Banco Montepio

BANCO MONTEPIO
CONSOLIDATED RESULTS 1ST HALF 2021
Unaudited information

Lisbon, 30 July 2021

BANCO MONTEPIO MAINTAINS BUSINESS GROWTH TREND

NET INCOME IN THE FIRST HALF OF THE YEAR IN LINE WITH THE IMPLEMENTATION TARGETS SET OUT IN THE OPERATIONAL ADJUSTMENT PLAN

- Consolidated **net income** of -€33Mn, which compares favourably with the -€51M registered in the same period of 2020.
- **Liquidity buffer** amounts to €3.3Bn, reflecting a comfortable position of liquidity ratios.
- **Loans and advances to customers** and **Customer deposits** increase compared to 31 December, as well as compared to the same period in 2020.
- **Reduction of recurrent operating costs.**

In line with the operational adjustment plan and as foreseen in the budget, **Banco Montepio registered a consolidated net income of -€33Mn in the first half of 2021**, which compares favourably with the -€51Mn accounted in the same period of 2020, representing a positive variation of €18Mn, given the lower Impairment Charges and provisions, as well as the reduction in Operating Costs.

It should also be noted that Banco Montepio's net income for the first half of 2021 incorporates a cost of €23Mn related to the mandatory contributions of the banking sector, to the Deposit Guarantee Fund, to the Resolution Fund and to the Single Resolution Fund.

The **liquidity *buffer***, calculated by adding the amount recorded in the balance sheet item Cash and Deposits at Central Banks and the market value of securities available to obtain

This is a free translation of the original document in Portuguese. In the event of inconsistency the Portuguese version shall prevail for any and all purposes liquidity from the ECB, exceeded the €3.3Bn, reflecting a comfortable position of liquidity ratios.

Loans and advances to customers reached €11,658Mn at the end of June 2021, showing an increase of €80Mn compared to the value recorded at 31 December 2020, with outstanding loans to individuals increasing by €105Mn, of which €54Mn in mortgage loans and €52Mn in consumer loans and others.

At the same time, **Customer deposits** amounted to €12,623Mn at the end of June 2021, which represents an increase of €121Mn compared to the value recorded at the end of 2020, with individuals' deposits representing 76%.

Non-recurrent costs related with the implementation of the staff adjustment plan and the disposal of non-strategic assets totalled €4.1Mn. Excluding this impact, the **recurring operating costs** would have been €125Mn, showing a decrease of 4.4% when compared to the amount recorded in the same period of 2020.

Operational adjustment

- As part of the **optimisation of the retail network,** 57 branches were closed between October 2020 and June 2021, of which 20 in the first half of this year;
- With regard to the **evolution of the workforce**, Banco Montepio Group had a total of 3,666 employees at the end of the first half of 2021, a decrease of 296 (7.5%) compared to the same period of 2020;
- The implementation of the 2020/2021 Programme (Early Retirement and Mutual Agreement Termination Programme) in the fourth quarter of 2020 was responsible for 83% of this reduction. The second phase of the programme began on 31 May

2021, and a continued resizing of the teams is expected until the end of the current year.

Digital transition

- The Montepio24 corresponds to a multichannel platform that integrates remote channels, having registered in the first half of 2021 an increase of 12.3% in the number of active customers compared to June 2020, totalling 415,322 users: 350,473 in the Individuals segment (+13.5%) and 64,849 in the Companies segment (+6.2%);

- The number of transactions carried out through digital channels in the first half of 2021 increased at Net24 to 22.0 million (compared to 20.5 million in the same period last year, a change of 7.8%) and at App24 to 12.0 million (compared to 8.0 million in the same period of 2020, a change of 49.5%);

- **APProva**, a new strong authentication app, standalone from current digital channels, is available on the *stores* - iOS and Android - for free download. All online payments that require strong authentication must be approved through the APProva app, replacing the Master Card and 3D Secure SMS. The app is prepared to support multiple devices and users for transactions’ approval requiring two or more authorisations.

  With the launch of this application, Banco Montepio reiterates its commitment to innovation, fulfilling its mission to provide the best service and simplify customers' lives.

Moratorium and Government guaranteed credit lines

- In the context of Covid-19 and under the special aid scheme provided to families and companies, Banco Montepio Group, assuming its social commitment, granted 35 thousand moratoria totalling €2.7Bn with reference to 30 June 2021, showing a reduction of 16% compared to the end of 2020;

- In the first semester of 2021, Banco Montepio, in order to mitigate the negative economic effects driven by the Covid-19 pandemic, continued to support national companies by offering credit lines with mutual guarantee, having additionally granted the extension of the grace period to around 3,000 operations;
- At the same time, it maintained the plan to promote lines of credit under protocols signed with the European Investment Bank (EIB) and the European Investment Fund (EIF), and signed a new protocol with the EIF: the EIF Uncapped Credit Line, worth €150Mn, with a 70% EIF guarantee.

Asset Quality

- Cost of credit risk of 0.9%, compared to 1.8% in June 2020 which reflected the reinforcement of credit impairments induced by the pandemic;
- Reduction of non-performing exposure (NPE) by an amount of €349Mn, with the NPE ratio standing at 9.3%, comparing favourably with the ratio of June 2020 (12.0%);
- NPE ratio, net of impairment for credit risk, improved to 3.9%;
- Increase in the coverage levels of NPE by impairments for credit risk and associated collateral and financial guarantees to 95.9% (57.7% if only impairments are considered).

Capital and liquidity

- *Common Equity Tier 1* (CET1) ratio (*phasing-in*) of 11.4%;
- Total capital ratio (*phasing-in*) of 13.6%;
- Liquidity coverage ratio (LCR) rose to 261.0%.

Net income

The **consolidated net income** for the first six months of 2021, although negative in €33Mn, compare favourably with the amount of -€51Mn disclosed in the same period of the previous year, given the lower level of impairment for credit risk observed in the first half of 2021, although still at high levels reflecting the effect of the macroeconomic context caused by the COVID-19 pandemic.

Net interest income in the first half of 2021 was €114Mn, compared to €121Mn in the same period of 2020, capturing the positive effects of commercial dynamics embodied in the favourable evolution of credit and the decrease in the cost of deposits, notwithstanding the slowdown in economic activity perceived both by households and companies, which, however, did not offset the effect associated with the increase in costs with subordinated debt issuances and with the synthetic securitisation operation.

Net commissions in the first six months of 2021 were €55Mn, almost at the same level as in the same period of 2020, driven by commissions related to payment channels and securities/markets, notwithstanding the effect on banking transaction's commissions caused by the pandemic context, and also lower commissions from credit operations, in this case associated with the reduction in the levels of activity of economic agents and the effect of moratoria on the origination of new credit operations and its impact on commission income.

The **Results from financial operations** presented in the first half of 2021 totalled -€3Mn, compared to the €14Mn registered in the same period of 2020, reflecting the lower gains on debt securities registered in the first six months of 2021, and the favourable evolution of the results from derivative financial instruments, when compared to the amount registered in the same period of 2020.

Other results amounted to -€8Mn in the first six months of 2021, showing a favourable performance compared to the amount of -€11Mn booked in the same period of 2020, mainly reflecting the gains from the sale of a securities portfolio accounted at amortised cost, which offset the lower results from the real estate sales.

Operating costs recorded in the first six months of 2021 were €129Mn, including one-off costs of €4.1Mn related to the implementation of the staff adjustment plan during the first semester of 2021 and with the costs incurred with the sale of non-core assets. Thus, excluding this impact, operating costs would have been €125Mn, a decrease of 4.4% when compared to the amount achieved in the same period of 2020, which reflects, on a comparable basis, the decrease in staff costs by 5.6% and in general administrative expenses by 6.9%, thus demonstrating the progress made in the delivery of the strategic objective related to the efficiency and profitability levels improvement.

With regard to efficiency, at the end of the first half of 2021 the cost-to-income ratio, excluding the volatile effect of Results from financial operations, Other results and non-recurring costs, stood at 73.5%, which compares with 73.4% recorded at the end of June 2020.

The **Loan impairments** in the first six months of 2021, which considers the reinforcements and reversals of impairments related to the loan portfolio analysis, including the individual analysis and the collective approach, totalled €55Mn and determined a cost of risk of 0.9% which, despite being at a high level, compares favourably with the impairment amount of €109Mn and the cost of risk of 1.8% recorded in the same period of 2020, and which also reflect the estimated pandemic impact.

The aggregate of **Impairment of other financial assets**, **Impairment of other assets** and **Other provisions** reached €6Mn in the first half of 2021, compared to €14Mn in the same period of 2020, and shows the lower allocations made to other financial assets and other provisions which, in this case, include the provisioning of off-balance exposures, and the strengthening of impairments for other assets resulting from the impairments made for investment properties.

The total amount recorded in **Income from discontinued operations** in the first half of 2021 was EUR -€1Mn, practically in line with the amount recorded in the same period of 2020, and it is given by the contribution to the consolidated accounts of the subsidiaries Montepio Valor and Banco Montepio Geral Cabo Verde, net of intra-group operations.

Balance sheet

Total assets amounted to €19,460Mn on 30 June 2021, a change of 8.8% compared to the value recorded at the end of the first half of 2020, showing the increase in Cash and deposits at central banks and in Other financial assets at amortised cost.

Gross loans and advances to customers, driven by the performance observed at the households and companies segments, which reflect the impact of the measures implemented with the aim of addressing the strategic objectives of increasing loans to individuals, particularly for housing and consumption, and also in SMEs and the *middle market,* stood at €12,318Mn at the end of the first half of 2021, recording an increase, excluding the effect of write-offs, of €214Mn compared to the value recorded on 30 June 2020.

The **loan portfolio quality**, as measured by the NPE ratio, increased from 12.0% at 30 June 2020 to 9.3% at the end of June 2021, supported by the performance of non-performing exposures which, compared to the value at 30 June 2020, decreased by €349Mn, as a consequence of the policy defined for taking credit risk and the measures implemented in the areas of credit monitoring and recovery.

The **coverage of NPE by impairments** at the end of June 2021 reached 57.7% and shows the reinforcement of loan impairments made in this period, and also the regularisation of some exposures that were with high levels of coverage by impairments. The **coverage of NPE by impairment, collateral and associated financial guarantees** evolved favourably, rising from 89.9% at the end of June 2020 to 95.9% on 30 June 2021.

Customer deposits showed a favourable evolution, totalling €12,623Mn on 30 June 2021, an increase of €239Mn compared to the €12,384Mn reported at the end of June 2020, driven by the positive performance of both households and companies, which, in both cases, reflected the success of the commercial approach adopted, despite the historically low market interest rates.

Equity increased from €1,327Mn at the end of 2020 to €1,351Mn on 30 June 2021, essentially demonstrating the positive effect related to the calculation of positive actuarial deviations and the impact of the first half of 2021 net income.

Capital

The **total capital ratio** at 30 June 2021 stood at 13.6% (compared to 13.5% at the end of the same period of 2020) benefiting from the positive effect of the implementation of a set of measures to reduce risk-weighted assets (RWA), namely through the disposal of assets, partially offset by the phasing-in applicable to the initial impacts of the adoption of the IFRS9 accounting standard and by the evolution of net income.

(EUR million)	Jun-20	Dec-20	Jun-21	Change (Jun21 - Dec20)
Common Equity Tier I Capital	1,164	1,114	1,068	(4.1%)
Tier I Capital	1,164	1,114	1,068	(4.1%)
Total Own Funds	1,370	1,321	1,275	(3.5%)
Risk-weighted assets and equivalents (RWA)	10,119	9,577	9,377	(2.1%)
CRD IV / CRR ratios - *Phasing-in*				
Common Equity Tier I Ratio	11.5%	11.6%	11.4%	(0.2 p.p.)
Tier I Ratio	11.5%	11.6%	11.4%	(0.2 p.p.)
Total Capital Ratio	13.5%	13.8%	13.6%	(0.2 p.p.)
CRD IV / CRR ratios - *Fully implemented*				
Common Equity Tier I Ratio	10.3%	10.1%	10.3%	0.2 p.p.
Tier I Ratio	10.3%	10.1%	10.3%	0.2 p.p.
Total Capital Ratio	12.3%	12.3%	12.5%	0.2 p.p.
Leverage ratio - *Phasing-in*	6.3%	6.0%	5.2%	(0.8 p.p.)
Leverage ratio - *Fully Implemented*	5.6%	5.2%	4.7%	(0.5 p.p.)

Phasing-in ratios according to the rules on the reference date.
The ratios include the accumulated net income for the period.

RWA decreased by €742Mn at the end of the first half of 2021 compared to the value calculated at the end of the same period of 2020, as a result of the change in the balance sheet structure that has been implemented and the issue of a synthetic securitisation carried out in the last quarter of last year. The implementation of Banco Montepio's strategy of continuous reduction of non-strategic assets also had a positive impact on the reduction of RWA, highlighting, in this first half of the year, the sale of the shareholding in Almina Holding S.A. and Monteiro Aranha S.A. and the reduction of exposure to real estate assets.

Liquidity

In the first half of 2021, Banco Montepio continued to develop a set of initiatives aimed at maintaining a robust liquidity position, with levels well above the regulatory limits in force and in alignment with the strategic objectives of the Funding and Capital Plan.

The **LCR ratio** reached 261.0% on 30 June 2021, 161 p.p. above the minimum regulatory requirement of 100%, evolving favourably compared to the ratio of 224.4% recorded on 30 June 2020.

As of 30 June 2021, the amount of **issued debt** stood at €1,487Mn, compared to €1,539Mn recorded as of 30 June 2020, as a result of the decrease in issued debt securities (€51 million), while Other subordinated liabilities stood at €211Mn, in line with the amount recorded at the end of the same period in 2020.

Reflecting Banco Montepio's investment strategy in liquid assets, in a perspective of integrated management of liquidity and sources of funding, on 30 June 2021 the total value of the portfolio of assets eligible for European monetary policy operations reached €3,654Mn, of which €2,885Mn were committed as collateral of the nominal value of the ECB medium-term financing operations (through TLTRO-III). In the first six months of 2021, Banco Montepio increased its level of **funding from the European Central Bank (ECB)** by €1.5Bn, to €2,885Mn, and at the end of the first half of 2021 the value of the unencumbered eligible assets portfolio amounted to €769Mn.

Rating

In the first half of 2021 Banco Montepio had no changes to the ratings assigned and confirmed by Fitch Ratings, DBRS Morningstar and Moody's on 23 October 2020, 16 December 2020 and 25 March 2021, respectively.

The risk ratings assigned to Banco Montepio, with reference to 30 June 2021, are presented in the table below:

Rating Agency	Covered Bonds (CPT[1])	Issuer[2] (Long-term)	Deposits
Fitch Ratings	AA- *Negative*[3]	B- *Negative*[3]	B
Moody's	A1	b3	B1 *Stable*[3]
DBRS Morningstar	BBB (high)	B *Negative*[3]	B (high) *Negative*[3]

[1] *Conditional Pass-through Covered Bond Programme.*
[2] *Fitch Issuer Default Rating (IDR), Moody's Baseline Credit Assessment (BCA and DBRS Intrinsic Assessment (IA).*
[3] *Outlook.*

After the end of the first semester of 2021, DBRS and Fitch Ratings reaffirmed the ratings assigned to Banco Montepio. DBRS in a press release dated 2 July 2021 and Fitch Ratings through an update (*Rating Report update*) released on 13 July 2021.

Additionally, in a statement on 13 July 2021, Moody's upgraded the rating of the senior unsecured MTN and the junior senior unsecured MTN issued under the Euro Medium Term Note (EMTN) programme of Banco Montepio from (P)Caa1 to (P)B3, as a consequence of the revision of the banks analysis methodology in order to reflect more adequately the risk of these classes of debt.

Milestones of the first half of 2021

- **New Executive Director takes office**

  At a meeting of the Board of Directors held on 18 February 2021 and following the authorisation granted by the Banco de Portugal, it was approved the appointment of Jorge Paulo Almeida e Silva Baião as Executive Director of Banco Montepio for the remaining period of the 2018/2021 mandate, having begun his duties on 22 February 2021.

- **177 years fly fast ("*177 anos passam a voar*")**

  On 24 March Banco Montepio marked its 177th anniversary with the campaign "177 years fly fast" ("*177 anos passam a voar*"). Over these years the Bank has gone through monarchies and republics. Technological and philosophical revolutions. Periods of war, crisis and prosperity.

  But no matter how many years go by, some things don't change. We keep on supplying people and communities, here and abroad, to fly even higher. To keep on growing along with the Portuguese and with Portugal.

- **Mortgage Loans Campaign "*Ninguém estava à espera disto*"**

  According to data from the BrandScore study - which evaluates the effectiveness of brand communication - the "Nobody was expecting this" ("*Ninguém estava à espera disto*") campaign obtained the best ever result in recall of the bank's campaigns, won three creativity awards and contributed to record levels of business and attraction of customers compared to the last ten years.

  The advertising campaign, starring Bruno Nogueira, obtained a record total recall in the sector and, in that period, rose to the first position of the most recalled campaigns of all banking in 2020, contributing to reinforce and reaffirm Banco Montepio's positioning in the Mortgage Loans segment.

  This marketing initiative promotes the offer of 1% of the value of the mortgage loan - in the purchase and exchange of a house, credit transfer and all mortgage credit operations - delivered to the customer in a pre-paid card to be used in Worten shops. In 2021, and within the scope of the same campaign, a new offer was launched for sustainable homes, with the extra benefit of returning 1.1% of the value of the loan or of the mortgage loan transfer to Banco Montepio for homes with energy certificate A and A+.

- **Consumer Loans Campaign "*Pouco Pio*"**

  Banco Montepio launched a Consumer Loans' campaign, focused on freedom and respect for individual choices, which customers can experience in their relationship with the institution. Bruno Nogueira is once again the main character and brand ambassador, in a campaign with the ongoing goal of communicating support for families in achieving their personal projects, whatever they may be.

  This marketing action promotes a new functionality that allows, quickly and online, any customer to request a Consumer Loan, according to any need or amount and obtain a decision, without the need to visiting a branch. This is another step to help simplify our customers' lives and their relationship with Banco Montepio.

- **Sale of non-strategic shareholdings**

  On 4 March 2021, Banco Montepio participated in the public tender offer auction, held by B3 S.A. - Brasil, Bolsa, Balcão, for the acquisition of shares by increase of participation ("Tender Offer") launched by Sociedade Técnica Monteiro Aranha S.A. (the "Offeror"). Within the scope of the aforementioned auction, Banco Montepio sold its entire shareholding in Monteiro Aranha S.A., equivalent to around 10.31% (ten thirty-one per cent) of the company's share capital. The sale provided an estimated favourable impact of 3 basis points on Banco Montepio's end-2020 capital ratios (Common Equity Tier 1 ratio and Total Capital ratio).

  On 30 June 2021, Banco Montepio sold its entire shareholding in Almina Holding S.A. (Almina), corresponding to 9,500 (nine thousand and five hundred) ordinary shares, equivalent to 19.0% (nineteen per cent) of Almina's share capital. The sale resulted in a gross cash inflow of €67Mn, with a favourable impact on Banco Montepio's capital ratios, estimated on a pro forma basis at the end of the first quarter of 2021, of 7 basis points on the *Common Equity Tier 1 ratio* and 9 basis points on the Total Capital ratio, in both cases reflecting the decrease in risk weighted assets.

  The completion of these operations is in line with Banco Montepio's strategy of continuously reducing its exposure to non-strategic assets.

- **DBRS Morningstar upgrades the rating on Pelican Mortgages Nº4 Class A bonds**

  The rating agency DBRS Morningstar announced on 1 April 2021 the upgrade of the rating assigned to the Class A of Pelican Mortgage No.4, by two notches, from AA(sf) to AAA (sf).

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Pelican Mortgages Nº4 is a securitisation concluded in May 2008 by a Loan Securitisation Company, which issued securitisation bonds backed by a mortgage loan portfolio originated and monitored by Banco Montepio. The current rating reflects the quality and performance of the loan portfolio sold by Banco Montepio and the level of protection provided by the remaining bond classes (Classes B to E) and by the liquidity reserve.

The AAA rating is the highest rating for the credit quality of a bond and demonstrates a high capacity to pay financial obligations, unlikely to be negatively affected by future events. This rating action confirms the good quality of the mortgage loan portfolios originated and managed by Banco Montepio.

- **Social and Environmental Sustainability**

Banco Montepio maintains the focus on working on the different dimensions of sustainability in order to integrate ESG (Environmental, Social and Governance) factors in the various areas of activity within the institution. Within the scope of this purpose and as a reference agent for social sustainability in the market and with the different *stakeholders*, Banco Montepio promoted throughout the first half of 2021 the provision of unique solutions that add value to the daily lives of Social and Solidarity Economy Entities (SSEEs) and the granting of credit, both for working capital support as well as for support to investment projects in the Social Sector area.

The penetration rate in clients of the Social and Solidarity Economy (with a social purpose) rose to 27% and according to data made available by Banco de Portugal, Banco Montepio reached a credit market share of around 13% (data from May 2021), which represents a growth in the credit portfolio of these clients, in relation to the same period of the previous year, of around 30%.

Since the start of the Government's Economic and Social Stabilisation Programme and the Government guaranteed credit lines, until the end of the first half of 2021, Banco Montepio provided financing of over €62Mn in the specific Credit Line for the Social Sector, aimed at providing treasury support and meeting the working capital needs of the SSEEs. In addition, and in an attempt to put the investment paradigm back on the agenda, in the first half of 2021, Banco Montepio invested heavily in the *+Impacto Social* credit line, by financing over €40Mn in projects that will contribute significantly to expanding the network of equipment, increasing quality and incorporating innovation and sustainability in the social responses of the SSEEs.

In addition, Banco Montepio promoted the enlargement of the strategic partners that support the SSEEs and signed commercial protocols with umbrella institutions in the

Social Sector and contributed to the creation of partnerships that allow the promotion of equal opportunities and a more inclusive and closer society, through the areas of microcredit and social entrepreneurship.

The results of the 2020 Activity Report released in 2021 by CASES (*Cooperativa António Sérgio para a Economia Social*), reveal that Banco Montepio is the market leader in the National Microcredit Programme "*Sou Mais*", with a percentage of 34.5% (4,624.7 thousand euros) of the total funding (13,400.7 thousand euros) granted from 2011 to 2020.

Banco Montepio also participated as a Social Investor, through social investment in 9 projects under the scope of Impact Projects (*Projetos de Impacto*), a joint initiative with the participation of Santa Casa da Misericórdia de Lisboa (SCML).

In the area of environmental sustainability, Banco Montepio highlights the launch of a mortgage loan campaign with benefits for homes with energy certificate A or A+, and the setting up and structuring of *Green, Social and Sustainability Bonds* promoted by Banco de Empresas Montepio (BEM).

- **Banco Montepio implemented security procedures, guaranteeing the safety of customers, suppliers and employees and reinforced support to families, companies and social economy entities to deal with the Covid-19 pandemic**

  Banco Montepio continues to closely monitor the recommendations of the Portuguese Government and the Directorate General of Health on the evolution of the pandemic, having taken the necessary measures to ensure the safety of its employees and business continuity. The Crisis Management Office ensures the monitoring of all instructions and recommendations of the competent bodies, reflecting them in internal procedures.

  Support for families was reinforced, namely through adherence to the moratoria and respective monitoring, and for Portuguese businesses (companies, ENI's and IPSS's) through the availability of offers on all the Government guaranteed credit lines to tackle the effects of Covid-19.

- **Annual General Meeting**

  On 29 June 2021, Banco Montepio held its ordinary general meeting of shareholders and the following resolutions were passed:

  1. Management Report and Accounts for the financial year 2020 - Approved unanimously;
  2. Application of results for the 2020 financial year - Approved unanimously;
  3. General appreciation of the management and supervision of the company - Approved unanimously;
  4. Ratification of the appointment of the Executive Director Jorge Paulo Almeida e Silva Baião - Approved unanimously;
  5. Report assessing the Remuneration Policies and procedures adopted by Banco Montepio and Banco Montepio Group - Approved unanimously;
  6. Annual review of the Remuneration Policy for Members of the Management and Supervisory Body - Approved unanimously;
  7. Annual review of the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Body and Holders of Key Functions - Approved unanimously;
  8. Constitution of special reserve and constitution of conversion rights relating to the exercise of recoverability of deferred tax assets, reported to 31 December 2020 - Approved unanimously.

- **Superbrands 2021**

  In 2021 and for the 12th time, Banco Montepio once again received the Superbrand seal. This award reflects what our customers, as consumers of products and services, think about Banco Montepio. After 177 years in business, Banco Montepio is the oldest financial institution in Portugal and a banking brand that remains faithful to its origins and mutual roots, its purpose and values, standing by families, companies and social economy entities since 1844.

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KEY INDICATORS

	Jun-20 restated	Jun-21	Change YoY
ACTIVITY AND RESULTS (€ million)			
Total assets	17,882	19,460	8.8%
Gross Loans to customers	12,451	12,318	(1.1%)
Customers' deposits	12,384	12,623	1.9%
Net income	(51.3)	(33.0)	35.7%
SOLVENCY (a)			
Common Equity Tier 1 ratio	11.5%	11.4%	(0.1 p.p.)
Total Capital ratio	13.5%	13.6%	0.1 p.p.
Risk weighted assets (€ million)	10,154	9,377	(7.7%)
LIQUIDITY RATIOS			
Loans to customers (net) / Customers' deposits (b)	93.5%	92.3%	(1.2 p.p.)
Loans to customers (net) / On-balance sheet customers' resources (c)	84.5%	83.9%	(0.6 p.p.)
ASSET QUALITY			
Cost of credit risk	1.8%	0.9%	(0.9 p.p.)
Non-performing exposures (NPE) (d) / Gross Loans to customers	12.0%	9.3%	(2.7 p.p.)
NPE (d) coverage by credit risk Impairments	58.2%	57.7%	(0.5 p.p.)
NPE (d) coverage by credit risk Impairments and associated collaterals and financial guarantees	89.9%	95.9%	6.0 p.p.
PROFITABILITY AND EFFICIENCY			
Total operating income / Average total assets (b)	2.1%	1.7%	(0.4 p.p.)
Net income before income tax / Average total assets (b)	(0.8%)	(0.3%)	0.5 p.p.
Net income before income tax / Average total equity (b)	(10.3%)	(4.0%)	6.3 p.p.
Cost-to-income (Operating costs / Total operating income) (b)(g)	72.3%	81.1%	8.8 p.p.
Cost-to-Income, excluding specific impacts (e)(g)	73.4%	73.5%	0.1 p.p.
Staff costs / Total operating income (b)	44.6%	49.8%	5.2 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Banco Montepio Group	3,962	3,666	(296)
Banco Montepio	3,563	3,283	(280)
Branches			
Domestic network - Banco Montepio	328	271	(57)
International Network (f)	24	20	(4)
Representation Offices - Banco Montepio	5	5	0

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

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, as amended.

(c) Total on-balance sheet customers' resources = Customers' deposits and debt securities issued as disclosed in the Financial Statements.

(d) EBA definition.

(e) Excludes results from financial operations and other operating results (net gains arising from the sale of other financial assets and other operating income) and non recurring operting costs.

(f) Includes corporate centres.

CONSOLIDATED INCOME STATEMENT

(million euro)	Jun-20 Restated	Jun-21	Change (€Mn)	Change %
Interest and similar income	153.3	144.7	(8.5)	(5.6%)
Interest and similar expense	32.0	30.5	(1.5)	(4.6%)
NET INTEREST INCOME	**121.3**	**114.3**	**(7.0)**	**(5.8%)**
Dividends from equity instruments	1.7	1.7	0.0	1.6%
Net fee and commission income	55.4	54.9	(0.5)	(1.0%)
Results from financial operations	13.9	(3.3)	(17.1)	<-100%
Other results	(11.2)	(8.1)	3.1	27.9%
TOTAL OPERATING INCOME	**181.1**	**159.5**	**(21.6)**	**(11.9%)**
Staff Costs	80.8	79.5	(1.3)	(1.6%)
General and administrative expenses	33.4	32.0	(1.4)	(4.1%)
Depreciation and amortization	16.8	17.8	1.0	6.0%
OPERATING COSTS	**131.0**	**129.3**	**(1.6)**	**(1.3%)**
Loan impairments	108.8	55.1	(53.7)	(49.4%)
Other financial assets impairments	5.8	3.0	(2.8)	(48.3%)
Other assets impairments	5.5	9.5	4.0	73.8%
Provisions net of reversals and annulments	2.5	(6.9)	(9.3)	<-100%
Share of profit of associates under the equity method	-.3	(0.2)	0.1	29.4%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**(72.7)**	**(30.7)**	**41.9**	**57.7%**
Tax	(23.7)	1.2	24.8	>100%
Non-controlling interests	1.2	0.3	(0.9)	(71.6%)
Profit/(loss) from discontinuing operations	-1.1	(0.8)	0.3	29.0%
NET INCOME	**(51.3)**	**(33.0)**	**18.3**	**35.7%**

CONSOLIDATED BALANCE SHEET

(million euro)	Jun-20 Restated	Dec-20	Jun-21	Change YoY (€M)	Change YoY (%)
Cash and deposits at central banks	935	1,466	2,554	1,618	>100%
Loans and advances to credit institutions repayable on demand	48	34	56	7	15.3%
Other loans and advances to credit institutions	302	293	296	(5)	(1.8%)
Loans and advances to customers	11,582	11,578	11,658	76	0.7%
Financial assets held for trading	44	17	31	(13)	(30.0%)
Financial assets at fair value through profit or loss (FVPL)	371	347	290	(82)	(22.0%)
Financial assets at fair value through other comprehensive income (FVOCI)	1,199	287	230	(970)	(80.9%)
Hedging derivatives	15	11	11	(5)	(29.7%)
Other financial assets at amortised cost	1,780	2,363	2,814	1,034	58.1%
Investments in associates	4	4	4	(0)	(11.2%)
Non-current assets held for sale	7	5	6	(1)	(17.3%)
Non-current assets held for sale - Discontinued operations	1	1	2	1	69.6%
Investment properties	135	126	115	(20)	(14.6%)
Property and equipment	273	259	237	(37)	(13.4%)
Intangible assets	35	36	33	(2)	(6.6%)
Current tax assets	12	4	4	(8)	(67.5%)
Deferred tax assets	466	496	494	27	5.9%
Other Assets	671	615	629	(42)	(6.3%)
TOTAL NET ASSETS	**17,882**	**17,941**	**19,460**	**1,578**	**8.8%**
Deposits from central banks	1,637	1,383	2,879	1,243	75.9%
Deposits from other financial institutions	536	821	713	177	33.0%
Deposits from customers	12,384	12,502	12,623	240	1.9%
Debt securities issued	1,327	1,299	1,276	(51)	(3.8%)
Financial liabilities held for trading	13	14	12	(1)	(7.7%)
Hedging derivatives	1	0	0	(0)	(56.6%)
Non-current liabilities held for sale – Discontinued operations	122	110	105	(17)	(13.7%)
Provisions	39	39	31	(8)	(21.2%)
Current tax liabilities	3	4	2	(2)	(51.3%)
Other subordinated debt	211	217	211	(0)	(0.0%)
Other liabilities	250	226	256	6	2.5%
TOTAL LIABILITIES	**16,523**	**16,614**	**18,110**	**1,586**	**9.6%**
Share Capital	2,420	2,420	2,420	0	0.0%
Other equity instruments	0	0	0	0	0.0%
Other reserves and retained earnings	(1,021)	(1,021)	(1,046)	(25)	(2.5%)
Consolidated net profit/ (loss) for the period attributable to the shareholders	(51)	(81)	-33	18	35.7%
Total equity attributable to the shareholders	1,348	1,318	1,341	(7)	(0.5%)
Non-controlling interests	11	9	10	(1)	(7.9%)
TOTAL EQUITY	**1,359**	**1,327**	**1,351**	**(8)**	**(0.6%)**
TOTAL LIABILITIES AND EQUITY	**17,882**	**17,941**	**19,460**	**1,578**	**8.8%**

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Disclaimer

The financial information contained in this document was prepared in accordance with International Financial Reporting Standards ("IFRS") for Banco Montepio Group within the scope of the preparation of consolidated financial statements, in accordance with Regulation (EC) 1606/2002. The condensed consolidated financial statements for the first six months of 2021 were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as adopted by the European Union.

In line with the information disclosed on the 2020 financial statements, the subsidiaries Montepio Valor and Banco Montepio Geral Cabo Verde began to be classified in non-current assets held for sale - discontinued operations, in accordance with the stipulations of IFRS 5, at the same time that Finibanco Angola no longer meets the conditions set out in this standard, and, for comparative purposes, the periods prior to December 2020 were restated.

GLOSSARY

CET1 – Common Equity Tier 1.

Commercial net interest income - calculated as the difference between interest received on Loans to Customers and interest paid on Customer deposits.

Core operating income – Sum of the Income Statement items ‘Net interest income’ and ‘Net fee and commission income’.

Cost of credit risk – Ratio that measures the cost recognized in the period, recorded as loan impairments in the income statement, to cover the risk of default of loans granted to customers. Calculated by dividing the Loan impairments (annualized) by the average Gross loans to customers.

Cost-to-income ratio – Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, and is given by the operating costs divided by the total operating income.

Cost-to-income ratio without specific impacts – Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding the ‘Net gains/losses from financial operations’ and ‘Other operating income/ (expenses) and Net gains/ (losses) arising from sale of other financial assets’, and is given by the operating costs divided by the total operating income excluding the abovementioned items.

CRD IV / CRR – Applicable law within Basel III, namely Directive 2013/36/UE and Regulation no. 575/2013, of the European Parliament and of the Council.

Debt issued – Sum of the Balance Sheet items ‘Debt securities issued’ and ‘Other subordinated debt’.

EBA - European Banking Authority.

Fully implemented – It concerns the full implementation of the prudential rules laid down in the legislation in force in the European Union, which was produced on the basis of the standards set by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

Impairments and provisions charges – Sum of the Income Statement items ‘Loan impairments’, ‘Other financial assets impairments’, ‘Other assets impairments‘ and ‘Other provisions’.

LCR – Liquidity Coverage Ratio.

Net commissions - Corresponds to the item ‘Income from services and commissions’ in the Income Statement.

NPE –Non-Performing Exposures in accordance with EBA definition.

NPE Ratio - Ratio given by the division of non-performing exposures (NPE) calculated in accordance with the EBA definition, by gross loans and advances to customers.

Operating costs – Sum of the Income Statement items ‘Staff costs’, ‘General and administrative expenses’ and ‘Depreciation and Amortization’.

Operating income - Corresponds to the sum of the Income Statement items ‘Net interest income’, ‘Income from equity instruments’, ‘Income from services and commissions’, ‘Income from financial operations’ and ‘Other operating income’ and ‘Income from disposal of other assets’.

Operating profit before impairment - Corresponds to the sum of the Income Statement items ‘Net interest income’, ‘Income from services and commissions’, ‘Income from equity instruments’, ‘Income from financial operations’, ‘Other operating income’ and ‘Income from the sale of other assets’, deducted from Operating Costs.

Other results - Corresponds to the sum of the Income Statement captions ‘Other operating results’ and ‘Results from the sale of other assets’.

Phasing-in – It concerns the phased implementation of prudential rules in accordance with the legislation in force in the European Union, which was produced on the basis of the standards set by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III..

Results from financial operations – Sum of the Income Statement items ‘Net gains/ (losses) arising from assets and liabilities at fair value through profit or loss’, ‘Net gains/ (losses) arising from assets and liabilities at fair value through other comprehensive income’ and ‘Net gains/ (losses) arising from foreign exchange differences’.

Securities Portfolio – Sum of the Balance Sheet items ‘Financial assets held for trading’, ‘Financial assets at fair value through other comprehensive income (FVOCI)’, ‘Other financial assets at amortised cost’ and ‘Financial assets not held for trading mandatorily at fair value through profit or loss (FVPL)’.

TLTRO - Targeted Longer Term Refinancing Operations.