Banco Montepio

BANCO MONTEPIO
CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2021
Unaudited information

Lisbon, 29 October 2021

BANCO MONTEPIO REPORTS A POSITIVE RESULT OF €19 M IN THE THIRD QUARTER

RESULTS FOR THE FIRST NINE MONTHS OF 2021 IN LINE WITH THE IMPLEMENTATION TARGETS SET OUT IN THE OPERATIONAL ADJUSTMENT PLAN

- Consolidated **net income of** €19 M in the third quarter contributed to the favourable evolution of the consolidated net profit in the first nine months to -€14Mn, compared to the -€57Mn recorded in the same period of 2020;

- **Liquidity buffer** above €3.5Bn, reflecting the liquidity ratios' comfortable position;

- **Loans net of impairments** and **Customer deposits** increased in comparison to 31 December, as well as in relation to the same period of 2020;

- **Reduction of non-performing exposures (NPE),** with the NPE ratio decreasing from 11.6% in September 2020 to 9.4%, **and sale of non-strategic assets** (Almina Holding SA and Monteiro Aranha SA);

- **Reduction of (recurrent) operating costs** by 4.9%, incorporating the impact of the implementation of the adjustment plan;

- **Increase of 10.8% in the number of customers using digital channels** in comparison to September 2020;

- **Contributions to the banking sector, to the Single Resolution Fund, the Resolution Fund and the Deposit Guarantee Fund totalled €23Mn.**

Caixa Económica Montepio Geral, caixa económica bancária, S.A. | Head Office: Rua Castilho, 5, 1250-066 Lisbon
Share Capital: EUR 2,420,000,000 | Registered at the Commercial Registry Office of Lisbon under the single registration and tax identification number 500792615

The result obtained in the third quarter of 2021, of € 19Mn, represents a return of Banco Montepio to positive quarterly results. As envisaged in the operational adjustment plan, the Bank has been significantly reducing the negative consolidated net income. Considering that the impacts related to the staff adjustment plan (in the amount of €8.5Mn), the impairment charges for closed branches (€5.7Mn) and the costs incurred with the sale of non-strategic assets (€1.4Mn), are ***one-off* costs**, the consolidated net income in the first nine months of 2021, after taking into consideration the tax effect, would have been -€1.9Mn, notwithstanding the €3.4Mn lower contribution of Finibanco Angola compared to the contribution of the same period of 2020.

The **liquidity buffer**, calculated by adding the amount recorded in the balance sheet item Cash and Deposits at Central Banks to the market value of eligible securities to obtain liquidity from the ECB, amounted to €3.5Bn, reflecting a comfortable position in terms of immediately available liquidity.

As at 30 September 2021, **loans net of impairments** totalled €11,710Mn, compared to €11,578Mn at the end of 2020, representing a 1.1% growth in the current year, reflecting the effectiveness of the marketing campaigns adopted in the first nine months of 2021.

Customer Deposits amounted to €12,672Mn at the end of September 2021, which represents an increase of €367Mn compared to the value recorded at the end of the same period of 2020, with deposits by individuals representing 76%.

Non-recurrent operating costs related to the implementation of the staff adjustment plan and the disposal of non-strategic assets totalled €9.4Mn. Excluding this impact, **(recurring) operating costs** would have been €188.2Mn, showing a decrease of €9.7Mn (-4.9%) when compared to the amount recorded in the same period of 2020.

Operational adjustment

- Since the last quarter of 2020, Banco Montepio has been ensuring the implementation of a set of operational adjustment measures, whose goal is to accelerate the digital transition and adjust the service model, through the adoption of best market practices, both in terms of customer experience and operational efficiency.

- As part of the **retail network optimisation**, 73 branches were closed between October 2020 and September 2021, of which 36 in the first nine months of 2021, subject to geographical coverage, profitability and market size, without prejudice to the adequate coverage of the Customer base and without any material impact on the business.

- As regards the **headcount changes**, Banco Montepio Group had a total of 3,589 employees at the end of the first nine months of 2021, a decrease of 344 (-8.7%), compared to the same period in 2020.

  The workforce will be adjusted over 3 years, through the implementation of a multi-year plan to be completed in 2022. This year, Banco Montepio began the second phase on 31 May, with a positive execution and in line with the outlined plan.

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Digital transition

- Digitalisation, required and accelerated by the pandemic context, imposes changes on business models both within and outside the banking sector and brings challenges, but also countless opportunities. Banco Montepio, whose DNA is based on ESG (Environmental, Social and Governance) principles, has been able to transform itself to respond to the socioeconomic change. In the third quarter of 2021 it continued to automate and re-engineer processes, made progress in advanced analytics with the start-up of the new data platform to support data-driven processes, implemented more advanced cybersecurity models and accelerated the implementation of cloud-native architecture models.

- The Montepio24 service - a multichannel platform that integrates distance channels - recorded a 10.8% increase in the number of active customers at 30 September 2021 compared to September 2020, totalling 420,647 users: 356,048 in the Individuals segment (+12.1%) and 64,599 in the Corporate segment (+4.1%);

- The number of transactions carried out through digital channels in the first nine months of 2021 increased at Net24 to 32.9 million (compared to 31.2 million in the same period last year, a 5.4% change) and at App24 to 18.6 million (compared to 12.9 million in the same period of 2020, a 43.9% change);

- In replacement of the Master Card and SMS 3D Secure, all online payments that require strong authentication will be approved through **APProva**, a strong authentication application, independent of the current digital channels, available on the iOS and Android stores for free download, confirming Banco Montepio's commitment to innovation and fulfilling its mission to provide the best service and simplify customers' lives.

- In the first nine months of 2021 **M.A.R.I.A.** (*Montepio's Automated Real-time Interaction Assistant*) continued to progressively expand its attendance capacity and ability to understand Customers' intentions, allowing better execution of contact and enabling Customers to have a more empathetic, personalised experience and gradually build trust. At the end of September 2021, M.A.R.I.A. recorded a Customer service satisfaction score of 84%.

Moratoria and Government Guaranteed Credit Lines

- On 30 September 2021, Banco Montepio had granted 25 thousand moratoria under the special aid regime provided to Families and Companies in the context of the Covid-19 pandemic, for a total amount of €2.5Bn, showing a 17% reduction when compared to the end of 2020;

- The vast majority of the moratoria had their expiry date scheduled for the end of September, and Banco Montepio created a dedicated working group to contact customers with credit contracts covered by the moratorium, before the respective expiry date, in order to assess the existence of delinquency risk and, whenever necessary, to present proposals to prevent the entry of these contracts into default;

- As a result of the contacts already made with Customers, we estimate that about 96% of the *performing* credit portfolio, which was in moratorium at the end of September 2021, will resume the debt payment plan as planned at the time of adherence to the moratorium, and therefore it is not expected a significant increase in the risk of default after the end of the moratorium;

- Throughout the first nine months of 2021, Banco Montepio maintained its focus on strengthening its presence in the corporate segment, providing lines of credit with a State guarantee to meet the challenges and economic constraints of Portuguese companies operating in the sectors most affected by the effects of the Covid-19 pandemic;

- It also maintained its strategy of promoting the offer of credit lines under protocols signed with the European Investment Bank (EIB) and the European Investment Fund (EIF), particularly the EIF Uncapped Credit Line;

- And it maintained the reinforcement of offering funding through the specific Protocol Line for the Social Sector and the focus on the *+Impacto Social* Credit Line, through the financing of projects that will contribute significantly to the expansion of the equipment network, to the increase of quality and to the incorporation of innovation and sustainability in the social responses of the Social and Solidarity Economy Entities (SSEs).

Asset quality

- Cost of credit risk of 0.6%, down from 1.5% in September 2020 (which reflected the specific reinforcement of loan impairment brought by the pandemic);
- Reduction of non-performing exposures (NPE) by €288Mn, with the NPE ratio standing at 9.4%, comparing favourably with the 11.6% recorded in September 2020;
- NPE ratio, net of impairment for credit risk, stood at 4.1%;
- Increase in the coverage levels of NPE by impairments for credit risk, collateral and financial guarantees to 95.7% (56.1% if only impairments are considered).

Capital and liquidity

- *Common Equity Tier 1* (CET1) ratio (*phasing-in*) of 11.6%;
- Total capital ratio (*phasing-in*) of 13.9%;
- Liquidity coverage ratio (LCR) stood at 261.5%.
- Net Stable Funding Ratio (NSFR) at 122.2%

Results

The **consolidated net income** in the first nine months of 2021 stood at -€14Mn, recording a favourable evolution compared to the value recorded in the same period of 2020 by incorporating the effect provided by the positive net income for the third quarter of 2021 in the amount of €19Mn.

The net income change between the first nine months of 2020 and the same period of 2021 was determined by the lower allocations for loan impairments recorded in the first nine months of 2021, showing the positive impacts induced by the policy defined for the credit risk assessment and the measures implemented in the credit monitoring and recovery areas.

Net interest income in the first nine months of 2021 totalled €179Mn, compared to €182Mn in the same period of the previous year, benefiting from the reduction in the cost of deposits and the increase in net loans, in both cases reflecting the impact of the measures that have been adopted in order to boost business with SMEs and individual customers, particularly in what regards mortgage and consumer credit. The evolution of net interest income between the first nine months of 2020 and the same period of 2021 also reflects the effects resulting from the higher average outstanding amount of subordinated debt issues and from the synthetic securitisation transaction carried out at the end of 2020.

Net commissions in the first nine months of 2021, amounting to €83Mn, remained stable in comparison to the same period of 2020, supported by the favourable performance of payment services, although reflecting the effect of lesser transactions and lower activity levels by economic agents as well as the impact of moratoria on the origination of new credit operations and, consequently, on commission income.

The strategy planned for the commissions growth is supported by the continuous management of pricing, through its adequacy to Banco Montepio's value proposal for each segment, defined in accordance with their life cycle and financial profile, as well as by the increase of the first bank's share, inducing the progressive upturn of the customer base with higher transaction levels and bond level.

Income from financial operations in the first nine months of 2021 totalled €4Mn, in comparison to €19Mn in the same period of 2020, reflecting the lower gains on the debt securities portfolio, namely sovereign debt, in the first nine months of 2021, and the favourable evolution of the results recorded with shares, participation units and derivative financial instruments.

Other results amounted to -€8Mn in the first nine months of 2021, showing a favourable performance when compared to the -€11Mn recorded in the same period of 2020, essentially reflecting the gains from the sale of a debt securities portfolio accounted at amortised cost, and the lower gains on the sale of real estate.

Operating costs in the first nine months of 2021 amounted to €198Mn, including non-recurring costs of €9.4Mn related to the implementation of the operational adjustment plan (workforce reduction and disposal of non-strategic assets).

Excluding this impact, operating costs would have been €188Mn, showing a decrease of 4.9% when compared to the value recorded in the same period of 2020, and which reflect, on a comparable basis, the decrease in staff costs by €6.2Mn (-5.1%) and in general administrative expenses by €3.9Mn (-7.7%), evidencing the progress made in the delivery of the strategic objective related to the improvement of efficiency and profitability levels.

As regards efficiency, the ***Cost-to-income* ratio** at the end of September 2021, excluding the volatile effect of income from trading gains, other results and non-recurring costs related to the implementation of the operational adjustment plan, stood at 71.4%, compared to 73.9% at the end of September 2020.

The **Loans impairment** in the first nine months of 2021, which incorporates the outcome of the individual analysis of significant exposures with signs of impairment and the amount resulting from the application of the model used to determine the impairment associated with homogeneous populations, totalled €58Mn and determined a cost of risk of 0.6% which, being at an adjusted and adequate level in relation to the portfolio credit risk, compares favourably with the impairment amount of €139Mn and the cost of risk of 1.5% recorded in the same period of 2020, and which includes, in both periods, the estimated impact of the pandemic.

The aggregate of **Other financial assets impairment**, **Other assets Impairment** and **Other provisions** totalled €10Mn in the first nine months of 2021, compared to €17Mn in the same period of 2020, reflecting the reinforcement of impairments for investment properties and for a number of branches closed as part of the resizing process of Banco Montepio's distribution network, and the lower allocations made for other financial assets and other provisions.

The total amount recorded under **Income from discontinued operations** in the first nine months of 2021 was €1Mn, compared to €2Mn in the same period of 2020, showing the contribution to consolidated accounts, net of intra-group operations, of the subsidiaries Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. and Montepio Valor, Sociedade Gestora de Fundos de Investimento, S.A.

Balance

Total assets amounted to €19,677Mn at 30 September 2021, representing an increase of 12.3% compared to the amount accounted at the end of the third quarter of 2020, reflecting the rise recorded in the captions Cash and deposits at Central Banks and Other financial assets at amortised cost.

Gross loans and advances to customers totalled €12,361Mn at 30 September 2021 supported by the measures implemented with the aim of addressing the strategic objectives of increasing loans to individuals, particularly housing and consumption loans, and to SMEs and the *middle market*. At the end of the third quarter of 2021, excluding the effect of *write-offs*, gross loans and advances to customers increased by €200Mn compared to 31 December 2020.

The business growth was complemented by an improvement in credit quality indicators, which benefited from a rigorous risk assessment discipline, as well as from the measures approved and adopted in the loan monitoring and recovery areas. The **quality of the loan portfolio**, measured by the NPE ratio, evolved favourably, dropping from 11.6% at 30 September 2020 to 9.4% at the end of the third quarter of 2021, due to the reduction recorded in non-performing exposures which decreased by €288Mn, compared to the amount recorded in the same period of 2020.

As at 30 September 2021, Banco Montepio also increased the **coverage of NPE by impairment, collateral and associated financial guarantees** to 95.7%, from 91.2% as at 30 September 2020, as a result of the reinforcement of loan impairments and the recovery of some exposures that had high levels of coverage by impairment. The coverage of NPE by impairments for credit risk stood at 56.1% at the end of the first nine months of 2021**,** which denotes an adequate coverage level given the quality of the loan portfolio.

The **Securities portfolio** increased by 13.4% in the first nine months of 2021, to €3,414Mn. This was due to an increase in the portfolio of Other financial assets at amortised cost and Financial assets held for trading by €661Mn and €11Mn, respectively, and a reduction in the portfolio of Financial assets at fair value through other comprehensive income and Financial assets at fair value through profit or loss by €170Mn and €99Mn, respectively. As at 30 September 2021 the securities portfolio was made up by 91% of sovereign public debt (namely Portuguese, Italian and Spanish), compared to 84% at the end of 2020.

Customer Deposits showed a favourable evolution, totalling €12,672Mn at 30 September 2021, reflecting an increase of €367Mn compared to the €12,305Mn reported at the end of September 2020, having benefited from the positive performance recorded by both Individual and Corporate Customers, and which, in both cases, embodies the success of the commercial approach, despite the context of market interest rates at historically low levels.

Equity increased from €1,327Mn at the end of 2020 to €1,376Mn as at 30 September 2021, essentially due to the positive effect resulting from the calculation of the Pension Fund positive actuarial deviations and from the impact of the net income recorded in the first nine months of 2021.

Own funds and capital ratios

In the first nine months of 2021, Banco Montepio maintained its focus on the preservation of solvency levels and implemented a set of measures envisaged in the operational adjustment plan aimed at improving capital ratios, through the reduction of risk weighted assets (RWA), namely through divestment in non-strategic assets and promoting the growth of core lending business in segments with lower risk and following a logic of maximization of return on capital.

The **total capital ratio** at 30 September 2021 stood at 13.9% (compared to 13.8% at the end of 2020) benefiting from the positive effect of the reduction of RWA, partially offset by the *phasing-in* applicable to the initial impacts of the adoption of the IFRS9 accounting standard and by the evolution of retained earnings in the period.

(million euro)	Sep-20	Dec-20	Sep-21	Change YtD
Common Equity Tier I Capital	1,181	1,114	1,083	(31)
Tier I Capital	1,181	1,114	1,083	(31)
Total Own Funds	1,388	1,321	1,290	(31)
Risk-weighted assets (RWA)	10,089	9,577	9,310	(267)
CRD IV / CRR - *Phasing-in ratios*				
Common Equity Tier I ratio	11.7%	11.6%	11.6%	0.0 p.p.
Tier I ratio	11.7%	11.6%	11.6%	0.0 p.p.
Total Capital ratio	13.8%	13.8%	13.9%	0.1 p.p.
CRD IV / CRR - *Fully implemented ratios*				
Common Equity Tier I ratio	10.2%	10.1%	10.6%	0.5 p.p.
Tier I ratio	10.2%	10.1%	10.6%	0.5 p.p.
Total Capital ratio	12.3%	12.3%	12.9%	0.6 p.p.
Leverage ratio				
Leverage ratio - Phasing-in	6.5%	6.0%	5.4%	(0.6 p.p.)
Leverage ratio - Fully Implementated	5.7%	5.2%	4.9%	(0.3 p.p.)

Phasing-in ratios in compliance w ith the rules on the reference date.

The ratios include the period's accumulated net income.

As of 30 September 2021, the **Common Equity Tier 1 capital ratio (CET1) stood** at 11.6% in accordance with the *phasing-in* rules, comfortably above the minimum regulatory requirements of 9.02%.

RWA decreased by €267Mn in the first nine months of 2021, as a result of Banco Montepio's strategy to continuously reduce non-strategic assets (disposal of the shareholding held in Almina Holding S.A. and Monteiro Aranha S.A.), non-performing loans (NPLs) and real estate exposure, complemented by an efficient management of risk allocation in the credit and debt securities portfolios.

Liquidity

In the first nine months of 2021, Banco Montepio continued to promote management measures aimed at maintaining a robust liquidity position, with levels well above the regulatory limits in force and in alignment with the strategic objectives of the Funding and Capital Plan.

The **LCR ratio** stood at 261.5% at 30 September 2021, 161.5 p.p. above the minimum regulatory requirement of 100%, evolving favourably compared to the 200.1% ratio recorded at 30 September 2020.

Additionally, Banco Montepio maintains a comfortable stable funding base, determined by a funding structure with recourse to medium and long term instruments, which enabled the **NSFR ratio** to stand at 122.2% at 30 September 2021, 22.2 p.p. above the regulatory minimum requirement of 100%, translating into a significant strengthening in relation to the value of 109.7% recorded at the end of the same period of the previous year.

As at 30 September 2021, the amount of **Debt issued** stood at €1,487Mn, compared to €1,536Mn as at 30 September 2020, as a result of the decrease in debt securities (-€49Mn), while other subordinated liabilities stood at €216Mn, in line with the amount recorded at the end of the same period of 2020.

As a consequence of the investment strategy in liquid assets from a perspective of integrated management of liquidity and funding sources, on 30 September 2021 the total value of the portfolio of eligible assets for European monetary policy operations amounted to €3,730Mn and the amount of **funding from the European Central Bank (ECB)** obtained through TLTRO-III totalled €2,885Mn (+€1,500Mn since the beginning of the year). At the end of September 2021, the value of the portfolio of unencumbered eligible collateral increased to €824Mn, from €748Mn in the previous quarter.

Rating

DBRS and Fitch Ratings confirmed the ratings assigned to Banco Montepio through a statement dated 2 July 2021 and an update (*Rating Report update*) published on 13 July 2021, respectively.

The rating agency Moody's announced in a press release dated 13 July 2021 the increase of the *senior unsecured MTN* and *junior* senior unsecured *MTN* ratings, issued under the Banco Montepio's *Euro Medium Term Note (*EMTN) programme, from (P)Caa1 to (P)B3, following the update of the methodology adopted by the agency in the analysis of banks, in order to better reflect the risk of these classes of debt.

Additionally, in a press release dated 21 September 2021, Moody's increased the rating of Banco Montepio's Covered Bonds by 1 notch, from A1 to Aa3, reinforcing the classification of this type of debt in the *Investment Grade* category, which thus rises to Aa (*High Grade) from* the previous A (*Upper Medium Grade*). This rating action was triggered by the improvement of the Portuguese economy, the significant reduction of refinancing risk and the expected short term transposition of the EU Directive on the issuance of covered bonds, which will reinforce the strengths of the Portuguese law on covered bonds.

The ratings assigned to Banco Montepio, with reference to 30 September 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	Aa3	b3	B1 *Stable [(3)]*
DBRS Morningstar	BBB (high)	B *Negative [(3)]*	B (high) *Negative [(3)]*

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

Milestones of the first nine months of 2021

- **Mortgage Loan Campaign**

  Banco Montepio continues to make a difference by offering to its borrowers 1% of the mortgage loan granted value on a Worten prepaid card, increasing to 1.1% for houses with energy certificates of A and A+, reinforcing measures to promote environmental sustainability. The campaign led Banco Montepio to break records for mortgage loans origination, doubling its market share, and for brand awareness. In the third quarter of 2021 an important milestone was reached: Banco Montepio has already returned €5Mn to customers on the house purchase.

- **Personal Loan Campaign**

  Banco Montepio maintains its focus on personal loans and has supported customers in carrying out their projects responsibly and with a high standard of credit analysis and risk management. With an offer based on a multichannel functionality that is flexible, simple, fast, online and available at any time, any customer can apply for a personal loan without needing to visit a branch.

- **Sale of non-strategic shareholdings**

  In line with the defined strategy of reducing exposure to non-strategic assets, the following participations were sold:

  - During the first quarter of 2021 Banco Montepio sold its entire shareholding in Monteiro Aranha S. A., equivalent to about 10.3% of the company's share capital, which provided a favourable impact on capital ratios;
  - On 30 June 2021 Banco Montepio sold its entire shareholding in Almina Holding S.A. (Almina), corresponding to 19.0% of Almina's share capital. The sale generated gross proceeds of €67Mn and had a favourable impact on Banco Montepio's capital ratios.

- **Voluntary dissolution and liquidation of the subsidiary in Cape Verde**

  Following the new legal framework applicable to credit institutions in Cape Verde, Banco Montepio, as sole shareholder of Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (BMGCV), began the process of voluntary dissolution and liquidation of its subsidiary with the local authorities, which is expected to be completed on 30 November.

- **Social and Environmental Sustainability**

  Being the Bank of the Social and Solidarity Economy in Portugal, but also a reference counterparty for social sustainability in the market and with the different stakeholders, Banco Montepio has established and maintained a partnership relationship with Social and Solidarity Economy Entities (SSEs).

  Within the scope of social support and the programmes of the Social Security Institute (*Instituto da Segurança Social (ISS), I.P.*), the Recovery and Resilience Plan (RRP) was announced and Banco Montepio wanted to be, as always, on the side of Social and Solidarity-based Economy institutions and help them to go further. To this end, it provided its customers and potential customers with a specialised team to help them analyse and finance the additional needs of the RRP, through complementary financing, anticipation of approved funds and other specific products and services for the social sector, contributing to the sustainability and evolution of the institutions.

  In the area of social sustainability, the following initiatives are also of note:

  - *Projeto Família* ®, a program to support families with children and youth at risk with the aim of preserving the family. With the support of Banco Montepio and the Calouste Gulbenkian Foundation, funders of the project managed by MAZE (a company in the area of impact investment that accelerates and invests in solutions that solve social and environmental problems), and implemented by the *Movimento de Defesa da Vida*, 180 children and young people, from Porto and Vila Nova de Gaia, at risk of being institutionalized were monitored between July 2017 and October 2020. The results of the project were presented in June 2021, with success in 91% of the cases monitored, which means that 163 of the 180 children and young people at risk remained in their families, 55 more children than initially agreed with the investors under the Social Impact Bond (*TIS - Título de Impacto Social*);

- Banco Montepio category in the EPIS (*Empresários para a Inclusão Social*, Entrepreneurs for Social Inclusion) Social Grants, a new award category that will support the academic merit of six students from schools based in Portugal, three from secondary and three from higher education;
- Banco Montepio once again joined Junior Achievement Portugal (JAP), which allowed Montepio Group employees to enrol and participate, in digital format, in JAP's volunteering programmes (*Ensino Básico; A Empresa; Start Up Programme - Competição Nacional; e Braço Direito*). During the 2020/2021 school year, 20 Montepio Group volunteers completed the sessions of the JAP programmes, impacting a total of 732 students, corresponding to a total of 131 hours of corporate volunteering. In addition to the volunteering hours performed in the mentioned programmes, in the last quarter of 2021 Banco Montepio will launch, together with JAP, the 1st Edition of the Social Innovation Camp.

Banco Montepio, with a nationwide team of specialised managers in the Microcredit area, reinforced the availability of the Entrepreneurship and Self-Employment Support Line (*Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego - LAECP*), which is aimed at unemployed people registered at job centres, with capacity and availability for work, and also provided the *E.mpreendedor*, a package account that includes an integrated offer of products and services aimed at individual entrepreneurs, micro-companies and newly created companies with commercial activity under 2 years.

Within the scope of environmental sustainability, Banco Montepio maintains its mortgage credit campaign with benefits for homes with energy certificate A or A+ and reaffirms the support for the RRP for the purchase of 100% electric vehicles, aimed to entities of the Social and Solidarity Economy.

- **Superbrands 2021**

  Banco Montepio was awarded the Superbrand seal for the 12th time in 2021. This award reflects what customers, as consumers of products and services, think about Banco Montepio. At 177 years old, 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 the side of families, companies and social economy entities since 1844.

- ***Pirilampo Mágico* (Magic Firefly)**

  The *Pirilampo Mágico* takes flight again with the support of Banco Montepio. The opening ceremony - held on 14 October - was attended by the CEO Pedro Leitão and took place in the *Palácio Galveias* library. At a time when we are gradually returning to normality, Banco Montepio wants to renew values and support causes that strive to help others, thus sealing the commitment Banco Montepio has always had.

- **"POUCO PIO" campaign wins creativity award**

  The personal credit campaign *'Pouco Pio'* was distinguished as one of the three most creative of 2021 at the *Festival Clube de Criativos Portugal*. The film was awarded in the advertising category.

- **11th edition of the Banco Montepio *Acredita Portugal* Competition**

  Banco Montepio sponsored, for the 5th consecutive year, the 11th edition of the national entrepreneurship competition promoted by the association *Acredita Portugal*. The Banco Montepio *Acredita Portugal* competition is a non-profit initiative that organises the largest annual entrepreneurship competition in Portugal, with more than 10,000 entrepreneurial projects every year and a total of 100,000 projects supported. Its objectives are to identify, develop, reward and foster the launch of innovative ideas.

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KEY INDICATORS

	Sep-20 restated	Dec-20	Sep-21	Change YoY
ACTIVITY AND RESULTS (€ million)				
Total assets	17,524	17,941	19,677	12.3%
Gross Loans to customers	12,522	12,357	12,361	(1.3%)
Customers' deposits	12,305	12,502	12,672	3.0%
Net income	(57)	(81)	(14)	75.0%
SOLVENCY (a)				
Common Equity Tier 1 ratio	11.7%	11.6%	11.6%	(0.1 p.p.)
Total Capital ratio	13.8%	13.8%	13.9%	0.1 p.p.
Risk weighted assets (€ million)	10,089	9,577	9,310	(7.7%)
LIQUIDITY RATIOS				
Loans to customers (net) / Customers' deposits (b)	94.6%	92.6%	92.4%	(2.2 p.p.)
Loans to customers (net) / On-balance sheet customers' resources (c)	85.4%	83.9%	84.0%	(1.4 p.p.)
LCR	200.1%	200.7%	261.5%	61.4 p.p.
NSFR	109.7%	109.8%	122.2%	12.5 p.p.
ASSET QUALITY				
Cost of credit risk	1.5%	1.5%	0.6%	(0.9 p.p.)
Non-performing exposures (NPE) (d) / Gross Loans to customers	11.6%	10.4%	9.4%	(2.2 p.p.)
NPE (d) coverage by credit risk Impairments	61.0%	60.4%	56.1%	(4.9 p.p.)
NPE (d) coverage by credit risk Impairments and associated collaterals and financial guarantees	91.2%	93.0%	95.7%	4.5 p.p.
PROFITABILITY AND EFFICIENCY				
Total operating income / Average total assets (b)	2.1%	2.2%	1.8%	(0.3 p.p.)
Net income before income tax / Average total assets (b)	(0.6%)	(0.7%)	(0.0%)	0.6 p.p.
Net income before income tax / Average total equity (b)	(7.5%)	(8.8%)	(0.5%)	7.0 p.p.
Cost-to-income (Operating costs / Total operating income) (b)(g)	71.9%	74.0%	75.9%	4.0 p.p.
Cost-to-Income, excluding specific impacts (e)(g)	73.9%	72.5%	71.4%	(2.5 p.p.)
Staff costs / Total operating income (b)	44.0%	48.1%	47.4%	3.4 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Banco Montepio Group	3,933	3,721	3,589	(344)
Banco Montepio	3,530	3,326	3,207	(323)
Branches				
Domestic network - Banco Montepio	328	291	255	(73)
International Network (f)	24	24	20	(4)
Representation Offices - Banco Montepio	5	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, Other results (net gains arising from the sale of other financial assets and other operating income) and non recurring operating costs triggered by the operational adjustment plan.

(f) Includes corporate centres.

CONSOLIDATED INCOME STATEMENT

(million euro)	Sep-20 Restated	Sep-21	Change (€Mn)	Change %
Interest and similar income	230.8	225.6	(5.2)	(2.2%)
Interest and similar expense	48.3	46.6	(1.7)	(3.6%)
NET INTEREST INCOME	**182.5**	**179.0**	**(3.4)**	**(1.9%)**
Dividends from equity instruments	1.7	1.8	0.1	1.7%
Net fee and commission income	83.6	82.8	(0.8)	(0.9%)
Results from financial operations	18.5	4.4	(14.1)	(76.1%)
Other results	(10.9)	(7.6)	3.3	30.2%
TOTAL OPERATING INCOME	**275.4**	**260.4**	**(15.0)**	**(5.4%)**
Staff Costs	121.1	123.4	2.3	1.9%
General and administrative expenses	50.6	47.6	(3.0)	(6.0%)
Depreciation and amortization	26.1	26.6	0.5	1.8%
OPERATING COSTS	**197.9**	**197.6**	**(0.3)**	**(0.1%)**
Loan impairments	139.3	57.7	(81.6)	(58.6%)
Other financial assets impairments	10.7	(1.0)	(11.7)	<-100%
Other assets impairments	1.9	14.1	12.2	>100%
Provisions net of reversals and annulments	3.9	(3.3)	(7.2)	<-100%
Share of profit of associates under the equity method	(0.5)	(0.2)	0.3	59.1%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**(78.8)**	**(4.8)**	**74.0**	**93.9%**
Tax	(25.1)	7.5	32.6	>100%
Non-controlling interests	1.4	0.8	(0.6)	(47.1%)
Profit/(loss) from discontinuing operations	(1.6)	(1.1)	0.5	32.0%
NET INCOME	**(56.8)**	**(14.2)**	**42.6**	**75.0%**

Banco Montepio

CONSOLIDATED BALANCE SHEET

(million euro)	Sep-20 Restated	Dec-20	Sep-21	Change YoY (€M)	Change YoY (%)
Cash and deposits at central banks	982	1,466	2,709	1,727	>100%
Loans and advances to credit institutions repayable on demand	37	34	64	27	74.5%
Other loans and advances to credit institutions	309	293	275	(34)	(11.1%)
Loans and advances to customers	11,638	11,578	11,710	72	0.6%
Financial assets held for trading	33	17	25	(8)	(23.4%)
Financial assets at fair value through profit or loss (FVPL)	365	347	248	(117)	(32.1%)
Financial assets at fair value through other comprehensive income (FVOCI)	501	287	117	(384)	(76.6%)
Hedging derivatives	16	11	11	(5)	(33.1%)
Other financial assets at amortised cost	2,066	2,363	3,024	958	46.3%
Investments in associates	4	4	4	(0)	(1.7%)
Non-current assets held for sale	6	5	6	(0)	(0.9%)
Non-current assets held for sale - Discontinued operations	1	1	2	1	>100%
Investment properties	134	126	106	(28)	(20.8%)
Property and equipment	277	259	230	(47)	(17.0%)
Intangible assets	34	36	36	2	7.4%
Current tax assets	3	4	4	1	50.2%
Deferred tax assets	468	496	491	23	5.0%
Other Assets	651	615	615	(36)	(5.5%)
TOTAL NET ASSETS	**17,524**	**17,941**	**19,677**	**2,153**	**12.3%**
Deposits from central banks	1,374	1,383	2,869	1,495	>100%
Deposits from other financial institutions	545	821	893	348	63.8%
Deposits from customers	12,305	12,502	12,672	367	3.0%
Debt securities issued	1,320	1,299	1,271	(49)	(3.7%)
Financial liabilities held for trading	12	14	11	(1)	(11.9%)
Hedging derivatives	1	0	0	(1)	(100.0%)
Non-current liabilities held for sale – Discontinued operations	118	110	91	(27)	(22.7%)
Provisions	40	39	35	(5)	(12.3%)
Current tax liabilities	2	4	4	2	95.7%
Other subordinated debt	216	217	216	(0)	(0.0%)
Other liabilities	240	226	239	(1)	(0.5%)
TOTAL LIABILITIES	**16,174**	**16,614**	**18,301**	**2,127**	**13.2%**
Share Capital	2,420	2,420	2,420	0	0.0%
Other equity instruments	0	0	0	0	-
Other reserves and retained earnings	(1,023)	(1,021)	(1,041)	(18)	(1.8%)
Consolidated net profit/ (loss) for the period attributable to the shareholders	(57)	(81)	(14)	43	75.0%
Total equity attributable to the shareholders	1,341	1,318	1,365	24	1.8%
Non-controlling interests	10	9	11	1	12.6%
TOTAL EQUITY	**1,350**	**1,327**	**1,376**	**25**	**1.9%**
TOTAL LIABILITIES AND EQUITY	**17,524**	**17,941**	**19,677**	**2,153**	**12.3%**

Additional information:

Investor Relations Office
Fernando Teixeira
Phone: (+351) 210 416 144
investors@montepio.pt

Banco Montepio

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 nine 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 are now classified as non-current assets held for sale - discontinued operations, in accordance with IFRS 5, at the same time as Finibanco Angola no longer meets the conditions set out in this standard, with periods prior to December 2020 having been restated for comparative purposes.

GLOSSARY

Securities portfolio - Sum of the balance sheet headings "Financial assets held for trading", "Financial assets at fair value through other comprehensive income", "Other financial assets at amortised cost", and "Financial assets not held for trading mandatorily at fair value through profit or loss".

CET1 - Common Equity Tier 1.

Net commissions - Corresponds to the item in the income statement "Income from services and commissions".

CRD IV / CRR - Legislation applicable in Basel III, namely Directive 2013/36/EU and Regulation 575/2013 of the European Parliament and of the Council.

Cost of Credit Risk - Indicator that measures the cost recognized in the period and recorded as credit impairment in the income statement to cover the risk of default in the loans and advances to customer's portfolio. It results from dividing the Credit Impairment (annualized) by the average balance of Loans to Customers (gross).

Operating costs - Sum of the Income Statement headings "Staff costs", "General administrative costs" and "Depreciation and amortisation".

Debt issued - Sum of balance sheet items 'Debt securities issued' and 'Other subordinated liabilities'.

EBA - European Banking Authority, European Banking Authority.

Fully implemented -Totally implemented, in English. It refers to the full implementation of the prudential rules set out in the legislation in force in the European Union, which was produced based on the standards defined by the Basel Committee on Banking Supervision in the agreements known as Basel II and Basel III.

LCR - Liquidity Coverage Ratio.

NPE - Non-Performing Exposures, Non-performing exposures according to the EBA definition.

NSFR - Net Stable Funding Ratio

Other results - Corresponds to the sum of the Income Statement headings "Other operating results" and "Results from the sale of other assets".

Phasing-in - Transitional period, in English. It refers to the phased implementation of prudential rules in accordance with the legislation in force in the European Union.

Net 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 the sale of other assets".

Cost-to-income ratio - Ratio of operating efficiency measured through the portion of operating income that is absorbed by operating costs, given by dividing operating costs by operating income.

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

Income from financial operations - Sum of the headings in the income statement "Income from assets and liabilities measured at fair value through profit or loss", "Income from financial assets at fair value through other comprehensive income" and "Income from foreign exchange revaluation".

RWA - Risk-Weighted Assets.

TLTRO - Targeted Longer Term Refinancing Operations.