 600	1 791	3 661
	5 035	7 291	21 055	161 532	194 913

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In Banco Montepio, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for Banco Montepio and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Directorate. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Directorate. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

Banco Montepio regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income (these portfolios represent a low materiality in the Bank’s total assets), with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

Banco Montepio's investment portfolio is mainly concentrated in debt instruments and as at 30 June 2024 this represented 94.7% (31 December 2023: 94.8%) of the total portfolio (excluding notes held of own securitizations not derecognized), with the dominant position being held by bonds of sovereign issuers of the Eurozone.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 30 June 2024 and 31 December 2023.

In terms of credit quality of the debt securities (bonds and commercial paper), circa 98.4% of the portfolio is investment grade (31 December 2023: 99.2%). Of note are the Portuguese, Spanish and Italian sovereign bonds with rating A-, BBB+ and BBB-, respectively, and that represent 84.0% (31 December 2023: 91.3%) of the debt portfolio. The main changes in the portfolio composition refer to the increase in exposure to supranational debt from the Eurozone, which is responsible for the increase in AAA ratings, simultaneously with the reduction in exposures to sovereign debt from Italy and Spain, which was reflected in the decrease in BBB+ and BBB ratings. It should be noted that the increase in debt without a risk rating (NR) is essentially due to positions taken in commercial paper.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income (excluding notes of own securitizations held) and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	Jun 2024		Dec 2023		Change	
	Amount	%	Amount	%	Amount	%
AAA	234 016	6,7	34 607	0,9	199 410	576,2
AA+	82 936	2,4	87 503	2,2	(4 567)	(5,2)
AA	4 876	0,1	4 861	0,1	15	0,3
AA-	144 318	4,1	139 879	3,6	4 439	3,2
A+	7 055	0,2	7 089	0,2	(33)	(0,5)
A	5 206	0,1	501	-	4 704	939,1
A-	1 045 891	30,0	1 056 639	27,0	(10 749)	(1,0)
BBB+	884 967	25,4	1 031 009	26,4	(146 042)	(14,2)
BBB	41 325	1,2	34 395	0,9	6 930	20,1
BBB-	980 577	28,1	1 478 053	37,8	(497 476)	(33,7)
BB+	13 733	0,4	14 177	0,4	(444)	(3,1)
NR	42 718	1,3	18 463	0,5	24 255	131,4
Total	3 487 618	100,0	3 907 176	100,0	(419 559)	(10,7)

The position in bonds (excluding notes held of own securitizations not derecognized) recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 305,202 thousand (31 December 2023: Euro 24,785 thousand), the position in Other financial assets at amortized cost stood at Euro 3,173,224 thousand (31 December 2023: Euro 3,878,848 thousand) and the position in Financial assets held for trading stood at Euro 9,192 thousand (31 December 2023: Euro 3,543 thousand).

Regarding the trading portfolio, as at 30 June 2024 and 31 December 2023, the main VaR indicators are as follows:

(Euro thousand)

	Jun 2024	Average	Minimum	Maximum	Dec 2023
Market VaR	305	290	94	576	134
Interest rate risk	337	242	7	551	35
Exchange risk	65	162	7	112	45
Price risk	186	156	89	165	118
Spread risk	82	69	72	58	7
Diversification effect	(365)	(339)	(81)	(310)	(71)

The value of the VaR of the trading portfolio increased from 31 December 2023 to 30 June 2024, having remained at moderate or reduced levels during the first half of 2024 and in line with that observed in the previous year.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating Banco Montepio (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, as at 30 June 2024 and 31 December 2023:

(Euro thousand)

	Below 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Above 5 years
30 June 2024					
Assets					
Debt securities	33 959	50 249	216 734	1 814 773	1 418 459
Loans and advances	6 572 974	2 804 309	1 053 370	2 276 028	991 650
Others	1 402 571	-	-	-	-
Off-balance sheet	11 686	29 984	67 161	884 121	16
Total	8 021 190	2 884 542	1 337 265	4 974 922	2 410 125
Liabilities					
Debt securities issued	17 138	520 969	36 034	835 494	6 901
Term deposits	3 914 186	2 695 396	1 473 088	523 378	-
Others	2 551 385	241 042	357 548	1 089 383	2 411 359
Off-balance sheet	301 362	529 098	15 905	76 416	782
Total	6 784 071	3 986 505	1 882 575	2 524 671	2 419 042
GAP (Assets - Liabilities)	1 237 119	(1 101 963)	(545 310)	2 450 251	(8 917)
31 December 2023					
Assets					
Debt securities	36 441	795 387	61 512	1 576 179	1 464 794
Loans and advances	6 492 482	2 886 053	1 221 513	1 082 939	1 146 487
Others	921 625	-	-	-	-
Off-balance sheet	10 007	9 133	40 901	280 745	-
Total	7 460 555	3 690 573	1 323 926	2 939 863	2 611 281
Liabilities					
Debt securities issued	64 914	100 000	550 635	255 184	2 973
Term deposits	2 444 747	1 692 745	2 553 660	1 081 129	-
Others	1 390 240	-	58 603	150 000	150 492
Off-balance sheet	39 158	264 833	12	93	853
Total	3 939 059	2 057 578	3 162 910	1 486 406	154 318
GAP (Assets - Liabilities)	3 521 496	1 632 995	(1 838 984)	1 453 457	2 456 963

The following table presents the interest rate gaps, in the first half of 2024 and financial year 2023:

(Euro thousand)

	Jun 2024				Dec 2023			
	June	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate GAP	2 031 178	4 628 552	7 225 926	2 031 178	7 225 926	6 742 763	7 225 926	6 259 599

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 30 June 2024, 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 73,611 thousand (31 December 2023: increase of Euro 21,754 thousand).

The following table presents the average interest rates, in relation to Banco Montepio's major asset and liability categories for the first half of 2024 and financial year 2023, as well as the respective average balances and interest for the financial year:

(Euro thousand)

	Jun 2024			Dec 2023		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest assets generators						
Deposits at central banks and other credit institutions	1 059 049	3,35	17 922	833 568	2,84	23 997
Loans and advances to credit institutions	129 293	3,90	2 549	324 637	3,42	11 267
Loans and advances to customers	11 673 968	5,33	314 717	11 383 129	4,53	522 883
Securities portfolio	4 229 402	1,09	23 366	4 641 973	0,82	38 441
Other assets at fair value	486	3,26	8	401	4,67	19
Other (Includes derivatives)	-	-	6	-	-	3 407
	17 092 198	**4,15**	**358 568**	**17 183 708**	**3,44**	**600 014**
Interest liabilities generators						
Deposits from ECB	375 717	4,11	7 806	1 817 590	3,16	58 164
Deposits from other credit institutions	1 162 010	2,64	15 532	538 338	2,38	13 007
Deposits from customers	13 783 253	1,50	104 357	10 895 033	0,76	84 354
Senior debt	1 053 311	4,49	23 885	470 639	6,47	30 855
Subordinated debt	257 408	8,64	11 247	181 716	10,63	19 584
Other (includes derivatives)	-	-	4 856	-	-	10 847
	16 631 699	**1,99**	**167 683**	**13 903 316**	**1,54**	**216 811**
Net interest income		**2,21**	**190 885**		**2,20**	**383 203**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, as at 30 June 2024 and 31 December 2023, is analysed as follows:

(Euro thousand)

	Jun 2024							
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Yen	Other foreign currencies	Total
Assets by currency								
Cash and deposits at central banks	1 649 910	9 849	1 306	937	753	7	227	1 662 989
Loans and advances to credit institutions payable on demand	24 520	4 873	71	43	1 143	132	484	31 266
Othder loans and advances to credit institutions	67 092	43 750	7	-	17	-	-	110 866
Loans and advances to customers	11 488 587	14 620	-	-	-	-	436	11 503 643
Financial assets held for trading	26 174	1 590	61	-	128	-	-	27 953
Other financial assets at fair value through profit or loss	174 510	-	-	-	-	-	-	174 510
Other financial assets at fair value through other comprehensive income	328 744	-	-	-	-	-	-	328 744
Hedging derivatives	10 865	-	-	-	-	-	-	10 865
Other financial assets at amortized cost	3 201 846	74 450	-	-	-	-	-	3 276 296
Investments in associated companies	276 033	-	-	-	-	-	-	276 033
Other tangible assets	176 564	-	-	-	-	-	-	176 564
Intangible assets	60 167	-	-	-	-	-	-	60 167
Current tax assets	701	-	-	-	-	-	-	701
Deferred tax assets	350 200	-	-	-	-	-	-	350 200
Other assets	445 045	7 215	644	-	-	-	1 321	454 225
Total assets	**18 280 958**	**156 347**	**2 089**	**980**	**2 041**	**139**	**2 468**	**18 445 022**
Liabilities by currency								
Deposits from other credit institutions	962 166	4 317	60	599	44	-	64	967 250
Deposits from customers	14 123 984	123 638	18 325	27 586	3 218	134	2 882	14 299 767
Debt securities issued	788 970	-	-	-	-	-	-	788 970
Financial liabilities related to transferred assets	167 628	-	-	-	-	-	-	167 628
Financial liabilities held for trading	12 859	-	-	-	-	-	-	12 859
Hedging derivatives	2 406	-	-	-	-	-	-	2 406
Provisions	16 516	-	-	-	-	-	-	16 516
Current tax liabilities	336	-	-	-	-	-	-	336
Other subordinated debt	257 545	-	-	-	-	-	-	257 545
Other liabilities	255 715	3 712	-	2 589	175	-	28	262 219
Total liabilities	**16 588 125**	**131 667**	**18 385**	**30 774**	**3 437**	**134**	**2 974**	**16 775 496**
Exchange forward transactions		(35 226)	15 912	29 789	1 443	-	724	
Exchange gap		(10 546)	(384)	(5)	47	5	218	
Stress Test		2 109	77	1	(9)	(1)	(44)	

(Euro thousand)

	Dec 2023						
	Euro	US Dollar	Sterling Pound	Canadian Dollar	Swiss Franc	Other foreign currencies	Total
Assets by currency							
Cash and deposits at central banks	1 162 806	5 493	906	476	1 446	270	1 171 397
Loans and advances to credit institutions payable on demand	22 847	20 601	199	243	1 415	760	46 065
Loans and advances to credit institutions	68 000	57 043	7	-	17	-	125 067
Loans and advances to customers	11 281 418	11 787	-	-	-	-	11 293 205
Financial assets held for trading	14 725	210	87	-	95	-	15 117
Other financial assets at fair value through profit or loss	209 657	-	-	-	-	-	209 657
Other financial assets at fair value through other comprehensive income	48 095	-	-	-	-	-	48 095
Hedging derivatives	6 174	-	-	-	-	-	6 174
Other financial assets at amortized cost	4 237 133	79 038	-	-	-	-	4 316 171
Investments in associated companies	278 913	-	-	-	-	-	278 913
Other tangible assets	179 004	-	-	-	-	-	179 004
Intangible assets	57 537	-	-	-	-	-	57 537
Current tax assets	1 302	-	-	-	-	-	1 302
Deferred tax assets	389 077	-	-	-	-	-	389 077
Other assets	429 990	7 996	-	-	1	-	437 987
Total assets	**18 386 678**	**182 168**	**1 199**	**719**	**2 974**	**1 030**	**18 574 768**
Liabilities by currency							
Deposits from central banks	873 933	-	-	-	-	-	873 933
Deposits from other credit institutions	1 076 611	20 238	72	32	133	13	1 097 099
Deposits from customers	13 279 555	118 940	18 615	25 724	3 160	3 027	13 449 021
Debt securities issued	533 783	-	-	-	-	-	533 783
Financial liabilities related to transferred assets	511 013	-	-	-	-	-	511 013
Financial liabilities held for trading	12 636	-	-	-	-	-	12 636
Hedging derivatives	3 525	-	-	-	-	-	3 525
Provisions	20 156	22	-	-	-	-	20 178
Current tax liabilities	703	-	-	-	-	-	703
Other subordinated debt	217 019	-	-	-	-	-	217 019
Other liabilities	270 711	2 111	230	2 640	1 093	84	276 869
Total liabilities	**16 799 645**	**141 311**	**18 917**	**28 396**	**4 386**	**3 124**	**16 995 779**
Exchange forward transactions		(45 423)	17 720	27 592	1 404	2 242	
Exchange gap		(4 566)	2	(85)	(8)	148	
Stress Test		913	-	17	2	-	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects Banco Montepio's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR and NSFR prudential ratios is performed monthly.

As at 30 June 2024, the LCR value was 214.3% (31 December 2023: 230.2%).

As at 30 June 2024, the net stable funding ratio, designated NSFR, stood at 131.5% (31 December 2023: 126.6%).

As at 30 June 2024, Banco Montepio’s financing structure was as follows:

(Euro thousand)

Liabilities	Total	Cash	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from other credit institutions	967 250	-	654 746	8 435	4 062	300 007
Deposits from customers	14 299 767	-	9 135 462	2 721 583	1 438 651	1 004 071
Debt securities issued	788 970	-	-		14 823	774 147
Financial liabilities associated with transferred assets	167 628	-	-	-	-	167 628
Financial liabilities held for trading	12 859	-	370	77	1 468	10 944
Other subordinated debt	257 545	-	-	-	1 222	256 323
Other liabilities	262 219	262 219	-	-	-	-
	16 756 238	**262 219**	**9 790 578**	**2 730 095**	**1 460 226**	**2 513 120**

As at 31 December 2023, Banco Montepio’s financing structure was as follows:

(Euro thousand)

Passivos	Total	Cash	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	873 933	-	817 437	-	56 496	-
Deposits from other credit institutions	1 097 099	500	784 073	8 283	4 236	300 007
Deposits from customers	13 449 021	-	7 895 843	1 641 788	2 458 040	1 453 350
Debt securities issued	533 783	-	-	-	3 776	530 007
Financial liabilities associated with transferred assets	511 013	-	-	-	-	511 013
Financial liabilities held for trading	12 636	-	107	10	774	11 745
Other subordinated debt	217 019	-	-	-	10 696	206 323
Other liabilities	276 869	276 869	-	-	-	-
	16 971 373	**277 369**	**9 497 460**	**1 650 081**	**2 534 018**	**3 012 445**

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 30 June 2024 and 31 December 2023, on the assets and related collaterals:

(Euro thousand)

Assets	Jun 2024			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	885 762	-	17 559 260	-
Equity instruments	-	-	194 870	204 340
Debt securities	882 172	357 942	3 314 207	2 913 698
Other assets	-	-	1 487 621	-

(Euro thousand)

Assets	Dec 2023			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	2 416 932	-	16 157 836	-
Equity instruments	-	-	212 629	220 155
Debt securities	1 003 226	359 853	3 949 562	3 696 368
Other assets	-	-	1 508 240	-

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	Jun 2024	Dec 2023
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	742 688	1 469 650
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	852 701	2 383 400

The encumbered assets are mostly related to Banco Montepio's funding operations, namely of the EIB in repos operations, with the issuance of covered bonds and securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repos transactions in the money market are collateralized, essentially, by sovereign debt bonds.

The amounts presented in the previous tables correspond to the position as at 30 June 2024 and 31 December 2023 and reflect the high level of collateralization of the wholesale funding of Banco Montepio. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 30 June 2024 to Euro 3,949,355 thousand (31 December 2023: Euro 3,765,706 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 30 June 2024, amounts to Euro 3,946,077 thousand (31 December 2023: Euro 4,666,394 thousand) with a usage of Euro 22,460 thousand associated with the Bank's intraday credit line (31 December 2023: Euro 924,754 thousand):

(Euro thousand)

	Jun 2024	Dec 2023
Total eligible collateral	**4 713 556**	**5 562 498**
Total collateral in the pool	3 946 077	4 666 394
Collateral outside the pool	767 479	896 104
Used collateral	**764 201**	**1 796 792**
Collateral used for ECB	22 460	924 754
Collateral committed to other financing operations	741 741	872 038
Collateral available for ECB	**3 923 617**	**3 741 640**
Total available collateral	**3 949 355**	**3 765 706**

Note: collateral amount considers the applied haircut

As at 30 June 2024, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	jun 2024							
Liabilities	**Total**	**In cash (1)**	**Up 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**>5 years**
Deposits from other credit institutions	968 428	223 992	431 477	8 548	4 183	37 553	112 618	150 057
Deposits from customers	14 407 726	5 583 578	3 668 639	2 711 618	1 417 292	427 117	599 482	-
Debt securities issued	890 863	-	-	349 011	14 063	42 816	484 973	-
Financial liabilities associated with transferred assets	154 630	60	7 952	7 704	14 526	24 859	41 111	58 418
Financial liabilities held for trading	12 859	12 859	-	-	-	-	-	-
Other subordinated debt	472 754	-	210	-	21 456	21 603	65 078	364 407
Other liabilities	279 071	-	279 071	-	-	-	-	-
	17 186 331	**5 820 489**	**4 387 349**	**3 076 881**	**1 471 520**	**553 948**	**1 303 262**	**572 882**

(1) Includes trading liabilities, including derivatives, considered at fair value

As at 31 December 2023, the (undiscounted) contractual outflows of the financial liabilities, including interest flows, presented the following structure:

(Euro thousand)

	Dec 2023							
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	883 362	-	824 759	-	58 603	-	-	-
Deposits from other credit institutions	1 099 464	235 663	550 758	8 409	4 378	37 557	112 628	150 071
Deposits from customers	13 569 027	5 677 022	2 348 443	1 721 497	2 389 570	501 934	930 561	-
Debt securities issued	586 364	-	-	-	349 011	20 000	217 353	-
Financial liabilities associated with transferred assets	181 916	68	9 233	8 995	16 979	29 739	52 177	64 725
Financial liabilities held for trading	12 636	12 636	-	-	-	-	-	-
Other subordinated debt	353 876	-	216	15 250	5 289	23 360	124 126	185 635
Other liabilities	297 750	-	297 750	-	-	-	-	-
	16 984 395	**5 925 389**	**4 031 159**	**1 754 151**	**2 823 830**	**612 590**	**1 436 845**	**400 431**

(1) Includes trading liabilities, including derivatives, considered at fair value

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 30 June 2024 and 31 December 2023, excluding the real estate included in the Gerês operation, the exposure to real estate and investment units in real estate funds presented the following values:

		(Euro thousand)
	Jun 2024	**Dec 2023**
Real estate received in recovery of credit	170 173	194 894
Unidades de Participação de Fundos Imobiliários	103 533	111 047
	273 706	305 941
Stress test	(27 371)	(30 594)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Also with regard to real estate risk, Banco Montepio has defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of credit. This prudential deduction, with no impact on the financial statements, is carried out through the application of a gradual haircut plan applicable to the properties considering their ageing in the balance sheet. Regarding the portfolios of properties received in recovery of credit and investment properties, the Bank considered, as at 30 June 2024, a specific prudential deduction of Euro 58,253 thousand.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, control and measurement of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Directorate exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

Regarding operational risk monitoring as at 30 June 2024, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

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

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Directorate.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which 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.

Information and Communication Technologies Risk

Information and communication technologies risk is characterized by the risk of losses in capital and the Bank's net equity due to breach of confidentiality, lack of integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technologies (IT) within a reasonable period of time and cost when the environment or business requirements change (i.e., agility). This scope also includes the risk of losses resulting from external security risk events or inadequate or deficient internal processes, including cyberattacks or inadequate physical security.

As part of the management of this risk, Banco Montepio's Risk Directorate ensures the identification, measurement, assessment, management, monitoring and communication of information and communication technology risk events and security. Considering the ongoing digital transformation and the Bank's increased technological dependence, as well as the increase in cyberattacks in Portugal and around the world, in 2022 the Bank created a Cybersecurity Office independent of the Information Systems Directorate, in order to centralize and focus teams on implementing a process framework to mitigate security events as well as defining and implementing an action plan whenever they occur; this Office is in direct contact with the Bank's Risk Directorate within the scope of management and security risk monitoring.

Environmental, Social and Governance Risks

ESG Risks are based on the assessment of Environmental, Social and Governance (ESG) components. Environmental risks ("Climate and Environmental Risk via Physical Risk" and "Climate Risk via Transition Risk") are defined in Banco Montepio's Risk Taxonomy and are individually identified and assessed as part of the risk materiality assessment process. Social and Governance risks are also defined in Banco Montepio's Risk Taxonomy ("Social Risk" and "Governance Risk").

To centralize the management of these risks, in 2023 the Bank created a team in the Risk Directorate specializing in the management and monitoring of this risk (ESG Risk Management Centre).

Pension Fund risk

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

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Directorate ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one year. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Within the scope of emerging risks, among which ESG risks stand out, the Bank is implementing its own framework for the management of these risks, ensuring their interconnection with credit, market, liquidity, operational and real estate risks, among others. Within the scope of this framework, the Management and Supervisory bodies will monitor the current and prospective evolution of the institution's risk profile to these risks. It should be noted that, within the scope of the review of the Bank's risk appetite 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 Directorate. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Directorate carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Directorate, together with the first-line organic units.

The own funds of Banco Montepio are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European

Parliament and by the Council and Notice no. 10/2017 of 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 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made of equity tranches according to article 36 paragraph k) of the CRR, resulting from synthetic and traditional securitizations made during 2021 through 2023. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. Also in accordance with Regulation (EU) no. 575/2013, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019. In addition to the regulatory deductions, Banco Montepio defined in its own internal regulations a plan to reduce the prudential value of properties received in recovery of loans. This prudential reduction is carried out through a prudential deduction resulting from the application of a gradual plan of haircuts applied to properties considering their ageing on the balance sheet. Regarding portfolios of property received in recovery of credit and investment properties, the Bank considered, as at 30 June 2024, a specific prudential deduction of Euro 58,253 thousand (with an impact of a negative 64 basis points on CET1) resulting from the internal prudential haircut policy. Bearing in mind the plan defined in its own internal regulations, an additional impact of - Euro 12,821 thousand is estimated until the end of 2024 (*ceteris paribus* in Banco Montepio’s portfolio as at 30 June 2024). However, Banco Montepio continues to make efforts to reduce its exposure to properties, particularly those with a greater ageing in its portfolio, to reduce the amount of this potential prudential impact.

- Level 1 Own Funds or Tier 1 (T1): includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by 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.

Regulation 2020/873 of the European Parliament and Council introduced an additional transitional plan regarding the impacts of increased IFRS 9 impairments occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional recognition plan of 75% in 2024 and 100% in 2025.

The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1 of 6.0% for Tier 1 and 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions). For 31 December 2023, 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 30 June 2024, had a Counter-Cyclical Reserve of 0.0199%. Regarding the Conservation Reserve, its value is 2.5%. Pursuant to these provisions, as at 30 June 2024 and 31 December 2023, the Common Equity Tier 1, Tier 1 and Total regulatory ratios were 7.02%, 8.52% and 10.52%, respectively.

The summary of the calculation of Banco Montepio's capital requirements as at 30 June 2024 and 31 December 2023, under phase-in, is presented as follows:

(Euro thousand)

	Jun 2024	Dec 2023
Capital Common Equity Tier 1		
Realized share capital	1 210 000	1 210 000
Net income/(loss), reserves and retained earnings	449 631	362 989
Other regulatory adjustments	(396 670)	(325 647)
	1 262 961	1 247 342
Capital Tier 2		
Subordinated debt	256 323	206 323
Regulatory adjustments	-	(89)
	256 323	206 234
Total own funds	1 519 284	1 453 576
Own funds requirements		
Credit risk	532 499	519 188
Market risk	2 486	1 681
Operating risk	49 114	49 114
Other requirements	21 301	29 595
	605 400	599 578
Prudential Ratios		
Commom Equity Tier 1 Ratio	16,69%	16,64%
Tier 1 Ratio	16,69%	16,64%
Total Capital Ratio	20,08%	19,39%

It should be noted that the ratios, as at 30 June 2024 and 31 December 2023, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 28.

If the transitional plan was not applied to the initial impacts of the adoption of IFRS 9, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 30 June 2024 and 31 December 2023, would be:

(Euro thousand)

	Jun 2024	Dec 2023
Capital Common Equity Tier 1	1 259 778	1 236 690
Capital Tier 1	1 259 778	1 236 690
Total own funds	1 516 101	1 442 924
Own funds requirements	605 424	599 660
Prudential ratios		
Common Equity Tier 1 Ratio	16,65%	16,50%
Tier 1 Ratio	16,65%	16,50%
Total Capital Ratio	20,03%	19,25%

Additionally, in accordance with the decision of the Bank of Portugal within the scope of the SREP process, as of 01/07/2024 Banco Montepio will deduct from own funds the value of the collateral associated with the Irrevocable Payment Commitments (IPC) relating to the SRF (Euro 11.3 million) and DGF (Euro 24.6 million). This deduction will have an estimated impact of -0.45p.p. on Banco Montepio's CET1 ratio.

50 Recently issued accounting policies

IFRS Disclosures – New standards as at 30 June 2024, for annual periods beginning on 1 January 2024:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2024:

a) **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants'. These amendments clarify that liabilities are classified as current or non-current balances depending on the right of an entity to defer payment beyond 12 months after the reporting date. They also clarify that "covenants", which an entity is obliged to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if its verification only occurs after the reporting date. When an entity classifies liabilities arising from financing contracts as non-current and these liabilities are subject to "covenants", it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the "covenants" and the dates of fulfilment; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the "covenants" on the due dates. These amendments apply retrospectively.

b) **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements, to enable: (i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows and (ii) the understanding of the impact of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020**.**

c) **IFRS 16** (amendment), 'Lease liabilities in sale and leaseback transactions'. This amendment introduces guidance on the subsequent measurement of lease liabilities in sale and leaseback transactions that qualify as ‘sales’ under the principles of IFRS 15, with greater impact when some or all of the lease payments are variable and not dependent on an index or rate. When subsequently measuring lease liabilities, seller-lessees shall determine ‘lease payments’ and ‘revised lease payments’ so that they do not recognize gains/(losses) in respect of the retained Right-of-use asset. This amendment applies retrospectively.

The Banco Montepio did not record any significant impact resulting from the application of these amendments on its financial statements.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2024, not yet endorsed by the European Union:

a) **IAS 21** (amendment), ‘The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability’ (effective for annual periods beginning on or after 1 January 2025). This amendment is still subject to endorsement by the European Union. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined.

b) **IFRS 7** and **IFRS 9** (amendment), ‘Classification and measurement of financing’ (effective for annual periods beginning on or after 1 January 2026). This amendment is still subject to endorsement by the European Union. The amendments relate to: (i) clarification of the concept of the date of recognition and derecognition of some financial assets and liabilities, introducing a new exception for financial liabilities settled through an electronic payment system; (ii) clarification and examples of when a financial asset meets the criterion that contractual cash flows correspond to “principal and interest payments only” (“SPPI”), such as: 1) non-recourse assets; 2) contractually linked instruments and 3) instruments with features linked to compliance with environmental, social and governance (“ESG”) goals; (iii) new disclosure requirements for instruments with contractual terms that may alter cash flows in terms of period and amount and (iv) new disclosures required for equity instruments designated at fair value through other comprehensive income. These changes apply on the date they become effective without restatement of the comparative.

c) **IFRS 18** (new standard), ‘Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 18 will replace the current IAS 1. While maintaining many of the principles in IAS 1, IFRS 18 places greater focus on specifying a structure for the income statement, consisting of mandatory categories and subtotals. Income statement items will be classified into one of three categories: operating, investing, financing. Specified subtotals and totals will be required, with the main change being the mandatory inclusion of the subtotal “Operating profit/(loss)”. This standard also includes improvements in the disclosure of management performance measures, including reconciliation with the closest subtotal required by IFRS. This standard also reinforces the guidance on the principles of aggregation and disaggregation of information contained in the financial statements and related notes, based on their shared characteristics. This standard applies retrospectively.

d) **IFRS 19** (new standard), ‘Non-publicly reporting subsidiaries: Disclosures’ (effective for annual periods beginning on or after 1 January 2027). This new standard is still subject to endorsement by the European Union. IFRS 19 is a voluntary standard that allows eligible subsidiaries to use IFRS with reduced disclosure requirements. IFRS 19 is a standard that only deals with disclosures and is applied in conjunction with the requirements of the other IFRS for the purposes of recognition, measurement and presentation. A subsidiary is considered eligible if: (i) it is not subject to a public reporting obligation and (ii) the parent entity prepares consolidated financial statements for public reporting in accordance with IFRS. IFRS 19 may be applied by eligible subsidiaries in the preparation of their own consolidated, separate or individual financial statements. Full comparative information is required unless an exemption applies.

The Banco Montepio does not anticipate any significant impact resulting from the application of these amendments/standards on its financial statements.

51 Transfer of assets

Banco Montepio carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of Banco Montepio, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from Banco Montepio are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same.

These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the fund has as main responsibilities to:

- Define the objective of the fund; and
- Manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which Banco Montepio holds minority positions, incorporate companies under Portuguese law to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by Banco Montepio, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, Banco Montepio subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where Banco Montepio has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end; and

- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, Banco Montepio, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, Banco Montepio derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	Jun 2024 Amounts associated with the transfer of assets			Dec 2023 Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	(15 267)	27 857	43 124	(15 267)
Discovery Portugal Real Estate Fund	13 698	15 415	(1 717)	13 698	15 415	(1 717)
Fundo Aquaris, FCR	13 060	13 485	(425)	13 060	13 485	(425)
Fundo de Reestruturação Empresarial, FCR	-	-	-	45 349	45 509	(160)
	54 615	72 024	(17 409)	99 964	117 533	(17 569)

As at 30 June 2024 and 31 December 2023, the assets received under these operations are as follows:

(Euro thousand)

	Jun 2024	Dec 2023
	Senior securities	
Fundo Vega, FCR	20 632	20 874
Discovery Portugal Real Estate Fund	14 314	13 647
Fundo Aquarius, FCR	8 788	10 579
Fundo de Reestruturação Empresarial, FCR	-	11 328
	43 734	56 428

Although the subordinated securities are fully provided against, Banco Montepio also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

52 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by 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 30 June 2024, the periodic contribution made by Banco Montepio amounted to Euro 1,843 thousand (30 June 2023: Euro 2,131 thousand), based on a contribution rate of 0.032%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, 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 ("AdC") 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 ("TFEU"), having applied on Banco Montepio a fine of Euro 13 million.

Banco Montepio, in like manner to various other institutions charged, challenged this Decision judicially through the Court of Competition, Regulation and Supervision ("TCRS") on 21 October 2019.

This appeal suspended the effects of the Decision of the AdC, namely the obligation to pay the fine, following the decision of the TCRS and the subsequent security deposit presented under the terms decided by the Court.

The discussion and judgment hearing began in October 2021. At the conclusion of the hearing, in April 2022, the 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 TFEU.

By judgment issued on 29 July 2024, the CJEU concluded that the article 101 of the TFUE must be interpreted in the sense that the exchange of information between competing credit institutions such as that described by the TCRS in the forwarding ruling can be regarded as a restriction of competition by object. By judgment of 20 September 2024, the TCRS confirmed the decision of the AdC and maintained the fine imposed on Banco Montepio in the amount of Euros 13 million.

This decision of the TCRS is not definitive, since an appeal may be lodged with the Lisbon Court of Appeal, where all relevant issues associated with the case will be assessed.

Considering all the relevant circumstances, arising from the defence presented 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.

In March and April 2024, Banco Montepio was summoned to the collective actions brought by ASSOCIAÇÃO IUS OMNIBUS (processes no. 2/24.1YQSTR and no. 6/24.4YQSTR) and by AMPEMEP - Associação de Micro, Pequenas e Médias Empresas Portuguesas (Process no. 10/24.1YQSTR) at the TCRS, in which other Credit Institutions are also defendants.

These processes take the form of private enforcement actions for the alleged violation of competition law arising from information sharing that is the subject of the aforementioned process PRC/2012/9 of the AdC. The actions brought allege general estimates of damages based on economic studies and do not include specific compensation claims against each of the defendants. Banco Montepio will contest, in due course, the three processes referred to above.

Bank of Portugal

As at 30 June 2024 and 31 December 2023, the Bank has been subject to some administrative offense processes instituted by the Bank of Portugal, for alleged practices and infractions in supervisory matters that are applicable to the Bank, having, to the effect, made provisions in the global amount of Euro 380,000.

The evolution of these processes is regularly monitored by Banco Montepio's Board of Directors, with technical-legal intervention under the responsibility of its Legal Directorate and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For most of these processes, 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, and, as regards one of the two processes still underway, same is still in a preliminary phase, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions that might hypothetically be imputed to it.

Thus, and notwithstanding the Board of Directors considering as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to any of the infractions that are imputed to it, even if the respective risk of being sentenced still exists, it is the Board's conviction that the amount of the consequent sanctions will not exceed the amount of provisions recognized by the Bank as at 30 June 2024.

53 Subsidiaries and associates

As at 30 June 2024, the companies directly or indirectly held by Banco Montepio are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group: % of control	Group: % of effective part
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	euro	Managements of shareholding	100,00%	100,00%
Montepio Serviços, A.C.E.	Lisbon	-	-	Support services provided to businesses	85,00%	85,00%

(Euro)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accommodation, catering and similar/hotels with restaurant	20,00%
CESource, ACE	Lisbon	-	Management of IT systems	18,00%

Montepio – Gestão de Activos Imobiliários, A.C.E. - Em liquidação was liquidated on 13 May 2024.

As at 31 December 2023, 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%
Montepio Serviços, A.C.E.	Lisbon	-	-	Support services provided to businesses	85,00%	85,00%	85,00%

(Euro)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accommodation, catering and similar/hotels with restaurant	20,00%
Montepio Gestão de Activos Imobiliários, A.C.E. - Em Liquidação	Lisbon	2 449 707	Management of real estate	26,00%
CESource, ACE	Lisbon	-	Management of IT systems	18,00%

As at 30 June 2024 and 31 December 2023, Banco Montepio held investment units in investment funds as follows:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

54 Subsequent events

Banco Montepio analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue, and during that period, no subsequent events were identified.

Deposits Guarantee Fund

On 30 August 2024, the Deposits Guarantee Fund (“Fund”) sent a letter to Banco Montepio, stating the need to make a contribution to the Fund amounting to 50% of the irrevocable payment commitments previously established to cover the periodic contributions owed by the Bank (as described in note 43), which totals 11,384 thousand euros. This contribution will have an unfavorable impact on the net result for the fiscal year ending 31 December 2024.

Competition Authority

On 20 September 2024, the Court of Competition, Regulation and Supervision issued a sentence in the scope of process no. 225/15.4YUSTR-W which refers to the judicial appeal of the decision issued by the Competition Authority of 9 September 2019 in respect of process PRC/2012/9, as described in note 52.

DECLARATION OF CONFORMITY

United Nations Global Compact

2022

With the winds of the pandemic clearly subsiding, came the news that Banco Montepio was joining the UN Global Compact, committing to align its mission with 10 principles in the areas of human rights, labor practices, environmental protection, and anti-corruption, reporting its progress annually to the United Nations. We were 178 years old.

DECLARATION OF CONFORMITY

This declaration is issued under the terms of paragraph c) of no. 1 of article 29-G of the Securities Code approved by Decree-Law no. 486/99, of 13 November, in the wording introduced by Law No. 99-A/2021, of 31 December.

It is the responsibility of the Board of Directors to prepare the management report and the financial statements, presenting, in a true and appropriate manner, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), the result of operations as well as the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system to prevent and detect any errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- All individual and consolidated financial information contained in the accounting documents, with reference to 30 June 2024, was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of Banco Montepio and the companies included in the consolidation perimeter;
- The management report truly exposes the evolution of the business, the performance and the position of the Institution and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties they face.

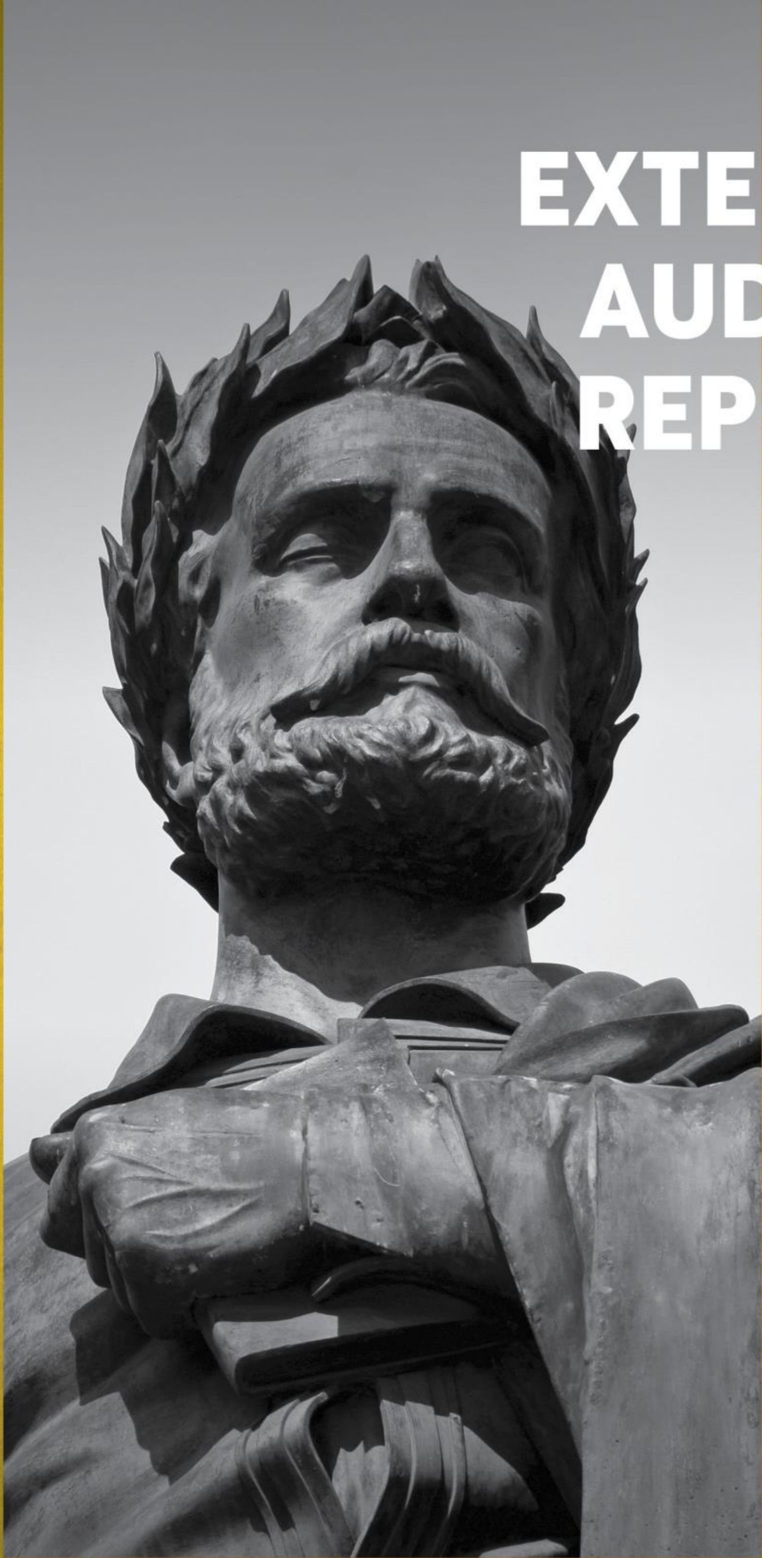
BOARD OF DIRECTORS

Chairman	Manuel Ferreira Teixeira
Members	Clementina Maria Dâmaso de Jesus Silva Barroso
	Eugénio Luís Correia Martins Baptista
	Florbela dos Anjos Frescata Lima
	Maria Cândida de Carvalho Peixoto
	Maria Lúcia Ramos Bica
	Pedro Manuel Moreira Leitão
	Ângela Isabel Sancho Barros
	Helena Catarina Gomes Soares de Moura Costa Pina
	Isabel Cristina dos Santos Pereira da Silva
	Jorge Paulo Almeida e Silva Baião
	José Carlos Sequeira Mateus

Lisbon, 30 September 2024

REPORT AND ACCOUNTS

EXTERNAL AUDITOR REPORTS



2024

We celebrated the 500th anniversary of the birth of Luís de Camões while Banco Montepio completed 180 orbits around the sun, reminding that, just like the poet, we were also faithful representatives of the Portuguese community abroad through our presence in France, Switzerland, Germany, Canada, and the United States.

Banco Montepio

1ST HALF 2024

Limited Review Report on the Interim Condensed Consolidated Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A., which comprise the interim condensed consolidated balance sheet as at 30 June 2024 (which shows total assets of Euros 18.169.441 thousands and total equity of Euros 1.659.847 thousands, including a net profit of Euros 68.736 thousands), the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and the accompanying explanatory notes to these interim condensed consolidated financial statements.

Management's responsibility

The Management is responsible for the preparation of the interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. as at 30 June 2024 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

30 September 2024

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

Aurélio Adriano Rangel Amado, ROC no. 1074
Registered with the Portuguese Securities Market Commission under no. 20160686

(This is a translation, not to be signed)

Limited Review Report on the Interim Condensed Individual Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying interim condensed individual financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A., which comprise the interim condensed individual balance sheet as at 30 June 2024 (which shows total assets of Euros 18.445.022 thousands and total equity of Euros 1.669.526 thousands, including a net profit of Euros 65.968 thousands), the interim condensed individual statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and the accompanying explanatory notes to these interim condensed individual financial statements.

Management's responsibility

The Management is responsible for the preparation of the interim condensed individual financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of interim condensed individual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying interim condensed individual financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the interim condensed individual financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these individual financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed individual financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. as at 30 June 2024 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

30 September 2024

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

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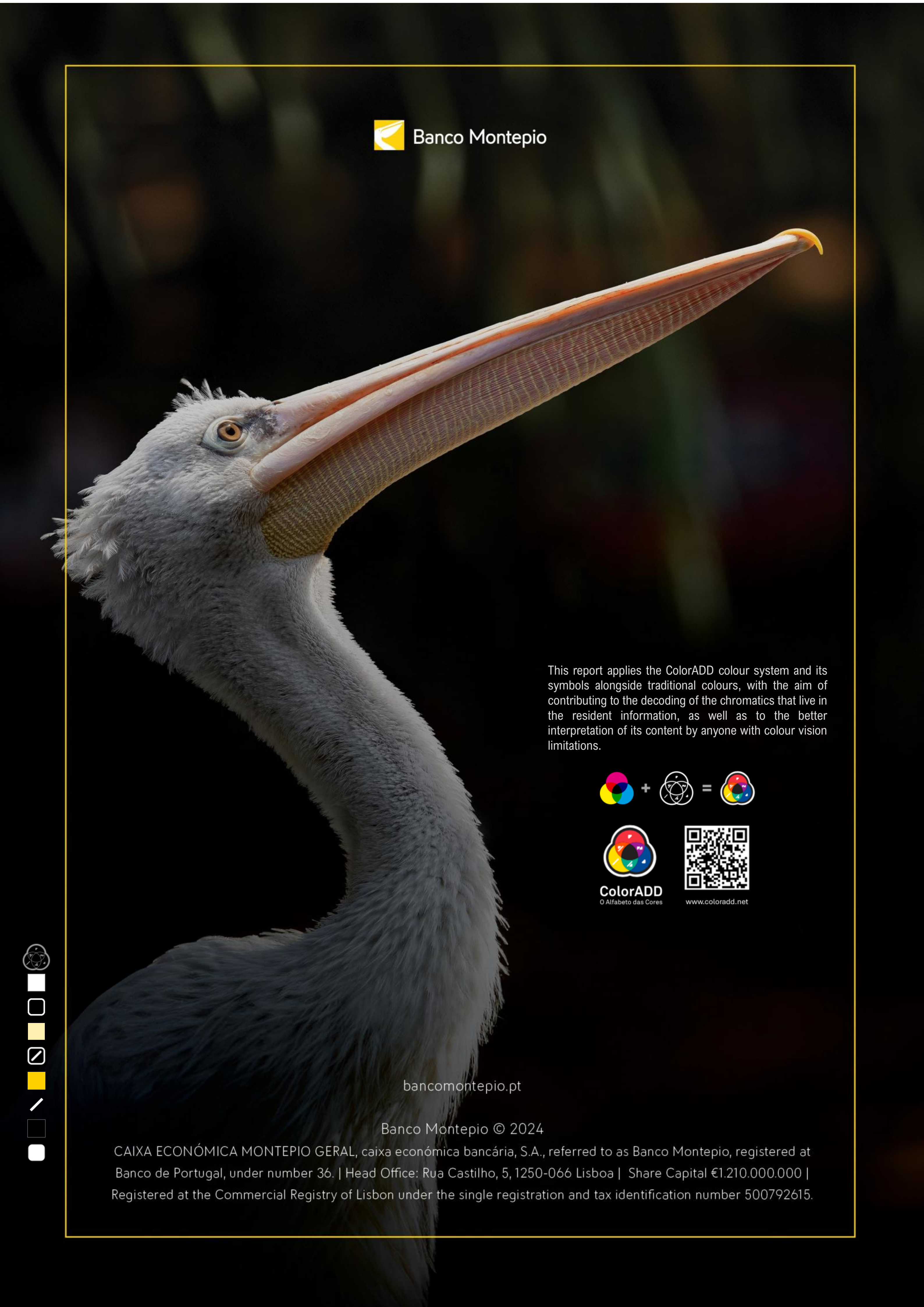

Banco Montepio

This report applies the ColorADD colour system and its symbols alongside traditional colours, with the aim of contributing to the decoding of the chromatics that live in the resident information, as well as to the better interpretation of its content by anyone with colour vision limitations.

ColorADD
O Alfabeto das Cores

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