BANCO MONTEPIO
CONSOLIDATED RESULTS 1ST QUARTER 2021
Unaudited information

Lisbon, 14 May 2021

BANCO MONTEPIO MAINTAINS GROWTH TREND IN BUSINESS GENERATION

MORTGAGE LOAN'S ORIGINATION IN 1Q21 REGISTERS RECORD FIGURES

Gross loans to customers increased by €123 million, compared to the end of 2020, as a result of the strategic focus on growth in SMEs and the middle market, as well as in the mortgage loans' origination, which in March 2021 recorded the highest values of the last 13 years. These results prove the growth trend in business generation that began last year.

The Impairments and Provisions (€37.2 million) contributed to the consolidated net income of -€15.9 million, compared with €5.4 million in the same period of 2020, with the lower contribution of gains from securities transactions being key to the variation.

The evolution noted in the first quarter benefited from the decrease in operating costs, reflecting the favourable impact of the adjustment plan carried out in 2020 in order to reduce the number of employees and the branch network, within the scope of the strategic target of improving efficiency and profitability.

Banco Montepio is the main Portuguese financial institution supporting social sector entities through the provision of exclusive products and, as part of its corporate social responsibility strategy, supports initiatives of entrepreneurship, inclusion, diversity and environmental protection, among others.

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Committed to incorporating ESG factors in its business strategy, as set out in the Social Commitment Letter (*Carta de Compromisso Social*) signed in 2020, Banco Montepio, loyal to its mutuality foundation, maintains its intent on building a sustainable future.

Net income

- **Consolidated net income** for the first quarter of 2021 shows the impact of the pandemic context that determined an expressive reduction of the levels of economic activity in general and of the banking business in particular;
- The consolidated net income of -€15.9 million at the end of March 2021 compares with €5.4 million in the same period of the previous year, having the lower gains from securities transactions recorded under the heading Results from financial operations been fundamental to the evolution recorded. Nevertheless, the result achieved is compatible with the strategy implemented for the development of the business and with the results that had been forecasted in the budget.

Activity

- **Total assets** amounted to €19,951 million on 31 March 2021, showing an increase of 13.8% compared to the value recorded at the end of the first quarter of 2020;
- **Gross loans to customers** increased by €123 million compared to the end of 2020, totalling €12,480 million, benefiting from the strategic focus on growth in SMEs and the middle market;
- **Customer deposits** amounted to €12,540 million, comparing favourably with the values recorded at the end of 2020 and at the end of the same quarter of 2020, with deposits from individuals representing 75% of the total;

Operational adjustment

- Within the scope of the implementation of the operational adjustment plan, the total number of employees and branches in Portugal decreased by 263 and 37, respectively, in comparison with the end of March 2020;

Moratorium

- In the context of COVID-19 and under the special aid regime provided to families and companies, Banco Montepio Group, assuming its social commitment, granted 37 thousand moratoria totalling 3.0 billion euros with reference to 31 March 2021.

Asset quality

- Cost of credit risk of 1.0%, also reflecting the strengthening prompted by the pandemic;
- NPE ratio stood at 10.7%, comparing favourably with the March 2020 ratio (12.3%);
- NPE ratio, net of impairment for credit risk, stood at 4.2%;
- Increase in the coverage levels of NPE by impairments to 61.0%, and to 93.8% if the associated collaterals are considered.

Capital and liquidity

- Total capital ratio (phasing-in) of 13.4%;
- Liquidity coverage ratio (LCR) amounted to 240.1%, significantly above the defined regulatory level of 100% and which compares with the level of 200.7% recorded at the end of 2020.

Net income

The **consolidated net income** for the first quarter of 2021 shows the impact of the pandemic context that has been present since the first quarter of 2020, which determined an expressive reduction of the levels of economic activity in general and of the banking business in particular.

In the first quarter of 2021, consolidated net income stood at -€15.9 million, compared with €5.4 million in the same period of 2020, the variation having been determined by a lower contribution from gains on securities recorded under the caption of Results from financial operations, which fell €23.8 million YoY.

The evolution noted in the consolidated net income for the first three months of 2021, compared to the value recorded in the same period of 2020, benefited from the decrease in operating costs, also reflecting the favourable impact of the implementation of the adjustment plan regarding the number of employees and the branch network carried out in 2020 within the scope of the strategic target of improving efficiency and profitability.

Net interest income in the first quarter of 2021 totalled €57.9 million, compared to €62.2 million in the same period of 2020, and shows the negative effects of the COVID-19 pandemic on economic agents, which led to a reduction of activity and transaction levels in companies and households, despite the increase in the loan portfolio.

The evolution of net interest income between the first quarters of 2020 and 2021 benefited from the management carried out on the pricing of deposits from customers, having been penalised by the increase in the cost of subordinated debt and the synthetic securitisation transaction, as well as by the reduction in interest on loans to customers.

Net commissions in the first three months of 2021 were €27.0 million, compared to €29.9 million in the same period of 2020, reflecting the reduction in commissions received on transactions, particularly commissions related to payment channels, and also the decrease in commissions on credit operations, reflecting the impact of lower levels of activity of economic agents and the effect of moratoria on the origination of new credit operations and its impact on commission income.

Results from financial operations in the first quarter of 2021 stood at -€2.7 million, compared to €21.1 million in the same quarter of 2020, reflecting the lower gains on debt securities recorded in the first three months of 2021 when compared to those recorded in the same period of 2020.

Other results evolved favourably, rising from €0.6 million in the first quarter of 2020 to €2.3 million in the same period of 2021, notwithstanding the accounting in the first quarter of 2021 of the contribution related to the additional solidarity levy on the banking sector.

The **Operating costs** recorded in the first quarter of 2021 amounted to €64.4 million, compared to €66.1 million in the same period of 2020, showing a decrease supported by the implementation of the adjustment plan of the number of employees and the branch network started in 2020, within the scope of the strategic target of improving efficiency and profitability.

Loan impairment for the first three months of 2021 stood at €31.0 million, compared to €30.3 million recorded in the same period of 2020, and incorporates the strengthening of impairment levels for exposures subject to a collective analysis and for exposures analysed individually, in both cases reflecting the effect of the pandemic context.

The sum of **other impairments and provisions** amounted to €6.2 million in the first quarter of 2021, compared to €6.4 million in the same quarter of 2020, reflecting the reinforcement of impairment for trading real estate properties and the reversal of impairments and provisions related to off-balance sheet exposures.

The total amount recorded in **results from discontinued operations** in the first quarter of 2021 was -€0.4 million, compared to -€0.5 million in the same period of 2020, related to the contribution to consolidated accounts, net of intra-group operations, of the subsidiaries Montepio Valor and Banco Montepio Geral Cabo Verde.

Balance sheet

Total assets amounted to €19,951 million on 31 March 2021, showing an increase of 13.8% when compared to the amount recorded at the end of the first quarter of 2020.

Loans and advances to customers (gross) recorded a positive performance in comparison with the end of 2020, increasing by €123 million to €12,480 million on 31 March 2021, evidencing Banco Montepio's commitment to supporting households, companies and social economy entities. The favourable evolution in the first quarter of 2021 benefited from the strategic focus on growth in SMEs and the middle market, which together resulted in an increase of €69 million, as well as in individual customers who rose by €48 million.

The **quality of the loan portfolio**, assessed by the NPE ratio which is given by the weight of non-performing exposures (NPE) over total gross loans and advances to customers, improved from 12.3% at 31 March 2020 to 10.7% at the end of March 2021, benefiting from the implemented policy for taking credit risk, as well as from the measures that have been approved and adopted in the areas of credit monitoring and recovery.

The **coverage of NPE by impairments**, reflecting the positive effect associated with the reinforcement of impairments that has been carried out, especially due to the impact determined by the updating of the macroeconomic scenarios due to COVID-19, evolved favourably from 53.2% at the end of March 2020 to 61.0% on 31 March 2021.

The **NPE coverage by impairments, associated collateral and financial guarantees**, increased from 86.8% at 31 March 2020 to 93.8% at the end of the first quarter of 2021.

Customer deposits at the end of the first quarter of 2021 totalled €12,540 million, which compares favourably both with the amount recorded at the end of 2020 and with the amount recorded at the end of the same quarter of 2020. Noteworthy is the increase in the proportion of demand deposits in total deposits, which contributed favourably to the performance of net interest income in the first quarter of 2021, despite market interest rate benchmarks being at historically low levels.

Equity at the end of March 2021 totalled €1,305 million, reflecting the impact of the net income obtained in the first quarter of 2021, when compared to the value reported on 31 December 2020.

Capital

The **Total capital ratio** at 31 March 2021 stood at 13.4% (compared to 13.2% at the end of the same period of 2020) benefiting from the positive effect of the implementation of a set of measures to reduce risk-weighted assets (RWA), partially offset by the impact of phasing-in applicable to the initial impacts of the adoption of the IFRS9 accounting standard and the evolution of net income in the 1st Quarter.

RWA decreased by €645 million at the end of the first quarter of 2021 compared to the value recorded at the end of the same period of 2020, as a result of the change in balance sheet structure that is being implemented, of the issuance of a synthetic securitisation completed in the last quarter of 2020 and also due to the entry into force of Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, particularly in relation to the adjustment factor on exposures to small and medium-sized companies.

Liquidity

In the first three months of 2021 Banco Montepio continued to develop a set of initiatives aimed at maintaining a robust liquidity position, with levels well above the regulatory limits in force and aligned with the strategic targets of the Funding and Capital Plan.

The **LCR ratio** reached 240.1% on 31 March 2021, 140.1 p.p. above the minimum regulatory requirement of 100%, evolving favourably when compared to the 178.6% ratio recorded on 31 March 2020.

On 31 March 2021, the amount of **debt issued** stood at €1,507 million, compared to €1,513 million recorded on 31 March 2020, as a result of the decrease in debt securities (€67 million) mitigated in part by the increase in other subordinated liabilities (€61 million).

Reflecting Banco Montepio's investment strategy in liquid assets, in the scope of the integrated management of liquidity and sources of funding, on 31 March 2021 the total value of the portfolio of assets eligible for European monetary policy operations reached €3,224 million, of which €2,881 million were committed as collateral for medium-term funding operations with the ECB (namely through TLTRO-III). In the first three months of 2021, Banco Montepio increased its level of **funding from the European Central Bank (ECB)** by €1,499m, to €2,881m, and at the end of the first quarter of 2021, the value of the unencumbered eligible assets portfolio reached €343 million.

Thus, through an integrated analysis of the **liquidity buffer**, translated into an aggregation of the liquidity immediately available, which derives from the Cash and Deposits at Central Banks item and from the securities available to obtain liquidity from the ECB, the amount exceeds the €3 billion threshold at the end of March 2021, reflecting the comfortable position of the liquidity ratios.

Rating

Fitch Ratings, Moody's and DBRS Morningstar confirmed the ratings assigned to Banco Montepio on 23 October 2020, 25 March 2021 and 16 December 2020, respectively.

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

Rating Agency	**Covered Bonds (CPTCB[1])**	**Issuer (Long term)**	**Debt (Long term)**	**Deposits**
Fitch Ratings	AA- *Negative[(2)]*	B- *Negative[(2)]*	CCC	B
Moody's	A1	b3	Caa1	B1 *Stable[(2)]*
DBRS Morningstar	BBB (High)	B *Negative[(2)]*	B *Negative[(2)]*	B (High) *Negative[(2)]*

[(1)] *Conditional Pass-through Covered Bond Programme.*
[(2)] *Outlook.*

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Milestones of the 1st quarter 2021

- **New Executive Director takes office**

  At a meeting of the Board of Directors held on 18 February 2021 and following the authorisation granted by the Banco de Portugal, it was approved the appointment of Jorge Paulo Almeida e Silva Baião as Executive Director of Banco Montepio for the remaining period of the 2018/2021 mandate, having begun his duties on 22 February 2021.

- **177 years fly fast (*"177 anos passam a voar"*)**

  On 24 March Banco Montepio marked its 177th anniversary with the campaign "177 years fly fast" (*"177 anos passam a voar"*). Over these years the Bank has gone through monarchies and republics. Technological and philosophical revolutions. Periods of war, crisis and prosperity.

  But no matter how many years go by, some things don't change. We keep on supplying people and communities, here and abroad, to fly even higher. To keep on growing along with the Portuguese and with Portugal.

- **Mortgage Loan Campaign for promoting energy efficiency**

  Banco Montepio keeps making a difference with initiatives that contribute to environmental and social sustainability. In this 1st quarter of 2021, it launched an original mortgage loan campaign with unique advantages for customers who buy houses with an A and A+ energy certificate, returning 1.1% of the value of the loan in a Sonae Group Worten pre-paid card.

- **Sale of shareholding in Monteiro Aranha, S.A.**

  On 4 March 2021, Banco Montepio participated in the public tender offer auction, held by B3 S.A. - Brasil, Bolsa, Balcão, for the acquisition of shares by increase of participation ("Tender Offer") launched by Sociedade Técnica Monteiro Aranha S.A. (the "Offeror"). Within the scope of the aforementioned auction, Banco Montepio sold its entire shareholding in Monteiro Aranha S.A., equivalent to around 10.31% (ten thirty-one per cent) of the company's share capital. The sale provided an estimated favourable impact of 3 basis points on Banco Montepio's end-2020 capital ratios (Common Equity Tier 1 ratio and Total Capital ratio). The completion of this transaction materialised Banco Montepio's strategy of continuously reducing its exposure to non-strategic assets.

- **DBRS Morningstar upgrades the rating on Pelican Mortgages Nº4 Class A bonds**

The rating agency DBRS Morningstar announced on 1 April the upgrade of the rating assigned to the Class A rating of Pelican Mortgage No.4, by two notches, from AA(sf) to AAA (sf).

Pelican Mortgages Nº4 is a securitisation concluded in May 2008 by a Loan Securitisation Company, which issued securitisation bonds backed by a mortgage loan portfolio originated and monitored by Banco Montepio. The current rating reflects the quality and performance of the loan portfolio sold by Banco Montepio and the level of protection provided by the remaining bond classes (Classes B to E) and by the liquidity reserve.

The AAA rating is the highest rating for the credit quality of a bond and demonstrates a high capacity to pay financial obligations, unlikely to be negatively affected by future events. This rating action confirms the good quality of the mortgage loan portfolios originated and managed by Banco Montepio.

- **Action Plan for Social and Solidarity Economy**

During the first quarter of 2021, Banco Montepio, as the Bank for the Social and Solidarity Economy, reinforced its support and close monitoring of the entities in this sector through the specific Government Guaranteed Line for the Social Sector. This specific line, aimed at supporting the institutions' treasury to deal with the COVID-19 pandemic, reached a market share of about 75% in 2020. Simultaneously, through the *+Impacto Social* credit line, offered exclusively by Banco Montepio, several projects have been financed that will contribute significantly towards expanding the network of facilities, increasing quality and incorporating innovation and sustainability into the social responses of these institutions.

Banco Montepio continues to be the main Bank to finance Social Sector institutions, but also to provide exclusive products for this segment. The beginning of 2021 has brought the *Solução E-Social*, an integrated solution of products, services and exclusive advantages for Social and Solidarity Economy institutions. This solution includes a unique product on the market, the *Conta Acordo*, an overdraft facility (exclusive plafond) for private social solidarity institutions (*IPSS – Instituições Particulares de Solidariedade Social*) that simplifies treasury management.

Also noteworthy was the participation in the 1st Social Digital Fair (*1ª Feira Digital Social*), an initiative focused on the Social Sector that allowed Banco Montepio to organise three sessions linked to the areas of social economy, social entrepreneurship and also sustainability. The support for entities and projects linked to innovation and social entrepreneurship, such as the 11th edition of the Banco Montepio *Acredita Portugal* contest, is also notable, as well as maintaining its role of social investor. In this latter area, the continuity of Impact Projects (*Projetos de Impacto*), a joint initiative of Banco Montepio and Santa Casa da Misericórdia de Lisboa, should be highlighted, through investment in 9 projects (2 Social Impact Securities and 7 Impact Partnerships).

- **Banco Montepio's trusted and immediate response to the challenges created by the Covid 19 pandemic**

Between late 2020 and early 2021 the pandemic crisis intensified and the government was forced to adopt strong containment measures at the beginning of the year, which was reflected in Banco Montepio Group's results and activity.

The impact of contingencies on the institution's main activities has been regularly followed up and monitored, and Banco Montepio has accelerated the digital transition and optimised and innovated its processes and procedures, in order to increase efficiency, both in its response to customers and in its internal organisation.

Urgent challenges require urgent responses and Banco Montepio has adjusted its business model in order to safeguard security and provide the necessary support to its Customers, Suppliers and Employees.

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KEY INDICATORS

	Mar-20 restated	Mar-21	Change YoY
ACTIVITY AND RESULTS (€ million)			
Total assets	17,528	19,951	13.8%
Gross Loans to customers	12,446	12,480	0.3%
Customers' deposits	12,268	12,540	2.2%
Net income	5.4	(15.9)	(<100%)
SOLVENCY (a)			
Common Equity Tier 1 ratio	11.7%	11.3%	(0.4 p.p.)
Total Capital ratio	13.2%	13.4%	0.2 p.p.
Risk weighted assets (€ million)	10,245	9,600	(6.3%)
LIQUIDITY RATIOS			
Loans to customers (net) / Customers' deposits (b)	94.8%	93.0%	(1.8 p.p.)
Loans to customers (net) / On-balance sheet customers' resources (c)	85.4%	84.4%	(1.0 p.p.)
ASSET QUALITY			
Cost of credit risk	1.0%	1.0%	0.0 p.p.
Non-performing exposures (NPE) (d) / Gross Loans to customers	12.3%	10.7%	(1.6 p.p.)
NPE (d) coverage by credit risk Impairments	53.2%	61.0%	7.8 p.p.
NPE (d) coverage by credit risk Impairments and associated collaterals and financial guarantees	86.8%	93.8%	7.0 p.p.
PROFITABILITY AND EFFICIENCY			
Total operating income / Average total assets (b)	2.6%	1.9%	(0.7 p.p.)
Net income before income tax / Average total assets (b)	0.3%	(0.4%)	(0.7 p.p.)
Net income before income tax / Average total equity (b)	3.3%	(5.2%)	(8.5 p.p.)
Cost-to-income (Operating costs / Total operating income) (b)(g)	57.5%	76.1%	18.6 p.p.
Cost-to-Income, excluding specific impacts (e)(g)	70.9%	75.7%	4.8 p.p.
Staff costs / Total operating income (b)	35.2%	48.2%	13.0 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Banco Montepio Group	3,969	3,706	(263)
Banco Montepio	3,570	3,318	(252)
Branches			
Domestic network - Banco Montepio	328	291	(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).

(f) Includes corporate centres.

CONSOLIDATED INCOME STATEMENT

(million euro)	Mar-20 Restated	Mar-21	Change (€Mn)	Change %
Interest and similar income	78.4	73.2	(5.2)	(6.6%)
Interest and similar expense	16.2	15.3	(0.9)	(5.6%)
NET INTEREST INCOME	**62.2**	**57.9**	**(4.3)**	**(6.9%)**
Dividends from equity instruments	1.0	0.2	(0.8)	(80.0%)
Net fee and commission income	29.9	27.0	(2.9)	(9.7%)
Results from financial operations	21.1	(2.7)	(23.8)	<-100%
Other results	0.6	2.3	1.7	>100%
TOTAL OPERATING INCOME	**114.8**	**84.7**	**(30.1)**	**(26.2%)**
Staff Costs	40.4	40.8	0.4	1.0%
General and administrative expenses	16.9	14.7	(2.2)	(13.0%)
Depreciation and amortization	8.8	8.9	0.1	1.1%
OPERATING COSTS	**66.1**	**64.4**	**(1.7)**	**(2.6%)**
Loan impairments	30.3	31.0	0.7	2.3%
Other financial assets impairments	3.9	2.1	(1.8)	(46.2%)
Other assets impairments	3.0	8.5	5.5	>100%
Provisions net of reversals and annulments	(0.5)	(4.4)	(3.9)	<-100%
Share of profit of associates under the equity method	(0.2)	0.0	0.2	100.0%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**11.8**	**(16.9)**	**(28.7)**	**<-100%**
Tax	5.2	(1.6)	(6.8)	<-100%
Non-controlling interests	0.7	0.2	(0.5)	(71.4%)
Profit/(loss) from discontinuing operations	(0.5)	(0.4)	0.1	20.0%
NET INCOME	**5.4**	**(15.9)**	**(21.3)**	**<-100%**

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CONSOLIDATED BALANCE SHEET

(million euro)	Mar-20 Restated	Mar-21	Change YoY (€M)	Change YoY (%)
Cash and deposits at central banks	729	2,750	2,021	>100%
Loans and advances to credit institutions repayable on demand	39	40	1	2.6%
Other loans and advances to credit institutions	266	364	98	36.8%
Loans and advances to customers	11,634	11,666	32	0.3%
Financial assets held for trading	50	37	(13)	(26.0%)
Financial assets at fair value through profit or loss (FVPL)	376	314	(62)	(16.5%)
Financial assets at fair value through other comprehensive income (FVOCI)	1,396	354	(1,042)	(74.6%)
Hedging derivatives	13	11	(2)	(15.4%)
Other financial assets at amortised cost	1,395	2,880	1,485	>100%
Investments in associates	4	5	1	25.0%
Non-current assets held for sale	2	6	4	>100%
Non-current assets held for sale - Discontinued operations	1	1	0	31.0%
Investment properties	138	121	(17)	(12.3%)
Property and equipment	280	243	(37)	(13.2%)
Intangible assets	36	34	(2)	(5.6%)
Current tax assets	12	3	(9)	(75.0%)
Deferred tax assets	440	494	54	12.3%
Other Assets	717	628	(89)	(12.4%)
TOTAL NET ASSETS	**17,528**	**19,951**	**2,423**	**13.8%**
Deposits from central banks	1,332	2,881	1,549	>100%
Deposits from other financial institutions	531	834	303	57.1%
Deposits from customers	12,268	12,540	272	2.2%
Debt securities issued	1,352	1,285	(67)	(5.0%)
Financial liabilities held for trading	14	13	(1)	(7.1%)
Hedging derivatives	1	0	(1)	(100.0%)
Non-current liabilities held for sale – Discontinued operations	126	109	(17)	(13.5%)
Provisions	37	34	(3)	(8.1%)
Current tax liabilities	5	3	(2)	(40.0%)
Other subordinated debt	161	222	61	37.9%
Other liabilities	291	725	434	>100%
TOTAL LIABILITIES	**16,118**	**18,646**	**2,528**	**15.7%**
Share Capital	2,420	2,420	0	0.0%
Other equity instruments	6	0	(6)	(100.0%)
Other reserves and retained earnings	(1,032)	(1,109)	(77)	(7.5%)
Consolidated net profit/ (loss) for the period attributable to the shareholders	5	(16)	(21)	(420.0%)
Total equity attributable to the shareholders	1,399	1,295	(104)	(7.4%)
Non-controlling interests	11	10	(1)	(9.1%)
TOTAL EQUITY	**1,410**	**1,305**	**(105)**	**(7.4%)**
TOTAL LIABILITIES AND EQUITY	**17,528**	**19,951**	**2,423**	**13.8%**

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Disclaimer
The financial information contained in this document has been prepared in accordance with International Financial Reporting Standards ("IFRS") for Banco Montepio Group within the scope of the preparation of the consolidated financial statements, in accordance with Regulation (EC) 1606/2002. The condensed consolidated financial statements for the first three months of 2021 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as adopted by the European Union.
In accordance with the information disclosed on the 2020 financial statements, the subsidiaries Montepio Valor and Banco Montepio Geral Cabo Verde began to be classified as non-current assets held for sale - discontinued operations, in accordance with the provisions of IFRS 5, whilst Finibanco Angola no longer meets the conditions set out in this standard, and therefore, for comparison purposes the periods prior to December 2020 were restated.

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GLOSSARY

CET1 – Common Equity Tier 1.

Commercial net interest income - calculated as the difference between interest received on Loans to Customers and interest paid on Customer deposits.

Core operating income – Sum of the Income Statement items 'Net interest income' and 'Net fee and commission income'.

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.

Cost-to-income ratio without specific impacts – Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding the 'Net gains/losses from financial operations' and 'Other operating income/ (expenses) and Net gains/ (losses) arising from sale of other financial assets', and is given by the operating costs divided by the total operating income excluding the abovementioned items.

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'.

EBA - European Banking Authority.

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'.

LCR – Liquidity Coverage Ratio.

Net commissions - Corresponds to the item 'Income from services and commissions' in the Income Statement.

NPE –Non-Performing Exposures in accordance with EBA definition.

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

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

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 disposal of other assets'.

Operating profit before impairment - Corresponds to the sum of the Income Statement items 'Net interest income', 'Income from services and commissions', 'Income from equity instruments', 'Income from financial operations', 'Other operating income' and 'Income from the sale of other assets', deducted from Operating Costs.

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

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..

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'.

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)'.

TLTRO - Targeted Longer Term Refinancing Operations.