Report and Consolidated Accounts | 2024

26 March 2025

Banco Finantia

Banco Finantia
KEY FIGURES
IFRS [1]

Euro million	2024	2023	Change
BALANCE SHEET			
Total assets	2,482.6	2,196.9	+ 13 %
Fixed-income and loan portfolio	2,213.6	1,927.8	+ 15 %
Customers deposits	1,070.9	902.9	+ 19 %
Shareholders' equity	484.4	448.9	+ 8 %
INCOME STATEMENT			
Net interest income, net of hedging	46.3	45.9	+ 1 %
Operating income	65.5	40.9	+ 60 %
Net profit	25.3	10.4	+ 145 %
PROFITABILITY (%)			
Return on equity (ROE) [2]	7.8	2.7	+ 5.1 pp
Return on assets (ROA) [2]	1.5	0.5	+ 1.0 pp
CAPITAL ADEQUACY (BIS III, fully loaded) (%)			
CET1 Ratio [3]	22.7	24.6	- 1.9 pp
Total Capital Ratio [3]	22.7	24.6	- 1.9 pp
LIQUIDITY AND FUNDING INDICATORS (%)			
Liquidity Coverage Ratio (LCR) [4]	2,233	995	+ 1,238.0 pp
Net Stable Funding Ratio (NSFR) [3] [5]	123	124	- 1.6 pp
Leverage Ratio [3] [6]	18	19	- 1.3 pp
ASSET QUIALITY			
NPE Ratio (%) [7]	1.19	2.77	- 1.6 pp
NPE Ratio net of impairment (%) [8]	0.64	1.22	- 0.6 pp
DATA PER SHARE (Euro)			
Net Profit	0.17	0.07	0.10 cts
Book Value	3.23	2.99	0.24 cts
Weighted average no. of shares outstanding (million)	150	141	n.a.
Year end no. of shares outstanding (million)	150	150	n.a.

[1] International Financial Reporting Standards

[2] Amounts before tax

[3] Estimated ratio include dividends proposal

[4] High quality liquid assets (HQLA) / Total net cash outflows over the next 30 calendar days (average)

[5] Available stable funding / Required stable funding

[6] Common Equity Tier 1 / On-balance and off-balance sheet exposures (exposure measure accordingly to Basel III)

[7] NPE Ratio, non-performing exposures over total assets

[8] NPE Ratio net of impairment, non-performing exposures net of impairment over total assets

Banco Finantia in Brief

Banco Finantia is an independent bank, with broad national and international experience of over 37 years and is an important operator in Portugal in the areas of investment and private banking.

Banco Finantia has always presented a solid financial structure with capital ratios higher than the sector average. The stability and sustainability of its business model have earned the trust of customers and counterparties over the years.

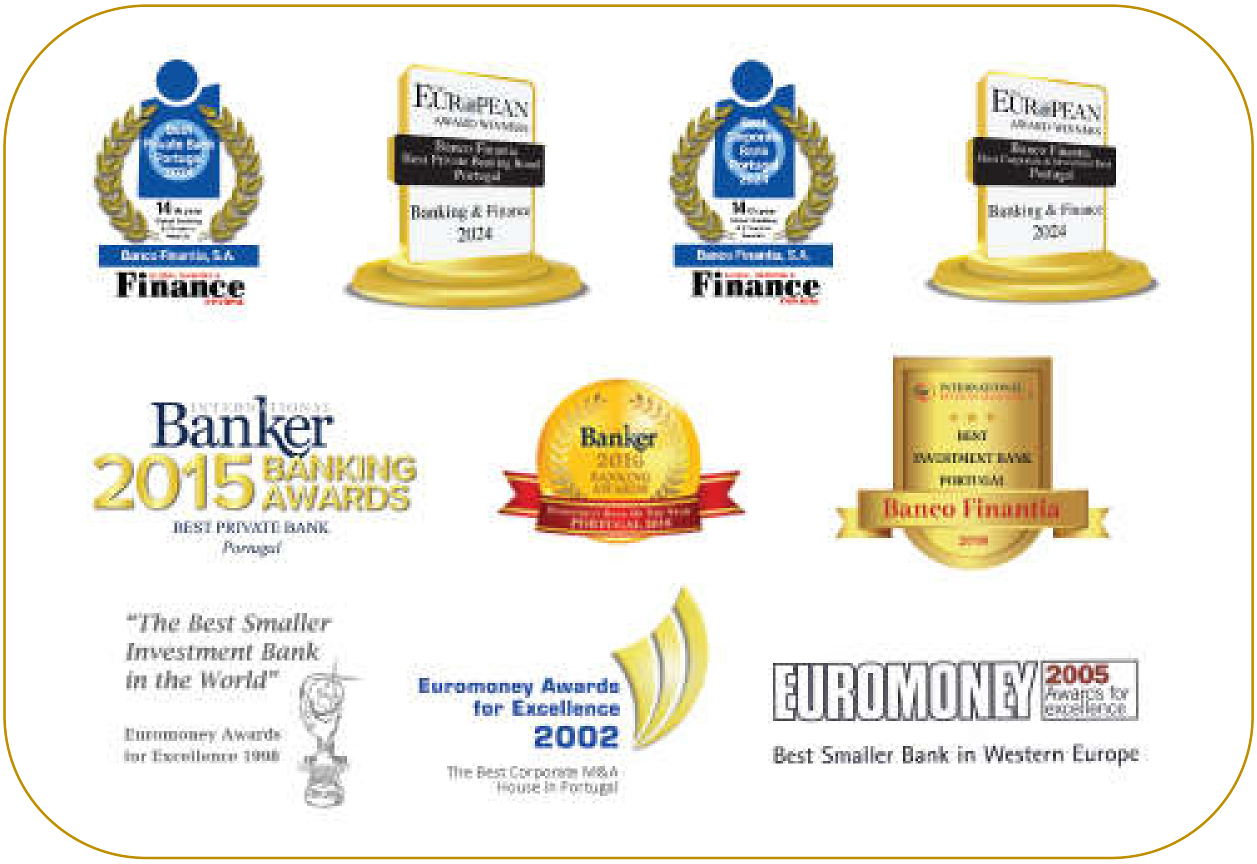
The Bank operates in two important niche markets:

Corporate & Investment Banking – fixed-income products and capital market transactions for companies and investors; loans and financial restructurings; and financial advisory services focusing on Mergers and Acquisitions.

Private Banking – quality personalized services for affluent and wealthy customers.

Banco Finantia has as its main operating units a bank in Portugal with a branch in Spain and subsidiaries in the United Kingdom and in the United States.

Banco Finantia's performance, its success, the quality and the professional competence of its team have been recognized over the years through several international awards.



Management Report | 2024

1. Macroeconomic Framework

1.1 World Economy

2024 was fundamentally marked by the dragging on of conflicts in Eastern Europe and the Middle East, the resilience of the American economy, the American elections and the expansion of Artificial Intelligence (AI).

In terms of monetary policy, there was a reversal of the rate hike policy followed in 2023. In 2024, the European Central Bank lowered its reference rate from 4.5% at the beginning of the year to 3.25% at the end of the year and the Federal Reserve lowered the Fed Funds range from 5.25% - 5.5% to 4.25% 4.5%.

The reduction in interest rates, the economic potential of AI and the possibility of Trump's election to the White House (seen as the most pro-business candidate) contributed to a significant increase in the prices of risk assets throughout the year and to the US economy maintaining the 2023 pace of growth. On the other hand, the continuation of military conflicts, the fear of the imposition of tariffs to be implemented by a Trump administration and uncertainties about inflation and interest rates led to a slight slowdown in global economic growth. These factors had a greater impact in Europe, which is the economic block most affected by the war in Ukraine and is going through difficult times, particularly in the industrial sector due to the weight that Germany has in the region, a country that again recorded a slight contraction in 2024. The political crises in France and Germany also contributed to eroding investor confidence in the Eurozone.

The IMF estimates global growth of 3.2% in 2024, compared to 3.3% in 2023. For developed economies, growth in 2024 is estimated at 1.9% (1.7% in 2023), and for developing countries it is 4.2% (4.4% in 2023). The US is estimated to grow by 2.8% in 2024 (2.9% in 2023), the Eurozone by 0.8% (0.4% in 2023) and the UK by 0.9% (0.3% in 2023). The Chinese economy is estimated to grow by 4.8% in 2024 (5.2% in 2023), India by 6.5% (8.2% in 2023), Brazil by 3.7% (3.2% in 2023) and Türkiye by 2.8% (5.1% in 2023).

For 2025, the IMF predicts that global economic growth will remain stable at 3.3%. In the US, growth is projected at 2.7%; in the Eurozone, 1.0%; in the United Kingdom, 1.5%; in China, 4.6%; in India, 6.5%; in Brazil, 2.2%; and in Türkiye, 2.6%.

1.2 Iberian Peninsula

2024 Portuguese GDP growth is estimated at 1.9%. The projection for 2025 is 2.1%. Investment and exports are expected to be the main positive contributors to growth in 2025. Inflation is estimated to have reached 2.6% in 2024 and is projected to decline to 2.3% in 2025. Public debt (as a percentage of GDP) at the end of 2024 is estimated at around 95.3%, having fallen from 97.9% at the end of 2023, and is expected to continue falling in 2025. The unemployment rate of 6.6% in 2024 is expected to remain broadly unchanged in 2025. Private consumption is expected to grow by 2.0% in 2025 (1.8% in 2024), and investment is expected to grow by 3.5% (3.2% in 2024). It is estimated that the current account had a positive balance of 0.9% of GDP in 2024 and the expectation for 2025 is 0.7%.

In relation to the Spanish economy, it is estimated that GDP grew 2.9% in 2024. The projection for 2025 is 2.1%. Inflation in 2024 is estimated at 2.8% and in 2025 it is foreseen at 1.9%. Public debt (as a percentage of GDP) is estimated at 102.3% at the end of 2024 and the unemployment rate at 11.6%, with a slight drop to 11.2% expected for 2025.

2. Operating Activities

Despite the 2024 geopolitical tensions, the reduction in key interest rates, and the resilience of the US and of most emerging economies, contributed to the maintenance of global growth and the positive performance of capital markets, both stocks and bonds.

In this context, Banco Finantia's strategic posture remained conservative, consolidating its position in the markets where it operates, gradually increasing its bond and loan portfolio by about 15%, while maintaining a solid capital ratio and a comfortable liquidity cushion.

The performance of the Bank's own portfolio was positive, in line with the evolution of the markets and benefiting from the increased credit quality of the assets held. The Capital Markets area almost doubled its volume of intermediation transactions and improved the performance of the trading portfolio vs. the previous year.

In the activity with Corporate customers, the fixed-income area once again participated in numerous Eurobond issues, Capital Call Facilities and syndicated loans in the Portuguese and international markets and in Pagarés in the Spanish market. In the financial advisory area, the activity focused on the M&A area, with work in several sectors and in cross-border operations supporting international investors in acquisitions in Portugal.

Private Banking continued to expand and to follow its policy of product diversification -- increasing deposits, expanding customer portfolios with a greater use of securities and increasing commissions. The Bank's reputation for stability and conservative wealth management continued to have a positive impact in this area's customers.

2.1 Corporate & Investment Banking

2.1.1 Capital Markets

As in the previous year, in 2024 financial markets recorded high levels of volatility. Geopolitical tensions negatively affected the bond market, which, despite this and in a context of low growth in European economies, benefited from a greater pace of monetary policy easing to control inflation.

Despite the context of uncertainty, the Capital Markets Department was able to once again demonstrate its resilience regardless of economic or market cycles. In particular, the bond intermediation activity experienced significant growth. The use of electronic platforms and greater market transparency made it possible to reach a transaction volume of € 4.6 billion, practically double the amount transacted in the previous year.

In the primary markets, Banco Finantia continued to consolidate its participation as a placement entity in commercial paper and pagarés programs of Portuguese and Spanish companies. In total, around € 255 million in pagarés and commercial paper were placed during 2024, almost doubling the volumes of 2023. The Bank was also appointed as the placing entity in six new pagarés programs, whose cumulative nominal amount totals € 655 million. Considering the easing of inflationary pressures at the global level, investors adjusted their expectations, which translated into an increase in the volume of issuances and the extension of the average investment term in short-term debt instruments.

The Bank participated as a placement entity in five bond issues aimed at retail investors. These operations have made it possible to offset, to a certain extent, the reduced dynamism that bonds aimed at institutional investors have been experiencing in the Portuguese market in recent years. This is essentially due to high levels of liquidity being available through the banking system, which makes bank credit a less expensive financing alternative for companies, causing a misalignment of risk premium expectations between investors and issuers in the medium and long term.

2.1.2. Corporate Banking

Banco Finantia recorded, once again, an increase in the volume and number of transactions in its loan portfolio. It was also another year in which the Bank maintained the focus of its operations in the geographies where it has operated for decades, with emphasis on the consolidation of its operations in Portugal and Spain.

In Portugal, the Bank remained active in a segment in which it was a pioneer in Portugal – bridge financing for venture capital funds, having (i) granted a total of approximately € 10.8 million for use under Capital Call Lending Facilities and (ii) originated a new Capital Call Lending Facility in the amount of € 15 million with a Portuguese Private Equity Fund.

In the international markets, the Bank participated in 19 syndicated loans (around € 169 million). It is worth noting a participation in a social loan structured by a multilateral entity in Latin America. Additionally, the use of Credit Risk Insurance (CRI) for credit risk mitigation purposes increased significantly.

The increase in total transactions compared to the previous year reflects a greater number of opportunities that arose due to market uncertainty, allowing the Bank to improve the average quality of the portfolio. Banco Finantia ended the year with a loan portfolio with a balance sheet value of approximately € 311 million and has a robust pipeline of transactions for 2025.

Regarding the own bond portfolio, there was an increase of around € 220 million to € 1,902 million, while maintaining the level of credit quality. The contribution to results increased and impairments and provisions decreased in relation to 2024. This portfolio also contributed to a positive change in fair value reserves.

2.1.3. Corporate Finance

The Corporate Finance area sought to intensify its strategic positioning in financial advisory services and, in particular, in cross-border transactions and in business valuations for strategic decisions.

The Bank's global geographic coverage, strengthened by its partnerships in the Terra Alliance network, has materialized in increased opportunities and transactions. Meriting note is the nomination of Banco Finantia to the Steering Committee of Terra Alliance, an international mergers & acquisitions network that covers more than 40 countries and has 14 member entities.

In 2024 the Bank played a role in several transactions as exclusive financial advisor to national and international corporates in the study of the acquisition or disposal of leading companies in Portugal, in sectors ranging from education, renewable energy, health and construction materials.

The Bank continued to foster its relationships with national and international investment funds, venture capital funds and asset managers with a view to advising these entities on future investments.

The focus on international activity is essential for the development of this business area and, as such, the Bank will, during 2025, continue to strengthen its team and its business partnerships with the objective of widening its geographical coverage and the range of activities.

2.2 Private Banking

In 2024 the Bank had a 18.1% increase in customers' resources (attaining around € 1,200 million at the end of the financial year), with increases of17.8% in deposits and 19.7% in assets under management. Commissions earned increased 18.9% compared to 2023.

This evolution reflected the institution's strategic focus on this business area and was based on the gradual improvement of customer service and on the strengthening of the Bank's commercial capabilities. This was reinforced by investments in the markets where the Bank is present and the consolidation and recognition of the "Finantia Private" brand.

Several factors converged to this evolution:

i. The investment made in increasing the notoriety and recognition of the "Banco Finantia" brand and of our products and services;

ii. An experienced and qualified commercial team, focused on providing a high-quality service and capable of offering customers personalized financial services tailored to their needs (confirmed by the results of the Customer Satisfaction Surveys in Portugal and Spain);

iii. The permanent emphasis on the technical and behavioural training of the commercial team, ;

iv. The improvement of the order execution service and of the 'Investment Consultancy' service, aligned with the risk profiles of customers;

v. The fixing of interest rates on deposits with the aim of preserving competitiveness in relation to competing institutions and similar products;

vi. The positive evolution of the experience perceived by the customer, whether face-to-face or online. In this matter, it is worth highlighting the qualitative improvement in communications with customers, the implementation of the new digital customer onboarding system and the progressive upgrade of digital channel features, which allowed a significant increase in customer interaction with the Bank through the APP and Homebanking, and the automation and simplification of processes.

In 2025, the Bank will pursue the strategy of strengthening the Private Banking activity, with the objective of boosting the off-balance sheet business, generator of commissions and with lower capital requirements. In this context, the aim is to maintain the high growth rate of customer resources, both off-balance sheet securities and deposits, to improve the service quality and to broaden the product range. These objectives are based on the strength of brand recognition and on the upgrade of the digital means available. In short, to consolidate the image and reputation of a solid bank, focused on the excellence and discretion which have characterized us over the years.

3. Supporting Activities

3.1 Applicational Development and Support

The financial year was marked by the implementation of several improvement projects. New features were introduced with the aim of optimizing and simplifying the applicational architecture, enhancing efficiency gains and ensuring greater quality and reliability in the Bank's Information Systems.

In the first half of the year, we note the launch of a new EMIR (European Market Infrastructure Regulation) report and the implementation of the new CESOP (Central Electronic System of Payments) report for the Tax Authority.

New features were also made available to the Bank's customers within the scope of the SICOI project, namely the possibility of confirming the beneficiary in transfers and the possibility of initiating transfers by associating the mobile phone number as an alternative to the bank identification number. In the second half of the year, the most relevant project was immediate transfers, within the scope of TIPS, which was carried out for Portugal and Spain in partnership with SIBS. This project will be completed in 2025.

Improvements were also incorporated into the digital tools made available to customers. The updating of citizen card data, and the testing phase of digital onBoarding for opening accounts in Portugal, was completed.

As part of the implementation of the Data Integrity Plan, the glossary relating to the highest priority level indicators was completed in 2024. This was in line with the data quality strategy approved by the Board of Directors, which aims to meet compliance with the principles established by the Basel Committee on Banking Supervision in this matter.

3.2 Operations

In the area of operations, the year 2024 was marked by the final implementation of the immediate transfers project (beneficiary aspect) and the Proxy Lookup and COP features within the scope of SEPA Transfers.

In terms of operations' processing volume, 2024 was yet another demanding year, consequence of the strong growth in commercial paper placements and of debt issuance transactions in the primary market in which Banco Finantia is the paying agent. The US decision to reduce the settlement cycle from T+2 to T+1 in 2024, required an operational adjustment, in order to maintain the level of efficiency in liquidity management.

With the main focus on strengthening quality and responding to the evolution of regulatory compliance, additional computerization of processes and analysis of new requirements were carried out, which resulted in multiple requests to the Application Development and Support Department.

The following projects stand out:

i. development of new operational processes supported by digital means, in the scope of customer account opening and data updating;
ii. evolution of the interface with the Euroclear Bank platform, to optimize the transmission of liquidation instructions of fixed-income and repo operations.

On the Regulatory front, the implementation of the new version of statistical reporting of payment systems and instruments to Bank of Portugal, known as the PAY Project, and the evolution of the current EMIR report (EMIR Refit Project), were completed.

Looking ahead to 2025, we highlight the following projects:

i. implementation of immediate transfers, from the ordering angle;
ii. implementation of the fund distribution project to customers via Allfunds; and
iii. consolidation of the transversal operative carried out at the HQ and at the Spanish Branch – processes, teams, and systems.

The Operations Department will continue to focus on mitigating operational risk and on the continuous training of employees, in line with market standards and the strategy and objectives defined by the Bank.

3.3 Human Resources

Banco Finantia believes that a positive, collaborative organizational culture and a cohesive, motivating work environment are fundamental to employee development and business success.

Human Resources management at Banco Finantia plays a crucial role in this context, promoting the continuous development of employees and ensuring that values and culture are present in everyone's mind.

As at 31 December 2024, the Group, including the international offices, had a total of 250 employees, of which 188 in Portugal, 49 at the Branch in Spain and the remainder in other geographies (United Kingdom, United States and Malta).

The average age of employees is 42 years and around 76% have higher education (bachelor's / master's degrees).

Banco Finantia strives to foster stable and lasting professional relationships. In this context, the average seniority of employees is 11 years, with more than 96% being permanent employees.

Male staff accounted for 64% of total staff and female 36%.

As for employee distribution by staff level, 38% of the Group’s employees were senior staff, 53% intermediate-level staff and 9% administrative staff.

In 2024, Banco Finantia expanded its partnerships with universities and participated in job fairs, with the aim of attracting young talent. This initiative allows raising awareness of the Bank’s culture and of the career opportunities it offers.

The Bank continued to invest in mobility - internal and international - as a strategy for retaining talent and promoting organizational learning. Mobility allow employees to acquire a holistic view of the Bank, developing diverse skills, strengthening their commitment to the institution and contributing to the creation of a more adaptable and innovative workforce, essential to the Bank's success.

Throughout the financial year, the Bank reinforced its commitment to employee empowerment, implementing programs in crucial areas such as sustainability, climate risk, cybersecurity and information security. In addition, it invested in high-quality programs, such as CFA, MBA and other postgraduate courses, aiming to develop employees' technical and leadership skills, as well as prepare them for future challenges. This support for continuous and specialized training demonstrates Banco Finantia's commitment to excellence and innovation, promoting a highly qualified and collaborative work environment.

In 2024, the volume of training in Portugal was approximately 9,121 hours (corresponding to an average of 49 hours of training per employee).

Still regarding the development of its employees, the Bank implemented a mentoring program, with the aim of promoting their professional and personal development. This program allows more experienced employees to share their knowledge and experiences with less experienced ones, facilitating their integration and growth.

Banco Finantia seeks daily to create a work environment that values and supports its employees in all dimensions of their lives. Measures implemented included the expansion of flexible working hours and the creation of a lounge – a space for resting and socializing – where employees can interact, strengthening interpersonal relationships.

In line with the practices followed in previous years, the harmonization of Human Resources Management processes and procedures between the headquarters in Portugal and the other offices was continued, with emphasis on the Branch in Spain.

3.4 Systems and Telecommunications

To strengthen the business areas, several actions were implemented in the information and communication technology infrastructures (ICT), with the aim of maximizing availability, integrity and confidentiality of information. Compliance, business continuity and information security continued to be priorities.

Prevention, detection and correction actions were carried out including monitoring and implementation of measures to minimize risks and external threats, identification and mitigation of technical and operational gaps, rapid response to incidents and prevention of intrusion attempts, employee training and awareness, and proactive updating and maintenance of ICT infrastructures.

Some of the actions meriting note include the implementation of a unified voice communications and recording solution at Iberian level, the implementation of a SIEM (Security Information and Event Management) solution, the implementation of a CMDB (Configuration Management Database) to centralize information on ICT assets, the creation of hardening guides aligned with the CIS (Centre for Internet Security), and the identification and mitigation of gaps to ensure compliance with the legislative package on digital operational resilience in the financial sector (DORA).

In 2025, we will continue to support the business, prioritizing the operational resilience of the technologies that support it and mitigating the gaps identified to ensure compliance with DORA. Improvements will also be introduced to the WAN (Wide Area Network) network and the migration project of the Disaster Recovery Centre from Porto to Madrid will be initiated, as well as that of the Production environment from Madrid to the Headquarters. In addition, the SOC service will be outsourced, and support will be provided in the implementation of AI (Artificial Intelligence) in the Group.

3.5 Treasury

The positive performance of the main stock markets on both sides of the Atlantic marked the year 2024. Investor confidence based on the prospect of inflation control and positive signs in the North American economy offset the negative effect of the geopolitical tensions inherent in the prolongation of conflicts in Eastern Europe and the Middle East.

In this context, the US Federal Reserve's monetary policy, in terms of rate cuts, ended up being less aggressive than anticipated by the markets at the beginning of the year. Of the seven rate cuts initially projected, only three were consummated with a 100-basis point reduction in policy rates. In the Eurozone, the low level of economic growth contributed to the European Central Bank's monetary policy recording a 100-basis point reduction in the base rate, with the prospect of further reductions for 2025 being maintained.

The mismatch between the growth of the American and European economies, also affected by the different political environments, led to the widening of the interest rate differential (+35 bps) and the appreciation of the US Dollar during the year (+6.8% vs. the Euro).

In this context, the Treasury Department successfully implemented its strategy defined in four vectors: i) management of the Bank's financing structure ii) liquidity management; iii) management of exposure to fluctuations in interest rates; and iv) management of exposure to the US Dollar exchange market, resulting from the activities of the Bank and of its customers.

The maintenance of comfortable margins for regulatory limits was promoted, thereby ensuring the efficient functioning of the core business areas.

During 2024 and in terms of the Bank's financing structure, the growth of deposits reinforced its relative weight as the most relevant component in the Bank's liabilities (it went from 53% in 2023 to 55% in 2024). In collateralized financing, the increase in the relative weight of medium- and long-term operations stands out, going from 14% of total interbank financing to 23%. All of this contributed to achieving the objectives of strengthening the stability of the financing structure. The Net Stable Funding Ratio (NSFR) was 123%, comfortably above the minimum regulatory value of 100%.

In terms of liquidity, in 2024 the highlight is the increase in 10% of high quality liquid assets (HQLA), which contributed to the increase in the liquidity coverage ratio (LCR) which on annual average values went from 995% in 2023 to 2,233% in 2024(well above the regulatory minimum of 100%).

Finally, with regard to monitoring the interest rate market, the Bank continued with an active management, carrying out several hedging operations throughout the year, focused on the longer part of the curve, in order to anticipate the expected normalization of the slope of the EUR and USD curves resulting from the start of the rate cut cycle, and promoting the reduction of exposure in maturities with greater volatility. Although American and European monetary policies proved to be less expansionary, with fewer cuts than initially expected, the Bank's strategy proved to be adequate, ensuring a prudent approach and complying with applicable internal and regulatory limits with considerable ease.

In the foreign exchange market, where the focus is on monitoring the EUR/USD exchange rate, and in line with previous years, the Bank carried out several operations, maintaining very low exposure to the volatility of this market, in compliance with its strategy.

In 2024, as in previous years, in order to promote institutional relations, in addition to establishing dozens of bilateral contacts, the Bank was represented at the annual meetings of the IMF and World Bank, the International Trade and Forfaiting Association (ITFA) and the EBAday of the European Banking Association (EBA).

Special mention should be made of the annual meeting, held in Palma de Mallorca, in May, of the Groupement Europèen de Banques (GEB) - an international cooperation banking group formed by small- and medium-sized private European banks - of which Banco Finantia is a member and currently holds the Presidency. During the meeting, several topics related to risks and opportunities in the European banking system were discussed.

4. Risk Management

The Bank’s risk management model is based on an integrated set of processes, periodically reviewed, and documented. The model is focused on providing an appropriate understanding of the nature and magnitude of the risks underlying the Bank’s activities, allowing for an adequate implementation of the respective strategy and attainment of the goals established.

This management is based on processes implemented to identify, assess, monitor, and control all the risks inherent in the financial and non-financial activities, existing or potential. These processes are supported by clearly defined policies and procedures aimed at ensuring that the established goals are attained and that the necessary actions are taken to adequately respond to the risks and eventual deviations.

The process of risk identification is based on matrices, which incorporate, among others, the mapping of the processes, the risk factors and the controls associated with the activity. These risk matrices serve as a basis for the identification, assessment, monitoring, and control processes of the various types of risk.

These processes follow the principles recognized at international and national levels, in line with Notice no. 03/2020 and Instruction no. 18/2020 of the Bank of Portugal, with the Guidelines on Internal Governance issued by the European Baking Authority

(EBA/GL/2021/05), with Directive (EU) 2019/878 (CRDV) and with Regulation (EU) 2019/876 (CRR II).

The Bank's risk management model covers all products, activities, processes, and systems, taking into consideration all the risks inherent in its activities and considering its size, nature, complexity, as well as the nature and magnitude of the risks assumed.

The Bank recognizes that within the scope of its risk management model, the definition and evaluation of adequate capital levels to support the risk profile are essential elements for the implementation of a sustainable business strategy. Thus, the planning of the internal capital evolution and the maintenance of appropriate levels of capital in relation to the economic capital requirements (ascertained in the internal capital adequacy assessment process - ICAAP) are crucial to ensure the continuous adequacy of the risk profile to the Bank's strategic objectives.

The Bank also recognizes the importance of integrating the risk management model into its culture and its decision-making process. The risk management model has the active involvement of the entire Bank, including the Board of Directors, the Audit Committee, the Executive Committee, the intermediate management bodies, and the Risk Department:

i. it is the responsibility of the Board of Directors ("BoD") to prepare and maintain an internal control system that is adequate and efficient, through the approval and periodic review of the governance, the strategies and the policies related to the risk management model, and to regularly monitor the activity of the risk management function. The BoD is also responsible for the approval of the Risk Appetite Framework (RAF);

ii. the Executive Committee ("EC") is, by delegation of the BoD, responsible for ensuring the implementation and maintenance of an adequate and effective internal control system, based on governance, strategy and policies approved by the BoD related to the risk management model to manage and control financial and non-financial risks. The EC monitors, on a regular basis, compliance with risk tolerance levels and risk management policies and procedures, assessing their effectiveness and continuous adequacy to Banco Finantia's activity, in order to enable the detection and correction of any weaknesses;

iii. the Audit Committee is responsible, among others, for the prior analysis of various matters related to the risk management and internal control areas;

iv. the Risk Department is responsible, with total independence, for the management of all the risks of the Bank. Inter alia it : (a) guarantees the effective application of the risk management model, through a continuous monitoring of its adequacy and effectiveness, as well as the adoption of measures to correct any weaknesses; (b) provides advice to all management and supervisory bodies; (c) leads the work involving the update of risk matrices and the performance of the risk assessment; (d) prepares and presents periodic reports related to risk management; (e) participates in the business and capital planning; (f) performs stress tests; (g) is responsible for the ICAAP and ILAAP processes and actively engages in the preparation of the RAF; (h) realizes an independent review of the ICAAP and ILAAP methodologies and results; and (i) promotes the integration of the risk principles in the Bank's daily activities.

In summary, the risk management model ensures:

i. an adequate identification, assessment, monitoring, and control of all the material risks to which the Bank is exposed, as well as their mitigation;

ii. the adequacy of the internal capital and the liquidity to the risk profile, business model, and strategic planning; and

iii. the integration of the risk management process in the Bank's culture and in its decision-making process.

The Bank attaches great importance to the development of the skills of its Risk Department employees through general and specific training actions.

Focused on best practices, the Department actively participates in the planning and structuring of training actions related to: (i) the risk management processes; and (ii) the capital adequacy and liquidity assessment processes known, respectively, as ICAAP and ILAAP, among many other risk control and mitigation exercises, with special emphasis on the Risk Profile.

The Risk Profile covers all the risks the Bank is exposed to, both financial and non-financial, considering their materiality, the applicable legislation and the activity developed.

To do this, the Bank considers the following risk categories: Credit Risk, Market Risk, Exchange Rate Risk, Liquidity Risk, and Non-financial Risks, as detailed below.

Credit Risk

Credit risk arises from the possibility of a counterpart defaulting or the degrading of the credit quality of a given financial instrument. The Bank's objective is to maintain a high-quality asset portfolio, based on a prudent credit policy and a judicious analysis of all credit proposals. The Bank also has a constant objective to diversify its risky assets, as a form of mitigating credit concentration risk.

Market Risk

Market risk arises from the probability of negative impacts on income or capital, resulting from unfavourable movements in the valuations of financial instruments in the portfolio, caused by fluctuations in interest rates and credit spreads.

For the financial instruments (securities and loans), recognized at fair value, that make up the portfolio classified as Hold to Collect and Sell, this risk encompasses the two components mentioned above: i) the risk inherent in changes in the reference interest rate and ii) the risk inherent in credit spread fluctuations.

For financial instruments classified in the Hold to Collect portfolio, as well as for interest rate derivatives, market risk results from the impact on the economic value of changes in reference interest rates.

The Bank's strategy entails the adoption of measures to control and mitigate the market risk, namely through the contracting of interest rate risk hedging instruments (e.g., IRS), thus reducing the potential for a negative impact, alongside adopting control measures through the monitoring of securities' spreads and the analysis of historical price series, allowing for the timely management of this risk.

Foreign Exchange Risk

Foreign exchange risk is characterized by the probability of the occurrence of a negative impact due to unfavourable fluctuations in foreign exchange rates and adverse changes in the foreign currency price of instruments.

It is the Bank's policy to transact only in assets and liabilities denominated in EUR and USD (the positions in other currencies are sporadic and immaterial).

The Bank's strategy is to minimize the foreign exchange risk associated with its assets and liabilities. Hence, foreign exchange risk is regularly hedged to ensure a comfortable margin of the exposure in foreign currency vis-à-vis pre-established limits, with said exposure (both spot and forward positions) being monitored daily.

Liquidity Risk

Liquidity risk is defined as the possibility of a financial institution being unable to meet its obligations as they fall due, because of the inability, on a timely manner, to liquidate assets, obtain funding or refinance liabilities.

The Bank recognizes that within the scope of its risk management model, the definition and assessment of adequate liquidity levels to support the risk profile are essential elements for the implementation of a sustainable business strategy. The planning of the evolution of liquidity and the maintenance of appropriate levels of same in relation to the limits defined in the RAF (determined within the scope of the internal liquidity adequacy assessment process - ILAAP), are crucial to guarantee the continuous adequacy of the risk profile to the Bank's strategic objectives.

The Bank's objective is to guarantee a stable and robust liquidity position, through the holding of liquid assets, control of the liquidity gaps and maintenance of a buffer that permit responding to financial outflows, both under contractual and stress situations.

The management of this risk is carried out in order to maintain liquidity levels within pre-defined limits, through: (i) cash flow management, including the daily calculation of the financial flows and the treasury balances over an extended temporal horizon, permitting the maintenance of a liquidity buffer in both normal conditions as well as under unfavourable conditions; (ii) balance sheet management, with the daily calculation of liquidity metrics; and (iii) the maintenance and monitoring of liquidity buffers, permitting the maintenance of the main control indicators of this risk within the Bank's pre-defined limits.

The Treasury Department is responsible for the daily cash flow management and the evolution of the various components of the Bank's balance sheet. The Risk Department is responsible for monitoring and accompanying this risk.

The metrics used to measure liquidity risk in the scope of balance sheet management include the prudential ratios LCR (Liquidity Coverage Ratio), NSFR (Net Stable Funding Ratio), Total Liquidity Buffer Ratio, Restrict Liquidity Buffer Ratio as well as an extensive group of internal ratios related to: liquidity mismatches; concentration of the main counterparts; distribution of the reimbursement flows of the main liabilities; collateral of the repos transactions; liquidity characteristics of assets; and immediate liquidity.

The NSFR ratio, which supplements the LCR, and that has a wider temporal horizon (one year), helps to ensure a sustainable maturity structure of assets and liabilities. The monitoring of the NSFR ratio aims to maintain adequate resilience over a longer temporal horizon and is an important metric that allows measuring the balance between assets and liabilities in terms of liquidity and its stability.

Non-Financial Risks

Non-financial risks include business model / strategy, internal governance, operational (including model, ICT and cybersecurity risks) and other risks (reputational, compliance, money laundering and financing of terrorism, and ESG). In general terms, these risks consist of the probability of the occurrence of negative impacts on the results or on the capital arising essentially from: (i) for business model / strategy risk - inadequate plans and strategic decisions, (ii) for internal governance - maladjustments and weaknesses in the internal governance system, in the organizational structure and in the corresponding delimitation of responsibilities; and (iii) for operational risk - operational failures, inadequacy of information and technology systems or models and cybersecurity weaknesses.

The management of non-financial risks has been gaining an increasing relevance. In this context, advanced tools and methods have been developed, focused on the identification, assessment, monitoring, and control of these types of risks. Among others, these tools include risk matrices and controls, heat-maps, and spider-charts, with inputs derived from an extensive and comprehensive process of self-assessment. This process serves as a basis for the definition of specific action plans for non-financial risks.

In addition to the maintenance of risk metrics, the Bank maintains an organized process for monitoring and acting on the various categories of non-financial risks, as well as recording the resulting information in a risk events database. This database includes, among others, the recording of: (i) events; (ii) eventual associated losses; and (iii) corrective and/or mitigating measures implemented.

In 2024, improvements were introduced in the mapping of the non-financial risk factors, optimizing its structure to permit a more efficient control over this type of risk.

For ICAAP, although there is no historical record of material losses, the Bank has been using the Basic Indicator Approach (BIA) methodology to quantify operational risk. It has also developed internally methodologies to quantify compliance, reputational and strategy risks.

During 2024, several training actions were carried out on non-financial risks, including specific training on Prevention of Money Laundering, Information Security, ICT and Climate and Environmental Risks. For 2025, the Bank will continue to focus on training as a form of contributing to the reduction of non-financial risks with special relevance for climate risks (ESG), digital transformation and cybersecurity.

Climate and environmental risks are becoming increasingly important for the banking activity. Given the distinct characteristics from the traditional risk factors to which the banking system is exposed, and due to the uncertainty and the time horizon in which they may materialize, these risks require special attention from the banking system. In 2024, continuity was given to the implementation of the action plan on sustainability, prepared with the help of a specialized consultant with a view to incorporating the ESG risk component in the Bank, with a focus on the analysis of climate risk materiality, an aspect that will be given special attention in 2025 and in the coming years.

5 Financial Overview

5.1 Consolidated Results

In 2024, the Bank's results recorded a significant improvement, with net profit reaching € 25.3 million, compared to € 10.4 million recorded in 2023.

The financial margin, net of hedging, rose to € 46.3 million (€ 45.9 million in 2023). This result reflects on the one hand, the impact of the increase in the portfolio volume, and on the other, the increase in the cost of funds and the reduction in the margins of the assets held due to the increase in the credit quality of these assets.

The result of financial operations, commissions and other income in 2024 was positive in € 19.2 million vs. a negative value of € 5.0 million in 2023, the year in which an accelerated reduction in the Non-Performing Exposures (NPE) ratio was carried out.

Impairment and provisions fell to € 3.2 million vs. € 4.2 million in the previous financial year, also reflecting the gradual improvement in credit risk and the quality of assets held.

Operating expenses amounted to € 25.9 million (€ 25.1 million in 2023), an increase of 3% year-on-year, which, combined with the favourable evolution of income, allowed the Cost-to-Income ratio to fall to 39.5%.

The summary of the consolidated income statement for financial years 2024 and 2023, is as follows:

Euro million	IFRS	
CONSOLIDATED INCOME STATEMENT	31.12.2024	31.12.2023
Net interest income	**28.5**	**27.8**
Interest rate & FX hedging	17.8	18.1
Net interest income, net of hedging	**46.3**	**45.9**
Financial transactions, commissions and other income	19.2	(5.0)
Operating income	**65.5**	**40.9**
Impairments and provisions	(3.2)	(4.2)
Operating expenses	(25.9)	(25.1)
Profit before tax	**36.4**	**11.5**
Net profit	**25.3**	**10.4**

5.2 Consolidated Balance Sheet

The Group's balance sheet recorded an increase of 13.0% when compared with 2023:

€ million	IFRS	
CONSOLIDATED BALANCE SHEET	31.12.2024	31.12.2023
Assets		
Cash and banks	160.8	114.0
Fixed income and loan portfolio	2,213.6	1,927.8
Other assets	108.2	155.1
Total assets	**2,482.6**	**2,196.9**
Liabilities		
Customers deposits	1,070.9	902.9
MM takings and Repos	878.1	813.7
Other liabilities	49.2	31.4
Total liabilities	**1,998.2**	**1,748.0**
Total shareholders' equity	**484.4**	**448.9**
Total liabilities and shareholders' equity	**2,482.6**	**2,196.9**

The value of the securities and loans portfolio on 31/12/2024 was 14.8% above that of the previous year-end, reflecting the growth strategy materialized throughout the financial year. Non-performing loans are duly provisioned and were significantly reduced through multiple disposals that started at the end of 2022 and intensified in 2023 and 2024. This resulted in the improvement in the NPE ratio to 1.2%, vs. 2.8% in 2023, well below the 5% level recommended by the EBA.

Customers' deposits on 31/12/2024 were € 1,071 million, 18.6% more than the € 903 million recorded at the end of 2023. During the same period the remaining assets (off-balance sheet) held by customers recorded a 19.7% growth, reflecting the global strategy of resource raising in general, and of off-balance sheet financial products in particular, thus achieving a gradual growth in commissions derived from the provision of financial services.

Equity amounted to € 484.4 million, reflecting the positive evolution in comprehensive income for the financial year. The earnings per share increased from € 2.99 to € 3.23.

5.3 Regulatory Capital

The Bank's solvency ratios are calculated in accordance with the prudential framework established by Regulation (EU) no. 575/2013 (CRR) and by Directive 2013/36/EU (CRD IV), both issued by the European Parliament and Council, of 26 June 2013 ("Basel III").

The Bank maintains solid financial ratios above sector average, with the CET1 and total capital ratios attaining 22.7% at the end of 2024, thus signalling the Group's robust solvency position.

BASEL III	31.12.2024	31.12.2023
CET1 ratio	22.7%	24.6%
Total Capital ratio	22.7%	24.6%

The CET1 ratio as at 31 December 2024, considers a dividend distribution in the amount of € 18 million, as per proposal to be submitted to the annual Shareholders' General Meeting.

Risk Weighted Assets ("RWA") reached € 2,034 million as at 31 December 2024, which compares with the € 1,750 million at the end of 2023. This evolution reflects the strategy of a progressive increase in the loan and securities' portfolio.

5.4 Economic Capital

The Bank uses an internal capital adequacy self-assessment process, complementing the regulatory perspective, to ensure that all the risks are assessed and that the internal capital is adequate vis-à-vis its risk profile, in line with the guidance of Pillar 2 of Basel III and Instruction no. 3/2019 of the Banco de Portugal.

Both the risks and the available financial resources (Risk Taking Capacity, "RTC") are evaluated from an economic perspective and estimated on a going concern basis to ensure that the Bank has the capacity to always settle all its liabilities, including the customers' deposits, on a timely basis.

To quantify the risks, the Bank has developed various models to calculate the economic capital requirements that estimate the potential maximum loss in the period of one year. These models cover the various types of material risks to which the Bank is exposed, described in section 4.

In addition to the calculation of the economic capital requirements, the material risks are subject to stress tests to assess, in situations of extreme severity but with a low probability of occurrence, how the internal risk models should ensure the solvency of the Bank.

The analysis of the capital adequacy is carried out monthly. At the end of each year, it is complemented with a prospective analysis of the capital requirements, associated with the respective risks, and of the financial resources available, over a three-year time, considering the Bank's funding and capital plan. The ICAAP results are continuously monitored and permit concluding that the Bank's capital continues to be adequate to cover incurred or potential risks from both the regulatory and economic perspectives.

The ICAAP results are continuously monitored and permit concluding that the Bank's capital continues to be adequate to cover incurred or potential risks from both the regulatory and economic perspectives.

5.5 Regulatory developments

Since 31 December 2020, Banco Finantia fully complies with the minimum requirement for own funds and eligible liabilities (MREL). The implementation deadline for this was 1 January 2024.

Regulation (EU) 2024/1623 of 31 May 2024 was published, amending Regulation (EU) No. 575/2013 (Capital Requirements Regulation, "CRR") regarding requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the minimum limit on the total amount of exposures at risk ("output floor"). These requirements came into force on 1 January 2025. Following the formal publication of the amendments to the CRR, the EBA has developed and will gradually implement a comprehensive set of technical standards and guidelines regarding these amendments. In particular, regarding the new trading book rules, EU authorities have proposed postponing the starting date by one year in order to align implementation dates and not compromise the level playing field across the world.

Regarding ESG Risks, particularly regarding climate and environmental change, the Bank remained committed to adapting its strategy and risk framework, in accordance with measures defined in the Action Plan prepared by a specialized external consultant. In 2024, the Action Plan was readjusted to ensure greater alignment with supervisory expectations.

In the context of Information and Communication Technology (ICT) Risks, the year was marked by the implementation, with the support of an external consultant, of an assessment ("gap analysis") of the degree of compliance with the legislative package on Digital Operational Resilience ("DORA"), which brings a significant change to the regulatory scenario of credit institutions. Action plans for implementing DORA were prepared and are being executed for full alignment with regulatory requirements.

5.6 Treasury Stock (Own shares)

During the 2024 financial year there were no transactions involving own shares. As of 31 December 2024, the Bank held 86 own shares.

6 Social Responsibility, Cultural Patronage and Education

In 2024, the Bank reinforced its commitment to the community and to sustainable progress. Faced with a dynamic scenario, marked by global challenges and significant changes in society, an active role was maintained in social, cultural and educational initiatives.

6.1 Social Responsibility

The main institutions supported were:

ACADEMIA DOS CHAMPS (www.academiadoschamps.org) – is a non-profit entity founded in 2009, as a social integration project aimed at children and young people. The main objective is to demonstrate, through the practice of tennis, the benefits of viewing sport as a philosophy of life. Much more than a simple project of occupying leisure time, it aims to provide students with a real and concrete possibility of overcoming their own limits, opening their horizons to new, better, and more structured life prospects.

APSA “ASSOCIAÇÃO PORTUGUESA DO SÍNDROME DE ASPERGER” (www.apsa.pt) – is a non-profit entity set up in 2003 by a group of parents with the mission of supporting the personal and social development of children and youths with this neuro-behavioural disorder with a genetic origin. APSA has been operating the Casa Grande project in Lisbon, since 2016. This is a unique, innovative, and differentiated space that empowers young people with Asperger's Syndrome for autonomy, employability, and social and community inclusion. In 2024, Banco Finantia was part of the Vidas com Sentido initiative, a program that seeks to respond to the difficulties faced by young people with Asperger Syndrome, especially in the transition to active life, promoting a community integration program.

CAPITI (www.capiti.pt) – is a non-profit entity created in 2016 aimed at ensuring the access of children and young people from poor families to health services in neurodevelopment and to facilitate their integration in the family, school, and society. CAPITI provides these families with services for the early identification and access to intervention and diagnosis in childhood and adolescence, through regular exams monitoring childhood development.

APOIO à VIDA (www.apoioavida.pt) – An organization that supports pregnant women, their partners, and their families when they face psychological, social, or family difficulties. The Association helps, shelters, and empowers women of all ages and social conditions.

6.2 Cultural Patronage

In terms of culture, we continue to engage, as patrons, with some leading institutions in Portugal, in particular:

PALÁCIO NACIONAL DA AJUDA - Banco Finantia is a patron of the Palace since 1997, having financed the full restoration of the Sala do Corpo Diplomático (Diplomatic Corps Room) and the re-acquisition of various decorative pieces previously belonging to the Palace's collection.

FUNDAÇÂO DE SERRALVES – being a founding member since 1995, the Bank has sponsored various cultural and social programs.

6.3 Education

ISEG – The Bank continued its collaboration with ISEG – Instituto Superior de Economia e Gestão (Economics and Management) of the University of Lisbon, attributing an award to the best first-year student of the master's degree in "International Economics and European Studies".

FUNDAÇÃO ECONÓMICAS - the Bank is also a partner of Fundação Económicas – Fundação para o Desenvolvimento das Ciências Económicas, Financeiras e Empresariais (Foundation for the Development of the Economic, Financial and Business Sciences) that grants scholarships to needy students.

7 Outlook

Global GDP growth for 2025 is expected to remain at around 3.3%.

These prospects reflect a high degree of uncertainty. On the one hand, uncertainty regarding the policies the Trump administration will follow, be it in terms of tariffs or in relation to the numerous geopolitical situations, in particular the Russian / Ukrainian and Middle Eastern conflicts. On the other hand, uncertainty of a financial nature, in particular the monetary policy of the main central banks, which are caught between the decrease in economic activity and a resurgence of inflation.

In this context, the Bank will continue to assume a prudent stance, defending the interests of its customers, shareholders, and employees.

In terms of business lines, the Bank will adapt its strategic orientation considering the evolution of events, focusing on optimizing fixed-income and capital market activities, financial advisory services, and Private Banking activities.

In terms of the asset portfolio (primarily bonds and loans), the Bank will maintain a gradual growth policy, continue to apply a judicious selection of risks and keep a strong geographical and sectoral diversification.

The Capital Markets area plans to continue to increase its sales and distribution and market-making activities, as well as to strengthen its role in the primary markets -- strengthening its capacity to fund companies and satisfy investor demand, while consuming less capital.

Financial Advisory Services will continue to be focused on cross-border transactions, supporting foreign investment in Portugal and Spain as well as the internationalization of Iberian companies.

Private Banking should continue to grow, with the increase in the number of customers and with the widening and diversification of its range of products and services with an emphasis on investment consultancy and execution services. This will allow Banco Finantia to offer customers more investment alternatives and to improve fee income.

8 Appropriation of Results

The Board of Directors proposes a dividend of € 0.12 per share, that is, the distribution of about 71% of the consolidated net profit for the financial year.

After deducting the proposed dividend, Banco Finantia will present a CET 1 ratio of 22.7% with reference to 31 December 2024, remaining within internal policies and regulatory guidelines issued for the banking sector, with solvency ratios sufficiently robust for the development of its activities.

9 Final Remarks

The Board of Directors extends its thanks to all those that supported its activities in 2024 - customers, shareholders, corporate bodies, auditors and authorities for the loyalty and trust placed on us, and to the employees for the dedicated and competent contribution, indispensable for the good functioning of the institution.

Lisbon, 26 March 2025

The Board of Directors

António Vila Cova

Alzira Cabrita

David Guerreiro

Jaime Bastos

Marta Eirea

Manuel de Faria Blanc

Raul Marques

Sandra Matos Chaves

Ricardo Caldeira

Translation Note

The present Management Report and Financial Statements for 2024 are a free translation of the original documents issued in the Portuguese language. In the event of discrepancies or misinterpretations, the original versions shall prevail.

Banco Finantia

Financial Statements 2024

(CONSOLIDATED ACCOUNTS)

Consolidated Financial Statements

Banco Finantia

Consolidated Statements of Financial Position as at 31 December 2024 and 2023

EUR thousand	Notes	2024	2023
ASSETS			
Cash and deposits with central banks and other demand deposits	5	66,377	54,816
Financial assets at fair value through profit or loss	6	20,272	26,791
Financial assets at fair value through other comprehensive income	6	1,350,867	1,134,991
Financial assets at amortized cost	6	940,576	840,415
Hedging derivatives	7	74,203	93,761
Investment properties		503	515
Other tangible assets	8	13,916	12,952
Intangible assets	9	658	566
Current tax assets	10	478	3,130
Deferred tax assets	10	7,577	15,202
Other assets	11	7,179	13,790
TOTAL ASSETS		**2,482,606**	**2,196,929**
LIABILITIES			
Financial liabilities held for trading	12	30,942	5,828
Financial liabilities at amortized cost	13	1,948,990	1,716,602
Hedging derivatives	7	4,536	8,171
Current tax liabilities	10	2,795	267
Deferred tax liabilities	10	1,034	-
Provisions	14	594	561
Other liabilities	14	9,287	16,590
TOTAL LIABILITIES		**1,998,178**	**1,748,019**
SHAREHOLDERS' EQUITY			
Share capital	15	150,000	150,000
Share premium	15	12,849	12,849
Treasury stock	15	-	-
Other acc. comprehensive income, retained earnings & other reserves	16	296,257	275,709
Net profit attributable to shareholders of the Bank		25,322	10,352
Total Shareholders' Equity attributable to shareholders of the Bank		**484,428**	**448,910**
Non-controlling interests		-	-
TOTAL SHAREHOLDERS' EQUITY		**484,428**	**448,910**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,482,606**	**2,196,929**

The attached Explanatory notes form an integral part of these Financial Statements

The Certified Accountant

The Board of Directors

Banco Finantia

Consolidated Income Statements
for the financial years ended 31 December 2024 and 2023

EUR thousand	**Notes**	**2024**	**2023**
Interest and similar income, using the effective interest rate	17	107,044	79,260
Other interest income	17	28,602	31,385
Interest and similar expenses, using the effective interest rate	17	(79,280)	(51,987)
Other interest expenses	17	(44)	(202)
NET INTEREST INCOME		**56,322**	**58,457**
Fee and commission income	18	2,027	1,593
Fee and commission expense	18	(588)	(561)
Gains / (Losses) from derecognition of financial assets not measured at fair value through profit or loss	19	13,733	(5,117)
Gains / (Losses) from exchange operations	19	(9,533)	(13,832)
Other gains / (losses from financial operations	19	4,094	808
Other net operating income / (expense)		(512)	(449)
OPERATING INCOME		**65,543**	**40,898**
Staff costs	20	(14,772)	(14,394)
Other administrative expenses	21	(9,626)	(9,261)
Depreciation and amortization	8, 9	(1,493)	(1,477)
TOTAL OPERATING EXPENSES		**(25,891)**	**(25,133)**
OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT		**39,652**	**15,765**
Provisions or reversal of provisions	14, 22	(33)	150
Impairment or reversal of impairment of financial instruments	22	(3,229)	(4,111)
Impairment or reversal of impairment of non-financial instruments	22	29	(271)
PROFIT BEFORE TAX		**36,419**	**11,533**
Current income tax	10	(9,884)	(545)
Deferred income tax	10	(1,213)	(636)
NET PROFIT FOR THE YEAR		**25,322**	**10,352**
Attributable to:			
Shareholders of the Bank		25,322	10,352
Non-controlling interests		-	-

The attached Explanatory notes form an integral part of these Financial Statements

Banco Finantia

Consolidated Statements of Comprehensive Income
for the financial years ended 31 December 2024 and 2023

EUR thousand	**Notes**	**2024**	**2023**
NET PROFIT FOR THE YEAR		**25,322**	**10,352**
Items that may be reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income	16	28,917	36,422
Foreign exchange rate changes in foreign operational units	7	10,228	(5,026)
Net investment hedging in the foreign operational units (effective part)	7	(9,493)	4,838
Income taxes related to items that may be reclassified to profit or loss	16	(7,457)	(8,879)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**22,195**	**27,356**
COMPREHENSIVE INCOME FOR THE YEAR		**47,517**	**37,707**
Attributable to:			
Shareholders of the Bank		47,517	37,707
Non-controlling interests		-	-

The attached Explanatory notes form an integral part of these Financial Statements

Banco Finantia

Consolidated Statements of Changes in Equity
for the financial years ended 31 December 2024 and 2023

EUR thousand	Share capital	Share premium	Treasury stock	Other accumulated comprehen-sive income	Retained earnings and other reserves	Net profit attributable to shareholders	Non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2023	**150,000**	**12,849**	**(21,093)**	**(53,447)**	**334,629**	**248**	**-**	**423,186**
Appropriation of results	-	-	-	-	248	(248)	-	-
Comprehensive income for the year (Note 16)	-	-	-	27,356	-	10,352	-	37,707
Distribution of dividends (Note 16)	-	-	-	-	(12,000)	-	-	(12,000)
Share capital reduction through extinction of own shares (Note 15)	(21,093)	-	21,093	-	-	-	-	-
Share capital increase through incorporation of reserves (Note 15)	21,093	-	-	-	(21,093)	-	-	-
Other reserves	-	-	-	-	17	-	-	17
	-	**-**	**21,093**	**27,356**	**(32,829)**	**10,104**	**-**	**25,724**
Balance as at 31 December 2023	**150,000**	**12,849**	**-**	**(26,091)**	**301,800**	**10,352**	**-**	**448,910**
Appropriation of results	-	-	-	-	10,352	(10,352)	-	-
Comprehensive income for the year (Note 16)	-	-	-	22,195	-	25,322	-	47,517
Distribution of dividends (Note 16)	-	-	-	-	(12,000)	-	-	(12,000)
Other reserves	-	-	-	-	1	-	-	1
	-	**-**	**-**	**22,195**	**(1,648)**	**14,970**	**-**	**35,518**
Balance as at 31 December 2024	**150,000**	**12,849**	**-**	**(3,896)**	**300,153**	**25,322**	**-**	**484,428**

The attached Explanatory notes form an integral part of these Financial Statements

Banco Finantia

Consolidated Statements of Cash Flows
for the financial years ended 31 December 2024 and 2023

EUR thousand	**Notes**	**2024**	**2023**
Cash flows arising from operating activities			
Interest and similar income received		104,128	76,124
Interest expense and similar charges paid		(71,500)	(42,110)
Fee and commission income received		2,027	1,593
Fee and commission expense paid		(588)	(561)
Recovery of loans previously written-off		3,367	4,966
Cash payments to staff and suppliers		(24,532)	(23,081)
		12,902	**16,930**
Change in operating assets:			
Deposits with central banks		(1,838)	(1,861)
Financial assets		(254,397)	(229,989)
Due from banks		(19,607)	21,100
Other operating assets		(243)	9,060
Change in operating liabilities:			
Derivative financial instruments		83,194	91,199
Due to banks		(47,137)	(55,339)
Due to customers		163,423	52,114
Repos operations		108,278	89,563
Other operating liabilities		927	146
Net cash flows from operating activities before taxes		**45,502**	**(7,077)**
Income taxes		(4,704)	(139)
		40,798	**(7,215)**
Cash flows arising from investing activities			
Acquisition of tangible and intangible assets	8, 9	(2,855)	(1,370)
Disposal of tangible and intangible assets	8, 9	92	9
		(2,763)	**(1,362)**
Cash flows arising from financing activities			
Dividends paid on ordinary shares	16	(12,000)	(12,000)
Net cash flows from financing activities		**(12,000)**	**(12,000)**
Effect of foreign exchange rate changes on cash and cash equivalents		(7,599)	(14,939)
Net changes in cash and cash equivalents		**18,436**	**(35,516)**
Cash and cash equivalents at the beginning of the year	25	106,254	141,769
Cash and cash equivalents at the end of the year	25	124,690	106,254
		18,436	**(35,516)**

The attached Explanatory notes form an integral part of these Financial Statements

Notes to the Financial Statements

1. Bases of presentation

Banco Finantia and its subsidiaries (the "Group") have as their main object the accomplishment of all the operations and the provision of all the services permitted to Banking Institutions, having specialized itself on capital markets, money markets, advisory services (including mergers and acquisitions), credit operations and private banking activities.

Banco Finantia is a privately-owned bank with registered office in Portugal, at Rua General Firmino Miguel, no. 5, in Lisbon, which resulted from the transformation, in October 1992, of Finantia – Sociedade de Investimentos, S.A., which began its activity in July 1987. For such effect, the Bank has all the necessary permits from the Portuguese authorities, central banks, and all other regulatory agencies operating in Portugal and in the other countries where the Bank operates through its branches and international subsidiaries, including its branch in Spain. Its subsidiaries have offices in Portugal, Spain, UK, USA, Malta, and the Netherlands.

The consolidated financial statements of the Bank are prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as adopted for use in the European Union ("EU") in force as at 31 December of 2024, as established in Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July, and in Banco de Portugal Notice no. 5/2015, of 7 December.

During 2024, as described in Note 3, the Group adopted the amendments to existing standards issued by the IASB and endorsed by the EU with mandatory application in this financial year, having opted not to early adopt those not mandatory in 2024. The accounting policies were applied consistently in all the entities of the Group and are consistent with those used in the preparation of the financial statements of the previous financial year.

These financial statements are stated in thousands of Euros ("€ thousand") rounded to the nearest thousand, except where otherwise mentioned, and have been prepared under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, hedging and trading derivative financial instruments and hedged assets and liabilities, in respect of the hedged component.

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates and assumptions. The areas involving a greater level of judgement or complexity are analysed in Note 4.

These financial statements were approved for issue by the Board of Directors on 26 March 2025 and will be submitted to approval by the Shareholders' General Meeting, which has the power to alter them. The Board of Directors believes these will be approved without significant changes.

The Group adopted, whenever applicable, a financial statement structure convergent with the guidelines of the Implementing Regulation (EU) 2017/1443, of 29 June 2017.

2. Material accounting policies

2.1 Bases of consolidation

These consolidated financial statements reflect the assets, liabilities, results and comprehensive income of Banco Finantia and its subsidiaries (the "Group").

All Group companies have consistently applied the accounting policies.

Investments (financial shareholdings) in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercises control. According to the requirements of IFRS 10 - Consolidated Financial Statements - the Group exercises control when it is exposed to or has rights over the variable returns of an entity, as a result of its involvement with the entity, and has the ability of affecting those variable returns due to its power to affect the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The accumulated losses of a subsidiary are proportionally attributable to non-controlling interests, which might imply the recognition of negative non-controlling interests.

In a business combination achieved in stages (step acquisition) where control is obtained, any previously held non-controlling interest is remeasured to fair value and the resulting gain or loss recognized in the income statement when determining the respective goodwill. At the time of a partial sale, which results in a loss of control of a subsidiary, any remaining non-controlling interest retained is remeasured to fair value at the date the control is lost, and the resulting gain or loss is recognized in the income statement. The amount of the initial recognition of the remaining investments corresponds to the amount determined on the prior revaluation.

Any amounts previously recognized in other comprehensive income regarding ex-subsidiaries are reclassified to profit or loss, as if the Group has sold or liquidated the respective assets and liabilities.

The Group structure is presented in Note 30.

Investments (financial shareholdings) in foreign subsidiaries and associates – translation of balances and transactions in foreign currency

The financial statements of each of the Group's subsidiaries and associates are prepared according to the currency used in the economic environment in which they operate (denominated "functional currency"). In the consolidated financial statements of the Group, the results and financial position of each subsidiary are stated in Euros, which is the Banco Finantia Group's functional currency.

In the consolidated financial statements, the assets and liabilities of entities with a functional currency different from the Euro are translated using the closing rate, while income and expenses are translated at the average rate for the year. The foreign exchange variations resulting under this method, are recognized in the caption "Other reserves" in shareholders' equity, with the respective balance being transferred to the income statement on the partial or total disposal of the Group entity, provided such disposal results in the loss of control over same.

Balances and transactions eliminated on consolidation

Inter-company balances and transactions, including any unrealized gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements, unless unrealized losses provide evidence of an impairment loss that should be recognized in the consolidated financial statements.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transactions provide evidence of impairment.

2.2. Financial instruments

2.2.1. Financial assets

2.2.1.1. Classification, initial recognition and subsequent measurement

The Group classifies all financial assets, for measurement purposes, in one of the following categories:

1) Financial assets at amortized cost;

2) Financial assets at fair value through other comprehensive income (FVOCI); and

3) Financial assets at fair value through profit or loss.

To determine the classification and subsequent measurement, all financial assets, other than equity instruments and derivatives, are analysed based, simultaneously:

a) on the entity's business model to manage financial assets; and

b) on the contractual characteristics in terms of cash flows of the financial asset (SPPI – "Solely Payments of Principal and Interest").

Business model

According to IFRS 9, the business model reflects the way an entity manages its financial assets to achieve its business objectives, whether through the receipt of contractual cash flows, the sale of financial assets or both.

The standard identifies the following business models:

i) "Hold to collect" (HTC) – (Financial assets at amortized cost): a business model whereby financial assets are managed to collect contractual cash flows only through the receipt of capital and interest over the life of the instrument.

ii) "Hold to collect and sell" (HTCS) – (Financial assets at fair value through other comprehensive income): the objectives of the business model are achieved either by collecting contractual cash flows and/or by selling said financial instruments.

iii) "Trading" – (Financial assets at fair value through profit or loss): this business model caters for the remaining financial instruments that are managed in a fair value perspective or that are not included in the previous categories.

Business model evaluation for the management of financial assets

The evaluation of the business model is determined so that it reflects the manner in which a set of financial assets are managed to achieve a business objective, not being, therefore, determined on an individual basis according to a specific asset, but rather for a set of assets, taking into account the frequency, value, timing of sales in previous years, the reasons for such sales and expectations regarding future sales. Sales may be compatible with the purpose of holding financial assets to collect contractual cash flows when same are made near the maturity date of the financial assets and the sales proceeds approach the value of the collection of the remaining contractual cash flows. Sales motivated by a significant increase in credit or to manage concentration risk, among others, may also, according to IFRS 9, be compatible with the model of holding assets to receive contractual cash flows (HTC). The Group considers that sales of financial instruments may occur as long as they are infrequent or of insignificant value, i.e., whenever the number of such sales is annually equal to or less than 10% of the monthly average of the number of securities classified under the HTC business model throughout the year and their total amount does not exceed 10% of the total nominal value of the instruments classified in this business model.

Evaluation of the characteristics of the cash flows of financial assets (SPPI)

For the instruments to be allocated to the "Hold to collect" or "Hold to collect and sell" business models, the contractual terms of the financial asset shall have to give rise, at defined dates, to cash which represents only principal repayments and interest payments on the outstanding principal, denominated the SPPI test.

Principal and interest are as follows:

1) Principal - Corresponds to the fair value of the asset on the initial recognition. This value may vary over time depending on whether amounts are transferred by the instrument holder;

2) Interest - interest shall consider the following aspects: (i) time value of money and credit risk; (ii) other types of credit risk (e.g., liquidity risk); (iii) other associated costs; and (iv) a profit margin.

Regardless of the underlying business model, in the event the instrument does not meet the SPPI criteria mentioned above, it may not be classified at amortized cost or at fair value through other comprehensive income.

Thus, the Group assesses the compliance with the SPPI criteria in respect of the financial instruments acquired. In this assessment, consideration is given to the original contractual terms of the agreement, as well as to the existence of situations in which the contractual terms may modify the periodicity and amount of the cash flows such that they do not meet the SPPI conditions.

A prepayment is consistent with the SPPI criterion if: i) the financial asset is acquired or originated with a discount premium in relation to the contractual nominal value; (ii) the prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (this may a include reasonable compensation for prepayment); and iii) the fair value of the prepayment is materially insignificant on the initial recognition.

2.2.1.1.1. Financial assets at amortized cost (HTC)

Classification

A financial asset is classified in the category of "financial assets at amortized cost" if it meets all the following conditions:

i) the asset is held in a business model which main purpose is the holding to collect its contractual cash flows (HTC); and

ii) its contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding principal (SPPI).

This category includes due by banks, loans and advances to customers, loans and debt instruments managed based on the HTC business model and that meet the SPPI conditions.

Initial recognition and subsequent measurement

Due by banks and loans and advances to customers are recognized on the date the funds are made available to the counterparty ("settlement date"). Debt instruments are recognized on the trade date.

Financial assets at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost. In addition, these financial assets are subject, from their initial recognition to the determination of impairment losses for expected credit losses (Note 6), which are recognized against the caption "Impairment of financial assets at amortized cost".

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

Classification

A financial asset is classified in the category of "financial assets at fair value through other comprehensive income" if it meets all the following conditions:

i) the asset is held in a business model which purpose is the collection of its contractual cash flows and/or the sale of that financial asset; and

ii) its contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding principal (SPPI).

This category includes debt instruments as well as loans and advances to customers, managed based on the HTCS business model and that meet the SPPI conditions.

Initial recognition and subsequent measurement

Debt instruments are recognized on the trade date.

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus transaction costs, and subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific caption of the income statement designated "Gains or losses on derecognition of financial assets measured at fair value through other comprehensive income". Foreign exchange variations are recognized in the income statement, in the case of monetary assets, and in other comprehensive income, in the case of non-monetary assets.

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition to the determination of impairment losses for expected credit losses (Note 6). Estimated impairment losses are recognized in the income statement, in the caption "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognized in the caption "Interest and similar income" based on the effective interest rate method and in accordance with the criteria described in Note 2.3.

2.2.1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category of "financial assets at fair value through profit or loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows does not comply with the SPPI conditions to be measured at amortized cost, or at fair value through other comprehensive income.

The Group classified financial assets at fair value through profit or loss in the following captions:

i) "financial assets held for trading": financial assets classified under this heading are acquired with the purpose of being sold in the short term; at the time of the initial recognition they are included in a portfolio of financial assets identified and jointly managed for which there is evidence of recent actions with the objective of obtaining gains in the short term; or are derivative instruments that do not meet the definition of financial guarantee or that have not been designated as hedging instruments;

ii) "financial assets not held for trading mandatorily at fair value through profit or loss": financial assets classified under this caption are instruments which contractual cash flows do not correspond solely to the repayments of principal and payments of interest on the principal outstanding (SPPI).

Initial recognition and subsequent measurement

Financial assets at fair value through profit or loss are initially recognized at their fair value, with the costs or income associated with the transactions being recognized immediately in the income statement at the initial moment. Subsequent changes in fair value are recognized in the income statement under "Gains or losses on financial assets and liabilities held for trading" (Note 19).

Interest, premiums or discounts of financial assets at fair value through profit or loss are recognized in the income statement in the caption "Interest and similar income" in accordance with the criteria described in Note 2.3. Dividends are recognized in income when the right to receive them is attributed.

Trading derivatives with a positive fair value are recognized under "Financial assets at fair value through profit or loss" and trading derivatives with a negative fair value are recognized under "Financial liabilities held for trading".

The Group may, at initial recognition, irrevocably record a financial asset as measured at fair value through profit or loss, if it considers that, in doing so, it eliminates or significantly reduces an incoherence in the measurement or recognition that would otherwise result from the measurement of assets or liabilities or the recognition of gains and losses on same on different bases.

2.2.1.2. Reclassification between categories of financial assets

Financial assets are reclassified to other categories only if the business model used in their management changes. According to IFRS 9, changes in the business model occur very infrequently. However, if they occur, all financial assets affected are reclassified prospectively at the date of reclassification, and no gains, losses (including impairment losses) or previously recognized interest are restated.

Between 1 January 2023 and 31 December 2024, no reclassifications were made between financial asset categories.

2.2.1.3. Modification and derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows resulting from the instrument expire or it substantially transfers all the risks and rewards of ownership of the financial asset in accordance with the derecognition requirements set forth in IFRS 9.

Financial assets written off

The Group writes off financial assets in the period in which it is considered irrecoverable in whole or in part, with the gross carrying amount of a financial asset being reduced by the amount of such annulment and coming to represent the estimated recovery amount.

2.2.1.4. Financial assets purchased or originated with credit impairment

Financial assets purchased or originated with credit impairment (POCI) represent assets which credit losses have already occurred before they were acquired or originated by the Group. It is understood that an asset is impaired if one or more events that have occurred have a negative impact on the estimated future cash flows of the asset.

On the initial recognition, the POCI have no associated impairment, because the expected credit losses over the lifetime are incorporated in the calculation of the effective interest rate adjusted to the credit risk. In this context, on the initial recognition of this type of asset, the gross book value of the POCI (acquisition cost) is equal to its carrying value before being recognized as POCI, that is, the difference between the initial balance and the total discounted cash flows.

Securities considered as POCI are measured at amortized cost and the respective interest is recognized in the income statement in the caption “Interest and similar income”.

The expected losses for POCI assets are always measured as expected losses over the lifetime of the instrument. However, the amount recognized as a loss for these assets is not the estimated loss over the life of the instrument, but rather the absolute changes in the amounts receivable compared with the initially estimated amounts. Favourable changes are recognized as impairment gains, even if those gains are greater than the amount previously recognized in the income statement as an impairment loss.

Financial assets considered as POCI are considered “impaired”, being monitored and analysed individually to monitor if the expected cash flows correspond to those initially defined.

2.2.1.5. Impairment of financial assets

2.2.1.5.1. Financial instruments subject to impairment losses

The requirements of IFRS 9 determine that the recognition of expected losses, whether assessed on an individual or collective basis, consider all reasonable, reliable and reasoned information that is available on each reporting date, including information in a forward-looking perspective.

The Group recognizes impairment losses for financial assets measured at amortized cost and at fair value through other comprehensive income, as well as for other exposures that have an associated credit risk, such as bank guarantees and irrevocable commitments (Note 2.17).

Impairment losses on financial assets measured at amortized cost reduce the balance sheet value of those assets against the income statement caption: “Impairment and Provisions”.

Impairment losses on financial assets at fair value through other comprehensive income do not decrease the balance sheet value of these assets which remain at fair value. Instead, the expected credit losses of these assets are recognized in the income statement, in the caption “Impairment or reversal of impairment”, against the caption “Other accumulated comprehensive income” in shareholders’ equity.

Impairment losses on exposures associated with credit commitments and bank guarantees (Note 14) are recognized in liabilities in the caption “Provisions and other liabilities” against the caption “Impairment and Provisions” in the income statement.

2.2.1.5.2. Impairment model

IFRS 9 has an underlying prospective expected credit loss model (ECL), which considers the expected losses throughout the life of the financial instruments.

The ECL corresponds to the weighted average of the credit losses, using as weighting factor the probability of occurrence of default events. A credit loss is the difference between the cash flows due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

Impairment is measured as:

1) 12 month expected credit losses – expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date. It does not represent the loss of expected cash flows over the next 12 months, instead it is the effect of any credit loss on an asset weighted by the likelihood that such loss will occur in the next 12 months;

2) Lifetime expected credit losses – expected losses that may occur from a default event over the life of a financial instrument. As the expected credit losses consider the amounts and the payment periods, the credit loss also occurs when there is a considerable delay in payments, even when the entity estimates the full receipt of the amounts. The ECL over the lifetime of the instrument represents the expected credit losses that result from all possible default events over the life of the financial instrument. The lifetime of the instrument is understood as the maximum contractual period during which the Group is exposed to the credit risk related to that operation.

According to IFRS 9, the transition from 12 month expected credit losses to lifetime expected credit losses is based on the concept of a significant increase in credit risk (SICR, Note 2.2.1.5.3.) for the remaining life of the asset when compared with the credit risk at the time of its acquisition / origination.

In this context, the determination of impairment is based on the classification of the instruments into 3 stages, considering the changes in the credit risk of the financial asset since its initial recognition. The stages are defined as follows:

1) Stage 1: all operations for which there is no significant increase in credit risk since their initial recognition or that have a low credit risk at the reporting date are classified in this stage. For these assets, 12 month expected credit losses are recognized, and interest receivable is calculated on the gross book value of the asset using the effective interest rate method;

2) Stage 2: all operations in which there is a significant increase in credit risk since their initial recognition but do not, at the reporting date, evidence impairment (Note 2.2.1.5.4) are classified in this stage. For these assets, the credit loss recognized is that expected over the lifetime of the instrument, but the interest receivable is calculated on the gross book value of the asset using the effective interest rate method;

3) Stage 3: includes instruments that present evidence of impairment at the reporting date (Note 2.2.1.5.4). For these assets, the credit loss recognized is that expected over the lifetime of the asset and the interest receivable is calculated on the gross book value net of the provision for credit, using the effective interest rate method.

The Group applies curing periods for financial instruments in respect of which the criteria that materialize a significant increase in credit risk are no longer met, which lead to their classification in stage 2, namely a curing period of at least 3 months for its classification back to stage 1.

In the case of instruments classified in stage 3, they can only be transferred to stage 2 if the following conditions are met: i) the debtor is compliant for a minimum period of 3 months; ii) there is no indication that the debtor is unable to fulfil his / her / its responsibilities; and iii) the debtor does not present any amount overdue for more than 90 days. Except for rare and duly justified exceptions, direct transfers to stage 1 of financial instruments classified in stage 3 are not contemplated.

2.2.1.5.3. Significant increase in credit risk (SICR))

The significant increase in credit risk (SICR) is determined according to a set of both quantitative and qualitative criteria.

Several approaches may be used to assess whether there has been a significant increase in credit risk, but the following elements should always be considered:

1) The change in the risk of non-compliance since the initial recognition;

2) The expected life of the instrument; and

3) Adequate support information that is available at no cost or significant effort, which may affect credit risk.

The main criteria used by the Group to assess whether there is a significant increase in credit risk are based, among others, on the following indications: i) the existence of arrears in the payment of principal and/or interest in excess of 30 days; ii) a negative evolution of the external rating attributed to the issuer, based on the limits established internally based on a rating migration matrix; iii) significant negative fair value changes in portfolio instruments observed in the market; iv) the existence of depreciative market information; v) potential breach of covenants; and vi) restructuring or operational reorganization processes.

Whenever any of the referred indications are identified, an analysis process is triggered internally, to determine the causes and the impacts of the indication identified, to conclude as to whether there is a significant increase in credit risk that requires the preparation of an individual impairment analysis.

The credit risk of a financial instrument is assessed without considering its collateral; this means that a financial instrument may not be considered as having a low credit risk simply because this is mitigated by its collateral. The collateral is only considered for the calculation of its recoverable amount.

2.2.1.5.4. Definition of default and of impairment

All instruments that show a default (delay) of more than 90 days in the payment of principal or interest, regardless of the amount owed, are considered in default. In addition, the following events are considered indicators of default (objective signs of impairment), among others:

a) customers declared insolvent;

b) customers subject to recovery through a judicial process;

c) customers with operations restructured due to financial difficulties;

d) customers that register recidivism of operations restructured due to financial difficulties within a period of 24 months as from the de-marking of the default, resulting from the previous restructuring. If no default resulted from the previous restructuring, the 24 months count from the restructuring prior to that;

e) customers with significant delays in payments to other creditors;

f) customers with breach of some of the contractual covenants.

g) the customer was evaluated, and it is considered that there is a low probability of full compliance with the respective credit obligations without the execution of the guarantees, regardless of the existence of any past due amount or of the number of days in arrears.

2.2.1.5.5. Measurement of expected credit losses (ECL)

All financial instruments subject to impairment losses (Note 2.2.1.5.1) are considered under the expected credit loss measurement model (ECL).

The ECL model considers as inputs: i) information for the construction of future cash flows; ii) information regarding the stage of the instrument (Note *2.2.1.5.2*); and iii) forward-looking and point-in-time information on the expected loss.

The future cash flows as well as the “Exposure at Default” (EAD) of each financial instrument are calculated based on contractual and system information, namely, maturity date, coupon periodicity, coupon rate and amortized cost.

The EAD represents the expected exposure if the exposure enters default. The Group derives the EAD values from the counterparty's current exposure and from potential changes to its current value as a result of contractual conditions, including amortizations and prepayments.

The expected forward-looking and point-in-time loss is determined based on the market-based curve spreads considered for each instrument, which have subjacent a set of possible scenarios considered by the market participants. The methodology developed by the Group is based on the construction of the temporal structure of the “Probability of Default” (PD) implicit in the market curves, in this manner incorporating forward-looking and point-in-time information, given that it reflects the current economic environment as well as future market expectations. This information is made available by entity or segmented based on currency, economic sector and rating. If a specific curve is not available for the instrument, a generic curve is assigned according to the asset segment analysed.

The “Loss Given Default” (LGD) rate corresponds to the percentage of debt that will not be recovered in the event of customer default. The calculation of the LGD is made based on internal historical and market information, considering the cash flows associated with the contracts from the moment of default until their settlement or until there are no relevant recovery expectations.

The Group has IT tools that support the calculation and management of the parameters considered in the ECL model for almost the entire credit portfolio and for the main risk segments. These tools are integrated in the monitoring and risk management process and are developed and calibrated according to the experience and strategy adopted.

Estimates of expected credit losses - Individual analysis (bond and loan portfolio)

All instruments that are classified as stage 1 with potential signs of impairment are subject to individual analysis so as to determine whether or not there is a significant increase in credit risk and, consequently, whether the instrument should be transferred to stage 2 or stage 3.

Instruments classified in stage 2 and stage 3 are monitored regularly through individual impairment analyses with a minimum annual (stage 2) and half-yearly (stage 3) periodicity.

Other credit operations - Estimates of expected credit losses - Collective analysis

Operations that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis.

The Group has a specialized credit portfolio, which results from the company Sofinloc's activity and is related to car loans, operating and finance lease agreements. The granting of this type of credit was discontinued in 2012-2013 and this is currently a residual portfolio in which most of the contracts are past due.

This portfolio is recorded in the caption "Financial assets at amortized cost - Other credit operations" (Note 6).

The expected credit losses are estimates of credit losses that are determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;

- Financial assets with signs of impairment at the reporting date: the difference between the gross accounting value and the present value of the estimated cash flows.

The main inputs used to measure the expected credit losses on a collective basis include the following variables:

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

These parameters are obtained through internal statistical models and from other relevant historical data, considering market information including the specific yield curves of the entities or, in their absence, general curves considering factors such as the rating, currency, economic sector and country risk of the entity analysed.

2.2.2. Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be made through the delivery of money or another financial asset, regardless of its legal form.

A financial liability (or a part of a financial liability) is removed from the balance sheet when, and only when, it is extinguished - that is, when the obligation specified in the agreement is satisfied or cancelled or expires. Reclassifications of financial liabilities are not permitted.

At the time of their initial recognition, financial liabilities are classified into one of the following categories: i) Financial liabilities held for trading or ii) Financial liabilities at amortized cost.

2.2.2.1. Financial liabilities held for trading

In this caption are classified the liabilities issued with the objective of repurchase in the short term, those that are part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of short-term profit taking or those that fall within the definition of derivative (except in the case of a derivative classified as a hedge).

Derivative financial liabilities and short positions are recognized at fair value on the balance sheet. Gains and losses arising on changes in the fair value of these instruments are recognized directly in the income statement in financial operations.

2.2.2.2. Financial liabilities at amortized cost

Non-derivative financial liabilities are classified under this caption, and include “securities sold under repurchase agreements”, “due to banks”, “due to customers” and “debt instruments”.

These liabilities are (i) initially recorded at their fair value, plus transaction costs incurred and (ii) subsequently measured at amortized cost, based on the effective interest rate method.

Interest on financial liabilities at amortized cost is recognized in the caption “Interest expense and similar charges”, based on the effective interest rate method.

2.2.3. Derivative financial instruments and hedge accounting

The Group applies the provisions of IFRS 9 in relation to hedge accounting requirements in order to promote greater alignment of the requirements inherent in the application of hedge accounting with its risk management.

The Group designates derivatives and other financial instruments to hedge interest rate risk and foreign exchange risk arising from financing and investing activities. Derivatives that do not qualify for hedge accounting are recorded as financial assets or liabilities held for trading, under the caption “Financial assets / liabilities at fair value through profit or loss” (Note 2.2.1.1.3).

Derivative financial instruments are recognized on the trade date at their fair value. Subsequently, the fair value of derivative financial instruments is revalued on a regular basis, and gains or losses are recorded directly in results for the period in financial operations, except in respect of hedging derivatives. Recognition of fair value changes in hedging derivatives depends on the nature of the hedged risk and the hedging model used.

The fair value of derivative financial instruments corresponds to their market value, when available, or is determined based on valuation techniques, including discounted cash flows and option valuation models, as appropriate.

Hedge accounting

The derivative financial instruments used for hedging purposes are classified as hedging instruments provided that they cumulatively meet the following conditions:

(i) Existence of an economic relationship between the hedged element and the hedging instrument;

(ii) The effects inherent in the evolution of credit risk may not dominate the changes in value resulting from this relationship; and

(iii) Establishment of a hedging ratio between hedged and hedging items that is equivalent to that actually applied by the institution in the management of the economic hedges that are intended to be replicated.

At the inception of the hedging relationship, the Group prepares formal documentation regarding the hedging relationship and the risk management objective and strategy for effecting the hedge. This documentation included the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the method of assessing the hedging relationship, in particular whether it satisfies the hedge effectiveness requirements (including the analysis of the sources of hedge ineffectiveness and the determination of the hedge ratio).

The application of hedge accounting is optional; however, it may not be discontinued while the requirements for its application continue to be verified.

The use of derivatives is framed in the Group's risk management strategy and objectives, namely:

- *Fair value hedge*

In a fair value hedge, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk, in the caption “Gains or losses from hedge accounting” (Note 19).

Fair value hedges consist of contracting interest rate derivatives, in which a fixed rate is paid and a variable reference rate is received, and which are used to prevent changes in the fair value of fixed rate debt instruments, measured at amortized cost or fair value through other comprehensive income, related to fluctuations in the market interest rate, with the objective of preventing exposure to fluctuations in the market interest rate.

The hedging relationship is structured by defining a portion, or all, of a fixed-rate debt instrument, measured at amortized cost or fair value through other comprehensive income, which will be hedged by a portion of a specific interest rate derivative (micro hedge).

The Group continually assesses whether hedging relationships meet hedging effectiveness requirements. At a minimum, an ongoing assessment is performed at each reporting date or upon a significant change in circumstances affecting the coverage effectiveness requirements, whichever occurs first.

The Group performs prospective effectiveness tests to assess whether the hedging relationship satisfies the hedge effectiveness requirements and retrospective effectiveness tests to measure the effectiveness of these same hedging relationships, demonstrating that changes in the fair value of the hedged element attributable to the hedged risk are covered by changes in the fair value of the hedging instrument.

Even if a fair value hedge meets the established hedge effectiveness requirements, it may not be perfectly effective. Any ineffectiveness is recognized in the income statement for the current period, namely under the caption "Gains or losses from hedge accounting". The ineffectiveness of fair value hedging may result from differences between the terms and conditions of the hedged element and the hedging instrument, such as indexes, coupon dates, index reset dates and maturity dates; and the credit risk associated with the hedging instrument (own or counterparty's) and the hedged element.

When a hedging instrument terminates or is early-terminated, or when the hedging no longer meets the criteria required for hedge accounting or the effect of the credit risk dominates the fair value fluctuations, the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively, with the hedged assets and liabilities ceasing to be adjusted for changes in their fair value.

Accumulated gains or losses from changes in the fair value of the hedged element attributable to the hedged risk up to the date of discontinuation of the hedge are amortized through gains or losses from financial operations, under the caption "Gains or losses from hedge accounting" (Note 19), for the remaining term of the hedged element.

When the hedged element is sold or settled, all accumulated gains and losses from changes in fair value attributable to the hedged risk are recognized in profit or loss for the year, under "Gains or losses on derecognition of financial assets measured at fair value through other comprehensive income" or under "Gains or losses on derecognition of financial assets measured at amortized cost" (Note 19), and the derivative financial instrument is transferred to the trading portfolio.

- *Net investment hedging in a foreign operational unit*

When a derivative (or a non-derivative financial liability) is designated as a hedging instrument in the hedging of a net investment in a foreign operational unit, the effective portion of the fair value variation is recognized directly in equity, in foreign exchange reserves (other comprehensive income).

Any non-effective part of this relationship is recognized in profit or loss. The gain or loss resulting from the hedging instrument related to the effective portion of the hedge that has been recognized in other comprehensive income (foreign exchange reserves) is reclassified from equity to the income statement as a reclassification adjustment on the full or partial disposal of the foreign operational unit.

2.3. Interest recognition

Interest income and expense are recognized in the income statement under interest and similar income or interest expense and similar charges for all financial instruments measured at amortized cost and for financial assets at fair value through other comprehensive income, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with instruments classified in stage 1 or 2 is calculated by applying the effective interest rate of each contract on its gross balance sheet value. The gross balance sheet value of an instrument is its amortized cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognized in the income statement based on its net balance sheet value (net of impairment).

The interest recognition is always made prospectively, and for financial assets that enter stage 3, interest is recognized on the amortized cost (net of impairment) in subsequent periods. When a stage 3 financial asset enters a "curing" period, that is, when the necessary conditions are met so that the financial asset is no longer considered to be impaired, the recovered overdue interest is recognized as an impairment reversal instead of interest.

For financial instruments originated or acquired with credit impairment (POCI), the effective interest rate reflects the expected credit losses in the determination of the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk and credit related derivatives, the interest component of the changes in their fair value is not separated out and is classified under financial assets and liabilities at fair value through profit or loss. For hedging derivatives of interest rate risk and credit related derivatives, the interest component of the changes in their fair value is recognized under interest and similar income or interest expense and similar charges.

2.4. Dividend income

Dividend income is recognized when the right to receive its payment is established.

2.5. Fee and commission income and expenses

Fee and commission income and expenses are recognized as follows: (i) fees and commissions that are earned or incurred on the execution of a significant act, such as loan syndication fees, are recognized in profit or loss when the significant act has been completed; (ii) fees and commissions earned or incurred over the period during which services are provided are recognized in profit or loss in the period the services are provided; and (iii) fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognized in profit or loss using the effective interest rate method.

2.6. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the foreign exchange rates ruling at the balance sheet date. Foreign exchange variations arising on this translation are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Euros at the foreign exchange rates ruling on the dates the fair value was determined.

Exchange differences related to hedging of investments in foreign operational units or other items recognized in other comprehensive income are also recognized in other comprehensive income.

Changes in financial assets at fair value through other comprehensive income are divided between changes in fair value, and other changes the instrument may undergo. The prior should be recognized in other comprehensive income and the latter in profit or loss.

2.7. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the holding company by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the impact of all potential dilutive ordinary shares, such as convertible debt and share options granted to employees. The dilutive effect translates into a decrease in earnings per share, resulting from the assumption that the convertible instruments are converted and that options granted are exercised.

The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for events, other than the conversion of potential ordinary shares, which have altered the number of ordinary shares outstanding without the corresponding changes in resources.

2.8. Fair value of financial instruments

IFRS 13 defines fair value as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions and assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. Also, according to IFRS 13, an entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests. Therefore, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

On this basis, the fair value of a financial instrument is the amount at which the instrument could be exchanged in an ordered transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

Fair value of financial instruments in the bonds and loans and advances portfolio

Fair value is obtained based on quoted market prices or prices of financial intermediaries in active markets, corresponding to the current purchase price (bid-price), when available. In its absence, or when it is verified that the available prices are not representative of ordered transactions in an active market, the fair value is based on observable market data considered relevant, namely, but not exclusively: rates, prices, yield curves, volatilities, spreads, correlations or another source of information considered adequate to assess current market conditions or, in their absence and/or impossibility, using valuation techniques. These valuation techniques include discounted future cash flow methodologies considering available observable market data, customized to reflect the particularities and circumstances of the instrument, and maximizing the use of observable and representative data of current market conditions, as well as assumptions that other market participants would use in the valuation of assets.

These valuation techniques are limited to the use of relevant observable data, excluding the use of unobservable market data, so the need for fair value adjustments by model risk, market uncertainty or others that mitigate the uncertainty in the definition of fair value and that ensure that the valuation methodology provides representative estimates of fair value, is low or non-existent.

The definition of the circumstances and criteria that identify the need to resort to the use of alternative valuation techniques, namely due to the lack of orderly transactions in the market representing the fair value of financial instruments, is based on a framework for the daily monitoring of market conditions, including, among others, metrics for assessing liquidity and market depth.

Fair value of derivative financial instruments

Fair value is based on market quotations when available and, in their absence, is determined based on the use of prices of recent, similar transactions carried out under market conditions or based on valuation techniques, namely discounted future cash flow methodologies considering market conditions, the effect of time, the yield curve and volatility factors, when applicable.

For the derivative financial instruments, the credit and counterpart risks (DVA and CVA) are also analysed and, if material, are considered in the determination of the fair value of those instruments. As at 31 December 2024 and 2023, since the DVA and the CVA presented immaterial amounts, they were not considered in the fair value of these instruments.

2.9. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. This legally enforceable right may not be dependent on any future event and should be enforceable in the regular activity of the Finantia Group, as well as in the event of default, bankruptcy or insolvency of the Group or the counterparty.

2.10. Purchase / sale operations under resale / repurchase agreements

Purchase operations under resale agreements (“reverse repos”)

Securities purchased under resale agreements (“reverse repos”) at a fixed price or at the purchase price plus a lender’s return are not recognized in the balance sheet, with the purchase price paid being recorded as financial assets at amortized cost – due from banks or loans and advances to customers, as appropriate. The difference between the purchase and the resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method and recognized in the income statement in the caption “Interest and similar income”.

Securities sold under repurchase agreements (“repos”)

Securities sold under repurchase agreements (“repos”) at a fixed price or at the sales price plus a lender’s return are not derecognized from the balance sheet. The corresponding liability is included in financial liabilities at amortized cost – securities sold under repurchase agreements (“repos”). The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method and recognized in the income statement in the caption “Interest expense and similar charges”.

Securities lent under lending agreements are not derecognized from the balance sheet, being classified and measured in accordance with the accounting policy described in Note 2.2.1. Securities borrowed under borrowing agreements are not recognized in the balance sheet.

Securities received or given in guarantee in purchase operations under resale agreements (“reverse repos”) and in sales operations under repurchase agreements (“repos”) are disclosed as off-balance sheet items.

2.11. Tangible assets and investment properties

The Group’s tangible assets are stated at cost less accumulated depreciation and impairment losses, if any. Additions and subsequent expenditures are added to the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Costs incurred in the process of dismantling and removing installed assets on third party property are considered as part of the initial cost of the respective asset, when the amount is significant and reliably measurable.

Depreciation is calculated on the straight-line method at the following rates which reflect their estimated useful lives, and are reviewed at each reporting date:

Buildings:	50 years
Furniture and equipment:	5 to 10 years
IT equipment:	3 to 4 years
Furnishings:	10 years
Motor vehicles:	3 to 6 years
Other assets:	4 to 10 years

Land is not depreciated.

When there is an indication that an asset may be impaired, its recoverable amount is estimated, and an impairment loss is recognized when the carrying value of the asset exceeds its recoverable amount. Impairment losses are recognized in the income statement, being reversed in future years, when the reasons that caused the initial recognition cease to exist. In that situation, the new depreciated amount shall not be greater than the one that would result if impairment losses had not been recognized on the asset, considering the depreciation the asset would have undergone.

The recoverable amount is determined as the higher of its net selling price and value in use, which is based on the net present value of the future cash flows arising from the continued use and ultimate disposal of the asset at the end of its useful life.

Buildings classified as investment properties relate to rented buildings owned by the Group, which are measured and depreciated similarly to the tangible assets.

2.12. Leases

In accordance with the provisions set out in IFRS 16, the Group chose not to apply this standard to short-term lease agreements (less than or equal to 12 months) and to lease agreements in which the underlying asset has a reduced value, considering the amount of Euros 5 thousand for this purpose. In addition, the Group also exercised the option foreseen of not applying this standard to leases of intangible assets (IAS 38) and also opted for the practical expedient provided for in the standard of not re-assessing whether a contract is, or contains, a lease under the new lease definition.

IFRS 16 implies the recognition in the Group's financial statements of:

a) in the income statement: i) the interest cost related to lease liabilities in the caption “Other interest and similar expense”; ii) the cost of the amounts relating to short-term lease agreements and lease agreements of low-value assets in the caption “Other administrative expenses”; and iii) the depreciation cost of assets under right of use in the caption “Depreciation and amortization”.

b) in the balance sheet: i) the assets under right of use in the caption “Other tangible assets” and ii) the lease liabilities in the caption “Other liabilities”.

c) in the statement of cash flows: i) the amounts related to short-term lease agreements and lease agreements of low-value assets in the caption “Cash flows from operating activities - Cash payments to staff and suppliers” and ii) the amounts related to payments of the principal of the lease liability in the caption “Change in operating liabilities - Other operating liabilities”.

Definition of lease

The Group assesses whether a contract is or contains a lease in accordance with the requirements set out in IFRS 16 - Leases, namely and based on the following definition: a contract is, or contains, a lease if it includes the right to control the use of an identified asset for a certain period, in exchange for compensation.

Lessee

The Group recognizes for all leases, except for short-term leases (less than or equal to 12 months) or leases in which the underlying asset has a reduced in value:

i) an asset under right of use, initially measured at cost, considering the net present value of the lease liability, plus payments made (fixed or variable) less any lease incentives received, penalties for termination, as well as any direct costs of dismantling or restoration, when there is an obligation to bear them. Subsequently, the asset is amortized on a straight-line basis in accordance with the respective contractual term and subject to impairment tests (IAS 36).

ii) a lease liability, initially measured at the present value of the future cash flows of the lease not yet realized on that date, using as the discount rate, the interest rate that the lessee would obtain on contracting, with a similar term and guarantee, the funds necessary to obtain an asset of equivalent value to the asset under right of use in a similar economic context. Subsequently, the liability is valued at amortized cost using the effective interest rate method and is revalued (with the corresponding adjustment to the related asset under right of use) when there is a change in the future payments in the event of negotiations, changes in the index or rate in in the event of a new assessment of the contract options.

Given the impossibility of easily determining the interest rate implicit in the lease, lease payments are discounted according to the lessee's incremental financing interest rate, which is the Group's average financing rate.

Lessor

When the Bank acts as lessor, it determines, at the beginning of the agreement, whether it is a finance or an operating lease.

To classify each lease, the Bank globally assesses whether the lease transfers substantially all the risks and rewards inherent in the ownership of the underlying asset. If this is the case, the lease is a finance lease, if not, it is an operating lease. As part of this assessment, the Bank considers some indicators such as whether the lease comprises the largest part of the asset's economic life.

2.13. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, regardless of its legal form, and evidences a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognized under equity as a deduction from the proceeds. Consideration paid or received related to acquisitions or sales of equity instruments are recognized in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly against equity as dividends, when declared.

2.14. Treasury stock

On the acquisition of treasury stock (own shares), the consideration paid is deducted from equity, not being subject to revaluation. When such shares are subsequently sold, any gain or loss, including the respective taxes, are recognized directly in equity, not affecting the profit or loss for the financial year.

2.15. Income tax

Income tax for the period comprises current tax and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the tax expected to be paid on the taxable income for the year, calculated using tax rates and rules enacted or substantively enacted at the balance sheet date in each jurisdiction.

Deferred tax is determined using the balance sheet liability method, on the timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. It is calculated using the tax rates enacted or substantively enacted at the balance sheet date in each jurisdiction and that are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets and liabilities correspond to the amount of tax recoverable / payable in future periods resulting from timing differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available against which the deductible timing differences may be utilized.

Deferred tax assets and liabilities are not recognized for taxable timing differences associated with investments in subsidiaries and associates when the Group controls the timing difference reversals, and it is not probable that these will reverse in the future.

2.16. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances recorded in the statement of financial position with less than three months' maturity from the date of acquisition / contracting with an insignificant risk of change in fair value, including cash and deposits with banks. Cash and cash equivalents exclude restricted balances with central banks and collateral deposits.

2.17. Financial guarantee contracts and irrevocable commitments

Financial guarantee contracts and irrevocable commitments are initially recognized in the financial statements at fair value on the date the contract is issued.

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortizations, calculated so as to recognize in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date. Any increase in the liability relating to guarantees is taken to the income statement.

Any liability remaining is recognized in the income statement when the guarantee is derecognized.

3. Changes in accounting policies

3.1. Voluntary changes in accounting policies

During the period there were no voluntary accounting policy changes, when compared with those used in the preparation of the financial information related to the previous period, presented as comparatives.

3.2. New standards and interpretations applicable in the financial year with effects on the policies and disclosures adopted by the Group

On 1 January 2024, the Group applied the following issues, revisions, amendments and improvements of accounting standards and interpretations:

a) Amendments to IAS 1 - Classification of liabilities as current and non-current and Non-current liabilities with covenants

These amendments clarify the existing guidance in IAS 1 regarding the classification of financial liabilities as current and non-current, clarifying that the classification should be determined based on the right that an entity has to defer its payment, at the end of each reporting period.

In particular, the amendments (i) clarify the concept of 'settlement' by indicating 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 expectations (based on the existence or not of the right, disregarding any probability of exercising or not such right), or by events occurring after the reporting date, such as the breach of a covenant.

If the right to defer settlement for at least twelve months is subject to certain conditions being met 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 change is applicable retrospectively.

b) Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier financing arrangements

These amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosures aim to clarify the characteristics of a supplier financing arrangement and introduce additional disclosure requirements when such arrangements exist. The disclosure requirements are intended to assist users of financial statements in understanding the effects of supplier financing arrangements on the entity's liabilities, cash flows and liquidity risk exposure.

c) Amendments to IFRS 16 - Lease liabilities in sale and leaseback transactions

This amendment to IFRS 16 "Leases" introduces guidance in relation to the subsequent measurement of lease liabilities, relating to sale and leaseback transactions that qualify as a "sale" in accordance with the principles of IFRS 15, with greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or rate.

In subsequently measuring the lease liability, the seller-lessee shall determine the "lease payments" and "revised lease payments" in such a way that they do not recognize gains / (losses) in respect of the right of use they retain.

This change is applicable retrospectively.

These changes did not have a material impact on the Group's consolidated financial statements.

3.3. New standards and Interpretations applicable in future financial years already endorsed by the European Union

The Group did not proceed with the early application of any of these standards in the financial statements in the twelve-month period ended on 31 December 2024. No significant impacts on the financial statements resulting from their adoption are expected.

a) Amendments to IAS 21 - The effects of changes in exchange rates: Lack of exchangeability

This amendment aims to clarify how to assess the exchangeability of a currency, and how the exchange rate should be determined when it is not exchangeable for a long period.

The amendment specifies that a currency should be considered exchangeable when an entity is able to obtain the other currency within a period that allows normal administrative management, and through an exchange or market mechanism in which an exchange transaction creates rights and obligations capable of execution.

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 amendment also states that an entity may use an observable exchange rate without making any adjustment.

The changes are effective for the period beginning on or after 1 January 2025. Early adoption is permitted; however, the applicable transition requirements must be disclosed.

3.4. New standards and interpretations issued by the IASB but not yet endorsed by the European Union

These standard, interpretations, amendments and revisions with mandatory application in future economic periods, have not yet been endorsed by the European Union and, as such, have not been applied by the Group in the twelve-month period ended 31 December 2024. No significant impacts on the financial statements resulting from their adoption are expected.

a) Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments result essentially from the draft revision of IFRS 9 Financial Instruments (Post Implementation Review – PIR IFRS 9) and clarify the following aspects relating to financial instruments:

• Clarifies that a financial liability is derecognized on the "settlement date", that is, 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 derecognize a financial liability that is settled through an electronic payment system, before the settlement date, provided that certain conditions are met.

• Clarifies how an entity should assess the characteristics of contractual cash flows 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 the period beginning on or after 1 January 2026. Early adoption is permitted.

This amendment is applicable retrospectively. However, an entity is not required to restate the comparative period, and the potential impacts of applying this amendment are recognized in retained earnings in the period in which the amendment is applicable.

b) Amendments to IFRS 9 and IFRS 7 – Contracts negotiated with reference to electricity generated from renewable sources

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 regard, these changes 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 such contracts are used as hedging instruments.

The amendments are effective for annual periods beginning on 1 January 2026, with early application being permitted, except for the guidance relating to hedge accounting that must be applied prospectively to new hedging relationships so designated on or after the date of initial application.

c) IFRS 18 – Presentation and disclosure in financial statements

IFRS 18 replaces IAS 1 - Presentation of financial statements and appears in response to requests from investors seeking information regarding financial performance. With the introduction of the new IFRS 18 requirements, investors will have access to more transparent and comparable information on the financial performance of companies, thus aiming at better investment decisions.

IFRS 18 essentially introduces three sets of new requirements to improve the disclosure of financial performance:

- Income statement comparability: IFRS 18 introduces three defined categories for income and expenses – operating, investing 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 and making it easier to compare companies.

- Transparency of performance measures defined by Management: IFRS 18 requires additional information to be disclosed on the company's specific performance indicators related to the income statement, called performance measures defined by Management.

- Aggregation and disaggregation of items in financial statements: IFRS 18 establishes guidelines on how items in the income statement should be aggregated.

IFRS 18 comes into effect for financial periods beginning on or after 1 January 2027 and is applied retrospectively. Early adoption is permitted if the option is disclosed.

d) IFRS 19 – Subsidiaries not subject to public reporting of financial information: Disclosures

IFRS 19 allows eligible entities to prepare IFRS financial statements with more reduced disclosure requirements than those required by the general IFRS, while maintaining the obligation to apply all measurement and recognition requirements of IFRS.

The reduction in disclosures defined by IFRS 19 covers most IFRS standards. Entities that are considered eligible are: (i) subsidiaries of a group that prepares consolidated financial statements in accordance with IFRS for public presentation; and (ii) are not subject to the obligation to publicly provide financial information, because they do not have listed debt or equity securities, are not in the process of being listed, nor do they have as their main activity the safekeeping of assets in a fiduciary capacity.

IFRS 19 comes into effect for financial periods beginning on or after 1 January 2027 and its application is optional. Early application is permitted. Early adopting entities must disclose and align disclosures in the comparative period with those in the current period.

e) Annual improvements to IFRS (Volume 11)

Improvements are introduced cyclically to clarify and simplify the application of international standards, through small amendments considered non-urgent.

The main amendments included in this volume refer to the following standards:

• IFRS 1 (Hedge accounting in first-time adoption of IFRS standards);

• IFRS 7 (Gain or loss on derecognition);

• IFRS 7 (Implementation Guidelines);

• IFRS 9 (Derecognition of lease liabilities);

• IFRS 9 (Transaction pricing);

• IFRS 10 (Determination of ‘*de facto’* agent);

• IAS 7 (Cost method).

The amendments are effective for annual periods beginning 1 January 2026, with earlier application being permitted.

4. Main estimates and judgments used in the preparation of the financial statements

The IFRS establish a series of accounting treatments and requires the Board of Directors to make judgments and the necessary estimates in order to decide which accounting treatment is most appropriate. The main estimates and judgments used by the Group in the application of accounting principles are presented in this note, with the objective of improving the understanding of their application and the manner in which they affect the results reported by the Group and their disclosure.

Considering that in some situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Group could be different if a different treatment were chosen.

The Board of Directors considers that its choices are appropriate and that the financial statements present adequately the financial position of the Group and the result of its operations in all materially relevant aspects.

The analysis made below is presented only for a better understanding of the financial statements and is not intended to suggest that other alternatives or estimates may be more appropriate.

Classification and measurement of financial instruments

The classification and measurement of financial assets depends on an analysis of the business model associated with the financial asset and the results of the analysis of the characteristics of the contractual cash flows, to conclude whether they correspond only to payments of principal and interest on the outstanding principal (SPPI test).

The business model takes into consideration how groups of financial assets are managed together to achieve a specific business objective. This evaluation requires judgment, since several aspects of a subjective nature must be considered, among others, such as: i) the way in which the performance of the assets is evaluated; ii) the risks that affect the performance of the assets and the way these risks are managed; and iii) the form of remuneration of asset managers.

In this context, the Group monitors financial assets measured at amortized cost and at fair value through other comprehensive income which are derecognized before maturity, to understand the reasons associated with their sale, and to determine whether these are consistent with the objective of the business model defined for these assets. This monitoring is an integral part of the monitoring process of the financial assets that remain in the portfolio, to determine if the model is adequate and, if not, if there was a change in the business model and, consequently, a prospective change in the classification of these financial assets.

Impairment of financial assets at amortized cost and at fair value through other comprehensive income

Significant increase in credit risk (SICR)

Impairment losses correspond to the expected losses in a 12-month time horizon for the assets in stage 1, and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the financial instrument, for assets in stage 2 and 3. An asset is classified as stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative, reasonable, and sustainable information (Note 2.2.1.5.3).

Definition, weighting and determination of relevant prospective information

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each driver impacts the remaining drivers.

Probability of default

The probability of default is a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimate in a given time period, which is calculated on the basis of historical data, assumptions and expectations about future conditions.

Loss given default

This corresponds to an estimate of the loss in a default scenario. It is based on the difference between the contractual cash flows and those expected to be received, either through the cash flows generated by the customer's business or the credit collateral, if any. The calculation of the expected loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the valuation estimates of collaterals associated with credit operations.

Alternative methodologies and the use of different assumptions and estimates may result in a different level of recognized impairment losses, with a consequent impact on the results of the Group.

Fair value of financial instruments

IFRS 13 establishes that financial instruments should be valued at fair value. Fair value is based on market prices or, in the absence thereof, on prices of recent transactions, similar and carried out under market conditions and on valuation techniques, which have underlying methodologies involving the discounting of future cash flows considering the market conditions, the time value, the yield curve and volatility factors, where applicable (see Notes 2.8 and 29).

These methodologies may require the use of assumptions or judgments in the estimate of fair value, as well as the definition of the circumstances and criteria that identify the need to resort to the use of valuation techniques, namely due to the lack of orderly operations on the market representing the fair value of the financial instruments in question.

Consequently, the use of different methodologies, assumptions, or judgments in the application of a particular model, may lead to financial results different from those reported.

Income tax

The Group is subject to the payment of income tax on profits in several jurisdictions. The determination of the total amount of income tax on profits requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

In addition, it should be noted that the reversal of deductible timing differences results in deductions in the determination of future taxable income. However, economic benefits in the form of reductions in tax payments will flow to the entity only if it achieves sufficient taxable income against which these deductions may be offset. On this basis, the Group recognizes deferred tax assets only when it is probable that taxable income will be available against which the deductible timing differences may be utilized.

Other interpretations and estimates could result in a different level of taxation on income, current and deferred, recognized in the period. The Portuguese Tax Authorities are entitled to review the calculation of the taxable income of the Company and its subsidiaries based in Portugal for a period of four years. In this way, it is possible that corrections to the taxable income may occur, mainly resulting from differences in the interpretation of tax legislation. However, it is the Board of Directors' belief that there will be no significant corrections to the income taxes recorded in the financial statements.

Going concern

The Board of Directors has assessed the Group's ability to continue as a going concern and is confident that it has the resources to continue its business for the foreseeable future.

In addition, the Board of Directors is not aware of any material uncertainties that may cast significant doubts on the Group's ability to continue as a going concern.

On that basis, the financial statements have been prepared on a going concern basis.

Provisions and contingent liabilities

The Bank and its subsidiaries operate in a regulatory and legal environment which, by its nature, has a marked degree of litigation risk inherent in its operations. On that basis, it is involved in legal and arbitration proceedings, arising from the normal course of its business.

When the Group can reliably measure the outflow of resources that incorporate economic benefits in relation to a specific case and considers those outflows to be probable, it records a provision for that purpose. When the outflow probability is considered remote, or probable but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group considers that the disclosure of these estimates on a case-by-case basis would jeopardize their outcome, no detailed and specific disclosures of the underlying situations are made.

Given the subjectivity and uncertainty in determining the probability and amount of the losses, the Group considers several factors, including legal advice, the stage of the proceedings and the historical evidence of similar incidents. Significant judgment is required in the determination of these estimates.

5. Cash and deposits with central banks and other demand deposits

EUR thousand	**31.12.2024**	**31.12.2023**
Cash	68	67
Deposits and applications with central banks		
Banco de Portugal	56,811	32,388
Bank of Spain	4,207	16,401
	61,018	48,789
Deposits with banks in Portugal		
Demand deposits	5,189	5,848
	5,189	5,848
Deposits with banks abroad		
Demand deposits	102	112
	102	112
	66,377	**54,816**

The caption “Deposits and applications with central banks” includes the amount of € 8,513 thousand (2023: € 6,676 thousand) to comply with the legal requirements to maintain minimum cash reserves of the European System of Central Banks (ESCB).

These deposits earn interest at the average rates for the main refinancing operations of the European System of Central Banks (ESCB) prevailing during the deposit period considered. During financial year 2024, this rate varied between 3% and 4% (2023: 2% and 4%).

6. Financial assets

The financial assets held by the Group, classified by category, may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Financial assets at fair value through other comprehensive income	1,350,867	1,134,991
Financial assets at amortized cost	940,576	840,415
Financial assets at fair value through profit or loss	20,272	26,791
	2,311,715	**2,002,197**

Financial instruments classified as other assets and derivative financial instruments that are designated in a hedging relationship, as per Note 2.2.3, are presented separately in Notes 12 and 7, respectively.

The financial assets held by the Group, classified by instrument type, may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Debt instruments	1,902,389	1,682,428
Loans	306,261	245,340
Due from banks	84,707	56,387
Purchase operations under resale agreements (“reverse repos”)	9,670	2,832
Commercial paper	4,979	-
Other loan operations	1,761	3,487
Equity instruments	1,703	62
Trading derivatives (Note 7)	245	11,661
	2,311,715	**2,002,197**

The balance of financial assets by category, net of impairment, may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss		
Equity instruments		
Companies	1,703	62
Debt instruments		
Companies	-	361
	1,703	423
Financial assets held for trading		
Debt instruments		
Public entities	4,796	6,125
Banks	4,461	359
Companies	9,067	8,223
Risk-management derivatives (Note 7)	245	11,661
	18,569	26,368
	20,272	**26,791**
Financial assets at fair value through other comprehensive income		
Debt instruments		
Public entities	439,342	451,594
Banks	111,377	141,692
Companies	761,383	495,138
Loans		
Public entities	29,260	29,961
Banks	9,505	16,605
Companies	-	-
	1,350,867	**1,134,991**
Financial assets at amortized cost		
Debt instruments		
Public entities	84,736	57,541
Banks	43,015	86,645
Companies	444,212	434,750
Loans		
Public entities	34,623	8,999
Banks	26,978	2,722
Companies	205,895	187,053
Due from banks	84,707	56,387
Purchase operations under resale agreements (“reverse repos”)	9,670	2,832
Commercial paper	4,979	-
Other credit operations	1,761	3,487
	940,576	**840,415**
	2,311,715	**2,002,197**

During 2024, interest income from debt instruments at fair value through profit or loss amounted to € 41 thousand (2023: € 116 thousand).

During 2024, interest income from the financial assets held for trading portfolio amounted to € 727 thousand (2023: € 655 thousand).

During 2024, interest income, using the effective interest method, from the financial assets at amortized cost amounted to € 46,556 thousand (2023: € 33,922 thousand).

As at 31 December 2024, the caption "Financial assets at amortized cost" includes debt instruments in the amount € 320,749 thousand (2023: € 326,699 thousand) given as collateral in sale operations under repurchase agreements (Note 24).

As at 31 December 2024, the caption "Due from banks" includes deposits given as collateral in sale operations under repurchase agreements, and interest rate and exchange rate derivatives in the amount € 27,550 thousand (2023: € 1,106 thousand).

The caption "Financial assets at fair value through other comprehensive income" may be analysed as follows:

			31.12.2024		
EUR thousand	**Acquisition cost**	**Fair value reserve**	**Fair value hedging**	**Impairment**	**Total**
Financial assets at fair value through other comprehensive income					
Debt instruments					
Public entities	448,729	(34,648)	25,262	628	439,342
Banks	116,215	(6,560)	1,722	6,148	111,377
Companies	769,884	(22,989)	14,487	9,597	761,383
Loans					
Public entities	29,245	15	-	58	29,260
Banks	10,769	(1,264)	-	1,046	9,505
Companies	-	-	-	-	-
	1,374,842	**(65,446)**	**41,471**	**17,477**	**1,350,867**

			31.12.2023		
EUR thousand	**Acquisition cost**	**Fair value reserve**	**Fair value hedging**	**Impairment**	**Total**
Financial assets at fair value through other comprehensive income					
Debt instruments					
Public entities	467,593	(56,097)	40,098	2,534	451,594
Banks	159,064	(20,644)	3,272	14,854	141,692
Companies	525,678	(41,083)	10,543	13,213	495,138
Loans					
Public entities	30,072	(111)	-	83	29,961
Banks	18,967	(2,362)	-	2,006	16,605
Companies	-	-	-	-	-
	1,201,374	**(120,295)**	**53,912**	**32,690**	**1,134,991**

During 2024, interest income, using the effective interest rate method, from the financial assets at fair value through other comprehensive income portfolio amounted to € 58,859 thousand (2023: € 43,005 thousand).

This portfolio includes the amount of € 635,578 thousand (2023: € 528,303 thousand) related to debt instruments given as collateral by the Group in sales operations under repurchase agreements (Note 24).

As at 31 December 2024 and 2023, the financial assets subject to the impairment requirements foreseen in IFRS 9, analysed by stage, may be presented as follows:

	31.12.2024							
EUR thousand	**Financial assets at fair value through other comprehensive income**				**Financial assets at amortized cost**			
	Not yet due	Overdue	Impairment	Carrying value	Not yet due	Overdue	Impairment	Carrying value
Stage 1								
Debt instruments and commercial paper	1,297,893	-	(3,852)	1,294,041	569,680	-	(2,202)	567,478
Loans and other applications	38,546	-	(67)	38,479	367,900	-	(1,048)	366,852
Other credit operations	-	-	-	-	-	-	-	-
	1,336,439	**-**	**(3,919)**	**1,332,520**	**937,580**	**-**	**(3,250)**	**934,330**
Stage 2								
Debt instruments and commercial paper	9,263	-	(358)	8,905	1,754	-	(143)	1,611
Loans and other applications	-	-	-	-	-	-	-	-
Other credit operations	-	-	-	-	-	-	-	-
	9,263	**-**	**(358)**	**8,905**	**1,754**	**-**	**(143)**	**1,611**
Stage 3								
Debt instruments and commercial paper	18,571	2,747	(12,163)	9,155	-	-	-	-
Loans and other applications	1,037	287	(1,037)	287	-	-	-	-
Other credit operations	-	-	-	-	-	1,761	-	1,761
	19,608	**3,034**	**(13,200)**	**9,442**	**-**	**1,761**	**-**	**1,761**
POCI								
Debt instruments and commercial paper	-	-	-	-	2,875	-	-	2,875
Loans and other applications	-	-	-	-	-	-	-	-
Other credit operations	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**2,875**	**-**	**-**	**2,875**
	1,365,310	**3,034**	**(17,477)**	**1,350,867**	**942,208**	**1,761**	**(3,393)**	**940,576**

	31.12.2023							
EUR thousand	**Financial assets at fair value through other comprehensive income**				**Financial assets at amortized cost**			
	Not yet due	Overdue	Impairment	Carrying value	Not yet due	Overdue	Impairment	Carrying value
Stage 1								
Debt instruments and commercial paper	1,056,423	-	(3,405)	1,053,018	564,799	-	(2,221)	562,578
Loans and other applications	46,511	-	(236)	46,275	257,997	-	(501)	257,495
Other credit operations	-	-	-	-	2	-	-	2
	1,102,934	**-**	**(3,641)**	**1,099,293**	**822,797**	**-**	**(2,723)**	**820,075**
Stage 2								
Debt instruments and commercial paper	24,283	-	(1,376)	22,906	12,297	-	(1,137)	11,160
Loans and other applications	-	-	-	-	-	-	-	-
Other credit operations	-	-	-	-	-	-	-	-
	24,283	**-**	**(1,376)**	**22,906**	**12,297**	**-**	**(1,137)**	**11,160**
Stage 3								
Debt instruments and commercial paper	2,583	35,737	(25,820)	12,500	-	7,246	(3,815)	3,431
Loans and other applications	-	2,144	(1,852)	291	-	1,704	(1,206)	498
Other credit operations	-	-	-	-	-	3,485	-	3,485
	2,583	**37,881**	**(27,673)**	**12,791**	**-**	**12,434**	**(5,021)**	**7,414**
POCI								
Debt instruments and commercial paper	-	-	-	-	1,767	-	-	1,767
Loans and other applications	-	-	-	-	-	-	-	-
Other credit operations	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**1,767**	**-**	**-**	**1,767**
	1,129,800	**37,881**	**(32,690)**	**1,134,991**	**836,861**	**12,434**	**(8,880)**	**840,415**

The movements in the impairment due to expected losses in financial assets during the 2024 and 2023 financial years were as follows:

EUR thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 January 2023	**6,101**	**7,380**	**32,189**	**2,560**	**48,230**
Financial assets originated or acquired	1,181	-	-	-	1,181
Financial assets derecognized	(517)	(1,574)	-	-	(2,091)
Net changes in credit risk	(231)	(2,264)	7,490	27	5,022
Allocations, net of reversals (Note 22)	432	(3,838)	7,490	27	4,111
Decrease due to write-offs	-	(1,045)	(10,955)	-	(12,000)
Loan recoveries	-	134	4,832	-	4,966
Foreign exchange and other variations	(169)	(117)	(862)	(2,587)	(3,736)
Balance as at 31 December 2023	**6,364**	**2,513**	**32,693**	**-**	**41,571**
Financial assets originated or acquired	2,928	-	-	-	2,928
Financial assets derecognized	(1,167)	(2,805)	-	-	(3,972)
Net changes in credit risk	(1,248)	1,153	3,890	477	4,273
Allocations, net of reversals (Note 22)	513	(1,652)	3,890	477	3,229
Decrease due to write-offs	-	(429)	(28,098)	-	(28,527)
Loan recoveries	-	-	3,367	-	3,367
Foreign exchange and other variations	292	68	1,347	(477)	1,230
Balance as at 31 December 2024	**7,169**	**501**	**13,200**	**-**	**20,870**

As at 31 December 2024 and 2023, the caption “Allocations, net of reversals” is net of loan recoveries in the amount of € 3,367 thousand and € 4,966 thousand, respectively.

The movements in the caption “Financial assets” classified in Stage 3 during the 2024 and 2023 financial years were as follows:

EUR thousand	Exposure	Impairment
Movement in Stage 3		
Balance as at 1 January 2023	**91,665**	**32,189**
Financial assets derecognized	(44,231)	-
Net changes in credit risk	12,806	7,490
Decrease due to write-offs	(10,955)	(10,955)
Loan recoveries	-	4,832
Foreign exchange and other variations	3,613	(862)
Balance as at 31 December 2023	**52,898**	**32,693**
Financial assets derecognized	(14,618)	-
Net changes in credit risk	11,165	3,890
Decrease due to write-offs	(28,098)	(28,098)
Loan recoveries		3,367
Foreign exchange and other variations	3,055	1,347
Balance as at 31 December 2024	**24,402**	**13,200**

As at 31 December 2024 and 2023, the contractual value of the assets derecognized during the year and for which the Group continues its recovery efforts totals € 7,584 thousand and € - thousand, respectively.

As at 31 December 2024 and 2023, the movement in the exposure of financial assets subject to the impairment requirements set out in IFRS 9 is presented as follows:

EUR thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 January 2023	**1,628,912**	**57,952**	**91,665**	**7,907**	**1,786,436**
Transfer from stage 1 to stage 2	(8,670)	8,670	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	15,233	(15,233)	-	-	-
Transfer from stage 2 to stage 3	-	(2,583)	2,583	-	-
Transfer from stage 3 to stage 1	-	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-	-
Write-offs	-	(1,045)	(10,955)	-	(12,000)
Changes and derecognitions of financial assets	290,256	(11,181)	(30,395)	(6,140)	242,540
Balance as at 31 December 2023	**1,925,731**	**36,580**	**52,898**	**1,767**	**2,016,976**
Transfer from stage 1 to stage 2	(1,754)	1,754	-	-	-
Transfer from stage 1 to stage 3	(7,835)	-	7,835	-	-
Transfer from stage 2 to stage 1	9,433	(9,433)	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-	-
Write-offs	-	(429)	(28,098)	-	(28,527)
Changes and derecognitions of financial assets	348,442	(17,454)	(8,234)	1,108	323,862
Balance as at 31 December 2024	**2,274,018**	**11,017**	**24,402**	**2,875**	**2,312,313**

As at 31 December 2024 and 2023, the movement in the impairment of financial assets subject to the impairment requirements set out in IFRS 9 is presented as follows:

EUR thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment as at 1 January 2023	**(6,100)**	**(7,379)**	**(32,189)**	**(2,560)**	**(48,228)**
Transfer to stage 1	(90)	90	-	-	-
Transfer to stage 2	906	(906)	-	-	-
Transfer to stage 3	-	1,501	(1,501)	-	-
Changes due to credit risk changes	(585)	1,445	(10,821)	(27)	(9,987)
Write-offs	-	1,045	10,955	-	12,000
Changes and derecognitions of financial assets	(495)	1,691	863	2,587	4,646
Impairment as at 31 December 2023	**(6,364)**	**(2,513)**	**(32,693)**	**-**	**(41,570)**
Transfer to stage 1	(278)	278	-	-	-
Transfer to stage 2	143	(143)	-	-	-
Transfer to stage 3	1,427	-	(1,427)	-	-
Changes due to credit risk changes	(44)	(1,288)	(5,830)	(477)	(7,640)
Write-offs	-	429	28,098	-	28,527
Changes and derecognitions of financial assets	(2,053)	2,737	(1,348)	477	(187)
Impairment as at 31 December 2024	**(7,169)**	**(501)**	**(13,200)**	**-**	**(20,870)**

The caption “Other credit operations” refers to the specialized financing (previously denominated “car finance”) that was carried out by the subsidiary Sofinloc. This activity was discontinued in 2012-2013 when the origination of new contracts practically came to an end and the portfolio entered run-off.

Thus, this activity is, at present, essentially restricted to the management of a non-performing assets portfolio, and may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Performing credit	-	2
Overdue credit up to 90 days	-	-
Overdue credit between 90 days and up to 24 months	4	4
	4	**6**
Recoverable amount of credit overdue more than 24 months	1,757	3,481
	1,761	**3,487**

The recoverable amount of overdue credit over 24 months corresponds to the amount, net of impairment, of credit agreements that have been in default for over 24 months, and reflects the future cash flows which, considering the respective expected losses, are still recoverable, based on the historical analysis and the Group's recovery management process.

As at 31 December 2024, the amount of credit presented is net of write-offs in the accumulated amount of € 93,617 thousand (2023: € 108,033 thousand).

Interest income from other credit operations includes interest received on overdue credit, which are reflected in loan recoveries (Note 22).

7. Derivative financial instruments and hedge accounting

The Group enters derivative financial instrument transactions with the objective of hedging and managing the financial risks inherent in its activity, managing own positions based on expectations of market evolution, satisfying its customers' needs or hedging structural positions.

The fair value and notional value of derivative instruments in the portfolio are set out in the following table:

EUR thousand	31.12.2024			31.12.2023		
		Fair value			Fair value	
	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Derivative instruments						
Interest rate derivatives	1,092,417	74,448	4,674	1,059,425	94,332	8,269
Foreign currency derivatives	572,336	-	29,018	633,484	11,091	1,038
	1,664,753	**74,448**	**33,693**	**1,692,909**	**105,423**	**9,307**
Of which subject to hedge accounting						
Interest rate derivatives	**1,083,584**	**74,203**	**4,536**	**1,045,167**	**93,761**	**8,171**
Of which for risk management (Notes 6 & 12)						
Interest rate derivatives	8,833	245	138	14,258	570	98
Foreign currency derivatives	572,336	-	29,018	633,484	11,091	1,038
	581,169	**245**	**29,156**	**647,742**	**11,661**	**1,136**
	1,664,753	**74,448**	**33,693**	**1,692,909**	**105,423**	**9,307**

Foreign currency derivative: represents a contract between two parties and consists in the swap of currencies at a determined forward foreign exchange rate. It is an agreement for cash flow exchange, in which one of the parts agrees to pay interest on the principal in one currency, in exchange of receiving interest on the principal in another currency. At the end of the operation, the principal in foreign currency is paid and the principal in domestic currency is received. The purpose of these operations is the hedging and management of the liquidity risk in foreign currency inherent in future receipts and payments in foreign currency, through the elimination of the uncertainty of the future value of a certain foreign exchange rate.

Interest rate derivative: in conceptual terms this can be seen as a contract between two parties that agree to swap between them, for a nominal amount and period, an interest rate differential. Involving only one currency, it consists of the exchange of fixed cash flows for variable cash flows and vice-versa. It is mainly directed at the hedging and management of the interest rate risk related to the income on a deposit or the cost of a loan that a certain entity intends to realize at a certain time in the future.

Hedge accounting

The accounting treatment of hedging transactions varies according to the nature of the hedged instrument and whether the hedge qualifies as such for accounting purposes in accordance with Note 2.2.3. When hedge accounting is discontinued, and despite the hedging relations being maintained from a financial perspective, the respective hedging instruments are reclassified to financial assets and liabilities held for trading.

<u>Fair value hedges of interest rate risk – fixed-income securities</u>

The interest rate risk management objective and strategy are defined in the risk management policy, and risk limits and tolerances are set out in the Group's Risk Appetite Framework (RAF).

Fair value hedges of interest rate risk consist of contracting interest rate derivatives, in which a fixed rate is paid and a variable reference rate is received (Euribor and SOFR for derivatives denominated in EUR and USD, respectively), which are used to cover fluctuations in the fair value of fixed-rate debt instruments, measured at amortized cost or fair value through other comprehensive income, related to fluctuations in the market interest rate, with the objective of covering exposure to fluctuations in the market interest rate.

The application of fair value hedge accounting allows the Group to reduce the fair value fluctuations of its fixed-rate debt instruments and treat them as if they were floating rate instruments indexed to their respective reference rates, namely EUR6M for EUR-denominated hedging relationships and SOFR for USD-denominated hedging relationships.

Credit risk on fixed-rate debt instruments designated as the hedged element is not included as part of the hedging relationship, nor is foreign exchange revaluation risk. These risks do not directly affect the risk covered by this hedge.

The impacts of the hedging relationship established between the hedged element (fixed-rate debt instruments) and the hedging element (interest rate derivatives) are presented in the following table:

EUR thousand	31.12.2024						
	Hedged element			Hedging element			
	Book value	Fair value adjust. of hedged element (A)	Fair value change (B)	Notional value (D)	Book value	Fair value change (C)	Ineffec-tiveness (B) + (C)
Financial assets at fair value through other comprehensive income	1,097,012	(41,471)	(4,618)	730,405	42,147	4,648	30
Financial assets at amortized cost	474,192	(22,159)	(3,814)	353,180	27,520	3,787	(27)
	1,571,204	**(63,630)**	**(8,433)**	**1,083,584**	**69,667**	**8,436**	**3**

EUR thousand	31.12.2023						
	Hedged element			Hedging element			
	Book value	Fair value adjust. of hedged element (A)	Fair value change (B)	Notional value (D)	Book value	Fair value change (C)	Ineffec-tiveness (B) + (C)
Financial assets at fair value through other comprehensive income	851,991	(53,912)	27,797	675,317	60,847	(27,943)	(146)
Financial assets at amortized cost	439,930	(19,490)	10,016	369,850	24,743	(10,011)	5
	1,291,921	**(73,402)**	**37,813**	**1,045,167**	**85,590**	**(37,954)**	**(141)**

(A) Cumulative change in fair value of the hedged element attributable to the hedged risk, recognized in the statement of financial position in "Other accumulated comprehensive income" if a financial asset is at fair value through other comprehensive income or in "Financial assets at amortized cost". This accumulated change includes the amount of € (10,961) thousand (2023: € (4,406) thousand) relating to discontinued hedging relationships.

(B) Change in the fair value of the hedged element used to calculate hedge ineffectiveness, recognized in the income statement under the caption "Gains or losses from hedge accounting" (Note 19).

(C) Change in the fair value of the hedging element, excluding accrued interest and early termination, in the amount of € (24,359) thousand (2023: € (6,129) thousand), used in the calculation of hedge ineffectiveness, recognized in the income statement under the caption "Gains or losses from hedge accounting" (Note 19).

(D) As at 31 December 2024, the maturity of the notional value of the Group's hedging elements used in the fair value hedging relationship for interest rate risk occurs in maturities of 1 to 5 years and more than 5 years, in the amounts of € 276,096 thousand and € 807,488 thousand (2023: € 309,820 thousand and € 735,347 thousand), respectively. As at 31 December 2024, the weighted average fixed leg rate of the Group's hedging elements used in the fair value hedging relationship for interest rate risk is 2.2% (2023: 1.7%).

Hedging of net investments in foreign operational units

The foreign exchange risk management objective and strategy are defined in the risk management policy, and risk limits and tolerances are set out in the Group's Risk Appetite Framework (RAF).

During 2024 and 2023, the Group used foreign currency financial liabilities, denominated in USD, to hedge in 100% the foreign currency translation risk of its net investment in foreign subsidiaries. As at 31 December 2024 and 2023, the hedged investments held by the Group in foreign subsidiaries and the financial liabilities used to hedge these investments may be analysed as follows:

EUR thousand	31.12.2024				
	Hedged element		**Hedging element**		
	Book value	Fair value change (A)	Book value (E)	Fair value change (B)	**Ineffective-ness (A) + (B)**
Financial shareholding in Finantia UK Ltd (C).	165,784	8,669	(165,784)	(8,669)	-
Financial shareholding in Finantia Holdings B.V. (D)	-	824		(824)	-
	165,784	**9,493**	**(165,784)**	**(9,493)**	**-**

EUR thousand	31.12.2023				
	Hedged element		**Hedging element**		
	Book value	Fair value change (A)	Book value (E)	Fair value change (B)	**Ineffective-ness (A) + (B)**
Financial shareholding in Finantia UK Ltd.	118,100	(4,252)	(118,100)	4,252	-
Financial shareholding in Finantia Holdings B.V.	16,293	(587)	(16,293)	587	-
	134,393	**(4,838)**	**(134,393)**	**4,838**	**-**

(A) Change in fair value of the hedged element attributable to the hedged risk (changes in the spot rate) used in calculating hedge ineffectiveness, recognized in the statement of financial position in "Other accumulated comprehensive income".

(B) Change in fair value of the hedging instrument (changes in the spot rate) used in calculating hedge ineffectiveness, recognized in the statement of financial position in "Other accumulated comprehensive income".

(C) In March 2024, Finantia UK increased its share capital by US$ 25,000 thousand, with Banco Finantia having subscribed US$ 22,500 thousand. In December 2024, Finantia Holdings sold to Banco Finantia all its financial stake in Finantia UK, for US$ 19,233 thousand.

(D) In December 2024, Finantia Holdings reimbursed supplementary capital contributions to Banco Finantia, which included the amount of US$ 18,004 thousand, allocated to hedging net investment in foreign currency.

(E) Financial liabilities in USD, designated as hedging elements, have a residual maturity of up to 3 years and will be renewed until the total or partial sale of the investments occurs.

8. Other tangible assets

EUR thousand	Buildings	Office equipment	IT equipment	Motor vehicles	Assets under right of use	Fixed assets in progress	Other assets	31.12.2024	31.12.2023
Acquisition cost:									
Opening balance	**22,924**	**6,341**	**2,108**	**2,569**	**1,688**	**51**	**989**	**36,670**	**35,491**
Additions	687	195	139	449	945	16	-	2,431	1,114
Disposals / Write-offs	(2)	(295)	(7)	(251)	(734)	-	-	(1,289)	(525)
Fx var. / Transfers	272	(193)	(1)	-	(17)	(51)	(34)	(24)	590
Closing balance	**23,881**	**6,048**	**2,239**	**2,767**	**1,882**	**16**	**955**	**37,788**	**36,670**
Accumulated depreciation:									
Opening balance	**12,258**	**5,853**	**2,057**	**1,663**	**980**	**-**	**907**	**23,718**	**22,874**
Depreciation charge	322	147	83	423	294	-	5	1,274	1,235
Disposals / Write-offs	(2)	(292)	(7)	(162)	(734)	-	(1)	(1,198)	(517)
Fx var. / Transfers	27	3	-	(18)	32	-	34	78	125
Closing balance	**12,605**	**5,711**	**2,133**	**1,906**	**572**	**-**	**945**	**23,872**	**23,718**
Carrying value	**11,276**	**337**	**106**	**861**	**1,310**	**16**	**10**	**13,916**	**12,952**

EUR thousand	Buildings	Office equipment	IT equipment	Motor vehicles	Assets under right of use	Fixed assets in progress	Other assets	31.12.2023	31.12.2022
Acquisition cost:									
Opening balance	**22,525**	**6,306**	**2,073**	**2,290**	**1,268**	**32**	**996**	**35,491**	**38,000**
Additions	-	90	48	466	469	41	2	1,114	658
Disposals / Write-offs	(185)	(65)	(10)	(187)	(76)	-	(3)	(525)	(3,179)
Fx var. / Transfers	583	10	(2)	-	27	(22)	(6)	590	12
Closing balance	**22,924**	**6,341**	**2,108**	**2,569**	**1,688**	**51**	**989**	**36,670**	**35,491**
Accumulated depreciation:									
Opening balance	**12,034**	**5,811**	**1,981**	**1,347**	**774**	**-**	**927**	**22,874**	**24,680**
Depreciation charge	274	112	93	477	272	-	7	1,235	1,189
Disposals / Write-offs	(185)	(65)	(11)	(160)	(76)	-	(20)	(517)	(3,004)
Fx var. / Transfers	135	(5)	(7)	-	9	-	(7)	125	9
Closing balance	**12,258**	**5,853**	**2,057**	**1,663**	**980**	**-**	**909**	**23,718**	**22,874**
Carrying value	**10,666**	**488**	**51**	**906**	**708**	**51**	**83**	**12,952**	**12,617**

The caption “Assets under right of use”, arises from the application of IFRS 16 and corresponds to buildings, depreciated according to the respective term of the lease agreement, as per the accounting policy referred to in Note 2.12.

9. Intangible assets

EUR thousand	Software	Other intangible assets	Work in progress	31.12.2024	31.12.2023
Acquisition cost:					
Opening balance	**6,167**	**397**	**126**	**6,689**	6,533
Additions	334	-	90	424	256
Disposals / Write-offs	(128)	-	-	(128)	-
Fx var. / Transfers	1	-	(126)	(125)	(100)
Closing balance	**6,374**	**397**	**90**	**6,861**	**6,689**
Accumulated amortization:					
Opening balance	**5,726**	**397**	**-**	**6,123**	5,894
Amortization charge	207	-	-	207	230
Disposals / Write-offs	(128)	-	-	(128)	-
Fx var. / Transfers	1	-	-	1	-
Closing balance	**5,806**	**397**	**-**	**6,203**	**6,123**
Carrying value	**568**	**-**	**90**	**658**	**566**

EUR thousand	Software	Other intangible assets	Work in progress	31.12.2023	31.12.2022
Acquisition cost:					
Opening balance	**5,997**	**397**	**138**	6,533	6,431
Additions	170	-	86	256	578
Disposals / Write-offs	-	-	-	-	(179)
Fx var. / Transfers	(1)	-	(99)	(100)	(297)
Closing balance	**6,167**	**397**	**126**	**6,689**	**6,533**
Accumulated amortization:					
Opening balance	**5,497**	**397**	**-**	5,894	5,706
Amortization charge	230	-	-	230	365
Disposals / Write-offs	-	-	-	-	(179)
Fx var. / Transfers	-	-	-	-	1
Closing balance	**5,726**	**397**	**-**	**6,123**	**5,894**
Carrying value	**440**	**-**	**126**	**566**	**639**

As at 31 December 2024 and 2023, the captions “Other intangible assets” and “Work in progress” include software licenses and other expenditure incurred with software implementation and development.

During 2024 and 2023, there were no intangible assets generated internally.

10. Taxes

Income tax recognized in the income statement in 2024 and 2023 may be analysed as follows:

EUR thousand	31.12.2024	31.12.2023
Current tax		
Current tax on profit for the year	(9,927)	(1,792)
Current tax related to prior years	43	1,247
	(9,884)	**(545)**
Deferred tax		
Origination and reversal of timing differences	790	612
Tax losses carried forward	(2,003)	(1,249)
	(1,213)	**(636)**
Total income tax recognized in results	**(11,097)**	**(1,181)**

The current tax assets and liabilities recognized on the balance sheet in 2024 and 2023 may be analysed as follows:

EUR thousand	31.12.2024	31.12.2023
Current tax assets		
IRC to be reimbursed	410	1,843
IRC – advance payments	68	1,287
	478	**3,130**
Current tax liabilities		
IRC payable	(2,795)	(267)
	(2,795)	**(267)**

The deferred tax assets and liabilities recognized on the balance sheet in 2024 and 2023 may be analysed as follows:

EUR thousand	31.12.2024			31.12.2023		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through other comprehensive income	2,820	(1,457)	1,363	8,820	-	8,820
Impairment / Provisions	3,463	(477)	2,986	3,358	(505)	2,853
Tax losses carried forward	1,673	-	1,673	3,677	-	3,677
Other	15,051	(14,530)	521	11,748	(11,896)	(148)
Deferred tax assets / (liabilities)	**23,007**	**(16,464)**	**6,543**	**27,603**	**(12,401)**	**15,202**
Offset of deferred tax assets / liabilities	(15,430)	15,430	-	(12,401)	12,401	-
Net deferred tax assets / (liabilities)	**7,577**	**(1,034)**	**6,543**	**15,202**	**-**	**15,202**

As at 31 December 2024, deferred tax assets for tax losses carried forward, originated entirely in Portugal, by year of origination, can be analysed as follows:

EUR thousand	**31.12.2024**
2016	187
2017	107
2018	-
2019	103
2020	34
2021	-
2022	1,099
2023	143
	1,673

The Group offsets, as established in IAS 12, paragraph 74, the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

At the end of each reporting period, the Group reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable income will allow the deferred tax asset to be recovered. In this context, deferred tax assets are only recognized when it is probable that taxable income will be available against which deductible timing differences can be used. As at 31 December 2024 and 2023, there are no deferred tax assets associated with tax losses carried forward not recognized in the financial statements.

The recoverability assessment of deferred tax assets is carried out annually. As at 31 December 2024, this exercise was carried out considering the elimination of the time limit on the use of tax losses in accordance with the amendments introduced by Law no. 24-D/2022 and based on the preliminary version of the projections prepared for the period 2025-2027, with the Group’s expectation being the generation of future taxable income for this purpose.

During financial year ended 31 December 2024, income taxes recognized in reserves related to financial assets at fair value through other comprehensive income (Note 16) amount to € (7,457) thousand (2023: € (8,879) thousand).

The reconciliation of the effective income tax rate may be analysed as follows:

EUR thousand	31.12.2024		31.12.2023	
	%	**Amount**	**%**	**Amount**
Profit before income tax		36,419		11,533
Statutory income tax rate	25.5%		25.5%	
Income tax calculated based on the statutory income tax rate		**9,287**		**2,941**
Tax losses		165		(122)
Tax benefits		(188)		(103)
Autonomous taxation		82		101
Differences in the statutory tax rate of the subsidiaries		889		(57)
Equity changes		13		398
International double taxation tax credit		(1,276)		(518)
Non-taxable dividends		-		(1,194)
Branch taxes		1,249		480
Non-deductible impairment		(233)		16
Consolidation adjustments in financial instruments		839		(560)
Other		270		(201)
Income tax recognized in profit or loss		**11,097**		**1,181**
Effective tax rate	30.5%		10.2%	
Current tax		9,884		545
Deferred tax		1,213		636
Tax under reconciliation		**11,097**		**1,181**

11. Other assets

EUR thousand	31.12.2024	31.12.2023
Operations pending financial settlement	2,825	8,998
Debtors and other applications	2,276	2,451
Other operations awaiting regularization	1,906	2,174
Accrued income	172	166
	7,179	**13,790**

As at 31 December 2024, the caption “Debtors and other applications” includes the amount of € 102 thousand (2023: € 259 thousand) related to the net amount on the balance sheet of tax litigation pending a decision and for which the value added tax in dispute had been paid under the Special State Debt Reduction Programme (PERES). This caption also includes the amount of € 1,874 thousand (2023: € 1,882 thousand) related to the value-added tax (VAT) tax credit recovery process.

The caption “Operations pending financial settlement” refer to outstanding operations resulting from the Group's day-to-day activity (Note 14).

As at 31 December 2024, the caption “Other operations awaiting regularization” includes the amount of € 1,174 thousand (2023: € 1,144 thousand) corresponding to expenses with deferred charges. It also includes the amount of € 417 thousand (2023: € 349 thousand) corresponding to insurance premiums paid.

12. Financial liabilities held for trading

This caption may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Risk-management derivatives (Note 7)	29,156	1,136
Short sales	1,786	4,692
	30,942	**5,828**

13. Financial liabilities at amortized cost

This caption may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Due to customers		
Time deposits	1,033,652	864,668
Demand deposits	37,235	38,226
	1,070,887	902,894
Sales operations under repurchase agreements (repos)		
Banks	628,924	537,156
Other financial companies	188,080	168,347
	817,004	705,503
Other financial liabilities at amortized cost		
Money market operations	61,099	108,205
Other deposits	-	-
	61,099	108,205
	1,948,990	**1,716,602**

The sales operations under repurchase agreements (repos) are collateralized with debt instruments as referred in Note 6.

14. Provisions and other liabilities

The caption “Provisions” may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Bank guarantees and irrevocable commitments	19	1
Other provisions	575	560
	594	**561**

The movement occurring in the caption “Provisions” during the 2024 financial year was as follows:

EUR thousand	**Bank guarantees and commitments**	**Other provisions**	**Total**
Balance as at 1 January 2024	1	560	561
Allocations, net of reversals (see Note 22)	18	15	33
Foreign exchange and other variations	-	-	-
Decrease due to write-offs	-	-	-
Balance as at 31 December 2024	**19**	**575**	**594**

The movement occurring in the caption “Provisions” during the 2023 financial year was as follows:

EUR thousand	**Bank guarantees and commitments**	**Other provisions**	**Total**
Balance as at 1 January 2023	2	711	713
Allocations, net of reversals (see Note 22)	1	(151)	(150)
Foreign exchange and other variations	(2)	-	(2)
Decrease due to write-offs	-	-	-
Balance as at 31 December 2023	**1**	**560**	**561**

The caption “Other provisions” refers to provisions for other risks and charges to cater for contingencies arising in the scope of the Group’s activity.

The caption “Other liabilities” may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Accrued expenses	3,993	4,127
Other liabilities awaiting regularization	2,836	10,934
Amounts owed to the public sector	1,032	867
Lease liabilities	1,007	290
Creditors of specialized finance operations	419	373
	9,287	**16,590**

The caption “Other liabilities awaiting regularization” includes the amount of € 2,246 thousand (2023: € 8,965 thousand) related to transactions pending financial settlement, arising in the Group’s day-to-day activity (Note 11).

As at 31 December 2024, the caption “Accrued expenses” includes accruals in the amount of € 2,151 thousand (2023: € 2,137 thousand) corresponding to staff costs and the amount of € 1,795 thousand (2023: € 1,795 thousand) corresponding to other administrative expenses.

As at 31 December 2024 and 2023, the caption “Lease liabilities” corresponds to the amount of the lease liabilities recognized in the scope of the application of IFRS 16, as described in the accounting policy (Note 2.12).

As at 31 December 2024 and 2023, the Group had various operating leasehold agreements. The minimum future payments related to operating leasehold agreements, by maturity, are as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Up to 1 year	256	163
1 to 5 years	751	127
	1,007	**290**

15. Share capital, share premium and treasury stock

Share capital and share premium

As at 31 December 2024 and 2023, the Bank's share capital amounts to € 150 million and is represented by 150,000,000 ordinary shares with voting rights and a nominal value of € 1 each and is fully paid up.

In May 2023, the Shareholders' General Meeting approved the extinction of 21,092,944 own shares held as at 31 December 2022 (representing 14.06% of the share capital) through a reduction in share capital, followed by a capital increase through the incorporation of reserves to restore the amount of share capital to the value of € 150 million.

The caption "Share premium" in the amount of € 12,849,132 relates to the premiums paid by the shareholders in share capital increases realized.

Treasury stock (Own shares)

As at 31 December 2024, the caption "Treasury stock" is represented by 86 shares with a nominal value of € 1 each (2023: 86). The acquisition cost of these shares was € - thousand (2023: € - thousand).

During 2024 and 2023, there were the following movements in treasury stock:

EUR thousands, except number of shares	**2024**		**2023**	
	No. shares	**Acquisition cost**	**No. shares**	**Acquisition cost**
Balance at beginning of period	86	-	21,092,944	17,787
Acquisitions	-	-	-	-
Reduction of share capital through extinction of shares	-	-	(21,092,944)	(17,787)
Share capital increase	-	-	86	-
Balance at end of period	**86**	**-**	**86**	**-**

During 2023, Banco Finantia extinguished 21,092,944 own shares it held, via a reduction in share capital. During the share capital increase, through incorporation of legal reserves, new shares were attributed pro-rata to the remaining shareholders, with the 86 shares resulting from the rounding down of the attribution being held by Banco Finantia and recorded as own shares.

16. Other accumulated comprehensive income, retained earnings and other reserves

The caption "Other accumulated comprehensive income, retained earnings and other reserves" may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Other accumulated comprehensive income	(3,896)	(26,091)
Retained earnings	(3,748)	(3,748)
Other reserves	303,901	305,548
	296,257	**275,709**

The caption "Other accumulated comprehensive income" represents the unrealized gains and losses arising on the financial instruments classified according to the "hold to collect and sell" (HTCS) business model, at fair value through other comprehensive income, net of impairment losses recognized in the income statement in the financial year / previous financial years. This caption also includes the fair value component of the reclassified financial assets and the effective part of the changes in fair value of hedging derivatives for exposure to the variability in fair value.

The caption "Other reserves" includes the legal reserve. According to Article 97 of the General Regime for Banks and Financial Companies, Banco Finantia must appropriate at least 10% of its net profit each year to a legal reserve until the amount of the reserve equals the greater of the amount of the share capital or the sum of the free reserves and the retained earnings. In accordance with Article 296 of the Portuguese Commercial Companies Code, the legal reserve may only be used to cover accumulated losses or to increase share capital.

The remaining Group companies with registered offices in Portugal must transfer to a legal reserve at least 5% of their annual net profit until this reserve is equal to 20% of their issued share capital.

During 2024, the Group paid out dividends in the amount of € 12,000 thousand (2023: € 12,000 thousand), corresponding to € 0.08 per share, through the appropriation of the net profit of 2023 and the use of free reserves.

The movements occurring in these captions in 2024 and 2023 were as follows:

EUR thousand	**Other accumulated comprehensive income**			**Retained earnings and other reserves**		
	Financial assets at fair value through other comprehensive income	**Hedging of net investment in foreign currency**	**Subtotal**	**Retained earnings**	**Other reserves**	**Total**
Balance as at 31 December 2023	**(27,749)**	**1,659**	**(26,091)**	**(3,748)**	**305,548**	**275,709**
Changes in fair value	28,917	-	**28,917**	-	-	**28,917**
Hedging of net investment in foreign currency	-	735	**735**	-	-	**735**
Deferred taxes (Note 10)	(7,457)	-	**(7,457)**	-	-	**(7,457)**
Distribution of dividends	-	-	**-**	(9,317)	(2,683)	**(12,000)**
Other movements	-	-	**-**	(1,035)	1,036	**1**
Constitution / (Transfer) of reserves	-	-	**-**	10,352	-	**10,352**
Balance as at 31 December 2024	**(6,289)**	**2,394**	**(3,896)**	**(3,748)**	**303,901**	**296,257**

EUR thousand	Other accumulated comprehensive income			Retained earnings and other reserves		
	Financial assets at fair value through other comprehensive income	**Hedging of net investment in foreign currency**	**Subtotal**	**Retained earnings**	**Other reserves**	**Total**
Balance as at 31 December 2022	**(55,293)**	**1,846**	**(53,447)**	**(4,110)**	**338,739**	**281,182**
Changes in fair value	36,422	-	**36,422**	-	-	**36,422**
Hedging of net investment in foreign currency	-	(187)	**(187)**	-	-	**(187)**
Deferred taxes (Note 10)	(8,879)	-	**(8,879)**	-	-	**(8,879)**
Share capital increase through incorporation of reserves	-	-	**-**	-	(21,093)	**(21,093)**
Distribution of dividends	-	-	**-**	(248)	(11,752)	**(12,000)**
Other movements	-	-	**-**	362	(345)	**17**
Constitution / (Transfer) of reserves	-	-	**-**	248	-	**248**
Balance as at 31 December 2023	**(27,749)**	**1,659**	**(26,091)**	**(3,748)**	**305,548**	**275,709**

The captions “Other accumulated comprehensive income” and “Fair value reserve - financial assets at fair value through comprehensive income”, excluding non-controlling interests, may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Acquisition cost	1,374,842	1,201,374
Accumulated impairment recognized on the balance sheet (Note 6)	(17,477)	(32,690)
Value of financial assets, net of impairment	1,357,365	1,168,684
Fair value of financial assets (Note 6)	1,350,867	1,134,991
Unrealized gains / (losses) recognized in other comprehensive income	9,825	(3,879)
Accumulated impairment recognized in other comprehensive income	(17,477)	(32,690)
Deferred taxes (Note 10)	1,363	8,820
	(6,289)	**(27,749)**

The movement in the fair value reserve - financial assets at fair value through other comprehensive income may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Balance at the beginning of the financial year	(27,749)	(55,292)
Change in fair value	47,884	62,534
Disposals in the period (Note 19)	(8,422)	1,917
Reclassification to impairment	(13,491)	(2,702)
Fair value hedges	2,946	(25,327)
Deferred taxes recognized in reserves in the period (Note 10)	(7,457)	(8,879)
Balance at the end of the financial year	**(6,289)**	**(27,749)**

17. Net interest income

EUR thousand	**31.12.2024**	**31.12.2023**
Interest and similar income, using the effective interest rate method		
Debt instruments	83,932	61,068
Loans and other amounts receivables	21,485	15,858
Other interest and similar income	1,627	2,334
	107,044	**79,260**
Other interest income		
Debt instruments	768	770
Hedging derivatives	27,834	30,614
	28,602	**31,385**
	135,646	**110,645**
Interest and similar expense, using the effective interest rate method		
Sale operations under repurchase agreement	(45,289)	(31,502)
Due to customers	(30,905)	(16,242)
Other interest and similar expense	(3,086)	(4,243)
	(79,280)	**(51,987)**
Other interest expense		
Other interest and similar expense	(44)	(202)
	(44)	**(202)**
	(79,324)	**(52,189)**
	56,322	**58,457**

During 2024, the total interest recognized in the income statement in respect of impaired financial assets is € 743 thousand (2023: € 1,776 thousand) (Note 22).

18. Net fee and commission income

EUR thousand	**31.12.2024**	**31.12.2023**
Fee and commission income		
From banking activity	2,012	1,564
From specialized finance activity	15	29
	2,027	**1,593**
Fee and commission expense		
On third-party banking services	(577)	(548)
On specialized finance activity	(11)	(13)
	(588)	**(561)**
	1,439	**1,032**

19. Net results from financial operations

As at 31 December 2024 and 2023, this caption may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Gains or losses from derecognition of financial assets not measured at fair value through profit or loss		
Gains or losses from derecognition of financial assets at fair value through other comprehensive income (Note 16)	8,422	(1,917)
Gains or losses from derecognition of financial assets at amortized cost	5,311	(3,200)
	13,733	**(5,117)**
Gains or losses from foreign exchange operations	**(9,533)**	**(13,832)**
Other gains or losses from financial operations		
Gains or losses from hedge accounting	2,912	(2,210)
Gains or losses from financial assets and liabilities held for trading	1,383	3,003
Gains or losses from financial assets and liabilities at fair value through profit or loss	(345)	-
Other gains or losses from financial operations	144	15
	4,094	**808**
	8,294	**(18,141)**

The gains or losses from derecognition of financial assets at fair value through other comprehensive income include the effect of the derecognition of the hedged assets in the amount of € 16,036 thousand (2023: € 4,679 thousand).

The gains or losses from derecognition of financial assets at amortized cost include the effect of the derecognition of hedged assets in the amount of € 836 thousand (2023: € 3,133 thousand). The sales fall within the "Hold to Collect" business model, given that they were infrequent or insignificant, or motivated by a significant increase in credit risk of financial assets or to manage concentration risk.

Gains or losses from foreign exchange operations include the cost of foreign exchange derivatives for risk management (Note 7), amounting to € 10,066 thousand (2023: € 13,321 thousand).

Gains or losses from hedge accounting include: (i) changes in the fair value of the hedging instrument and the hedged element attributable to the hedged risk (Note 7) and (ii) the amortization of discontinued hedging relationships in the amount of € 2,908 thousand (2023: € (2,070) thousand).

The gains or losses from financial assets and liabilities held for trading include: (i) the effect of the purchases and sales and change in fair value of the debt instrument of the trading portfolio and (ii) the results of the derivative financial instruments. As at 31 December 2024, it includes the amount of € 68 thousand (2023: € 412 thousand), related to operations with interest rate derivatives, of which € 67 thousand (2023: € 761 thousand) relating to interest received.

20. Staff costs

EUR thousand	**31.12.2024**	**31.12.2023**
Remuneration	11,672	11,118
Mandatory social charges	2,474	2,362
Other charges	626	915
	14,772	**14,394**

As at 31 December 2024 and 2023, the remuneration, including respective mandatory social charges, paid to the Group's management and supervisory bodies amounted to € 1,103 thousand and € 1,094 thousand, respectively.

As at 31 December 2024 and 2023, remuneration and other short-term benefits attributed to the Group's key personnel with management functions amount to € 2,835 thousand and € 2,702 thousand, respectively.

The number of employees, by category, may be analysed as follows:

	31.12.2024	**31.12.2023**
Senior management	94	96
Middle management	133	130
Professional staff	23	20
	250	**246**

The Group is subject to the General Regime of the Social Security System in Portugal or to the equivalent system in the subsidiaries located abroad and, therefore, has no obligations for the payment of pensions or pension complements to its employees.

21. Other administrative expenses

EUR thousand	**31.12.2024**	**31.12.2023**
Specialized services	4,853	4,611
Maintenance services	1,706	1,612
Contributions	940	1,074
Travel and accommodation	469	404
Communication	453	447
Rentals and hires	168	155
Other	1,037	958
	9,626	**9,261**

The caption "Contributions" includes, among others, mandatory contributions to the Resolution Fund, the Single Resolution Fund, and the Deposits Guarantee Fund, the ECB Annual supervisory fee and the banking sector contribution (Portugal).

22. Impairment and provisions

As at 31 December 2024 and 2023, the amounts of impairment and provisions recognized in the income statement may be analysed as follows:

EUR thousand	31.12.2024	31.12.2023
Financial assets at fair value through other comprehensive income	6,418	6,163
Financial assets at amortized cost	(3,189)	(2,053)
Impairment or reversal of impairment in financial instruments (Note 6)	3,229	4,111
Impairment or reversal of impairment of non-financial assets	(29)	271
Impairment or reversal of impairment	3,200	4,382
Provisions or reversal of provisions (Note 14)	33	(150)
	3,233	**4,232**

As at 31 December 2024, the caption “Financial assets at amortized cost” is net of the amount of € 3,367 thousand (2023: € 4,966 thousand) related to credit recoveries.

During 2024, the total amount of interest recognized in the income statement from impaired financial assets is € 743 thousand (2023: € 1,776 thousand) (Note 17).

23. Earnings per share

Basic earnings per share

EUR thousands, except number of shares	31.12.2024	31.12.2023
Net profit attributable to the shareholders of the Bank	25,322	10,352
Weighted average number of ordinary shares outstanding (thousand)	150,000	141,211
Basic earnings per share (in Euros)	**0.169**	**0.073**
Number of ordinary shares outstanding at year-end (thousand)	**150,000**	**150,000**

Diluted earnings per share

The diluted earnings per share do not differ from the basic earnings per share since the Group does not have any potential ordinary shares with a dilutive effect as at 31 December 2024 and 2023.

24. Off-balance sheet items

EUR thousand	**31.12.2024**	**31.12.2023**
Guarantees issued		
Assets given in guarantee (“repos”)	984,536	901,237
Guarantees and endorsements issued (Note 27)	934	977
	985,470	**902,214**
Guarantees received		
Assets received in guarantee (“reverse repos”)	10,107	2,715
Financial guarantees	51,485	25,455
	61,592	**28,170**
Other possible assets		
Irrevocable credit lines	1,500	1,500
	1,500	**1,500**
Other possible liabilities (Note 27)		
Revocable credit lines	20,980	5,000
Other contingent liabilities	15,189	187
	36,169	**5,187**
Responsibilities for services rendered		
Deposit and custodianship of items	445,274	434,515
	445,274	**434,515**

As at 31 December 2024 and 2023, all assets recorded in the off-balance sheet item captions are classified in Stage 1. As at 31 December 2024, impairment was recognized (Stage 1) for credit risk in the amount of € 18 thousand (2023: impairment was recognized in the amount of € 1 thousand) (Note 14).

The caption “Assets given in guarantee (“repos”)” refers to the nominal amount of securities sold under repurchase agreements and includes operations with central banks, including operations with securities issued by Group companies and with securities received in the scope of purchase operations under resale agreements (“reverse repos”). The balance sheet amount of the securities included in these operations amounted, as at 31 December 2024, to € 956,327 thousand (2023: € 855,002 thousand).

As part of the purchase operations under resale agreements (“reverse repos”), the Group receives securities as collateral that it can sell or give as collateral. The balance sheet amount of the securities included in these operations amounted, as at 31 December 2024, to € 9,628 thousand (2023: € 2,779 thousand).

25. Cash and cash equivalents

For purposes of the presentation of the statement of cash flows, the caption "Cash and cash equivalents" comprises the following balances, with maturities under 3 months:

EUR thousand	**31.12.2024**	**31.12.2023**
Cash (Note 5)	68	67
Demand deposits with central banks (Note 5)	52,505	42,113
Deposits with other banks (Note 5)	5,291	5,960
Due from banks (Note 6)	66,826	58,113
	124,690	**106,254**

"Due from banks" considered as cash and cash equivalents relates only to balances with maturities under 3 months, amounted to € 66,826 thousand (2023: € 58,113 thousand) and excluded collateral deposits in the amount of € 27,550 thousand (2023: € 1,106 thousand) (Note 6). The amount of the Demand deposits with central banks excludes the minimum cash reserves in the amount of € 8,513 thousand (2023: € 6,676 thousand) (Note 5).

26. Balances and transactions with related parties

The Group realizes transactions, in its normal course of business, with other Group companies and other related parties. Group companies are identified in Note 30 and the respective balances and transactions are eliminated in the consolidation process.

The main shareholders of Banco Finantia as at 31 December 2024, are analysed as follows:

Shareholder	**Registered office**	**Direct shareholding %**	**Effective shareholding %**
Finantipar, S.A.	Portugal	39.6	39.6
Arendelle, S.A.	Portugal	16.5	16.5
Natixis	France	11.3	11.3
Erste Abwicklungsanstalt	Germany	10.4	10.4

The balances and transactions with related parties as at 31 December 2024 and 2023, may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Due to customers		
Finantipar, S.A.	473	2
Other related parties	103	103
Interest expense and similar charges		
Other related parties	3	2
Deposit and custodianship of items		
Finantipar, S.A.	22,200	22,975
Arendelle, SA	24,840	24,810
Other related parties	3,308	3,336

Transactions with related parties are realized under normal market conditions.

As at 31 December 2024 and 2023, the other related parties are small shareholders of Banco Finantia (with a shareholding of less than 10%).

The caption “Deposit and custodianship of items” refers to securities’ custodianship services provided by Banco Finantia.

The fees of Ernst & Young, SROC, S.A., Statutory Auditor, and companies in its network, including abroad, for the 2024 financial year total € 531 thousand, of which € 434 thousand relate to the Audit and legal review of accounts and € 97 thousand relate to other assurance services.

The amount of the remuneration paid to the Group’s management and supervisory bodies is disclosed in Note 20.

27. Risk management activity

The overall risk management of the Banco Finantia Group is the responsibility of the Board of Directors, with the implementation and maintenance of the risk management model of the Executive Committee, composed of 4 executive directors. The Executive Committee also monitors the overall risks to which the Group is exposed, including the control over the limits and tolerances of the “Risk Appetite Framework” (RAF).

The Risk Department in the Group is responsible for the management of all Group risks and forms part of the Risk Management Function. In this context, the Risk Department (i) ensures the effective application of the risk management model by continuously monitoring its adequacy and effectiveness, as well as the measures taken to correct any weaknesses, (ii) provides advice to the Management, Executive, Middle-management and Supervisory bodies, (iii) prepares and updates the risk matrices and evaluates risks, (iv) prepares and presents periodic reports on risk management, (v) actively participates in the business and capital planning, and carries out stress tests, (vi) leads the preparation of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), (vii) carries out the independent validation of the methodologies and results of the ICAAP and ILAAP, (viii) actively participates in the preparation of the RAF and (ix) promotes the integration of the risk principles into the Group's daily activities.

The risk profile of the Group is determined by the analysis of risk matrices and subsequent justification of the materiality of the risks, considering the applicable legislation on the risk management system and the activity developed by the Group.

To do this, the Group considers the following risk categories: credit, market - on the banking portfolio (IRRBB & CSRBB), foreign exchange rate, market - on the trading portfolio, liquidity, operational (including among others the operational, information systems and modelling risks), internal governance, business / strategy model and other risks (covering compliance, money laundering and the financing of terrorism, reputational and ESG risks).

In the scope of ICAAP, the Group allocates capital to the above risk categories. As at 31 December 2024, the Group presented an own capital utilization ratio for economic capital requirements of 58.0% (47.4% as at 31 December 2023).

Regarding risk appetite, during 2023 the metrics included in the RAF were always within the limits and levels of tolerance approved for the Group.

All risk categories contributing to the Group's risk profile are analysed, discussed and monitored monthly by the Executive Committee.

<u>Credit risk</u>

Credit risk arises not only from the possibility of a counterpart defaulting but also from the decline in the credit quality of a certain financial instrument. The Group's objective is to maintain a high-quality asset portfolio, based on a prudent credit policy and a careful analysis of all credit proposals. The Group also has a constant concern to diversify its own portfolio, as a form of mitigating the credit concentration risk.

The Group’s maximum exposure to credit risk before collateral and impairment may be analysed as follows:

EUR thousand	**31.12.2024**	**31.12.2023**
Cash and banks (Note 5)*	5,291	5,960
Debt instruments (Note 6)	1,904,734	1,689,601
Loans (Note 6)	307,304	247,043
Due from banks (Note 6)	84,709	56,391
Purchase operations under resale agreements (“reverse repos”) (Note 6)	9,670	2,832
Risk-management derivatives (Note 6)	245	11,661
Other credit operations (Note 6)	1,761	3,487
Other assets (Note 11)	7,461	14,100
	2,321,175	**2,031,076**
Financial guarantees and other possible liabilities (Note 24)	21,914	5,977
	21,914	**5,977**

* Excludes the amounts of cash and demand deposits with central banks

The Group's exposure to credit risk by instrument, rating level and stage of impairment as at 31 December 2024 can be analysed as follows:

EUR thousand	31.12.2024									
	Exposure					**Impairment**				
Credit quality levels	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Higher level	387,845	-	-	-	387,845	190	-	-	-	190
Average level	1,815,985	9,263	-	1,310	1,826,559	5,376	358	-	-	5,734
Lower level	110,294	1,754	-	-	112,047	1,619	143	-	-	1,762
	2,314,124	**11,017**	**-**	**1,310**	**2,326,451**	**7,185**	**501**	**-**	**-**	**7,686**
"Non-Performing"	-	-	22,641	1,565	24,206	-	-	13,200	-	13,200
	2,314,124	**11,017**	**22,641**	**2,875**	**2,350,657**	**7,185**	**501**	**13,200**	**-**	**20,886**

Considering the Group's credit risk exposure, by external rating, as at 31 December 2024, 80% (2023: 84%) of the total exposure of the Group relates to OECD or investment grade (non-OECD) countries, with the remaining exposure spread over more than twenty countries, as follows:

EUR thousand	**31.12.2024**		**31.12.2023**	
OECD countries	1,465,030	59%	1,525,638	69%
Investment grade (non-OECD) countries	528,071	21%	318,378	14%
Other countries	489,505	20%	352,913	17%
	2,482,606	**100%**	**2,196,929**	**100%**

As previously mentioned, the Group developed an expected credit loss model (ECL), considering the requirements of IFRS 9, where the ECL corresponds to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events.

A credit loss is the difference between the cash flows that are due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate the expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

Impairment can be measured as: (i) 12 months expected credit losses: corresponding to the expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date and (ii) Lifetime expected credit losses: corresponding to the expected losses that may occur from a default event over the entire lifetime of a financial instrument.

The method of calculating impairment is based on the classification of the instruments into three stages, considering the changes in the credit risk of the financial asset since its initial recognition, as follows:

1) Stage 1: where the ECL is recognized for 12 months;

2) Stage 2: where the ECL is recognized over the lifetime of the assets; and

3) Stage 3: where ECL is recognized over the lifetime of the asset, with its respective PD being 100%.

The model is, thus, sensitive to its main risk parameters, PD and LGD, translated by the credit spread, and for a change of +/- 10% in the credit spread the impact on the total value of the impairment would be circa € 0.8 million, of which circa +/- € 0.7 million in Stage 1 and +/- € 0.1 million in Stage 2.

Offsetting financial assets and financial liabilities

The Group receives and gives collateral in the form of cash or securities in respect of over-the-counter derivatives, sale operations under repurchase agreements ("repos") and purchase operations under resale agreements ("reverse repos").

This collateral is subject to the rules and regulations of these markets and is based on industry standard bilateral contracts, as published respectively by the ISDA - International Swaps and Derivatives Association (Master Agreement and Credit Support Annex) or the ICMA - International Capital Market Association (GMRA). These contracts also operate as netting agreements whereby, in the event of a contractual termination for non-compliance, only the net amount of all transactions entered under the contract may be demanded, thus allowing for the offsetting of debit positions in a transaction with credit positions in other transactions.

As at 31 December 2024, financial assets and liabilities subject to offsetting agreements, regardless of being offset or not, may be analysed as follows:

EUR thousand	Gross amounts of recognized financial assets / liabilities	Net amounts of recognized financial assets / liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
			Financial instruments received / (given) as collateral	Cash collateral received / (given)	
Financial assets					
Derivatives	74,448	74,448	-	57,695	16,753
Reverse repos	9,670	9,670	-	-	9,670
Total	**84,118**	**84,118**	**-**	**57,695**	**26,423**
Financial liabilities					
Derivatives	33,693	33,693	-	(13,590)	20,103
Repos	817,004	817,004	(956,327)	(13,335)	(152,658)
Total	**850,697**	**850,697**	**(956,327)**	**(26,925)**	**(132,555)**

As at 31 December 2023, financial assets and liabilities subject to offsetting agreements, regardless of being offset or not, may be analysed as follows:

EUR thousand	Gross amounts of recognized financial assets / liabilities	Net amounts of recognized financial assets / liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
			Financial instruments received / (given) as collateral	Cash collateral received / (given)	
Financial assets					
Derivatives	105,423	105,423	-	96,587	8,836
Reverse repos	2,832	2,832	-	-	2,832
Total	**108,255**	**108,255**	**-**	**96,587**	**11,668**
Financial liabilities					
Derivatives	9,307	9,307	-	-	9,307
Repos	705,503	705,503	(855,002)	6,488	(143,012)
Total	**714,810**	**714,810**	**(855,002)**	**6,488**	**(133,705)**

As at 31 December 2024 and 2023, there are no financial assets or liabilities offset in the balance sheet.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured on the balance sheet on the following bases: derivatives - fair value, repos and reverse repos - amortized cost. The corresponding financial instruments received / given as collateral are presented at fair value.

Interest rate risk

The interest rate risk stems from the probability of negative impacts caused by unfavourable changes in interest rates due to the existence of maturity mismatches between assets and liabilities.

The Group adopted the strategy of minimizing the interest rate risk associated with its fixed-rate assets using hedging instruments for this type of risk, thereby maintaining a balanced structure between assets and liabilities in terms of the fixed-interest rate mismatch.

The Group monitors the distribution of its fixed-rate assets across temporal buckets, net of the corresponding fixed-rate liabilities and the hedging instruments used.

Considering the nature and characteristics of the Group's business, as well as the processes implemented for the monitoring and mitigation of interest rate risk, the Group also analyses the behaviour of VaR (“Value at Risk”) related to interest rate risk. VaR is calculated using the historical simulation approach, based on a one-year rate history, a one-day holding period, and a confidence interval of 99%. This model is validated with back tests. For 2024, the average daily VaR for interest rate risk was € 4.77 million (€ 2.41 million in 2023), which corresponds to 1.0% of Tier I own funds.

As at 31 December 2024, the sensitivity analysis for interest rate risk may be analysed by applying the following shocks, in accordance with Delegated Regulation 856/2024:

Interest rate scenarios	Parallel increase 200 pb	Parallel drop 200 pb	Short Rate Shock Up	Short Rate Shock Down	Steepener Shock	Flattener Shock
Impact[1]	(46,902)	(7,098)	(12,123)	11,039	(16,149)	6,321

(1) The worst scenario is considered between the economic value or financial margin perspectives

The classification of on- and off-balance sheet asset and liability captions by repricing intervals, following the recommendations of Basel III (Pillar 2) and Instruction no. 10/2024 of Banco de Portugal, may be analysed as follows:

EUR thousand

31 December 2024	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Assets	372,549	156,287	114,962	902,039	1,270,406
Liabilities	(722,200)	(428,649)	(660,611)	(148,206)	(369)
Off-balance sheet items	887,753	189,426	(20,317)	(425,928)	(880,519)
Gap	**538,102**	**(82,937)**	**(565,967)**	**327,905**	**389,518**

EUR thousand

31 December 2023	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Assets	293,576	165,672	108,887	919,402	1,010,756
Liabilities	(717,422)	(405,472)	(446,720)	(190,895)	-
Off-balance sheet items	875,756	168,007	(23,970)	(456,087)	(793,316)
Gap	**451,910**	**(71,793)**	**(361,803)**	**272,420**	**217,440**

Foreign exchange rate risk

Foreign exchange rate risk is characterized by the probability of negative impacts due to unfavourable changes in foreign exchange rates and adverse variations in the price of foreign currency instruments.

It is Group policy to deal only in assets and liabilities denominated in EUR and USD (positions in other currencies are sporadic and insignificant).

The Group adopted the strategy of minimizing foreign exchange rate risk associated with its assets and liabilities. Hence, foreign exchange rate risk is regularly hedged in order to ensure a comfortable foreign currency exposure margin considering the pre-established limits, with said exposure being monitored on a daily basis, for both the spot and the forward positions.

For 2024, based on the methodology described above, the average daily VaR for foreign exchange rate risk was € 2.06 million (€ 1.55 million in 2023), which corresponds to about 0.4% of Tier I own funds. Due to the fact that the exposure to exchange rate risk is practically fully covered by FX swaps, the sensitivity analysis for exchange rate risk reveals a very low sensitivity to exchange rate changes (the shock of 30% in the EUR/USD exchange rate on 31.12.2024 results in an impact of only 0.2% of own funds).

The breakdown of assets and liabilities denominated in currencies other than the Euro may be analysed as follows:

EUR thousand	31.12.2024	
	USD	**Other currencies**
Assets		
Cash and deposits with central banks and other demand deposits	1,093	637
Debt instruments	1,211,204	-
Loans	102,429	-
Due from banks	57,156	-
Purchase operations under resale agreements ("reverse repos")	9,670	-
Derivative instruments (Note 7)	43,776	-
Other credit operations	-	-
Other assets	370	267
Total assets	**1,425,698**	**904**
Liabilities		
Short sales	135	-
Derivative instruments (Note 7)	1,703	-
Other financial liabilities at cost	-	-
Due to customers	29,218	-
Sales operations under repurchase agreements ("repos")	813,180	-
Foreign currency derivatives	577,149	-
Other liabilities	499	2,350
Total liabilities	**1,421,884**	**2,350**
Net regulatory position		
Fair value reserve	4,395	-
Net accounting position	**(581)**	**(1,446)**

EUR thousand	31.12.2023	
	USD	**Other currencies**
Total assets	**1,140,153**	**3,105**
Total liabilities	**1,149,338**	**372**
Net regulatory position	**(9,184)**	**2,734**
Fair value reserve	(15,427)	-
Net accounting position	**6,243**	**2,734**

Liquidity risk

Liquidity risk is defined as the possibility of an institution being unable to meet its obligations as they come due, because of an inability to liquidate assets, obtain funding or refinance liabilities under appropriate conditions.

The Group's objective in liquidity risk management is to ensure a stable and robust liquidity position based on liquid assets, controlling liquidity gaps and including a liquidity buffer to respond to increased contractual outflows in stressful situations.

Liquidity risk management is carried out so as to maintain liquidity levels within predefined limits, according to two distinct parameters: i) the cash flow management, through a control system of the financial flows that allows for the daily calculation of the treasury balances over an extended time horizon and the maintenance of an excess of liquidity that ensures the normal functioning even under unfavourable conditions; ii) the management of the balance sheet, with the daily calculation of liquidity metrics, and iii) maintenance and accompanying of the liquidity buffers, allowing for the maintenance of the main liquidity indicators within the limits pre-defined by the Group.

The Treasury Department controls the Group's cash flow and balance sheet management daily. The Risk Department is responsible for periodic analyses related to the management of the Group's balance sheet, preparing a monthly report for the Executive Committee.

The metrics used to measure liquidity risk in the scope of the balance sheet management include, among others, the prudential ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), as well as a broad set of internal ratios related to liquidity mismatches, concentration of major counterparties, distribution of the repayment flows of the main liabilities, collateral of repos operations, asset liquidity and immediate liquidity characteristics.

The Bank's conservative policy in terms of liquidity management is based on maintaining a significant volume of highly liquid assets (HQLA) eligible for prudential ratios and thus maintaining a high level of liquidity to ensure the maintenance of LCR and NSFR ratios appropriate to the activities carried out and mitigating potential risks arising from a possible liquidity crisis in the financial markets.

Cash flows due by the Group related to non-derivative financial liabilities and the assets held for liquidity risk management are undiscounted and include principal and interest as contractually determined, adjusted based on the respective behavioural maturities. These flows are presented in the tables below.

As at 31 December de 2024, they may be analysed as follows:

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Liabilities					
Due to banks	11,868	-	-	-	11,868
Due to customers	227,721	703,434	159,886	-	1,091,041
Sales operations under repurchase agreements (“repos”)	97,309	503,892	230,429	-	831,630
Short sales	-	-	-	1,667	1,667
Liabilities by contractual maturity dates	**336,898**	**1,207,326**	**390,315**	**1,667**	**1,936,206**
Assets					
Deposits with banks	66,624	-	-	-	66,624
Due from banks	38,758	-	-	-	38,758
Debt instruments	40,722	233,856	971,367	1,348,217	2,594,162
Other credit operations	-	-	-	-	-
Loans	22,322	62,379	232,387	63,968	381,056
Purchase operations under repurchase agreements (“reverse repos”)	9,670	-	-	-	9,670
Assets held for liquidity risk management	**178,096**	**296,235**	**1,203,754**	**1,412,185**	**3,090,270**

As at 31 December de 2023, they may be analysed as follows:

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Liabilities					
Due to banks	104,837	1,512	-	-	106,349
Due to customers	170,780	419,145	339,386	-	929,310
Sales operations under repurchase agreements (“repos”)	267,493	329,267	119,811	-	716,570
Short sales	-	-	50,180	4,398	54,578
Liabilities by contractual maturity dates	**543,109**	**749,924**	**509,377**	**4,398**	**1,806,808**
Assets					
Deposits with banks	52,887	-	-	-	52,887
Due from banks	55,423	-	-	-	55,423
Debt instruments	44,140	177,815	973,061	1,050,001	2,245,017
Other credit operations	883	106	-	-	989
Loans	12,829	80,483	167,875	46,429	307,616
Purchase operations under repurchase agreements (“reverse repos”)	2,843	-	-	-	2,843
Assets held for liquidity risk management	**169,005**	**258,404**	**1,140,936**	**1,096,430**	**2,664,775**

The amounts presented do not include any outflows that may occur before the dates considered within the timeframes indicated in the cash flow tables recorded in the Group's IT systems. Behavioural analyses of the potential impacts of anticipated cash flows on the bank's liquidity capacity do not indicate any significant influence of these anticipated cash flows, especially with regard to the early withdrawal of deposits, which could result in materially relevant benefits or losses.

For derivative financial instruments, the undiscounted contractual cash flows may be analysed as follows:

As at 31 December de 2024:

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets' cash flows	231,162	352,225	155,998	58,222	797,607
Liabilities' cash flows	238,679	357,414	93,208	53,434	742,735

As at 31 December de 2023:

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets' cash flows	228,052	460,913	128,241	43,092	860,298
Liabilities' cash flows	219,403	430,911	62,554	29,487	742,354

Non-financial risks

Non-financial risks for the Group include business / strategy model, internal governance, operational (including operational, information systems and model risks) and other risks including reputational, compliance, money laundering and terrorism financing and ESG risks. These risks consist of the probability of negative impacts on results or capital, essentially arising from: (i) for business / strategy model risk, inadequate strategic plans and decisions, (ii) for internal governance risk, inadequacies and weaknesses in the internal governance system, in the organizational structure and in the corresponding delimitation of responsibilities, related to risk management; (iii) for operational risk, failures of an operational nature, inadequacy of information and technology systems, or insufficiency of models. Regarding reputational risk, this refers to the negative perception of the Group's public image. Compliance risk consists of the likelihood of legal or regulatory sanctions and/or material financial losses arising from non-compliance with laws, regulations, rules, internal governance standards and codes of conduct applicable to the banking activity, except for matters relating to the prevention of money laundering and terrorism financing. In turn, the risk within the scope of regulatory compliance regarding the prevention of money laundering and terrorism financing consists of the probability of incurring in legal or regulatory sanctions and/or material financial losses, resulting from non-compliance with laws, regulations, rules, internal governance standards and codes of conduct applicable to the banking activity within this well-defined scope. ESG risks result from environmental, social and governance factors that an entity may face, with these risks being a combination of threats and opportunities that can have a significant impact on reputation, financial performance and solvency.

The management of non-financial risks has been gaining increasing relevance in the Group. In this context, the Group relies on advanced tools and methods focused on the identification, evaluation, monitoring and control of these types of risks. Among others, these tools include risk matrices and controls, heat-maps and radar-charts, which inputs derive from an extensive and comprehensive self-assessment process. This process serves as a basis for the definition of dedicated action plans on non-financial risks.

In addition to the maintenance of risk matrices, which cover the various non-financial risk categories, the Group also maintains records that result in a database of Operational and Reputational Risk events. This database includes, among others, the registration of (i) events, (ii) any associated losses and (iii) corrective and/or mitigation measures implemented.

In the scope of ICAAP, although there is no historical record whatsoever of material losses, the Group has been using the Basic Indicator Approach (BIA) methodology to quantify operational risk and internally developed methodologies to quantify compliance, reputational and business model / strategy risks.

In relation to ESG risks, the Bank carried out a series of actions during 2024, especially in the areas of business model and short-, medium- and long-term strategy, and in the area of internal governance, namely: a) the carrying out of a financial materiality analysis of climate risks to assess the Group's exposure to these risks; b) the establishment of decarbonization and sustainable investment targets; c) the definition of key indicators for the periodic monitoring of performance and risk appetite; and d) the strengthening of internal governance in relation to climate risks, reflected in internal policies and procedures, the internal audit plan and employee training.

During 2024, the DORA project was continued, addressing operational digital resilience.

28. Capital management

The Group’s capital management and control is performed in a comprehensive manner with the objective of guaranteeing the institution’s solvency, complying with regulatory requirements and maximizing profitability, being determined by the strategic goals and by the risk appetite defined by the Board of Directors.

Accordingly, some objectives were defined in terms of capital management for the Group:

> Establish a capital planning appropriate for the actual and future needs (to help the business develop), complying with the regulatory requirements and associated risks;
> Ensure that, under stress scenarios, the Group maintains enough capital to accommodate the needs resulting from a risk increase;
> Optimize capital allocation, from a regulatory and an economic capital perspective, considering the Group’s risk appetite, the expected growth and the strategic goals.

The main capital ratios of the Group in 2024 and 2023 are presented in the Management Report.

Minimum own funds requirements (“Pilar 1 requirements”) include a common equity tier 1 ratio (“CET 1”) of 4.5%, a level 1 own funds ratio (“Tier 1”) of 6% and a total own capital ratio (“Total capital”) of 8%, as defined in Article 92 of Regulation (EU) no. 575/2013 of the European Parliament and Council, of 26 June (“CRR”).

Additionally, as from 2020 and in accordance with Notice no. 6/2016 of Banco de Portugal, a capital conservation buffer was implemented of 2.5%.

The risk weighted assets are measured using the standard method. This measurement considers the nature of the assets and the respective counterparts and also the existence of associated collateral and guarantees.

During 2024 and 2023, the Group and the entities in its consolidation perimeter complied with all the regulatory capital requirements to which they are subject.

29. Fair value of financial assets and liabilities

Fair value hierarchy

IFRS requires that an entity classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in the measurement, considering whether the inputs are observable or not. On that basis, the Group’s assets and liabilities are measured in accordance with the following levels:

Quoted market prices (Level 1) – in this category are included prices quoted on official markets and those disclosed by market providers for the respective assets / liabilities when the market is considered active;

Valuation techniques based on observable market inputs (Level 2) – this category includes a part of the securities portfolio which valuation is obtained through quotes published by independent entities but in respect of which the markets are not considered official or have a lower level of liquidity. It also includes other financial instruments which valuations are based on prices / quotations on active markets for similar assets or liabilities and financial instruments valued based on internal valuation models, including discounted cash flow models, which involve the use of estimates and require judgments which vary according to the complexity of the products being valued, namely derivative financial instruments. Notwithstanding, the Group uses as inputs in its models, observable market data, such as interest rate curves, credit spreads, volatility and market indexes; and

Valuation techniques based on non-observable market inputs (Level 3) – consists of the use of internal valuation models or quotations provided by third parties but which imply the use of non-observable market information.

The Group's fair value hierarchy for assets and liabilities measured at fair value may be analysed as follows:

EUR thousand		31.12.2024			31.12.2023		
	Notes	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets							
Financial assets at fair value through other comprehensive income	6	928,809	419,168	2,890	784,085	341,516	9,390
Financial assets not held for trading mandatorily at fair value through profit or loss	6	-	-	1,703	-	62	361
Financial assets held for trading	6	13,369	4,955	-	12,088	2,619	-
Derivative financial instruments	7	-	74,448	-	-	105,423	-
Liabilities							
Derivative financial instruments	7	-	33,693	-	-	9,307	-
Short sales	12	-	1,786	-	-	4,692	-

The fair value of financial instruments traded on active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if prices / quotations are readily and regularly available with transparency, and those prices / quotations represent actual and regular market transactions occurring on an arm's length basis. The fair value of financial instruments that are not traded on an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If the significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

The fair value of interest rate derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves, considering counterpart credit risk.

Disregarding own credit risk, the fair value of interest rate derivatives amounts to € 74,448 thousand and € 4,674 thousand, respectively (2023: € 94,332 thousand and € 8,269 thousand, respectively). As at 31 December 2024 and 2023, the fair value of the derivatives was not adjusted for counterpart credit risk, given the collateral deposits as at those dates and/or the ratings of each counterpart.

The fair value of foreign currency derivatives is determined using forward exchange rates as at the balance sheet date, with the resulting value discounted back to its present value.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

As at 31 December 2024 and 2023, the Group classified in Level 3 impaired financial instruments involved in restructuring legal proceedings due to financial difficulties or which present operational settlement restrictions and for which it was not possible to assess their fair value based on observable market prices representative of transactions carried out on the market. In the case of legal proceedings due to financial difficulties, the fair value of the instruments was determined based on the use of valuation techniques that consider the expected future cash flows discounted based on a discount rate representative of the risk of the respective exposures.

The movement in financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets not held for trading mandatory at fair value through profit or loss ("FVTPL") during financial years 2024 and 2023 is presented as follows:

EUR thousand	**FVTOCI**	**FVTPL**
Movement in Level 3		
Balance as at 1 January 2023	**17,927**	**383**
Entries to level 3	917	-
Changes in fair value	(1,657)	(22)
Disposals	(7,798)	-
Exits from level 3	-	-
Balance as at 31 December 2023	**9,390**	**361**
Entries to level 3	2,021	1,703
Changes in fair value	(48)	-
Disposals	(6,916)	(361)
Exits from level 3	(1,556)	-
Balance as at 31 December 2024	**2,890**	**1,703**

The main assumptions and inputs used, during financial years 2024 and 2023, in the valuation models are presented as follows:

Interest rate curves

The short-term rates presented reflect benchmark interest rates for the money market and for the long term the figures represent interest rate derivatives' quotations for the respective periods:

	31.12.2024		**31.12.2023**	
	EUR	**USD**	**EUR**	**USD**
Overnight	3.038	4.389	4.038	5.399
1 month	3.037	4.389	4.037	5.399
3 months	2.802	4.354	3.998	5.352
6 months	2.505	4.274	3.805	5.137
1 year	2.223	4.146	3.308	4.691
3 years	2.088	4.005	2.388	3.671
5 years	2.156	3.974	2.271	3.445
7 years	2.229	3.982	2.287	3.391
10 years	2.331	4.002	2.382	3.387
15 years	2.454	4.056	2.526	3.424
20 years	2.422	4.029	2.526	3.394
30 years	2.222	3.767	2.352	3.153

Foreign exchange rates

The foreign exchange rates (European Central Bank) as at the balance sheet date for the main currencies used in valuing the Group's financial instruments in foreign currency may be analysed as follows:

Exchange rate	31.12.2024	31.12.2023
EUR/USD	1.0389	1.1050
EUR/GBP	0.82918	0.8690
EUR/CHF	0.9412	0.9260
USD/BRL [a]	6.1847	4.8523

[a] Calculated in accordance with the EUR/USD and EUR/BRL exchange rates

The Group uses in its valuation models the spot rate observed on the market at the time of the valuation.

Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of financial assets and liabilities presented in the Group's balance sheet at amortized cost:

		31.12.2024				31.12.2023			
EUR thousand	Notes	Carrying	Fair value			Carrying	Fair value		
		amount	Level 1	Level 2	Level 3	amount	Level 1	Level 2	Level 3
Assets									
Cash and banks	5	66,377	66,377	-	-	54,816	54,816	-	-
Financial assets at amortized cost	6	940,576	485,988	459,648	1,064	840,415	409,844	413,487	5,096
Liabilities									
Due to banks	13	61,099	61,099	-	-	108,205	108,205	-	-
Due to customers	13	1,070,887	1,070,887	-	-	902,894	902,894	-	-
Repurchase agreements	13	817,004	817,004	-	-	705,503	705,503	-	-

As at 31 December 2024, the caption "Financial assets at amortized cost" includes financial assets in a situation of impairment, involved in judicial restructuring proceedings due to financial difficulties or acquired or originated with credit impairment (POCI) in the amount of € 2,875 thousand (2023: € 5,696 thousand), which respective fair value amounted to € 1,064 thousand (2023: € 5,096 thousand), classified in Level 3.

The movement in the fair value of financial assets at amortized cost during financial years 2024 and 2023 is presented as follows:

EUR thousand	**Financial assets at amortized cost**
Movement – Level 3	
Balance as at 1 January 2023	**9,827**
Entries to level 3	-
Changes in fair value	(1,273)
Disposals	(3,458)
Exits from level 3	-
Balance as at 31 December 2023	**5,096**
Entries to level 3	-
Changes in fair value	(336)
Disposals	(3,696)
Exits from level 3	-
Balance as at 31 December 2024	**1,064**

Fair value is based on market prices, whenever these are available. The main methods and assumptions used in estimating the fair values of financial assets and liabilities accounted for at amortized cost, are analysed as follows:

- Cash and banks: considering the short-term nature of these financial instruments, their carrying amount is a reasonable estimate of their fair value.
- Financial assets at amortized cost: for debt instruments and loans, fair value was estimated based on market prices / quotations. For Due from banks, reverse repos and commercial paper, due to their short-term nature, their balance sheet value is considered to be a reasonable estimate of their respective fair value. For other credit operations: for the specialized financing portfolio, it is considered that, due to its indefinite duration nature, its balance sheet value is a reasonable estimate of its fair value.
- Due to banks and repurchase agreements: for repurchase agreements and Due to banks, due to their short-term nature, their carrying amount is considered to be a reasonable estimate of their respective fair value.
- Due to customers: the fair value of these financial instruments is based on the discounted expected future cash flows (principal and interest), considering that instalments are paid on the contractually defined dates. Considering that the applicable interest rates are variable and that the period to maturity is substantially lower than one year, there are no significant differences between the fair value and the carrying amount.

30. Group structure

As at 31 December 2024, the Group structure may be analysed as follows:

Subsidiary	Year of incorporation	Year of acquisition	Registered office	Activity	% Shareholding	Consolidation method
Banco Finantia, S.A.	1987	1987	Portugal	Banking	-	-
Finantia UK Limited	1993	1997	United Kingdom	Finance	100	Full
Finantia Malta Ltd. [(a)]	2004	2004	Malta	Finance	100	Full
Finantia USA Inc. [(b)]	1995	1997	USA	Broker-Dealer	100	Full
Finantia Holdings BV	2004	2004	Holland	Shareholdings' management	100	Full
Sofinloc Unipessoal, Lda.	1983	1992	Portugal	Administrative services and company support	100	Full
Finantia Corporate, Lda.	1989	1989	Portugal	Advisory services	100	Full
Esprin - Española de Promociones, S.L.	2000	2001	Spain	Advisory services and shareholding company	100	Full

During the 2024 financial year, with a view to simplifying the corporate organic structure of the Banco Finantia Group, the entity Finantia Holdings BV sold the 10% financial stake it held in Finantia UK Limited to Banco Finantia S.A. and the 100% financial stake it held in Finantia Malta Ltd. to Finantia UK Limited. As at 31 December 2024, Finantia UK Limited is owned in 100% by Banco Finantia S.A. and Finantia Malta Ltd. is owned in 100% by Finantia UK Limited.

31. IBOR Reform

On 30 June 2023, the final date for the Libor USD transition occurred.

As at 31 December 2024 and 2023, all hedging relationships carried out by the Group are at fair value ("fair value hedges").

As at 31 December 2024, the Group holds financial assets at amortized cost and "Due to banks" indexed to the €ster reference rate, respectively in the amount of € 27,479 thousand (2023: € 1,052 thousand) and € 58,245 thousand (2023: € 104,129 thousand).

As at 31 December 2024, the Group had financial assets at fair value through other comprehensive income, financial assets at amortized cost and repos operations indexed to the SOFR reference rate, respectively in the amounts of € 287 thousand (2023: € 7,240 thousand), € 131,041 thousand (2023: € 66,485 thousand) and € 290,694 thousand (2023: € 160,171 thousand).

32. Subsequent events

Up to the date of this report and after the end of the 2024 financial year, no events with a material impact on the Group's Financial Statements have occurred.

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*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements Banco Finantia, S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2024 (showing a total of 2.482.606 thousands of euros and a total equity of 484.428 thousands of euros, including a net profit for the year of 25.322 thousands of euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Banco Finantia, S.A. as of 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. **Financial assets impairment – securities and loans portfolio**

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As presented in the balance sheet and as further disclosed in note 6, the value of financial assets net of impairment amounted to 2.311.715 thousand euros representing 93% of total assets. According to that disclosed in the Note 2.2.1.5.2 the impairment reflects: (i) expected losses resulting from possible default events in the 12 months following the report date or (ii) expected losses that may occur from all possible default events over the useful life of a financial instrument. The transition from expected credit losses for 12 months to expected credit losses over the useful life is based on the concept of a significant increase in credit risk, as disclosed in the Note 2.2.1.5.3, for the remaining life of the asset when compared with the credit risk at the time of its acquisition/origination.	We performed the identification and assessment of the audit risk that led to the definition of the audit approach to respond to the risk of material misstatement. This approach included (i) an overall response with an effect on the way the audit was conducted and (ii) a specific response which resulted in the design and implementation of additional procedures, including substantive procedures, namely: We obtained an understanding, evaluated the design of the internal control procedures over the process of quantification of impairment losses, namely for the portfolio of debt instruments and loans;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Given the complexity and subjectivity inherent in the calculation of expected losses as described above, it was necessary to utilize internal statistical models and other relevant historical data to determine the parameters, such as: (i) probability of default ("PD"); (ii) expected loss given default ("LGD") and (iii) exposure at the default date ("EAD") which should also contain forecasts of future economic conditions containing different scenarios. The use of alternative approaches, models or assumptions may have a material impact on the estimated impairment value. Considering the degree of subjectivity and complexity involved in the impairment of the financial assets, we have defined this matter as a key audit matter.	We performed analytical review procedures on the evolution of financial asset impairment balances, comparing them with the previous period; We identified and analyzed the indications of deterioration of credit risk of the financial assets which comprise the debt instruments and loans portfolio; With the support of internal risk specialists, we assessed the reasonableness of the parameters used in the impairment calculation, highlighting the following procedures: i) understanding of the methodology adopted and approved by management and comparison with the one actually used; ii) evaluation of changes made to the models in order to determine parameters that reflect the expected loss; (iii) based on a sample, comparison of the data used to calculate the risk parameters to source information; iv) evaluation of the consistency of the calculation of risk parameters throughout the historical analysis; and (v) inquiries to the Bank's specialists responsible for the implementation of the model; We obtained an understanding, evaluated the design over the process of the expected loss calculation model, we reperformed the impairment calculation, assessed the assumptions used to fill gaps in the data, compared the parameters used with the results of the estimation models, and compared the results with the amounts presented in the financial statements; We assessed the reasonableness of the defined criteria and the consistency of their application in the measurement and impairment calculation of the Group's financial asset portfolio; We obtained and analysed the internal documents that support the decision to record an impairment, specifically for those financial assets with indicators of deterioration in credit risk; and We analysed the disclosures included in the notes to the financial statements, based on the requirements of International Financial Reporting Standards and the accounting records.

2. Financial instruments measurement

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 29 to the consolidated financial statements, the Group presents financial instruments assets in the amount of 498.571 thousand euros and 4.593 thousand euros classified in level 2 and level 3 of the fair value hierarchy, IFRS 13 – Fair Value, respectively. Additionally, the Group presents financial instruments liabilities in the amount of 35.479 thousand euros classified in level 2 of the fair value hierarchy, IFRS 13 – Fair Value. On 31 December 2024, the financial instruments classified by the Group in level 2 are comprised by: (i) debt instruments and loans classified in the financial statements as financial assets at fair value through other comprehensive income or as financial assets at held for trading and (ii) derivative financial instruments classified as financial assets and liabilities held for trading or hedging derivatives. The financial instruments classified in level 3 are essentially comprised by debt instruments. The financial instruments classified in level 2 of the fair value hierarchy of IFRS 13 - fair value, reflect a part of the securities portfolio whose valuation is obtained through quotes published by independent entities but in respect of which the markets are not considered official or have a lower level of liquidity. Additionally, it also includes other financial instruments which valuation are based on prices/quotations on active markets for similar assets or liabilities and financial instruments valued based on internal valuation models, including discounted cash flow models, which involve the use of estimates and require judgments which vary according to the complexity of the products being valued, namely derivative financial instruments. Notwithstanding, the Group uses observable market data as inputs in its models, such as interest rate curves, credit spreads, volatility, and market indexes. The financial instruments classified by the Group in level 3 of the fair value hierarchy, IFRS 13 – Fair Value, reflect instruments whose respective valuations were determined using internal valuation models or quotations provided by third parties, but which imply the use of non-observable market information. Consequently, the use of different methodologies, assumptions, and judgments in the application of a specific model, may have an impact on the determination of the fair value of financial instruments and on the consolidated financial statements, and therefore we considered this as a key audit matter.	Our approach towards the risk of material misstatement included the following procedures: We obtained an understanding and evaluated the design of the internal control procedures over the process of measurement of financial instrument assets and liabilities, specifically for the portfolio of debt instruments, loans and derivative financial instruments; We assessed the reasonableness of the measurement performed by the Group for the financial instruments' portfolio measured at fair value; We obtained and analysed the internal documents that support the decision regarding the financial instrument measurement; We analysed the reasonableness of the defined criteria and the consistency of their application in the measurement of financial instruments held by the Group; • We analysed the disclosures included in the notes to the financial statements, based on the requirements of International Financial Reporting Standards and the accounting records.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Management Report, the Corporate Governance Report, the Non-financial information statement and the Remunerations report, in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may lead the Group to discontinue its activities;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- plan and execute our audit to obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance review of the work carried out for the purposes of the group audit and we remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current

period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and

we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Consolidated Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Consolidated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

We were appointed as auditors of Banco Finantia, S.A (Group's Parent Entity) for the first time at the shareholders' general meeting held on 27 July 2015 for a mandate from 2015 to 2016. We were appointed at the shareholders' general meeting held on 27 November 2017 for a second mandate from 2017 to 2019, being that its period was changed on May 31st 2019 to the three year period 2019-2021. We were appointed for the last time, at the shareholders' general meeting held on September 29, 2022, for the fourth mandate from 2022 to 2024.

Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;

We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on this date; and

We declare that we have not provided any prohibited services as described in article 5 of the Regulation (EU) n.º 537/2014 of the European Parliament and the Council, of 16 of April 2014, and we have remained independent of the Group in conducting the audit;

Lisbon, 31st March 2025

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

Silvia Maria Teixeira da Silva - ROC n.º 1636
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