Banco Montepio

BANCO MONTEPIO

CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS OF 2019

Unaudited information

(year-on-year changes, unless when stated otherwise)

Lisbon, 25 November 2019

HIGHLIGHTS

- **Consolidated earnings before taxes of €43.8Mn, representing an increase of €31.2Mn (+244.9%);**
- **Consolidated net profit of €17.7Mn (against €22.4Mn in the same period of the previous year) reflecting the €27.0Mn increase in taxes and the lower contribution from discontinuing operations (Finibanco Angola) by €11.3Mn;**
- **Net interest income reached €180.4Mn, comparing to €189.3Mn in the same period of 2018;**
- **Net operating income of €322.5Mn, representing a positive change of 9.8%;**
- **Operating costs decreased €10.3Mn (-5.1%), to €189.7Mn, which reflected in a Cost-to-income ratio of 58.8% (-10 p.p. yoy). Excluding the Results from financial operations and the Other operating results the ratio would be 69.1%, which compares to 69.8% in the same period of 2018;**
- **Customers' deposits increased by 1.5% to €12.574Mn;**
- **Loans and advances to customers decreased by 4.8% since the end of 2018 to €11,546Mn. The evolution of this item is influenced by the sale of a portfolio of NPE (€268Mn) and by the write-offs in the first nine months of 2019 (€108Mn);**
- **Loans impairments increased by €8.5Mn to €74.1Mn, which led to a cost of credit risk of 0.78%;**

- **Non-performing exposures ratio (NPE ratio) stood at 12.5%, which represents a reduction of 3.4 p.p. compared to the same period of the previous year;**

- **ECB funding amounted to €1,391Mn, a €154Mn decrease;**

- **Liquidity Coverage Ratio (LCR ratio) reached 183.3%, well above the minimum regulatory requirement of 100%, which compares with 160.5% at the end of 2018;**

- **The CET1 and Total Capital ratios[1] (phasing-in) stood at 13.8% and 15.3%, respectively, and the risk weighted assets (RWA) decreased by €896Mn when compared to the end of September 2018, to €10,338Mn;**

- **The ongoing Transformation Plan foresees, for the next three years, the execution of 12 strategic initiatives aimed at boosting the business, the strengthening of the Balance Sheet, the organization and the technological innovation of Banco Montepio, with a focus on customer service, being the year 2019 the most demanding period of its execution, which is reflected on the way the activity developed in the first nine months of 2019;**

- **In this context, the results at 30 September 2019 are compatible with the business development and the performance that had been foreseen in the budget for the first nine months of 2019. Nevertheless, the composition of the results differs from that forecast in the budget, due to the non-verification of some relevant assumptions, in particular the evolution of interest rates determined by the ECB's monetary policy.**

[1] Capital ratios include the unaudited net income for the first nine months of 2019.

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PROFITABILITY

Positive Net income

- **Consolidated earnings before taxes** of €43.8Mn **increased by 244.9%** compared to the amount recorded as of 30 September 2018 (€12.7Mn), reflecting the increase in Results of financial operations (+€40.9Mn), the reduction in Operating Costs (-€10.3Mn) and the increase in Net Commissions (+€0.3Mn), notwithstanding the higher Impairments and provisions charges (+€8.1Mn) and the decrease in Net interest income (-€8.9Mn);
- **Consolidated net income reached €17.7Mn**, compared to €22.4Mn in the same period of 2018, reflecting, due to the evolution of the earnings before taxes, the lower contribution from Finibanco Angola (-€11.3Mn) and the lower tax efficiency when compared to the same period of 2018 (+€27.0Mn);
- **Net commissions amounted to €87.1Mn**, an increase of 0.3% when compared to the same period of the previous year, reflecting the effect of the commercial dynamics and the price adequacy to the value of the services provided by Banco Montepio;
- **Operating costs decreased by €10.3Mn (-5.1%)**, reflecting, on a comparable basis[2], a decrease of €1.2Mn;
- **Impairments and provisions charges** amounted to €89.2Mn, representing an **increase of €8.1Mn (+10.0%)**.

CAPITAL

Strong capital position

- **Common Equity Tier 1** (CET1, phasing-in) and **Total Capital** (phasing-in) **ratios**[3] **rose to 13.8%** and **15.3%**, respectively;
- The strengthening of the capital ratios includes the positive effects of the **reinforcement of Tier 2 capital**, reflecting the subordinated debt issue of €100Mn in the first half of 2019, the **decrease in risk weighted assets** by **-€421Mn** when compared to 31 December 2018 and the **organic capital generation**;
- **Capital ratios** are **above the prudential requirements** of the Banco de Portugal, under Basel Pillar 2 (according to SREP - Supervisory Review and Evaluation Process).

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[2] Excluding the effect of €9.1Mn related to the change in the accounting of the gains from staff assignments.

[3] Capital ratios include the unaudited net income for the first nine months of 2019.

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ASSET QUALITY

Steady reduction of NPE (-18.2% vs Dec.2018)

- **Cost of credit risk stood at 0.78%**, compared with 0.63% in the same period of 2018, due to the increase in loan impairments to €74.1Mn (+€8.5Mn year-on-year);
- **NPE ratio decreased by 1.9 p.p.** when compared to 31 December 2018, **standing at 12.5%**, which reflects the contribution of the €343Mn reduction in non-performing exposures;
- **NPE coverage by impairments stood at 48.0%**.

LIQUIDITY

Strong liquidity position

- **Strong liquidity position, with the LCR ratio reaching 183.3%**, which is 83.3 p.p. above the minimum regulatory requirement of 100%;
- **Stable Customer deposits' base**, reaching **€12,574Mn** (**+€181Mn** compared to 30 September 2018), as a result of the commercial dynamics in 2019, representing 73.1% of the total liabilities and standing out as the main funding source;
- **ECB funding stood at €1,391Mn**, a reduction of €4Mn when compared to the amount recorded at the end of 2018 (and -10.0% comparing to the first nine months of 2018). **High quality liquid assets and cash deposits reached €3.4Bn**.

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Banco Montepio

PROFITABILITY

Banco Montepio presented a **Consolidated earnings before taxes** of €43.8Mn, an **increase of 244.9%** compared to September 2018 (€12.7Mn).

The **Consolidated net income** at the end of the first nine months of 2019 reached 17.7 million euros, which compares to a net income of 22.4 million euros at the end of the same period of last year. This performance is mainly due to the positive impacts resulting from the increase in the Total operating income (+€28.7Mn compared to September 2018) and from the reduction in Operating costs (-€10.3Mn comparing to the same period of 2018), despite the negative impacts resulting from Finibanco Angola's lower contribution (-€11.3Mn compared to the same period of 2018), from the lower tax efficiency compared to the first nine months of 2018 (+€27.0Mn in Taxes) and from the increase of Impairments and provisions charges (+€8.1Mn compared to September 2018).

The performance of **Total operating income** was determined by the Results from financial operations that stood at 46.9 million euros, comparing favourably with the amount recorded in the first nine months of 2018 (€5.9Mn), and by the positive change of Net commissions. This contribution was negatively impacted by the unfavourable variation in Net interest income (that amounted to 180.4 million euros in the first nine months of 2019, compared to 189.3 million euros in the same period of 2018), namely due to the reductions of the interest received from the loan portfolio.

The **Net interest margin** of the first nine months of 2019 was 1.44%, in line with the same period of 2018, reflecting the decrease of the interest received from the loan portfolio in the amount of €25.1Mn (volume and price effects), partially offset by the reduction of the interest paid on deposits and on resources from other credit institutions in the amount of €17.8Mn (price effect) and €5.7Mn, respectively.

Net commissions amounted to 87.1 million euros on the first nine months of 2019, an increase of 0.3% over the same period of 2018, as a result of the increase in commissions related to payment services and markets (+€4.7Mn), mitigated by the reduction in loan related commissions and in the supply of several services commissions (-€4.4Mn).

The **Results from financial operations** were positive by 46.9 million euros on the first nine months of 2019, compared with the 5.9 million euros gains in the same period of last year, due to the increase in gains from the securities portfolio (+€44.2Mn) and to the net effect of the revaluation at fair value of the covered bonds issuance and of derivative instruments (-€1.7Mn), combined with the favourable effect of the exchange rate revaluation (+€0.7Mn).

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Other operating income stood at 1.3 million euros in the first nine months of 2019, in line with the same period of 2018. This performance had the contribution of the 11.5 million euros gains obtained with the sale of other assets, supported by the sale of debt instruments accounted at amortized cost in the first half of 2019 (+€10.6Mn) and by the sales of investment properties and non-performing loans in the first nine months of 2019 (+€3.0Mn and €7.9Mn, respectively), as well as on the combined effect of the reduction in Other operating gains and Other operating costs (highlighting the effect of the reclassification of gains from the assignment of employees in the amount of €9.1Mn).

Operating costs have evolved favourably, reflecting the impact of the measures implemented with a view to increasing efficiency levels, by presenting a reduction of 10.3 million euros (-5.1%) in the first nine months of 2019, driven by a decrease of 7.9 million euros in staff costs (-6.3%), by the decrease of 7.7 million euros (-13.8%) in general and administrative expenses and by the increase of 5.3 million euros (+27.8%) in amortizations and depreciations.

On the first nine months of 2019 the **Cost-to-income ratio** stood at 58.8%, a decrease of 10 p.p. when compared to 31 December 2018 (68.8%), revealing a higher efficiency compared to the activity developed in the previous year, a favourable evolution explained by the increase in Total operating income and by the reduction in Operating costs. Excluding the Results from financial operations and Other operating results in order to eliminate the volatility in the calculation of this ratio driven by the results of these two items, the ratio would be 69.1%, which compares to 69.8% in the same period of the previous year of 2018.

The total **Impairments and provisions charges** recorded in the first nine months of 2019 presented a 10.0% increase when compared to the amount recorded in the same period of the previous year, standing at 89.2 million euros, to which contributed the reinforcements of loan impairments by 8.5 million euros and of impairments for financial assets by 5.1 million euros, favourably offset by the reductions of impairments for other assets in the amount of 4.2 million euros and of Other provisions in the amount of 1.4 million euros.

Following the sale of Banco Montepio Group's stake in BTM in Mozambique at the end of 2018, the **Group's international activity** is currently concentrated in two jurisdictions, Angola and Cape Verde, where Finibanco Angola's lower contribution stands out, recorded in Results from discontinuing operations, which amounted to 7.4 million euros at the end of the first nine months of 2019, compared to 18.7 million euros in the same period of 2018, as a result of the unfavourable effect of the Angolan kwanza revaluation, which was not totally offset by the results of this subsidiary's core business in that country.

CAPITAL

As of 30 September 2019, the capital ratios **Common Equity Tier 1** (CET1) and **Total Capital** stood at 13.8% and 15.3%, respectively. The positive evolution of the Total Capital ratio reflects the positive effects from the increase in tier 2 own funds following the issuance of subordinated debt, from the organic capital generation and from the reduction of 896 million euros in risk weighted assets (RWA) when compared to 30 September 2018, following the non-core assets' disposals and an efficient management of risk allocation in loans and debt securities' portfolios.

(million euros)	Sep-18	Dec-18	Sep-19*
Common Equity Tier 1 Capital	1,503	1,457	1,425
Tier 1 Capital	1,507	1,457	1,426
Total Capital	1,514	1,513	1,582
Risk weighted assets	11,234	10,759	10,338
CRD IV / CRR - Phasing-in Ratios			
Common Equity Tier 1 Ratio	13.4%	13.5%	13.8%
Tier 1 Ratio	13.4%	13.5%	13.8%
Total Capital Ratio	13.5%	14.1%	15.3%
CRD IV / CRR - Fully implemented Ratios			
Common Equity Tier 1 Ratio	11.2%	11.4%	12.0%
Tier 1 Ratio	11.3%	11.4%	12.0%
Total Capital Ratio	11.3%	12.0%	13.5%
Leverage ratio - Phasing-In	7.8%	7.8%	7.4%
Leverage ratio - Full Implementation	6.6%	6.6%	6.4%

Phasing-in ratios in accordance with the phasing-in rules in effect at the reference date.

*The ratios as of Sep-19 are estimated and include the cumulative net results for the nine months' period of 2019.

As of 30 September 2019, Banco Montepio's fully implemented capital ratios stood at 12.0% (CET1) and 13.5% (Total Capital), having also evolved favourably compared to the end of 2018.

The reported capital ratios stand above the minimum regulatory requirements required by Banco de Portugal as the supervisory authority of Banco Montepio on a consolidated basis, as part of the annual Supervisory Review and Evaluation Process (SREP) under Pillar 2. These prudential capital requirements are: CET1 of 10.1%, Tier1 of 11.6% and Total Capital of 13.6%.

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ASSET QUALITY

At the end of the first nine months of 2019, **Loans and advances to customers** totalled 11,546 million euros, showing a decrease of 4.8% when compared to the amount reported at the end of 2018, evidencing a demanding repricing and risk management policy in credit granting, which translates into an improved loan portfolio quality following the implementation of more conservative credit approval, granting and control measures. Gross customer loans stood at 12,283 million euros, reflecting a decrease of 6.0%. However, a significant part of this reduction is attributable to a sale of a NPE portfolio (ATLAS II) totalling € 268M (on-balance) and to write-offs totalling € 108M.

The **Cost of credit risk** stood at 0.78% in the first nine months of 2019, 15 p.p. above the level recorded in the same period of 2018. This increase was due to the combined effect of the reinforcement of loan impairments to €74.1Mn (+€8.5Mn year-on-year) and of the reduction of Loans to customers (gross).

At the end of the first nine months of 2019 the **NPE ratio** reached 12.5%, reflecting the non-performing exposures reduction (-2.6 p.p. effect in the ratio) and the unfavourable effect induced by the decrease in the Loan portfolio (gross) (+0.7 p.p. effect in the ratio) when comparing to the ratio at the end of 2018.

NPE's coverage by impairments stood at 48.0% as of 30 September 2019, when compared to 50.3% at the end of 2018.

LIQUIDITY

The **LCR ratio** reached 183.3% at the end of the first nine months of 2019, standing 83.3 p.p. above the minimum regulatory requirement of 100%.

At the end of the first nine months of 2019, the **Debt issued** amounted to 1,103 million euros, a decrease of 41 million euros when compared to the amount at 31 December 2018, as a result, on the one hand, of domestic bonds reimbursements amounting to 97 million euros and of other issues repayments of 53 million euros and, on the other hand, of the issue of 100 million euros of subordinated debt in the first half of 2019.

Regarding the medium-term funding under the European monetary policy measures (TLTRO -Targeted Longer Term Refinancing Operations), at the end of the first nine months of 2019 Banco Montepio maintained the level of **funding through the European Central Bank** (ECB) at 1,391 million euros, in line with the amount recorded on 31 December 2018, showing a decrease of 154 million euros when compared to the amount recorded on 30 September 2018.

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As of 30 September 2019, **Customer deposits** continued to be the main source of funding in the Balance Sheet, representing 73.1% of the total.

RATING

On 26 February 2019, the rating agency **Fitch Ratings** announced that the Viability Rating of Banco Montepio remained unchanged at b+, and that the long-term senior unsecured debt rating was reviewed to B- from B+, having removed the Rating Watch Negative.

On 28 March 2019 the rating agency **DBRS** announced the upgrade of Banco Montepio's Long-Term deposits to BB (high) from BB and the upgrade in the rating of short-term deposits to R-3 from R-4.

Both rating actions resulted from the entry into force of Law no. 23/2019 of 13 March 2019, which transposes to the Portuguese law the Directive (EU) 2017/2399 of the European Parliament and of the Counsel, of 12 December 2017, as regards the ranking of certain debt instruments in the insolvency hierarchy.

On 9 October 2019, the rating agency **Moody's** presented the annual review of Banco Montepio's credit ratings. The upgrade in ratings assigned by Moody's reflects the improvement in the operating environment in Portugal, combined with the progress made by Banco Montepio in reducing its balance sheet risk as a result of the implementation of the Transformation Plan.

In view of the above, the following ratings were reviewed upwards:

- Adjusted Baseline Credit Assessment, Upgraded to b3 from caa1;
- Baseline Credit Assessment, Upgraded to b3 from caa1;
- Long-term Counterparty Risk Assessment, Upgraded to Ba3(cr) from B1(cr);
- Long-term Counterparty Risk Rating, Upgraded to Ba3 from B1;
- Junior Subordinate MTN, Upgraded to (P)Caa2 from (P)Caa3;
- Subordinate MTN, Upgraded to (P)Caa1 from (P)Caa2;
- Long-term Bank Deposit Ratings, Upgraded to B1 Stable from B3 Rating under Review.

Following this annual review it was further announced that a new rating of (P)Caa1 had been assigned to the Senior non preferred debt (Junior Senior Unsecured MTN Program (Local Currency)). Senior non preferred debt is a new debt class positioned between the senior unsecured debt and the subordinated debt, introduced into the Portuguese legal framework law with the publication of the aforementioned Law 23/2019. Following the entry into force of this law, the rating agency Moody's further downgraded the senior unsecured MTN debt rating to (P)Caa1 from (P)B3.

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KEY INDICATORS

	Sep-18	Dec-18	Sep-19
SOLVENCY (a)			
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	13.4%	13.5%	13.8%
Tier 1 ratio (CRD IV / CRR, phasing-in)	13.4%	13.5%	13.8%
Total Capital ratio (CRD IV / CRR, phasing-in)	13.5%	14.1%	15.3%
Risk Weighted Assets (EUR million)	11,234	10,759	10,338
CREDIT RISK AND COVERAGE BY BALANCE SHEET LOAN IMPAIRMENTS			
Cost of credit risk	0.63%	0.53%	0.78%
Non-performing exposures (NPE) (c) / Gross customer loans	16.2%	14.4%	12.5%
NPE (c) coverage by Impairment for balance sheet loans	51.3%	50.3%	48.0%
NPE (c) coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees	86.3%	86.2%	81.6%
Forborne exposures (c) / Gross customer loans	7.6%	7.2%	7.2%
EFFICIENCY AND PROFITABILITY			
Total operating income / Average total assets (b)	2.1%	2.0%	2.3%
Net income before income tax / Average total assets (b)	0.1%	0.3%	0.3%
Net income before income tax / Average total equity (b)	1.7%	3.5%	3.2%
Cost-to-income (Operating costs / Total operating income) (b)	68.1%	68.8%	58.8%
Cost-to-Income, excluding specific impacts (d)	69.8%	69.3%	69.1%
Staff costs / Total operating income (b)	42.7%	41.3%	36.4%
LOAN TO DEPOSIT RATIO			
Loans to customers (net) / Customers' deposits (b)	100.0%	96.4%	91.8%
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Group total	4,207	3,944	3,948
Banco Montepio	3,654	3,566	3,559
Branches			
Domestic - Banco Montepio	324	324	329
International	34	24	24
Finibanco Angola (e)	24	24	24
BTM (Mozambique)	10	0	0
Rep. Offices	5	5	5

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios as of 30 September 2019 are estimated and include the unaudited net income for the first nine months of 2019.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version

(c) EBA definition, as set out by Instrução No. 4/2018 of Banco de Portugal.

(d) Excludes results from financial operations and Other operating income

(e) Includes Business Centers

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CONSOLIDATED BALANCE SHEET

(million euro)	Sep-18	Dec-18	Sep-19
Cash and deposits at central banks	1,806.6	1,610.6	1,534.0
Loans and advances to credit institutions repayable on demand	42.2	78.1	41.3
Other loans and advances to credit institutions	290.7	209.9	188.8
Loans and advances to customers	12,390.9	12,123.2	11,546.2
Financial assets held for trading	75.4	23.7	52.5
Financial assets not held for trading mandatorily at fair value through profit or loss (FVPL)	487.8	492.6	415.7
Financial assets at fair value through other comprehensive income (FVOCI)	893.7	444.1	1,897.7
Hedging derivatives	2.8	5.7	21.5
Other financial assets at amortised cost	701.9	1,255.7	912.9
Investments in associates	4.0	4.3	4.5
Non-current assets held for sale*	744.4	737.9	0.0
Non-current assets held for sale - Discontinuing operations	322.2	294.7	264.1
Investment properties	272.2	253.1	182.7
Property and equipment	226.5	229.6	253.5
Intangible assets	31.7	32.3	32.5
Current tax assets	2.2	11.1	9.8
Deferred tax assets	513.6	460.3	417.1
Other Assets*	119.0	84.4	937.7
TOTAL NET ASSETS	**18,928.0**	**18,351.3**	**18,712.5**
Deposits from central banks	1,545.4	1,395.3	1,391.0
Deposits from other financial institutions	1,651.2	1,245.4	1,224.2
Deposits from customers	12,392.5	12,575.2	12,573.6
Debt securities issued	1,193.6	1,093.9	944.3
Financial liabilities held for trading	13.4	13.5	14.5
Hedging derivatives	0.0	0.0	0.6
Non-current liabilities held for sale – Discontinuing operations	225.7	194.0	160.0
Provisions	30.1	31.1	32.9
Current tax liabilities	0.7	11.0	1.0
Other subordinated debt	7.6	50.0	158.2
Other liabilities	252.2	204.9	701.1
TOTAL LIABILITIES	**17,312.2**	**16,814.4**	**17,201.5**
Share Capital	2,420.0	2,420.0	2,420.0
Other equity instruments	6.3	6.3	6.3
Fair value reserves	1.5	-18.7	11.7
Other reserves and retained earnings	-860.9	-898.7	-958.7
Consolidated net profit/ (loss) for the period attributable to the shareholders	22.4	12.5	17.7
Total equity attributable to the shareholders	1,589.4	1,521.4	1,497.1
Non-controlling interests	26.4	15.6	13.9
TOTAL EQUITY	**1,615.7**	**1,536.9**	**1,511.0**
TOTAL LIABILITIES AND EQUITY	**18,928.0**	**18,351.3**	**18,712.5**

* Non-current assets held for sale reclassified as Other assets in Jun-19

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CONSOLIDATED INCOME STATEMENT

(million euro)	Sep-18	Sep-19
Interest and similar income	279.2	245.6
Interest and similar expense	89.9	65.2
NET INTEREST INCOME	**189.3**	**180.4**
Dividends from equity instruments	10.4	6.8
Net fee and commission income	86.9	87.1
Net gains/losses from financial operations	5.9	46.9
Other operating income/ (expenses)	1.2	1.3
TOTAL OPERATING INCOME	**293.8**	**322.5**
Staff Costs	125.3	117.4
General and administrative expenses	55.5	47.9
Depreciation and amortization	19.1	24.4
OPERATING COSTS	**200.0**	**189.7**
Loan impairments	65.5	74.1
Other financial assets impairments	2.7	7.8
Other assets impairments	10.5	6.3
Provisions net of reversals and annulments	2.4	1.0
Share of profit of associates under the equity method	0.0	0.2
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**12.7**	**43.8**
Tax	5.1	32.1
Non-controlling interests	3.8	1.5
Profit/ (loss) from discontinuing operations	18.7	7.4
NET INCOME	**22.4**	**17.7**

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Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the CEMG Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.

The condensed consolidated financial statements for the first half of 2019 were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

First nine month 2019 figures have not been audited.

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GLOSSARY

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

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

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

Debt issued – Sum of the Balance Sheet items “Debt securities issued” and “Other subordinated debt”.

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

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

NPE ratio - Non-performing exposure ratio given by dividing non-performing assets according to the EBA definition by Customer loans (gross).

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

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

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

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

Total operating income – Sum of the Income Statement items “Net interest income”, “Dividends from equity instruments”, “Net fee and commission income”, “Net gains/losses from financial operations” and “Other operating income/ (expenses) and Net gains/ (losses) arising from sale of other financial assets”.

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