BANCO MONTEPIO
1H2022 CONSOLIDATED RESULTS
Unaudited information

Lisbon, 1 August 2022

BANCO MONTEPIO REPORTS A CONSOLIDATED NET INCOME OF €23.3 MILLION IN THE 1H2022

Fourth consecutive quarter with positive results driven by business increase and efficiency improvement

- **Consolidated net income** of €23.3 million, an increase of €56.3 million compared with the same period of 2021;
- **Core operating income** increases by €11.0 million compared to the first half of 2021, with net interest income rising 5.6% and commissions 8.6%;
- **Loans to customers** (net of impairment) increased to €11.9 billion, a rise of 2.2% compared to December 2021;
- **Customer deposits** amounted to €13.0 billion, a positive change of 1.9% compared to the end of 2021;
- **Liquidity buffer** rose to €3.8 billion, reflecting a comfortable liquidity position;
- Reduction of **non performing exposures (NPE)** by 16.4% YoY;
- **Total Capital ratio** (phasing-in) of 15.5% (+1.9 p.p. YoY); and of 15.0% fully implemented (+2.5 p.p. YoY);
- Number of **active customers in digital channels** increased by 4.5% YoY;
- The net income for the first half of 2022 includes the cost of €25.9 million related to the mandatory contributions applied to the banking sector.

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In the first semester of 2022, Banco Montepio recorded a positive **consolidated net income** of €23.3 million, which compares favourably with the -€33.0 million recorded in the same period of 2021, showing the progress registered by the operating income, particularly net interest income and commissions, by the reduction in operating costs, as well as by the lower charges for impairments and provisions, in particular those related to credit risk.

Core operating income, corresponding to the aggregate of net interest income and commissions, evolved favourably between the first half of 2021 and 2022, recording a positive variation of 6.5%.

Loans and advances to customers (net of impairment) totalled €11,921 million at the end of June 2022, an increase of €253 million (+2.2%) compared to the value recorded at the end of 2021.

Customer deposits amounted to €13,036 million on 30 June 2022, representing an increase of €249 million (+1.9%) compared with the €12,787 million recorded at the end of 2021, with the Individuals segment representing 73% of the total.

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

Asset quality

- **Cost of credit risk** of 0.1%, compared to 0.9% as at June 2021;
- **Reduction of non-performing exposures** (NPE) by €188 million compared to the end of the same period in 2021, with the NPE ratio standing at 7.7%, comparing favourably with 9.3% recorded in the end of June 2021;
- **NPE ratio, net of impairment for credit risk**, stood at 3.5%;

- **Increase in the coverage levels of NPE by impairments** to 53.8% (95.2% if we consider the associated collateral and financial guarantees).

Capital and liquidity

- ***Common Equity Tier 1* (CET1)** phasing-in ratio at 13.1% (+1.7 p.p. YoY) and fully implemented ratio at 12.6% (+2.3 p.p. YoY);
- **Total Capital ratio** phasing-in at 15.5% (+1.9 p.p. YoY) and fully implemented at 15.0% (+2.5 p.p. YoY);
- **Liquidity coverage ratio (LCR)** stood at 262.7% (+1.7 p.p. YoY);
- **Net Stable Funding Ratio (NSFR)** at 121.1% (+0.5 p.p. YoY).

Operational adjustment

- Reduction in **operating costs** of €8.0 million (-6.1%) YoY, driven by the reduction in staff costs, general administrative expenses and depreciation and amortisation;

- The **efficiency ratio**, measured by the ratio between operating costs and operating income, excluding the results of financial operations and other results, decreased to 67.0% (-8.7 p.p. YoY), benefiting from the reduction in costs and the increase in income;

- **Retail network optimisation** with the closure of 17 branches compared to the same period of 2021 (-6.3% YoY);

- **Reduction of the staff** by 192 (-5.2%) in comparison with the 1H2021.

Results

Consolidated net income in the first six months of 2022 stood at €23.3 million, comparing favourably with the -€33.0 million recorded in the same period of 2021, showing an increase in operating income by €18.9 million, driven by the rise in net interest income and commissions, a reduction in operating costs by €8.0 million and the lower impairment and provisions by €48.8 million, despite the increase in extraordinary contributions to the banking sector, the Resolution Fund and the Deposit Guarantee Fund by €3.2 million (€25.9 million in the first half of 2022 compared to €22.7 million in the same period of 2021).

Net interest income totalled €120.6 million in the first six months of 2022, compared to €114.3 million in the same period of 2021, reflecting the increase in income from investments in securities and funding, partially mitigated by the lower contribution from commercial net interest income.

Net commissions reached €59.6 million in the first six months of 2022, €4.7 million higher than in the same period of 2021 as a result of higher income from credit operations (+€2.6 million), account maintenance and management (+€0.9 million) and payment services (+€0.5 million).

Results from financial operations recorded in the first half of 2022 totalled €20.7 million, an increase of €24.0 million compared with the same period in 2021, reflecting the higher results from foreign exchange revaluation (€20.3 million) and from the securities portfolio (€4.0 million).

Other results in the first six months of 2022 were negative, amounting to €23.4 million, compared to -€8.1 million in the same period of 2021, with this evolution being determined by the lower income on the sale of assets by €5.5 million, the cost of revaluation of liability items net of income from buybacks, amounting to €9.8 million and the increase in the cost of contributions applied to the banking sector by €3.2 million.

Operating costs for the first six months of 2022 totalled €121.4 million, compared to €129.3 million for the same period in 2021, showing a reduction of €8.0 million, due to a reduction in staff costs by €6.8 million (-8.5%), taking advantage of the synergies resulting from the implementation of the staff adjustment plan, a reduction in depreciation and amortisation by €0.3 million (-1.7%) and in general administrative expenses by €0.9 million (-2.8%). Excluding one-off and non-recurrent costs related to the staff adjustment programme, operating costs for the first six months of 2022 decreased by 3.7% (-4.6 M€) compared to the same period of 2021.

Efficiency, measured by the **cost-to-income ratio** and excluding the effect of the Results from financial operations and Other results, stood at 67.0% at the end of June 2022, showing a favourable evolution compared to the 75.7% registered in the same period of 2021.

As part of the implementation of the **operational adjustment** process, the total number of Banco Montepio Group employees and branches in Portugal decreased by 192 and 17, respectively, compared to the end of June 2021. In aggregate, the operational adjustment programme started in the last quarter of 2020 reports a reduction of 413 employees (-11%) and of 74 geographically redundant branches (-23%) by June 2022.

The aggregate of **Impairments and Provisions** totalled a net amount of €11. 9 million in the first six months of 2022, representing a lower increase of €48.8 million compared to the same period of 2021, essentially reflecting the performance of Loan impairments.

Loan impairment at the end of June 2022, which considers the individual and collective analysis of the loan portfolio, reached € 3.2 million, determining a cost of risk of 0.1%, which compares favourably with the impairment value of € 55.1 million and the cost of risk of 0.9% in the same period of 2021. This performance benefited from the policy defined by Banco Montepio for underwriting credit risk and from the measures that have been implemented in the areas of monitoring and credit recovery.

Impairment of other financial assets, Impairment of other assets and Other provisions totalled €8.7 million at the end of June 2022, compared to €5.6 million booked in the same period of 2021, reflecting the reinforcement of impairments for investment properties, partially mitigated by lower allocations to other financial assets and the adjustment resulting from the reversal of provisions.

Balance sheet

Total assets amounted to €19,842 million at 30 June 2022, corresponding to an increase of €129 million (+0.7%) compared with the €19,713 million recorded at the end of 2021, reflecting the evolution observed in the headings Loans and advances to customers and Other financial assets at amortised cost, partially mitigated by the change recorded in Cash and deposits at central banks.

Gross loans and advances to customers totalled €12,436 million at the end of June 2022, an increase of €246 million (+2.0%) compared to 31 December 2021, with an increase of €195 million in loans to companies. Excluding the effect of write-offs made in the first six months of 2022, Gross Loans and advances to Customers showed an increase of €266 million compared with December 2021.

The **quality of the loan portfolio**, measured by the ratio of non-performing exposures (NPE) to total gross loans and advances to customers, evolved favourably, with the NPE ratio standing at 7.7% at the end of the first six months of 2022, compared to 9.3% in the same period of 2021. The implementation of the policy defined for taking credit risk and the measures that have been adopted in the areas of monitoring and credit recovery have contributed to this progress.

The **coverage of NPE by impairments** evolved favourably from 53.5% at 31 December 2021 to 53.8% at the end of June 2022 and if in addition to impairments, collateral and associated financial guarantees are also considered, the coverage of NPE rises to 95.2% at 30 June 2022.

At the end of June 2022, the **securities portfolio** totalled €4,420 million, an increase of €1,081 million (+32.4%) compared with the value at the end of 2021, as a result of the increase in the position held in Public Debt, as a result of the implementation of the investment policy in eligible assets as a means of applying excess liquidity, optimising the net interest income and the maturity profile of the banking portfolio. The composition of the securities portfolio on 30 June 2022 was 95.2% made up of sovereign public debt securities compared with 92.3% at the end of 2021.

Customer Deposits evolved favourably, amounting to €13,036 million at 30 June 2022, an increase of €413 million (+3.3%) compared to the total reported in the same period of 2021 and €249 million (+1.9%) compared to the end of 2021. This positive evolution is supported by Corporate customers who increased their deposits by €519 million in relation to the end of 2021, as opposed to the reduction observed in Individuals by €270 million. The deposit portfolio maintained the trend towards the structure rebalancing, with the Demand Deposits / Term Deposits mix evolving to 52%/48% on 30 June 2022, compared with 50%/50% at the end of 2021.

Equity progressed favourably from €1,363 million at the end of 2021 to €1,541 million on 30 June 2022, reflecting the positive effects of net income (+€23 million), the positive foreign exchange reserve (+€22 million) and the favourable impact related to the actuarial deviations of the Pension Fund (+€131 million).

Own funds and capital ratios

As at 30 June 2022, the **capital ratios** evolved favourably once again and consolidated the upward trend recorded in recent quarters as a result of the continued reduction in risk-weighted assets (RWA) and the contribution of the net income for the first six months of 2022.

(million euro)	Jun-21	Dec-21	Jun-22	Change YtD
Common Equity Tier I Capital (CET1)	1,068	1,122	1,137	16
Tier I Capital	1,068	1,122	1,138	16
Total Own Funds	1,275	1,328	1,345	17
Risk-weighted assets (RWA)	9,377	8,800	8,695	(105)
CRD IV / CRR - *Phasing-in ratios*				
Common Equity Tier I ratio (CET1)	11.4%	12.7%	13.1%	0.4 p.p.
Tier I ratio	11.4%	12.7%	13.1%	0.4 p.p.
Total Capital ratio	13.6%	15.1%	15.5%	0.4 p.p.
CRD IV / CRR - *Fully implemented ratios*				
Common Equity Tier I ratio (CET1)	10.3%	11.8%	12.6%	0.8 p.p.
Tier I ratio	10.3%	11.8%	12.6%	0.8 p.p.
Total Capital ratio	12.5%	14.2%	15.0%	0.8 p.p.
Leverage ratio				
Leverage ratio - Phasing-in	5.2%	5.6%	5.7%	0.1 p.p.
Leverage ratio - Fully Implementated	4.7%	5.1%	5.5%	0.4 p.p.

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

The ratios include the period's accumulated net income.

At the end of June 2022, the **Common Equity Tier 1 ratio (CET1)** calculated based on the phasing-in rules stood at 13.1%, registering a positive variation of 0.4 p.p. in relation to the end of 2021. Taking into account the fully implemented rules, CET1 stood at 12.6% (11.8% at the end of 2021), revealing a comfortable position above the regulatory minimum requirement of 9.08%.

The **Total Capital ratio** (phasing-in) reached 15.5% (compared to 15.1% at the end of 2021) and the fully implemented ratio increased to 15.0% (14.2% at the end of 2021), also above the minimum requirement of 14.01%.

In the last 12 months Banco Montepio registered a significant improvement in capital ratios, supported by an efficient financial performance and by the favourable evolution in the current year of the foreign exchange earnings related to the kwanza arising from Finibanco Angola's activity.

RWA decreased by €105 million at the end of the first half of 2022 compared to the end of 2021 as a result of the strategy adopted to reduce non-performing assets and to promote the growth of core lending business in segments with lower risk and lower consumption of RWAs.

Liquidity

In the first half of 2022, Banco Montepio continued to implement initiatives aimed at maintaining a robust liquidity position, with levels well above the regulatory limits in force and in alignment with the strategic targets of the Funding and Capital Plan.

The **LCR ratio** reached 262.7% on 30 June 2022, 162.7 p.p. above the minimum regulatory requirement of 100%, evolving favourably in relation to the ratio of 261.0% recorded at the end of the same period in the previous year.

Additionally, Banco Montepio maintains a comfortable funding base, determined by a funding structure with recourse to medium and long-term instruments, which contributed to the **NSFR ratio** standing at 121.1% at 30 June 2022, 21.1 p.p. above the regulatory minimum requirement of 100%, with a favourable variation of 0.5 p.p. in relation to that recorded at the end of June 2021.

At the end of June 2022, the total **Debt issued** reached €1,673 million, down from €1,834 million at the end of 2021, as a result of the €155 million decrease in debt securities issued, while other subordinated liabilities stood at €211 million, down €6 million from the end of 2021.

As a result of Banco Montepio's investment strategy in liquid assets, under an integrated management of liquidity and funding sources, the total value of the **portfolio of assets eligible for Eurosystem monetary policy liquidity operations** amounted to €4,982 million on 30 June 2022, compared to €3,808 million (+30.8%) at the end of 2021. At the end of June 2022, this portfolio included marketable assets, namely eligible debt instruments, in the amount of €4,414 million, and non-marketable assets, such as credit claims granted to non-financial corporations and public sector entities, namely bank loans and drawn credit facilities, which comply with specific eligibility criteria, which are valued at €568 million.

The amount of **funding from the European Central Bank (ECB)** obtained through TLTRO-III totalled €2,939.8 million at the end of June 2022, aligned with the amount recorded at the end of 2021. The eligible unencumbered collateral portfolio increased to €2,027 million at the end of the 1H2022, comparing to €850 million registered at the end of 2021.

Digital transition

The digital transition process continued during the first half of 2022, adjusting the service model and sustainably increasing the Group's efficiency.

In the first half of 2022 the voice bot M.A.R.I.A. continued to increase its capacity to handle contacts and Customer instructions, and to accept and process payment instructions for services and to the State, on call, without the need for calling an operator. At the end of the first semester of 2022, this service reached a level of satisfaction of 82%, in line with the same period of the previous year.

On 30 June 2022, the Montepio24 service, a multichannel platform that integrates distance channels, recorded an increase of 4.5% in the number of active customers compared to the end of June 2021, totalling 434,120 users, of which 366,917 in the Individuals segment (+4.7%) and 67,203 in the Corporate segment (+3.6%).

The number of transactions carried out through digital channels on Net 24 and App24 increased in the first half of 2022 to 37.7 million, comparing favourably with 34.1 million in the same period of 2021, corresponding to an increase of 10.6%.

Since May 2021, when APProva was launched, more than 260,000 profiles have been registered and more than 7.7 billion operations have been approved, 89% of which are related to Montepio24.

Pension Fund

The responsibilities with post-employment and long-term benefits at the end of the first semester of 2022, considering also the provisions recorded in the balance sheet, were fully funded, with a coverage ratio of 121%.

As at 30 June 2022 the liabilities with the Pension Fund amounted to €671.6 million, showing a decrease of €184.8 million compared to the value recorded at the end of 2021, reflecting the effect of the change in assumptions, in particular the adjustment of the discount rate in the context of rising interest rates.

Rating

In a press release dated 9 March 2022, Fitch Ratings reviewed the Outlook of Banco Montepio's rating (Long-Term Issuer Default Rating (IDR)) from negative to positive.

As a result of this revision, the Outlook on the 'AA-' rating of the Covered Bonds issued by Banco Montepio was also reviewed to positive by Fitch Ratings, as disclosed on 10 March 2022.

In April 2022, DBRS Ratings GmbH (DBRS Morningstar) reviewed the Trend of all Banco Montepio's ratings from negative to stable.

These reviews reflect Banco Montepio's significant progress in reducing non-performing assets, the strengthening of capital ratios to levels above regulatory requirements, and also the successful fulfilment of the targets of the operational adjustment plan aimed at strengthening its balance sheet, productivity levels and competitive position, namely as regards the optimisation of the branch network and staff, which will contribute to a sustained improvement in profitability and efficiency.

The ratings assigned to Banco Montepio, with reference to 30 June 2022, are presented in the table below:

***Rating* Agency**	**Covered Bonds (CPT [1])**	**Issuer [(2)] (Long-term)**	**Deposits**
Fitch Ratings	AA-	B-	B
Moody's	Aa3	b3	B1
DBRS Morningstar	--[(3)]	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).*
[(3)] *Banco Montepio requested DBRS Morningstar to cease assigning ratings to the Covered Bonds, as disclosed by the rating agency in a press release dated 29 April 2022.*

Milestones of 1H2022

- **New Board of Directors takes office**

  As decided at the General Meeting of Shareholders held on 29 April 2022, and once the fit and proper process was concluded and following the authorisation granted by the Banco de Portugal, the new Board of Directors took office for the four-year period 2022/2025, with effect from 25 July 2022.

  The membership of the Governing Bodies, approved by the shareholders and by the Bank of Portugal, follows a more parity-based governance model that does justice to the Institution's firm commitment to gender equality.

- **Brand Awareness**

  Spontaneous brand awareness (up to three brands mentioned spontaneously) reached the best result of the last 10 years and top-of-mind awareness (1st brand mentioned in the study) also improved.

  Global image - The indicator measuring customers' perception of the Banco Montepio brand rose from 60% to 61% of brand promoters (i.e. 6 out of 10 customers evaluate the Bank's image in a very positive way, in each dimension - image values; image reputation and sustainability).

  Bank Relationship - Also the level of Relationship or Preference for the brand rose to 60% in relation to the previous year and registered its best result in five years.

  Brand Equity - Banco Montepio maintains a positive trajectory in the valuation of the brand in 2021 and in 2022 increases to an equity of 38%, the best result in 10 years. This increase is justified mainly by the improvement in the level of Customer loyalty, from 32% to 36%, and the balance of attraction to new Customers.

- **New Mortgage Loan Campaign “Dá para mais do que imagina”**

  New mortgage loan campaign, launched on 29 May, with an innovative offer. Banco Montepio improved the benefits for customers and simultaneously promoted the support of a social cause. With this campaign, Customers who buy a house or transfer their loan to Banco Montepio will receive 1.5% of the loan value in a pre-paid card, or 1.7% if the house has an A or A+ energy certificate, which can be used with total freedom by the Customer to buy what he wants, wherever he wants. Banco Montepio gives a donation to Caritas Portuguesa for each transaction made with the card.

- **Superbrands 2022**

Banco Montepio received the Superbrands seal for the 13th time and is once again recognised as a Brand of Excellence in Portugal. Superbrands® is an independent international organisation dedicated to identifying and promoting Brands of Excellence in 89 countries and according to the organisation "the selection criteria are similar across countries, the aim of the programme being to identify Brands that, in each market, are performing above and beyond their competitors in their field".

The organisation further describes that "Superbrands are quality products or services that offer a clear and differentiating benefit, that deliver on their promises, generate notoriety, assume a defined personality and scale of values, remaining true to their principles".

- **Sustainability**

Banco Montepio, whose DNA is based on ESG - Environmental, Social and Governance - principles, has had the capacity to transform itself to respond to the evolution of society as a Bank of the Social and Solidarity Economy in Portugal. According to the Brandscore study, Banco Montepio increased exponentially the visibility of actions in Sustainability, as a result of external communication of institutional initiatives.

<u>Governance</u>

Banco Montepio joined the **UN Global Compact**, reaffirming its mission to improve the reality of families and companies, and support entities of the Social and Solidarity

Economy, in order to actively contribute to a more conscious and solidary present, and to cooperate in the construction of a more sustainable future for future generations.

The UN Global Compact is a key entity in Sustainability, based on 10 Principles, which constitute the foundations of policies and references for the projection, performance and evaluation of business practices on an international scale.

Banco Montepio's commitment to sustainability is based on aligning its business strategy with the 10 principles of the Global Compact, the 17 Sustainable Development Goals, the Principles for Responsible Banking and the Commitment Letter for Sustainable Development in Portugal, while ensuring that our customers are offered sustainable banking products and services with social concerns.

During the 1st Half of 2022, Banco Montepio also re-signed the Renewal of Commitments of **iGen – Fórum Organizações para a Igualdade** (Organisations Forum for Equality) which it has maintained since joining in 2016. The iGen Forum is promoted by the Comissão para a Igualdade no Trabalho e no Emprego (CITE) (Commission for Equality in Labour and Employment) and its member organisations, which thereby undertake to implement gender equality measures in labour and employment in their respective policies and commit to developing actions to promote gender equality with quantified targets.

Social

Banco Montepio has continued to support the Social Economy in achieving social objectives, the rationale for its existence, complementing the public and private sectors.

As a result of the work carried out by the commercial teams in the Social Economy area, Banco Montepio maintained a 28% penetration rate in this segment (with a social purpose) in the first half of 2022, as a result of customer growth of around 5% year-on-year, keeping pace with the dynamic growth in the number of new entities in the market, thus fulfilling the strategy of continuous growth of the Social Sector customer base as a differentiating principle. Emphasis is given to the +Social Impact Credit Line, with the financing of around €22 million during the 1st Half of 2022 (increasing to around €77 million the amount committed) to 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).

In addition to the commercial component, Banco Montepio supported and was part of several initiatives linked to social sustainability, of which we highlight in the 1st Half of 2022:

- **Building The Future**, which took place on 26, 27 and 28 January 2022, and was mainly sponsored by Microsoft and supported by Banco Montepio. On 26 January, Banco Montepio and Fenacerci stood side by side on the main stage of the biggest digital transformation event to talk about inclusion and to launch one of the country's most emblematic social solidarity campaigns, which featured the magic of the Pirilampo Magico (Magic Firefly). This solidarity campaign was 100% donated to Fenacerci and made a difference in the lives of disabled and multi-disabled people;

- **Semana Nacional Cáritas** (National Caritas Week), an initiative that brought together the whole Caritas network in Portugal from March 13 to 20. Throughout the country, there were activities for reflection on social action and pastoral animation, as well as fund-raising initiatives, such as the national public collection and the solidarity campaign for Ukraine;

- **Ukraine support**, through partnerships and respective initiatives launched in the framework of the reintegration of refugees in the context of the war in Ukraine. Noteworthy are the Ukraine Account, with no commissions and special conditions, and the free transfers at Banco Montepio, the support to Rádio Comercial Ucrânia and the partnership with Caritas. These support measures strengthen financial inclusion, social responsibility and generosity;

- **Banco Montepio maintained its role as a JAP** (Junior Achievement Portugal) associate, allowing Banco Montepio's employees to participate in JAP's programme "A Empresa" and at the end of the year they will also be able to take part in the 2nd edition of the JAP Social Innovation Camp by Banco Montepio;
- **Banco Montepio Acredita Portugal**, the largest entrepreneurship programme in Portugal, promoted by Banco Montepio and the non-profit organisation Acredita Portugal. Applications for this 12th edition have been extended and are now running until 5 August 2022.
- **Annual IPSS Congress**, with national scope, which took place on 7 and 8 June, in Viseu, and was supported by Banco Montepio. This event focused on issues of great relevance for Social and Solidarity Economy entities, consisting in an important moment of reflection and sharing.

Environment

Within the scope of environmental sustainability, Banco Montepio keeps the plan to replace the car fleet, from combustion vehicles to plug in, hybrid and 100% electric vehicles in progress. This energy transition is being monitored and evaluated by ADENE, which has already distinguished the project with the Green Fleet Award at the Fleet Magazine Awards.

Alongside this transition, Banco Montepio also invested in the modernisation of the electrical infrastructures of central buildings equipped with garages, where it became possible to charge vehicles, contributing to the reduction of operational costs.

For its Customers, Banco Montepio maintains its mortgage loan campaign with benefits for homes with energy certificate A or A+ and support for the RRP (Recovery and Resilience Plan) for the purchase of 100% electric vehicles, targeted at entities in the Social and Solidarity Economy.

An initiative covering all three factors - Environmental, Social, Governance (ESG) - also took place during the 1st Half of 2022: **ESG Week 2022**. This initiative of the Associação Portuguesa de Ética Empresarial (APEE) (Portuguese Association for Business Ethics) brought together government representatives, business leaders, national and international experts, academics and civil society organisations to debate in Portugal the main sustainability issues within the ESG field.

Banco Montepio joined the initiative as host and main sponsor. Throughout the event, Banco Montepio co-organized two sessions: “O caminho para a sustentabilidade e a transparência nas PMEs” (The path towards sustainability and transparency in SMEs) and “Financiamento para além do Lucro: Financiamento Sustentável no Setor Social” (Financing beyond Profit: Sustainable Financing in the Social Sector), which was moderated by Maze Impact and attended by EMPIS - Estrutura de Missão Portugal Inovação Social, Vale do Homem Social Centre and Biovilla Sustentabilidade.

In the context of the Sustainable Development Goals of the 2030 United Nations Agenda and the transformation of traditional business models to integrate ESG issues into decision-making processes, an initiative such as this one, which involved entities whose effective work in Sustainability matters, is of particular importance.

Banco Montepio Group has been active in promoting Sustainable Finance, through the structuring of sustainability bonds (green project bonds, green bonds and sustainability linked bonds) and the granting of green loans, thus reinforcing its commitment to climate transition. It has a specialised multidisciplinary team, which provides the Client with a service focused on supporting Portuguese companies that wish to act and mitigate the effects of climate change, promoting the transition to a greener economy.

Banco Montepio

KEY INDICATORS

	Jun-21	Dec-21	Jun-22	Change YoY
ACTIVITY AND RESULTS (€ million)				
Total assets	19,460	19,713	19,842	2.0%
Gross Loans to customers	12,318	12,189	12,436	1.0%
Customers' deposits	12,623	12,787	13,036	3.3%
Equity	1,351	1,363	1,541.0	14.1%
Net income	(33.0)	6.6	23.3	>100%
SOLVENCY (a)				
Common Equity Tier 1 ratio	11.4%	12.7%	13.1%	1.7 p.p.
Tier 1 ratio	11.4%	12.7%	13.1%	1.7 p.p.
Total Capital ratio	13.6%	15.1%	15.5%	1.9 p.p.
Leverage ratio	5.2%	5.6%	5.7%	0.5 p.p.
Risk weighted assets (€ million)	9,377	8,800	8,695	(7.3%)
LIQUIDITY RATIOS				
Loans to customers (net) / Customers' deposits (b)	92.4%	91.2%	91.4%	(1.0 p.p.)
LCR	261.0%	264.1%	262.7%	1.7 p.p.
NSFR	120.6%	125.3%	121.1%	0.5 p.p.
ASSET QUALITY				
Cost of credit risk	0.9%	0.4%	0.1%	(0.8 p.p.)
Non-performing exposures (NPE) [c] / Gross Loans to customers	9.3%	8.0%	7.7%	(1.6 p.p.)
NPE [c] coverage by credit risk Impairments	57.5%	53.5%	53.8%	(3.7 p.p.)
NPE [c] coverage by credit risk Impairments and associated collaterals and financial guarantees	95.9%	96.0%	95.2%	(0.7 p.p.)
PROFITABILITY AND EFFICIENCY				
Total operating income / Average total assets [b]	1.7%	2.0%	1.8%	0.1 p.p.
Net income before income tax / Average total assets [b]	(0.3%)	0.2%	0.5%	0.8 p.p.
Net income before income tax / Average total equity [b]	(4.7%)	2.6%	6.5%	11.2 p.p.
Cost-to-income (Operating costs / Total operating income) [b]	81.1%	69.7%	68.0%	(13.1 p.p.)
Cost-to-Income, excluding specific impacts [d]	73.3%	69.0%	67.0%	(6.3 p.p.)
Staff costs / Total operating income [b]	49.8%	43.3%	40.8%	(9.0 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Banco Montepio Group	3,666	3,478	3,474	(5.2%)
Banco Montepio	3,283	3,121	3,104	(5.5%)
Branches				
Domestic network - Banco Montepio	271	254	254	(6.3%)
International Network [e]	20	20	20	0.0%
Representation Offices - Banco Montepio	5	5	5	0.0%

(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) EBA definition.

(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.

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CONSOLIDATED INCOME STATEMENT

(Euro million)	Jun-21	Jun-22	Change YoY	
			€Mn	%
Interest and similar income	144.7	146.0	1.3	0.9%
Interest and similar expense	30.5	25.4	(5.1)	(16.7%)
NET INTEREST INCOME	**114.3**	**120.6**	**6.4**	**5.6%**
Dividends from equity instruments	1.7	1.0	(0.8)	(45.5%)
Net fee and commission income	54.9	59.6	4.7	8.6%
Results from financial operations	(3.3)	20.7	24.0	>100%
Other results	(8.1)	(23.4)	(15.4)	<-100%
OPERATING INCOME	**159.5**	**178.5**	**18.9**	**11.9%**
Staff Costs	79.5	72.8	(6.8)	(8.5%)
General and administrative expenses	32.0	31.1	(0.9)	(2.8%)
Depreciation and amortization	17.8	17.5	(0.3)	(1.7%)
OPERATING COSTS	**129.3**	**121.4**	**(8.0)**	**(6.1%)**
Loan impairments	55.1	3.2	(51.8)	(94.2%)
Other financial assets impairments	3.0	1.8	(1.1)	(38.2%)
Other assets impairments	9.5	10.3	0.8	8.6%
Provisions net of reversals and annulments	(6.9)	(3.5)	3.4	49.1%
Share of profit of associates under the equity method	(0.2)	(0.2)	0.1	28.3%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**(30.7)**	**45.0**	**75.7**	**>100%**
Tax	1.2	21.5	20.3	>100%
Non-controlling interests	0.3	0.2	(0.2)	(45.2%)
Profit/(loss) from discontinuing operations	(0.8)	0.0	0.7	99.0%
NET INCOME	**(33.0)**	**23.3**	**56.3**	**>100%**

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CONSOLIDATED BALANCE SHEET

(Euro million)	Jun-21	Dec-21	Jun-22	Change YoY	
				€Mn	%
Cash and deposits at central banks	2,554	2,968	1,811	(743)	(29.1%)
Loans and advances to credit institutions repayable on demand	56	67	49	(7)	(13.1%)
Other loans and advances to credit institutions	296	229	170	(126)	(42.5%)
Loans and advances to customers	11,658	11,668	11,921	263	2.3%
Financial assets held for trading	31	8	18	(13)	(42.9%)
Financial assets at fair value through profit or loss (FVPL)	290	203	152	(138)	(47.6%)
Financial assets at fair value through other comprehensive income (FVOCI)	230	123	122	(108)	(47.0%)
Hedging derivatives	11	5	5	(6)	(51.0%)
Other financial assets at amortised cost	2,814	3,004	4,128	1,314	46.7%
Investments in associates	4	4	4	(0)	(2.7%)
Non-current assets held for sale	6	39	0	(6)	(99.8%)
Non-current assets held for sale - Discontinued operations	2	0	0	(2)	(94.7%)
Investment properties	115	103	85	(30)	(26.4%)
Property and equipment	237	232	242	5	2.3%
Intangible assets	33	40	44	11	32.7%
Current tax assets	4	7	7	3	96.8%
Deferred tax assets	494	460	448	(46)	(9.3%)
Other Assets	629	553	637	8	1.3%
TOTAL NET ASSETS	**19,460**	**19,713**	**19,842**	**382**	**2.0%**
Deposits from central banks	2,879	2,902	2,903	23	0.8%
Deposits from other financial institutions	713	555	361	(352)	(49.4%)
Deposits from customers	12,623	12,787	13,036	413	3.3%
Debt securities issued	1,276	1,617	1,462	186	14.6%
Financial liabilities held for trading	12	7	13	1	4.4%
Non-current liabilities held for sale – Discontinued operations	105	0	0	(105)	(100.0%)
Provisions	31	34	32	1	3.1%
Current tax liabilities	2	2	7	6	>100%
Other subordinated debt	211	217	211	0	0.1%
Other liabilities	256	227	276	20	7.9%
TOTAL LIABILITIES	**18,110**	**18,350**	**18,301**	**192**	**1.1%**
Share Capital	2,420	2,420	2,420	0	0.0%
Other reserves and retained earnings	(1,046)	(1,076)	(920)	126	12.1%
Consolidated net profit/ (loss) for the period attributable to the shareholders	(33)	7	23	56	>100%
Total equity attributable to the shareholders	1,341	1,350	1,523	182	13.6%
Non-controlling interests	10	13	18	8	78.7%
TOTAL EQUITY	**1,351**	**1,363**	**1,541**	**190**	**14.1%**
TOTAL LIABILITIES AND EQUITY	**19,460**	**19,713**	**19,842**	**382**	**2.0%**

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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.

Commercial net interest income - Margin arising from interest received from Customers related to the granting of loans, and from interest paid to Customers as part of the remuneration of borrowed funds.

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.

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".

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 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.