Banco BAI Europa, S.A.

Financial Statements

2024

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Banco BAI Europa, S.A.

Management Report
2024

(this document was not written under the New Portuguese Spelling Agreement)

Main indicators

Thousand Euro	2022	2023	2024	YoY change
Total Net Assets	745 485	690 089	943 454	+36.6%
Average Net Assets	744 241	707 581	930 843	+31.5%
Turnover	872 590	852 764	1 140 107	+33.7%
Turnover per employee	10 773	9 269	11 288	+21.8%
Loans and advances to customers	145 870	191 724	228 524	+19.1%
Loans and advances to other credit institutions	84 067	80 489	77 326	-3.9%
Deposits from other credit institutions	369 213	291 394	425 456	+46%
Deposits from customers	273 440	289 477	408 843	+41.2%
Transformation Ratio	35.8%	46.8%	36.7%	-10.1 p.p.
Impairment/Loans and advances to customers ratio	1.2%	2.2%	1.7%	-0.5 p.p.
Volume of documentary credit confirmations	324 518	115 735	95 414	-17.6%
Net interest income	10 480	21 215	19 383	-8.3%
Net operating income	15 821	23 307	20 514	-11.9%
Fixed costs	9 770	12 440	16 059	+29.8%
Fixed costs per employee	121	135	159	+17.8%
Fixed costs/Net interest income	93%	58%	83%	+25 p.p.
Net operating income per employee	195	253	203	-20.9%
Cost-to-income	61.8%	53.4%	79.7%	+26.3 p.p.
Profit/ (loss) for the period	3 306	6 547	3 570	-45.5%
Return on total assets (ROA)	0.4%	1.0%	0.4%	+0.6 p.p.
Return on equity (ROE)	3.7%	6.8%	3.4%	-3.4 p.p.
Own funds	83 315	88 268	94 944	+7.6%
Solvency ratio (CET 1)	18.7%	23.3%	20.5%	+3.3 p.p.
Number of customers	3 102	5 114	6 231	+21.8%
Number of employees	81	91	104	+9.8%

Note: The efficiency, solvency and credit quality indicators presented above follow the methodology indicated by the Banco de Portugal in Instruction No. 16/2004, of 16 August, and Instruction No. 3/2015, of 15 May.

*Turnover per employee shown in the table is an indicator associated with production

Message from the Board of Directors

In 2024, the Portuguese and Angolan economic context was marked by challenges and opportunities, reflecting the resilience of the economies and the dynamism of their sectors.

In Portugal, the economic downward trend continued, with the economy growing by 1.7%, albeit at a more moderate pace than the 2.5% seen in 2023. This performance was driven by domestic demand, especially private consumption, which benefited from the adjustment in wages and the resilience of the labour market. On the other hand, net external demand made a negative contribution because of the increase in imports (consumer goods and fossil fuels) compared to the decrease in exports (manufacturing industries).

Despite a downward trend, inflation remained high, with the Harmonised Index of Consumer Prices (HICP) reaching 2.4% in December 2024. In the sphere of public finances, although the growth in public spending outstripped the increase in state revenue, Portugal increased its budget surplus to 2.8% of GDP, from 1.2% in 2023.

In Angola, the economy has shown signs of recovery, benefiting from the positive trend in oil prices and the implementation of fiscal and monetary policies that have sought to stabilize the currency and contain inflation. The economic environment has also been boosted by the growing diversification of economic activities and the improvement in the business climate, which has been particularly relevant for the banking sector.

On the Portuguese banking scene, the sector remained robust, supported by a solid capital base and a stable regulatory environment. The economic recovery in Portugal, although moderate, continues to offer opportunities in credit and banking operations in general. The high-interest rate environment, although challenging, has also provided higher margins for financial institutions, allowing them to perform better in terms of the profitability of their financial asset portfolios.

The Bank has closely monitored the economic situation and has adapted its strategy to take advantage of the opportunities generated by the economic recovery, while continuing to strengthen its presence in strategic markets such as Angola, Cape Verde and São Tomé and Príncipe. Supporting the financing of the Angolan economy has been one of our priorities, given its growth potential and the growing need for financing for infrastructure and other structural projects for Angola's economy.

The fourth year of the Strategic and Business Plan (PEN 2021-2025) of Banco BAIE was completed in 2024.

While 2023 was a remarkable year, marked by BAIE's record results and significant milestones, 2024 introduced new challenges. Shifts in the global macroeconomic landscape and market conditions have altered business dynamics, demanding continuous adaptation to evolving realities.Despite this, the Bank maintained a robust and sustained performance. The portfolio of loans and advances to customers grew by 19%, reflecting the Bank's commitment to being a trusted partner for companies. Deposits from customers recorded a substantial increase of 41%, highlighting the strengthening of the deposit base and the growing capacity to retain and attract new customers.

However, trade finance activity slowed down compared to previous years, resulting in a negative impact on net operating income. Although the context was more difficult, both in terms of the market and the regulatory framework, the Bank's response was focused and strategic, with a commitment to diversifying sources of funding, income and the search for operational efficiency.

Despite the challenges, the indicators at the end of 2024 brought encouragement and confidence for the future. The last quarter of the year saw a significant recovery, with increased activity in documentary credits and payments, which are key sectors for our operations. Additionally, the number of customers grew by 22% year-on-year, which once again demonstrates the effectiveness of our strategy to win and retain customers.

With these indicators and results in mind, we look to 2025 with optimism, confident that the measures implemented and our ability to adapt to market changes will allow us to continue to grow and strengthen our position in the market.

Finally, it is important to emphasise the commitment, endurance, attitude and competence of the Banco BAI Europa team, without which it would have been impossible to achieve the goals we set ourselves. It is also important to acknowledge the trust that our customers place in the Bank every day, which encourages us and drives us to try to improve every day.

We are also grateful for the support and cooperation of the Parent Company in Angola, which has been a very important strategic support and a cornerstone of our success.

2024 Macroeconomic Framework

I. International economic framework

2024 was marked by a combination of factors that impacted the evolution of the financial markets and global economic activity. Among the main events are the persistent geopolitical tensions, the elections in several major economies – with a particular focus on the United States – and, above all, the more consistent slowdown in inflation, which has allowed the main central banks to begin a cycle of easing monetary policy conditions.

In the Euro Zone, year-on-year inflation, as measured by the Harmonised Index of Consumer Prices (HICP), fell from 2.9% at the end of 2023 to 2.4% in December 2024, approaching the 2% target set by the European Central Bank (ECB). At the same time, core inflation, which excludes the most volatile components, fell from 3.4% to 2.7% in the same period.

In the United States, there were similar trends, with year-on-year inflation falling from 3.4% at the end of 2023 to 2.7% in November 2024. Core inflation followed this trend, falling from 3.9% to 3.3%.

The moderation of inflationary pressures has led to a reversal of monetary policy guidelines by the main central banks. The ECB made four consecutive cuts of 25 basis points (b.p.) to its benchmark interest rate, culminating in a refinancing rate of 3.15% at the end of the year. At the same time, the marginal lending facility stood at 3.4% and the deposit facility fell to 3.0%.

The US Federal Reserve (Fed) made three consecutive cuts to its key interest rate, setting it at between 4.25% and 4.50% at the end of 2024, with the first cut being 50 b.p., followed by two additional adjustments of 25 b.p. each.

Despite the positive trend in inflation, it remained above the defined medium-term targets, conditioning the central banks' communication on the pace and magnitude of future interest rate cuts.

At the last meeting of the year, the ECB reiterated its commitment to continue the cycle of interest rate cuts, based on renewed confidence in the convergence of inflation towards the 2% target by 2025. The official message stressed that future decisions would be taken on a "meeting-by-meeting basis" and removed the reference to keeping rates in restrictive territory, which leaves room for more significant cuts in the future.

On the other hand, the Fed's communication revealed a more cautious approach, emphasizing the need to assess not only the size but also the timing of the next adjustments. The individual projections of the Monetary Policy Committee members reflected a downward revision in the number of cuts projected for 2025 and 2026, suggesting an expectation of more persistent inflation, a resilient labour market and interest rates already close to the neutral level.

Overall, the world economy remained resilient, reflecting the significant growth in services, the strong dynamism of the labour market in advanced economies, the easing of inflationary pressures and the gradual decline in interest rates.

The Euro Zone economy recorded moderate growth, with the European Commission estimating an expansion of 0.8% in 2024. This performance was sustained by countries with dynamic service sectors, but negatively affected by the weak performance of two of the Bloc's main economies. The German economy was penalized by the deterioration in industrial activity, which continued to face cyclical challenges and the French economy, despite the temporary boost provided by the Paris Olympics, had its growth conditioned by signs of cooling in other sectors.

On the other hand, the Euro Zone labour market continued to evolve favourably, with the unemployment rate falling to 6.3% in December, a reduction of 0.2 percentage points compared to the end of 2023.

In the United States, the economy benefited from robust domestic demand, supported by the dynamism of private consumption and increased government spending. Real GDP is expected to grow by 2.7% in 2024[1], driven mainly by the dynamism of private consumption and increased government spending. Despite this performance, the labour market showed signs of cooling, although it remains at robust levels. The unemployment rate rose from 3.7% at the end of 2023 to 4.1% in December 2024.

II. Financial markets

In 2024, the financial markets were influenced by a combination of opposing factors: the uncertainty caused by geopolitical tensions, such as the war in Ukraine and the conflicts in the Middle East, and the optimism resulting from the reduction in interest rates in the world's main economies. Additionally, the re-election of Donald Trump to the presidency of the United States had an immediate impact on the financial markets, in particular a redirection of investment towards riskier assets and a strengthening of the US dollar against several currencies in anticipation of protectionist policies.

In the sovereign debt market, there was a normalization of the yield curves, with yields falling in the shorter maturities, in line with the interest rate cuts made by the FED and ECB. In the United States, the yields on 2- and 10-year bonds, which stood at 4.25% and 3.866% respectively in December 2023, rose to 4.306% and 4.597% at the end of 2024.

In the Euro Zone, the drop in sovereign bond yields was felt more in the shorter maturities, a move like most of the countries in the Bloc. Germany's 2-year and 10-year yields rose from 2.4% and 2.028% at the end of 2023 to 2.089% and 2.3875% in December 2024, respectively. In Portugal, the 2- and 10-year yields went from 2.459% and 2.786% to 2.132% and 2.858%, respectively. The yields on 2-year and 10-year bonds stood at 2.277% and 3.201% at the end of 2024, respectively, reflecting uncertainties at a political level and growing concerns about the sustainability of French public accounts.

On the European interbank market, Euribor rates, the index for a significant number of home loans, fell against the end of 2023, following the path of the ECB's reference interest rates. At the end of 2024, the 3-, 6- and 12-month Euribor rates stood at 2.68% (-1.23 p.p.), 2.58% (-1.28 p.p.) and 2.47% (-1.05 p.p.) respectively.

On the foreign exchange market, the EUR/USD pair fluctuated between 1.035 and 1.233 throughout the year, reflecting the differences in the timing of interest rate cuts between the ECB and the Fed, as well as the higher pace of growth in the US economy. At the end of 2024, following the US election results, the dollar appreciated significantly, largely due to expectations of protectionist economic policies and fiscal incentives to support growth.

The stock markets maintained their upward trend throughout 2024. The S&P 500 grew by 27.15%, sustained by the acceleration of domestic consumption and government incentives in an election year. In Europe, the Euro Stoxx index appreciated by approximately 5.38%, reflecting the more anaemic macroeconomic environment in the Bloc, despite some support from the service sectors in certain economies.

In Japan, the Nikkei 225 index rose by approximately 20.37% over the period, even though the Bank of Japan (BoJ) surprised the markets by raising interest rates in September.

In China, the Shanghai All Share index rose 14.29%, part of which was attributable to the fiscal and monetary incentive package launched by the Chinese authorities to try to boost consumption and stabilize the real estate sector. It should be noted that the economy continued to slow down compared to 2023, penalized by the crisis in the real estate market, weak domestic demand, and risks of deflation.

[1] December update of “The Conference Board Economic” projection.

III. Oil market

In 2024, the oil market remained relatively stable, sustained by the combination of still solid global demand in certain emerging markets, restrained world production and a sense of caution in the face of possible supply disruptions. The price of a barrel of Brent fluctuated on average between USD 74 and 90 throughout the year, ending 2024 at approximately USD 80. WTI was close to USD 75 at the end of the year.

China continued to play a central role in the evolution of the market, due to its significant weight in global demand for crude oil. Although China's economic growth has fallen short of initial expectations, demand for oil has remained relatively robust, outstripping supply in some periods. This performance was driven by economic incentive packages implemented by the Chinese authorities and the partial recovery of domestic consumption.

On the supply side, OPEC+[2] announced the extension of production cuts, previously planned until the end of 2024, to 2025. The plan includes a gradual elimination of cuts until September, which has helped to stabilize the market. On the other hand, there were occasional increases in production by countries outside the Bloc, especially in OECD[3] economies and independent producing regions, which partially offset the reductions implemented by OPEC+.

As far as geopolitical factors are concerned, although tensions in several regions have fuelled fears of supply disruptions, these have not escalated to a point capable of causing severe market disruptions. This environment maintained a risk premium on crude prices but was balanced by the perception of greater availability of global supply.

IV. Development of the Angolan Economy

The Angolan economy showed signs of stabilization in 2024, after a year marked by constraints in the foreign exchange market and challenges in oil production. Despite the persistence of the volatile international context and pressures on the foreign exchange market, there was an increase in the supply of foreign currency, making it possible to significantly reduce the backlog accumulated in 2023. At the same time, both oil production and non-oil economic activity were more dynamic than in the previous year.

However, one of the main challenges facing the Angolan economy in 2024 was the acceleration of inflation, with significant implications in several economic areas. The year-on-year inflation rate rose from 20% at the end of 2023 to 27.5% in December 2024. In the province of Luanda, the latest available data pointed to inflation of over 34.5%.

This increase in inflation was impacted by several factors, including the current and lagged effects of the depreciation of the exchange rate, the increase in import tariffs on basic goods, the reduction in fuel price subsidies and the increase in prices of essential services such as communication, transport, and education. The persistent rise in healthcare prices has also contributed to this deterioration. This scenario has led to an upward revision of inflation projections by several institutions that monitor the Angolan economy.

In order to contain inflationary pressures, the National Bank of Angola (BNA) has adopted a restrictive monetary policy throughout 2024. The Central Bank raised the key interest rates on several occasions, leaving the BNA rate, the marginal lending facility, and the liquidity absorption facility at 19.5%, 20.5% and 18.5%, respectively, at the end of the year. Additionally, the coefficient of mandatory reserves in national currency was raised from 18% in 2023 to 21% in 2024.

In fiscal terms, oil revenues rose by 2% year-on-year to USD 10.6 billion by December. This growth was driven by a 4% increase in the volume of exports (with a daily average of 1.129 million barrels), which offset the slight 1% reduction in the average price

[2] Group of OPEC countries and allies.
[3] Organisation for Economic Cooperation and Development.

of Angolan crude, set at USD 80.5. These results exceeded what was stipulated in the General State Budget (OGE) for 2024, translating into an execution of more than 100%.

Regarding the Treasury's liquidity management:

- Throughout the year, the government made several public debt issues in foreign currency, with settlement in national currency, including operations with delivery of securities close to maturity.
- In March, an Angolan multisectoral commission went to China, resulting in a relief in the constitution of the guarantee reserve needed to service the debt with that country[4].

This environment, characterized by higher oil revenues and greater flexibility in servicing external debt, was a determining factor in the Treasury's return to the foreign exchange market, with the aim of raising local currency to finance current expenditure. At the same time, the National Bank of Angola (BNA) maintained regular intervention in the foreign exchange market, offering foreign currency and introducing rules that allowed the market to function normally[5].

Until December 2024, purchases of foreign currency by commercial banks on the foreign exchange market totalled USD 10.8 billion, representing an increase of 9.7% compared to the same period in 2023. However, despite these interventions, the Kwanza continued to depreciate against the US dollar, falling by almost 10% over the course of the year.

The restrictive monetary policy and the dynamics of the foreign exchange market had a significant impact on the liquidity of the banking system and on the dynamics of the interbank money market. Overnight Libor showed atypical volatility throughout the year, surpassing the marginal lending facility, and reaching an all-time high of 31.7% in August, before settling at 22.51% at the end of the year, a significant increase compared to the 4% recorded at the end of 2023.

In the area of economic growth, the most recent figures from the National Statistical Institute (INE) point to a year-on-year increase in real GDP of 4.8% in the first three quarters of 2024. This growth was sustained by the oil sector, which recorded annual growth rates of approximately 4.1%, and by the dynamism of the non-oil sectors, which grew by over 5.1%. This performance contrasts with economic growth of just 0.9% in 2023, strongly conditioned by the contraction of the oil sector.

Finally, the rating agencies have generally maintained their credit ratings for the Republic of Angola. However, Moody's revised its outlook from “positive” to “stable”, keeping the rating at B3. This decision reflected the slower pace of budget consolidation than initially planned and the depreciation of the Kwanza. Moody's highlighted improvements in refinancing risks, anticipating that the ratio of public debt to GDP will remain close to 60% until 2026.

V. Development of the Portuguese Economy

In 2024, the Portuguese economy grew by 1.7% year-on-year, reflecting a slowdown compared to the 2.5% growth rate recorded in 2023. This slowdown was mainly caused by the negative contribution of net external demand, since the strong growth in imports (+4.75%) outstripped that of exports (+3.49%).

On the other hand, domestic demand grew by 1.9%, driven by the increase in household and general government consumption expenditure, which recorded year-on-year growth rates of 2.8% and 1.1% respectively. However, gross fixed capital formation slowed down from 2% growth in 2023 to 1.2% in the period under review.

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[4] According to a communication from senior representatives of the Angolan government.
[5] The BNA introduced Directive 05/2024, which boosted the interbank foreign exchange market by requiring banks to pass on 30% of foreign exchange purchases from the oil and mining sector. In addition, banks were instructed to bid on the FXGO platform, limited to 10% of their FPR, ensuring compliance with current regulations.

Despite the adverse impact of inflation and the increase in credit instalments indexed to Euribor rates, household consumption benefited from three main factors: the adjustment of nominal wages, the use of savings accumulated during the pandemic and the resilience of the labour market. The unemployment rate stood at 6.4% in September 2024, a reduction of 0.2 percentage points compared to the same period in 2023.

In terms of inflation, Portugal's performance diverged from the Euro Zone average. In December, the HICP grew by 2.4% year-on-year, an acceleration from the 1.9% recorded at the end of 2023.

In the public accounts, the budget balance, calculated by INE from a national accounts perspective, recorded a surplus of approximately Euro 6 billion, equivalent to 2.8% of GDP. This figure is 0.5 percentage points lower than the 3.3% surplus observed in the same period in 2023. The reduction is due to the combination of an increase in total revenue (+7.7%) and higher growth in public spending (+8.9%).

Public debt also showed a positive evolution, measured from the Maastricht perspective, reaching Euro 270.7 billion in December 2024, representing a marginal increase of just 0.3% compared to the same period in 2023. The State Budget for 2025 anticipates a reduction in the ratio of public debt to GDP to 95.9%.

In 2024, the rating agencies' actions on Portuguese sovereign debt reflected growing confidence in the country's economic and budgetary soundness. Among the main updates:

- DBRS: It maintained Portugal's “A” rating and improved its outlook from “stable” to "positive" in July.
- Fitch: It confirmed the “A-” and changed the outlook to “positive” in September.
- S&P: The rating was raised to “A-” with a positive outlook in March.
- Scope: The rating was raised to “A” in November.
- Moody’s: It did not make any changes in 2024, maintaining the “A3” rating set in 2023.

VI. Framework of the Portuguese Banking Sector

The indicators for the banking sector up to the third quarter of 2024 confirm a positive trend in several areas. Compared to the same period last year, highlights include the following:

- The sector's profitability continued to improve, with the return on equity (ROE) ratio reaching 16.1% and the return on assets (ROA) ratio reaching 1.46%. This performance was underpinned by the positive impact of the increase in interbank interest rates on net interest income and the reduction in provisions and impairments. However, the increase in operating costs led to an increase in cost-to-income of 1.1 p.p., standing at 38.3%.

- The non-performing loans (NPL) ratio, before and after impairment, stood at 2.6% and 1.2%, respectively, continuing the downward trend that began in 2016. There was a 1 p.p. drop in the NPL ratio for companies, which offset the slight increase in the retail ratio.

- The transformation ratio continued its downward trend, standing at 75.3%, considerably below the regulatory limit. The liquidity coverage ratio (LCR) remained substantially above the regulatory minimum, standing at 270.1%, supported by the increase in highly liquid securities, especially those whose counterparties are public administrations.

- The banking sector maintained robust solvency levels, with the Common Equity Tier 1 ratio (CET 1) standing at 17.7%. The leverage ratio decreased to 7.5%, remaining above the regulatory requirement of 3% introduced in June 2021.

Million Euro	2022	2023	Q1/2024	Q2/2024	Q3/2024
Balance sheet data					
Total Assets	442 446	442 152	453 799	461 627	464 312
Loans and advances to customers	252 931	251 431	252 441	253 640	255 609
Liabilities	406 484	401 915	413 038	420 169	421 613
Deposits from customers	323 368	322 150	329 007	336 879	339 370
Deposits from central banks	15 979	3 322	1 390	1 271	1 151
Equity	35 962	40 236	40 762	41 457	42 699
Equity / Total assets	8.1%	9.1%	9.0%	9.0%	9.2%
Deposits from customers / Total Assets	73.1%	72.9%	72.5%	73.0%	73.1%
Liquidity indicators					
Transformation Ratio	78.2%	78.0%	76.7%	75.3%	75.3%
Funding gap	(70 436)	(70 719)	(76 566)	(83 239)	(83 761)
Liquidity coverage ratio (LCR)	229.3%	254.4%	260.8%	272.7%	270.1%
Solvency and leverage indicators					
Solvency ratio (CET 1)	15.4%	17.1%	17.1%	17.8%	17.7%
RWAs	175 600	173 200	175 900	176 900	177 600
RWAs (in % of total assets)	43.2%	42.7%	42.4%	41.8%	41.8%

Source: *Summary of Banking Sector Indicators – 2024* | 3rd Quarter, Associação Portuguesa de Bancos (Portuguese Banking Association)

Million Euro	2022	2023	2024 (Jan-Sep)
Income statement			
Net interest income	7 502	12 222	9 371
Net commissions	3 272	3 214	2 492
Net gains/ (losses) on financial operations	452	643	122
Net operating income	11 646	16 495	12 479
Operating costs	5 893	6 097	4 783
Impairment losses	900	1 264	320
Profit/ (loss) before tax	4 248	7 781	6 883
Net profit/ (loss)	3 142	5 595	4 987
Net interest income (in % of BP)	64.4%	74.1%	75.1%
Cost-to-income ratio	50.6%	37.0%	38.3%
Profitability ratios			
ROE	8.7%	14.8%	16.1%
ROA	0.69%	1.28%	1.46%

Source: *Summary of Banking Sector Indicators – 2024* | 3rd Quarter, Associação Portuguesa de Bancos (Portuguese Banking Association)

Legal and Regulatory Framework

Since the beginning of the 20th century, banking has been one of the key elements of the economic model. It is subject to prudential and behavioural rules to ensure that financial institutions act in accordance with the rules, thereby striving for economic stability and protecting the interests of service providers and their customers.

In recent years, the banking sector has been set on a challenging course by increased Oversight, digital innovation, and increased competition. Recently, social responsibility policies have been strengthened, in line with the critical need to contribute to and ensure sustainable environmental, social, and ethical development. This has led financial institutions to adopt systematic changes to their operating and business models.

2023 reflected BAIE's adoption of a prudent strategy in conducting its business, considering the macroeconomic context marked by the conflict between Russia and Ukraine and the inflationary pressure it generated, and the increased risks to financial stability that continued with the cycle of rising interest rates. Geopolitical tensions continue to persist in 2024, between Russia and Ukraine and Israel and Gaza, inflationary pressures and the continued instability of the international financial markets, the collapse of three banks in the United States and Switzerland, as well as the crisis in the Chinese real estate market, which has led to numerous insolvency applications and inconsistency in banking activity, as well as the challenges associated with digital transformation with the subsequent increase in operational risk.

As a result of the events highlighted, a dynamic regulatory environment for the financial sector in its several areas was maintained throughout 2024, which resulted in a growing challenge for institutions, with a focus on, among other things: i) strengthening the legal and regulatory framework for the prevention and detection of financial crime (ML/TF, fraud, corruption, etc.); ii) capital requirements (SREP); iii) liquidity risk stress tests; iv) structural changes to interest rate risk reporting (IRRBB); v) matters related to cybersecurity, all of which have an impact on BAIE's activity.

Notice 1/2024 – Regulates the application, by payment service providers established in Portugal, of amount limits to electronic payment transactions in which Portuguese Tax Authorities and *Agência de Gestão da Tesouraria e da Dívida Pública* - IGCP, E. P. E. are beneficiaries;

Notice 2/2024 – Repeals and replaces BdP Notice 3/2015 of 2 November. This Notice establishes that entities are obliged to implement recovery plans that identify the measures that can be adopted to correct in a timely manner a situation of financial imbalance, whether actual or at risk of materializing. For now, it defines the procedures for the annual report to be sent to the BdP by 30 November; maintenance and revision of the recovery plan, and specifies the procedures for determining simplified obligations when preparing the respective report;

Notice 3/2024 – In order to accommodate the obligation for financial entities to send the BdP a specific report on their internal control system and other information for the prevention of money laundering and terrorist financing (AML) with the other reporting obligations, this Notice now sets 31 March as the deadline for submitting the AML and refers to the period between 1 January and 31 December;

Instruction 8/2024 – Defines the information to be reported in the RPB, its model and other terms of submission;

Instruction 1/2024 – As a result of the amendment introduced by the 2024 State Budget Law (Law 82/2023 of 09/12) to the General Tax Law (Article 40) on payment and other forms of cancellation of tax instalments, payment by legal persons of tax instalments must be made exclusively by electronic means of payment, this Instruction has aligned the maximum amount of transactions processed through this subsystem. In order to regulate the operation of SICOI (Interbank Clearing System), the BdP determined that in the subsystems with deferred clearing and settlement, transactions with a value of less than: a) Euro 100,000 for the clearing subsystem for commercial purposes; b) Euro 500,000 for the subsystems for clearing cheques, direct debits, credit transfers and card-based payment transactions are included in the balance calculated at each clearing closure;

Instruction 2/2024 – Amends the regulations of the SICOI (Interbank Clearing System). New functionalities have been introduced to allow greater usability and convenience for payment service users: a) Account derivation - Proxy Lookup which allows users to initiate a payment transaction by indicating a “user identifier”, from which the respective “payment account identifier” is obtained; b) the Beneficiary/Debtor confirmation functionality - Confirmation of Payee/Payer, which allows SICOI participants to provide payment service users the option of confirming the identity of the beneficiary or debtor of a payment transaction, before it is initiated;

Instruction 4/2024 – Statistics on Transactions and Positions with Foreign Countries: establishes that entities with an annual total of economic and financial transactions with foreign countries of less than Euro 250,000 are exempt from reporting. When entities begin their activity or are covered by the exemption and have a total number of transactions with foreign countries in a given month that exceeds that amount, they must begin reporting within a 4-month period, with information on the months that have passed since then;

Instruction 5/2024 – Amendment to the SIRES Instruction (Bpnet system service, including access to the infrastructure and membership and provision of the system's services) and extends the scope of application to entities that are not under the supervision of the Banco de Portugal, but which need to submit the requests and communications applicable to them via Sires;

Instruction 6/2024 – Establishes temporary measures relating to the eligibility criteria for collateral for Eurosystem credit operations: marketable debt instruments that have coupons linked to only one money market rate permitted for use in the Union (Regulation EU 2016/1011) in their currency of denomination, or to an inflation index that does not contain discrete ranges, range accruals, ratchet effects or similar complex structures for the respective country, are also eligible collateral for the purposes of Eurosystem monetary policy operations;

Instruction 7/2024 – Establishes standard rules for the implementation of the single monetary policy by the Eurosystem;

Instruction 10/2024 – With this Instruction, credit institutions can now use internal systems, standard methodologies or simplified standard methodologies to identify, assess, manage and reduce IRRBB. Additionally, the supervisory outlier test has been amended to provide for the possibility of exercising supervisory powers at least when: a) as a result of applying one of the 6 supervisory scenarios to the yield curve, there is a negative impact on the economic value of equity of more than 15% of Tier 1 capital; b) as a result of applying one of the 2 supervisory scenarios to the yield curve, net interest income suffers a large reduction. Reporting has been harmonised at European level (EBA/ITS/2023/03) which will apply from 1 September 2024 and will have the first reporting reference date of 30 September 2024;

Instruction 14/2024 and Decree-Law 72/2024 of 16/10 – Regulates the information to be provided to the Banco de Portugal for the purposes of disclosing commissions on Commission Comparator and establishes the requirements to be met when providing information on commissions. To this end, the scope of the duty to report information has been extended to include information on commissions for the provision of services that were not previously covered and some of the requirements applicable to the provision of information by payment service providers have been updated (e.g. maintenance of minimum banking services and maintenance of a basic account, institutions must indicate the amount of the commission on an annual basis and specify the periodicity of its collection;

CC/2024/00000004 – In accordance with paragraph 9, Instruction 18/2015 of 15-01-2016, it discloses the models for reporting the Financing and Capital Plans, the description of the macroeconomic and financial scenario and other guidelines necessary for institutions to perform the exercise and provide the information;

CC/2024/00000023 – Framework and implementation of the service for the banking system to disseminate information on the loss, theft, robbery, forgery, counterfeiting and illicit use of personal identification documents, via the Electronic Platform for the Registration and Transmission of Documents (PERTO), an electronic solution made available for this purpose on the Banking Customer Portal;

CC/2024/00000025 – It summarises information on the use of the services made available in the "Prevention of ML/TF" area of the BPnet system, for the pursuit of specific purposes related to the prevention of money laundering and terrorist financing ("ML/TF"). It replaces, among other communications, Circular Letter CC/2021/00000015;

CC/2024/00000027 – Reinforces supervisory expectations in terms of the suitability of the members of the management and supervisory bodies and those responsible for the information and communication technology structure, security and associated risk management units in the target institutions that are under the direct supervision of the Banco de Portugal;

CC/2024/00000033 and CC/2024/00000035 – Discloses the understandings and good practices to be observed in the prevention and regularisation of non-compliance with credit agreements (PARI and PERSI), and the procedural models and good practices in the identification and marking of debtors in financial difficulties and restructured loans to individuals, respectively;

Regulation 2024/397 – Complementing Regulation 575/2013 in terms of the regulatory technical standards for calculating the risk measure in a stress scenario. To this end, methods (direct and step-by-step) have been established for drawing up extreme scenarios of future shocks for non-modellable risk factors. Additionally, the circumstances in which institutions can calculate a risk measure in an effort scenario for more than one non-modellable risk factor; aggregation of risk measures and qualitative requirements were covered;

Reporting Framework – Euro Banking Association has published a technical package for version 3.4 of its reporting framework that provides validation rules and taxonomies to support amendments to the technical standards for reporting and disclosure on minimum own funds requirements and eligible liabilities and total loss absorbing capacity (MREL/TLAC), as well as some corrections to the technical package on interest rate risk in the banking portfolio (IRRBB);

Ministerial Order 81/2024/1 – Approves the structure and content of the file relating to the creation of a central electronic payment information system (CESOP), with the aim of combating VAT fraud, which constituted a new report/amendment to an existing report;

Regulation 2024/886 – This concerns immediate credit transfers in Euro and lays down specific requirements for such transfers, in addition to the general provisions applicable to all credit transfers, the aim of which is to ensure the smooth functioning and integration of the internal market by introducing uniform rules for immediate credit transfers in Euro, including those of a cross-border nature;

Commission Implementing Regulation (EU) 2024/885 – Establishes the reporting models to be used to provide supervisors with the data needed to monitor interest rate risks in the banking book. These reporting models aim to monitor not only the impact of interest rate changes on institutions, but also the interaction of IRRBB with interest rate risk management, as well as identifying outliers in supervisory tests.

Commission Implementing Regulation (EU) 2024/2956 of 29 November 2024 – Establishes standard templates for the purpose of recording information in relation to all contractual agreements concerning the use of ICT services provided by third-party information and communication technology (ICT) service providers referred to in Article 28(3) of Regulation (EU) 2022/2554. The information gathered from this register is essential for the internal management by financial entities of the risk associated with ICT, for the effective supervision of financial entities by their competent authorities and for the establishment and performance by the lead supervisory authority of the oversight framework for third-party providers of critical ICT services.

Restrictive measures and sanctions – On a weekly basis, any changes to the current lists (additions and/or withdrawal of lists) are duly identified and implemented, in accordance with the provisions of the Regulations and respective PESC Decisions, guaranteeing legal and regulatory compliance in terms of sanctions/restrictive measures.

MENAC – The requirement for obliged entities to register on the MENAC platform is an important step in preventing and combating corruption and related offences, and MENAC has also issued recommendations to help entities in the underlying process.

DORA – With the entry into force of Dora on 17 January 2025, the supervisory authorities (national and European) have made efforts to provide the entities subject to their supervision with the necessary elements to guarantee not only timely implementation within the legal and regulatory deadlines, but also information on providers of critical ICT services to third parties. The Banco de Portugal shall report to the EBA by 30 April 2025.

Business Model

In 2021, BAIE launched the implementation of its revised Business Model, based on the strategy outlined within the Strategic and Business Plan (PEN), discussed and approved by shareholders at the beginning of the second quarter of 2021 (General Meeting of April 2021), which included the following elements:

a) the change in the Bank's financing structure, based on the growth in customer deposits and, consequently, in the loan portfolio;
b) obtaining new and diversified sources of funding that:
    i. allowed reducing the dependence on BAI Angola, in terms of financing the Bank's activity (a situation also flagged as a weakness by the Banco de Portugal under the SREP - Supervisory Review and Evaluation Process);
    ii. are less punitive in terms of compulsory bank contributions;
    iii. the above led to a significant strengthening of the liquidity of the Bank's balance sheet, which also eliminated the need to sell securities to meet liquidity ratios.

In order to materialise the new strategy described above, BAIE's Management decided to make changes to its Business Model, which essentially consist of the following:

a) internal restructuring, with the setting up of 3 new business units (Marketing and Communication Unit, Institutional Banking Unit and Retail Banking Unit);
b) the launching of new products;
c) the attraction of new customers in new and existing geographies.

The Bank's business strategy aims to develop activity in specific market segments, **seeking to adopt the quality of services provided to its customers as a differentiating line. The implementation of this strategic guideline should be based on the adoption of a conservative risk profile** that will ensure the Bank's ability to continue as a going concern, in terms of profitability and solvency, under any circumstances.

BAIE's business areas

Corporate Banking	***Retail Banking***	**Institutional Banking**
Area dedicated to supporting resident companies managing their treasury needs and those carrying out export and investment operations, mainly in Africa.	Area dedicated to providing savings solutions for resident and non-resident customers, with a focus on the affluent segment, while developing a digital strategy.	Service provided as a correspondent and intermediary to other banks outside the Euro Zone, namely institutions in Portuguese-speaking Africa.

1. Corporate Banking

Dedicated to promoting trade flows between Africa and Europe, BAIE **has specialised**, since its establishment in Portugal, **in trade finance solutions to support its Corporate customers.** The Bank's Corporate Banking area is structured as shown below.

Commercial Banking

BAIE offers solutions **to support international trade to companies resident in Portugal**, seeking that they benefit from the know-how in trade finance and experience with the Angolan market acquired since the bank was founded.

In terms of segmentation, the Bank has a **special focus on exporting SMEs**, while also providing a **diversified offer for large companies and non-exporting SMEs**.

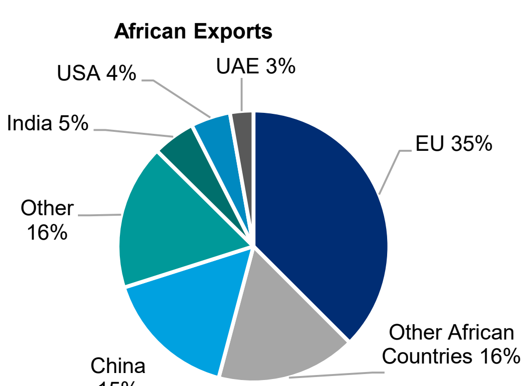
Structured Credit

Organisation of **specialised financial solutions for Corporate customers**, namely the creation and/or participation in structured operations, particularly in the form of a banking syndicate.

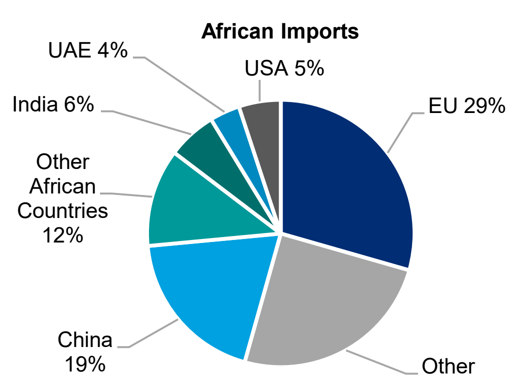
1.1. International Trade

Trade Flows: European Union - Africa

The European Union is Africa's number one trading partner for goods, with 35% of exports and 29% of imports in 2024.



Source: *International Trade Centre*



Source: *International Trade Centre*

Portugal's exports to Africa

In 2024, the largest exporter of EU goods to Africa was France (Euro 29.6 billion), with a market share of 13.8%, whilst Portugal (Euro 5.3 billion) ranked 10th with a share of 2.4%.

Source: *International Trade Centre*

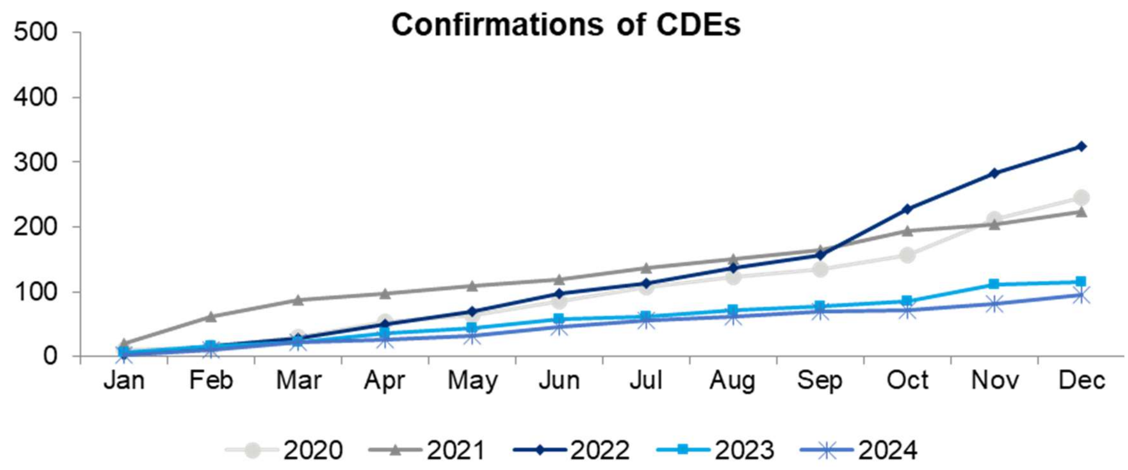
Country	Euro million	% Share EU
France	29,669	13.8
Germany	26,853	12.4
Italy	21,629	10.1
Spain	20,153	9.3
Belgium	18,050	8.4
Russia	14,705	6.8
Holland	13,656	6.3
UK	10,590	4.9
Portugal	5,670	2.6
Poland	5,344	2.4

1.2. BAIE's offer

BAIE focuses on niche companies, resident in Portugal or other European Union countries, which carry out export and investment operations in Portuguese-speaking Africa and other African countries.

The Bank has developed a specific set of tools and solutions to support its customers' import and export business, such as:

- **Documentary credits**: advice, negotiation and confirmation of letters of credit;
- **Letters of credit**: confirmation of letters of credit;
- **Irrevocable credit facilities**: Issue of irrevocable credit facilities under letters of credit opened by correspondent banks;
- **Discount of letters of credit**: Advance payment of the amount of the letter of credit to the exporter before the maturity date;
- **Financing**: Granting a short-term credit to the importing bank (the issuing bank) which issued a letter of credit to an exporter (the recipient of the letter of credit);
- Transfer of funds from the credit to the exporter as payment, upon presentation of the required regulatory documentation;
- **Documentary payments**: Intermediation and document management related to trade finance operations;
- **Bank guarantee**: Provision of bank guarantees to its customers to ensure that payments are made with the least possible risk;
- **Guarantee advisory and reissue**: advisory and reissue of guarantees through the presentation of counter-guarantees accepted under the terms of a trade finance transaction.



1.3. Next steps

New markets

BAIE closely follows the activity of its Corporate customers, anticipating solutions, according to their international expansion needs.

The main focus of BAIE is the Portuguese-speaking African market. However, the Bank is prepared to expand its business wherever its customers are doing business.

Supranational organisations

Joining trade finance programmes with multilateral institutions is part of BAIE's strategy to find the necessary solutions for future operations of its customers.

Considering the risk profile, the Bank has taken on exposures in trade finance transactions with this type of international organisation.

Structured financing

Over the last few years, BAIE has been participating in structured operations abroad, in partnership with African financial institutions, in order to respond to local opportunities through syndicated financing and trade finance agreements.

2. Retail Banking

BAIE segments its **Retail customer** base into Retail, Affluent, Premium and Employees of the BAI Group, **focusing on the offer of savings solutions for resident and non-resident customers**, namely residents in Angola, BAI customers or employees.

The Bank's main target is Affluent customers who, depending on their profile, show greater interest in this type of product.

In 2023 and 2024, the Bank continued its digital strategy to attract customers, namely through remote account opening (digital onboarding). In 2024, the restructuring of Internet Banking (BAI Europa Directo) and the launch of the App were finalised.

Main services

BAIE provides a wide range of services in the Retail Banking segment, tailored to the needs of its customers, among which we highlight the following:

- **Current Account** no minimum amount required
- **Term Deposits** with competitive rates
- **VISA Debit Card** with contactless functionality
- **Direct Debits** for periodic payments upon prior authorisation
- **BAI Europa Direto** check your accounts and carry out various operations online

3. Institutional Banking

As part of its Institutional Banking activity, BAIE focuses on providing services to financial institutions based in Portuguese-speaking Africa, which allows banks **to manage their treasury and financial flows more efficiently**. In addition, BAIE plays the role of **local and regional service provider to these institutional partners**.

Within this scope, BAI Europa's offer focuses on the provision of trade finance, trade payments, FX (forex) and interbank money market solutions to institutional customers.

The Institutional Banking activity also ensures the promotion of the Bank's financing capacity in foreign markets, with other financial and multilateral institutions, establishing partnerships to support trade finance activity, thereby supporting the effort to internationalise European companies in Africa.

Within the Correspondent Banking segment, BAIE offers several products, from international payment services to trade finance solutions tailored to the customer's needs, developed according to the experience acquired in the African and European markets, complementing the offer of Corporate Banking solutions.

BAIE figures in 2024

22 Institutional customers

90 RMAs established with other counterparties worldwide

Main services

Among the different services provided by BAI Europa, in the Institutional Banking segment, we highlight the following:

- **Current accounts** in Euro and other foreign currencies to facilitate payments and other commercial transactions
- **Participant in SEPA, TARGET 2 (Euro) and EBA Step 1**, as well as all home market local currency clearing systems
- **Foreign exchange and spot transactions** via Bloomberg and Reuters
- **Savings solutions** (money market investments)
- **Financing**
- **Online banking**

Business Development

Commercial Banking and Correspondent Banking Department (DCC)

After the redesign of the business areas that led to the setting up of the Commercial and Correspondent Banking Department and its three functional units – Retail Banking Unit, Corporate Banking Unit and Institutional Banking Unit, the year 2024 was a year for consolidating our market position as set out in the strategic plan for 2021-2025.

The Bank increased commercial drive with the introduction of systematic tools aimed at achieving greater customer orientation and proximity, leading to the strengthening of cross-selling between the 3 customer segments – Retail, Corporate, Institutional – and the creation of synergies between the Commercial Banking and Trade Finance offer, thus increasing the capture of business opportunities.

BAIE had an international presence, sending joint delegations – Corporate and Institutional – to two food trade fairs (Gulfood and SIAL) where some of the main players in this market are present and where national exporting companies are increasingly present, which has allowed us to strengthen our position as the bank of reference for national exporters. It was also present for the first time at the Luanda International Fair and at the 7th Portugal Angola meeting, organised by CCIPA and bringing together businesspeople and government representatives from Portugal and Angola.

Institutional presence was strengthened in Angola and Cape Verde, São Tomé and Príncipe and Mozambique, and important steps were also taken to strengthen the link between BAI Angola and BAIE and to approach the concept of a single group client, endeavouring to strengthen the relationship with our parent company. In this regard, we would like to highlight the creation of a “Cross Border” Corporate Client Manager and the creation of an “Angola Desk”, which allowed for faster and more differentiated treatment of Retail customers with a connection to BAI Angola. In this respect, the role of the Commercial Department of BAI AO has been important in promoting joint visits to customers and potential customers of the Group, as well as the role of our Ambassadors in identifying companies with a dominant position in the import business.

As a result of the strengthening of our positioning in trade finance, BAIE received the news of the award for “Best Trade Finance Bank Portugal 2024” by the “Global Banking and Finance Review”.

Retail Banking Unit (UBP)

In 2024, this unit continued its strategy of expanding the Retail customer base on a transactional offer basis – current account, debit card, and term deposit-taking to guarantee the diversification of the strategy of raising stable funding to provide sustainability to the growth model in the corporate network.

A priority approach was maintained to Affluent and Premium customers (Portugal and Angola) and a customer segment was created for BAI Group employees with a view to extending the offer for Retail customers to all the Group's employees (Portugal, Angola and Cape Verde).

The systematic commercial tools allowed for the establishment of proactive and regular telephone contacts with the customer base in order to increase the level of satisfaction with BAIE and strengthen customer loyalty through the offer of term deposits and debit cards.

The strengthening of the support structure to UBP, together with the introduction of the remote account opening process, allowed, in the final phase of the year, a significant increase in the rate of account opening and fund raising, as well as maintaining a focus on strengthening the regularisation process of customer documentation under the KYC process.

This strategy allowed the opening of 1,117 new accounts for Retail customers (+21.8% YoY) and to achieve 41.2% growth in deposit taking – current and term deposits – (Euro 408.84 million compared to Euro 289.45 million in 2023).

Corporate Banking Unit (UBE)

A commercial approach to the Corporate segment was continued through a strategy of increasing the customer base by strengthening the team with a view to achieving greater sector diversification and better monitoring of the customer base.

In terms of offer, there was a strengthening of value proposition in trade finance and cash flow facilities to support resident and non-resident companies that have business and/or investment lines in Angola, Mozambique, Cape Verde and São Tomé and Príncipe.

We also continued to focus on disbursement credit facilities in the form of mutual loans, with a view to providing greater stability to the loan portfolio, broadening the sectoral scope and the maturities of the operations, which also allowed us to broaden the offer and reduce sectoral concentration.

The business unit also focused on a strategy to raise funds through a differentiated approach to deposit remuneration. This aimed to complement the Bank's offerings and secure funding to sustain the growth of the loan portfolio.

The corporate loan portfolio totalled Euro 121.4 million, a decrease of Euro 3.7 million compared to the end of 2023. However, in 2024 credit production was Euro 42.5 million higher than in the previous year, which resulted in greater use of credit lines and limits throughout the year, with a favourable impact on net interest income

Institutional Banking Unit (UBI)

BAIE continued its strategy of proactively monitor the relationship with Institutional customers, seeking to provide an excellent service, with rapid response capacity to the needs of the Bank's customers. Concurrently, important steps were taken to consolidate our position in Angola and Cape Verde, and to expand to new geographical areas centred on Portuguese-speaking African countries, namely Mozambique and São Tomé and Príncipe.

Operational connection with customers continued to be strengthened through several meetings/calls between BAIE’s operational departments and customers, with a view to promoting operational excellence and the service provided.

The approach to raising funds (IMM, TDs and DDs) was also stepped up as part of the contacts established with correspondent banks.

The year ended with a total of 22 institutional clients, representing growth of 15 new clients since the start of the current strategic plan. BAIE currently has active trade finance clients in Angola, Mozambique, Cape Verde and São Tomé and Príncipe.

Treasury and Structured Credit Department (DTE)

Treasury Management Unit (UGT)

Liquidity is a fundamental basis for BAIE's management and remained solid in 2024, as in previous years.

UGT implemented the outlined strategy, achieving the planned goals which include efficient management of available liquidity, management of financial assets and liabilities, interest rate and exchange rate risk management.

UGT plays an important role in the BAIE's liquidity management through maintaining the defined liquidity ratios and, together with the Institutional area, maintaining a constant effort to diversify funding sources.

Since 2015, when the Basel III standards came into force, BAIE has had a Liquidity Coverage Ratio above the minimum required. As at 31 December 2024, the LCR was 276.81% (in December 2023 it was 256.94%).

Regarding the Net Stable Funding Ratio (NSFR), which entered into force in June 2021, BAIE was able to maintain a ratio between the available and required amount of stable funding comfortably above regulatory levels. As at 31 December 2024, the NSFR was 126.36% (in December 2023 it was 139%).

In this context, in the course of 2024, BAIE was able to increase stable funding compared to the same period last year, with customer deposits increasing by 41.2% and deposits from institutional customers increasing by 46%.

Throughout 2024, the Bank increased its bond portfolio (approximately 17% compared to 2023), maintaining its conservative profile, which translates into a short duration (keeping interest rate risk at low levels) and a low credit risk (80% of the bond portfolio has an investment grade rating). Despite the change in the monetary policy of the Central Banks over the course of the year, which resulted in a scenario of lower interest rates, especially in the 4th quarter, the Bank maintained the profitability of its bond portfolio at adequate levels.

Structured Credit Unit (UCE)

Throughout the year, the UCE acted as Arranger or Mandated Lead Arranger in international financing transactions in Africa for more than USD 54 million, including financing to financial institutions, multilaterals, and corporates. Participation in operations on the European primary market for syndicated financing in Schuldschein format, totalling approximately Euro 22.4 million.
As part of its financing operations in Africa, the Bank participated in structuring and credit operations under the Portugal-Angola Convention.

In terms of sector diversification, UCEs portfolio shows a balanced profile and is made up of the following breakdown:

- **Portugal-Angola Convention**: 28% of the portfolio.
- **Financial Institutions**: 25%.
- **Multilaterals**: 16%.
- **Oil and Gas**: 6%
- **Automotive industry**: 4%
- **Engineering and Construction**: 4%
- **Other sectors**: 17%.

Despite the uncertain macroeconomic scenario, 2025 is expected to continue the same trajectory as 2024, consolidating the Bank's presence in the structured lending market with the aim of increasing the volume of operations concluded and strengthening the base of new commercial partnerships.

The pipeline of operations remains robust and diversified, reflecting a significant balance in terms of both geography and sector. The Bank will continue to focus on high value-added transactions in order to increase its competitiveness in the structured credit segment.

Human Capital and Sustainability (ESG = E+S+G)

Framework

2024 was marked by a global recession, with many countries suffering an economic slowdown driven by financial and political crises.

Inflation remained high, affecting the cost of living and the prices of goods and services. On the other hand, we have seen significant advances in technology and renewable energies, with a significant growth in investment in these sectors, creating opportunities and challenges for organisations. As far as the labour market is concerned, the unemployment rate fluctuated, while some industries faced increased difficulties due to a shortage of skilled labour and talent.

This economic and political outlook for 2024 has directly influenced companies' strategies, requiring a greater capacity for adaptation, resilience, and internal team development in order to face the challenges and take advantage of the opportunities that have emerged throughout the year.

In the context of the Human Capital development strategy and as a result of the measures already adopted in previous years, the BAIE has maintained its focus on the axes of the five strategic intervention areas: Feedback & Development; Culture Strengthening; Engagement & Retention; Recognition and Social Responsibility. These priorities were worked on in an integrated manner and aligned with BAIE's mission: – "*To be the European presence of the BAI Angola Group with a customer-focused and results-driven approach, to contribute to employee development, to meet shareholder expectations and to be a benchmark in the provision of quality customised service*."

The big challenge for 2024 was to strengthen and develop the competences within BAIE as a team. This approach was essential not only to promote collaborative work and the development of individual and collective skills, but also to create a more cohesive and productive working environment. The role of Human Capital has become even more relevant, consolidating itself as an essential pillar for the continuous evolution of the institution, with the premise of consolidating BAIE's values – Demand, Rigour, Agility, Respect and Ethics, which act as key elements in shaping and reinforcing the organisational identity.

Following on from previous years and continuing the development of the axes of the five areas of intervention, BAIE implemented a number of initiatives that enabled the continuous consolidation and alignment of Human Capital with the organisation's strategy.

In the area of **Feedback & Development**, in addition to maintaining the training initiatives already implemented throughout 2023, such as: Assessor Training (aimed at managers to ensure clarity and objectivity at all performance assessment), Feedback Training for Growth & What Our Competences Represent (offered to all employees, with the aim of equipping them with feedback techniques to promote personal and professional growth), there was a strong focus on the development of managers. Self-knowledge assessments were applied, with individual mentoring and parameterised to the development needs of each manager, and MBTIs, which allowed the different personalities to be identified and typified in order to promote a more inclusive, collaborative and productive environment. To monitor and support the implementation of the performance management system, the usual individual and team sessions were held to calibrate and close the assessments.

In the **Engagement & Retention** area, initiatives were developed to recognise performance and create opportunities for professional growth. In line with the same period last year, the Career Awards were maintained, as a way of recognising employees who have completed 5, 10, 15, 20 and 25 years in the job, and the +Team Player Award, which, on a quarterly basis, allowed BAIE employees to choose and recognise the employee who best embodies the institution's values and competences, promoting cooperation, motivation and development. Also, as a form of internal recognition, the Invictus awards were created, an annual initiative designed to recognise the employees who best demonstrate BAIE's values, and the Compliments Board was also created, available at BAIE's premises for all employees, with the aim of reinforcing internal recognition within the teams.

In the area of **Culture Strengthening** and with the aim of promoting the dissemination of information among all the institution's employees, guaranteeing alignment with the objectives, values and strategy, an annual communication plan was developed which incorporated a total of 31 initiatives planned for the year 2024. These actions were communicated to the entire Bank through the "What's up BAIE!" programme, promoting frequent and dynamic internal communication. As a complement, the newsletter "The Voice of BAIE!", a more institutional communication for all employees, was maintained on a quarterly basis. The tradition of three corporate events has been preserved at BAIE, with the "Kick-Off" event at the beginning of the year, the "Summer is Here!" event and the usual "Christmas Party". At the same time, events were organised solely for managers, with the aim of strengthening skills and teamwork, through two activities held off-site.

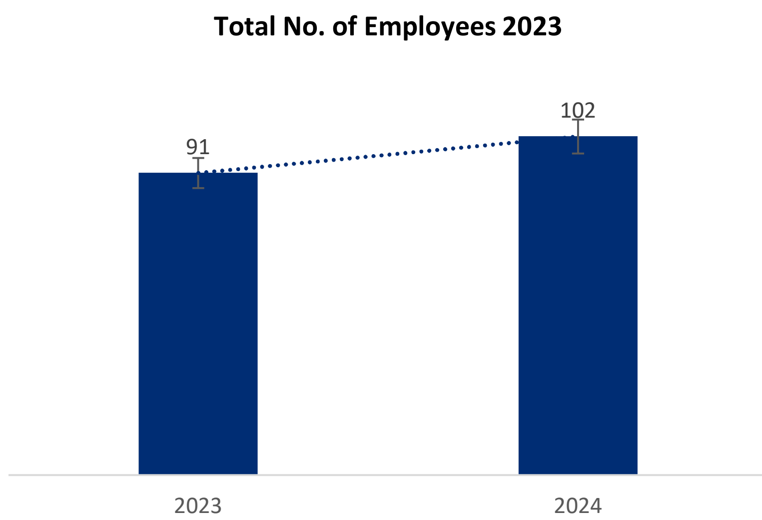
In 2023, the **Organisational Environment Questionnaire** was performed through an external partner with the aim of listening to employees in complete confidentiality, collecting feedback to identify opportunities for improvement and strengthen the culture.

In terms of **Recognition and Social Responsibility**, for the third year running two merit scholarships were awarded to economically disadvantaged students at ISCTE - Instituto Universitário de Lisboa, promoting equal opportunities in higher education and supporting students' individual endeavours. BAIE, in partnership with *Comunidade Vida e Paz*, organised a clothing donation campaign, raising 80 kg of clothes, which were delivered directly to the community. In addition, some of the Bank's employees volunteered on the food distribution route, helping to support homeless people in a gesture of solidarity and social responsibility.

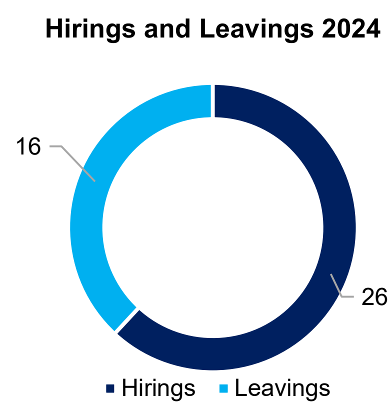
In December, BAIE reinforced its commitment by joining the Salvador Association. It acquired the perfect Christmas stars, which were distributed to all employees, underlining his support for this noble cause. As part of the initiatives associated with Sustainability and Environmental Responsibility, and in partnership with the ICNF (*Instituto da Conservação da Natureza e das Florestas*), an initiative was organised to plant trees and shrubs in the *Reserva Botânica da Mata Nacional dos Medos*.

Human capital development

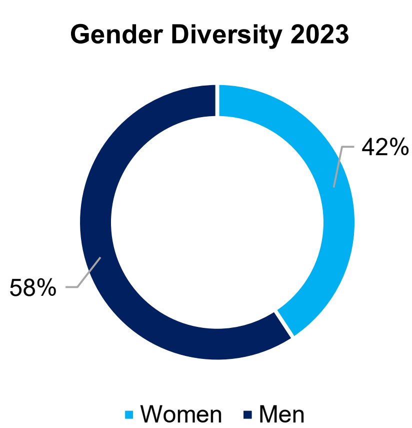
BAIE ended the 2024 financial year with 101 employees, a growth of 12.1% compared to 2023.

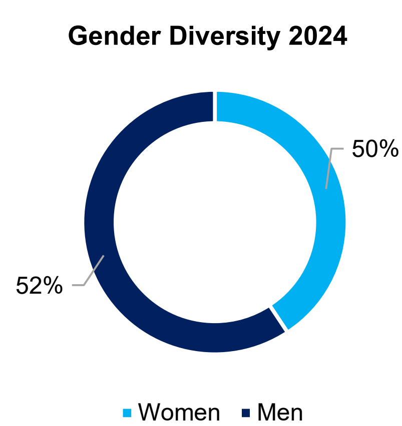


In 2024, BAIE welcomed 26 new employees while 16 left. The control and technology sectors made up 74% of all hires throughout the year. Regarding departures, these areas accounted for 90% of the total exits.

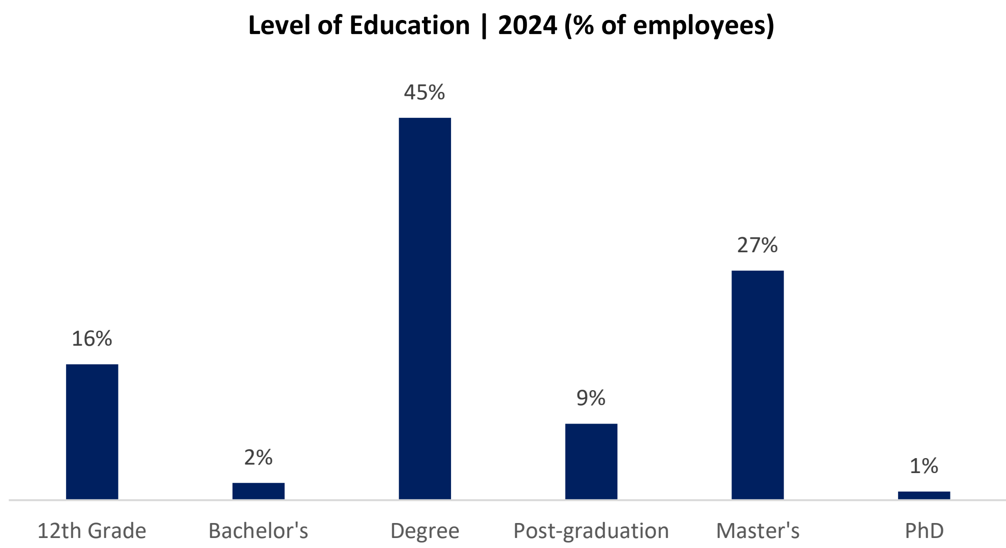


The hiring of new resources in 2024 contributed to the continued balance of gender diversity at the Bank. With its current structure, the Bank has a composition of employees that reflects this balance, promoting a more inclusive and representative working environment.





The average age of the Bank's employees stands at 35, reflecting a young and dynamic team. Of the total head count of 101 employees, 91% have a permanent labour contract (open-ended) working 100% full-time. As far as academic qualifications are concerned, the Bank will end 2024 with 82% of employees with higher education qualifications. Of these, 27% have completed a master’s degree, demonstrating their alignment with the demands of a constantly evolving market.



Commitment to Sustainability and Climate and Environmental Risk Management

As part of its social and environmental responsibility strategy, Banco BAIE has strengthened its commitment to the principles of governance, sustainability and the integration of climate and environmental issues into its business.

In line with the requirements of the European Union and the guidelines of the European Central Bank (ECB), the Bank is developing a strategic project to ensure compliance with the ECB's 13 expectations regarding the management of climate and environmental risks.

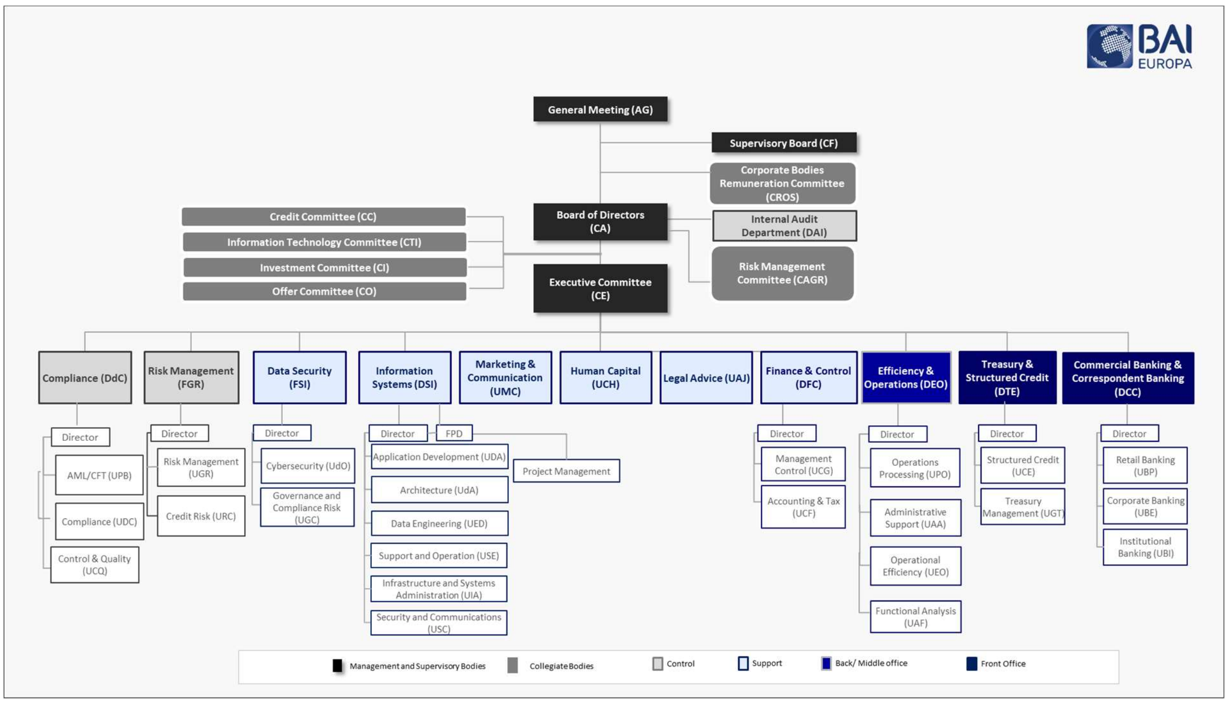
In December 2024, the Bank took significant steps to align its operation with these requirements. The governance model was developed with the aim of integrating climate risks across all areas of the Bank. Additionally, the materiality of the risks was identified and assessed, including both physical and transition risks.

Physical risks refer to the direct impacts of climate change, such as rising temperatures, extreme weather events or the scarcity of natural resources, which can affect the Bank's operations, its customers and the economy in general. On the other hand, transition risks are related to the challenges and opportunities generated by the transition to a low-carbon economy. These risks stem from stricter policies and regulations, as well as changing consumer and investor preferences towards more sustainable practices.

BAIE has implemented measures to monitor and mitigate these risks, with an approach focused on reducing the carbon footprint of its operation and promoting more responsible and sustainable business practices. To this end, the Bank has been incorporating environmental, social and governance (ESG) criteria into its investment and credit decisions, continuously assessing exposures to sectors with greater climate risks, such as the energy sector, transport or heavy industry.

In 2025, the Bank's commitment is to continue moving forward with the implementation of the ECB's remaining expectations, reinforcing our approach to climate and environmental risk management and ensuring that sustainability best practices are increasingly integrated into the institution's strategic decision-making processes. We believe that adapting to the new economic paradigm, which demands greater environmental responsibility and transparency, is essential to guarantee BAIE's long-term sustainability and to support our customers in their own transition to a greener and more inclusive economy.

Organizational structure



1.1. Corporate Bodies

BAIE's corporate bodies are the General Meeting of Shareholders, the Board of Directors and the Supervisory Board, and minutes are taken of all the meetings of these bodies.

The term of office of the members of the corporate bodies is four years and they may be re-elected.

The composition of BAIE's corporate bodies elected by the General Meeting of Shareholders and approved by the Banco de Portugal is available on the BAIE website (http://www.bancobaieuropa.pt).

1.1.1. General Meeting

The board of the General Meeting consists of a Chairman,a Vice-Chairman and the company secretary.

The General Meeting is convened by its Chairman, with at least thirty days' notice, and may validly deliberate on first convening, provided that shareholders representing more than 40% of the share capital are present or represented.

Decisions at the General Meeting are taken by an absolute majority of the votes cast, except when the Articles of Association require a qualified majority of votes, in which case such decisions can only be taken after the Board of Directors has given its prior opinion.

1.1.2. Board of Directors

The Board of Directors is currently composed of three executive directors and three non-executive directors, one of whom is independent.

All directors in office have adequate technical skills and professional experience to perform their duties, complying with duties of care and loyalty and strict compliance with the law, in the interest and with a view to the sustainability of BAIE.

The day-to-day management of the Bank was delegated by the Board of Directors to an Executive Committee (CE). The Executive Members have been allocated specific responsibilities for monitoring the different departments that comprise the Bank's organisational structure. The distribution of portfolios considers the different qualifications and the personal and professional experience of each of the directors.

The Board of Directors meets in accordance with the frequency set by the Board itself and at least once every quarter. Decisions are taken by majority vote, except in cases where the Law or the Articles of Association require a qualified majority of votes. In the event of a tie, or if the Board of Directors is composed of an even number of members, the Chairman of the Board of Directors has the casting vote.

The powers, composition and modus operandi of the Board of Directors are detailed in the relevant regulations approved by the General Meeting, in addition to the legal provisions and the Bank's Articles of Association.

1.1.3. Executive Committee

The Executive Committee is composed of three executive directors appointed by the Board of Directors from among its members, including a Chairman (CEO), all elected by the General Meeting.

The Executive Committee meets at least once a month, except in August, or whenever it is convened by its Chairman or by any of its members.
Decisions of the Executive Committee are taken by majority vote. In the event of a tied vote, the Chairman shall have a casting vote.

The directors who comprise the Executive Committee ensure that all information concerning their activity is provided to the other members of the Board of Directors, who, in turn, are responsible for the general monitoring of the former’s performance.

The powers, composition and modus operandi of the Executive Committee are detailed in the relevant regulation approved by the General Meeting, in addition to the legal provisions and the Bank's Articles of Association.

1.1.4. Supervisory Board

The Company is supervised by a Supervisory Board elected by the General Meeting and made up of three full members and one alternate member, who took office on 24 March 2022, after being authorised by the Banco de Portugal for the 2021-2024 term.

The Supervisory Board meets as often as determined by its members, with a minimum frequency of quarterly. Decisions are taken by majority vote.

The powers, composition and *modus operandi* of the Supervisory Board are detailed in the relevant regulation approved by the General Meeting, in addition to the legal provisions and the Bank's Articles of Association.

1.1.5. Statutory Auditor

BAIE's accounts are audited by a statutory auditor, or a firm of statutory auditors appointed by the General Meeting.

1.2. Other collegiate bodies

1.2.1. Risk Management Monitoring Committee

The Risk Management Monitoring Committee (CAGR) is composed of the executive directors, the independent non-executive member of the Board of Directors, who chairs this committee, the directors of the Risk Management Function (FGR), the Compliance Department (DdC), the Internal Audit Department (DAI) and the Information Security Function (FSI), and at least one member of the Supervisory Board.

This committee is responsible for the permanent monitoring of the financial and non-financial risk management system. As a monitoring body, this committee has no decision-making powers.
The meetings take place ordinarily every two months and extraordinarily whenever convened by its Chairman or, in his absence, by another director of the Committee.

The powers, composition and modus operandi of the Risk Management Supervisory Committee are detailed in the relevant regulation approved by the Board of Directors.

1.2.2. Credit Committee

The Credit Committee (CC) is a decision-making body that comprises all the directors who make up the Executive Committee, the Director of the FGR and the Coordinator of the Credit Risk Unit (URC). It is chaired by the director responsible for the FGR.

This committee has the responsibility of approving the highest level of credit operations and meets, as a rule, on a weekly basis or whenever convened by the Managing Director of the FGR or by any of the executive directors.

The decisions of this committee are approved with the favourable vote of the majority of the executive directors who are part of it and the non-opposition of the director responsible for the second-line control functions. In the event of a tied vote, the Chairman of the Executive Committee has a casting vote.

The director in charge for second-line control functions has the power of veto over the operations presented for analysis by the Credit Committee.

The powers, composition and modus operandi of the Credit Committee are detailed in the relevant regulation approved by the Board of Directors.

1.2.3. Information Technology Committee

The Information Technology Committee (CTI) is a collegiate decision-making and monitoring body made up of all the directors who comprise the Executive Committee and the directors of the Information Systems Department (DSI), the Information Security Function (FSI) and the Efficiency and Operations Department (DEO). It is chaired by the Chief Executive Officer, the director responsible for the information systems areas.

The Information Technologies Committee is responsible, in particular, for supervising the strategic plan for information technologies, defining and approving priorities in terms of implementing technological programmes and projects in line with the BAIE's business strategy, including those arising from legal and regulatory obligations or which support the mitigation of relevant risks, as well as monitoring and defining mitigation actions for information security and information technology risk events.

The powers, composition and modus operandi of the Information Technologies Committee are detailed in the relevant regulation approved by the Board of Directors.

1.2.4. Investment Committee

The Investment Committee (CI) is a collegiate decision-making and monitoring body composed of all the members of the Executive Committee, the manager of the department in which the Treasury Management Unit (UGT) is integrated and the manager of the FGR. The Chairman is the director responsible for the business areas.

The CI is responsible, namely, for analysing and approving investment strategies in accordance with future expectations in relation to macroeconomic scenarios, as well as approving/vetting new investment options in accordance with the Bank's risk profile approved by the Board of Directors.

The powers, composition and functioning of this body are detailed in the relevant regulation approved by the Board of Directors.

1.2.5. Offer Committee

The Offer Committee (CO) is a collegiate decision-making and monitoring body composed of all the members of the Executive Committee, the directors of the Commercial Banking and Correspondent Department (DCC), the FGR, the DdC and the heads of the Marketing and Communication Unit (UMC) and Legal Support Unit (UAJ). The Chairman is the director responsible for the business areas.

The CO is responsible for analysing and recommending to the Executive Committee the launch of new products, as well as monitoring the life cycle of the portfolio of products and services.

The powers, composition and functioning of this body are detailed in the relevant regulation approved by the Board of Directors.

2. *Corporate governance practices*

2.1. Internal Control and Risk Management System

The Bank's internal control system is based on the three lines of defence model, allocating powers and responsibilities for governance and risk management as follows:

- **First line of defence**, consisting of the business-generating areas and the support areas, which are primarily responsible for identifying, assessing, monitoring and controlling the risks they incur while carrying out their activities;
- **Second line of defence**, consisting of the risk management and compliance functions (FGR and DdC), which interact with the first line of defence with a view to the adequate identification, evaluation, monitoring and control of the risks inherent to the activity carried out by the business and support areas;
- **Third line of defence**, consisting of the internal audit function (DAI), which is responsible for carrying out independent analyses, carried out according to the risk to the other lines of defence.

2.2. Remuneration

The General Meeting shall be responsible for setting the remuneration of the members of the corporate bodies, including social security arrangements and other benefits or complementary benefits.

The Board of Directors defines and approves the remuneration policy of the heads of control functions and other employees.

The Bank's remuneration policy takes into consideration, *inter alia*:

i. the involvement of the FGR in the definition of appropriate measures for risk-adjusted performance;
ii. the involvement of the Human Capital Unit (UCH) in defining the remuneration structure, gender neutrality, remuneration levels and incentive schemes to attract and retain employees;
iii. the DAI's analysis of the effects of the remuneration policy on the Bank's risk profile; and
iv. the assessment by the DdC of compliance with legislation and regulations, as well as with the Bank's internal policies and risk culture.

To this end, a joint document is drawn up annually by the FGR and DdC, which reflects the evolution of the relevant indicators over the last five years, as well as the analysis regarding the impact of the remuneration policy on the Bank's solvency and conservative risk profile.

The Supervisory Board, each year, reviews the adequacy and compliance with the remuneration policy for the Bank's corporate bodies and employees, including those with control functions. As a result of this analysis, an opinion is issued which, together with the joint document issued by the risk management and compliance functions (second-line of control), accompany the proposal for the remuneration policy of the Board of Directors and the Supervisory Board, which is subject to approval at the General Meeting.

In accordance with the EBA/GL/2021/04 guidelines, we present below the Remuneration Policy for the members of the management and supervisory bodies of Banco BAI Europa applicable to 2024:

Policy Definition

The Bank's remuneration policy was defined with the objective of defining rules, clear and aligned with the Bank´s culture, considering the specific features of the Bank’s activity, in particular its small size and the nature of its business activity which is characterised by the provision of services within a narrow and traditional range resulting in an activity of little complexity and focused on pre-defined market niches.

The remuneration policy provides specific rules for the Bank's various employees, distinguishing between:

a) Members of the management and supervisory boards;
b) Employees who, due to the nature of their duties, are considered by Commission Delegated Regulation (EU) No. 604/2014, of 4 March 2014, to have a significant impact on the Bank's risk profile, which in the case of BAIE are considered to be those responsible for the control functions, as well as the other heads of department, who, as a whole, the Bank refers to as the Management Team;
c) Employees who have direct contact with customers within the scope of marketing deposits and products, as well as the employees responsible for the management and supervision of these business areas;
d) Other employees.

With respect to paragraphs a) and b), where remuneration with a variable component is payable, the following criteria for deferred payment shall apply:

I. If the total amount of the variable component of the remuneration awarded for a full financial year does not exceed Euro 50 thousand, it may be paid fully in cash;
II. Should the variable component of the annual remuneration awarded exceed Euro 50 thousand, the following criteria for deferred payment shall also apply:
    1. The amount corresponding to 40% of the variable component is deferred, and this amount is increased to 60% when it exceeds Euro 150 thousand;
    2. The deferral is made over a three-year period, which is the minimum period legally established given the nature of the Bank's business and economic cycles, characterised by short and medium term operations;
    3. The part of the variable component not subject to deferral is paid in the following year;
    4. If there are no situations of reduction of the variable remuneration, the part of the variable remuneration subject to deferral is paid over the next 3-year period, in 3 annual instalments corresponding to 1/3 of its value.
    5. Whenever the amount of the variable remuneration exceeds Euro 50 thousand, the deferred and not deferred components shall comprise, in equal proportions, financial instruments and cash.

Policy Approval

It is the responsibility of the Board of Directors (CA) to ensure that the remuneration policy is defined, maintained and applied in accordance with the Bank's culture and governance processes, as well as the adequacy of remuneration practices to the capital structure and risk profile assumed by BAIE, in order to promote a healthy and prudent management of the risks.

Decisions concerning the remuneration of the Bank's employees are approved annually by the CA.

On an annual basis, under the terms of Article 115-C of the General Regime for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), the Supervisory Board (CF) assesses the adequacy and compliance with the remuneration policy of the Bank's corporate bodies and its employees, issuing an opinion to that effect.

The remuneration of the members of the corporate bodies is approved annually at the General Meeting of shareholders (AG). For this purpose, the Board of Directors, together with the opinion of the Supervisory Board and the joint opinion of the Heads of the Audit, Compliance and Risk Management Functions, submits a statement to the shareholders, together with information enabling them to assess the overall cost of the remuneration and incentive structure and the extent to which risk-taking is encouraged and controlled.

The annual decisions of the Board of Directors regarding remunerations of employees, as well as the preparation of the statement of remuneration to be submitted to the AG, are always preceded by an assessment that considers, in particular:

a) If the implementation of the policy remains adequate to the Bank's risk profile;
b) The identification of staff members whose professional activities may have a significant impact on the Bank's risk profile, considering the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) No. 604/2014, of 4 March 2014;
c) If the allocation and payment of variable remuneration is compatible with the maintenance of a solid equity position.

Executive Directors

The fixed remuneration of executive directors is determined based on the following considerations:

i. individual skills;
ii. the level of responsibilities of each director;
iii. the position held in the Board of Directors;
iv. the length of service in the Group.

The variable remuneration shall depend on the following factors:

i. individual and Bank performance;
ii. economic aspects;
iii. extent of risks assumed;
iv. compliance with the standards applicable to the Bank’s business activity;
v. the level of responsibilities of each director.

The performance evaluation of the Bank's executive directors is the responsibility of the General Meeting.

The allocation of the variable remuneration is performed annually based on that assessment and on the proposal presented by the Board of Directors. The corresponding calculation shall allow for adjustments to be made considering the different types of current and future risks, as well as the profitability and adequacy of the Bank's equity and liquidity

With the aim of maintaining a prudent balance between fixed and variable remuneration components, the amounts of fixed remuneration of executive directors should be sufficient; and the percentage that corresponds to variable remuneration over fixed annual remuneration should be relatively low, not exceeding 35%. The amount corresponding to 50% of the total variable component of the remuneration is paid in cash and the remainder in kind, whenever the respective amount exceeds Euro 50 thousand. If the total amount of the variable component of the remuneration awarded for a full financial year does not exceed Euro 50 thousand, notwithstanding the deferral procedures defined, it may be paid fully in cash. In 2021, the Bank did not pay variable remuneration in kind.

Non-Executive Directors

The fixed remuneration of non-executive directors is determined based on the following considerations:

i. the position held in the Board of Directors;
ii. individual skills;
iii. the length of service in the Group.

Fixed remuneration is paid 12 times a year.
Non-executive directors do not receive a variable remuneration.

Supervisory Board

The members of the Supervisory Board receive a fixed remuneration, determined according to the position held in this body and considering the size and complexity of the Bank's business activity.

Fixed remuneration is paid 12 times a year. The members of the Supervisory Board do not receive a variable remuneration.
The remuneration policy for members of the corporate bodies and employees with a significant impact on the Bank's risk profile is disclosed on BAIE's website.

A General Meeting of the Bank’s Shareholders will be held by March 2025 to approve the remuneration policy of the governing bodies.

2.3. Assessment and selection of members of the corporate bodies and employees performing key functions

The rules for selection and assessment of members of the management and supervisory bodies, as well as employees who perform key functions, are defined and approved at the General Meeting.

Whenever necessary, the DdC proposes to the Board of Directors adjustments or changes to the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Bodies and of Employees Performing Key Functions. It is the responsibility of the Board of Directors to approve the respective proposal for revision of the Policy and, in turn, to submit it for approval to the General Meeting.

Any non-approval by the Board of Directors of the proposed revision to the Policy must be duly substantiated.

About the selection of new members for the management or supervisory body, it is the responsibility of the Board of Directors to define the necessary competencies and skills to ensure that there is sufficient expertise in the relevant body, sufficient availability of time and independence of its members, considering, as far as possible, the principle of balanced representation of men and women.

The rules for selection and assessment of members of the management and supervisory bodies, as well as employees who perform key functions, are defined and approved at the General Meeting.

The assessment of the candidates is carried out, among several ways, through the mandatory intervention of an independent evaluator.

Regarding the selection of employees who perform key functions, it is the responsibility of the Board of Directors to define the competencies and skills required to ensure the adequate performance of the respective functions, as well as to assess the candidate(s), namely through an independent evaluator. Members of the management and supervisory bodies and those responsible for the performance of key functions (risk management, internal audit and compliance) are subject to a simplified assessment, duly documented.

The procedure for assessing the suitability of the members of the management and supervisory bodies is based on criteria of suitability, honesty and integrity, professional qualifications, independence and availability. The adequacy is reassessed by an independent evaluator every two years, or whenever facts occur that change the content of the assessment previously carried out.

The assessment of those responsible for performing key functions is carried out on an annual basis, or whenever supervening facts occur that change the content of the previously carried out assessment, and is based on criteria of technical knowledge, responsibility, availability for teamwork, communication skills, initiative (aimed at introducing improvements in the performance of functions), leadership and perception of business risks. In addition, those responsible for performing key functions are covered by the performance management system applicable to all the Bank's employees.

2.4. Training of the members of the governing bodies and employees performing key functions

The Bank provides the members of the Board of Directors, the members of the Supervisory Board and the holders of essential functions with access to adequate training activities relevant to the performance of their duties.

The Bank will provide the new members appointed to the governing bodies with information that is essential for the performance of their duties within a maximum of one month after they take office, as well as training activities that must be completed within six months from the date, they take office.

The training plan is defined annually by the Board of Directors and includes induction and training objectives for the members of the corporate bodies. This plan is updated in line with legal and regulatory changes, changes in governance, strategic changes, new products, and market developments.

2.5. Succession of members of the governing bodies and employees performing key functions

The succession policy for members of the management and supervisory bodies and for employees performing key functions is approved by the General Meeting. The Board of Directors is responsible for preparing and managing the succession plan at the various planning stages, namely in defining profiles, selecting high-potential employees and identifying potential candidates.

The Board of Directors is also responsible for submitting succession proposals (planned or unforeseen) to the shareholders, whenever the respective nomination falls within the competence of the General Meeting.

In drawing up the succession plan, the Board of Directors shall define the skills and competencies necessary to ensure the existence of adequate expertise to perform the function concerned, availability and independence, considering, as far as possible, the principle of balanced representation of men and women.

The Board of Directors ensures the reassessment of the succession plan, based on a prior opinion of the Supervisory Board. The reassessment should take place once a year, preferably during the third quarter of each year, and whenever justified.

2.6. Prevention of situations of conflicts of interest

In situations involving conflicts of interest, the Bank will always act to ensure that its institutional interest prevails over the personal interests of its shareholders, directors, employees or third parties. Should a situation of conflict of interest involving its customers arise, the Bank shall act to ensure transparent and equitable treatment for its customer, considering the duty of loyalty towards them.

The Bank has established a set of internal procedures to prevent and control potential situations of conflicts of interest, which are set out in the Policy for the Prevention of Conflicts of Interest and in the Related Party Policy.

2.7. Transactions with related parties

The Bank's policy on related parties establishes rules regarding the definition, identification, execution and approval of transactions with related parties, their monitoring and disclosure, as well as the powers and responsibilities of the different parties involved in related party transactions.

The conclusion of transactions with related parties depends on favourable prior opinions from the Supervisory Board and the risk management and compliance functions (FGR and DdC), as well as approval by a qualified majority of at least two thirds of the members of the Board of Directors.

2.8. Whistleblowing

The Bank has in place a Whistleblowing Policy that establishes specific, independent, autonomous, and adequate internal procedures for the receipt, treatment and filing of reports of serious irregularities in the Bank related to its administration, accounting organisation, internal supervision and solid evidence of breaches of the duties enshrined in the applicable legislation, regulations, instructions and internal rules, namely the Legal Framework of Credit

Institutions and Financial Companies and Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June, as well as reports of irregularities related to possible violations of Law 83/2017, of 18 August, its regulations and/or policies, procedures and controls concerning the anti-money laundering and financing of terrorism.

The reporting of irregularities may be done anonymously, through the ethics portal available on the Bank's institutional website, where the right of defence of those involved, the protection of personal data and the confidentiality of the reports are always ensured.

2.9. Disclosure of Information

It is the responsibility of the Board of Directors to define and approve the information disclosure policy, as well as to assess the adequacy of the information to be disclosed, its verification and frequency.

In defining, implementing, and reviewing the disclosure policy, the Board of Directors considers the inputs of the relevant areas, including the FGR and the DdC, in order to ensure an adequate process in terms of relevance, reserve, confidentiality and frequency in the disclosure of information.

Risk Management and Internal Control

Risk Management System

BAIE's Risk Management System (SGR) comprises an integrated set of permanent processes that ensure an appropriate understanding of the nature and magnitude of the risks underlying the activity performed, thus enabling the adoption of an appropriate strategy and compliance objectives, with the Board of Directors responsible for ensuring its implementation. Accordingly, the SGR allows for the identification, assessment, control and monitoring of all material risks to which the Bank is exposed, both internally and externally, in order to ensure that they remain at the level previously defined by the Board of Directors and that they will not significantly affect the institution's financial position:

BAIE's Risk Management System was defined according to the size, nature and complexity of the Bank's activity, aiming to incorporate the strategic guidelines and the level of risk appetite defined by the Board. According to the current Bank's risk management model, the following are considered material risks:

i. Financial risks:
   a. Credit Risk (includes Concentration Risk);
   b. Liquidity and Financing Risk (includes Concentration Risk);
   c. Interest rate risk and credit spread risk;
   d. Exchange Rate Risk (includes Concentration Risk);
   e. Real Estate Risk.

ii. Non-financial risks:
   a. Strategy Risk;
   b. Operational Risk;
   c. Information Security and Information Technology Risk;
   d. Compliance Risk;
   e. Reputation Risk
   f. ESG Risk.

Pension fund risk and market risk were not considered material in the context of the BAIE. The former due to its applicability to a rather reduced number of employees and the latter due to the fact that the Bank does not have an investment strategy based on a trading portfolio and therefore does not take market risk into account.

Risk Profile

In defining the Bank's strategic guidelines, the Board of Directors has set as its overall objective the adoption of a conservative risk profile for the material risks assumed by the Bank, thus ensuring the continuity of the business in terms of profitability and solvency under all circumstances. This profile was defined considering, among others, the Bank's level of capital and liquidity, the macroeconomic framework in which it operates and its strategic and business objectives.

The Risk Appetite Statement (RAS) reflects the risk appetite guidelines for each of the material risks identified as part of the risk self-assessment as well as the quantitative metrics by which the Bank will monitor its risk profile.

The FGR is responsible for the follow-up and monitoring of the risk profile and the communication of the main findings and conclusions. It is also responsible for supporting the Board of Directors in the assessment of the action measures implemented whenever there is a breach of the limits defined that significantly impacts the Bank's activity, or in the periodic updating of those limits.

Financial Risk Management

As mentioned above, the financial risks considered material to the BAIE are credit risk (includes concentration risk), liquidity and financing risk (includes concentration risk), interest rate risk and exchange rate risk.

Credit Risk

Credit risk is defined as the probability of negative impacts on profit/ (or loss) or equity due to the inability of a counterparty to meet its financial commitments to the institution. An integral part of this risk is the credit concentration risk that results from borrowing or investing funds of a relevant amount in a small number of borrowers/counterparties and/or risk groups, or in a few business sectors.

The Board of Directors has defined as a goal the adoption of a low risk appetite for credit risk, ensuring for this purpose a strict management of this risk supported by the delimitation of the nature of the positions at risk and of the number of products and counterparties, the definition of conservative limits and a delegation of credit powers with the need for executive directors to intervene in credit granting operations to non-financial entities or to entities for which no limits have been defined.

- **Credit risk management at the granting stage**

No specific criteria are established for credit granting, since all credit operations are analysed on an individual basis at the time of decision making. The basic principle is that credit is only granted to companies that present an acceptable financial position and an ability to generate cash flows that can be easily foreseen and reliably measured, in order to comply with the debt service requirements. In addition, the Credit Committee meets on a weekly basis, where the highest-level operations are approved, and which involve the assumption of risk on amounts relevant to the BAIE's balance sheet. This Committee includes all the executive directors of the Board of Directors. The director responsible for controlling functions has the power to veto operations submitted for analysis by the Credit Committee.

- **Credit risk management at the granting stage**

The Risk Management Unit (UGR) incorporated in the FGR is responsible for controlling credit risk through the calculation of indicators operating within the policies and guidelines established by the Board of Directors.

The FGR monitors the credit risk exposures and checks whether they are within the established limits, as well as evaluates the adequacy and efficiency of the measures taken to correct any deficiencies in the respective credit risk management system.

Liquidity and Financing Risk

Liquidity and financing risk is defined as the likelihood of negative impacts on profit or loss or on equity resulting from the Bank not having liquid funds to meet its financial liabilities upon maturity. An integral part of this risk is the risk of liquidity and financing concentration, which results from the concentration of sources of liquidity in a reduced number of counterparties or geographies.

The Board of Directors has defined as a goal the adoption of a low risk appetite for liquidity and financing risk, ensuring for that purpose the management of this risk based on the maintenance of a prudent net position in order to guarantee compliance with financial obligations upon maturity. Regarding the risk of liquidity and financing concentration, given the framework of the Financial Group of which BAIE is inserted, the Bank has defined as a goal the adoption of a moderate risk appetite in view of the concentration of liquidity sources in Angola. The management of liquidity risk is superimposed on the management of interest rate risk, so that the coverage between assets and liabilities with respect to maturity terms or any possible interest rate review should only be performed after the defined liquidity limits have been met.

Interest rate risk and credit spread risk

Interest rate risk is defined as the current and prospective risk of a negative impact on the economic value of equity, or on net interest income, including, as appropriate, changes in market value arising from adverse changes in interest rates affecting interest rate sensitive instruments, including deviation risk, basis risk and option risk.

Credit Spread Risk in the Banking Portfolio comprises the risk resulting from changes in the market price, with regard to Credit Risk, liquidity and other characteristics of instruments with credit risk, and which is not captured by another regulatory framework (e.g. IRRBB or default risk). Consequently, it captures the risk of variation in the spread of an instrument, assuming the same level of credit quality (i.e. how the spread moves within a given range of ratings/PD).

The Bank's goal is to adopt a low-risk appetite for interest rate risk, ensuring the management of this risk in order to reduce the sensitivity of net interest income to changes in interest rates and, consequently, preserving the economic value of the balance sheet. For this purpose, in operations with variable rates, only market benchmark rates are accepted as indexing factors.

Exchange Rate Risk

Exchange rate risk is defined as the probability of negative impacts on profit/(or loss) or equity due to adverse movements in the exchange rates of balance sheet items caused by changes in those rates that are used in the translation into the functional currency or by changes in the Bank's foreign currency position due to significant changes in exchange rates. An integral part of this risk is the exchange concentration risk, which results from concentrating the balance sheet in foreign currencies.

BAIE has defined as a goal the adoption of a low risk appetite for exchange rate risk, ensuring for this purpose the management of this risk so as to maintain the exposure to exchange rate risk within conservative limits considering the size and financial structure of the Bank. Regarding the exchange rate concentration risk, the net exchange position limit provided for in Article 351 of the CRR must be complied with on a permanent basis.

Real Estate Risk

Real estate risk is defined as the likelihood of negative impacts on profit/(or loss) or equity, due to adverse movements in the real estate sector, that cause the devaluation of the properties given as collateral in loans granted by the Bank.

The Board of Directors set as an objective the adoption of a moderate risk appetite for real estate risk, ensuring the prudent management of this risk through:

- Setting sectoral concentration limits;
- Careful analysis of the projects presented, focusing on operations in the medium-high segment - less exposed to the effects of negative economic cycles;
- setting prudent LTV ratios to accommodate negative impacts on the real estate sector.

Non-Financial Risk Management

As stated above, the non-financial risks considered material to BAIE are operational risk, information security and information technology risk, strategy risk, reputation risk and compliance risk.

Operational Risk

Operational risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from failures in the analysis, processing or settlement of operations, internal and external fraud, the use of resources or services under a subcontracting arrangement, inefficient internal decision-making processes, insufficient or inadequate human resources or the inoperability of infrastructures. A characteristic of operational risk is its dispersion, being present in all the Bank's activities.

BAIE has defined as a goal the adoption of a low-risk appetite for operational risk, ensuring the management of this risk so as to guarantee that adequate internal controls are in place to mitigate, to the greatest extent possible, any negative impacts on profit/(or loss) or equity.

Information Security and Information Technology Risk

Information security and information technology risk is defined as the risk of negative impacts on profit/(or loss) or equity due to the pursuit of a maladjusted strategy in this area, namely the non-adaptability of the information systems to new needs, their inability to prevent unauthorised access, to ensure data integrity or to ensure business continuity in case of failure. In addition, the management of this risk ensures compliance with the guidelines on subcontracting, particularly cloud services.

The Bank has defined as a goal the adoption of a low-risk appetite for Information Security and IT risk, ensuring the management of this risk through the inventory of the Bank's IS/IT assets and identification of the threats to which they are exposed. Mitigation mechanisms were created in order to avoid the event of severe incidents with transversal impact in highly critical IS/IT assets (including incidents related to cybersecurity) and guaranteeing reduced levels of unavailability of highly critical IS/IT assets, mitigating the negative impacts on profit/(or loss) or equity. For this purpose, a structural unit responsible for information security should be defined, independent from the structural unit that manages the information systems.

Strategy Risk

Strategy risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from inadequate strategic decisions, a poor internal governance model or the inability to respond to changes in the surrounding environment, as well as changes in the Bank's business environment.

BAIE has defined as a goal the adoption of a low-risk appetite for strategy risk, ensuring a balance between the risk taken and the return generated. In addition, the Bank takes a conservative position in terms of compliance with all regulatory capital limits, and therefore decisions on the Bank's strategic guidance and on its business model should not overly expose it to the intended risk profile.

Reputation Risk

Reputation risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from a negative perception of the institution's public image, whether substantiated or not, by customers, suppliers, financial analysts, employees, investors, the media or public opinion in general. This risk may affect the Bank's ability to establish new relationships with its customers, business counterparties, employees, or investors. It could also affect the ability to maintain currently existing relationships and could even lead not only to direct and immediate financial losses, but also to legal proceedings, deterioration of the customer portfolio, difficulty in obtaining funds or the loss of key employees from the Bank.

The Board of Directors has defined as a goal the adoption of a moderate risk appetite for reputation risk, ensuring the management of this risk by monitoring the perception of stakeholders, including customers, employees, other financial institutions, suppliers, the media, and the general public.

Compliance Risk

Compliance risk is defined as the risk of negative impacts on profit/(or loss) or equity, arising from breaches or non-compliance with laws, regulations, specific provisions, contracts, rules of conduct and of relationships with customers, established practices or ethical principles, which may materialise in legal sanctions, limitation of business opportunities, reduction in the potential for expansion or in the impossibility of requiring compliance with contractual obligations.

The Bank has defined a low-risk appetite for compliance risk, ensuring the management of this risk in order to guarantee compliance with the legal and regulatory obligations to which it is exposed, including the obligations of prevention of money laundering and financing of terrorism, and to act in accordance with the code of conduct, mitigating the negative impacts on profit/(or loss) or equity.

ESG Risk

ESG risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from the Bank's inability to implement and comply with the requirements defined by the EBA guidelines on ESG, as well as being exposed to entities whose activity is not considered sustainable in environmental terms (E), do not have socially equitable and fair policies (S) or do not comply with best internal governance practices (G).

The Board of Directors has set the objective of adopting a moderate risk appetite for ESG risk.

Compliance

The Compliance Department is responsible for managing compliance risk in BAIE, acting in an unbiased, independent and extensive manner in relation to the Bank's processes and activities.

The Compliance Department has the mission of ensuring the prevention and mitigation of compliance risks, which materialise in fines, reputation and financial impacts, as a consequence of non-compliance with regulations, laws and the code of conduct.

Also, ensures the evaluation of compliance and effectiveness of the procedures adopted by the Bank, issuing opinions and producing studies at the request of the different areas and departments, where it assesses and identifies the associated risks. And also prepares proposals for correction and lists potential mitigating factors for the risks identified, carrying out a permanent analysis of the control and compliance environment.

It is also the responsibility of the DdC to participate in the development of internal control procedures for the prevention of money laundering and the financing of terrorism, both for monitoring and evaluating them and for centralising information from all business areas and reporting to the relevant authorities as required by law.

In order to guarantee independence, the DdC, together with the FGR, report to the same director (who must not accumulate responsibilities in business units and support areas, with the exception of the FSI and the UAJ) and are the second line of defence of the internal governance model, interacting with the first line functions (other departments) in order to adequately identify, assess, monitor and control the risks inherent to the activity carried out by the first line functions.

Internal Audit

The main mission of BAIE's Internal Audit Function (FAI), ensured by the Internal Audit Department (DAI), is to protect the Bank and contribute to the sustainable development of its activities and to the adequacy and effectiveness of its organisational culture, governance and internal control systems, and their individual components. To this end, the DAI carries out systematic, disciplined, independent and objective risk-based assessment aimed at identifying opportunities for improvement.

The department's responsibilities include managing the database of deficiencies, which includes not only those detected internally, but also those identified by third parties, including supervisory authorities.

It is also the responsibility of the DAI to ensure compliance with the established procedures and control mechanisms and to guarantee the maintenance of the processes for which it is responsible during changes in activity.

The annual and multi-annual internal audit plan is prepared according to an approach based on the risks to which the Bank is exposed. This plan is approved by the Board of Directors and the Supervisory Board and is monitored by these bodies so as to observe its implementation status.

The DAI represents the third line of defence in the Bank's internal governance model, carrying out independent and risk-focused analysis. Their actions and related findings are directly reported to the Board of Directors, and to the Supervisory Board. The ordinary meetings of the Board of Directors have their own agenda item for the DAI to make presentations it deems relevant.

It should also be noted that the DAI is governed by the international standards for the professional practice of internal auditing issued by The Institute of Internal Auditors (IIA).

Financial analysis

A brief financial analysis of BAIE's activity in 2024 is provided below.

Income Statement

Euro	31-Dec-2024	31-Dec-2023	YoY change
Interest and similar income	42 736 794	35 164 580	+21,7%
Interest and similar expense	(23 354 087)	(13 950 080)	+67.4%
Net Interest Income (NII)	**19 382 707**	**21 214 500**	**-8.3%**
Financial Operations (FO)	937 716	976 663	-3.9%
Gross Profit (NII+FO)	**20 320 423**	**22 191 163**	**-8.2%**
Net fee and commission income/(expense) (NFCIE)	2 221 311	3 248 469	-31.6%
Other Operating Income/(expense) (OPIE)	(2 027 308)	(2 151 601)	-2.7%
Net Operating Income (NOI=NII+NFCIE+OPIE)	**20 514 426**	**23 288 031**	**-11.9%**
Fixed Costs (FC)	(14 125 215)	(11 060 381)	+27.7%
EBITDA (NOI-FC)	**6 389 211**	**12 227 650**	**-47.8%**
Depreciation for the period (D)	(1 933 621)	(1 379 862)	+40.1%
Net provisions and impairment	130 346	(1 813 508)	-107.2%
Profit/ (loss) before tax	**4 585 937**	**9 053 281**	**-49.3%**
Taxes	(1 015 462)	(2 506 291)	-59.5%
Profit/ (loss) for the period	**3 570 475**	**6 546 990**	**-45.5%**
Cost to income [(FC+D)/NOI]	79.7%	53.4%	+26.3 p.p.

In a financial year marked by the continued sustained growth of the Portuguese economy, in which there was a change in monetary policy due to the fall in inflation to values close to 2% and which boosted the increase in domestic demand and private consumption, BAIE's pre-tax profit totalled Euro 4,586 thousand, which represents a decrease of 49.3% compared to the pre-tax profit for 2023, as well as the net profit for the year, which reached Euro 3,570 thousand, representing a decrease of approximately 46% when compared to the figure for the same period in the previous year.

Net interest income totalled Euro 19,383 thousand, a decrease of -8% compared to 2023, which was helped by the higher volume of credit assets (loans, securities, and the interbank money market), which partially offset the effect of lower interest rates. From an economic point of view, Portugal has significant levels of indebtedness, both in the corporate and household segments, with a prevalence of loans at variable rates. Therefore, compared to other countries in the Euro Zone (officially known as the Euro Area), the Portuguese economy is more exposed to the impact of rapidly falling interest rates. As a result, BAIE's active margin increased by 21.7% in 2024 to Euro 42,737 thousand.

In turn, the passive margin showed a YoY variation of +67%, fundamentally due to the increase in interest and charges on deposits from other credit institutions (+15%) and interest on deposits from customers (+40%), which indicates an increase in BAIE's funding over the course of 2024. Combined with the increase in key interest rates during the period when inflation was above the defined limits, the need to comply with the net stable funding ratio (NSFR), which became mandatory from June 2021, led BAIE to adopt an aggressive pricing strategy which has been reflected in an increase in the entity's funding every year. Additionally, the increase in these costs was also due to the volume variable, as the average term deposit portfolio grew by +46.4% in 2024.

Net gains/ (losses) on financial operations fell by a residual -3.9% YoY, essentially due to the decrease in the net gains/(losses) arising from foreign exchange transactions (- Euro 51 thousand compared to 2023), due to the context of the foreign exchange market in Angola, which resulted in a lower than expected performance throughout the year, with a considerable recovery in

December (+ Euro 128 thousand in monthly gains). There was also an increase in the profits made on the portfolio of financial assets at fair value (Euro + 93 thousand compared to 2023), mainly relating to the early repayment of securities.

Net commissions totalled Euro 2,221 thousand, reflecting a decrease of around -31% compared to 2023, mainly due to a -31% reduction in documentary credit commissions (there was an -18% decrease in the volume of documentary credit letter confirmations, in line with the unfavourable context in Angola during 2024). Commissions received for processing transactions fell by 27% in 2024, due to a lower volume of payment orders.

In 2024, *Other Operating Income/(expense)* showed a relief compared to the net expense in the previous year (-2.7%), explained by the following effects: i) in 2024, as indicated by the regulator, there were no contributions to the Single Resolution Fund and; ii) a decrease in the value of extraordinary contributions to the banking sector, in the amount of Euro 80 thousand

Operating costs in 2024, when compared to the same period last year, show an increase of 28%, explained by the variation in the following items:

i) General and administrative expenses (+61%), due to an increase of Euro 1,171 thousand in project costs and external consultancy (including recruitment and selection processes). Additionally, there was an increase in advertising costs of approximately Euro 580,000 in order to continue the process of growth and implementation of the BAIE brand, and an increase in IT costs of Euro 1,124,000 in order to continue the process of digitalising the bank and strengthening the structure for a more sustainable institution;

ii) Staff costs (+7%), due to the growth in the Bank's human capital structure during the year, as defined in the Bank's strategic plan (101 employees at the end of 2024, compared to 91 employees at the end of 2023), as well as an increase in variable remuneration in 2024.

Regarding provisions and net impairment recognised, the item shows a decrease of -107.2% in 2024, explained by the following effects: (i) reversal of impairment, totalling Euro 2,536 thousand, due to a review of the risk factors associated with the impairment model and a reduction in the risk of some exposures; (ii) creation of provisions for documentary credits, due to a very significant reduction in trade-finance activity.

In 2024 there was an increase in the cost structure (+ Euro 3,064 thousand compared to 2023), reflecting BAIE's investment inherent in the strategic and business plan, and a decrease in operating income (approximately Euro 2,773 thousand compared to 2023) due to the decrease in key interest rates and the unfavourable context in Angola. This resulted in a deterioration in the cost-to-income ratio of approximately 26.3 p.p. compared to the same period last year. It is worth highlighting the increase in BAIE's credit assets (+ Euro 220,870 thousand compared to 2023) and BAIE's funding in 2024 (+ 46% from deposits from other credit institutions and + 41.2% from deposits from customers), which proves the Bank's commitment to growing its portfolio and funding, thus strengthening its position in the market and the trust of its customers.

Statement of Financial Position

Euro	31-Dec-2024	31-Dec-2023	YoY change
Financial Assets:			
Cash and cash equivalents	112 508 079	72 897 245	+54.3%
Other loans and advances to credit institutions	365 836 864	223 674 811	+63.6%
Loans and advances to customers	228 523 597	191 678 572	+19.2%
Financial assets not held for trading mandatorily measured at fair value through profit or loss	124 413	220 692	-43.6%
Financial assets at fair value through other comprehensive income	62 557 150	82 786 402	-24.4%
Other financial assets at amortised cost	166 950 835	109 557 802	+52.4%
Other financial assets at fair value through profit or loss	-	3 420	-100%
Total Financial Assets	**936 500 939**	**680 818 944**	**-37.6%**
Non-financial assets	6 952 626	9 269 677	-25%
Total Assets	**943 453 564**	**690 088 621**	**+36.7%**
Financial Liabilities:			
Deposits from credit institutions	425 455 519	291 393 592	+46%
Deposits from customers	408 842 794	289 476 691	+41.2%
Other financial liabilities	-	3 420	-100%
Total Financial Liabilities	**834 298 313**	**580 873 703**	**+43.6%**
Other non-financial liabilities	7 187 394	11 696 884	-38.6%
Total Liabilities	**841 485 707**	**592 570 587**	**+42%**
Share capital	42 000 000	42 000 000	0%
Revaluation reserves	(1 753 648)	(2 723 325)	-35.6%
Other reserves and retained earnings	58 151 030	51 694 369	+12.5%
Profit/ (loss) for the period	3 570 475	6 546 990	-45.4%
Total Equity	**101 967 857**	**97 518 034**	**+4.56%**
Total Liabilities and Equity	**943 453 564**	**690 088 621**	**+36.7ss%**

In 2024, BAIE's balance sheet increased (+36.7%), driven by the value of the following items: i) portfolio of *loans and advances to customers* (+ Euro 36,845 thousand compared to 2023); ii) portfolio of *loans and advances to credit institutions* (- Euro 3,163 thousand compared to 2023) and; iii) *other loans and advances to credit institutions* (+ Euro 37,003 thousand compared to 2023).

In line with the increase in the volume of BAIE's *loan portfolios*, aligned with the guidelines of the strategic and business plan, together with an increase in fundraising in 2024, this resulted in a reduction in the Bank's overall *transformation ratio*, from 46.8% in 2023 to 36.7% in 2024. This reduction was mainly due to the Credit Institution transformation ratio (-9.5 p.p. compared to 2023), while the customer transformation ratio also increased (-10.3 p.p. compared to the same period last year).

In 2024, the profile of BAIE's *bond portfolio* did not change significantly compared to the same period last year. However, there was a trade-off between *financial assets at fair value through other comprehensive income* (- Euro 20,229 thousand compared to 2023) and *other financial assets at amortised cost* (+ Euro 57.393 thousand compared to 2023), as the Bank is planning to implement a change to the business model underlying its securities portfolios. It should be noted that there was a positive change of + Euro 61,647 thousand in *other financial assets at amortised cost* relating to bonds and commercial paper, whilst a negative change of - Euro 7,462 thousand was recorded relating to discounts on documentary letters of credit.

As for the liability structure, in 2024 there was an increase in the volume of deposits from credit institutions (+ 46%) in line with the asset structure with other loans and advances to credit institutions and an increase in deposits from customers (+ 41.2%), reflecting BAIE's growth strategy in relation to deposit-taking. The evolution of these items is very significant, since the transformation of this liquidity into financial assets (in line with the Bank's risk profile) allows for the sustainable growth of the Bank's net operating income. Additionally, in the prudential sphere, as mentioned above, increased resources are a key aspect for BAIE to maintain stable funding levels in line with regulatory requirements (NSFR).

The solvency indicator stood at 20.5%, above the 21.2% recorded in the previous year. This variation is explained by the decrease in BAIE's activity, whose impact on risk-weighted assets puts pressure on this indicator. However, the solvency ratio remains comfortably above the regulatory minimum limit.

Furthermore, ROE fell by 3.5 p.p. (3.4% in 2024, compared with 6.8% in 2023).

Proposal for the appropriation of net profits

In accordance with the legal and statutory provisions, the Board of Directors proposes that the net profit in the amount of Euro 3,570,475 for 2024 be applied as follows:

- Transfer to Retained Earnings Euro 3,213,427
- Transfer to Legal Reserves Euro 357,047

Other Information

(i) Subsequent events

Subsequent events are disclosed in the Notes to the Financial Statements, namely in Note 35 (Subsequent events).

(ii) In compliance with legal regulations, the Board of Directors expressly confirms that:

- The Bank does not hold and has not disposed of or acquired treasury shares;
- There were no transactions between the Bank and its directors;
- The Bank has no branches; and
- The Bank has no overdue debts to the State, namely to Social Security and the Portuguese Tax Authorities.

(iii) The structures of the Board of Directors and the Executive Committee underwent changes in 2021, as disclosed in Note 26 (Staff costs - Annual remuneration paid to members of the corporate bodies).

Notes to the Management Report

1. In compliance with Article 447 of the Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*), it is hereby declared that the Chairman of the Board of Directors Luís Lélis, the Chairman of the Executive Committee Omar Guerra and the non-executive director and member of the Board of Directors Inokcelina dos Santos are each holder of one (1) share. None of the other members of the Management and Supervisory bodies holds any shares of the Bank's share capital.

2. As at 31 December 2024 and in accordance with Article 448 of the Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*), the following shareholders hold more than one-tenth of the share capital of the Bank:

	No. of Shares	%
Banco Angolano de Investimentos, S.A.	7,999,996	99.99995

Lisbon, 20 February 2025

The Board of Directors

Luís Lélis
Chairman of the Board of Directors

Omar Guerra
Chairman of the Executive Committee - CEO

Inokcelina dos Santos
Member of the Board of Directors

Henrique Gonçalves
Member of the Executive Committee

César Gonçalves
Member of the Board of Directors

Nuno Leal
Member of the Executive Committee

Banco BAI Europa, S.A.

Financial Statements
as at 31 December 2024

BANCO BAI EUROPA, S.A.
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024 AND 2023

(Amounts expressed in Euro)

	Notes	31-Dec-24 Amount before impairment and amortisation	31-Dec-24 Impairment and amortisation	31-Dec-24 Net value	31-Dec-23
Assets					
Cash and deposits at central banks	3	2 416 717	-	2 416 717	4 875 071
Loans and advances to credit institutions repayable on demand	4, 17	110 098 227	(6 865)	110 091 362	68 022 174
Financial assets not held for trading mandatorily measured at fair value through profit or loss	5	124 413	-	124 413	220 692
Other financial assets at fair value through profit or loss	6	-	-	-	3 420
Financial assets at fair value through other comprehensive income	7, 19	62 557 150	-	62 557 150	82 786 402
Financial assets at amortised cost					
Other loans and advances to credit institutions	8, 17	366 127 838	(290 974)	365 836 864	223 674 811
Loans and advances to customers	9, 17	232 198 681	(3 675 084)	228 523 597	191 678 572
Other financial assets at amortised cost	10, 17	152 861 086	(676 144)	152 184 942	90 429 359
Other property, plant and equipment and right-of-use assets	11	5 965 024	(3 670 469)	2 294 555	2 561 151
Intangible assets	12	5 306 056	(2 577 121)	2 728 935	1 811 984
Current tax assets	13, 28	710 562	-	710 562	-
Deferred tax assets	13, 28	1 218 574	-	1 218 574	1 597 330
Other assets	14, 17	16 365 958	(1 600 065)	14 765 893	22 427 655
Total Assets		**955 950 286**	**(12 496 722)**	**943 453 564**	**690 088 621**

	Notes	31-Dec-24	31-Dec-23
Liabilities			
Other financial liabilities at fair value through profit or loss	6	-	3 420
Deposits from other credit institutions	15	425 455 519	291 393 592
Deposits from customers and other loans	16	408 842 794	289 476 691
Provisions	17	2 033 448	1 868 997
Current tax liabilities	13, 28	-	1 235 689
Deferred tax liabilities	13, 28	-	-
Other liabilities	18	5 153 946	8 592 198
Total Liabilities		**841 485 707**	**592 570 587**
Equity			
Share Capital	19	42 000 000	42 000 000
Revaluation reserves	19	(1 753 648)	(2 723 325)
Legal reserves	19	9 917 992	8 932 706
Retained earnings	19	48 233 038	42 761 663
Net profit/ (loss) for the period	19	3 570 475	6 546 990
Total Equity		**101 967 857**	**97 518 034**
Total Liabilities + Total Equity		**943 453 564**	**690 088 621**

The following notes form na integral part of these financial statements

The Certified Accountant

The Board of Directors

BANCO BAI EUROPA, S.A.
INCOME STATEMENT
FOR THE PERIODS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in Euro)

	Notes	31-Dec-2024	31-Dec-2023
Interest and similar income - effective tax	20	42 736 794	35 164 580
Interest and similar expense	20	(23 354 086)	(13 950 080)
Net interest income	20	**19 382 708**	**21 214 500**
Fees and commissions income	21	3 405 313	4 438 114
Fees and commissions expense	21	(1 184 002)	(1 189 645)
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	22	(63 242)	(120 641)
Net gains/ (losses) arising from other assets and liabilities measured at fair value through profit or loss	23	(46 853)	-
Net gains/ (losses) arising from financial assets mandatorily measured at fair value through profit or loss	23	-	(4 351)
Net gains/ (losses) arising from financial assets at amortised cost	24	65 847	143 993
Net gains/ (losses) arising from foreign exchange differences	2.3	937 717	976 663
Other operating income/ (expense)	25	(1 983 060)	(2 151 601)
Net operating income		**20 514 428**	**23 307 032**
Staff costs	26	(7 204 658)	(6 737 091)
General and administrative expenses	27	(6 920 557)	(4 323 290)
Depreciation for the period	11, 12	(1 933 621)	(1 379 862)
Provisions net of reversals and recoveries	17	(164 452)	427 893
Impairment on financial assets not measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income	17	64 398	84 572
Financial assets at amortised cost			
Impairment on loans and advances net of reversals and recoveries	17	620 515	(2 532 975)
Impairment on other financial assets net of reversals and recoveries	17	(390 116)	207 002
Profit before tax		**4 585 937**	**9 053 281**
Taxes	28	(1 015 462)	(2 506 291)
Current	28	(935 327)	(2 431 383)
Deferred	13, 28	(80 135)	(74 908)
Profit after tax		**3 570 475**	**6 546 990**
Net profit/ (loss) for the period		**3 570 475**	**6 546 990**
Earnings per share		**0.43**	**0.78**

The following notes form na integral part of these financial statements

The Certified Accountant

The Board of Directors

BANCO BAI EUROPA, S.A

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in Euro)

	Notes	31-Dec-2024	31-Dec-2023
Profit/ (loss) for the period		3 570 475	6 546 990
Items that will not be reclassified into the income statement			
Accumulated actuarial gains and losses on long-term benefits	19	(90 330)	86 464
Items that may be reclassified into the income statement			
Changes in fair value of debt instruments at fair value through			
other comprehensive income			
Changes in fair value	19	1 332 696	3 267 768
Impairment	19	(64 398)	(84 572)
Tax effect	13, 19	(298 621)	(735 248)
Profit/ (loss) not included in the income statement		879 347	2 534 411
Comprehensive income for the period		4 449 822	9 081 401

The following notes form na integral part of these financial statements

The Certified Accountant

The Board of Directors

BANCO BAI EUROPA, S.A

CASH FLOW STATEMENT

FOR THE PERIODS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in Euro)

	Notes	31-Dec-2024	31-Dec-2023
Operating activities			
Interest, commissions and other income received	20 and 21	46 198 772	39 624 843
Interest, commissions and other expense paid	20 and 21	(24 717 642)	(15 492 224)
Income from foreign exchange and other financial operations	2.3	937 717	976 663
Payments to employees and suppliers	26 and 27	(14 125 215)	(11 060 381)
Net cash flow arising from operating activities before changes in assets and liabilities		8 293 633	14 048 901
Decreases/(increases) in:			
Other financial assets at amortised cost	10	(62 333 226)	(20 416 286)
Other loans and advances to credit institutions	8	(142 002 677)	47 534 762
Loans and advances to customers	9	(36 380 954)	(48 309 409)
Other assets	15	7 568 212	46 264 590
Net cash flows arising from operating assets		(233 148 645)	25 073 658
Increases/(decreases) in:			
Deposits from other credit institutions and central banks	15	134 136 610	(77 894 049)
Deposits from customers	16	119 366 103	16 036 814
Other liabilities	18	(1 981 031)	1 056 236
Net cash flows arising from operating liabilities		251 521 682	(60 800 999)
Income tax payment	13 and 28	(2 582 958)	(1 139 522)
Other taxes and contributions paid	24	(1 815 685)	(1 771 050)
Gross cash flows from operating activities		(4 398 643)	(2 910 572)
Investing activities			
Income arising from financial assets at amortised cost	24	65 847	143 993
Income arising from financial assets at fair value through other comprehensive income	22	(63 242)	(120 641)
Income arising from financial assets at fair value through profit or loss	23	(46 853)	4 351
Acquisitions of financial assets at fair value through other comprehensive income, net of disposals	7	20 229 252	25 902 410
Acquisitions of financial assets at fair value through other comprehensive income, net of disposals	6	99 699	(514 620)
Acquisition of property, plant and equipment and intangible assets, net of disposals	11 and 12	(2 447 380)	(2 176 597)
Net cash flows from investing activities		17 837 323	23 238 896
Financing activities			
Payments on lease liabilities	18	(499 131)	(466 227)
Net cash flows arising from financing activities		(499 131)	(466 227)
Net changes in cash and cash equivalents		39 606 218	(1 816 343)
Cash and cash equivalents at the beginning of the period	3 and 4	72 908 726	74 725 069
Cash and cash equivalents at the end of the period	3 and 4	112 514 944	72 908 726

The following notes form na integral part of these financial statements

The Certified Accountant

The Board of Directors

BANCO BAI EUROPA, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in Euro)

	Notes	Share capital	Retained earnings	Legal reserve	Revaluation reserves	Net profit/ (loss) for the period	Total Equity
Balances as at 31 December 2022		**42 000 000**	**39 369 335**	**8 932 706**	**(5 171 273)**	**3 305 865**	**88 436 632**
Appropriation of 2022 profits into retained earnings and legal reserve		-	2 975 278	330 587	-	(3 305 865)	**-**
Capital increase by appropriation of profits	19	-	-	-	-	-	**-**
Revaluation reserves	19	-	-	-	2 447 948	-	**2 447 948**
Accumulated actuarial gains and losses on long-term benefits	19	-	86 463	-	-	-	**86 463**
Net profit/ (loss) for 2023		-	-	-	-	6 546 990	**6 546 990**
Comprehensive income		**-**	**86 463**	**-**	**2 447 948**	**6 546 990**	**9 081 401**
Balance as at 31 December 2023		**42 000 000**	**42 431 076**	**9 263 293**	**(2 723 325)**	**6 546 990**	**97 518 034**
Appropriation of 2023 profits into retained earnings and legal reserve		-	5 892 291	654 699	-	(6 546 990)	**-**
Capital increase by appropriation of profits	19	-	-	-	-	-	**-**
Revaluation reserves	19	-	-	-	969 677	-	**969 677**
Accumulated actuarial gains and losses on long-term benefits	19	-	(90 329)	-	-	-	**(90 329)**
Net profit/ (loss) for 2024	19	-	-	-	-	3 570 475	**3 570 475**
Comprehensive income		**-**	**(90 329)**	**-**	**969 677**	**3 570 475**	**4 449 822**
Balance as at 31 December 2024		**42 000 000**	**48 233 038**	**9 917 992**	**(1 753 648)**	**3 570 475**	**101 967 857**

The following notes form na integral part of these financial statements

The Certified Accountant

The Board of Directors

Banco BAI Europa, S.A.

Notes to the Financial Statements as at 31 December 2024

(Amounts expressed in Euro)

(This document was written under the New Portuguese Spelling Agreement prior to the Resolution of the Council of Ministers No. 8/2011)

1. Introduction

Banco BAI Europa, S.A. (hereinafter referred to as BAIE or Bank) was incorporated on 26 August 2002 under authorisation granted by Ministerial Order of the Minister of State and Finances, of 10 May 2002, succeeding to the Portuguese branch, Banco Angolano de Investimentos, S.A. (BAI). The company has its head office in Lisbon and its corporate object is the performance of banking activities.

BAI´s branch in Portugal was incorporated in Lisbon under Decree-Law No. 298/92, of 31 December (General Regime for Credit Institutions and Financial Companies - RGICSF), and had its establishment authorised by the Minister of Finance through Ordinance 4/97, of 7 January, with a share capital of PTE 3,500,000,000 converted into Euro 17,457,926 fully subscribed through capital originated from BAI.

BAI is a private capital bank with head office in Luanda, Angola. BAI was incorporated on 13 November 1996 with the corporate object of performing banking activities, in accordance with the terms defined by Banco Nacional de Angola (BNA). Its business activity started on 4 November 1997. On 4 May 2008, BAI changed the abbreviation of its legal entity name from Limited Liability Company (S.A.R.L) to Limited Company (S.A.). On 11 January 2011, BAI changed its corporate name from Banco Africano de Investimentos, S.A. to Banco Angolano de Investimentos, S.A.. BAIE is part of BAI Group.

On 9 June 2022, BAI became the first bank to join the Angola Stock Exchange. The Bank currently operates through its head office and a branch in Lisbon and an office in Oporto.

BAIE´s activity is subject to the supervision of Banco de Portugal, and it is considered a financial institution in accordance with RGICSF.

2. Basis of presentation and main accounting policies

These financial statements were prepared in order to comply with the legislation in force.

2.1 Basis of presentation

In accordance with Regulation (EC) No. 1606/2002 from the European Parliament and of the Council, of 19 July 2002 and Regulation No. 5/2015 of the Banco de Portugal, of 7 December, BAIE's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

These financial statements relate to the period ended at 31 December 2024 and were prepared in accordance with the principle of going concern, as well as with the IFRS in force, as adopted in the European Union, up to that date.

The Bank has adopted the IFRS and interpretations of mandatory application for periods beginning on or after 1 January 2024. The accounting policies adopted are consistent with those followed in the preparation of the financial statements for the previous period.

These financial statements were approved by the Board of Directors of the Bank on 20 February 2025 and are pending approval from the General Meeting of Shareholders. However, the Board of Directors believes that these will be approved without amendments.

2.2 Use of estimates in the preparation of the financial statements

The preparation of financial statements requires that the Bank´s management establishes assumptions and perform estimates that affect assets, liabilities, income and expenses, which will be analysed below.

Impairment losses in Loans and advances to customers and in other assets

The Bank performs monthly assessments on the existence of objective evidence of impairment, using for that purpose estimates over recoverable cash flows including the ones originated by possible recoveries and collaterals completion (Note 2.4.1.3). This process includes factors such as probability of default, credit ratings, the value of the collaterals associated to each operation, recovery rates and the cash flow estimates, either from future cash flows or the time of their receipt.

Income taxes

The Bank recognised deferred tax assets based on the assumption that future taxable income will exist and based on tax legislation in force or legislation already published for future application, as well as the requirements set in IAS 12 (Note 13). Probable future amendments to tax legislation may influence the amounts expressed in the financial statements regarding deferred taxes.

Fair value of derivatives and unlisted financial assets

Fair value of derivative financial instruments and unlisted financial assets (i.e., not traded in active markets) was estimated based on techniques and financial theories using market assumptions or third parties’ assumptions (Note 33). Results achieved may differ according to the assumptions considered.

Employee benefits and other

Liabilities arising from retirement and survival pensions and the income generated by the Pensions Funds to cover those liabilities are estimated using actuarial boards, pensions and wages growing assumptions and pension future income assumptions (Note 30). These assumptions are based on BAIE's expectations at the balance sheet date and for the period over which liabilities will be settled.

Impairment and measurement of assets at fair value through other comprehensive income

The Bank determines the existence of impairment losses in their debt instruments at fair value through other comprehensive income considering all the reasonable, reliable and duly supported information available at each reporting date, including forward looking information.

Evaluations are obtained through market prices (mark-to-market) or valuation models (mark-to-model), which require the use of certain assumptions or judgement in the calculation of fair value estimates.

The Bank’s assets and liabilities fair value is measured according to the following hierarchy, in accordance with IFRS 13 - Fair Value:

Listed market prices (Level 1)

This category includes Financial Instruments with listed market price available in official markets and entities that regularly disclose transaction prices for these instruments traded in liquid markets.

The priority in prices used is given to those observed in official markets, and where there is more than one official market the option falls on the main market where these financial instruments are traded.

The Bank considers as market prices those disclosed by independent entities (namely Bloomberg and Reuters), assuming they act in their own economic interest and that such prices are representative of an active market, using, whenever possible, prices provided by more than one entity (for a given asset and/or liability). In the revaluation process of financial instruments, the Bank reviews the different prices in order to select the one that is most representative for the instrument under analysis.

Under this category are included, among others, the following financial instruments:

i) Derivatives traded on an organised market;
ii) Shares listed on the stock exchange market;
iii) Open-end securities funds listed on the stock exchange market;
iv) Closed-end funds whose underlying assets are only financial instruments listed on the stock exchange market;
v) Bond securities with more than one provider whose instruments are listed on the stock exchange market.

Valuation methods with observable prices/parameters in the market (Level 2)

In this category, financial instruments valued using internal models are considered, such as discounted cash flow models and option valuation models, which involve the use of estimates and require judgments that vary according to the complexity of the products being valued. Nevertheless, the Bank uses as inputs in its models' observable variables in active markets, such as interest rate curves, credit spreads, volatility and indexes on prices.

Under this category are included, among others, the following financial instruments:

i) Bonds not listed on stock exchange market;
ii) Over-the counter (OTC) derivatives; and
iii) Commercial paper in which there are observable inputs in the market, namely yield curves and credit spread, applicable to the issuing entity.

Valuation methods with parameters not observable in the market (Level 3)

This level includes valuations determined through the use of internal valuation models or quotes provided by third parties but whose parameters are not observable in the market. The basis and assumptions for the calculation of fair value are in accordance with the IFRS 13 principles.

Under this category are included, among others, the following financial instruments:

i) Debt securities valued using inputs not observable in the market;
ii) Shares not listed on the stock exchange market;
iii) Closed-end real estate funds;
iv) Hedge Funds;
v) Private equities; and
vi) Restructuring Funds.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses recognised with a consequent impact in the income statement of the Bank.

Provisions

The measurement of provisions is based on the principles defined in IAS 37 – Provisions and Contingent Liabilities, regarding the best estimate of the expected cost, the most probable outcome of the actions in progress and considering the risks and uncertainties inherent to the process.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable. Provisions are derecognised through their use for the obligations for which they were initially recognised or for the cases that the situations were no longer observed (Note 17).

2.3 Transactions in foreign currency (IAS 21)

These financial statements are expressed in the functional currency, Euro, since it is the currency used in the main business environment where the bank operates.

The assets and liabilities denominated in foreign currency are accounted on the basis of the multi-currency system, in other words, in their respective denomination currency.

Assets and liabilities denominated in foreign currency are translated into Euro based on the following:

i) Monetary assets and liabilities expressed in foreign currency are translated into the functional currency at the exchange rate published at the balance sheet date;
ii) Non-monetary assets and liabilities expressed in foreign currency and recorded at historical cost are translated to the functional currency at the exchange rate published on the date of the transaction; and
iii) Non-monetary assets and liabilities recorded at fair value are translated into the functional currency at the exchange rate published on the date when the fair value is determined.

Exchange rate differences resulting from translation of the net positions are recognised in the income statement, under the balance Net gains/ (losses) arising from foreign exchange differences.

The spot position in a given currency corresponds to the net balance of assets and liabilities expressed in that currency, plus the amounts of spot operations pending settlement and forward operations maturing in the following two business days.

The forward position in a given currency corresponds to the net balance of forward operations pending settlement, except for those maturing in the following two business days.

The translation of income and expense in foreign currency is performed on a monthly basis at the exchange rate prevailing at the end of each month.

The foreign exchange rates used in the functional currency translation process of assets, liabilities, income and expenses expressed in foreign currency, are the exchange rates disclosed by the European Central bank, designated as fixing rates.

2.4 Derivative financial instruments (IFRS 9)

Financial assets are recognised on the settlement date, *i.e.*, on the date on which the Bank settles the asset that is committed to the trade date, and are classified by considering its underlying purpose, under the categories described below.

On initial recognition, financial assets are classified in one of the following categories:

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made considering the following aspects:

i) The Bank's business model for financial asset management; and
ii) The contractual cash flow characteristics of the financial asset.

2.4.1 Loans and advances to customers (Financial assets at amortised cost)

2.4.1.1 Measurement, initial and subsequent recognition

Loans and other receivables includes all financial assets corresponding to the supply of cash, goods or services to a debtor. This concept includes the typical credit granting to customers, as well as the creditor positions resulting from operations with third parties under the institution´s business activities except operations with credit institutions.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

In summary, revenue arising from fees for services rendered that are directly associated with loan operations is recognised on straight-line basis over their term.

The Bank writes-off credits to the assets of operations whenever it considers then to be irrecoverable and whose impairment is registered by the total amount of the operation.

2.4.1.2 Derecognition

Loans and advances to customers are derecognised from the balance sheet when: (i) the contractual rights of the Bank to their respective cash flows have expired; or (ii) the Bank transferred substantially all the associated risks and rewards of ownership; or (iii) notwithstanding the fact that the Bank may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred and (iv) the changes to the contractual conditions of a financial asset originated a substantial variation in the present value of the cash flows, i.e., the new contractual conditions discounted using the initial contract interest rate resulted in a change of, at least 10%, of the remaining present value of cash flows of the original financial asset.

2.4.1.3 Impairment losses

Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

IFRS 9 establishes a new asset impairment model based on expected credit losses, which replaces the incurred loss model followed by IAS 39, which considers the expected losses throughout the life of financial instruments. Thus, macroeconomic factors are considered when determining ECL, as well as other forward-looking information, whose changes have impact in expected losses.

<u>Collective analysis</u>

Instruments that are subject to impairment calculations are divided in three stages considering its credit risk level, as follows:

- Stage 1: no significant increase in credit risk since its initial recognition. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur within 12 months after the reporting date;
- Stage 2: instruments in which there is a significant increase in credit risk since its initial recognition, however no objective evidence of impairment exists. In this case, impairment losses will correspond to 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 losses as a consequence of events that resulted in losses. In this case, impairment losses will correspond to expected credit losses over the expected residual life of the instrument.

It should be noted that BAIE also considered the following assumptions for the purpose of calculating impairment losses on loans and advances to customers:

- Default contamination: the contamination is performed by customer number, being considered in default all the operations of a customer for which one of the operations is considered in default;
- Cure period: a cure period of 6 months is considered for contracts that were in default and a period of 12 months is considered for contracts that were forborne.

The calculation of impairment losses in accordance with IFRS 9 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 the initial recognition; and
- Incorporation of forward-looking information in ECL calculation.

ECL Calculation

ECL correspond to unbiased weighted estimates of credit losses that will be determined as follows:

- Financial assets without signs of impairment at the reporting date: the actual value of the difference between the contractual cash flows and the cash flows that BAIE expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the actual value of the estimated cash flows;
- Unused credit commitments: the actual value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that BAIE expects to receive;
- Financial guarantees: the actual value of expected reimbursement payments deducted from the amounts that BAIE expects to recover.

Definition of default

Under IFRS 9, the Bank considered the recommendations of EBA “Final Report on Guidelines on default definition (EBA-GL-2016-07)”, issued on 28 September 2016.

Significant increase in credit risk

Under IFRS 9, in order to determine if a significant increase in credit risk has occurred (risk of default) since the financial instrument´s initial recognition, BAIE considers as relevant information all the information available and without costs and/or excessive effort, including either quantitative and qualitative information or an analysis based in BAI Europa´s history, expert judgement and forward looking.

Accordingly, considering the Bank's activity, it was defined that a significant increase in credit risk takes place when any of the following situations occurs since initial recognition: i) default between 30 and 90 days; ii) more than 1 non-performing payment in the last 12 months; iii) credit overdue in the Central Credit Register (CRC) between 2 and 3 months; iv) debts to the Tax Authorities; v) credit overdue for more than 3 months and/or written-off at the CRC in the last 3 reporting periods; vi) credit renegotiated in CRC; vii) credit forborne due to financial difficulties; viii) PERSI (Retail); and ix) Deceased (Retail).

In addition, in the process of monitoring a significant increase in credit risk, as part of the individual credit analysis, the Bank also considers the following qualitative factors: i) management problems; ii) high investments; iii) high competition / low margins; iv) concentration of turnover on a small number of customers; v) loss of concessions or representations; vi) economic group with difficulties; vii) evidence of forbearance in the financial system; viii) problems with suppliers; ix) worsening of the economic and financial situation; x) high concentration in a market; xi) employer company (Retail); and xii) divorce (Retail).

BAI Europa monitors the effectiveness of the criteria used for the identification of significant increase in credit risk through regular assessments in order to confirm that:

- The criteria allow to identify significant increases in credit risk before the exposure enters in default;
- The criteria is not in line with the moment where the customer is 30 days overdue;

- The average time between the identification of the significant increase in credit risk and the default is reasonable;
- The exposures usually do not change directly from the calculation of the 12-month ECL for a situation where they show signs of impairment;
- There is no unjustified volatility in the impairment value of transfers between the 12-month ECL value and the lifetime ECL value.

Inputs for the measurement of ECL

The main inputs used for measuring ECLs in a collective basis include the following parameters:

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

These parameters are obtained using market references adjusted in order to reflect the forward-looking information, when applicable.

The EAD represents the expected exposure if the exposure and/or customer go into default. BAIE obtains the EAD values from the counterparty's current exposure and potential changes to its current value in accordance with the contractual conditions, including amortisation and prepayments. For commitments and financial guarantees, the value of EAD includes both the amount of credit used and the expectation of the future potential value that may be used in accordance with the contract.

The EAD calculation is performed differently per Stage:

- Stage 1 and 3: corresponds to the sum of outstanding loans, overdue loans, accrued interest and any off-balance sheet loans (to which, as mentioned above, and depending on the product segment considered, a credit conversion factor is applied), after deducting any existing financial collateral associated with the credit operation (pledges of deposits made with BAI Europe and credit insurance guaranteed by the Portuguese Government);
- Stage 2: corresponds to the expected projection over the residual maturity of the contract, i.e., the sum of outstanding loans, overdue loans, accrued interest and any off-balance sheet loans (to which a credit conversion factor is applied, depending on the product segment considered), after deducting any existing financial collateral associated with the credit operation (pledges of deposits made with BAI Europe and credit insurance guaranteed by the Portuguese Government). Given the need to calculate the expected loss for the lifetime of the contract, future amortisations are deducted from the exposure considering the financial plan of each contract, in 12-month buckets.

Forward-looking information

Under IFRS 9, BAIE includes forward-looking information both in the assessment of the significant increase in credit risk and in the measurement of the ECL, namely for probability of default calculation purposes. The Bank includes projections of relevant macroeconomic variables with statistical adherence to history in the measurement of ECL (*e.g.*, GDP, Inflation, Unemployment Rate, 3M Euribor). These external data are obtained from highly reputable sources, namely data aggregated by the Portuguese Public Finance Council, which includes, among others, projections from the Banco de Portugal, the International Monetary Fund or the Portuguese Public Finance Council itself, and data from Bloomberg, for the index benchmarks. For credit portfolio exposures subject to Angola risk, due to the absence of a history of defaults and the unavailability of historical information on defaults in the corporate and retail segments, the Bank uses a historical series associated with the Angola sovereign 5-year credit default swap (5Y CDS) to calculate the forward-looking adjustment factor.

The forward-looking methodology aims to strengthen the impairment model and represents a forecast of what is most likely to occur, considering three different scenarios - base, adverse and optimistic. This methodology is aligned with other analyses carried out by BAIE, such as strategic planning and budgeting.

Individual analysis

The individual analysis corresponds to the impairment calculation of individual contracts, instead of the one used in the collective analysis. The contracts eligible for this analysis have the following individual analysis criteria: i) clients/economic groups with stage downgrades, with exposure exceeding Euro 500 thousand; ii) clients/economic groups with exposure of Euro 1 million or above; iii) stage 3 clients and those restructured due to financial difficulties, irrespective of the amount of exposure. All contracts that have the following characteristics are removed from the segments to which they are aggregated, and an individual impairment rate is applied, depending on the internal considerations regarding the associated risk.

The determination of the impairment loss estimates results from the difference between the book value and the estimated recoverable amount of the credit, considering the recovery expectation of the amounts owed, the existing guarantees and, if possible, the recovery costs. For the customers to whom no impairment is attributed in the individual analysis, the Bank applies the impairment calculated through the collective model.

<u>POCI Assets</u>

Purchased or originated credit impaired (POCI) are assets in default at the initial recognition, which can be originated according to one of the following criteria: (i) New financial assets originated after changes in the contractual conditions that result in the derecognition of the original asset and in the recognition of a new asset; (ii) New customer contracts in default.

The calculation of the ECL for assets classified as POCI is based in the following principles:

- Impairment at initial recognition (inception): on inception, POCI assets are not impaired. The gross book value of POCI assets at inception corresponds to the net book value before its recognition as POCI. Therefore, at inception, the ECL of a POCI asset should be zero and the respective fair value is determined in accordance with a proxy of Net Carrying Amount (i.e., gross carrying amount deducted from the initial ECL).
- Impairment in subsequent periods: the ECL for POCI assets is always calculated in a lifetime perspective (from the moment an asset is recognised as POCI, can never be allocated to stage 1). Considering that the ECL, at inception, is incorporated in the value of the POCI asset, the amount recognised as ECL corresponds only to the amounts related to the ECL changes since the initial recognition.

In 2024 and 2023, there were no assets classified as POCI.

2.4.2 Other financial assets at amortised cost

2.4.2.1 Measurement and recognition

The Bank measures a financial asset at amortised cost if it meets, simultaneously, the following requirements and is not recorded at fair value through profit or loss (FVTPL) by choice (use of the Fair Value Option):

- The financial asset is held in a business model whose main purpose is to hold the asset to collect its contractual cash flows (HTC – Held to collect); and
- its contractual cash flows occur on specific dates and correspond solely to payments of principal and interest on the principal amount outstanding (SPPI - Solely Payments of Principal and Interest).

These financial assets are initially recorded at fair value and subsequently measured at amortised cost. Interest is calculated based on the effective interest rate method and recognised in Net Interest Income. Impairment losses are recognised in the income statement when identified.

2.4.2.2 Impairment losses

IFRS 9 introduced the calculation of expected impairment losses for all financial assets. BAIE's policy is to regularly assess the objective existence of impairment of its Financial Assets. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

<u>Inputs for the measurement of ECL</u>

The inputs for the measurement of ECL of these assets are:

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

These parameters are also obtained using market references. In the calculation of the ECL, the PDs made available by a rating agency are used, and its maturity is adjusted to the residual maturity of each asset, in the case of Loans and advances to credit institutions repayable on demand. In case of Other financial assets its maturity is adjusted through the allocation of a 12-month PD.

The EAD represents the accumulated balance of the financial asset (deposits or other debtors) or the sum of the nominal value of the security, the amount of accrued interest and the premium to be amortised (premium paid on the acquisition of the security less the amount already amortised), less the discount to be amortised (the total value of the discount obtained on the acquisition of the security less the amount already amortised).

<u>Allocation to Stages</u>

The inputs for the measurement of ECL of these assets are:

- Stage 1: assets that do not meet the criteria to be considered in Stages 2 and 3;
- Stage 2: assets which simultaneously meet 2 or more criteria indicative of deterioration in the quality of the asset;
- Stage 3: assets with a “D” rating (default) assigned by a rating agency.

BAI Europa does not have an internal rating scale, i.e., it does not have a scale of internal risk grades to apply to its assets in order to ascertain the deterioration of their quality. Thus, it is considered as evidence of deterioration of the quality of a financial asset, the simultaneous occurrence of two or more conditions described below:

- Failure to pay coupons or capital repayments on the established dates (only for debt securities);
- Downgrade of the consolidated external rating of the counterparty *vis-à-vis* the rating at origination if: i) it changes from investment grade to non-investment grade; ii) as investment grade, it shows a downgrade greater than two notches; or iii) originated in non-investment grade, it shows a downgrade;
- The absence of quotation evidence for the security, in the active market (in case of being a listed asset);
- Unfavourable market information.

2.4.3 Financial assets at fair value through other comprehensive income

2.4.3.1 Valuation and recognition

A financial asset is measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met and if is not designated at fair value through profit or loss (FVTPL) by option (use of Fair value option):

- The financial asset is held within a business model whose objective is to both collect contractual cash flows and the sale of that financial asset (HTC and Sell – Held to collect and Sell); and
- The contractual cash flows occur on specified dates and correspond solely to payments of principal and interest on the principal amount outstanding (SPPI).

The financial assets at fair value through other comprehensive income are initially accounted at fair value, including all expenses or income associated with the transactions and subsequently measured at fair value. The changes in fair value are accounted for against Fair value reserves.

a) <u>Debt instruments</u>

On the sale, or if impairment is determined, the accumulated gains or losses recognised in fair value reserves are recognised in the income statement under Net gains / (losses) arising from assets and liabilities at fair value through other comprehensive income or under Impairment losses from other financial assets, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable.

b) <u>Equity instruments</u>

At the initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably choose to classify it as at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, instrument by instrument. This option is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

In accordance with IFRS 9, no impairment is recognised in equity instruments recorded at fair value through other comprehensive income, being the corresponding accumulated gains or losses recognised in the fair value reserve transferred into Retained earnings when its sale occurs.

Dividends are recognised in the income statement when the right to receive the dividends is attributed.

2.4.4 Financial assets and liabilities at fair value through profit or loss

All financial assets that are not measured according to the criteria described above, at amortised cost or at fair value through other comprehensive income (FVOCI), are measured at fair value through profit or loss (FVTPL).

Additionally, at initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortised cost or FVOCI, such as FVTPL, if the designation significantly eliminates the accounting mismatch that would otherwise exist (Fair Value Option).

a) Financial assets and liabilities held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking, or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in Gains arising from trading and hedging operations. The interest from debt instruments is recognised as Net interest income.

Trading derivatives with a positive fair value are included in the financial assets held for trading and the trading derivatives with negative fair value are included in the Financial liabilities held for trading.

In 2024 and 2023, the Bank had no financial assets and/or liabilities held for trading.

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

This category includes assets for which the main purpose of the business model is to hold the assets to collect their contractual cash flows and debt instruments that are mandatorily classified at fair value through profit or loss due to non-compliance with the SPPI criteria.

At inception, IFRS 9 allows that an entity makes an irrevocably selection (instrument by instrument) in order to present as comprehensive income, the subsequent fair value changes from an equity instrument. This option only applies to instruments not held for trading.

c) Other financial assets and liabilities at fair value through profit and loss (Fair value Option)

The designation of other financial assets and liabilities at fair value through profit and loss (Fair Value Option) is performed whenever at least one of the following requirements is fulfilled:

- The financial assets and liabilities are managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of the transactions; and
- The financial assets and liabilities include embedded derivatives that significantly change the cash flows of the original contracts (host contracts).

Considering that the transactions performed by the bank in the normal course of business are fulfilled at market prices, the financial assets and liabilities at fair value through profit or loss are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit or loss at the initial moment and subsequent fair value changes under IFRS 9, according to the following:

- The amount related to the fair value change attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of the fair value change is presented in the income statement.

The accrual of interest and the premium/discount (when applicable) is recognised in Net Interest Income based on the effective interest rate of each transaction, as well as the accrual of interest on the derivatives associated to financial instruments classified in this category.

2.4.5 Other financial liabilities

This category includes all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss, namely deposits from other financial institutions (Note 15) and from customers (Note 16).

These financial liabilities are initially recognised at fair value, accrued of possible commissions included in the effective interest rate and accrued of all incremental expenses directly attributable to the transaction. Subsequently, these financial assets are measured at amortised cost using the effective interest rate method.

2.5 Guarantees provided and irrevocable commitments

Liabilities with guarantees provided and irrevocable commitments are recorded in off-balance sheet accounts by its value at risk. Interest, commissions and other income are recorded in the income statement over the useful life of the operations (Note 29).

Impairment losses on guarantees provided and irrevocable commitments are calculated in accordance with IFRS 9 (similarly to the underlying assets - Note 2.4.1.3.), and are recorded against profit or loss, being subsequently reversed through profit or loss if the amount of the estimated impairment loss decreases in a later period.

2.6 Intangible assets (IAS 16)

The Bank´s other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Depreciation is calculated through the straight-line method, according to the useful life expected by the Bank, as shown below:

	Number of years
Rented buildings	5 to 10
Equipment	3 to 5
Other property, plant and equipment	4 to 12

The acquisition cost includes expenses which are directly attributable to the acquisition of assets. Repairs and maintenance expenses are recognised as costs as they are incurred under the balance General and administrative expenses.

According to IAS 16, these assets are subjected to impairment tests whenever there is an indication that its net book value exceeds its recoverable amount, being the difference, if exists, recognised in the income statement. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use.

The accounting policy concerning the right-of-use is disclosed in Note 2.13 IFRS 16 - Leases.

Impairment losses on property, plant and equipment are recognised in profit or loss for the period, with no objective signs of impairment identified in 2024.

2.7 Intangible assets (IAS 38)

This balance includes the costs incurred with the acquisition, development and implementation of software to be used in the Bank´s activity (Note 12).

Intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses. Depreciations are calculated on a straight-line basis over the expected useful life of the asset, usually three years.

Software maintenance costs are charged to the income statement when incurred.

The bank does not recognise internally developed intangible assets.

Any impairment losses are recognised in profit or loss for the period, with no objective signs of impairment identified in 2024.

2.8 Income taxes (IAS 12)

BAIE is subject to the tax regime of the Corporate Income Tax Code (CIRC) and Tax Benefits Code (EBF).

Income tax recognised in profit or loss comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to reserves in which case it is recognised in reserves. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

According to Law No. 98/2019, of 4 September, which established the tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, the Bank joined the definitive regime provided in Articles 2 and 3 of the Law under review, hence the new regime has already been considered in the estimation of current and deferred taxes.

Deferred taxes are calculated under the liability method based on the balance sheet date, in respect of temporary differences between the accounting values of assets and liabilities and its tax base, using the rates of tax approved or substantially approved at the balance sheet date. Tax credits and tax losses carried forward are also recorded as deferred tax assets.

In accordance with IAS 12, deferred tax liabilities are recognised for all taxable temporary differences, except for differences related to goodwill not deductible for tax purposes, differences resulting from the initial recognition of assets and liabilities that do not affect accounting and tax profit, differences that do not result from business combinations and differences related to investments in subsidiaries, which are not expected to be reversed. Under the same standard, deferred tax assets are recognised only to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes or tax losses carried forward.

It should be noted that the taxable profit or tax loss calculated by the Bank may be subject to adjustments by the tax authorities within four years. In years in which there are deductions or use of tax credits, the period for the tax authorities to make adjustments depends on the exercise of such right, particularly five or twelve years, according to the year, in the case of tax losses.

At this date, in accordance with Article 52(2) of the Corporate Income Tax Code, as well as the State Budget approved for the year 2024, tax losses carried forward, once incurred, may be deducted up to a limit of 65% of tax income generated during that period.

Deferred taxes relating to temporary differences arising on the initial recognition of assets and liabilities are not recorded on transactions that do not affect the accounting result or taxable profit.

Deferred tax assets related to financial investments in associates are also not recognised since it is not probable that the difference will reverse in a predictable future.

The main situations that originate temporary differences on BAIE are related to provisions/temporary non-deductible impairments, financial assets at fair value through other comprehensive income and long-term employee benefits.

Deferred taxes are calculated, using the tax rates enacted or substantively enacted at the balance sheet date and that are expected to be applied when the temporary difference is reversed.

2.9 Employee benefits (IAS 19)

Liabilities with employee benefits are recognised in accordance with IAS 19 – Employee benefits. The main employee benefits are retirement and survival pensions, post-employment health charges, other long-term and short-term benefits:

2.9.1 Retirement and survival pensions and post-employment health charges

In accordance with the Pension Plan attached to the subscription contract to the Fundo de Pensões da Ocidental - Sociedade Gestora de Fundos de Pensões, S.A., BAIE acknowledges the responsibility to pay to its employees covered by the Vertical Collective Labour Agreement for the Portuguese Banking Sector (ACTV) or to their families, cash benefits for old age or disability retirement, early retirement or survival. These benefits currently consist of an increasing percentage of the employee's years of service in the Bank, applied to his/her salaries. To this extent, the plan is classified as a defined benefit plan.

With the publishing of Decree-Law 1-A/2011, of 3 January, under the Vertical Collective Labour Agreement (ACTV) for the banking sector, the employees in active age on 4 January 2011 began to be covered, as from that date, by the Social Security General Regime (SSGR) only for old age retirement benefit and in cases of maternity, paternity and adoption, whose charges the Bank no longer bears. Considering the complementarity character predicted in the ACTV rules, the bank continues to guarantee the difference between the amounts paid under the Social Security General Regime and those estimated under the referred Agreement.

BAIE determines, on an annual basis, the total amount of these responsibilities, through calculations performed by independent actuaries, using the "Unit Credit Projected" method and actuarial assumptions considered appropriate (Note 30). The amount of liabilities includes benefits with post-employment medical care (*Serviços de Assistência Médico-social* – SAMS), besides the benefits with retirement and survival pensions.

The actuarial assumptions consider the pensions and salaries growth expectations and are based in mortality tables used by other institutions operating in the Portuguese financial market. The discount rate used to update the liability is determined by reference to interest rates associated with high quality corporate bonds, in the currency in which the liabilities are settled, and with a similar maturity to the average date of termination of liabilities.

In terms of sensitivity analysis of changes in the discount rate and their impact on total past service liabilities, the methodology of using assumptions remained stable, without changes in the method used.

Until 4 January 2011, the liabilities were exclusively financed by one pension fund, being the amount corresponding to the difference between the actual amount of liabilities and the fair value of the fund´s assets at the balance sheet date, if applicable, adjusted by the deferred actuarial gains and losses, either positive or negative, recognised under Other liabilities or Other assets, respectively. The value of the pension fund corresponds to the fair value of its assets at the balance sheet date. Concerning the application of the above-mentioned Decree-Law No. 1-A/2011, the defined benefit plan for employees covered by the ACTV regarding old age retirement, become to be financed by the pension fund in the part regarding past service cost until 4 January 2011, and by the Social Security in the remaining part regarding past services cost after that date. Thus, from 2011 onwards, the current service cost and the annual increase of liabilities for past services have reduced and the bank, since the beginning of that year started to support an additional charge corresponding to a fee (*Taxa Social Única* – TSU) of 23.75% over the generality of retributions paid to its employees covered by the ACTV.

Actuarial gains and losses are recognised in equity under the balance Retained Earnings and disclosed in Other Comprehensive Income Statement.

Accruals with past service responsibilities, namely the ones related to the passage of employees to early retirement, are recognised as expenses in the income statement in the period to which they occur.

In addition, Notice 12/2001 from Banco de Portugal requires a full financing of pension liabilities in payment and a level of financing of 95% of past services liabilities of active employees.

The costs with Bank employees include the following costs regarding liabilities with retirement pensions:

- current service cost (cost for the period);
- interest regarding all liabilities; and

- expected return of the pension fund.

2.9.2 Other long term benefits

Pursuant to clause No. 74 of the ACTV, the Bank has taken the responsibility of granting to its employees who are covered by this scheme and in active service, an end-of-career bonus corresponding to 1.5 times their effective monthly remuneration, on the date of their retirement due to disability or alleged disability.

The Bank determines, on an annual basis, the present value of past liabilities with end-of-career bonuses through evaluations performed by independent qualified actuaries using the Project Unit Credit method. The actuarial assumptions used (demographic and financial) consider expectations, at the balance sheet date, for the salary growth and a mortality table suitable to the bank´s population. The discount rate is determined by reference to interest rates associated with low-risk corporate bonds with a similar maturity to the date of termination of liabilities. These assumptions are equal to the ones used in the retirement pension's liability calculation.

Accordingly, the Bank records the amount of the liabilities calculated as a charge payable (Note 18) against the income statement. Payments made to employee are deducted from the provision recorded.

The Bank's staff costs include the following costs relating to liabilities for end-of career bonuses:

- Current service cost (cost for the period); and
- Interest expense.

2.9.3 Short-term benefits

Short-term benefits (retribution and charges with retributions) are recorded by the undiscounted amount under Staff costs (Note 26) in the period to which they relate in accordance with the accrual principle.

2.10 Provisions and contingent liabilities (IAS 37)

Provisions are recognised when (i) the Bank has a present obligation (legal or constructive), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation (iii) as a result of past events and (iv) a reliable estimate can be made of the amount of the obligation.

When the probability of an outflow of resources or the estimation on the amount of the obligation cannot be reliably estimated, we are in the presence of a contingent liability which should only be subject to disclosure, unless the probability of occurrence is remote.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, being reversed against the income statement in proportion to the payments that are not likely. Provisions cease from being recognised when they are used for settling the liabilities for which they were initially set up or reversed in cases where those liabilities are no longer observed (Note 17)

As there were no Contingent Liabilities in 2024 and 2023, these are not disclosed.

2.11 Recognition of revenue from services and commissions (IFRS 15)

IFRS 15 redefines revenue recognition principles and is applicable to all contracts with customers that are not contracts under other standards.

IFRS 15 establishes a five-step model (identifying the contract with a customer, identifying performance obligations in the contract, determining the transaction price, allocating the transaction price and recognising revenue) to depict the revenue arising from contracts with customers and requires the recognition of such revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for services rendered to the customer.

Revenue from services and commissions is recognised in accordance with the following criteria:

- When obtained as services are rendered, they are recognised in the income statement in the period to which they relate;
- When they result from services rendered, they are recognised in the income statement when the service is completed; and
- When they form an integral part of the effective interest rate of a financial instrument, the income resulting from services and commissions is recorded in Net interest income.

Many of the Bank's sources of revenue (for example, interest income, gains and losses on financial instruments) are outside the scope of IFRS 15, and therefore the recognition of these flows has not changed with the adoption of IFRS 15. The revenue of the Bank generated under IFRS 15 refer to income from services and commissions (Note 21).

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the trade date, including cash and deposits with banks.

2.13 IFRS 16 - Leases

IFRS 16 introduced a single lease accounting model in the Balance Sheet. Accordingly, the Bank, as a lessee, is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accounting as a lessor remains unchanged due to the accounting policies already in place, and the Bank did not carry out leasing operations as a lessor in 2024 and 2023.

A. Lease definition

The new lease definition entails a focus on control of the identified asset, i.e., a contract is, or contains a lease, if it gives the right to control the use of an identified asset (underlying asset) for a certain period of time in exchange of consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

B. Lessee accounting

From the lessee's perspective, the Bank previously classified leases as operating or finance leases based on an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the underlying assets. Currently, in accordance with IFRS 16, the Bank recognises right-of-use assets and lease liabilities for some classes of assets - i.e., these leases are recognised in the Bank's balance sheet.

The Bank recognises a right-of-use asset and a lease liability at the inception of the lease.

Right-of-use assets

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The Bank records right-of-use assets under Other tangible assets, i.e., on the same item line as the underlying assets of the same nature that are its property.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, at the Bank's incremental borrowing rate. The Bank generally uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payments made. It is remeasured (remeasurements are treated as adjustments to the right-of-use assets) to reflect changes in future lease payments resulting from a change in an index or rate, in the amounts expected to be payable under residual value guarantees, or, if appropriate, in the assessment of whether a call or put option is reasonably certain to be exercised or an exit option is reasonably certain not to be exercised.

The Bank records lease liabilities under Other liabilities in the statement of financial position.

Judgement used in determining the lease term

The Bank has used judgement to determine the lease term of some contracts in which it is the lessee, which include put and exit options. The Bank determines the lease term as the non-cancellable period during which it has the right to use an underlying asset together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The assessment of whether the Bank will exercise such options will have an impact on the lease term, which will significantly affect the amount of the lease liabilities and the right-of-use assets recognised.

The Bank has the option to lease the assets for additional periods, particularly in property lease agreements. The Bank uses judgement when assessing whether it is reasonably certain to exercise the renewal option, *i.e.*, it considers all relevant factors that create an economic incentive to exercise it or not.

Currently, right-of-use assets are measured at the amount equivalent to the lease liability, adjusted for the amount of any prepaid or accrued lease payments - the Bank has adopted this approach for all other leases.

C. Lessor accounting

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

2.15 Subsequent Events

The Bank analyses events occurring after the statement of financial position, *i.e.*, favourable and/or unfavourable events occurring between the balance sheet date and the date on which the financial statements were authorised for issue. Within this context, two types of events can be identified:

- Those that provide evidence of conditions existing at the balance sheet date (adjusting events after the balance sheet date); and
- Those that provide information on conditions arising after the balance sheet date (non-adjusting events after the balance sheet date).

3. Cash and deposits at central banks

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Cash	215 433	232 839
Deposits repayable on demand at the Banco de Portugal	2 201 284	4 642 232
	2 416 717	4 875 071

The balance Deposits repayable on demand at the Banco de Portugal includes deposits set up to meet the requirements of the Minimum Reserve System of the European System of Central Banks (SBCE).

Until 30 October 2019, these deposits were remunerated at the benchmark rate defined by the European Central Bank (ECB) for the main refinancing operations of the Eurosystem (MRO) up to the amount required to meet the requirements of the Minimum Reserve System. The balance of deposits recorded exceeding the Minimum Reserve System requirements is remunerated at the reference interest rate defined by ECB for the deposit facility (DF).

This system, which came into force on 30 October 2022, featured a two-tier remuneration mechanism (tiering), exempting excess reserves (exempt tier), up to the amount resulting from the product between the balance required to comply with the Minimum Reserve System and the multiplier of 6 (defined by the Governing Council).

As at 31 December 2024, the multiplier set by the ECB is 0 (zero). On 18 December 2024 the Main Refinancing Operations (MRO) and Deposit Facility reference rates were set at 3.15% and 3%, respectively.

4. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Loans and advances to credit institutions in Portugal		
Deposits repayable on demand	32 183 593	33 319 273
Loans and advances to credit institutions abroad		
Deposits repayable on demand	77 914 634	34 714 382
Impairment losses (Note 17)	(6 865)	(11 481)
	110 091 362	68 022 174

5. Financial assets not held for trading mandatorily measured at fair value through profit or loss

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Equity instruments		
Issued by national private entities	-	54 869
Issued by foreign private entities	-	50 436
Debt instruments		
Issued by foreign private entities	124 413	113 676
Other – investment funds		
Issued by foreign private entities	-	1 711
	124 413	220 692

As mentioned in Note 2.4.4, as from 1 January 2018, through the adoption of IFRS 9, financial assets that are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

In 2024, the Bank's financial holding in Fomentinvest was sold entirely. It should also be noted that the position was closed, which resulted in the Bank withdrawing from its investment in Connaugh.

In 2024, no dividends were earned relating to financial assets mandatorily measured at fair value through profit or loss.
The item Other – investment funds – Issued by foreign private entities relates to the investment in a private equity fund, which was derecognised in 2024, as shown in Note 33.

6. Other financial assets and liabilities at fair value through profit or loss

This balance is analysed as follows:

	31-Dec-2024		31-Dec-2023	
	Assets	Liabilities	Assets	Liabilities
Other financial assets at fair value through profit or loss				
Investment funds				
Non-resident	-	-	3 420	-
Other financial liabilities at fair value through profit or loss				
Structured financial resources	-	-	-	(3 420)
	-	-	3 420	(3 420)

The financial resource presented under the balance Other financial liabilities at fair value through profit or loss is related to and fully collateralises the underlying asset (units in a non-resident investment fund).

7. Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are analysed as follows:

	31-Dec-2024	31-Dec-2023
Financial assets at fair value through other comprehensive income (IFRS 9)		
Debt instruments		
Issued by national public entities	5 942 853	6 297 503
Issued by national private entities	23 053 519	22 386 235
Issued by foreign public entities	7 572 322	11 535 474
Issued by foreign private entities	25 573 271	41 813 131
Interest receivable	415 185	754 059
Total gross amount	62 557 150	82 786 402
Total net of impairment and provisions	62 557 150	82 786 402

In 2024, part of the debt instruments, totalling Euro 7,896,966, namely Portuguese public debt, were included in the pool of assets eligible to guarantee Eurosystem monetary policy operations, recourse to contingency liquidity facilities or intraday credit (Note 29). In 2023, the Bank has no financial instruments in the pool of eligible assets for Eurosystem operations.

Within the scope of BAIE's responsibilities to the Deposit Guarantee Fund (FGD), until 2024 the Bank holds a nominal value of securities pledged to the Fund, for the purpose of replacing part of the obligation to pay the annual contribution to the FGD through the provision of an irrevocable commitment (Note 29).

In 2024, the Bank performed the financial settlement of this commitment, as instructed by the Banco de Portugal. As at 31 December 2023, the value of these securities amounts to Euro 21,772.

As at 31 December 2024 and 2023, the Bank has no equity instruments accounted for under Financial assets at fair value through other comprehensive income.

Impairment related to financial assets at fair value through other comprehensive income is recognised in equity, similarly to what happens with the fair value reserve of those assets, in accordance with the requirements of IFRS 9 (Note 17).

8. Financial assets at amortised cost – Loans and advances to credit institutions

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Loans and advances to credit institutions in Portugal		
Very-short-term loans and advances	284 055 203	139 149 321
Deposits	-	-
Subordinated loans and advances	4 187 670	4 014 932
Interest receivable	54 408	103 127
Loans and advances to credit institutions abroad		
Very-short-term loans and advances	-	-
Deposits	-	-
Loans and advances	77 490 899	80 489 013
Interest receivable	524 729	389 199
Deferred commissions	(185 071)	(111 279)
Total gross amount	366 127 838	224 034 313
Impairment (Note 17)	(290 974)	(359 502)
Total net of impairment	365 836 864	223 674 811

The amount corresponding to Subordinated loans and advances is a set of collateral deposits (Note 29), which refers to the indirect representation of another institution in the SEPA credit transfer payments and SEPA direct debit systems, both STEP2.

Very short-term loans and advances have a maximum maturity of 2 business days.

As mentioned in Note 3, the change in Monetary Policy by the European Central Bank had an impact on the management of investments in the interbank money market. This change in context had an impact on the balances Loans and advances to credit institutions in Portugal – very short-term loans and advances and Loans and advances to credit institutions abroad (very short-term loans and advances and deposits).

The amount under Loans and advances relates to a loan granted to a South African bank, three loans to three British banks, four loans to three Mauritian banks, one loan to a Nigerian bank and one loan to a Turkish bank.

Changes in impairment during 2024 and 2023 are disclosed in Note 17.

9. Financial assets at amortised cost – Loans and advances to customers

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Loans not represented by securities		
Domestic loans		
Loans and advances	102 002 208	90 216 675
Current account loans	6 394 000	9 086 131
Other loans and advances	-	538
Foreign loans		
Loans and advances	123 047 626	95 539 929
Overdue loans and interest	480 126	127 356
Capital subtotal	231 923 960	194 970 629
Interest receivable	2 072 569	1 660 871
Prepaid interest	(105 941)	(27 452)
Monthly commissions	(1 691 907)	(620 790)
Interest and commission subtotal	274 721	1 012 629
	232 198 681	195 983 258
Impairment for credit risk	(3 675 084)	(4 304 686)
	228 523 597	191 678 572

Changes in impairment for loans and advances to customers during 2024 and 2023 are disclosed in Note 17.

As at 31 December 2024 and 2023, this balance has the following structure by business sector:

	31-Dec-2024		31-Dec-2023	
Public administration (regional and local)	56 418 653	24.3%	22 648 414	11.6%
Construction	46 461 042	20.0%	29 000 438	14.9%
Real Estate activities	22 073 634	9.5%	31 629 321	16.2%
Trade and repair	21 322 083	9.2%	42 785 658	21.9%
Manufacturing industries	19 873 585	8.6%	1 197 577	0.6%
Financial and insurance activities	19 511 339	8.5%	18 110 516	9.3%
Other business services	17 768 199	7.7%	24 089 981	12.4%
Accommodation, catering and similar activities	9 495 771	4.1%	3 941 949	2.0%
Manufacture of transportation equipment	7 000 000	3.0%	8 000 000	4.1%
Other activities and Retail	6 137 985	2.6%	4 269 797	2.2%
Information and communication activities	2 500 000	1.1%	-	0.0%
Repair and maintenance of aircraft and spacecraft	2 500 000	1.1%	-	0.0%
Transportation and storage	792 056	0.3%	979 166	0.5%
Food, beverage and tobacco industries	69 613	0.0%	8 317 812	4.3%
	231 923 960	100%	194 970 629	100%

10. Other financial assets at amortised cost

Other financial assets at amortised cost are analysed as follows:

	31-Dec-2024	31-Dec-2023
Securities issued by residents		
Debt instruments		
Issued by other national public entities	2 057 000	2 057 000
Other residents	-	-
Non-subordinated debt	24 115 414	7 828 246
Securities issued by non-residents	-	-
Other non-residents	-	-
Non-subordinated debt	123 213 232	79 167 175
Interest receivable	1 189 720	821 806
Prepaid interest	2 426 374	761 885
Deferred charges expenses	(140 654)	(108 252)
	152 861 086	90 527 860
Impairment of other financial assets at amortised cost	(676 144)	(98 501)
	152 184 942	90 429 359

As at 31 December 2024 and 2023, Debt instruments – Issued by other national public entities refers to a bond issue of Portuguese public debt.

As at 31 December 2024 and 2023, Debt instruments – From other residents refers to investments in commercial paper issues that the Bank subscribed in the primary market.

As at 31 December 2024 and 2023, Securities issued by non-residents – other non-residents – Non-subordinated debt refers to bond issues.

11. Other tangible assets and right-of-use assets

The changes in these balances during 2024 were as follows:

	31-Dec-23							Write-offs		31-Dec-24		
	Gross amount	Accumulated amortisation and impairment	Net amount	IFRS 16 Transition Adjustment	Acquisitions	Amortisation for the period	Transfers (Net amount)	Accumulated amortisation and impairment	Write-offs	Gross amount	Accumulated amortisation and impairment	Net amount
Properties in use												
Leasehold improvements	1 123 201	(469 979)	653 222	-	6 330	(116 527)	-	-	(8 121)	1 121 410	(586 506)	534 904
Equipment					-							
Furniture and material	285 205	(126 751)	158 454	-	11 434	(34 770)	-	-	(9 695)	286 944	(161 521)	125 423
Machinery and tools	24 793	(12 280)	12 513	-	3 646	(4 773)	-	-	-	28 439	(17 053)	11 386
IT equipment	1 059 927	(809 378)	250 549	-	335 577	(233 039)	-	-	-	1 395 503	(1 042 417)	353 086
Indoor facilities	9 906	(5 413)	4 493	-	-	(990)	-	-	-	9 906	(6 403)	3 503
Safety equipment	10 369	(6 921)	3 448	-	-	(983)	-	-	-	10 369	(7 904)	2 465
Other equipment	11 168	(174)	10 995	-	-	-	-	-	-	11 169	(174)	10 995
Right-of-use assets					-							
Real Estate	2 690 741	(1 389 611)	1 301 129		1 957	(345 088)	55 110	-	-	2 692 697	(1 679 589)	1 013 108
Vehicles	341 359	(175 011)	166 349		110 879	(75 377)	81 487	-	(43 651)	408 587	(168 901)	239 686
Assets under construction	-	-	-		-	-	-	-	-	-	-	-
	5 556 668	**(2 995 517)**	**2 561 151**	**-**	**469 823**	**(811 547)**	**136 597**	**-**	**(61 467)**	**5 965 024**	**(3 670 469)**	**2 294 555**

Right-of-use assets corresponds essentially to leased properties, namely the Bank's head office in Lisbon (2 floors), a representative office in Oporto, and a residual number of vehicles. These assets are amortised according to the lease term of each agreement, as described in the accounting policy of Note 2.13.

The changes in these balances during 2023 were as follows:

	31-Dec-22							Write-offs		31-Dec-23		
	Gross amount	Accumulated amortisation and impairment	Net amount	IFRS 16 Transition Adjustment	Acquisitions	Amortisation for the period	Transfers (Net amount)	Gross amount	Accumulated amortisation and impairment	Gross amount	Accumulated amortisation and impairment	Net amount
Properties in use												
Leasehold improvements	854 353	(377 662)	476 691	-	268 847	(92 316)	-	-	-	1 123 201	(469 979)	653 222
Equipment					-	-						
Furniture and material	185 005	(102 448)	82 557	-	100 200	(24 303)	-	-	-	285 205	(126 751)	158 454
Machinery and tools	14 611	(8 907)	5 704	-	10 182	(3 373)	-	-	-	24 793	(12 280)	12 513
IT equipment	1 017 554	(612 603)	404 951	-	118 096	(196 775)	-	-	(75 724)	1 059 927	(809 378)	250 549
Indoor facilities	9 906	(4 423)	5 483	-	-	(990)	-	-	-	9 906	(5 413)	4 493
Safety equipment	6 137	(6 137)	-	-	4 232	(784)	-	-	-	10 369	(6 921)	3 448
Other equipment	11 170	(174)	10 996	-	-	-	-	-	-	11 168	(174)	10 995
Right-of-use assets					-	-						
Real Estate	2 369 574	(1 062 490)	1 307 084		342 985	(343 565)	-	16 444	(21 820)	2 690 741	(1 389 611)	1 301 129
Vehicles	465 993	(274 483)	191 510		123 903	(67 064)	-	166 536	(248 536)	341 359	(175 011)	166 349
Assets under construction	-	-	-		-	-	-	-	-	-	-	-
	4 934 303	**(2 449 327)**	**2 484 976**	**-**	**968 444**	**(729 169)**	**-**	**182 980**	**(346 080)**	**5 556 668**	**(2 995 517)**	**2 561 151**

12. Intangible assets

The changes in these balances during 2024 were as follows:

	31-Dec-23					Write-offs		Sales			31-Dec-24		
	Gross amount	Accumulated amortisation and impairment	Net amount	Acquisitions	Amortisation for the period	Gross amount	Accumulated amortisation and impairment	Gross amount	Accumulated amortisation and impairment	Net amount	Gross amount	Accumulated amortisation and impairment	Net amount
Automatic data processing systems (software)	3 267 032	(1 455 048)	1 811 984	2 039 023	(1 122 073)			-	-	-	5 306 056	(2 577 121)	2 728 935
	3 267 032	**(1 455 048)**	**1 811 984**	**2 039 023**	**(1 122 073)**	**-**	**-**	**-**	**-**	**-**	**5 306 056**	**(2 577 121)**	**2 728 935**

In 2024, the amount of acquisitions is essentially due to the investment made under the BAIE's strategic plan.

The changes in these balances during 2023 were as follows:

	31-Dec-22					Abates		Vendas			31-Dec-23		
	Gross amount	Accumulated amortisation and impairment	Net amount	Acquisitions	Amortisation for the period	Gross amount	Accumulated amortisation and impairment	Gross amount	Accumulated amortisation and impairment	Net amount	Gross amount	Accumulated amortisation and impairment	Net amount
Automatic data processing systems (software)	1 712 801	(804 355)	908 446	1 659 772	(650 693)	(105 541)	-	-	-	-	3 267 032	(1 455 048)	1 811 984
	1 712 801	**(804 355)**	**908 446**	**1 659 772**	**(650 693)**	**(105 541)**	**-**	**-**	**-**	**-**	**3 267 032**	**(1 455 048)**	**1 811 984**

13. Tax assets and liabilities

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Current tax assets		
Income tax receivable (IRC)	710 562	-
Deferred tax assets		
By temporary differences		
in assets	576 084	874 705
in liabilities	642 490	722 625
	1 929 136	1 597 330
Current tax liabilities		
Income tax payable (IRC)	-	(1 235 689)
	-	(1 235 689)

a) The amount of income tax payable (IRC) for 2024 and 2023 is presented as follows:

	31-Dec-2024	31-Dec-2023
Corporate Income Tax (IRC)	(1 253 405)	(2 200 470)
Payments on account	1 866 978	1 089 270
Additional payments on account	233 625	99 000
	847 198	(1 012 200)
Surcharge	(83 055)	(139 324)
Autonomous taxation	(53 581)	(84 165)
Income tax payable (IRC)		(1 235 689)
Income tax receivable (IRC)	710 562	

During 2024, the changes in deferred taxes were as follows:

	31-Dec-2023 Opening balance	Reserves / Retained earnings	Profit/(or loss)	31-Dec-2024 Closing balance
Deferred tax assets				
Financial assets at fair value through other comprehensive income	874 705	(298 621)	-	576 084
Financial assets mandatorily measured at fair value through profit or loss	109 619	-	(109 619)	-
Impairment for loans and advances	559 297	-	52 001	611 298
Provisions for other risks	27 000	-	(27 000)	-
ACTV end-of-career bonus	6 014	-	1 074	7 088
Pension funds and post-employment benefits	20 694	-	3 410	24 104
Tax losses carried forward	-	-	-	-
	1 597 330	(298 621)	(80 135)	1 218 574
Deferred tax liabilities				
Financial assets at fair value through other comprehensive income	-	-		-
Pension funds and post-employment benefits	-	-	-	-
	-	-	-	-
	1 597 330	(298 621)	(80 135)	1 218 574

As at 31 December 2024, the amount of the item Deferred tax assets – Financial assets at fair value through other comprehensive income of Euro 576,084 relates to the impact of potential capital losses underlying the portfolio of Financial assets at fair value through other comprehensive income which, as at 31 December 2023, amounted to Euro 874,705 (Note 19).

The expected recovery periods for deferred tax assets and liabilities are as follows:

	31-Dec-2024	31-Dec-2023
Deferred tax assets		
For more than 12 months	1 218 574	1 597 330
	1 218 574	1 597 330

14. Other assets

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Letter of credit		
Discounts	12 009 176	19 307 608
FCGT Contributions	15 051	15 051
Government sector		
Value added taxes (VAT) receivable	621 639	41 514
Other	425 000	1 389 130
Other sundry debtors	1 038 364	1 065 288
Other income receivable		
Documentary credits	192 671	270 181
Insurance	87 973	95 887
Other administrative costs	685 657	300 690
Other deferred charges expenses	697 234	314 127
Other deferred charges expenses - Loans and advances to customers	(11 577)	(13 437)
Pension liabilities and other benefits (Notes 2.10.1, 20 and 30)		
Retirement pensions		
Past service liabilities	(1 893 258)	(1 655 538)
Pension fund assets	3 416 167	3 255 885
Actuarial deviations		
Post-employment benefits	(107 127)	(91 971)

Interbank transactions	(125 355)	122 567
Total gross amount	16 365 958	24 116 292
Impairment	(1 600 065)	(1 688 637)
Total net of impairment	14 765 893	22 427 655

(a) The balance Government sector – Other relates mainly to an amount receivable from the Portuguese Tax Authorities resulting from an auctioning procedure for the acquisition of a property purchased as payment for a credit transaction to a customer following a tax foreclosure process for the payment of Municipal Property Tax (IMI) relating to that same property. The balance of Euro 425,000 corresponds to the property's acquisition value net of IMI payable and its default interest and estimated fines. Impairment recognised in the amount of Euro 425,000 (2023: Euro 425,000) was set up for a possible loss on the collection of this asset. As at 31 December 2023, this item also includes an amount of Euro 964,131 relating to a reimbursement process with the Portuguese Tax Authorities, which was recovered in 2024.

(b) The balance Other sundry debtors includes the amount of Euro 1,038,364, which refers to an amount receivable, through an advance payment made within an ongoing legal process. Impairment recognised in the amount of Euro 857,114 (2023: Euro 857,114), mainly respects to an estimate of a possible loss on the collection of this asset.

The item also includes the amount of Euro 225,641, which relates to a receivable from the sale of the financial holding in the real estate company Exemplary Sparrow - Sociedade Imobiliária. Lda. In 2022, for which it was agreed that payment would be made in 3 years, it should be noted that this exposure presents an impairment equivalent to the carrying amount.

(c) The balance of Other administrative costs refers to deferred invoices from suppliers.

As at 31 December 2024, the amount corresponding to the equity value of the pension fund exceeds the liability assumed by the Bank for past services in Euro 1,893,258 (2023: 1,655,538).

15. Deposits from central banks and other credit institutions

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Deposits from national credit institutions		
Repayable on demand	40 189	35 256
Deposits from credit institutions abroad		
Repayable on demand	140 217 421	55 366 570
Term deposits	281 961 486	234 499 548
Interest payable	3 236 423	1 492 218
	425 455 519	291 393 592

The amount of Euro 84,491,023 included in the item Deposits from credit institutions abroad – term deposits, is collaterising liabilities with loans and advances to customers, other loans and advances to credit institutions, open documentary credits and irrevocable credit facilities (Note 29).

16. Deposits from customers

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Deposits repayable on demand		
from other residents	22 461 690	15 509 279
from non-residents	67 406 729	57 491 091
Term deposits		-
from emigrants	-	20 000
from other residents	154 416 753	60 547 210
from non-residents	158 071 098	152 850 721
Other deposits	-	(1 088)
Interest payable	6 486 524	3 059 478
	408 842 794	289 476 691

As at 31 December 2024, the amount of Euro 11,930,907 included in the balance Deposits from customers and other loans is collaterising liabilities with loans and advances to customers and irrevocable credit facilities (Note 29).

17. Provisions and impairment

The changes in these balances during 2024 were as follows:

	31-Dec-2023 Opening balance	Charge for the period	Adjustments /(Reversals)	Recoveries /(Charge-off)	Transfers	31-Dec-2024 Closing balance
Impairment						
Loans and advances to credit institutions repayable on demand (Note 4)	11 481	91 630	(96 247)	-	-	6 865
Financial assets at fair value through other comprehensive income (Notes 7 and 19)	289 546	499 995	(564 393)	-	-	225 148
Other financial assets at amortised cost (Note 10)	98 501	1 048 548	(470 905)	-	-	676 144
Other loans and advances to credit institutions (Note 8)	359 5(	600 486	(669 015)	-	-	290 974
Loans and advances to customers (Note 9)	4 304 657	10 234 968	(10 881 292)	16 751		3 675 084
Impairment on other assets (Note 14)	1 688 637	90 592	(179 164)	-	-	1 600 065
	6 752 324	**12 566 219**	**(12 861 016)**	**16 751**	**-**	**6 474 279**
Provisions						
Bank guarantees and letters of credit	348 909	1 417 490	(1 335 366)	-	-	431 032
Off-balance sheet liabilities	70 815	932 059	(782 847)	-	-	220 026
Subtotal provisions resulting from the impairment model	**419 724**	**2 349 549**	**(2 118 213)**	**-**	**-**	**651 058**
Other	1 449 273	718 905	(785 789)	-		1 382 390
Subtotal other provisions	**1 449 273**	**718 905**	**(785 789)**	**-**	**-**	**1 382 390**
Total provisions	**1 868 997**	**3 068 454**	**(2 904 002)**	**-**	**-**	**2 033 448**
Total provisions and impairment	**8 621 321**	**15 634 673**	**(15 765 019)**	**16 751**	**-**	**8 507 727**

The changes in these balances during 2023 were as follows:

	31-Dec-2022	Charge for the period	Adjustments /(Reversals)	Recoveries /(Charge-off)	Transfers	31-Dec-2023
	Opening balance					Closing balance
Impairment						
Loans and advances to credit institutions repayable on demand (Note 4)	89 252	173 446	(251 217)	-	-	11 481
Financial assets at fair value through other comprehensive income (Notes 7 and 19)	374 118	39 883	(124 455)	-	-	289 546
Other financial assets at amortised cost (Note 10)	203 646	110 720	(215 865)	-	-	98 501
Other loans and advances to credit institutions (Note 8)	538 334	396 567	(575 399)	-	-	359 502
Loans and advances to customers (Note 9)	1 771 712	5 291 244	(2 758 269)	-		4 304 687
Impairment on other assets (Note 14)	1 533 891	179 165	(24 419)	-	-	1 688 637
Total impairment	**4 510 954**	**6 191 025**	**(3 949 624)**	**-**	**-**	**6 752 354**
Provisions						
Bank guarantees and letters of credit	387 155	499 857	(538 103)	-	-	348 909
Off-balance sheet liabilities	673 823	90 356	(693 364)	-	-	70 815
Subtotal provisions resulting from the impairment model	**1 060 978**	**590 213**	**(1 231 467)**	**-**	**-**	**419 724**
Other	1 235 912	312 631	(99 270)	-		1 449 273
Subtotal other provisions	**1 235 912**	**312 631**	**(99 270)**	**-**	**-**	**1 449 273**
Total provisions	**2 296 890**	**902 844**	**(1 330 737)**	**-**	**-**	**1 868 997**
Total provisions and impairment	**6 807 844**	**7 093 869**	**(5 280 361)**	**-**	**-**	**8 621 351**

The charge for the period and reversals of impairment and provisions occurred in 2024 and 2023 result from the Bank's normal course of business.

The balance Provisions – Off-balance sheet liabilities refers to provisions for bank guarantees, letters of credit and irrevocable credit facilities.

The item Provisions – Other provisions essentially refers to provisions for contingencies and the provision of Euro 300,000 associated with the challenges inherent in implementing the Bank's structural and regulatory projects.

18. Other liabilities

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Creditors and other contributions		
Government sector		
Tax withholding	359 093	349 751
Social security contributions	112 902	123 509
Other contributions	-	1 562
Third-party collections	2 548	2 255
Other health services contributions (SAMS)	26 213	27 900
Sundry creditors (a)	93 084	56 440
Expenses payable		
Staff costs		
Holiday allowance and other allowances (b)	391 917	349 637
Charges with deferred variable remuneration (c)	1 577 736	1 149 450
Other expenses payable	485 281	359 732
Rents payable (d)	1 177 008	1 534 016
Revenue with deferred income		
From guarantees provided (Note 29)	-	23 107
From documentary credits (Note 29)	-	154 338
Pension liabilities and other benefits (Notes 14 and 30)		
Long-term benefits – end-of-career bonuses	31 503	26 731
Interbank transactions pending settlement (e)	896 661	4 433 770
	5 153 946	**8 592 198**

a) As at 31 December 2024, the amount disclosed under Sundry creditors concerns essentially to amounts payable to suppliers, without seniority.

a) In accordance with the Portuguese legislation in force, employees are entitled to one month's holiday and one month's holiday allowance each year, acquired in the year preceding payment. Therefore, this liability is recorded in the period during which the employees acquire that right, irrespective of the date of its payment.

c) The item Charges with deferred variable remuneration includes the amounts of variable remuneration payable to members of the Board of Directors and the Management Team, as defined in the Bank's Remuneration Policy (Note 26).

d) As at 31 December 2024, Rents payable refers to the amount of lease liabilities recognised under IFRS 16 and as described in accounting policy of Note 2.13.

Lease liabilities, presented by residual term, are as follows:

	Real Estate	Vehicles	Total
Maturity of lease liabilities			
1 to 5 years	967 508	209 500	1 177 008
Total Lease Liabilities in the Balance sheet as at 31 December 2024	967 508	209 500	1 177 008

e) e) As at 31 December 2024, the amount of operations pending settlement relates essentially to balances in the interbank clearing system, which are settled on the first following working day.

During 2024, the changes in deferred taxes were as follows:

31 December 2023	1 534 016
Additions	185 775
Disposals	(43 652)
Payments	(499 131)
31 December 2024	1 177 008

19. Equity

	31-Dec-2024	31-Dec-2023
Share capital	**42 000 000**	**42 000 000**
Revaluation reserves		
Financial assets measured at fair value through other comprehensive income		
Debt instruments (Note 7)	(2 554 880)	(3 887 576)
Credit risk adjustment of financial assets at fair value through other comprehensive income (IFRS 9) (Note 7)	225 148	289 546
Deferred tax reserves (Note 13)		
By temporary differences		
Financial assets measured at fair value through other comprehensive income	576 084	874 705
Revaluation reserves	**(1 753 648)**	**(2 723 325)**
Other reserves and retained earnings		
Legal reserves	9 917 992	8 932 706
Retained earnings		
Approved	44 232 505	38 670 802
Changes in accounting policies		
IFRS1 Transition adjustments - NCA (in 2006)	830 264	830 264
Elimination of corridor rule IAS 19 (in 2011)	14 503	14 503
Survivor and disability liability	(749 709)	(749 709)
Entry into force of Notice 5/2015 of Banco de Portugal (in 2016)	1 057 409	1 057 407
IFRS 9 Transition adjustments	(627 117)	(627 117)
IFRS9 Transition adjustments - Tax impact	141 657	141 657
Accumulated actuarial gains and losses (Notes 2.10.1 and 29)	1 084 412	1 174 742
Adjustment of accounting errors (in 2012)	2 249 114	2 249 114
	58 151 030	**51 694 369**
Profit/ (loss) for the period	**3 570 475**	**6 546 990**
	101 967 857	**97 518 034**

As at 31 December 2024, the item Revaluation reserves – Financial assets measured at fair value through other comprehensive income presents a positive change of Euro 1,332,696 explained by the valuation of the portfolio of Assets at fair value through other comprehensive income compared to the previous year (Note 7).

The share capital, fully subscribed and paid up, is represented by 8,400,000 ordinary shares, with a nominal value of Euro 5 each. As at 31 December 2024, Banco Angolano de Investimentos, S.A., a credit institution resident in Angola, holds 99.9997% of the Bank's capital.

In accordance with Article 97 of the General Regime for 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 subsequent amendments, the Bank must allocate no less than 10% of net profits for each financial year to a legal reserve, up to a limit equal to the value of the share capital or the sum of free reserves established and retained earnings, if higher.

In 2024, the change in revaluation reserves was as follows:

	31-Dec-2024
Opening balance as at 1 January 2024	**(2 723 325)**
Changes in fair value	1 395 938
Disposals	(63 242)
Deferred taxes recorded in the period in reserves	(298 621)
Credit risk adjustment of financial assets at fair value through other comprehensive income (Note 17)	(64 398)
Closing balance as at 31 December 2024	**(1 753 648)**

In 2023, the change in revaluation reserves was as follows:

	31-Dec-2023
Opening balance as at 1 January 2023	**(5 171 273)**
Changes in fair value	3 147 127
Disposals	120 641
Deferred taxes recorded in the period in reserves	(735 248)
Credit risk adjustment of financial assets at fair value through other comprehensive income (Note 17)	(84 572)
Closing balance as at 31 December 2023	**(2 723 325)**

20. Net interest income

Net interest income is detailed as follows:

	31-Dec-2024	31-Dec-2023
Interest and similar income from		
Financial assets at amortised cost		
Other loans and advances to credit institutions	18 118 397	15 835 288
Of which: interest on assets (a)	17 333	121 484
Loans and advances to customers	14 861 286	11 066 255
Of which: commissions received at amortised cost	1 036 496	804 115
Other financial assets at amortised cost	3 329 677	1 682 991
Financial assets at fair value through other comprehensive income	6 427 434	6 580 046
	42 736 794	35 164 580
Interest and similar expense from		
Financial liabilities measured at amortised cost		
Deposits from other credit institutions	(13 139 009)	(9 703 385)
Deposits from customers	(10 179 294)	(4 187 204)
Interest on leases (b)	(44 488)	(50 201)
Commissions paid at amortised cost from:		
Loans and advances to customers	8 705	(9 290)
	(23 354 086)	(13 950 080)
Net interest income	19 382 708	21 214 500

a) Balance regarding interest from bank deposits repayable on demand with Banco de Portugal that exceed the requirements of Minimum Reserves. This remainder is remunerated at the rate defined by the ECB for the permanent deposit facility (Note 3).

b) The balance Interest on leases refers to interest expense related to lease liabilities recognised under IFRS 16, as mentioned in accounting policy of Note 2.13.

21. Fees and commissions income/ expense

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Fees and commissions income:		
On guarantees provided	1 753 027	2 739 157
On commitments assumed with third parties	13 308	16 491
On services rendered	1 238 978	1 682 466
Other income received	400 000	-
	3 405 313	4 438 114
Fees and commissions expense		
On services rendered by third parties	(1 182 114)	(1 188 908)
On transactions performed by third parties	(388)	(737)
Other commissions paid	(1 500)	-
	(1 184 002)	(1 189 645)
	2 221 311	3 248 469

The balance on guarantees provided includes income from services and commissions associated with guarantees and securities provided and open documentary credits (Note 29).

The item Other income received includes an upfront participation fee received from Greenvolt.

22. Net gains/ (losses) arising from financial assets at fair value through other comprehensive income

Net gains/ (losses) arising from financial assets at fair value through other comprehensive income is analysed as follows:

	31-Dec-2024	31-Dec-2023
Net gains/ (losses) arising from financial assets measured at fair value through other comprehensive income		
Debt instruments		
Resident	(52 868)	(35 254)
Non-resident	(10 374)	(85 387)
	(63 242)	(120 641)

In 2023 and 2024, Net gains/ (losses) arising from financial assets at fair value through other comprehensive income are primarily explained by losses on the disposal of debt instruments.

23. Net gains/ (losses) arising from financial assets at fair value through profit or loss

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Net gains/ (losses) arising from financial assets measured at fair value through profit or loss		
Equity instruments		
Resident	-	6 662
Non-resident	(52 363)	-
Debt instruments		
Non-resident	4 682	(11 013)
Other – investment funds		
Non-resident	828	-
	(46 853)	**(4 351)**

In 2024, the Bank did not earn dividends on financial assets mandatorily measured at fair value through profit or loss. In 2023, the Bank earned dividends from Fomentinvest in the amount of Euro 6,662.

24. Net gains/ (losses) arising from financial assets measured at amortised cost

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Net gains/ (losses) arising from financial assets measured at amortised cost		
Debt instruments		
Non-resident	65 847	143 993
	65 847	**143 993**

The item Net gains/ (losses) arising from financial assets measured at amortised cost amounts to Euro 65,847, justified by early redemptions of securities that occurred in 2024.

25. Other operating income/ (expense)

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Other operating income		
Recovery of bad debts	-	15 000
Income from services rendered	55 242	8 800
Other operating income	18 757	119 833
	73 999	143 633
Other operating expense		
Contributions	(9 715)	(13 145)
Contributions to the Deposit Guarantee Fund	(929)	(1 537)
Contributions to the Single Resolution Fund	(128 057)	(280 750)
Indirect taxes and fees		
Value added tax (VAT)	(1 071 027)	(948 199)
Extraordinary contribution over the banking sector	(635 875)	(715 913)
Other indirect taxes and fees	(108 783)	(106 938)
Other charges and operating expenses	(102 673)	(225 796)
	(2 057 059)	(2 295 234)
	(1 983 060)	(2 151 601)

As at 31 December 2024, the Bank does not hold any investments in subsidiaries and associates.

Expenses incurred under Contributions to the Resolution Fund (CFR), to the Single Resolution Fund (CFUR) and Extraordinary contribution over the banking sector are recognised in expenses at the moment the liability is generated (application of IFRIC 21 – Levies).

The caption Extraordinary contribution over the banking Sector is estimated according to the terms of the Decree-Law No. 55-A/2010. The determination of the amount payable is based on:

i) the annual average liability recorded in the balance sheet deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and
ii) the notional amount of derivative financial instruments.

The item Contribution to the Resolution Fund corresponds to the mandatory periodic contributions paid to the Fund, in accordance with Decree-Law No. 24/2013. The periodic contributions are determined using a base rate, established by the Banco de Portugal, to be applied in each year and which may be adjusted to the credit institution's risk profile. The periodic contributions are levied on the liabilities of the member credit institutions, in accordance with Article 10 of the aforementioned Decree-Law, deducted from the liability elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

Contributions to the Single Resolution Fund corresponds to the annual *ex-ante* contribution made by the Bank to support the implementation of resolution measures at European Union level. The Single Resolution Fund was established by Regulation (EU) No. 806/2014 (the Fund Regulation) and is financed by *ex-ante* contributions made annually and individually by all credit institutions within the Banking Union system.

Contributions to the Single Resolution Fund consider the annual target level as well as the size and risk profile of the institutions. The Single Resolution Fund applies the methodology set out in the Commission Delegated Regulation (EU) No. 2015/63 and Regulation (EU) No. 806/2014 of the European Parliament and of the Council, for determining *ex-ante* contributions.

The annual contribution to the Fund is based on the liabilities of the institutions, excluding own funds and hedged deposits and considering adjustments arising from derivatives and intra-group liabilities, and on a risk adjustment factor that depends on the institution's risk profile. In accordance with Article 67 (4) of the Fund Regulation and the intergovernmental agreement on the transfer and pooling of contributions to the Single Resolution Fund, *ex-ante* contributions are collected by the national resolution authorities and transferred to the Single Resolution Fund until 30 June of each year. In 2024, the Bank, on the recommendation of the Banco de Portugal, made the annual contribution.

26. Staff costs

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Remunerations of the Management and supervisory boards	1 292 008	1 274 195
Remunerations of the employees	4 063 060	3 760 032
Mandatory social security charges	1 574 036	1 447 485
Obligations with pension plans		
ACTV Pension Plan	(5 770)	-
Directors Pension Plan	-	37 595
Other staff costs	281 324	217 784
	7 204 658	**6 737 091**

The number of Bank employees is detailed as follows:

	31-Dec-2024		31-Dec-2023	
	Average for the period	End of the period	Average for the period	End of the period
Executive directors	3	3	3	3
Non-executive directors	3	3	3	3
Senior management	8	9	9	9
Other middle management and employees	89	95	76	82
	103	**110**	**91**	**97**

Annual remuneration paid to members of the corporate bodies

In accordance with the provisions of Article 47 of the Banco de Portugal Notice 3/2020 and Article 450 of Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, the individual remuneration of members of the corporate bodies is presented below:

	2024						2023					
	Gross remunerations paid			Remuneration expenses			Gross remunerations paid			Remuneration expenses		
	Fixed	Variable	Total	Fixed	Variable*	Total	Fixed	Variable	Total	Fixed	Variable	Total
Executive Directors												
António Manuel Pinto Duarte **(a)** (Vice-Chairman)	-	-	-	-	-	-	-	3 267	**3 267**	-	3267	**3267**
Omar José Mascarenhas de Morais Guerra **(a) (b)** (Chairman of the Executive Committee)	235 200	70 560	**305 760**	235 200	117 600	**352 800**	235 200	50 000	**285 200**	235 200	50 000	**285 200**
Henrique Manuel Forte Carvalho da Carvalho da Silva **(a)** (Member)	-	-	**-**	-	-	**-**	-	2 667	**2 667**	-	2 667	**2 667**
Henrique José Camejo Gonçalves **(b)** (Member)	179 200	53 760	**232 960**	179 200	89 600	**268 800**	179 200	50 000	**229 200**	179 200	50 000	**229 200**
Nuno Alexandre de Almeida Leal **(b)** (Member)	196 000	58 800	**254 800**	196 000	98 000	**294 000**	196 000	50 000	**246 000**	196 000	50 000	**246 000**
Non-Executive Directors												
Luís Filipe Rodrigues Lelís **(b)** (Chairman of the Board of Directors)	75 000	-	**75 000**	75 000	**-**	**75 000**	75 000	-	**75 000**	75 000	-	**75 000**
César Abel Rodrigues Gonçalves **(c)** (Independent member)	60 000	-	**60 000**	60 000	**-**	**60 000**	60 000	-	**60 000**	60 000	-	**60 000**
Inokcelina Ben` África Correia dos Santos **(b)** (Member)	60 000	-	**60 000**	60 000	**-**	**60 000**	60 000	-	**60 000**	60 000	-	**60 000**
Supervisory Board												
João Augusto **(a) (b)** (Chairman)	57 000	-	**57 000**	57 000	**-**	**57 000**	48 000	-	**48 000**	48 000	-	**48 000**
Pedro Cabrita **(a) (b)** (Member)	41 250	-	**41 250**	41 250	**-**	**41 250**	39 000	-	**39 000**	39 000	-	**39 000**
Ana Gomes **(b) (d)** (Member)	41 250	-	**41 250**	41 250	**-**	**41 250**	39 000	-	**39 000**	39 000	-	**39 000**
	944 900	**183 120**	**1 128 020**	**944 900**	**305 200**	**1 250 100**	**931 400**	**155 934**	**1 087 334**	**931 400**	**155 933**	**1 067 333**

(a) Mandate 2017/2020 (appointed on 16 May 2017)

(b) Mandate 2021/2024 (appointed on 5 April 2021, beginning on 8 October 2021)

(c) Mandate 2021/2024 (appointed on 23 June 2021, beginning on 8 October 2021)

(d) Mandate 2017/2020 (appointed on 16 May 2017, beginning on 1 April 2022)

(e) Mandate 2021/2024 (appointed on 5 April 2021, ceased on 31 March 2022)

* The Variable Remuneration awaits approval at the General Meeting of Shareholders to be held in March 2024

In 2024, additional cash remuneration not included in the remuneration disclosed above was also paid to directors Omar Guerra and Nuno Leal in the amounts of Euro 20,188 (Euro 20,374 in 2023) and Euro 17,220 (Euro 17,220 in 2023), respectively, relating to a supplementary retirement plan under a defined contribution scheme, under the terms indicated below, in the form of acquisition, on behalf of the beneficiary, of participation units of a pension fund.

Remuneration expenses presented above do not include the mandatory social security charges paid by the Bank, which generally correspond to amounts resulting from rates ranging from 16.4% to 23.75%, applied over remuneration paid to corporate bodies.

With exception of two members of the Board of Directors, the Bank does not undertake any commitments regarding retirement or disability pensions, early retirement or survival, advances, loans or guarantees of any sort to the members of the Boards of Directors and Supervisory Board. The Bank undertakes the commitment for retirement or disability, early retirement or survival of Omar Guerra and Nuno Leal, under the terms agreed in the scope of the ACTV (Note 30).

After 2015, executive directors with an employment agreement suspended with the Bank and who, by virtue of this quality, benefit from the pension plan applicable to most of the Bank's employees covered by social security by ACTV (Note 30), are entitled to a supplementary pension benefit under a defined contribution plan for which the Bank contributes with 7% of the total amount of remuneration paid in the previous year. These contributions are made through the acquisition, on behalf of the beneficiary, of investment units of the pension fund that finances the retirement pension liabilities of the Bank's employees, under the terms agreed within the terms of the ACTV, or of another open pension fund available in the market.

In accordance with Article 47 of the Banco de Portugal Notice No. 3/2020 and Article 450 of Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, the aggregate remuneration of employees performing control functions, namely, the risk management function, compliance and internal audit, is presented below:

	2023						2024					
	Gross remunerations paid			Remuneration expenses			Gross remunerations paid			Remuneration expenses		
	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total
Aggregate remuneration of employees carrying out control functions as provided for in Notice 3/2020.	181 588	20 000	**201 588**	181 588	20 000	**201 588**	215 959	48 000	**263 959**	215 959	48 000	**263 959**

In accordance with Article 47 of the Banco de Portugal Notice 3/2020 and Article 450 of Regulation (EU) 575/2013, of the European Parliament and of the Council, of 26 June, below is the aggregate remuneration of employees performing senior management functions, excluding those responsible for control functions (listed above), and who are indicated in BAIE's remuneration policy as having a significant impact on the Bank's risk profile.

	2023						2024					
	Gross remunerations paid			Remuneration expenses			Gross remunerations paid			Remuneration expenses		
	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total
Aggregate remuneration of senior management employees who do not perform control functions but have a significant impact on the Bank's risk profile	442 079	125 500	567 579	442 079	125 500	567 579	432 818	135 000	567 818	432 818	135 000	567 818

Deferred variable remuneration is detailed in Note 18.

27. General and administrative expenses

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Specialised services	5 376 511	3 092 075
Advertising	698 223	349 898
Travel, hotel and representation costs	219 892	145 455
Communication	179 043	239 428
Training	164 232	121 762
Insurance	126 473	136 742
Water, energy and fuel	66 123	60 757
Rental costs	53 810	103 071
Maintenance and repair	26 182	53 507
Consumables	7 633	16 184
Other	2 435	4 411
	6 920 557	**4 323 290**

In 2024, Specialised services presents a significant increase over the same period of last year, mainly due to the need for advisory services and IT support tools for the implementation of new products and other projects of a legal and regulatory nature.

In compliance with Article 66-A (1)(b) of the Portuguese Commercial Companies Code, the total fees invoiced in 2024 by the Statutory Auditors Firm, Ernst & Young Audit & Associados – SROC, S.A., are detailed as follows:

	31-Dec-2024	31-Dec-2023
Statutory Audit of Annual Accounts	111 750	107 140
Limited Review	27 500	25 000
Reliability Assurance Services (ISAE 300)	21 000	18 150
Other services	29 970	4 000
	190 220	**154 290**

As at 31 December 2024 and 2023, in addition to the Statutory Audit, the audit services include (i) the review of the interim financial statements (June), (ii) the Process of Quantification of Impairment of the Loan Portfolio as at 30 June and 31 December (Instruction No. 18/2018 of the Banco de Portugal which revokes Instruction No. 5/2013 of the Banco de Portugal)(ISAE 3000) and (iii) the review of the financial reporting for the purposes of the Statutory Audit of BAIE's parent company.

Costs incurred for these services are recorded under Specialised services.

28. Income taxes

The nominal tax rate is detailed as follows:

	31-Dec-2024	31-Dec-2023
Corporate Income Tax (IRC)	21.0%	21.0%
Municipal Surcharge	1.5%	1.5%
State Surcharge	3% to 9%	3% to 9%

The amount of current taxes refers to the sum of tax related to the taxable profit for the period, if applicable, the tax rate in force on the balance sheet date, municipal and state surcharges (if applicable) and autonomous taxes.

The State Surcharge is an additional rate only applicable to the taxable income exceeding Euro 1,500,000. Pursuant to Article 87-A of CIRC, as amended by Law No. 114/2017 29/12, in 2024 and 2023, taxable income exceeding Euro 1,500,000 and up to Euro 7,500,000 is levied at an additional rate of 3% and taxable income exceeding Euro 7,500,000 and up to Euro 35,000,000 is levied at an additional rate of 5%, taxable income exceeding Euro 35,000,000 is levied at a rate of 9%.

The Municipal Surcharge is a tax established under Law 73/2013, of 3 September, which is levied on taxable profit subject to and not exempt, and the rates for 2024 financial year were disclosed through Circular Letter 20273/2025 of 22 January.

During 2024 and 2023, costs with income taxes recognised in profit or loss, as well as the tax burden, measured by the ratio between tax credits and profit for the period before that charge, are presented below:

	31-Dec-2024	31-Dec-2023
Current taxes		
For the period	(1 390 041)	(2 423 959)
Changes related to previous periods	454 714	(7 424)
Deferred taxes		
Record and reversal of temporary differences	(80 135)	(74 908)
Total income tax expense	**(1 015 462)**	**(2 506 291)**
Profit/ (loss) before tax	4 585 937	9 053 281
Tax burden	**22.1%**	**27.7%**

The reconciliation between the nominal tax rate and the effective tax rate in 2024 and 2023 is presented as follows:

	31-Dec-2024		31-Dec-2023	
	Rate	**Tax**	**Rate**	**Tax**
Profit before tax		4 585 937		9 053 281
Tax based on the nominal rate – Tax bracket above	-21.0%	(953 147)	-21.0%	(1 901 189)
Changes in equity not reflected on net profit	0.0%	-	0.0%	-
Extraordinary contribution over the banking sector	-2.9%	(133 872)	-1.7%	(150 729)
Provisions and adjustments of asset values	-13.8%	(633 463)	-1.6%	(143 493)
Other taxable income and expenses	-1.6%	(72 713)	-0.7%	(63 721)
Pension funds and other benefits	0.0%	(1 430)	0.0%	(1 430)
Taxable provisions in previous taxable periods	13.3%	609 840	3.1%	279 455
Tax benefits	0.7%	32 127	0.3%	30 566
Elimination of international double taxation	0.4%	20 577	0.2%	19 485
Autonomous taxation and surcharges	-5.6%	(257 746)	-5.4%	(492 904)
Tax adjustments of previous periods	9.9%	454 715	-0.1%	(7 423)
Deferred taxes:				
Financial assets mandatorily measured at fair value through profit or loss	-2.4%	(109 619)	0.0%	(2 141)
Provision for non-deductible loans and write-offs	1.1%	52 001	-1.1%	(101 044)
Provisions for other risks	-0.6%	(27 000)	0.3%	27 000
ACTV end-of-career bonus	0.0%	1 074	0.0%	223
Pension funds and post-employment benefits	0.1%	3 410	0.0%	1 053
	-22.1%	**(1 015 462)**	**-27.7%**	**(2 506 291)**

29. Off-balance sheet items

This balance is analysed as follows:

	31-Dec-2024	31-Dec-2023
Contingent liabilities		
Guarantees and commitments (a)	6 321 831	5 721 537
Open documentary credits (a)	31 361 611	34 314 604
Assets provided as collateral (Notes 8 and 10) (b)	4 187 670	4 036 704
Securities	500	500
Import documentary credits	1 047 222	929 441
Commitments to third parties		
Irrevocable credit facilities (a)	94 175 723	20 622 950
Commitments from third parties		
Irrevocable credit facilities	33 689 479	31 674 208
Assets and guarantees received as collateral (Notes 15 and 16)	426 478 739	353 974 684
Foreign exchange transactions	42 324 546	26 058 470
	639 587 321	477 333 097

(a) Items identified are subject to the accounting of impairment, calculated in accordance with the disclosed in Note 2.5

(b) The item is a set of collateral deposits which refers to the indirect representation of another institution in the SEPA credit transfer payments and SEPA direct debit systems, both STEP2.

Commitments to third parties – Irrevocable credit facilities refer to credit facilities granted irrevocably to customers, which are not being drawn.

The amount disclosed under Commitments from third parties – Irrevocable credit facilities refer to credit facilities granted to the Bank.

As at 31-Dec-2024 and 2023, Assets and guarantees received as collateral is analysed as follows:

	31-Dec-2024	31-Dec-2023
Collaterals (Notes 15 and 16)	62 732 451	91 928 940
Mortgages (Real estate and land)	81 182 256	101 514 008
Collateral for Other Assets (Note 5)	-	650 000
Commitments and other personal guarantees	282 564 033	159 881 736
	426 478 740	353 974 684

Collaterals received relate to term deposits made with the Bank and are valued by the respective amounts presented in the balance sheet. Mortgages on real estate and land are recorded at the value of the valuations carried out by independent specialised technicians, in compliance with the requirements of the Banco de Portugal Circular Letter No. 6/2018, which replaced the revoked Circular Letter No. 2/2014 /DSP, regarding the seniority of the valuations. Pledges and security deposits of equity and debt securities relate to guarantees received to cover the risk of credit transactions to customers, which are valued at net book value. Commitments and other personal guarantees also relate to guarantees received to cover the risk of credit transactions to customers and are valued at the value of the liability to be covered, which is outstanding on the reference date.

30. Employee benefits

As described in Note 2.10.1, the Bank grants to its employees covered by the ACTV or to their families, cash benefits for old age retirement or disability, early retirement or survival, under the terms agreed within the ACTV attached to the subscription contract to the Pension Fund of Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.

With the release of Decree-Law No. 1-A / 2011, of 3 January, the employees covered by the ACTV who were active on 4 January 2011, are now covered by the General Social Security System (RGSS), for the benefit of old age retirement and in cases of maternity, paternity and adoption leaves, whose costs the Bank no longer must bear. Accordingly, the defined benefit plan for the employees covered by the ACTV relating to the old age retirement benefit, is now financed by the Pension Fund, for the liabilities for services rendered up to that date, and by the Social Security, for the responsibilities for services rendered after that date. However, as of 4 January 2011, liabilities for death and disability, survival, as well as for old-age supplementary pension remain as liabilities of the Pension fund, with the purpose to match the retirement of the participants in the Pension Fund to the values of the current pension plan.

With the release of Decree-Law No. 167-E/2013 and Ordinance No. 378-G /2013, the normal retirement age in the RGSS was changed, becoming variable and depending now on the evolution of the average life expectancy (65 years). This amendment means that the retirement pension to be paid by BAIE, between the age of 65 (in case of disability) and the new normal retirement age by the Social Security, will not be deducted from the Social Security pension.

The calculation of the amount of liabilities for past services of Bank employees is made in accordance with IAS 19.

Ocidental - Sociedade Gestora de Fundos de Pensões, S.A., is the entity responsible for preparing the actuarial valuations necessary for the calculation of pension and retirement pension liabilities, as well as for managing the pension fund.

The actuarial valuation method used is the Projected unit credit.

As at 31 December 2024 and 2023, employees and pensioners who benefit from pension plans financed by the pension fund are:

	31-Dec-2024	31-Dec-2023
Employees – workforce	7	7
Pensioners	1	1
Old age retirement pensioners	3	3
Former employees	21	21

As at 31 December 2024 and 2023, the main actuarial and financial assumptions used for calculating pension liabilities are:

	Assumptions		Verified	
	31-Dec-2024	31-Dec-2023	31-Dec-2024	31-Dec-2023
Verified financial assumptions:				
Fund income rate	3.42%	3.59%	3.42%	3.59%
Wage growth rate	2.50%	2.00%	2.50%	2.00%
Technical interest rate	3.42%	3.59%	3.42%	3.59%
Pension growth rate	2.00%	1.75%	2.00%	1.75%
Verified demographic assumption:				
Mortality table	TV88/90	TV88/90	-	-
Disability table	SuisseRe 2001	SuisseRe	-	-
Normal retirement age	65 years	65 years	-	-
Percentage of married couples	80.00%	80.00%	-	-

Under the ACTV Pension Plan, the actuarial study that was the basis for the accounting records, as at 31 December 2024 and 2023, includes the total service period in the banking sector of all BAIE's employees on those dates. For the population consisting of the Fund's former employees, the period considered for the purpose of calculating liabilities was the service period in BAIE. The duration of the fund's liabilities in December 2024 is 20 years.

In addition, the Bank recognises liabilities for post-employment medical care (SAMS) and long-term employee benefits (ACTV end-of career bonus). The amount of liabilities with SAMS and end-of-career bonuses is as follows:

The financial coverage of past service liabilities is as follows:

	31-Dec-2024	31-Dec-2023
Total past liabilities		
Liabilities with payment of pensions (a)	232 726	234 476
Liabilities with past services of active employees (b)	1 660 532	1 421 062
	1 893 258	1 655 538

As at 31 December 2024, the sensitivity analysis to changes in the technical interest rate and its impact in terms of past total liabilities under IAS 19 is as follows:

	- 0.25%	**+ 0.25%**
Impact on liabilities of the change in the discount rate	(96 250)	90 041
Total	**(96 250)**	**90 041**

Pension fund assets are as follows:

	31-Dec-2024	31-Dec-2023
Pension fund assets		
Opening balance	3 255 885	3 000 909
Adjustment to opening balance		
Net income from pension funds	186 306	280 343
Pension fund contributions		
Retirement pensions paid by the pension fund	(11 590)	(11 353)
Survival pensions paid by the pension fund	(14 434)	(14 014)
Closing balance	3 416 167	3 255 885
	3 416 167	**3 255 885**
Coverage level according to actuarial report	200.1%	200.1%
Minimum liability level to be covered [95% of (b) + 100% of (a)]	1 810 231	1 584 485

In 2024 and 2023, there were no contributions to the Pension Fund. The increase in liabilities was partially offset by the increase in the Fund's net income.

In addition to the ACTV Pension Plan, BAIE granted to its employees a supplementary pension until 30 June 2005, provided for in the Complementary Plan to ACTV. Under this plan, workers bound on that date are entitled to a supplementary retirement and survival's pension, calculated based on the length of service provided in BAIE and the salary received up to that date. Considering that according to the Collective Membership Agreement these liabilities should be transferred to an individual membership or to another pension fund that complies with the legislation in force, in 2010 the respective individual memberships were transferred in the amount corresponding to Euro 93,633.

As at 31 December 2024 and 2023, the financial statements included the following items related to the coverage of pension liabilities:

	31-Dec-2024	**31-Dec-2023**
Total liabilities		
Total liabilities for pensions payable	232 726	234 476
Total liabilities for past services	1 660 532	1 421 062
	1 893 258	**1 655 538**
Pension fund assets (Note 18)	3 416 167	3 255 885
Provision for liabilities with retirement pensions (Note 18)	1 893 258	1 655 538
Actuarial gains/ (losses) recognised in retained earnings (Note 19)		
Annual change	90 332	(86 463)
Accumulated amount	1 084 412	1 174 744

In the composition of the pension fund assets there are no: i) assets being used by the Bank; and ii) securities issued by the Bank.

The amounts reflected in Staff costs (Note 26) with the Bank's retirement pensions liabilities in 2024 and 2023 are as follows:

	31-Dec-2024	31-Dec-2023
Net financial costs:		
Current service expense	16 080	14 751
Interest expense	58 883	55 284
Expected income from pension fund assets	87 855	82 950
Total	**162 819**	**152 984**

The changes during 2024 and 2023, in the present value of liabilities for past services, were as follows:

	31-Dec-2024	31-Dec-2023
Liabilities at the beginning of the period	1 655 538	1 499 940
Current service expense	16 080	14 751
Interest expense	58 883	55 284
Expected income from pension fund assets	(87 855)	(82 950)
Actuarial gains/ (losses) recognised under retained earnings (Note 20)	90 332	(86 463)
Retirement pensions paid by the pension fund	(11 590)	(11 353)
Survival pensions paid by the pension fund	(14 434)	(14 014)
Net income of the Fund	186 304	280 343
Liabilities at the end of the period	1 893 258	1 655 538

The actuarial deviations occurred in 2024 and 2023 were recorded as follows:

	31-Dec-2024	31-Dec-2023
Actuarial gains/ (losses)		
Related to differences between assumptions and realised values:	90 332	(86 463)
Total	90 332	(86 463)

As at 31 December 2024 and 2023, the items comprising the value of the pension fund assets are as follows:

	31-Dec-2024	31-Dec-2023
Liquidity	1.52%	1.32%
Bonds	63.77%	67.39%
Shares	28.86%	26.83%
Real estate and hedge funds	5.86%	4.47%
Mixed assets		
Total	100.00%	100.00%

31. Related parties

Under IAS 24, the companies controlled by the BAI Group, the Directors of BAI Group companies and other entities with significant influence over BAIE are considered related parties of BAIE.

As at 31 December 2024, the Bank's statement of financial position, income statement and off-balance sheet items include the following balances with related entities:

	Associates	Corporate bodies of BAI Group	Companies from BAI Group	Other related parties	Total
Assets					
Loans and advances to credit institutions repayable on demand (Note 4)	-	-	261 009	-	261 009
Other loans and advances to credit institutions (Note 8)	-	-	-	-	-
Financial assets mandatorily measured at fair value	-	-	124 413	-	124 413
through profit or loss (Note 5)					-
Loans and advances to customers (Note 9)	-	1 013 534	-	2 090 428	3 103 962
Investments in subsidiaries and associates (Note 13)	-	-	-	-	-
Other assets (includes letters of credit)	-	-	1 275 233	-	1 275 233
Liabilities					-
Deposits from credit institutions (Note 16)	-	-	331 018 783	-	331 018 783
Deposits from customers and other loans (Note 17)	-	11 097 513	154 140	11 551 281	22 802 934
Other financial liabilities at fair value through profit or loss (Note 6)	-	-	-	-	-
Other liabilities (Note 19)	-		-		-
					-
Off-balance sheet items (Note 30)					-
Guarantees and commitments					-
Granted	-	-	3 174 356	-	3 174 356
Received	-	-	684 267	-	684 267
Open documentary credits	-	-	5 074 860	-	5 074 860
Assets and guarantees received as collateral	-	1 055 000	29 857 975	2 885 263	33 798 238
Irrevocable credit facilities					-
Granted	-	-	600 000	-	600 000
Received	-	-	33 689 479	-	33 689 479
Total	**-**	**13 166 047**	**405 914 515**	**16 526 972**	**435 607 534**
Income					
Interest and similar income (Note 21)	-	45 903	26 504	129 670	202 077
Fees and commission income (Note 22)	-	1 367	1 113 283	13 953	1 128 603
Expenses					-
Interest and similar expense (Note 21)	-	(248 218)	(9 567 122)	(389 250)	(10 204 590)
Financial assets mandatorily measured	-	-	5 704	-	5 704
at fair value through profit or loss					-
(Note 24)					-
Staff costs (Note 27)	-	-	-	-	-
General and administrative expenses (Note 28)	-	(10 593)	-	(5 880)	(16 473)
Fees and commission income (Note 22)	-	(17)	(51)	(12)	(80)
Loan impairment net of reversals and	-	15 162	1 086	-	16 248
recoveries (Note 18)					
Total	**-**	**(211 559)**	**(8 420 596)**	**(251 518)**	**(8 884 759)**

As at 31 December 2023, the Bank's statement of financial position, income statement and off-balance sheet items include the following balances with related entities:

	Associates	Corporate bodies of BAI Group	Companies from BAI Group	Other related parties	Total
Assets					
Loans and advances to credit institutions repayable on demand (Note 4)	-	-	254 149	-	254 149
Other loans and advances to credit institutions (Note 8)	-	-	-	-	-
Financial assets mandatorily measured at fair value through profit or loss (Note 5)	-	-	113 676	-	113 676
Loans and advances to customers (Note 9)	-	1 104 335	-	2 344 412	3 448 747
Other assets (includes letters of credit)	-	-	3 112 837	-	3 112 837
Liabilities					
Deposits from credit institutions (Note 15)	-	-	214 873 830	-	214 873 830
Deposits from customers and other loans (Note 16)	-	7 969 163	9 692	10 550 122	18 528 977
Other financial liabilities at fair value through profit or loss (Note 6)	-	-	3 420	-	3 420
Other liabilities (Note 18)	-		-		-
Off-balance sheet items (Note 29)					
Guarantees and commitments					
Granted	-	-	2 789 929		2 789 929
Received	-	-	836 217	-	836 217
Open documentary credits	-	-	11 136 012	-	11 136 012
Assets and guarantees received as collateral	-	1 055 000	65 610 860	2 722 670	69 388 530
Irrevocable credit facilities					
Granted	-	-		10 000	10 000
Received	-	-	31 774 208	-	31 774 208
Total	**-**	**10 128 498**	**330 514 830**	**15 627 204**	**356 270 533**
Income					
Interest and similar income (Note 20)	-	23 968	27 217	117 615	168 800
Fees and commission income (Note 21)	-	1 519	2 402 017	10 217	2 413 753
Expenses					
Interest and similar expense (Note 20)	-	(135 373)	(6 076 710)	(238 275)	(6 450 358)
Financial assets mandatorily measured at fair value through profit or loss (Note 23)	-	-	6 340	-	6 340
Staff costs (Note 26)	-	-	-	-	-
General and administrative expenses (Note 27)	-	-	-	-	-
Fees and commission income (Note 21)	-	(15)	-	(1)	(16)
Loan impairment net of reversals and recoveries (Note 17)	-	20 885	-	-	20 885
Total	**-**	**(89 016)**	**(3 641 136)**	**(110 444)**	**(3 840 596)**

As mentioned in Note 2.3. and in the Income Statement, Net gains/ (losses) arising from foreign exchange differences concern essentially to net gains/(losses) arising from foreign exchange transactions with BAI Group entities.

Balances and transactions with other related parties refer essentially to companies of the BAI Group, BAI's parent company.

32. Risk Management

The Bank is subject to several risks in its banking activity, which makes the definition of a Risk Management policy that ensures the effective implementation of the risk management system particularly important, namely through the continuous monitoring of its adequacy and effectiveness, seeking to identify, assess, monitor and control all materially relevant risks to which the institution is subject, both internally and externally.

The main types of financial risk to which the Bank is exposed in the course of its business are set out below, namely (i) Market risk, (ii) Liquidity and financing risk, (iii) Exchange rate risk, (iv) Interest rate risk and (v) Credit risk.

Market risk

Market risk arises from changes in the price of instruments resulting from changes in interest rates, exchange rates, stock prices or commodity prices. In the Bank's current balance sheet management strategy, the asset that is most vulnerable to market changes is the loan portfolio and other securities (Notes 7 and 10) which are classified either as financial assets at fair value through other comprehensive income or as other financial assets measured at amortised cost. The risk analysis of these financial instruments is carried out from a credit risk perspective instead from a market risk perspective, considering that the position adopted for these assets is done from an investment perspective and does not aim for the generation of capital gains with anticipated sale. In addition, there is a portfolio of equity securities that represents a portion without any significant expression of the total assets of the Bank. Consequently, its monitoring does not require the development of a specific risk management model.

As a result of the legislative amendments incorporating the Basel III Capital Accord (Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council, of 26 June, complemented by the Commission’s Delegated Regulation (EU) 2015/61, of 10 October 2014), after 1 October 2015, it became mandatory the constitution of a high quality liquid assets (HQLA) portfolio to meet the short-term liquidity coverage ratio (LCR), *i.e.*, to cover net cash requirements for a 30-day period, and the HQLA portfolio cannot be less than the amount corresponding to 25% of the total expected cash outflows for that period. With the introduction of this prudential liquidity requirement, the Bank has invested in eligible assets for this purpose, thus extending the securities portfolio classified as Financial Assets at Fair Value through Other Comprehensive Income (FAFVOCI).

In the most recent exercise performed by BAIE, market risk is not considered material, as the Bank does not have a trading book investment strategy and therefore market risk is not considered.

Liquidity and financing risk

Liquidity and financing risk is defined as the probability of negative impacts on profit or loss or equity resulting from the Bank not having liquid funds to meet its financial liabilities upon maturity. An integral part of this risk is the risk of liquidity and financing concentration, which results from the concentration of sources of liquidity in a reduced number of counterparties or geographies.

BAIE assumes a low-risk appetite, ensuring for this purpose the management of this risk based on the maintenance of a prudent net position, in order to guarantee the fulfilment of the financial obligations at maturity. Regarding the risk of liquidity and financing concentration, given the framework of the Financial Group of which BAIE is part, the Board of Directors has defined the objective of adopting a moderate risk appetite in view of the concentration of liquidity sources in Angola

The management of liquidity risk overlaps with interest rate risk management, so that the hedging between assets and liabilities with respect to maturity terms or any possible interest rate review should only be performed after the defined liquidity limits have been met.

Liquidity risk is managed on a daily basis by the Treasury Management Unit (UGT), which is part of the Treasury and Structured Credit Department (DTE), based on maps produced daily with information on the Bank’s liquidity gaps for different time horizons, on the LCR and NSFR (Net Stable Funding Ratio), and monitored daily by the FGR. On a monthly basis, the FGR presents the results of its daily monitoring at the CAGR.

As at 31 December 2024, the contractual residual terms of the financial instruments are as follows:

	Below 3 months	3 months to 1 year	1 to 5 years	Above 5 years or undetermined	Total
Assets					
Cash and deposits at central banks	2 416 717	-	-	-	2 416 717
Loans and advances to credit institutions repayable on demand	110 091 362	-	-	-	110 091 362
Financial assets mandatorily measured at fair value through profit or loss	-	-	124 413	-	124 413
Financial assets at fair value through other comprehensive income	5 822 146	12 117 181	35 273 623	9 343 201	62 557 151
Other loans and advances to credit institutions	284 784 240	600 716	37 024 106	43 427 800	365 836 864
Loans and advances to customers	23 088 184	38 855 776	96 210 136	70 369 502	228 523 597
Other financial assets at amortised cost	47 171 613	42 900 189	62 113 139	-	152 184 942
	473 375 263	**94 473 863**	**230 745 417**	**123 140 503**	**921 735 045**
Liabilities					
Deposits from other credit institutions	(284 385 417)	(43 936 011)	(97 134 091)	-	(425 455 519)
Deposits from customers and other loans	(225 820 811)	(153 875 603)	(29 090 376)	(56 004)	(408 842 794)
Lease liabilities – IFRS 16 (Note 19)	(1 427)	(8 534)	(1 167 048)	-	(1 177 008)
	(510 207 655)	**(197 820 147)**	**(127 391 515)**	**(56 004)**	**(835 475 321)**
Foreign exchange operations pending settlement (net flow)	(48 327)	-	-	-	(48 327)
Difference / Gap	**(36 880 720)**	**(103 346 285)**	**103 353 902**	**123 174 881**	**86 211 397**
Difference / Accumulated Gap	**(36 880 720)**	**(140 227 004)**	**(36 873 102)**	**86 211 397**	

Exchange rate risk
Exchange rate risk is defined as the probability of negative impacts on profit or loss or equity due to adverse movements in the exchange rates of balance sheet items caused by changes in those rates that are used in the translation into the functional currency or by changes in the Bank's exchange position due to significant changes in exchange rates. The risk of exchange concentration, which results from the concentration of the balance sheet in foreign currencies, is an integral part of this risk.

BAIE has a low risk appetite and manages this risk so as to keep its exposure to exchange rate risk within conservative limits, considering the size and financial structure of the Bank.

Exchange rate risk is managed by the Treasury Management Unit (UGT), which is part of the Treasury and Structured Credit Department (DTE), and monitored by the FGR, both on a daily basis. The result of this monitoring is presented on a monthly basis at the Board of Directors and/or CAGR.

As at 31 December 2024, the breakdown by currency of financial instruments is as follows:

	Euro	USD	Other	Total
Assets				
Cash and deposits at central banks	2 275 588	140 961	169	2 416 717
Loans and advances to credit institutions repayable on demand	2 977 837	106 165 747	947 778	110 091 362
Financial assets mandatorily measured at fair value through profit or loss	-	-	124 413	124 413
Financial assets at fair value through other comprehensive income	42 187 169	20 369 981	-	62 557 150
Other loans and advances to credit institutions	206 787 849	159 049 014	-	365 836 864
Loans and advances to customers	197 520 919	31 002 678	-	228 523 597
Other financial assets at amortised cost	44 020 700	108 164 244	-	152 184 942
	495 770 062	**424 892 625**	**1 072 360**	**921 735 045**
Liabilities				
Deposits from other credit institutions	(69 558 816)	(355 341 359)	(555 344)	(425 455 519)
Deposits from customers and other loans	(351 268 102)	(57 490 039)	(84 653)	(408 842 794)
Lease liabilities – IFRS 16 (Note 19)	(1 177 008)			(1 177 008)
				-
	(422 003 926)	**(412 831 399)**	**(639 997)**	**(835 475 321)**
Spot foreign exchange transactions pending settlement (net amount)	21 109 460	(21 157 787)	-	(48 327)
	21 109 460	**(21 157 787)**	**-**	**(48 327)**
Difference/ Gap (Open foreign exchange position)	**N/A**	**(9 096 561)**	**432 363**	**(8 664 198)**

Interest rate risk

Interest rate risk occurs whenever there is a mismatch between assets and liabilities, or financial instruments recorded off-balance sheet sensitive to changes in interest rate levels. For the purpose of monitoring, BAIE uses the methodologies set out in Implementing Regulation (EU) 2024/857 (which transposed the EBA's technical guidelines and requirements) on managing interest rate risk in the banking portfolio. The methodology includes estimating the impact on economic value and/or expected net interest income at 1 year, for six shock scenarios to the interest rate curves.

In addition to the regulatory methodology, BAIE has its own internal interest rate risk measurement model. In this context, 2 additional shock scenarios are monitored, which have been modelled in order to capture the idiosyncrasies and particularities of the institution's balance sheet.

Interest rate risk is monitored by the UGR on a monthly basis, whose work is presented twice a year at the CAGR and CA.

As at 31 December 2024, the financial instruments subject to interest rate risk, by type of rate (fixed or variable) by currency, are as follows:

	Euro		USD (in EUR)		Total (in EUR)	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Cash and deposits	5 251 730	-	106 306 708	-	111 558 438	-
Investments in other credit institutions	196 800 000	10 000 000	91 442 872	67 326 247	288 242 872	77 326 247
Securities and Commercial Paper Portfolio	64 533 284	20 519 875	82 224 094	47 156 435	146 757 378	67 676 310
Loans and advances to customers	8 960 097	194 754 865	6 547 578	29 832 310	15 507 675	224 587 175
Total Assets	**275 545 111**	**225 274 740**	**286 521 252**	**144 314 992**	**562 066 363**	**369 589 731**
Deposits from other credit institutions	68 849 535	340 306	346 070 027	6 393 300	414 919 562	6 733 606
Deposits from customers	335 803 553	9 417 081	57 063 275	40 851	392 866 827	9 457 932
Total Liabilities	**404 653 088**	**9 757 387**	**403 133 301**	**6 434 151**	**807 786 389**	**16 191 538**
Total Off-balance sheet	59 699 359	61 008 135	8 506 308	500 000	68 205 666	61 508 135

As at 31 December 2024, the economic value of BAI Bank's assets and liabilities considering the methodology and eligible universe provided for in Implementing Regulation (EU) 2024/857 is as follows:

	31-Dec-2024		
	Assets	Liabilities	Net position
Overnight up to 1 month	516 682 903	352 886 051	163 796 851
Greater than 1 month and up to 3 months	204 865 160	98 570 595	106 294 564
Greater than 3 month and up to 6 months	116 154 193	71 375 135	44 779 058
Greater than 6 month and up to 9 months	10 881 421	58 410 907	(47 529 486)
Greater than 9 month and up to 12 months	21 023 733	64 682 576	(43 658 842)
Greater than 12 month and up to 1.5 years	10 410 600	46 128 549	(35 717 950)
Greater than 1.5 years and up to 2 years	12 735 749	68 478 724	(55 742 975)
Greater than 2 years and up to 3 years	15 234 041	9 435 918	5 798 124
Greater than 3 years and up to 4 years	9 473 688	7 771 936	1 701 752
Greater than 4 years and up to 5 years	2 433 806	1 809 792	624 014
Greater than 5 years and up to 6 years	1 533 561	-	1 533 561
Greater than 6 years and up to 7 years	6 997 187	-	6 997 187
Greater than 7 years and up to 8 years	591 965	-	591 965
Greater than 8 years and up to 9 years	730 997	-	730 997
Greater than 9 years and up to 10 years	492 950	-	492 950
Greater than 10 years and up to 15 years	1 895 052	-	1 895 052
Greater than 15 years and up to 20 years	-	-	-
Greater than 20 years	-	-	-
Net position	932 137 005	779 550 184	152 586 822

Finally, as at 31 December 2024, the worst result in economic value of the stress scenarios mentioned above is -1.4% for the main level 1 funds.

Encumbered and non-encumbered assets

As at 31 December 2024 and 2023, in compliance with the guidelines of the European Banking Authority (EBA/GL/2014/3) and Instruction28/2014 of the Banco de Portugal, dated 15 January 2015, the following table presents the information related to:

i) Bank assets which are encumbered and non-encumbered (Model A)

	31-Dec-2024				31-Dec-2023			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets	4 187 670	4 187 670	951 762 615	939 265 893	4 036 704	4 036 704	696 890 607	685 977 234
Equity instruments (Notes 7 and 10)	-	-	-	-	-	-	110 436	110 436
Debt securities (Notes 7 and 10)	-	-	215 542 649	214 866 505	21 772	21 772	173 406 166	173 307 665
Other assets	4 187 670	4 187 670	736 219 966	724 399 388	4 014 932	4 014 932	523 374 005	512 559 133

ii) Collateral received (Model B)

	31-Dec-2024		31-Dec-2023	
	Fair value of the encumbered collateral received or debt securities issued	Fair value of the encumbered collateral received or debt securities issued and encumbered	Fair value of the encumbered collateral received or debt securities issued	Fair value of the encumbered collateral received or debt securities issued and encumbered
Collateral received	143 914 707	143 914 707	194 092 948	194 092 948
Equity instruments	-	-	-	-
Other assets	143 914 707	143 914 707	194 092 948	194 092 948

ii) There are no encumbered assets, encumbered collateral received and associated liabilities in accordance with Model C.

iii) Information related to the importance of the encumbrance on assets (Model D)

The institution's level of encumbrance on assets, as measured by the relative weight of the assets encumbered in the Bank's total assets, is less than 1%. Collateral received from customers is not reflected in the Bank's balance sheet and is not available for encumbrance since the bank is not authorised to sell those assets or providing them again as collateral, except in the event of default by the owner of the security deposit.

Credit risk and concentration credit risk

Overall, the credit risk on the Bank's assets is represented by three large groups of credit operations, namely: i) exposure to credit institutions, mainly in the interbank money market; ii) loans and advances to customers represented (or not) by securities; and iii) financial assets at fair value through other comprehensive income and at amortised cost.

Maximum exposure to credit risk

	31-Dec-2024			31-Dec-2023		
Description	Gross exposure (1)	Provisions and impairment	Effective exposure (2)	Gross exposure (1)	Provisions and impairment	Effective exposure (2)
Assets						
Loans and advances to credit institutions repayable on demand	110 098 227	6 865	110 091 362	68 033 655	11 481	68 022 174
Financial assets mandatorily measured at fair value through profit or loss	124 413	-	124 413	220 692	-	220 692
Other financial assets at fair value through profit or loss	-	-	-	3 420	-	3 420
Financial assets at fair value through other comprehensive income (3)	62 557 150	-	62 557 150	82 786 402	-	82 786 402
Other loans and advances to credit institutions	366 127 838	290 974	365 836 864	224 034 313	359 502	223 674 811
Loans and advances to customers	232 198 683	3 675 084	228 523 597	195 983 259	4 304 687	191 678 572
Other financial assets at amortised cost	164 870 262	766 736	164 103 527	109 835 468	277 665	109 557 802
Off-balance sheet						
Guarantees and commitments	6 321 831	431 033	5 890 798	5 721 537	348 909	5 372 628
Commitments to third parties	94 175 723	220 027	93 955 696	20 622 950	70 815	20 552 135
	1 036 474 125	5 390 716	1 031 083 407	707 241 696	5 373 059	701 868 636

(1) Gross exposure: Balance sheet before provisions and impairment.
(2) Effective exposure: Gross exposure less provisions and impairment.
(3) According to IFRS 9, the impairment calculated for these financial assets is recognised in equity (fair value reserve).

The most significant credit exposures in the customer portfolio are loans to companies and public entities (Note 9). The current credit risk management process for customers is based on the specific characteristics of the customer and the product and of the credit cycle. Credit risk analyses are carried out based on the customer's updated financial information as well as on other additional information (management skills, future expectations, specific market performance and expectations, competitive capacity, forecast cash flows, etc.). Periodically, customers are asked for updated financial information for the purpose of monitoring the quality of exposure risk.

In terms of concentration risk, there are maximum exposure limits for each sector of activity. Exposure subject to credit risk, *i.e.*, total exposure, net of financial collateral (Deposits secured with BAIE, Bank Guarantees issued by other credit institutions, or insurance contracts) and of impairment, by sector of activity, must not exceed 20% of the total loan portfolio and financial assets at amortised cost, with the exception of the Trade and Retail sector, which has a limit of 25%.

In view of the increased risk in the Real Estate sector, and considering the current macroeconomic framework, specific indicators were defined for granting and subsequent monitoring in order to maintain a conservative risk level, *i.e.*, in addition to the 20% limit, there is also a 60% limit in terms of the amount of own funds.

For exposures to credit institutions, counterparty limits are defined based on the financial information available to the credit institution, including the respective rating assigned by international agencies. On a regular basis, counterparty limits are reviewed through internal analysis based on up-to-date market financial information and its counterparties.

The portfolio of financial assets at fair value through other comprehensive income consists essentially of investment grade bonds (financial sector, telecommunications and other industries), sovereign bonds and multilateral investment grade agencies with relatively short-term residual maturities.

In 2024, the exposure and impairment of financial assets (except the portfolio of loans and advances to customers) presents the following movements:

	Stage1			Stage2			Stage3			Total		
	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Loans and advances to credit institutions repayable on demand												
Balance as at 1 January 2023	**68 022 174**	**68 022 174**	**11 481**	-	-	-	-	-	-	**68 022 174**	**68 022 174**	**11 481**
Changes in cash and cash equivalents	42 067 493	42 067 493	(4 617)	-	-	-	-	-	-	42 067 493	42 067 493	(4 617)
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	**110 089 667**	**110 089 667**	**6 864**	-	-	-	-	-	-	**110 089 667**	**110 089 667**	**6 864**
Other loans and advances to credit institutions												
Balance as at 1 January 2023	**223 653 266**	**223 653 266**	**393 999**	-	-	-	-	-	-	**223 653 266**	**223 653 266**	**393 999**
Changes in cash and cash equivalents	142 080 505	142 080 505	68 153	-	-	-	-	-	-	142 080 505	142 080 505	68 153
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	**365 733 771**	**365 733 771**	**462 152**	-	-	-	-	-	-	**365 733 771**	**365 733 771**	**462 152**
Financial assets at fair value through other comprehensive income												
Balance as at 1 January 2023	**78 278 316**	**82 122 197**	**269 773**	**3 754 028**	**4 102 244**	**28 388**	-	-	-	**82 032 344**	**86 224 441**	**298 160**
Changes in cash and cash equivalents	(16 136 351)	(17 440 911)	(40 110)	(3 754 028)	(4 102 244)	(28 388)	-	-	-	(19 890 379)	(21 543 155)	(68 498)
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	**62 141 965**	**64 681 286**	**229 663**	-	-	-	-	-	-	**62 141 965**	**64 681 286**	**229 663**
Other financial assets at amortised cost												
Balance as at 1 January 2023	**69 516 126**	**69 516 126**	**201 311**	-	-	-	-	-	-	**69 516 126**	**69 516 126**	**201 311**
Changes in cash and cash equivalents	77 166 442	77 166 442	463 426	-	-	-	-	-	-	77 166 442	77 166 442	463 426
Stage change	(2 703 080)	(2 703 080)	(6 892)	2 703 080	2 703 080	6 892	-	-	-	-	-	-
Balance as at 31 December 2024	**146 682 568**	**146 682 568**	**664 737**	**2 703 080**	**2 703 080**	**6 892**	-	-	-	**149 385 648**	**149 385 648**	**671 629**

In 2023, the exposure and impairment of financial assets (except the portfolio of loans and advances to customers) presents the following movements:

	Stage1			Stage2			Stage3			Total		
	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Loans and advances to credit institutions repayable on demand												
Balance as at 1 January 2022	**70 207 812**	**70 207 812**	**89 253**	-	-	-	-	-	-	**70 207 812**	**70 207 812**	**89 253**
Changes in cash and cash equivalents	(2 185 638)	(2 185 638)	(77 771)	-	-	-	-	-	-	(2 185 638)	(2 185 638)	(77 771)
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	**68 022 174**	**68 022 174**	**11 481**	-	-	-	-	-	-	**68 022 174**	**68 022 174**	**11 481**
Other loans and advances to credit institutions												
Balance as at 1 January 2022	**146 011 799**	**146 011 799**	**575 676**	-	-	-	-	-	-	**146 011 799**	**146 011 799**	**575 676**
Changes in cash and cash equivalents	77 641 467	77 641 467	(181 677)	-	-	-	-	-	-	77 641 467	77 641 467	(181 677)
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	**223 653 266**	**223 653 266**	**393 999**	-	-	-	-	-	-	**223 653 266**	**223 653 266**	**393 999**
Financial assets at fair value through other comprehensive income												
Balance as at 1 January 2022	**105 807 541**	**113 010 190**	**336 997**	**1 952 699**	**2 377 364**	**39 454**	-	-	-	**107 760 240**	**115 387 553**	**376 452**
Changes in cash and cash equivalents	(27 529 226)	(30 887 993)	(78 291)	-	-	-	-	-	-	(27 529 226)	(30 887 993)	(78 291)
Stage change	-	-	11 067	1 801 329	1 724 881	(11 067)	-	-	-	1 801 329	1 724 881	-
Balance as at 31 December 2023	**78 278 316**	**82 122 197**	**269 773**	**3 754 028**	**4 102 244**	**28 388**	-	-	-	**82 032 344**	**86 224 441**	**298 160**
Other financial assets at amortised cost												
Balance as at 1 January 2022	**69 516 126**	**69 516 126**	**201 311**	-	-	-	-	-	-	**69 516 126**	**69 516 126**	**201 311**
Changes in cash and cash equivalents	19 536 296	19 536 296	(111 424)	-	-	-	-	-	-	19 536 296	19 536 296	(111 424)
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	**89 052 422**	**89 052 422**	**89 888**	-	-	-	-	-	-	**89 052 422**	**89 052 422**	**89 888**

In 2024, the exposure and impairment of the portfolio of loans and advances to customers and provisions for off-balance sheet exposures, presents the following movements:

	Stage 1			Stage 2			Stage 3			Total		
	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Balance Sheet - 2023	**179 809 296**	**181 275 257**	**2 564 942**	**10 310 041**	**10 467 435**	**365 012**	**4 851 294**	**4 881 176**	**1 374 703**	**194 970 630**	**196 623 868**	**4 304 657**
Changes in exposure	38 915 334	39 606 483	(149 898)	(906 116)	(1 348 029)	(113 541)	(891 249)	(894 272)	(357 076)	37 117 969	37 364 182	(620 515)
Stage improvements	162 879	163 484	19	(162 879)	(163 484)	(19)	-	-	-	-	-	-
Stage 2	162 879	163 484	19	(162 879)	(163 484)	(19)	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	(3 148 617)	(3 595 298)	(51 513)	1 148 617	1 568 529	15 234	2 000 000	2 026 769	36 279	-	-	-
Stage 1	(3 148 617)	(3 595 298)	(51 513)	3 148 617	3 595 298	51 513	-	-	-	-	-	-
Stage 2	-	-	-	(2 000 000)	(2 026 769)	(36 279)	2 000 000	2 026 769	36 279	-	-	-
Balance Sheet - 2024	**215 738 892**	**217 449 926**	**2 363 549**	**10 389 662**	**10 524 450**	**266 687**	**5 960 046**	**6 013 674**	**1 053 906**	**232 088 600**	**233 988 050**	**3 684 142**

	Stage 1			Stage2			Stage3			Total		
	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Off-Balance Sheet - 2023	**20 929 475**	**6 972 714**	**96 162**	**5 092 731**	**1 229 346**	**54 121**	**322 281**	**195 315**	**109 399**	**26 344 488**	**8 397 375**	**259 682**
Changes in exposure	75 578 319	15 111 404	294 201	(1 363 431)	(395 486)	(45 656)	(61 821)	(13 964)	-	74 153 067	14 701 953	248 545
Stage improvements	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	(50 883)	(10 177)	(62)	(1 671 160)	(334 232)	(6 103)	1 722 044	344 409	6 165	-	-	-
Stage 1	(50 883)	(10 177)	(62)	50 883	10 177	62	-	-	-	-	-	-
Stage 2	-	-	-	(1 722 044)	(344 409)	(6 165)	1 722 044	344 409	6 165	-	-	-
Off-Balance Sheet - 2024	**96 456 911**	**22 073 941**	**390 301**	**2 058 140**	**499 628**	**2 362**	**1 982 504**	**525 760**	**115 564**	**100 497 555**	**23 099 329**	**508 227**

In 2023, the exposure and impairment of the portfolio of loans and advances to customers and provisions for off-balance sheet exposures, presents the following movements:

	Stage 1			Stage 2			Stage 3			Total		
	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Balance Sheet - 2022	**130 161 167**	**130 771 559**	**1 153 953**	**17 069 139**	**17 196 943**	**617 292**	**356 272**	**357 229**	**-**	**147 586 578**	**148 325 730**	**1 771 245**
Changes in exposure	47 195 302	48 033 519	1 520 373	(490 272)	(416 239)	652 356	679 022	680 859	360 683	47 384 052	48 298 138	2 533 412
Stage improvements	2 718 827	2 736 420	10 424	(2 718 827)	(2 736 420)	(10 424)	-	-	-	-	-	-
Stage 2	2 718 827	2 736 420	10 424	(2 718 827)	(2 736 420)	(10 424)	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	(266 000)	(266 240)	(119 808)	(3 550 000)	(3 576 849)	(894 212)	3 816 000	3 843 088	1 014 020	-	-	-
Stage 1	(266 000)	(266 240)	(119 808)	-	-	-	266 000	266 240	119 808	-	-	-
Stage 2	-	-	-	(3 550 000)	(3 576 849)	(894 212)	3 550 000	3 576 849	894 212	-	-	-
Balance Sheet - 2023	**179 809 296**	**181 275 257**	**2 564 942**	**10 310 041**	**10 467 435**	**365 012**	**4 851 294**	**4 881 176**	**1 374 703**	**194 970 630**	**196 623 868**	**4 304 657**

	Stage 1			Stage2			Stage3			Total		
	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Off-Balance Sheet - 2022	**39 933 501**	**13 118 984**	**663 557**	**3 700 528**	**1 031 306**	**25 638**	**208 467**	**95 752**	**66 199**	**43 842 497**	**14 246 042**	**755 394**
Changes in exposure	(19 365 633)	(6 218 592)	(567 709)	1 858 634	368 127	71 996	8 990	1 798	-	(17 498 009)	(5 848 667)	(495 713)
Stage improvements	361 607	72 321	313	(361 607)	(72 321)	(313)	-	-	-	-	-	-
Stage 2	361 607	72 321	313	(361 607)	(72 321)	(313)	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	-	-	-	(104 824)	(97 765)	(43 200)	104 824	97 765	43 200	-	-	-
Stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	(104 824)	(97 765)	(43 200)	104 824	97 765	43 200	-	-	-
Off-Balance Sheet - 2023	**20 929 475**	**6 972 714**	**96 162**	**5 092 731**	**1 229 346**	**54 121**	**322 281**	**195 315**	**109 399**	**26 344 488**	**8 397 375**	**259 682**

As at 31 December 2024, in compliance with Instruction 11/2021 of the Banco de Portugal, of 28 July 2021, the following information is presented:

a) Credit quality of productive and non-productive exposures and respective provisions, for days overdue:

a) Detail of exposures by type and segment	**Productive exposures**			**Non-productive exposures**								
		In compliance or < 30 days overdue	> 30 days overdue and <90 days overdue		Unlikely to comply, in compliance or < 30 days overdue	> 90 days and < 180 days overdue	> 180 days and < 1 year overdue	> 1 year and < 2 years overdue	> 2 years and < 5 years overdue	> 5 years and < 7 years overdue	> 7 years overdue	In default
Loans and advances	**303 454 814**	**303 454 814**	**-**	**5 960 046**	**5 959 325**	**721**	**-**	**-**	**-**	**-**	**-**	**5 770 400**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	56 418 653	56 418 653	-	-	-	-	-	-	-	-	-	-
Credit institutions	77 490 899	77 490 899	-	-	-	-	-	-	-	-	-	-
Other financial corporations	17 573 822	17 573 822	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	128 604 631	128 604 631	-	5 824 567	5 824 567	-	-	-	-	-	-	5 770 400
Of which SMEs	35 744 227	35 744 227		5 770 400	5 770 400	-	-	-	-	-	-	5 770 400
Households	23 366 809	23 366 809	-	135 479	134 758	721	-	-	-	-	-	-
Debt securities	**211 527 611**	**211 527 611**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	73 858 820	73 858 820	-	-	-	-	-	-	-	-	-	-
Credit institutions	67 477 544	67 477 544	-	-	-	-	-	-	-	-	-	-
Other financial corporations	19 207 442	19 207 442	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	50 983 806	50 983 806	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**98 515 051**			**1 982 504**								**1 982 504**
Central banks	-	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
General governments	48 192 191	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Credit institutions	3 103 198	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Other financial corporations	-	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Non-financial corporations	46 431 096	-	-	1 982 504	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1 982 504
Households	788 566	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Total	**613 497 476**	**514 982 425**	**-**	**7 942 549**	**5 959 325**	**721**	**-**	**-**	**-**	**-**	**-**	**7 752 904**

As at 31 December 2024, the off-balance sheet exposure in default relates to irrevocable credit facilities from customers classified under Stage 3.

b) Productive and non-productive exposures and related provisions:

a) Detail of exposures and impairment by segment	Gross credit						Impairment						Write-offs	Collateral	
	Productive exposures			Non-productive exposures			Productive exposures			Non-productive exposures				Productive exposures	Non-productive exposures
		Stage1	Stage2		Stage2	Stage3		Stage1	Stage2		Stage2	Stage3			
Loans and advances	**303 454 814**	**293 065 152**	**10 389 662**	**5 960 046**	**-**	**5 960 046**	**2 879 083**	**2 612 396**	**266 687**	**1 053 906**	**-**	**1 053 906**	**-**	**159 143 880**	**20 428 444**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	56 418 653	56 418 653	-	-	-	-	224 619	224 619	-	-	-	-	-	95 313 053	-
Credit institutions	77 490 899	77 490 899	-	-	-	-	257 904	257 904	-	-	-	-	-	-	-
Other financial corporations	17 573 822	17 573 822	-	-	-	-	1 776 361	1 776 361	-	-	-	-	-	-	-
Non-financial corporations	128 604 631	121 244 939	7 359 692	5 824 567	-	5 824 567	468 110	306 268	161 843	1 053 902	-	1 053 902	-	57 505 839	19 465 887
Of which SMEs	35 744 227	29 004 656	6 739 571	5 770 400	-	5 770 400	205 858	45 336	160 522	1 029 507	-	1 029 507	-	47 804 166	19 465 887
Households	23 366 809	20 336 839	3 029 970	135 479	-	135 479	152 088	47 244	104 844	4	-	4	-	6 324 988	962 557
Debt securities	**211 527 611**	**208 824 531**	**2 703 080**	**-**	**-**	**-**	**901 292**	**894 400**	**6 892**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	73 858 820	73 858 820	-	-	-	-	503 609	503 609	-	-	-	-	-	-	-
Credit institutions	67 477 544	67 477 544	-	-	-	-	80 372	80 372	-	-	-	-	-	-	-
Other financial corporations	19 207 442	19 207 442	-	-	-	-	25 241	25 241	-	-	-	-	-	-	-
Non-financial corporations	50 983 806	48 280 726	2 703 080	-	-	-	292 070	285 178	6 892	-	-	-	-	-	-
Off-balance-sheet exposures	**98 515 051**	**96 456 911**	**2 058 140**	**1 982 504**	**-**	**1 982 504**	**392 663**	**390 301**	**2 362**	**115 564**	**-**	**115 564**		**6 000 412**	**1 352 718**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
General governments	48 192 191	48 192 191	-	-	-	-	48 240	48 240	-	-	-	-		-	-
Credit institutions	3 103 198	3 103 198	-	-	-	-	171 179	171 179	-	-	-	-		-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Non-financial corporations	46 431 096	44 482 956	1 948 140	1 982 504	-	1 982 504	167 678	165 316	2 362	115 564	-	115 564		5 800 688	1 352 718
Households	788 566	678 566	110 000	-	-	-	5 565	5 565	-	-	-	-		199 724	-
Total	**613 497 477**	**598 346 594**	**15 150 882**	**7 942 549**	**-**	**7 942 549**	**4 173 038**	**3 897 096**	**275 941**	**1 169 470**	**-**	**1 169 470**	**-**	**165 144 292**	**21 781 162**

In 2024, the Bank did not obtain any collateral or guarantees through taking ownership and execution proceedings.

Restructured loans operations (deferred operations) were identified in accordance with Implementing Regulation (EU) 2015/1278 of the Commission, of 9 July 2015, which establishes the definition of deferred Exposures (credit restructured due to financial difficulties of the customer).

According to the above-mentioned Regulation, the deferral measures are concessions made to a debtor who is going through or will soon be experiencing difficulties in meeting their financial commitments ("financial difficulties"). A concession may relate to one of the following actions:

(a) changes to the terms and conditions of such contracts (in particular, the extension of repayment periods, introduction of grace periods, interest capitalisation, reduction of interest rates, forgiveness of interest or capital) considering that the debtor would be unable to meet due to his financial difficulties resulting in an insufficient debt service capacity and that would not be granted if the debtor did not go through those financial difficulties;
(b) full or partial refinancing of a problematic debt contract, which would not be granted if the debtor did not go through those financial difficulties.

A customer is considered to be in financial difficulties when has unfulfilled the financial obligations to the institution or given the available information, if it is expected that the customer will unfulfilled.

The Bank's restructuring procedures include extension of initial payment conditions, change and deferral of initially scheduled payments and increasing collateral. Restructuring practices and policies are based on criteria which, from the Bank's management point of view, indicate that payments are likely to continue. The risk associated with the restructuring measures applied relates mainly to the inability to comply with the new payment plans agreed, despite the restructuring carried out. Following a loan restructuring, the Bank continues to monitor the customer's financial situation, as well as compliance with the new financial plan, in order to anticipate / avoid possible defaults.

Loans and advances to customers whose terms have been renegotiated are no longer considered overdue and are treated as new loans and advances in accordance with Note 2.4.1.2, in particular paragraph iv) which states that new contractual conditions discounted using the initial contract interest rate resulted in a change of, at least 10%, of the remaining present value of cash flows of the original financial asset will give rise to the recognition of a new contract.

As at 31 December 2024, exposures associated with loan operations in the portfolio whose terms and conditions have been renegotiated due to the customer's economic difficulties can be found in paragraph e) in the following tables.

Approval of credit granting is primarily the responsibility of the members of the Executive Committee, depending on the amounts involved, and internal regulations provide for maximum exposure limits per customer or group of connected customers. There are also periodic reviews of internal limits for the Money Market, for participation in commercial paper issues, from a management and liquidity perspective, as well as internal limits for trade finance operations. These limits are assessed by the Credit Committee.

Quantitative disclosures on credit risk management policy

a) Detail of exposures (excluding monthly commissions and advance interest) and impairment:

		Credit in compliance				Credit in default		Impairment			
a) Detail of exposures and impairment by segment	**Total Exposure**	**< 30 days overdue (without signs)**	**< 30 days overdue (with signs)**	**< 30 days and <90 days overdue**	**Of which restructured**	**> 90 days overdue**	**Of which restructured**	**Total impairment**	**In compliance < 30 days overdue**	**In compliance 30-90 days overdue**	**In default >90 days overdue**
Public administration (regional and local)	56 418 653	56 418 653	-	-	-	-	-	224 619	224 619	-	-
Construction and Commercial Real Estate (CRE)	72 622 161	63 385 923	8 815 117	421 121	5 550 000	-	-	1 163 903	1 156 878	7 025	-
Corporate	99 151 536	95 145 232	3 948 021	58 284	274 567	-	-	2 181 647	2 154 993	26 654	-
Other	3 731 610	566 161	3 164 728	-	-	721	-	104 915	104 915	-	-
Total	**231 923 960**	**215 515 969**	**15 927 865**	**479 405**	**5 824 567**	**721**	**-**	**3 641 405**	**3 641 405**	**33 680**	**-**

		Credit in compliance				Credit in default		Impairment			
a) Detail of exposures and impairment by segment	**Total Exposure**	**< 30 days overdue (without signs)**	**< 30 days overdue (with signs)**	**> 30 days and <90 days overdue**	**Of which restructured**	**> 90 days overdue**	**Of which restructured**	**Total impairment**	**In compliance < 30 days overdue**	**In compliance 30-90 days overdue**	**In compliance > 90 days overdue**
Public administration (regional and local)	22 648 414	22 648 414	-	-	-	-	-	155 539	155 539	-	-
Construction and Commercial Real Estate (CRE)	61 732 895	55 932 895	5 800 000	-	-	-	-	1 282 482	1 282 482	-	-
Corporate	106 319 524	100 831 841	5 392 694	94 989	266 000	-	-	2 685 649	2 685 649	-	-
Other	4 269 797	396 145	3 841 285	32 367	-	-	-	180 986	174 805	6 181	-
Total 2023	**194 970 630**	**179 809 296**	**15 033 978**	**127 356**	**266 000**	**-**	**-**	**4 304 657**	**4 298 476**	**6 181**	**-**

b) Detail of the portfolio by level of risk:

	Exposure as at 31-12-2024				Impairment as at 31-12-2024			
b) Detail of exposures and impairment by segment	**Assets without significant deterioration of credit risk (Stage 1)**	**Assets with significant deterioration of credit risk (Stage 2)**	**Assets in default (Stage 3)**	**Total**	**Assets without significant deterioration of credit risk (Stage 1)**	**Assets with significant deterioration of credit risk (Stage 2)**	**Assets in default (Stage 3)**	**Total**
Public administration (regional and local)	56 418 653	-	-	**56 418 653**	224 619	-	-	**224 619**
Construction and Commercial Real Estate (CRE)	63 385 923	3 686 238	5 550 000	**72 622 161**	180 976	52 683	930 244	**1 163 903**
Corporate	95 203 516	3 673 454	274 567	**99 151 536**	1 948 829	109 160	123 658	**2 181 647**
Other	566 161	3 029 970	135 479	**3 731 610**	67	104 844	4	**104 915**
Total	**215 574 253**	**10 389 662**	**5 960 046**	**231 923 960**	**2 354 492**	**266 687**	**1 053 906**	**3 675 084**

	Exposure as at 31-Dec-2023				Impairment as at 31-Dec-2023			
b) Detail of exposures and impairment by segment	**Assets without significant deterioration of credit risk (Stage 1)**	**Assets with significant deterioration of credit risk (Stage 2)**	**Assets in default (Stage 3)**	**Total**	**Assets without significant deterioration of credit risk (Stage 1)**	**Assets with significant deterioration of credit risk (Stage 2)**	**Assets in default (Stage 3)**	**Total**
Public administration (regional and local)	22 648 414	-	-	**22 648 414**	155 539	-	-	**155 539**
Construction and Commercial Real Estate (CRE)	55 932 895	2 250 000	3 550 000	**61 732 895**	367 498	20 772	894 212	**1 282 482**
Corporate	100 831 841	4 421 683	1 066 000	**106 319 524**	2 041 898	163 261	480 491	**2 685 649**
Other	396 145	3 638 357	235 294	**4 269 797**	7	180 980	-	**180 986**
Total 2023	**179 809 296**	**10 310 041**	**4 851 294**	**194 970 630**	**2 564 942**	**365 012**	**1 374 703**	**4 304 657**

As at 31 December 2024, there are customers whose exposure is classified as Stage 3, due to the identification of qualitative triggers resulting from the individual credit analysis carried out.

Detail of the credit portfolio by segment and year of production:

Year of production	31-Dec-2024											
	Construction and CRE			Corporate			Other			Public Administration		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2015	-	-	-	-	-	-	2	381 383	86 393	-	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	1	117 700	18 451	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	2	1 060 440	1 672	1	112 298	-	-	-	-
2020	-	-	-	3	1 695 191	86 337	-	-	-	-	-	-
2021	6	23 720 409	964 757	3	8 500 000	20 159	2	22 471	-	1	19 164 043	114 146
2022	2	527 365	747	4	8 581 868	35 896	4	2 716 736	-	-	-	-
2023	5	9 734 777	63 701	9	16 450 405	1 169 226	4	224 627	23	-	-	-
2024	54	38 639 611	134 698	89	62 863 648	851 605	3	156 377	48	3	37 254 610	110 473
Total	**67**	**72 622 161**	**1 163 903**	**110**	**99 151 552**	**2 164 896**	**17**	**3 731 593**	**104 915**	**4**	**56 418 653**	**224 619**

Year of production	31-Dec-2023											
	Construction and CRE			Corporate			Other			Public Administration		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2014	-	-	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	3	501 536	146 675	-	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	1	160 500	33 612	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-
2019	1	435 000	808	5	2 978 465	17 312	1	196 079	-	-	-	-
2020	-	-	-	4	2 687 856	106 692	1	-	-	-	-	-
2021	6	30 152 919	1 007 886	7	17 043 882	101 639	2	41 872	7	1	22 648 414	155 539
2022	4	6 665 519	31 118	6	16 158 394	131 355	4	3 012 394	-	-	-	-
2023	38	24 479 457	242 670	119	67 450 927	2 327 650	7	357 417	692	-	-	-
Total	**49**	**61 732 895**	**1 282 482**	**142**	**106 319 524**	**2 685 649**	**19**	**4 269 797**	**180 986**	**1**	**22 648 414**	**155 539**

c) Detail of the gross amount of credit exposure and impairment assessed on an individual basis:

Detail of gross amount of credit exposure by geography:

Country	31-Dec-2024		31-Dec-2023	
	Exposure	Impairment	Exposure	Impairment
Angola (AGO)	59 482 418	400 951	54 060 995	642 379
Austria (AUT)	-	-	5 000 000	23 534
Belgium (BEL)	-	-	5 000 000	25 220
Cape Verde (CIV)	5 000 000	40 000	-	-
Czech Republic (CSK)	-	-	5 000 000	24 493
Cayman Islands (CYM)	17 573 838	1 759 609	13 374 408	1 501 667
Germany (DEU)	18 500 000	48 470	3 000 000	14 757
Spain (ESP)	82 500	151	144 495	108
France (FRA)	9 406 391	24 516	5 000 000	24 578
Ireland (IRL)	-	-	2 262 443	11 526
Italy (ITA)	2 500 000	6 751	-	-
The Netherlands (NLD)	2 000 000	5 125	2 000 000	10 188
Portugal (PRT)	108 822 512	1 388 324	99 323 179	2 025 649
United States of America (USA)	2 448 516	1 187	805 110	557
CHE	6 107 785			
Total	**231 923 960**	**3 675 084**	**194 970 630**	**4 304 657**

Detail of gross amount of credit exposure by business sector:

Business sector	31-Dec-2024		31-Dec-2023	
	Gross loan	Total impairment	Gross loan	Total impairment
Financial and insurance activities	19 511 338	1 779 837	18 110 516	1 517 595
Information and communication activities	4 906 391	13 196	-	-
Real Estate activities	22 073 634	1 007 459	31 629 321	1 015 988
Public administration (regional and local)	56 418 653	224 619	22 648 414	155 539
Accommodation, catering and similar activities	9 495 771	102 922	3 941 949	114 200
Trade and repair	21 322 083	79 437	42 785 658	717 762
Construction	46 461 042	148 003	29 000 438	263 973
Electricity, gas and water	-	-	5 000 000	24 493
Manufacture of transportation equipment	10 000 000	25 413	8 000 000	39 335
Leather, wood and cork industries	750 000	666	503 137	1 148
Food, beverage and tobacco industries	15 294 910	23 475	8 317 812	20 676
Metal industries	687 528	933	599 999	1 373
Machinery and equipment	2 561 104	6 536	94 440	-
Other manufacturing industries	149 657	91	-	-
Other business services	17 768 199	156 789	19 089 982	246 399
Retail	3 730 873	104 911	4 269 797	180 986
Transportation and storage	792 056	798	979 166	5 188
Total	**231 923 240**	**3 675 084**	**194 970 630**	**4 304 657**

d) Detail of the restructured credit portfolio, by restructuring measure applied:

Measure	31-Dec-2024								
	Performing loans			Non-performing loans			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	4	5 877 423	1 053 902	-	-	-	4	5 877 423	1 053 902
Total	**4**	**5 877 423**	**1 053 902**	**-**	**-**	**-**	**4**	**5 877 423**	**1 053 902**

Measure	31-Dec-2023								
	Performing loans			Non-performing loans			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	1	266 240	119 808	-	-	-	1	266 240	119 808
Total	**1**	**266 240**	**119 808**	-	-	-	**1**	**266 240**	**119 808**

e) Changes in inflows and outflows in the restructured credit portfolio:

	31-Dec-2024	31-Dec-2023
Opening balance	**266 240**	-
Restructured loans for the period	6 200 000	266 000
Accrued interest of the restructured credit portfolio	52 856	240
Settlement of restructured loans (partial or total)	641 673	-
Closing balance	**5 877 423**	**266 240**

f) Detail of the fair value of the collateral underlying the loan portfolio by segment:

Fair value	31-Dec-2024											
	Construction and CRE				Corporate				Other			
	Real Estate		Other real collateral		Real Estate		Other real collateral		Real Estate		Other real collateral	
	Number of operations	Amount	Number of operations	Amount	Number of operations	Amount	Number of operations	Amount	Number of operations	Amount	Number of operations	Amount
< 0,5 M€	2	520 673	1	150 000	3	1 153 406	1	54 994	-	-	6	2 232 557
>= 0.5 M€ and < 1 M€	2	1 548 073	-	-	1	654 388	-	-	-	-	-	-
>= 1 M€ and < 5 M€	3	7 957 700	-	-	3	6 327 035	-	-	-	-	1	2 997 500
>= 5 M€ and < 10 M€	4	30 983 838	-	-	1	8 870 515	-	-	-	-	1	9 150 780
>= 10 M€ and < 20 M€	2	23 770 063	-	-	-	-	-	-	-	-	1	18 205 841
>= 20 M€ and < 50 M€	-	-	-	-	-	-	-	-	-	-	-	-
< 50 M€		-	-	-	-		-	-	**-**	**-**	1	67 956 432
Total	**13**	**64 780 346**	**1**	150 000	**8**	**17 005 344**	**1**	54 994	**-**	**-**	**10**	100 543 110

	31-Dec-2023											
	Construction and CRE				Corporate				Other			
	Real Estate		Other collateral		Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number of operations	Amount	Number of operations	Amount	Number of operations	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	1	280 627	-	-	1	315 119	-	-	-	-	-	-
>= 0.5 M€ and < 1 M€	1	587 125	-	-	2	1 271 034	-	-	-	-	-	-
>= 1 M€ and < 5 M€	3	11 353 605	-	-	4	13 277 601	-	-	-	-	-	-
>= 5 M€ and < 10 M€	2	12 891 000	1	150 000	1	7 469 638	-	-	-	-	-	-
>= 10 M€ and < 20 M€	3	35 202 280	-	-	1	18 865 980	-	-	-	-	-	-
>= 20 M€ and < 50 M€	-	-	-	-	-	-	-	-	-	-	-	-
< 50 M€	-	-	-	-	-	-	-	-	-	-	-	-
Total	**10**	**60 314 636**	**1**	**150 000**	**9**	**41 199 372**	-	-	-	-	-	-

In 2024, there were no significant changes in the quality of the collateral underlying the credit portfolio, resulting from a deterioration in its value or from any changes in internal standards or procedures.

g) Loan-to-value (LTV) ratio by segment:

	31-Dec-2024									
	Construction and CRE					Corporate				
Ratio	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment
No associated collateral	n.a.	48 958 458	48 957 527	931	152 838	n.a.	93 246 688	92 825 871	53 779	1 978 467
With other collateral	n.a.	-	-	420 178	-	n.a.	61 104	61 104	-	2
LTV <60%	9	18 203 506	17 783 316	420 190	997 716	4	3 886 685	3 886 685	-	208 443
LTV >= 60% and < 80%	2	2 913 125	2 700 000	213 125	6 175	1	934 240	934 240	-	1 336
LTV >= 80% and < 100%	1	145 000	145 000	-	362	-	-	-	-	-
LTV >= 100%	4	2 402 072	2 402 072	-	6 813	3	1 187 459	1 187 459	-	2 457
Total	**16**	**72 622 161**	**71 987 915**	**1 054 424**	**1 163 903**	**8**	**99 316 176**	**98 895 359**	**53 779**	**2 190 704**

	31-Dec-2023									
	Construction and CRE					Corporate				
Ratio	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment
No associated collateral	n.a.	35 103 575	35 103 575	-	290 028	n.a.	91 095 843	90 814 897	-	2 350 878
With other collateral	n.a.	-	-	-	-	n.a.	3 031 841	3 031 841	-	-
LTV <60%	4	11 828 462	11 828 462	-	936 892	5	5 606 981	5 606 981	-	189 592
LTV >= 60% and < 80%	4	12 891 171	12 891 171	-	46 741	1	1 735 083	1 735 083	-	105 246
LTV >= 80% and < 100%	1	1 800 312	1 800 312	-	8 317	1	3 630 948	3 630 948	-	34 944
LTV >= 100%	4	109 375	109 375	-	504	3	1 218 827	1 218 827	-	4 988
Total	**13**	**61 732 895**	**61 732 895**	-	**1 282 482**	**10**	**106 319 524**	**106 038 577**	-	**685 649**

33. Fair value of financial assets and liabilities (IFRS 13)

As at 31 December 2024, the fair value of financial assets and liabilities is analysed as follows:

		Measured at fair value			
	Amortised cost	Market prices (Level 1)	Valuation models with observable parameters in the market (Level 2)	Total net book	Fair value
Cash and deposits at central banks	2 416 717	-	-	**2 416 717**	2 416 717
Loans and advances to credit institutions repayable on demand	110 091 362	-	-	**110 091 362**	110 091 362
Deposits from central banks and other credit institutions	365 836 864	-	-	**365 836 864**	365 836 864
Financial assets at fair value through profit or loss	-	-	124 413	**124 413**	124 413
Financial assets at fair value through other comprehensive income	-	62 557 150	-	**62 557 150**	62 557 150
Investments at amortised cost	152 184 942	-	-	**152 184 942**	152 184 942
Hedging derivative	-	-	-	**-**	-
Loans and advances to customers	228 523 597	-	-	**228 523 597**	228 523 597
Other assets	14 765 893	-	-	**14 765 893**	14 765 893
Financial assets	**873 819 375**	**62 557 150**	**124 413**	**936 500 939**	**936 500 939**
Deposits from central banks and other credit institutions	425 455 519	-	-	**425 455 519**	425 455 519
Liabilities represented by securities	-	-	-	**-**	-
Financial liabilities at fair value through profit or loss	-	-	-	**-**	-
Deposits from customers and other loans	408 842 794	-	-	**408 842 794**	408 842 794
Hedging derivative	-	-	-	**-**	-
Financial liabilities associated with transferred assets	-	-	-	**-**	-
Financial liabilities	**834 298 313**	**-**	**-**	**834 298 313**	**834 298 313**

The Bank's financial instruments are essentially subject to a variable rate of return; therefore, the Bank considers that the relevant price conditions (interest rates applied) do not differ significantly from market rates. In this context, the balance sheet value is a reasonable estimate of the net present value (fair value).

Deposits from central banks and other credit institutions is mainly made up of financial instruments with a maturity of up to 1 year or very close to 1 year. Considering that applicable interest rates are renewed for periods of less than one year, there are no significant differences in their fair value.

The information below provides a breakdown of each item of all financial assets and liabilities measured at fair value, by type of valuation method:

	31-Dec-2024			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss (Note 5)				
Debt instruments	-	124 413	-	124 413
Financial assets at fair value through other comprehensive income (Note 7)				
Debt instruments	62 557 150	-	-	62 557 150
Total	**62 557 150**	**124 413**	**-**	**62 681 563**

	31-Dec-2023			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss (Note 5)				
Equity instruments	-	-	105 305	105 305
Debt instruments	-	113 676	-	113 676
Investment funds	-	-	1 711	1 711
Other financial assets at fair value through profit or loss				
Investment funds (Note 6)	-	-	3 420	3 420
Financial assets at fair value through other comprehensive income (Note 7)				
Debt instruments	82 786 402	-	-	82 786 402
Total	**82 786 402**	**113 676**	**110 436**	**83 010 514**
Other financial liabilities at fair value through profit or loss				
Structured financial resources received (Note 6)	-	-	(3 420)	(3 420)
Total	**-**	**-**	(3 420)	(3 420)

As at 31 December 2024 and 2023, the exposures of financial instruments measured using the level 1 valuation method have the following credit quality:

Grade	31-Dec-2024		31-Dec-2023	
	Securities (level 1)		Securities (level 1)	
	Exposure (accrued interest included)	Impairment	Exposure (accrued interest included)	Impairment
Prime	397 736	89	408 966	91
High grade	959 324	205	1 227 221	297
Upper medium grade	11 983 430	4 548	19 062 661	5 057
Lower medium grade	27 209 879	21 509	34 513 930	32 514
Speculative	968 280	3 143	5 165 039	36 367
Highly Speculative	-	-	2 050 035	3 943
Unrated	21 038 500	200 169	20 358 548	219 893
Total	**62 557 150**	**229 663**	**82 786 402**	**298 160**

There were no transfers between rating levels, as the nature of the financial instruments did not change significantly.

The Bank's assets and liabilities at fair value are accounted in accordance with the hierarchy defined in IFRS 13 – Fair Value, which is detailed in Note 2.2.

The movement of financial assets measured using methods with parameters not observable in the market (level 3) in 2024 and 2023 can be analysed as follows:

	31-Dec-2024			
	Financial assets at fair value through profit or loss	Other financial assets at fair value through profit or loss	Other financial liabilities at fair value through profit or loss	Total
Opening balance for the period	107 017	3 420	(3 420)	107 017
Exits by settlements	(107 017)	(3 420)	3 420	(107 017)
Balance at the end of the period	-	-	-	-

	31-Dec-2023			
	Financial assets at fair value through profit or loss	Other financial assets at fair value through profit or loss	Other financial liabilities at fair value through profit or loss	Total
Opening balance for the period	281 879	349 517	(349 517)	281 879
Exits by settlements	(166 975)	(333 951)	333 951	(166 975)
Changes in fair value (Note 23)	(6 662)	-	-	(6 662)
Exchange rate revaluation	(1 225)	(12 147)	12 147	(1 225)
Balance at the end of the period	107 017	3 420	(3 420)	107 017

34 Recently issued accounting standards and interpretations

34.1 Voluntary policy changes

During the period there were no voluntary changes in accounting policies, compared to those considered in the preparation of the previous year financial information.

34.2 Accounting standards and interpretations applicable to the 2024 period

The following standards, interpretations, amendments and revisions endorsed by the European Union have mandatory application for the first time in the financial year beginning 1 January 2024:

Standard / Interpretation	Description
Amendments to IAS 1 - Current/non-current classification of liabilities and non-current liabilities with covenants	These amendments clarify the existing guidelines in IAS 1 regarding the classification of financial liabilities between current and non-current, clarifying that the classification should be measured according to an entity's right to defer payment at the end of each reporting period. In particular, the amendments (i) clarify the concept of 'settlement' by stating that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has the right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period; and (ii) clarify that the classification of liabilities is not affected by the entity's expectation (based on the existence or non-existence of the right and disregarding any probability of exercising or not exercising that right) or by events occurring after the reporting date, such as non-compliance with a covenant. However, if the right to defer settlement for at least twelve months is subject to compliance with certain conditions after the balance sheet date, those criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current. This amendment applies retrospectively.
Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier finance arrangements	These amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, aim to clarify the features of a supplier finance arrangement and introduce additional disclosure requirements when such arrangements exist. The disclosure requirements are intended to help users of financial statements understand the effects of supplier finance arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.
Amendments to IFRS 16 – Lease liability in a sale and leaseback	This amendment to IFRS 16 Leases specifies the requirements regarding the subsequent measurement of lease liabilities, related to sale and leaseback transactions (sale & leaseback) that qualify as "sale" in accordance with the principles of IFRS 15, with a greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate. In subsequently measuring lease liabilities, seller-lessees shall determine "lease payments" and "revised lease payments" in a way that it does not recognise any amount of the gain or loss that relates to the right-of-use it retains. This amendment applies retrospectively.

These standards and amendments had no material impact on the Bank's financial statements.

34.3 Standards, interpretations, amendments and revisions that will come into effect in future financial years

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have, up to the date of approval of these financial statements, been endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	Description
Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	This amendment aims to clarify how to assess the exchangeability of a currency, and how the exchange rate should be determined when there is a long-term lack of exchangeability. The amendment specifies that a currency is exchangeable when an entity is able to exchange that currency for the other currency within a period that allows for normal administrative management, through markets or exchange mechanisms that create enforceable rights and obligations. If a currency cannot be exchanged for another currency, an entity must estimate the exchange rate on the measurement date of the transaction. The objective will be to determine the exchange rate that would be applicable on the measurement date for a similar transaction between market participants. The amendments also state that an entity can use an observable exchange rate without making any adjustment. The amendments are effective for annual periods beginning on or after 1 January 2025. Early adoption is permitted, however the transition requirements applied must be disclosed.

The Bank has not early applied any of these standards in the financial statements for the twelve-month period ended 31 December 2024. No material impacts are expected on the financial statements as a result of their non-adoption.

34.4 Standards and interpretations already issued but not yet endorsed by the European Union

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have not, to the date of approval of these financial statements, been endorsed by the European Union:

Standard / Interpretation	Description
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments are essentially the result of the draft revision of IFRS 9 Financial Instruments (Post Implementation Review - PIR IFRS 9) and clarify the following aspects relating to financial instruments:

	• It clarifies that a financial liability is derecognised on the 'settlement date', i.e. when the related obligation is settled, cancelled, expires or the liability otherwise qualifies for derecognition. However, the possibility is introduced for an entity to choose to adopt an accounting policy that allows it to derecognise a financial liability that is settled through an electronic payment system, before the settlement date, provided that certain conditions are met. • It also clarifies how an entity should assess the contractual cash flow characteristics of financial assets that include variables relating to environmental, social and governance (ESG) factors and other similar contingent characteristics. • Requires additional disclosures for financial assets and liabilities subject to a contingent event (including ESG variables) and equity instruments classified at fair value through other comprehensive income. The amendments are effective for annual periods beginning on or after 1 January 2026. Earlier application is permitted. This amendment applies retrospectively. However, an entity is not obliged to restate the comparative period, and the potential impacts of applying this amendment are recognised in retained earnings in the year in which the amendment is applicable.
Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	The amendments refer specifically to renewable energy purchase agreements whose source of production is dependent on nature, so that supply cannot be guaranteed at specific times or volumes. In this sense, these amendments clarify the application of the 'own use' requirements in power purchase agreements, as well as the fact that it is permitted to apply hedge accounting when these contracts are used as hedging instruments. The amendments are effective for annual periods beginning on or after 1 January 2026, with early application permitted except for the guidance on hedge accounting which should be applied prospectively to new hedging relationships, so designated on or after the initial effective date.
Annual Improvements to IFRS (Volume 11)	Improvements are made on a regular basis to clarify and simplify the application of international regulations, through minor changes that are not considered urgent. The main changes included in this volume concern: • IFRS 1 (Hedge accounting by a first-time adopter): This amendment aims to update the cross-references in paragraphs B5 and B6 of IFRS 1 First-time adoption of international financial reporting standards to the hedge accounting eligibility criteria in IFRS 9 to paragraphs 6.4.1(a), (b) and (c). • IFRS 7 (Gain loss on derecognition): This amendment aims to update the language on unobservable market data included in paragraph B38 of IFRS 7 Financial Instruments: Disclosures, as well as adding references to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement. • IFRS 7 (Implementation guidance): Several paragraphs relating to the implementation guidelines of IFRS 7 have been amended for reasons of consistency and clarity. • IFRS 9 (Derecognition of lease liabilities): This amendment clarifies that when a financial liability is extinguished in accordance with IFRS 9, the lessee must apply paragraph 3.3.3 of IFRS 9 and recognise the gain or loss that results from this derecognition.

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IFRS 9 (Transaction price): With this amendment, the reference to “transaction price” in paragraph 5.1.3 of IFRS 9 is replaced by “amount determined by applying IFRS 15”.
IFRS 10 (Determine a de facto agent): Amendment made to paragraph B74 of IFRS 10, which clarifies that the relationship described in that paragraph is just one example of several possible between the investor and other parties acting as de facto agents. The purpose of this amendment is to remove the inconsistency with the requirement in paragraph B73 that an entity should use its judgement in assessing whether other parties can act as de facto agents.
IAS 7 (Cost method): Replacement of the term “cost method” by “at cost” in paragraph 37 of IAS 7 after the elimination of the definition of “cost method”.

These amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted.
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<tr><td>IFRS 18 – Presentation and disclosure in the financial statements</td><td>
IFRS 18 replaces IAS 1 Presentation of Financial Statements and comes in response to requests from investors looking for information on financial performance. With the introduction of the new IFRS 18 requirements, investors will have access to more transparent and comparable information on companies' financial performance, with the aim of making better investment decisions.
IFRS 18 essentially introduces three sets of new requirements to improve the disclosure of financial performance:

Comparability of the income statement: IFRS 18 introduces three defined categories for income and expenses – operating, investments and financing – to improve the structure of the income statement and requires all companies to provide new defined subtotals, including operating income. The new structure and subtotals will give investors a consistent starting point for analysing company performance, making it easier to compare them.
Transparency of performance measures defined by management: IFRS 18 requires the disclosure of additional information on the company's specific performance indicators related to the income statement, known as performance measures, defined by management.
Aggregation and disaggregation of items in the financial statements: IFRS 18 establishes guidelines on how income statement items should be aggregated.

IFRS 18 comes into force for financial years beginning on or after 1 January 2027 and its application is retrospective. Early adoption is permitted as long as the option is disclosed.
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<tr><td>IFRS 19 – Subsidiaries without Public Accountability: Disclosures</td><td>
IFRS 19 allows eligible entities to prepare IFRS financial statements with lower disclosure requirements than those required by the IFRS, while maintaining the obligation to apply all the measurement and recognition requirements of the IFRS.
The reduction in disclosures defined by IFRS 19 covers most IFRS standards. Eligible organisations are those that: (i) are subsidiaries of a group that prepares IFRS consolidated financial statements for public disclosure; and (ii) are not subject to the obligation to publicly disclose financial information because they do not have listed debt or equity securities, are not in the process of being listed or have as their main activity the safekeeping of assets in a fiduciary capacity.
IFRS 19 comes into force for financial years beginning on or after 1 January 2027 and its application is optional. Earlier application is permitted. Early adopters must disclose and align disclosures in the comparative period with those in the current period.
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These standards have not yet been endorsed by the European Union and, therefore, were not applied by the Bank in the twelve-month period ending 31 December 2024. No material impacts are expected on the financial statements as a result of their non-adoption.

35 Subsequent Events

Subsequent to the balance sheet date and before the Financial Statements were authorised for issue, there were no material transactions and/or events which should be disclosed.

Banco BAI Europa. SA

Statutory Auditors´ Report and

Supervisory Board Report