BANCO MONTEPIO
1Q2023 CONSOLIDATED RESULTS
Unaudited information

Lisbon, 28 April 2023

BANCO MONTEPIO REPORTS A CONSOLIDATED NET INCOME OF €35.3MN IN THE 1Q2023

Positive performance consolidation: profitability, efficiency, asset quality, capital and liquidity

Banco Montepio presented a **positive consolidated net income of €35.3Mn in the first quarter of 2023**, an **increase of €23.9Mn compared with €11.4Mn in the same period of 2022**, in a context of greater operational efficiency with cost-to-income ratio standing at 50.2%, and of significant improvement of balance sheet risk **with NPE ratio breaching the 5% threshold by standing at a low 4.8%**.

This favourable performance was determined by the increase in operating income, particularly net interest income and commissions, and the greater reversal of the cost of impairments and provisions, particularly those related to credit risk – notwithstanding the weight of regulatory contributions to the banking sector, which amounted to €11.3Mn.

The results achieved in the first quarter of 2023 **allowed capital ratios to be strengthened** to levels comfortably above regulatory requirements, with a significant increase in profitability embodied in a ROE (Return on Equity) of 9.3%.

At the same time, and as foreseen in the operating adjustment plan, the simplification of the corporate structure and the improvement of the Group's operating model has been pursued, with the operational integration of Banco de Empresas Montepio (BEM) in Banco Montepio.

Highlights:

Business

- **Seven consecutive quarters** with positive net income;
- **Core operating income** reached €122.9Mn, an increase of €39.9Mn YoY, with net interest income growing 70.4% and commissions 8.7%;
- **Gross loans to Customers** stood at €12.0Bn;
- **Customer deposits** totalled €12.7Bn, with the Individuals segment representing 73% of the total;
- **Rating upgrade** by DBRS.

Asset quality

- **Cost of credit risk** of -0.5%, which compares to 0.1% recorded in 2022, supported by the increase in the quality of the loan portfolio;
- **Reduction of non-performing exposures** (NPE) by €74Mn (-11%) compared to 31 December 2022, with a NPE ratio decrease to 4.8%, comparing favourably with the 7.8% recorded on 31 March 2022, representing a decrease of 0.5 p.p. in the quarter and the largest annual decrease in the ratio (-3.0 p.p.) of the last 7 years;
- **NPE ratio, net of impairments** for credit risks, stood at 2.0%;
- **Reinforcement of NPE coverage levels** by impairments to 58.6% (56.5% on 31 December 2022) and to 106.5% (103.9% at the end of 2022) if collaterals and financial guarantees are considered;
- **Strong reduction in exposure to real estate** to €363Mn (-8.8% YoY), weighing less than 2.0% of total assets (2.1% at the end of 2022), thereby achieving one of the goals outlined in the strategic plan.

Capital and liquidity

- **Common Equity Tier 1 (CET1) ratio (proforma[1])** at 13.6% (+0.9 p.p. YoY) under phasing-in and at 13.5% (+1.3 p.p. YoY) fully implemented;
- **Total capital ratio (proforma)** at 16.1% (+1.1 p.p. YoY) under phasing-in and at 16.0% (+1.4 p.p. YoY) fully implemented;
- **Liquidity buffer** of €3.3Bn, reflecting a comfortable liquidity position;
- **Liquidity Coverage Ratio (LCR)** stood at 219.0%;
- **Net Stable Funding Ratio (NSFR)** stood at 121.3%.

Operational adjustment

- **Improvement of the efficiency ratio[2]** to 50.2% (-19.4 p.p. YoY), benefiting from the core operating income increase;

Simplification of the corporate structure

With a view to simplifying the Banco Montepio Group's corporate structure, and as a complement to the voluntary dissolution and liquidation of Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (BMGCV) completed in 2022, and to the signing of the sale agreement of the financial stake held in the share capital of Finibanco Angola S.A to Access Bank Plc in October 2022, the **operational integration of Banco de Empresas Montepio (BEM)**, 100% owned by the subsidiary Montepio Holding, SGPS, S.A., was initiated, consolidating in Banco Montepio the complete, integrated and global offer to the Companies segment of products and services related to commercial and investment banking.

[1] Pro-forma ratios calculated including the accumulated net results for the period. Ratios not including net income, with reference to 31 March 2023 are: CET1 13.1%, Tier 1 13.2%, Total Capital 15.7% and Leverage 5.9% (phasing-in) and CET1 13.0%, Tier 1 13.1%, Total Capital 15.6% and Leverage 5.8% (fully implemented).
[2] Measured by the ratio between operating costs and operating income, excluding the results from financial operations, the other results and costs related to the adjustment programme.

As at 31 March 2023, the consolidated financial statements of Banco Montepio Group consider the application of IFRS 5 in the consolidation process of Finibanco Angola's financial statements, following the agreement signed with Access Bank for the sale of the financial participation held in this subsidiary. In this context, and in order to provide comparability of the financial statements, the income statement for the same period of 2022 was restated, presenting the result generated by Finibanco Angola S.A. in the line named "Profit/(loss) from discontinuing operations", while, for comparative purposes, the restatement of the balance sheet was also presented, being the assets and liabilities recorded, respectively, in the lines named "Non-current assets held for sale - Discontinuing operations" and "Non-current liabilities held for sale - Discontinuing operations".

Results

Net interest income reached €90.2Mn, an increase of 70.4% in the first quarter of 2023 when comparing to the €53Mn recorded on the same period of 2022, benefitting from the €45.2Mn increase in commercial net interest income, and from €5.5Mn increase in the securities portfolio, despite the increase in the interest paid on funding.

Net commissions reached €32.7Mn in the first quarter of 2023, a €2.6Mn increase compared to the same period of 2022.

Results from financial operations recorded in the first quarter 2023 stood at -€0.3Mn, representing a €12.9Mn decrease when compared to the same period of the previous year, due to the lower results from foreign exchange revaluation by €13.3Mn.

Other results in the first quarter of 2023 stood at -€9.3Mn, reflecting the accounting of extraordinary contributions to the banking sector and the solidarity surcharge. This heading recorded an unfavourable evolution of -€4.0Mn compared to the amount accounted in the same period of the previous year, determined by the lower gains from the sale of assets by -€6.5Mn, partially offset by the reduction of the cost from the revaluation of the liabilities associated with TLTRO III.

Operating costs totalled €65.9Mn in the first quarter of 2023, comparing with €57.9Mn recorded in the same period of 2022.

In the first three months of 2023, **Staff costs** amounted to €41.8Mn, a €6.2Mn change YoY. Excluding the impact of non-recurrent costs related to the staff adjustment programme, staff costs would have increased by €2.2Mn (+6.6%) YoY.

General administrative expenses stood at €15.4Mn in the first three months of 2023, an increase of €1.2Mn compared to the same period of 2022, mainly due to increase of the investment in technology and digital.

Efficiency, measured by the **Cost-to-income ratio**, and excluding the Results from financial operations, the Other results and the costs related to the adjustment programme, performed favourably to 50.2% at the end of the first quarter of 2023, compared to the 63.2% recorded in 2022.

The aggregate of **Impairments and Provisions** reached a negative net amount of -€10.5Mn in the first quarter of 2023, representing €3.7Mn more in reversals when compared to the same period of the previous year.

Loan impairment charges totalled a negative net amount of -€14.4Mn in the first quarter of 2023, comparing to -€6.1Mn in the same period of 2022, showing the improvement in the credit quality of the loan portfolio and the dynamics evidenced on the credit recovery.

In fact, the policy defined by Banco Montepio for underwriting credit risk and the measures that have been implemented in the areas of monitoring and credit recovery were essential to the performance of impairment charges, having determined a negative cost of risk of -0.5%, which compares favourably with the 0.1% recorded in 2022.

Impairment of other financial assets, **of other assets** and **Other provisions** totalled €4.0Mn at the end of the first quarter of 2023, compared to -€0.6Mn in the same period of 2022, reflecting the reinforcement of impairment charges of properties for sale and also those related to the acquisition of sovereign debt accounted in other financial assets at amortised cost portfolio.

Non-controlling interests and the Results from discontinuing operations recorded in the first quarter of 2023 amounted to €1.6Mn and include the estimated impact of €1.7Mn from the signed agreement with Access Bank for the sale of the financial participation held by Banco Montepio Group in Finibanco Angola, S.A., together with the appropriation of the net income of this subsidiary.

Balance sheet

Total assets amounted to €18,181Mn on 31 March 2023, compared to €19,106Mn recorded at the end of 2022, reflecting the evolution observed in the heading Cash and deposits at central banks.

Gross Loans and advances to Customers totalled €11,971Mn on 31 March 2023, reflecting the strategy aimed at the continued reduction of non-performing exposures, with non-performing loans[3] falling by €74Mn (-11%) compared with the amount at the end of 2022, standing at €573Mn.

On 31 March 2023, the **Securities portfolio** totalled €4,413Mn, an increase of €43Mn compared to the end of 2022, mainly determined by the increase in the positions held in sovereign debt (+€32Mn) and in debt from other issuers (+€6Mn).

Customer Deposits amounted to €12,678Mn at the end of March 2023, €437Mn below the amount recorded at the end of 2022. The change in deposits from Individuals (-€378Mn) and from Corporates (-€59Mn) contributed to this evolution. The mix of the Demand Deposits/Term Deposits portfolio structure evolved to 49%/51% at the end of March 2023, compared to 51%/49% at the end of 2022.

Equity totalled €1,553Mn, an increase from the €1,519Mn recorded at the end of 2022, mainly due to the positive impact coming from the €35.3Mn of net income recorded in the first quarter of 2023. In February 2023 a share capital reduction in the amount of €1,210Mn was carried out with no impact on the equity.

Own funds and capital ratios

As at 31 March 2023, the **capital ratios** maintained the favourable evolution when compared to the same period of 2022, as a result of the continued reduction of risk-weighted assets (RWA) and the contribution of the net income for the 1Q2023.

[3] Including Finibanco Angola - entity subject to IFRS 5 provisions.

(million euro)	Mar-22 (proforma) (1)	Mar-23 (proforma) (1)	Change YoY (proforma) (1)
Common Equity Tier I Capital (CET1)	1,109	1,120	11
Tier I Capital	1,109	1,121	12
Total Capital	1,316	1,327	11
Risk-weighted assets (RWA)	8,755	8,234	(521)
CRD IV / CRR - Phasing-in ratios(2)			
Common Equity Tier I ratio (CET1)	12.7%	13.6%	0.9 p.p.
Tier I ratio	12.7%	13.6%	0.9 p.p.
Total Capital ratio	15.0%	16.1%	1.1 p.p.
CRD IV / CRR - Fully implemented ratios			
Common Equity Tier I ratio (CET1)	12.2%	13.5%	1.3 p.p.
Tier I ratio	12.2%	13.5%	1.3 p.p.
Total Capital ratio	14.6%	16.0%	1.4 p.p.
Leverage ratio			
Leverage ratio - Phasing-in	5.6%	6.1%	0.5 p.p.
Leverage ratio - Fully Implemented	5.3%	6.0%	0.7 p.p.

(1) **The proforma ratios include the period's accumulated net income.**

(2) Phasing-in ratios in compliance with the rules on the reference date.

At the end of the first quarter of 2023, the **Common Equity Tier 1 ratio (CET1) proforma**[4] based on the phasing-in rules stood at 13.6%, a positive change of 0.9 p.p. in comparison to the same period of 2022. Taking into account the fully implemented rules, CET1 proforma stood at 13.5%, comparing to a proforma ratio of 12.2% on 31 March 2022, revealing a comfortable position above the regulatory minimum requirement of 9.09%.

The **Total Capital ratio** proforma in phasing-in reached 16.1%, compared to 15.0% at the end of March 2022 and the fully implemented ratio proforma increased to 16.0% (14.6% at the end of the first quarter of 2022), also above the minimum requirement of 14.01%.

[4] Pro-forma ratios calculated including the accumulated net results for the period. Ratios not including net income, with reference to 31 March 2023 are: CET1 13.1%, Tier 1 13.2%, Total Capital 15.7% and Leverage 5.9% (phasing-in) and CET1 13.0%, Tier 1 13.1%, Total Capital 15.6% and Leverage 5.8% (fully implemented).

Banco Montepio's capital ratios were strengthened in the period under review, following the implementation of the management measures that have been promoting efficiency gains in the operating structure and the balance sheet optimisation, with a very positive impact on capital.

Risk Weighted Assets (RWA) decreased by €521Mn at the end of the first quarter of 2023 when compared to the same period of 2022 as a result of the strategy adopted to reduce non-performing assets and a synthetic securitisation carried out at the end of the previous year.

Liquidity

Banco Montepio has been privileging the implementation of management initiatives aimed at maintaining a solid liquidity position at levels significantly above the regulatory limits in force and in alignment with the strategic targets of the Funding and Capital Plan.

The **LCR ratio** reached 219.0% on 31 March 2023, comfortably above the minimum regulatory requirement of 100%, and the **NSFR ratio** reached 121.3%, 21.3 p.p. above the minimum regulatory requirement of 100%, reflecting a comfortable funding base, determined by a funding structure with recourse to medium and long-term instruments.

On 31 March 2023, the total **Debt issued** reached €807Mn, which compares to the €824Mn recorded at the end of the same period of 2022, mainly as a result of the decrease in Debt securities issued (-€21Mn), following the amortization of securitization bonds (Pelican Mortgage 3 and Pelican Finance 2).

On 31 March 2023, the value of the **portfolio of assets eligible for Eurosystem monetary policy liquidity operations** reached €5.269Mn, an increase of 18.7% compared to the €4,438Mn recorded at the end of March 2022.

At the end of the first quarter of 2023, this portfolio included marketable assets, namely eligible debt instruments valued at market prices and net of haircuts applied by the ECB, in the amount of €5,052Mn, and non-marketable assets, such as credit claims granted to non-financial Corporations and public sector Entities, namely bank loans and drawn credit facilities compliant with specific eligibility criteria, which are valued at €217Mn.

The amount of **funding from the European Central Bank (ECB)** obtained through TLTRO-III totalled €2,329Mn at the end of the first quarter of 2023, having decreased by €561Mn since the end of 2022 following early repayments made in February 2023. The value of the eligible unencumbered collateral portfolio totalled €2,832Mn, compared to €1,482Mn recorded at the end of the same period of the previous year.

Digital transition

During the first quarter of 2023, Banco Montepio continued the process of digital transition, adjusting the service model, optimizing Customer’s experience and automating the internal operations.

Amongst the various initiatives developed during this period, it is worth highlighting: the kick-off of the setup of new, latest generation ATM machines in the internal Chave 24 network located in the Bank's branches; the launch of a renewed, simpler and more intuitive mortgage loans simulation journey; and the offer to corporate customers of new tools for managing their international business through Montepio 24 service.

During this quarter, Banco Montepio maintained the growth of the usage of its digital channels and increased the weight and relevance of the digital offer. As of 31 March 2023, Montepio24 service, a multichannel platform that integrates digital channels, recorded a 7.8% increase in the number of active Customers when compared to the same period of 2022, totalling 464,380 users, of which 394,113 in the Individuals segment (+8.3%) and 70,267 in the Corporate segment (+4.9%).

The number of transactions carried out through Montepio24 service (internet and mobile banking) increased in the first quarter of 2023 to 20.1Mn, comparing favourably with 18.3Mn in the same period of 2022, an increase of 10%.

Since May 2021, when APProva was launched, the app for authenticating and approval of transactions, more than 326 thousand profiles have been registered and more than 17Mn operations have been approved, 89% of which are related to Montepio24.

Banco Montepio maintains a global investment strategy in information technology and digitalisation, aiming at the continuous improvement in the automation and re-engineering of internal processes, with new cybersecurity models and growing developments in advanced analytics, without neglecting principles of ethics and responsibility in the treatment of information.

Rating

The progress accomplished by Banco Montepio in the reduction its balance sheet risk, namely in the reduction of non-performing and non-strategic assets to the benefit of strengthening its capital position, as well as in the improvement of profitability, has been recognised by the rating agencies with successive increases in Banco Montepio's risk ratings.

Last year, Moodys and Fitch had already recognised the very positive evolution of the activity and the main KPIs, and in this first quarter of 2023 the rating agency DBRS also upgraded the Long Term Issuer Rating of Banco Montepio to 'B (high)', maintaining the Trend Stable.

In addition, DBRS also reviewed upwards the following ratings:

i. Long Term Deposits to BB (low);
ii. Long Term Senior Debt to B (high);
iii. Subordinated Debt to B (low).

The agency considers that the stable trend reflects expectations that risks are broadly balanced and that Banco Montepio will overcome the challenges presented by increased market volatility and asset quality risk as a result of high inflation and rising interest rates.

The ratings assigned to Banco Montepio, as of 31 March 2023 and 31 December 2022, are presented in the table below:

Rating Agency	Covered Bonds (CPT) [(1)]		Long Term[(2)]		Deposits		Outlook	
	31 December 2022	**31 March 2023**	31 December 2022	**31 March 2023**	31 December 2022	**31 March 2023**	31 December 2022	**31 March 2023**
Fitch	AA	**AA**	B	**B**	B+	**B+**	Positive	**Positive**
Moody's	Aa2	**Aa2**	b2	**b2**	Ba3	**Ba3**	Stable	**Stable**
DBRS	--	**--**	B	**B (high)**	B (high)	**BB (low)**	Stable	**Stable**

(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).

Milestones of the 1Q2023

Share capital reduction in the amount of €1,210Mn, without changing the number of existing shares and without changing the total equity

The General Meeting of Shareholders was held on 10 February 2023 in the presence of shareholders holding 99.997% of the respective share capital, and it was unanimously approved to rearrange the equity items with the special purpose of reinforcing the funds susceptible of regulatory qualification as distributable, in order to cover the negative retained earnings, through the reduction of share capital by €1,210,000,000.00, without changing the number of existing shares and without altering the total equity, by reducing the nominal value per share from €1.00 to €0.50.

Banco Montepio is, for the second consecutive year, #1 Consumer Choice Brand, in the Mortgage Loan category

Banco Montepio is awarded the #1 Consumer Choice Brand in the 2023 Mortgage Loan category, for the second consecutive year, recording a global score of 77.5% and a satisfaction score of 77.4%.

Among the 12 banks assessed, Banco Montepio's mortgage loans obtained the best final score, in the global assessment of the ten attributes most valued by consumers: flexible credit term; trust; detailed explanation of products; ease of delivering documents; spread; benefits in amortization; offer of 1% of the loan value; speed of the process; interest rate; no obligation to subscribe certain products.

Banco Montepio reduces minimum mortgage loan’s spread to 0.8%

Banco Montepio launched a new mortgage loan campaign, reducing the minimum spread to 0.8%, while maintaining the benefit of returning to customers 1% of the loan amount in a pre-paid card (or 1.1% if the underlying house has an A or A+ energy certificate) that the Customer can use to buy whatever and wherever they want.

Since 2019, Banco Montepio has already returned more than €12Mn to customers under this initiative. The strategy adopted has no scale partnerships with real estate agents or financial intermediaries, with Banco Montepio having chosen to give a tangible benefit directly to its Customers. This offer is therefore not available or searchable in market comparators or simulators other than Banco Montepio's simulator or through our branch network.

Superbrands 2023

This is the 14th time that Banco Montepio has been awarded the Superbrands seal, a distinction that, every year, recognises the most relevant brands in the Portuguese market.

No matter many years go by, there are things that never change. We continue to serve families, companies and social economy entities, and perhaps this is why we continue to be recognised by our customers over the years.

Superbrands status is also a mirror of our uniqueness. We are a different bank, a bank with a people's soul. This award means a reinforcement of the consumer vote of satisfaction, a reason that fills us once again with pride.

Banco Montepio grants Social Loan to Santa Casa da Misericórdia de Vila Franca de Xira

Banco Montepio granted Santa Casa da Misericórdia de Vila Franca de Xira a loan, classified as a Social Loan, in the amount of €12Mn, which will enable the construction of the infrastructures included in the "Campus de Saúde" project.

Framed within a wider investment programme, the €22Mn Campus Saúde Project aims to upgrade the old Hospital of Vila Franca de Xira into a health unit with three facilities: Ambulatory Medical Clinic, Integrated Care Unit and Residential Structure for the Elderly.

This new financing instrument is aligned with Banco Montepio's strategic priority of accompanying its customers and partners in the transition to a more sustainable future, complies with the requirements defined in the Social Loan Principles of the International Capital Market Association and the Loan Market Association, and has a Second Party Opinion from ISQ, respecting the principles of sustainable development and ESG factors.

Banco Montepio Group advises Mota-Engil on issuance of Sustainability-Linked Bonds

Banco Montepio Group advised Mota-Engil in the structuring of a bond issuance - Sustainability-Linked Bonds - in the amount of €10Mn, through a private and direct offer.

The issuance, certified as Sustainability-Linked Bonds, complies with the conditions established in the Sustainability-Linked Bond Principles published by the International Capital Market Association, in accordance with the Second Party Opinion issued by S&P Global Ratings.

Banco Montepio Group acted as Global Coordinator of the operation, assuming responsibility for the organisation and structuring of the operation, and as investor, subscribing to the issuance.

Banco Montepio delivers 6 more scholarships under the EPIS Programme

Banco Montepio joined the Associação Empresários pela Inclusão Social (EPIS), a national reference in the development, incubation and internalisation of new methodologies to promote academic success, the quality of education and training systems, and the employability and professional insertion of young people in Portugal.

In January 2023 another scholarship award ceremony took place under the EPIS Programme. Three social scholarships were awarded to secondary school students and another three to higher education students.

Banco Montepio wins Five Stars Award in the Banking – Sustainability category

Banco Montepio was awarded Five Stars 2023 in the Banking - Sustainability category, an award of the exclusive responsibility of Five Stars Consulting.

Banco Montepio, whose DNA is based on principles that today contribute to a demanding performance matrix in sustainability, has had the capacity to transform itself to respond to the evolution of society and the economy, aware of the need to manage the impacts arising from its activities on the environment.

Thus, as the Bank of the Social and Solidarity Economy in Portugal, Banco Montepio has continued its activity of specialised support and financing beyond profit, which contributes to the prosperity of citizens, families, companies and institutions of the social economy.

Within the scope of **ESG - Environmental, Social and Governance**, the following initiatives were carried out during the 1st Quarter of 2023:

- **Environmental**

Within the scope of environmental sustainability, Banco Montepio Group's **Declaration of Commitment to the Environment** was approved. Banco Montepio thus reinforces its commitment to operate under environmental awareness, noting that its activities and operations may give rise to direct and indirect impacts on the environment. Thus, it recognises that initiatives such as mitigation and adaptation to climate change, preservation of biodiversity, enhancement of the circular economy and promotion of the regenerative approach are essential conditions for the daily exercise of the organisation, putting into perspective the management of risks and opportunities, as the leader of a financial services group, promoter of value creation and of an equitable society.

As part of the **preservation of water resources**, the Banco Montepio Group began replacing the existing water bottle dispensing systems by filtering systems connected to the public supply network at central buildings and branches in the Azores. With this initiative it reduced the consumption and transport of plastic and promotes responsible consumption of local water from the public supply network.

As part of the contribution to the **regeneration of ecosystems**, through the MERECE initiative, 1200 pine trees were planted in the Leiria Pine Forest, land ecologically degraded by the 2018 fires. Around 40 employees of Banco Montepio Group volunteered to participate in this initiative supported by Contisystems and Quercus.

Banco Montepio joined MERECE - a recycling business movement born from a partnership with Contisystems - to **minimise the environmental impact of activities associated with means of payment**. This movement aims to collect the largest possible number of cards with electronic components that are not in use and ensure their recycling. Additionally, it intends to offset the carbon emissions generated on the production of cards by planting trees for each kg of recycled cards collected. The recycling of unused cards collected by Banco Montepio has already ensured the planting of 142,000 trees.

- **Social**

Banco Montepio Group's **Declaration of Commitment to Human Rights** was approved. Banco Montepio strengthens its commitment to respect universally recognised human rights, which underlie and are inseparable from its relations with its employees, customers, suppliers, partners, the communities in which it operates and other stakeholders. The Declaration on Human Rights is a basic parameter of its philosophy of governance, management and production, models and values under which it sees itself as a benchmark financial institution and a socially and environmentally responsible corporate entity.

Banco Montepio proudly integrates in its working community people with disabilities or special needs, that contribute to enrich the cultural and corporate diversity.

The **Portuguese Diversity Charter**, managed by the Portuguese Association for Diversity and Inclusion (APPDI), was signed. This initiative is perfectly aligned with the principles and values of Banco Montepio, which thus reinforces its commitment to the recognition, respect and appreciation of differences between people, enhancing a culture of diversity, equity and inclusion as a driver for personal and professional development, for the efficiency and competitiveness of the organisation and for the improvement of social and economic conditions.

The United Nations Global Compact (UNGC), the largest corporate sustainability initiative in the world, of which Banco Montepio is a signatory, and the United Nations Women created the Women Empowerment Principles (WEP), an initiative that gives special emphasis to Sustainable Development Goal no. 5 - Gender Equality.

Using the "**UN WEPs Gender Gap Analysis Tool**", a tool created to support companies in assessing their performance in gender equality in the workplace, market and community, Banco Montepio obtained a result of 71%. This result is higher than the European average recorded in 2021 and places Banco Montepio in the top 17% of the more than 7,500 companies worldwide that subscribe to this commitment to gender equality and diversity.

Junior Achievement Portugal (JAP): In 2023, Banco Montepio maintained its association with JAP, which is allowing Banco Montepio employees to participate on a voluntary basis in programmes developed by JAP focusing on Entrepreneurship, Youth Employability Skills and Financial Literacy.

- **Governance**

The Sustainability Governance model was defined, with the creation of the **Sustainability Office**, which reports directly to the Chief Executive Officer and has the mission of coordinating, implementing and developing Banco Montepio's sustainability strategy, as well as acting as secretary to the Sustainability Commission. The main focuses of its action include ensuring the contribution to the 17 Sustainable Development Goals of the United Nations Agenda 2030, as well as to the other commitments undertaken at international and national level, promoting respect for human rights, ensuring the measurement and reduction of the environmental and carbon footprint, contributing to the regeneration of ecosystems, as well as aligning financing activity with the principle of not causing significant damage to any of the environmental objectives defined in the European Taxonomy Regulation.

The **Sustainability Commission** began its activity with deliberative powers and on a quarterly basis. This committee includes five members of the Executive Committee and ensures the monitoring of activities related to the sustainability of Banco Montepio Group, as well as compliance with the commitments and agenda defined.

The **Declaration of Commitment to Sustainability for Banco Montepio Group Suppliers** was approved, establishing standards and behaviour to be respected by the companies or entities which are part of Banco Montepio's supply chain.

The **Guide of Good Practices for Suppliers** was also approved, which aims to support, raise awareness and make all suppliers responsible for the adoption of good practices that we value and which are opportunities for continuous improvement and levers of competitiveness, capable of maximising environmental and social benefits.

KEY INDICATORS

(Euro million)	Mar-22 As reported	Mar-22 Restated	Dec-22	Mar-23	Change YoY
ACTIVITY AND RESULTS (€ million)					
Total assets	19,647	19,647	19,106	18,181	(7.5%)
Gross Loans to customers	12,316	12,249	12,068	11,971	(2.3%)
Customers' deposits	12,842	12,751	13,115	12,678	(0.6%)
Equity	1,391	1,391	1,519	1,553	11.6%
Net income	11.4	11.4	33.8	35.3	>100%
SOLVENCY (a)					
Common Equity Tier 1 ratio	12.7%	12.7%	13.7%	13.6%	0.9 p.p.
Tier 1 ratio	12.7%	12.7%	13.7%	13.6%	0.9 p.p.
Total Capital ratio	15.0%	15.0%	16.2%	16.1%	1.1 p.p.
Leverage ratio	5.6%	5.6%	5.9%	6.1%	0.5 p.p.
Risk weighted assets (€ million)	8,755	8,755	8,276	8,234	(5.9%)
LIQUIDITY RATIOS					
Loans to customers (net) / Customers' deposits (b)	91.9%	92.2%	89.3%	91.9%	(0.3 p.p.)
LCR	265.7%	265.7%	249.6%	219.0%	(46.7 p.p.)
NSFR	123.8%	123.8%	125.0%	121.3%	(2.5 p.p.)
ASSET QUALITY					
Cost of credit risk	0.1%	(0.2%)	0.1%	-0.5%	(0.3 p.p.)
Non-performing exposures (NPE) (c) / Gross Loans to customers	7.8%	7.6%	5.3%	4.8%	(3.0 p.p.)
NPE (c) coverage by credit risk Impairments	53.9%	53.5%	56.5%	58.6%	5.1 p.p.
NPE (c) coverage by credit risk Impairments and associated collaterals and financial guarantees	95.9%	95.8%	103.9%	106.5%	10.7 p.p.
PROFITABILITY AND EFFICIENCY					
Total operating income / Average total assets (b)	0.5%	1.9%	1.9%	2.5%	0.6 p.p.
Net income before income tax / Average total assets (b)	0.2%	0.7%	0.4%	1.3%	0.6 p.p.
Net income before income tax / Average total equity (b)	2.4%	9.7%	4.7%	15.7%	6.0 p.p.
Cost-to-income (Operating costs / Total operating income) (b)	63.7%	63.9%	66.6%	54.5%	(9.4 p.p.)
Cost-to-Income, excluding specific impacts (d)	68.9%	69.6%	63.2%	50.2%	(19.4 p.p.)
Staff costs / Total operating income (b)	39.1%	39.3%	41.2%	36.8%	(2.5 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)					
Employees					
Banco Montepio Group	3,462	3,462	3,406	3,409	(1.5%)
Banco Montepio	3,113	3,113	3,043	3,040	(2.3%)
Branches					
Domestic network - Banco Montepio	254	254	239	239	(5.9%)
International Network (e)	20	20	20	20	0.0%
Representation Offices - Banco Montepio	5	5	5	5	0.0%

(a) Pursuant to CRD IV / CRR (phasing-in). Ratios not including net income, with reference to 31 March 2023 are: CET1 13.1%, Tier 1 13.2%, Total Capital 15.7% and Leverage 5.9% (phasing-in).

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

(c) EBA definition. With reference to March 2023, December 2022 and March 2022 as reported, the figures include Finibanco Angola (entity subject to the application of IFRS 5).

(d) 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 operating costs driven by the operational adjustment plan.

(e) Includes corporate centres.

CONSOLIDATED INCOME STATEMENT

(Euro million)	Mar-22 Restated	Mar-23	Change YoY €Mn	Change YoY %
Interest and similar income	67.2	118.0	50.8	75.5%
Interest and similar expense	14.2	27.8	13.5	94.8%
NET INTEREST INCOME	**53.0**	**90.2**	**37.3**	**70.4%**
Dividends from equity instruments	0.0	0.0	0.0	>100%
Net fee and commission income	30.1	32.7	2.6	8.7%
Results from financial operations	12.6	(0.3)	(12.9)	<-100%
Other results	(5.3)	(9.3)	(4.0)	(76.6%)
OPERATING INCOME	**90.4**	**113.4**	**23.0**	**25.5%**
Staff Costs	35.5	41.8	6.2	17.6%
General and administrative expenses	14.2	15.4	1.2	8.6%
Depreciation and amortization	8.3	8.8	0.5	6.1%
OPERATING COSTS	**57.9**	**65.9**	**8.0**	**13.7%**
Loan impairments	(6.1)	(14.4)	(8.3)	<-100%
Other financial assets impairments	0.9	0.3	(0.6)	(68.1%)
Other assets impairments	2.9	5.8	2.8	97.8%
Provisions net of reversals and annulments	(4.4)	(2.1)	2.3	52.7%
Share of profit of associates under the equity method	(0.1)	(0.1)	0.1	47.3%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**39.0**	**57.9**	**18.8**	**48.3%**
Tax	21.3	24.1	2.8	13.2%
Non-controlling interests	0.3	0.1	(0.2)	(67.0%)
Profit/(loss) from discontinuing operations	(6.0)	1.7	7.6	>100%
NET INCOME	**11.4**	**35.3**	**23.9**	**>100%**

CONSOLIDATED BALANCE SHEET

(Euro million)	Mar-22 As reported	Mar-22 Restated	Dec-22	Mar-23	Change YoY €Mn	Change YoY %
Cash and deposits at central banks	2,451	2,422	1,384	518	(1,904)	(78.6%)
Loans and advances to credit institutions repayable on demand	50	48	52	35	(13)	(27.4%)
Other loans and advances to credit institutions	186	136	106	122	(14)	(10.3%)
Loans and advances to customers	11,796	11,751	11,713	11,645	(106)	(0.9%)
Financial assets held for trading	55	55	23	66	11	20.4%
Financial assets at fair value through profit or loss (FVPL)	196	196	148	147	(49)	(24.7%)
Financial assets at fair value through other comprehensive income (FVOCI)	123	123	97	87	(36)	(29.1%)
Hedging derivatives	5	5	0	0	(5)	(100.0%)
Other financial assets at amortised cost	3,438	3,377	4,119	4,128	751	22.2%
Investments in associates	4	4	4	4	0	8.7%
Non-current assets held for sale	0	0	0	0	0	86.9%
Non-current assets held for sale - Discontinued operations	0	248	200	205	(43)	(17.3%)
Investment properties	98	98	73	70	(28)	(28.8%)
Property and equipment	238	199	192	192	(7)	(3.9%)
Intangible assets	40	48	48	47	(1)	(2.7%)
Current tax assets	7	7	6	6	(1)	(11.0%)
Deferred tax assets	443	444	414	390	(54)	(12.3%)
Other Assets	516	485	527	518	33	6.7%
TOTAL NET ASSETS	**19,647**	**19,647**	**19,106**	**18,181**	**(1,466)**	**(7.5%)**
Deposits from central banks	2,900	2,900	2,890	2,329	(571)	(19.7%)
Deposits from other financial institutions	381	380	342	387	7	2.0%
Deposits from customers	12,842	12,751	13,115	12,678	(73)	(0.6%)
Debt securities issued	1,515	1,515	607	585	(930)	(61.4%)
Financial liabilities held for trading	8	8	18	15	7	84.1%
Non-current liabilities held for sale – Discontinued operations	0	108	102	100	(8)	(7.4%)
Provisions	30	24	31	28	4	16.5%
Current tax liabilities	7	5	4	5	0	3.1%
Other subordinated debt	222	222	217	222	0	0.0%
Other liabilities	351	343	261	278	(65)	(18.9%)
TOTAL LIABILITIES	**18,256**	**18,256**	**17,587**	**16,627**	**(1,629)**	**(8.9%)**
Share Capital	2,420	2,420	2,420	1,210	(1,210)	(50.0%)
Other reserves and retained earnings	(1,057)	(1,057)	(946)	297	1,354	>100%
Consolidated net profit/ (loss) for the period attributable to the shareholders	11	11	34	35	24	>100%
Total equity attributable to the shareholders	1,374	1,374	1,508	1,542	168	12.2%
Non-controlling interests	17	17	11	11	(6)	(33.6%)
TOTAL EQUITY	**1,391**	**1,391**	**1,519**	**1,553**	**162**	**11.6%**
TOTAL LIABILITIES AND EQUITY	**19,647**	**19,647**	**19,106**	**18,181**	**(1,466)**	**(7.5%)**

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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.

GLOSSARY

CET1 - Common Equity Tier 1.

Core operating income - Corresponds to the sum of the Income Statement items "Net interest income" and "Income from services and commissions".

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).

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.

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

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.

Liquidity buffer – The sum of the aggregate amount of the balance sheet item "Cash and deposits at central banks", of applications in central banks and the market value of assets eligible to obtain liquidity from the ECB.

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

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

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

NSFR - Net Stable Funding Ratio

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

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", "Other operating income" and "Income from disposal of other assets".

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.

Results 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.

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 at fair value through profit or loss".

TLTRO - Targeted Longer Term Refinancing Operations.

Write-offs – loans written off from balance sheet (when the Group has no reasonable expectations of recovering them).

YoY - Year-on-year.