



BANCO MONTEPIO CONSOLIDATED RESULTS 2021

Unaudited information

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BANCO MONTEPIO REPORTS A CONSOLIDATED NET INCOME OF €6.6Mn IN 2021

IMPROVED RESULTS BASED ON ACTIVITY GROWTH AND OPERATING EFFICIENCY

- **Consolidated net income** of €6.6Mn reflects a favourable evolution compared to that recorded in 2020 by incorporating the positive results obtained, consecutively, in the 3rd and 4th quarters of 2021;
- **Loans to customers** (net of impairment) increased by €126Mn compared to 2020, reflecting the positive performance in the individuals segment;
- **Customer deposits** reached €12.8Bn, increasing €285Mn compared with 2020, benefiting from the evolution of Individual Customers' Deposits which represent 76% of the total;
- **NPE ratio** decreased to 8.6% (-1.8 p.p. YoY) confirming the sustained reduction in non-performing exposures since 2015;
- **Total Capital ratio and CET1 ratio** (phasing-in) at 15.1% and 12.7%, respectively, reveal improved solvency;
- **Liquidity buffer** amounted to €3.8Bn;
- **14% market share in loans to SSEEs** (Social and Solidarity Economy Entities) in November 2021.



Banco Montepio recorded a positive **consolidated net income** of € 6.6Mn in 2021, which represents an increase of € 87.3Mn compared to the € -80.7Mn recorded in 2020. This favourable evolution is supported by the increase in net interest income and commissions, the reduction in operating costs, as well as lower impairment charges and provisions, mainly those related to credit risk.

Loans and advances to customers (net of impairment) totalled €11,704Mn on 31 December 2021, showing an increase of €126Mn compared to the amount recorded at the end of 2020, following the implementation of the management decisions to strengthen the core business, namely in the individuals segment.

Customer deposits amounted to €12,787Mn on 31 December 2021, showing a positive evolution of €285Mn (+2.3%) compared to the €12,502Mn recorded at the end of 2020 as a result of the favourable performance recorded by both private and corporate customers, notwithstanding the maintenance of interest rate benchmarks at historically low levels.

The aggregate amount of the balance sheet item Cash and Deposits at Central Banks and the market value of eligible assets to obtain liquidity from the ECB, reflected in the **liquidity buffer**, stood at €3.8Bn, confirming the maintenance of a comfortable position of liquidity ratios.

Banco Montepio strengthened its position as the Social Economy Bank, presenting itself as one of the most significant and relevant institutions in this sector. The support offered to SSEEs has been very significant and gained special relevance after the outbreak of the Covid-19 pandemic. **Banco Montepio's market share in lending to the Social Sector** reached 14% in November 2021 as a result of the increase in the loan portfolio to SSEEs of 32% YoY and 41% since March 2020, revealing a remarkable and elucidative evolution of the work carried out in the Third Sector.



Asset quality

- **Cost of credit risk** of 0.4%, compared to 1.5% in 2020;
- **Reduction of non-performing exposures (NPE)** by €231.9Mn, with the NPE ratio standing at 8.6%, comparing favourably with 10.4% recorded in 2020. Taking into account the impact of the sale of the secured non-performing loans at the end of 2021, which will be derecognised from the balance sheet in 2022, the NPE ratio would be 7.9%.
- **NPE ratio, net of impairment for credit risk**, stood at 4.0%;
- **Increase in the coverage levels of NPE** by impairments for credit risk, collateral and financial guarantees to 95.7% (53.6% if only impairments are considered).

Capital and liquidity

Strengthened Capital Ratios as at 31 December 2021 confirm compliance with the overall capital requirement (OCR) determined by the Supervisor:

- **Common Equity Tier 1 (CET1)** phasing-in ratio at 12.7% (+1.1 p.p. YoY) and fully implemented ratio at 11.8% (+1.7 p.p. YoY), comfortably above the defined regulatory level of 9.02%;
- **Total Capital ratio** phasing-in at 15.1% (+1.3 p.p. YoY) and fully implemented at 14.2% (+1.9 p.p. YoY), above the defined regulatory level of 13.94%.

Sound financing structure, supported by medium and long-term instruments:

- **Liquidity coverage ratio (LCR)** stood at 264.1% (+63.4 p.p. YoY);
- **Net Stable Funding Ratio (NSFR)** at 125.1% (+15.3 p.p. YoY).

Operational adjustment

- **Operating costs** decrease 4.8% excluding one-off impacts related to the staff adjustment programme;
- The **efficiency ratio**, measured by the ratio between operating costs and operating income, excluding one-off impacts, stood at 65.7%, benefiting from the reduction in costs and the increase in income;
- **Retail network adjustment** with the closure of 37 branches (-12.7% YoY), of which 36 in the first nine months of 2021;
- **Reduction of the staff** by 243 (-6.5%) in comparison with 2020, with the **Early Retirement and Mutual Agreement Termination Programme** accounting for 83% of this reduction.

Results

The **consolidated net income** in 2021 was €6.6Mn, which compares favourably with the -€80.7Mn in 2020, benefiting from the positive consolidated net income of €39.6Mn in the second half of 2021. Excluding the one-off impacts related to the adjustment programme, the consolidated net income would have been €21.8Mn.

Net interest income totalled €243.5Mn in 2021, compared to €242.8Mn in the previous year, benefiting from the effects of the favourable evolution of credit, pricing management and the reduction in the cost of customer deposits, despite the unfavourable impact of market interest rates, which remained at very low levels.

Net commissions reached €116.3Mn in 2021, an increase of 0.9% compared to €115.3Mn in 2020, incorporating the positive performance driven by credit operations, payment services and account management and maintenance fees.

The **Results from financial operations** recorded in 2021 totalled €10.8Mn, in comparison to the €17.9Mn recorded in 2020, reflecting the lower gains from the securities portfolio and currency revaluation, which were partially offset by the results obtained in assets and liabilities recorded at fair value and in derivative financial instruments.

Other results amounted to €6.6Mn in 2021, comparing unfavourably with the €14.7Mn recorded in the previous year, mainly due to lower results from the sale of debt securities recorded at amortised cost, the increase in costs with the contributions to the banking sector, which totalled €23Mn in 2021, which were partially offset by the income recorded with the valuation of the funds obtained from the ECB via TLTRO-III.

Operating costs decreased from €291.4Mn in 2020 to €264.1Mn in 2021, reflecting the effect of non-recurring costs related to the implementation of the staff adjustment plan of €13.8Mn in 2021 and €28.3Mn in 2020. Excluding these one-off impacts, operating costs decreased by 4.8%.

Efficiency, measured by the cost-to-income ratio and excluding the effect of Results from financial operations, Other results and non-recurrent costs, stood at 69.0% in 2021, which compares with 72.5% in 2020.

Following the implementation of the **retail network adjustment** process, between October 2020 and December 2021, Banco Montepio closed 74 branches (-22.6%), of which 37 (-12.7%) in 2021, following appropriate assessments related to geographical coverage, profitability and market size, without prejudice to maintaining the coverage of the Customer base at national level.

Banco Montepio Group's **headcount** totalled 3,478 employees at the end of 2021, recording a decrease of 243 (-6.5%) in relation to 2020. The implementation of the Early Retirement and Mutual Agreement Termination Programme started in the fourth quarter of 2020 was responsible for 83% of the reduction seen in 2021.



Loan impairment in 2021, which considers the analysis of the loan portfolio in an individual and collective basis, amounted to €54.3Mn, implying a cost of risk of 0.4%, which compares favourably with the impairment charge of €185.1Mn and the cost of risk of 1.5% recorded in 2020.

Other impairments and provisions, related to other financial assets, other assets and provisions amounted to €26.2Mn in 2021, in comparison to €35.7Mn booked in 2020, reflecting the reinforcement of impairments for investment properties and the lower allocations made to other financial assets and other provisions.

Income from discontinued operations in 2021 totalled -€1.5Mn, compared to -€1.9Mn in 2020, showing the contribution to consolidated accounts, net of intra-group operations, of the subsidiaries Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. (in liquidation) and Montepio Valor, Sociedade Gestora de Fundos de Investimento, S.A. (sold to MGAM in December 2021).

Balance

Total assets amounted to €19,713Mn on 31 December 2021, showing an increase of 9.9% compared to the €17,941Mn accounted at the end of 2020, reflecting the increase in the captions Cash and deposits at Central Banks and Other financial assets at amortised cost.

Gross loans and advances to customers totalled €12,272Mn at the end of 2021, having registered, excluding the effect of write-offs, an increase of €194Mn, with the performing loans in the individuals segment showing a favourable variation of €152Mn.

The **moratoria** under the special aid scheme provided to households and companies in the context of the Covid-19 pandemic expired on 31 December 2021. The vast majority had already expired at the end of September, having been recorded since then, and until the end of 2021, €21Mn (- 6.1%) NPE decrease in the portfolio of loans that were subject to moratorium. The contacts made with the Customers with loans subject to the moratorium,



in order to assess any potential increase in credit risk and to present proposals to prevent any delinquencies or defaults, proved to be fruitful. The vast majority of customers resumed the debt payment service as planned on the date they adhered to the moratorium and the credit risk of the portfolio that was subject to the moratorium was significantly reduced, having been recorded, on 31 December 2021, €1,047Mn in stage 2, a decrease of €1,023Mn compared to the amount recorded at the end of 2020, representing 39% of the total loans amount that were subject to moratorium, compared to 64% at the end of 2020. At the end of 2021, the total amount of the loans that have been subject to moratorium that expired at the end of 2021 reached €2,697Mn, of which 88% were performing (stage 1 and stage 2).

The **quality of the loan portfolio**, assessed by the ratio of non-performing exposures (NPE) to total gross loans amount, showed a favourable evolution with the NPE ratio standing at 8.6% at the end of 2021, compared to 10.4% at 31 December 2020. The sale of a non-performing loan portfolio and the measures implemented in the loan recovery area had a favourable impact on this evolution.

The **coverage of NPE by impairments** evolved from 60.4% in 2020 to 53.6% at the end of 2021 and if we also consider, in addition to impairments, the **collateral and associated financial guarantees**, the coverage of NPE rises to 95.7% at 31 December 2021, compared to 93.0% at the end of 2020.

At 31 December 2021 the **Securities portfolio** totalled €3,336Mn, representing a 10.8% increase in comparison to the amount recorded at the end of 2020, resulting from the increase in the portfolio of Other financial assets at amortised cost by €642Mn and the reduction in the portfolio of Financial assets at fair value through other comprehensive income and Financial assets at fair value through profit or loss, respectively, by €163Mn and €143Mn. The securities portfolio on 31 December 2021 consisted of 92% sovereign public debt securities, namely Portuguese, Italian and Spanish, compared to 84% at the end of 2020.

Customer Deposits recorded a favourable evolution compared to the total amount accounted at the end of 2020, in a context of historically low market interest rates, with an increase in the demand deposits in comparison to term deposits that contributed to the positive evolution of net interest income.

Equity totalled €1,363Mn at the end of 2021, evolving favourably in relation to the €1,327Mn recorded on 31 December 2020, mainly due to the positive impacts determined by the net income and the positive actuarial deviations in the Pension Fund.

Own funds and capital ratios

In 2021 the **capital ratios** were strengthened, incorporating the effects resulting from the reduction of the RWA, the actuarial deviations determined at the level of pension liabilities, driven by the change in actuarial assumptions, as well as the positive evolution in the net income for the year as well as its impact on the reduction of deferred tax assets.

(million euro)	Dec-20	Dec-21	Change YtD
Common Equity Tier I Capital	1,114	1,122	7
Tier I Capital	1,114	1,122	7
Total Own Funds	1,321	1,328	7
Risk-weighted assets (RWA)	9,577	8,800	(777)
CRD IV / CRR - Phasing-in ratios			
Common Equity Tier I ratio	11.6%	12.7%	1.1 p.p.
Tier I ratio	11.6%	12.7%	1.1 p.p.
Total Capital ratio	13.8%	15.1%	1.3 p.p.
CRD IV / CRR - Fully implemented ratios			
Common Equity Tier I ratio	10.1%	11.8%	1.7 p.p.
Tier I ratio	10.1%	11.8%	1.7 p.p.
Total Capital ratio	12.3%	14.2%	1.9 p.p.
Leverage ratio			
Leverage ratio - Phasing-in	6.0%	5.6%	(0.4 p.p.)
Leverage ratio - Fully Implemented	5.2%	5.1%	(0.1 p.p.)

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

The ratios include the period's accumulated net income.



RWA decreased by €777Mn in 2021 as a result of the strategy adopted to continuously reduce non-strategic assets (disposal of the shareholding held in Almina Holding S.A. and Monteiro Aranha S.A.), to deleverage non-performing loans (NPLs) and the exposure to real estate, to assign a consumer loans portfolio under the Pelican Finance No. 2 securitisation and to rebalance the balance sheet with assets with lower risk and lower consumption of RWAs.

At the end of 2021 the **Common Equity Tier 1 capital ratio (CET1)** rose to 12.7% (compared to 11.6% at the end of 2020) on a phasing-in basis and to 11.8% (10.1% at the end of 2020) in accordance with the fully implemented rules, comfortably above the minimum regulatory requirements of 9.02%.

The **Total Capital ratio** (phasing-in) increased to 15.1% (compared to 13.8% at the end of 2020), and the fully implemented ratio to 14.2% (12.3% at the end of 2020), also above the minimum requirement of 13.94%.

On 21 January 2022 Fitch Ratings upgraded Angola's rating to B-. This rating action complements the upgrade review to B3 disclosed by Moody's on 13 September 2021 and, consequently, Banco Montepio's exposures to the Angolan Government will be classified with a B- rating for prudential purposes, with a weighting of 100% for capital consumption purposes (compared to 150% at the end of 2021), which will translate into an estimated additional positive impact of 5 b.p. on capital ratios.

Liquidity

During 2021, management measures continued to be implemented with the objective of maintaining a solid liquidity position, with levels significantly above the regulatory limits in force and in alignment with the strategic objectives of the Funding and Capital Plan.



The **LCR ratio** reached 264.1% on 31 December 2021, 164.1 p.p. above the minimum regulatory requirement of 100%, evolving favourably compared to the ratio of 200.7% recorded at the end of 2020.

Additionally, Banco Montepio maintained a comfortable funding base, determined by a funding structure with recourse to medium and long-term instruments, which contributed to the **NSFR ratio** reaching 125.1% at 31 December 2021, 25.1 p.p. above the regulatory minimum requirement of 100%, reflecting a favourable evolution compared to the 109.8% registered at the end of the previous year.

On 31 December 2021, the amount of **Debt issued** reached €1,834Mn, compared to €1,516Mn recorded at the end of 2020, as a result of the increase in debt securities (+€318Mn) due to the performing consumer loan securitisation (Pelican Finance N°2), originated by Banco Montepio and Montepio Crédito, in the amount of €362Mn, while other subordinated liabilities stood at €217Mn, in line with the amount recorded at the end of 2020.

In the scope of the implementation of an integrated management of liquidity and funding sources, in December 2021 Banco Montepio early redeemed two funding lines with the EIB - European Investment Bank, in a total amount of €350Mn. The eligible securities that were pledged as collateral for these funding lines were included in the portfolio of **eligible assets for Eurosystem monetary policy liquidity-providing operations**. On 31 December 2021, the eligible assets portfolio amounted to €3,808Mn, showing an increase of +22% in relation to the €3,113Mn recorded at the end of 2020. At the end of 2021, this portfolio included marketable assets, namely eligible debt instruments, in the amount of €3,359Mn, and non-marketable assets, such as credit rights granted to non-financial companies and public sector entities, namely loans and used credit lines, which meet specific eligibility criteria, amounting to €449Mn.



The amount of **funding from the European Central Bank (ECB)** obtained through TLTRO-III totalled €2,939.8Mn at the end of 2021, with a positive variation of €1,554.8Mn compared to the end of 2020 as a result of the two funding operations that started in March 2021 (€1.5Bn) and December 2021 (€54.8Mn). As a result of these two new operations, the eligible uncommitted collateral portfolio was adjusted to €850Mn at the end of 2021, from €1,706Mn registered at the end of the previous year.

Digital transition

Banco Montepio supported the digital transition process throughout 2021, adjusting the service model and increasing efficiency on a sustainable manner. On 31 December 2021 the Montepio24 service, a multichannel platform that integrates distance channels, recorded a 8.7% increase in the number of active customers compared to 2020, totalling 426,327 users, of which 360,877 in the Individuals segment (+9.6%) and 65,450 in the Corporate segment (+4.2%).

The number of transactions carried out through digital channels on Net24 increased in 2021 to 44.6 million, comparing favourably with the 42.9 million at the end of the previous year, reflecting an increase of 4.0%, while on App24 the number of transactions carried out totalled 26.3 million, representing an increase of 42.0% compared to the 18.5 million recorded in 2020.

Pension Fund

The responsibilities with post-employment and long-term benefits at the end of 2021, considering also the provisions recorded in the balance sheet, were fully funded, with a coverage ratio of 102.2%.



On 31 December 2021 the liabilities with the Pension Fund amounted to €856.4Mn, showing a decrease of €18.5Mn compared to the value recorded at the end of 2020, reflecting the effect of the early retirement and mutually agreed termination programmes carried out in 2021 and the actuarial deviations, including those resulting from the change of assumptions.

The rate of return on the Pension Fund in 2021 was 3.5%, which compares favourably with the actuarial assumption.

Government Guaranteed Credit Lines

Banco Montepio maintained its focus on strengthening its presence in the corporate segment, offering Government guaranteed credit lines 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 extended the grace period, to a maximum of 9 months, to credit operations benefiting from guarantees granted by Mutual Guarantee Companies or the Mutual Counter Guarantee Fund, signed between 27 March 2020 and 22 March 2021. It also continued its strategy of boosting credit lines under protocols signed with the European Investment Bank (EIB) and the European Investment Fund (EIF), with special emphasis on the credit lines “*BEI Titularização Sintética*” and “*FEI Uncapped*”.

A new Protocol was also signed with the EIB, which will permit the granting of loans totalling €150Mn to Midcaps and Large Companies, backed by a 65% guarantee.

Since the start of the Government's Economic and Social Stabilisation Programme and the related government guaranteed credit lines, Banco Montepio has financed more than €65Mn in the specific credit line for the social sector. In addition, throughout 2021 it also included in its offer the credit line “*+Impacto Social*”, financing more than €55Mn to projects that



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.

Rating

On 25 March 2021, Moody's announced the completion of its periodic rating review and confirmed all the ratings assigned to Banco Montepio. Subsequently, in a statement dated 13 July 2021, the rating agency upgraded the senior unsecured MTN and the junior unsecured MTN ratings, issued under the Euro Medium Term Note (EMTN) programme of Banco Montepio, from (P)Caa1 to (P)B3, following the review of the bank analysis methodology in order to reflect more appropriately the risk of these classes of debt.

On 21 September 2021, Moody's raised the covered bonds rating from A1 to Aa3, reinforcing the classification of this type of debt in the Investment Grade category, which rises to Aa (High Grade) from the previous A (Upper Medium Grade). This rating action was driven by the improvement in the Portuguese economy, the significant reduction in refinancing risk, and the expected short term transposition of the Covered Bond EU Directive, which will reinforce the strengths of the Portuguese law on covered bonds.

DBRS and Fitch Ratings reaffirmed the ratings assigned to Banco Montepio on 2 July and 13 July 2021, respectively. On 11 October 2021, Fitch Ratings confirmed the B- rating assignment to the Issuer Default Rating (IDR) with Negative Outlook.

The ratings assigned to Banco Montepio, with reference to 31 December 2021, are presented in the table below:

Rating Agency	Covered Bonds (CPT ¹)	Issuer ⁽²⁾ (Long-term)	Deposits
<i>Fitch Ratings</i>	AA-	B-	B
<i>Moody's</i>	Aa3	b3	B1
<i>DBRS Morningstar</i>	BBB (high)	B	B (high)

⁽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 2021

- ***Crédito à Habitação Escolha n.º1 do Consumidor***

Banco Montepio was elected by the Portuguese as the "Number one Brand in Consumer Choice" in the mortgage loans category for having the best global offer of mortgage loans in the national financial panorama, according to ConsumerChoice - Consumer Satisfaction Assessment Centre.

Banco Montepio hit records on mortgage loans origination and on brand awareness following the implementation of a strategy based on differentiation and on the customer being at the centre and above all else, since the beginning of 2021. Banco Montepio, traditionally and historically a reference in the mortgage loans offer in the Portuguese financial panorama, continues to make the difference by returning 1% of the value of the mortgage loan in a pre-paid card to be used at Worten, rising to 1.1% for houses with A and A+ energy certificates, supporting measures to promote environmental sustainability.

- **Superbrands 2021**

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

- **Consumer Loan Campaign**

Banco Montepio maintains its focus on consumer loans and has supported customers in carrying out their projects responsibly and with a high standard of 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 consumer loan without needing to go to a branch.

The consumer credit campaign "*Pouco Pio*" was distinguished as one of the three most creative of 2021 at the *Festival Clube de Criativos Portugal* (Creative Club Portugal Festival). The film was awarded in the advertising category.

- **Sale of non-strategic shareholdings**

In line with the defined strategy of reducing exposure to non-strategic assets and strengthening capital ratios, Banco Montepio sold its entire shareholding in Monteiro Aranha S.A. in the first quarter of 2021 and, on 30 June 2021, its entire shareholding in Almina Holding S.A. (Almina).

- **Sale of Non-Performing Loans (NPLs)**

On 29 December 2021 and following a competitive sale process, Banco Montepio executed a Sale and Purchase Agreements in respect of a non-performing loans portfolio direct sale of 10,318 contracts, both secured and unsecured, recorded on and off balance sheet, for a gross amount of €253Mn.

- **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.

- **Sale of the subsidiary Montepio Valor, SGOIC, S.A.**

On 30 December 2021, Montepio Holding SGPS, S.A. (a subsidiary of Banco Montepio) sold Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. ("Montepio Valor") to Montepio Geral - Associação Mutualista (Banco Montepio's majority shareholder), for a total amount of €3.7Mn, with no impact on Banco Montepio's consolidated net income or capital ratios.

- **Consumer loans securitisation**

On 6 December 2021, Banco Montepio together with its subsidiary Montepio Crédito, Instituição Financeira de Crédito, S.A., signed an agreement for the sale of a consumer loans portfolio, originated by both institutions, to Ares Lusitani - STC, SA, in the scope of securitisation (Pelican Finance No. 2). The gross amount sold was €356.8Mn, in a portfolio comprising approximately 40 thousand contracts.



- **Social and Environmental Sustainability**

As a reference player in the area of social sustainability, Banco Montepio continued to focus on integrating environmental concerns into its activities, positively impacting the lives of families, companies and Social and Solidarity Economy Entities (SSEEs).

Sustainability is part of Banco Montepio on principle and from the beginning. It is called commitment. And Banco Montepio's commitment is to society, to human beings and to the planet. In 177 years, Banco Montepio has invested a lot in the social economy area, but the impact on society is not quantifiable and the return is far beyond the numbers.

Thus, in order to identify initiatives, products and services of Banco Montepio that contribute to at least one of the dimensions of sustainability - social, economic and environmental - the Bank created a seal "**Princípio Sustentável**" (Sustainable Principle) that is built of lines that metaphorically unite the earth and human dimensions. Lines that represent the papillae of the skin, in a unique fingerprint that Banco Montepio wants to leave in the future, while reducing the impact of its ecological footprint.

Banco Montepio achieved a penetration rate of 28% among customers in the social economy. This result is due to the monitoring carried out from north to south of the country by a specialised team in the Social and Solidarity Economy, to the availability of specific products and services for the social sector, and to the analysis and financing of the additional needs to the Recovery and Resilience Plan (RRP), under the scope of social support and programmes of the *Instituto da Segurança Social (ISS), I.P.* (Social Security Institute).

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

- **#TodosJuntos**, a social solidarity initiative launched by ten banks in the Portuguese financial system, including Banco Montepio. The **#TodosJuntos** solidarity campaign, which ran through the SSEE throughout the country between May and June 2021, raised €2.5Mn for food support to the most unprotected families in the context of the Covid-19 pandemic;
- **Pirilampo Mágico 2021** campaign, one of the largest and oldest social solidarity campaigns in Portugal with positive social impacts on society. Banco Montepio supported the campaign, which ran from October to November, through a donation to FENACERCI and the purchase of one firefly per employee, which was equivalent to the acquisition of 3,150 fireflies. Banco Montepio's support to this cause since 2017 symbolises inclusion, unity and hope in the lives of all of us;



- **XIV Festa da Solidariedade Açores 2021**, a milestone in the history of CNIS (*Confederação Nacional das Instituições de Solidariedade*) and its members, which took place in October in the Azores. As the Bank of the Social and Solidarity Economy, Banco Montepio once again joined the initiative, which is already in its 14th edition, and which aims to bring together the country's solidarity institutions so that they can socialise, exchange ideas, disseminate initiatives and showcase good practices in social, cultural and recreational support;
- **JAP Social Innovation Camp by Banco Montepio**, a competition organized by Junior Achievement Portugal and Banco Montepio, which took place in November 2021. In this event, focused on environmental and social sustainability, Banco Montepio challenged the young participants to develop environmental and social projects, in the context of the Sustainable Development Goals (SDGs), in the areas of Social Economy, Responsible Consumption and Equal Opportunities;
- **Banco Montepio Category in the EPIS (*Empresários para a Inclusão Social*) Social Grants**, an initiative with national coverage in its 11th edition. This year, the scholarships included the creation of the Banco Montepio Category (in secondary and higher education), which made it possible to award six scholarships (three for secondary school students and three for higher education students);
- **1st Digital Social Fair**, an initiative organised by NERSANT (*Associação Empresarial da Região de Santarém*) which took place in March 2021 with the support and participation of Banco Montepio. Aimed at the Social and Solidarity Economy sector, the main objective of the Digital Social Fair was to publicise the institutions and their services, as well as products and services of companies associated with this activity sector.

As a partner of Social Entrepreneurship, Banco Montepio actively participated in various dynamics of development of ideas, projects and businesses of technological and innovative basis, highlighting:

- Partnership with the **<Academia de Código_>**, a project that aims to provide a social experience through bootcamps on computer language. To help all those who want to <re>program their lives, Banco Montepio, through the Code Academy Credit Line, supported 54 students with €292,370 in funding;
- **Banco Montepio Acredita Portugal**, the largest entrepreneurship competition in Portugal and the second largest worldwide, promoted by Banco Montepio and the non-profit organisation Acredita Portugal. Over the five years of partnership, there were



56,063 applications to the *Banco Montepio Acredita Portugal* competition, of which 8,252 applications were submitted to the Social Entrepreneurship category, the category supported by Banco Montepio.

As a social investor, Banco Montepio continued to invest in 9 *Projetos de Impacto*, a joint initiative with Santa Casa da Misericórdia de Lisboa, which aim to represent innovative responses to the challenges of contemporary society and enable the fight against various forms of social exclusion. Between 2020 and 2021, Banco Montepio invested with a total of €258,010.

In the area of microcredit, the 2020 Activity Report of **SOU MAIS**, which was released by CASES (*Cooperativa António Sérgio para a Economia Social*) in 2021, revealed that Banco Montepio was the financial institution that stood out the most in the SOU MAIS National Microcredit Programme, with a total financing of €4,624,743, representing 34.5% of the total financing granted between 2011 and 2020. Banco Montepio also highlights the execution of a collaboration agreement with the Consortium between the *Universidade da Beira Interior* and the *Universidade de Coimbra*, under the project "The Role of Microcredit in Promoting Financial and Social Inclusion", funded by the *Fundação para a Ciência e a Tecnologia*. This collaboration will allow the consortium not only to carry out a study of the impact of microcredit in Portugal, but also to stimulate interdisciplinarity between academic areas, cooperation between academia and society, thus aiming at social impact and innovation.

In the context of environmental sustainability, we highlight the recognition through the **Frota Verde do Ano 2021** award, granted by Fleet Magazine, following the Montepio Group companies' fossil fuel car fleet replacement with a green fleet. Montepio Geral Associação Mutualista and Banco Montepio began the process in 2019, positioning itself as the first Portuguese financial group to decarbonise. Banco Montepio continues to make a difference.

Banco Montepio also received an honourable mention in the "Community" category in the 7th edition of the *RPRSS - Reconhecimento de Práticas em Responsabilidade Social e Sustentabilidade* sponsored by *APEE – Associação Portuguesa de Ética Empresarial* (Portuguese Association for Business Ethics).

- **Solidarity Christmas Campaign**

Banco Montepio supported the *Pinheiro Bombeiro* campaign and joined Cais Recicla and Cercica to celebrate a sustainable and solidary Christmas.



Banco Montepio's branches and central buildings were decorated with *Pinheiro Bombeiro* Christmas trees. By supporting this initiative, Banco Montepio contributed to a triple mission for this cause: giving a second life to pine trees that have to be removed from their natural environment; helping to keep forests clean and prevent fires; and supporting the Portuguese Voluntary Fire Brigade.

Pinheiro Bombeiro symbolises much of what Banco Montepio is about: authenticity, sustainability and solidarity.

KEY INDICATORS

	Dec-20	Dec-21	Change YoY
ACTIVITY AND RESULTS (€ million)			
Total assets	17,941	19,713	9.9%
Gross Loans to customers	12,357	12,272	(0.7%)
Customers' deposits	12,502	12,787	2.3%
Net income	(81)	7	>100%
SOLVENCY (a)			
Common Equity Tier 1 ratio	11.6%	12.7%	1.1 p.p.
Tier 1 ratio	11.6%	12.7%	1.1 p.p.
Total Capital ratio	13.8%	15.1%	1.3 p.p.
Leverage ratio	6.0%	5.6%	(0.4 p.p.)
Risk weighted assets (€ million)	9,577	8,800	(8.1%)
LIQUIDITY RATIOS			
Loans to customers (net) / Customers' deposits (b)	92.6%	91.5%	(1.1 p.p.)
Loans to customers (net) / On-balance sheet customers' resources (c)	83.9%	81.3%	(2.6 p.p.)
LCR	200.7%	264.1%	63.4 p.p.
NSFR	109.8%	125.1%	15.3 p.p.
ASSET QUALITY			
Cost of credit risk	1.5%	0.4%	(1.1 p.p.)
Non-performing exposures (NPE) ^(d) / Gross Loans to customers	10.4%	8.6%	(1.8 p.p.)
NPE ^(d) coverage by credit risk Impairments	60.4%	53.6%	(6.8 p.p.)
NPE ^(d) coverage by credit risk Impairments and associated collaterals and financial guarantees	93.0%	95.7%	2.7 p.p.
PROFITABILITY AND EFFICIENCY			
Total operating income / Average total assets ^(b)	2.2%	2.0%	(0.2 p.p.)
Net income before income tax / Average total assets ^(b)	(0.7%)	0.2%	0.9 p.p.
Net income before income tax / Average total equity ^(b)	(8.8%)	2.6%	11.4 p.p.
Cost-to-income (Operating costs / Total operating income) ^(b)	74.0%	69.7%	(4.3 p.p.)
Cost-to-Income, excluding specific impacts ^(e)	72.5%	69.0%	(3.5 p.p.)
Staff costs / Total operating income ^(b)	48.1%	43.3%	(4.8 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Banco Montepio Group	3,721	3,478	(243)
Banco Montepio	3,326	3,121	(205)
Branches			
Domestic network - Banco Montepio	291	254	(37)
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 operating costs driven by the operational adjustment plan.

(f) Includes corporate centres.

CONSOLIDATED INCOME STATEMENT

(million euro)	Dec-20	Dec-21	Change (€Mn)	Change %
Interest and similar income	303.7	306.7	3.0	1.0%
Interest and similar expense	60.9	63.2	2.3	3.8%
NET INTEREST INCOME	242.8	243.5	0.7	0.3%
Dividends from equity instruments	3.1	1.8	(1.3)	(41.7%)
Net fee and commission income	115.3	116.3	1.0	0.9%
Results from financial operations	17.9	10.8	(7.1)	(39.7%)
Other results	14.7	6.6	(8.1)	55.1%
OPERATING INCOME	393.7	379.0	(14.7)	(3.7%)
Staff Costs	189.3	164.2	(25.1)	(13.3%)
General and administrative expenses	67.0	64.6	(2.4)	(3.6%)
Depreciation and amortization	35.1	35.3	0.2	0.6%
OPERATING COSTS	291.4	264.1	(27.3)	(9.4%)
Loan impairments	185.1	54.3	(130.8)	(70.7%)
Other financial assets impairments	12.2	(0.2)	(12.4)	<-100%
Other assets impairments	19.5	31.0	11.5	59.3%
Provisions net of reversals and annulments	4.1	(4.6)	(8.7)	<-100%
Share of profit of associates under the equity method	(0.7)	0.0	0.7	100.0%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	(119.1)	34.4	153.5	>100%
Tax	(42.2)	25.2	67.4	>100%
Non-controlling interests	1.9	1.1	(0.8)	(42.1%)
Profit/(loss) from discontinuing operations	(1.9)	(1.5)	0.4	21.1%
NET INCOME	(80.7)	6.6	87.3	>100%

CONSOLIDATED BALANCE SHEET

(million euro)	Dec-20	Dec-21	Change YoY (€M)	Change YoY (%)
Cash and deposits at central banks	1,466	2,968	1,502	>100%
Loans and advances to credit institutions repayable on demand	34	67	33	97.1%
Other loans and advances to credit institutions	293	229	(64)	(21.8%)
Loans and advances to customers	11,578	11,704	126	1.1%
Financial assets held for trading	17	8	(9)	(52.9%)
Financial assets at fair value through profit or loss (FVPL)	347	204	(143)	(41.2%)
Financial assets at fair value through other comprehensive income (FVOCI)	287	123	(164)	(57.1%)
Hedging derivatives	11	5	(6)	(54.5%)
Other financial assets at amortised cost	2,363	3,004	641	27.1%
Investments in associates	4	4	0	0.0%
Non-current assets held for sale	5	0	(5)	(100.0%)
Non-current assets held for sale - Discontinued operations	1	0	(1)	(100.0%)
Investment properties	126	103	(23)	(18.3%)
Property and equipment	259	232	(27)	(10.4%)
Intangible assets	36	40	4	11.1%
Current tax assets	4	7	3	95.3%
Deferred tax assets	496	460	(36)	(7.3%)
Other Assets	615	555	(60)	(9.8%)
TOTAL NET ASSETS	17,941	19,713	1,772	9.9%
Deposits from central banks	1,383	2,902	1,519	>100%
Deposits from other financial institutions	821	556	(265)	(32.3%)
Deposits from customers	12,502	12,787	285	2.3%
Debt securities issued	1,299	1,617	318	24.5%
Financial liabilities held for trading	14	8	(6)	(42.9%)
Non-current liabilities held for sale – Discontinued operations	110	0	(110)	(100.0%)
Provisions	39	34	(5)	(12.8%)
Current tax liabilities	4	2	(2)	(50.0%)
Other subordinated debt	217	217	0	0.0%
Other liabilities	226	227	1	0.4%
TOTAL LIABILITIES	16,614	18,350	1,736	10.4%
Share Capital	2,420	2,420	0	0.0%
Other reserves and retained earnings	(1,021)	(1,077)	(56)	(5.5%)
Consolidated net profit/ (loss) for the period attributable to the shareholders	(81)	7	88	>100%
Total equity attributable to the shareholders	1,318	1,350	32	2.4%
Non-controlling interests	9	13	4	44.4%
TOTAL EQUITY	1,327	1,363	36	2.7%
TOTAL LIABILITIES AND EQUITY	17,941	19,713	1,772	9.9%

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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. 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

CET1 - Common Equity Tier 1.

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.

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.

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.

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

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".

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".

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 not held for trading mandatorily 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.