**BANCO MONTEPIO**
**CONSOLIDATED RESULTS 2022**
Unaudited information

Lisbon, 13 February 2023

# BANCO MONTEPIO REPORTS CONSOLIDATED NET INCOME OF €33.8MN IN 2022

Banco Montepio ended 2022 with a **positive consolidated net income of €33.8 million**, representing **an increase of €27.2Mn when compared to €6.6Mn recorded in 2021**, in the year in which the most gender-balanced board of directors in Portuguese banking took office – seven women (58%) and five men (42%).

At the end of the 2nd year of implementation of the operational adjustment plan and in compliance with the national target set for Gender Equality – 40% women in decision-making positions by 2030 (Board of Directors, Executive Committee and Senior Management), Banco Montepio consolidated the favourable activity performance trend, embodied in six consecutive quarters with positive net income, supported by business growth and operational efficiency.

This favourable evolution was determined by the increase in the operating income, with emphasis on net interest income and commissions, by the reduction of operating costs and by the lower impairments and provisions charges, in particular those related to credit risk. The significant change in net income reflects the business growth, an improved efficiency, and the reduction in the cost of risk, despite the significant burden of the regulatory contributions charged on the banking sector, which amounted to €25.9Mn.

The results achieved in 2022 reflect Banco Montepio significant progress in reducing non-performing assets and non-strategic assets, aiming at reducing balance sheet risk and reinforcing capital ratios to levels comfortably above regulatory requirements, and also reflect the increase of business activity, which led to a significant improvement of productivity levels.

At the same time, the targets of the operational adjustment plan, in particular those regarding optimizing the branch network, digitalization and staff reduction, are being successfully fulfilled, contributing to consolidate a sustained improvement in profitability and efficiency.

## Highlights:

### Business

- **Six consecutive quarters** with positive net results;
- **Core operating income** reached €372.0Mn, an increase of €24.7Mn when compared to 2021, with net interest income growing 8.1% and commissions 5.1%;
- **Loans to Customers** (net of impairment) increased to €11.7Bn, 0.7% above the amount recorded in December 2021, with performing loans increasing by €246Mn YoY;
- **Customer deposits** totalled €13.1Bn, representing a positive change of 3.2% when compared to the end of 2021;
- Continuous improvement in **automation and digital transition**, with increasing progress in the re-engineering of internal processes and in Customer relationship platforms;
- **Rating upgrade** by Moody's and Fitch.

### Asset quality

- **Cost of credit risk** of 0.1%, which compares to 0.4% recorded in 2021, supported by the increase in the quality of the originated loan portfolio;
- **Reduction of non-performing exposures** (NPE) by €328Mn (-34%) compared to 31 December 2021, with the NPE ratio standing at 5.3% and comparing favourably with the 8.0% ratio at the end of 2021, representing the largest annual decline in the ratio (-2.7 p.p.) in the last 7 years;
- **NPE ratio, net of impairments** for credit risks, stood at 2.3%;

- **Reinforcement of NPE coverage levels** by impairments to 56.5% (53.5% on 31 December 2021) and to 103.9% (96.0% at the end of 2021) if collaterals and financial guarantees are considered;
- **Strong reduction in exposure to real estate** to €398Mn (-30% YoY) at the end of 2022, representing only 2.1% of total assets (2.9% at the end of 2021).

## Capital and liquidity

- **Common Equity Tier 1 (CET1)** phasing-in ratio at 13.7% (+1.0 p.p. YoY) and fully implemented ratio at 13.2% (+1.4 p.p. YoY);
- **Total capital ratio** phasing-in at 16.2% (+1.1 p.p. YoY) and fully implemented at 15.7% (+1.5 p.p. YoY);
- **Liquidity buffer** of €3.9Bn, reflecting a comfortable liquidity position;
- **Liquidity Coverage Ratio (LCR)** stood at 249.6%;
- **Net Stable Funding Ratio (NSFR)** stood at 125.0%.

## Operational adjustment

- **Reduction of Operating costs** by €8.0Mn (-3.2%) YoY, materialized in the decreases in Staff costs, General administrative expenses and Depreciation and amortization;
- **Improvement of the efficiency ratio**, measured by the ratio between operating costs and operating income, excluding the results from financial operations, the other results and costs related to the adjustment programme, to 63.2% (-5.4 p.p. YoY), benefiting from the reduction in costs and the increase in income;
- **Optimization of the retail network** with the closure of 15 branches (-6% YoY). At the end of 2022, Banco Montepio had 239 branches in Portugal;
- **Staff reduction** of Banco Montepio Group by 72 employees (-2% YoY). At the end of 2022, the Group had 3.406 employees.

## Simplification of the corporate structure

With a view to simplifying Banco Montepio Group's corporate structure and as a complement to the sale of Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A in 2021, it was implemented the strategy to reduce international holdings:

- **The dissolution and voluntary liquidation of Banco Montepio Geral - Cabo Verde**, Sociedade Unipessoal, S.A. (BMGCV) was completed in 2022;
- On 4 October 2022, Montepio Holding **agreed the sale of the stake held in the share capital of Finibanco Angola S.A to Access Bank Plc**, a Nigerian commercial bank.

Following the agreement signed for the sale of the participation held by Banco Montepio Group in the share capital of Finibanco Angola S.A., the consolidated financial statements reported as at 31 December 2022 consider the financial statements of this subsidiary in accordance with IFRS 5, in line with the procedure that had already been adopted with reference to the end of the third quarter of 2022, with this entity being presented as a discontinuing unit.

In this context, we have restated the income statement of previous periods, presenting the results generated by Finibanco Angola S.A. in the line “Profit/(loss) from discontinuing operations”, while, for comparative purposes, we also promoted the restatement of the balance sheet, being the assets and liabilities recorded, respectively, in the lines “Non-current assets held for sale - Discontinuing operations” and “Non-current liabilities held for sale - Discontinuing operations”.

# Results

**Net interest income** recorded an increase of 8.1%, rising from €232.6Mn in 2021 to €251.5Mn in 2022, benefiting from the business activity, based on the favourable evolution of performing loans and on the increase of investments in securities.

**Net commissions** rose 5.1% (+€5.8Mn) in 2022, reaching €120.5Mn, benefiting from the implementation of a set of initiatives to adapt Banco Montepio's value proposition to the service provided to Customers and which contributed to the generation of higher income from credit operations (+€2.1Mn), from the maintenance and management of accounts (+€1,6Mn) and from payment services (+€1,3Mn).

**Results from financial operations** recorded in 2022 reached €12.0Mn and reflect, when compared to €10.8Mn in 2021, the increase in the results from foreign exchange revaluation (+€1.7Mn) and the positive net impact of €4.1Mn from the fair value of the derivative instruments and the financial assets and liabilities, partially offset by the €3.9Mn reduction of the securities portfolio gains.

**Other results** in 2022 were negative, amounting to -€14.9Mn, which compares to €7.8Mn in 2021, with this evolution being primarily determined by the higher cost of revaluation of liability items net of income from buybacks, and by the increase in the cost of contributions applied to the banking sector by €3.1Mn, despite the higher gains from the sale of assets (real estate and financial assets) by €3.5Mn.

**Operating costs** decreased from €254.4Mn in 2021 to €246.4Mn in 2022, a reduction of €8Mn, obtained through the decreases in Staff costs by €6.5Mn (-4.1%), taking advantage of the synergies resulting from the implementation of the staff adjustment plan, in General administrative expenses by €1.6Mn (-2.5%) and in Depreciation and amortisation by €0.1Mn (-0.1%). Excluding one-off and non-recurrent costs related to the staff adjustment programme, staff costs decreased by 2.2% (-€3.2Mn) in 2022 when compared to 2021.

Efficiency, measured by the **Cost-to-income ratio**, and excluding the Results from financial operations, the Other results and the costs related to the adjustment programme, performed favourably by standing at 63.2% at the end of 2022, when compared to the 68.6% recorded in 2021.

As part of the implementation of the **operational adjustment** process, and after the relevant analyses related to geographical coverage, profitability and market size, Banco Montepio closed 89 branches (-27%) between October 2020 and December 2022, of which 15 (-6%) during 2022, and still maintaining a nationwide Customer base support, without a material impact in the business activity.

At the end of 2022, **Banco Montepio Group's staff** totalled 3,406 employees, a decrease of 527 (-13%) when compared to October 2020. The implementation of the early retirement and termination by mutual agreement Program that started in the fourth quarter of 2020 account for 87% of the staff reduction.

The aggregate of **Impairments and Provisions** reached a net amount of €44.5Mn in 2022, comparing to €82.9Mn recorded in 2021, primarily reflecting the lower loan impairment charges, due to the improvement of the quality of the loan portfolio, as well the easing of the negative macroeconomic context related to COVID-19 pandemic that had been the reason for the impairment's reinforcement in 2021.

**Loan impairment** charges in 2022, which considers the impact of individual and collective analysis to the loan portfolio, totalled €13.4Mn, determining a cost of risk of 0.1%, which compares favourably with the impairment amount of €51.4Mn and the cost of risk of 0.4% in 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 €31.1Mn in 2022, compared to €31.5Mn accounted in 2021, reflecting the reinforcement of provisions and the lower impairment charges of other financial assets and of properties for sale.

**Non-controlling interests and the Results from discontinuing operations** recorded in 2022 were negative, amounting to -€15.7Mn, and include the estimated impact of -€19.1Mn from the sale of the financial participation held by Banco Montepio Group in Finibanco Angola, S.A., as a result of the agreement signed with Access Bank.

## Balance sheet

**Total assets** amounted to €19,106Mn on 31 December 2022, compared to €19,713Mn recorded at the end of 2021, reflecting the evolution observed in the headings Cash and deposits at central banks, partially offset by the change recorded in Other financial assets at amortised cost.

**Gross Loans and advances to Customers** totalled €12,068Mn at the end of 2022, with the performing loans increasing by €246Mn when compared to the amount recorded on 31 December 2021. Following the implementation of the strategy aimed at the continued reduction of non-performing exposures, in 2022 the non-performing loans decreased by €328Mn, standing at €647Mn.

On 31 December 2022, the **Securities portfolio** totalled €4,387Mn, an increase of 32.9% when compared to the amount recorded at the end of 2021, mainly determined by the increase in the portfolio of Other financial assets at amortized cost by €1,151Mn. The securities portfolio as at 31 December 2022 consisted of 95% of sovereign public debt securities (namely Portuguese, Italian and Spanish), compared to 92% at the end of 2021.

**Customer Deposits** amounted to €13.115Mn at the end of 2022, showing an increase of €405Mn (+3.2%) when compared to the total reported at the end of 2021. This positive evolution is supported on the increase of deposits from Individuals and Corporate Customers, by €180Mn and €225Mn, respectively. The deposit portfolio maintained its structure, with the Demand Deposits / Term Deposits mix evolving to 51%/49% at the end of 2022, compared with 50%/50% at the end of 2021.

**Equity** totalled €1,519Mn at the end of 2022, an increase from the €1,363Mn recorded at the end of 2021, mainly due to the positive impacts coming from net income (+€34Mn), from the positive foreign exchange reserve (+€9Mn) and from the positive actuarial deviations in the Pension Fund net of tax effects (+€119Mn).

## Pension Fund

The liabilities with post-employment and long-term benefits for employees with reference to 31 December 2022 were fully funded, with a coverage ratio of 122.7%, considering the valuation of the Pension Fund determined at the end of the year and also the provisions recorded in the balance sheet.

On 31 December 2022 the liabilities with the Pension Fund amounted to €648.4Mn, showing a decrease of €207.9Mn when compared to the value recorded at the end of 2021, mainly supported on the positive actuarial deviations resulting from the change of assumptions related to the discount rate, on the evolution of salaries and pensions, and on the mortality tables.

The value of the Pension Fund's assets totalled €787Mn as of 31 December 2022, down €79.2Mn from the amount recorded at the end of 2021, reflecting the effect associated with unfavourable financial actuarial deviations recorded in 2022 and with pension payments.

## Own funds and capital ratios

As at 31 December 2022, the **capital ratios** maintained the favourable evolution when compared to the end of 2021, as a result of the continued reduction of risk-weighted assets (RWA) and the contribution of the net income for 2022.

| (million euro) | **Dec-21** | **Dec-22** | **Change 2022** |
|---|---|---|---|
| Common Equity Tier I Capital (CET1) | 1,122 | 1,135 | 13 |
| Tier I Capital | 1,122 | 1,136 | 14 |
| Total Own Funds | 1,328 | 1,343 | 15 |
| Risk-weighted assets (RWA) | 8,800 | 8,276 | (524) |
| **CRD IV / CRR - *Phasing-in ratios*** | | | |
| Common Equity Tier I ratio (CET1) | 12.7% | 13.7% | 1.0 p.p. |
| Tier I ratio | 12.7% | 13.7% | 1.0 p.p. |
| Total Capital ratio | 15.1% | 16.2% | 1.1 p.p. |
| **CRD IV / CRR - *Fully implemented ratios*** | | | |
| Common Equity Tier I ratio (CET1) | 11.8% | 13.2% | 1.4 p.p. |
| Tier I ratio | 11.8% | 13.2% | 1.4 p.p. |
| Total Capital ratio | 14.2% | 15.7% | 1.5 p.p. |
| **Leverage ratio** | | | |
| Leverage ratio - Phasing-in | 5.6% | 5.9% | 0.3 p.p. |
| Leverage ratio - Fully Implementated | 5.1% | 5.6% | 0.5 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 2022, the **Common Equity Tier 1 ratio (CET1)** calculated based on the phasing-in rules stood at 13.7%, a positive change of 1.0 p.p. in comparison to the end of 2021. Taking into account the fully implemented rules, CET1 stood at 13.2% (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 16.2% (compared to 15.1% at the end of 2021) and the fully implemented ratio increased to 15.7% (14.2% at the end of 2021), also above the minimum requirement of 14.01%.

At the end of 2022, Banco Montepio recorded an improvement in capital ratios, supported by an efficient financial performance and by the implementation of capital optimization measures.

**Risk Weighted Assets (RWA)** decreased by €524Mn at the end of 2022 when compared to the end of 2021 as a result of the strategy adopted to reduce non-performing assets, the derecognition of mortgage loans in the context of a synthetic securitisation carried out in December and the promotion of the core business, lending in segments with lower risk and lower consumption of RWAs.

## Liquidity

In 2022, Banco Montepio continued to implement management 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 249.6% on 31 December 2022, comfortably above the minimum regulatory requirement of 100%. 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 125.0% on 31 December 2022, 25.0 p.p. above the regulatory minimum requirement of 100%.

On 31 December 2022, the total **Debt issued** reached €824Mn, which compares to the €1,834Mn recorded at the end of 2021, as a result of the decrease in Debt securities issued (-€1,010Mn), following the repayment of €750Mn of the series 10 of Covered Bonds, the repurchases of Covered Bonds in the amount of €134Mn and the amortization of securitization bonds (Pelican Mortgage 3 and Pelican Finance 2), while Other subordinated liabilities stood at €217Mn, in line with the amount recorded at the end of 2021.

As part of the implementation of an integrated management of liquidity and sources of financing, as of 31 December 2022 the total value of the **portfolio of assets eligible for Eurosystem monetary policy liquidity operations** amounted to €5.554Mn, a 45.9% rise when compared to the €3,808Mn recorded at the end of 2021. At the end of 2022, this portfolio included marketable assets, namely eligible debt instruments, in the amount of €5,029Mn, and non-marketable assets, such as credit claims granted to non-financial Corporations and public sector Entities, namely bank loans and drawn credit facilities compliant with specific eligibility criteria, which are valued at €525Mn.

The amount of **funding from the European Central Bank (ECB)** obtained through TLTRO-III totalled €2,930Mn at the end of 2022 and the value of the eligible unencumbered collateral portfolio totalled €2,555Mn, compared to €850Mn recorded at the end of 2021.

## Digital transition

During 2022, Banco Montepio continued the process of digital transition, adjusting the service model, optimizing Customer's experience and increasing the Group's sustained efficiency.

Among several initiatives developed, there should be highlighted the launch of APPré-pago, a standalone smartphone application that aims to simplify the consultation of balances and movements of prepaid cards of the Bank, the launch of Banco Montepio Collection, an online platform for the purchase of non-financial products, the availability of access to Google Pay and the dematerialization of the PIN of bank cards, which started to be sent by text message instead of mail.

Banco Montepio maintained the growth of the usage of its digital channels and increased the weight and relevance of the digital offer. As of 31 December 2022, Montepio24 service, a multichannel platform that integrates digital channels, recorded a 7.0% increase in the number of active Customers when compared to 2021, totalling 456,047 users, of which 387,556 in the Individuals segment (+7.4%) and 68,491 in the Corporate segment (+4.6%).

The number of transactions carried out through Montepio24 service increased in 2022 to 79.7Mn, comparing favourably with 70.9Mn in 2021, an increase of 12.5%.

Since May 2021, when APProva was launched, the app for authenticating and approval of transactions, more than 307 thousand profiles have been registered and more than 14Mn operations have been approved, 89% of which are related to Montepio24.

Banco Montepio maintains a global investment strategy in information technology and digitalisation, aiming at the continuous improvement in the automation and re-engineering of internal processes, with growing developments in advanced analytics and with new cybersecurity models.

## Rating

In March 2022, Fitch Ratings (“Fitch”) reviewed the Outlook of Banco Montepio’s Long Term Issuer Default Rating (IDR) and of its Mortgage Covered Bonds from negative to positive.

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

On 22 July, Fitch upgraded the rating of Banco Montepio's senior preferred long-term debt from CCC to CCC+ and maintained the Outlook Positive.

On 26 October, Moody's Investors Service (“Moody’s”) upgraded the rating of the senior unsecured debt (Senior Unsecured Medium-Term Note Program) and of the senior non-preferred debt (Junior Senior Unsecured Medium-Term Note Program), issued under the Euro Medium Term Note (EMTN) Program of Banco Montepio, from (P)B3 to (P)B2. Additionally, the rating agency upgraded: the Long-term Counterparty Risk Rating from Ba3 to Ba2, the Long-term Bank Deposits rating from B1 to Ba3, the Baseline Credit Assessment from b3 to b2 and the Subordinate Seniority Medium-Term Note Program rating from (P)Caa1 to (P)B3.

On 28 October, Moody's upgraded the rating of Banco Montepio's Mortgage Covered Bonds by one notch, from Aa3 to Aa2. With this upgrade, the rating of the Covered Bonds issued by Banco Montepio reaches the maximum rating level assigned by the agency to Portuguese issuers.

On December 19, in addition to the upgrade of the unsecured senior debt rating announced on 22 July, Fitch reviewed Banco Montepio's long-term rating from B- to B, maintaining the Outlook positive, the Long Term Deposits rating from B to B+, the Viability Rating (VR) from b- to b, the Senior Preferred Debt rating from CCC+ to B-, the Senior Non-preferred Debt rating and the Subordinated Debt rating from CCC to CCC+.

Finally, on 21 December, Fitch upgraded the rating of Banco Montepio's Covered Bonds by one level, from AA- to AA, reinforcing the classification of this type of debt in the Investment Grade category.

The ratings assigned to Banco Montepio, as of 31 December 2022 and 31 December 2021, are presented in the table below:

| Rating Agency | Covered Bonds (CPT) [(1)] | | Long Term[(2)] | | Deposits | | Outlook | |
|---|---|---|---|---|---|---|---|---|
| | 31 December 2021 | **31 December 2022** | 31 December 2021 | **31 December 2022** | 31 December 2021 | **31 December 2022** | 31 December 2021 | **31 December 2022** |
| Fitch | AA- | **AA** | B- | **B** | B | **B+** | Negative | **Positive** |
| Moody's | Aa3 | **Aa2** | b3 | **b2** | B1 | **Ba3** | Stable | **Stable** |
| DBRS | BBB (high) | **--**[(3)] | B | **B** | B (high) | **B (high)** | Negative | **Stable** |

[(1)] Conditional Pass-through Covered Bond Programme.
[(2)] Fitch's Issuer Default Rating (IDR), Moody's Baseline Credit Assessment (BCA) and DBRS's Intrinsic Assessment (IA).
[(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 2022

### New Board team took office

The new Board of Directors, the most gender balanced among domestic banks – seven women (58%) and five men (42%) compose this pioneering college in terms of gender balance – took office for the four-year period 2022/2025, in accordance with the resolution of the General Shareholders' Meeting held on 29 April 2022, following a governance model which lives up to Banco Montepio's firm commitment to Gender Equality.

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


Banco Montepio, awarded the #1 Consumer Choice Brand in the 2023 Mortgage Loan category, for the second consecutive year, created a mortgage loan offer having Families, the social sector and society in mind.

Anyone who subscribes or transfers a mortgage loan to Banco Montepio receives 1.5% of the loan amount on a prepaid card (or 1.7%, if the house has an A or A+ energy certificate), that the Customer can use to buy whatever and whenever he wants.

In addition to the environmental component, the campaign also has a social and solidarity component. The prepaid card is associated with a donation program and each time the Customer uses it, he will be contributing, at no extra cost to himself and through Banco Montepio, to support Cáritas with the purpose of "inverting the poverty curve".

## Sale of the shareholding on Finibanco Angola S.A.

In early October 2022, Banco Montepio agreed to the sale of the stake held in the share capital of Finibanco Angola S.A., a financial institution incorporated under Angolan law, to Access Bank Plc, a commercial bank based in Lagos, Nigeria, with a significant presence on the African continent.

With the completion of this agreement, Banco Montepio will cease to have any direct or indirect participation in Finibanco Angola, S.A., achieving another important milestone in the accomplishment of the commitments foreseen in the Adjustment Program, namely regarding to strengthening the focus on the domestic market and the simplification of the Group's corporate structure.

## Superbrands 2022

Banco Montepio received once again the Superbrands seal for the 13th time and dedicates the history of its brand in 2022 to Gender Equality, reinforcing its commitment to Sustainable Development Goal (SDG) 5, on the path towards full equal rights and opportunities for men and women.

Superbrands® is an independent international organisation dedicated to identifying and promoting Brands of Excellence in 89 countries. 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".

## Launch of Banco Montepio Collection

Banco Montepio Collection is an online platform inspired by tradition, which presents itself as the latest technology, and which brings together a careful selection of prestigious products. This new online store was created to improve the end-to-end shopping experience for prestige products.

## Banco Montepio is one of the companies with best corporate reputation in Portugal


According to the results disclosed by Merco, Banco Montepio is one of the 100 companies with best corporate reputation in Portugal, ranking 56th.

Merco, a benchmark monitor that assesses the reputation of companies with the collection of the public opinion assessment and the evaluation of different stakeholders, presented the results of the Merco Companies and Leaders study in the 3rd edition in Portugal.

## Banco Montepio was granted with the Healthy Workplaces Award


Banco Montepio was awarded with the "Healthy Workplaces Award" by the Portuguese Psychologists' Association. A number of projects were developed with the aim of promoting occupational well-being, health and safety, including: E-Coffee with the CEO; Well-being Week; Weekly newsletter sent to employees; Leadership Training; Employees' Psychosocial Support Programme. With this award, the Portuguese Psychologists' Association distinguished organisations that proved a strong commitment to the prevention of psychosocial risks and the promotion of healthy workplaces and occupational health.

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

Banco Montepio, whose DNA is based on the ESG - Environmental, Social and Governance principles, has had the ability to transform itself in order to respond to the evolution of the society as a **Bank for the social and solidarity economy in Portugal**. We were awarded Five Stars 2023 in the Category Banking – Sustainability, an award of the exclusive responsibility of Five Stars Consulting, which implemented the Five Star methodology to Banco Montepio between June and September 2022, with the involvement and assessment carried out among 1280 consumers.

- **Environmental**

Within the scope of environmental sustainability, Banco Montepio is committed to **reducing its environmental and carbon footprint**, having several ongoing initiatives like, among others, the plan to replace the automotive fleet of combustion vehicles by plug-in, hybrid and 100% electric vehicles. This energy transition is being monitored and evaluated by ADENE, which has already distinguished the project with the Prémio Frota Verde (Green Fleet Award) at the Fleet Magazine Awards. At the same time, the Bank issues recycled and/or biodegradable plastic banking cards and ensures their collection and recycling at the end of their life cycle, when entrusted by cardholders, and promotes the adoption of alternative and digital payment systems among individuals and companies.

In its digital transition strategy, Banco Montepio is investing in refrigeration systems and data centres, with lower energy consumption and less carbon impact, to reduce the environmental impact associated with the exponentiation of technological and digital activities and content.

**Expansion of the mortgage loans** with an A or A+ energy classification and loans aimed at house improvement, **promoting energy efficient,** comfortable, affordable, and sustainable housing; offer of the *Linha Protocolada de Crédito para a Descarbonização e Economia Circular* (a Government guaranteed credit line for Decarbonization and Circular Economy) and the support to the Recovery and Resilience Plan (RRP) for the acquisition of 100% electric vehicles, directed to the Social and Solidarity Economy Entities (SSEEs) for the provision of home support services.

Banco Montepio Group has been active in **promoting sustainable financing** through the structuring of sustainable bonds (green project bonds, green bonds and sustainability linked bonds) and in the granting of green loans, thus reinforcing its commitment to climate transition. It has a specialized multidisciplinary team, which provides 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 began the **implementation of the Supplier Qualification Process**, which will include the Code of Conduct endorsing, with a view to making a positive and responsible contribution to the sustainable development of the economy and communities. The recognition of the importance of the economic, environmental, and social impacts has led to a sustainable management of the value chain. A Subcontracting Policy was also approved in 2021, in compliance with the fundamental principles.

- **Social**

Since 2017, Banco Montepio has supported **Pirilampo Mágico** (Magic Firefly), one of the most emblematic solidarity initiatives in the country, being the only national bank with mutualist origin and roots, committed to solidarity, social responsibility, and sustainability for 178 years, and whose mission is to make a difference in the lives of Households, Companies and SSEEs. The bank joins FENACERCI with the aim of raising public awareness of the concern of people with intellectual disabilities and multi-disabilities, with the purpose of promoting a fairer, more inclusive and more sustainable society.

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

**First bank in Portugal to make social investment**, whose goal is to have an impact on society. Banco Montepio started in 2017 with *Títulos de Impacto Social* - TIS (Social Impact Bonds), followed by *Parcerias Para o Impacto* - PPI (Partnerships For Impact). After the first TIS, in which Banco Montepio was a co-investor through the *Projeto Família®* (Project Family) together with the Calouste Gulbenkian Foundation, the Social Innovation Center of Eugénio de Almeida Foundation as a PPI project was supported by Banco Montepio between 2018 and 2020. In 2021, Banco Montepio joined Santa Casa da Misericórdia de Lisboa (SCML) in an investment in two TIS and seven PPIs, financing and leveraging innovative projects in the areas of social protection (employment, health, justice, education and inclusion).

Banco Montepio **innovated in the financing of the Social Economy in Portugal, with the underwriting of the first Social Loan**, establishing its strategic investment activity in social innovation, fighting poverty, social and financial and health exclusion, leveraging infrastructures and solutions, in partnership with Social Economy entities and the public and private sectors for a more sustainable future.

As a **Bank of the Social Economy in Portugal**, Banco Montepio stands out by maintaining a dedicated Commercial Division with managers focused on and specialized in this segment, and by providing differentiated products and services to the Social Sector. We highlight the Credit Line + Impacto Social (+Social Impact), in which Banco Montepio has financed, since the agreement with the European Investment Fund (EIF), around €92Mn in projects that will contribute significantly to expanding the network of social equipment, to increasing quality and to incorporating innovation and sustainability in the social responses of the SSEEs.

It is also important to mention the *Solução ESocial* (ESocial Solution), a solution of products and services, made available exclusively by Banco Montepio at national level, aimed at the day-to-day management of the SSEEs, and the *Conta Acordo* (Agreement Account), an exclusive product of Banco Montepio created to facilitate and ensure the treasury needs that may arise prior to the receipt of state's social welfare funds.

Banco Montepio is, since 2020, the only **financial partner of the < Academia de Código_ > (Code Academy)**, a project that aims to provide a social experience by holding bootcamps on computer language. To help all those who want to "(re)program" their lives by joining bootcamps, Banco Montepio provides the Credit Line Code Academy, a specific line to support students. Banco Montepio has already supported 159 students, through more than 850 thousand euros of Code Academy funding.

**Market leader in *SOU MAIS - Programa Nacional de Microcrédito* (SOU MAIS - National Microcredit Program)**, an initiative that consists in supporting projects for the creation of companies, promoted not only by people who have special difficulties in accessing the job market, but also by micro-entities and cooperatives with up to 10 employees, which present viable projects with net job creation, especially in the Social Economy area.

Banco Montepio has participated in "SOU MAIS" since 2011, and in the 2020 activity report, released in 2021, it was disclosed that Banco Montepio was the financial institution that stood out the most in the “SOU MAIS - National Microcredit Program”, with a percentage of 34.5% of the total financing (4,624 thousand euros out of 13,400 thousand euros) granted between 2011 and 2020.

- **Governance**

**Banco Montepio's commitment to Sustainability** is embodied in the gradual alignment of its business strategy with the 10 principles of the Global Compact, the 17 Sustainable Development Goals, the Principles for Responsible Banking and the Letter of Commitment to Sustainable Financing in Portugal, while ensuring that customers are offered sustainable banking products and services with social, environmental and ethical concerns.

In 2020, Banco Montepio endorsed, and assumed in its **Social Commitment Letter**, that it wants to continue to "be the country's mutualist-inspired bank", a commitment that reinforces the Institution's focus on the protection and preservation of natural capital, adopting sustainable practices in its operations and promoting economic, social and environmental sustainability.

**Banco Montepio adhered to the UN Global Compact**, reaffirming its mission to improve the real life of Households and Companies and support the SSEEs, in order to actively contribute to a more conscious and solidary present and cooperate in the construction of a more sustainable future for current and future generations.

**Banco Montepio adhered to the United Nations Women's Empowerment Principles** (WEP) as part of its integration plan for diversity and respect for Universal Human Rights. By adopting the seven WEP principles, Banco Montepio is investing in the future and sustainability of the Group, promoting the full empowerment and participation of women in the corporate culture, in the access to professional career opportunities and top management, in fair remuneration and distribution of responsibilities, in talent management and appointment to positions of high responsibility and in the current and transversal application of the principles enshrined in its Equality and Diversity Policy.

This commitment is in line with the National Target for Gender Equality: 40% women in decision-making positions (Board of Directors, Executive Committee and Senior Management) by 2030, which is already met by Banco Montepio.

Banco Montepio

## KEY INDICATORS

| | Dec-21 restated | Dec-22 | Change YoY |
|---|---|---|---|
| **ACTIVITY AND RESULTS (€ million)** | | | |
| Total assets | 19,713 | 19,106 | (3.1%) |
| Gross Loans to customers | 12,141 | 12,068 | (0.6%) |
| Customers' deposits | 12,710 | 13,115 | 3.2% |
| Equity | 1,363 | 1,519 | 11.5% |
| Net income | 6.6 | 33.8 | >100% |
| **SOLVENCY (a)** | | | |
| Common Equity Tier 1 ratio | 12.7% | 13.7% | 1.0 p.p. |
| Tier 1 ratio | 12.7% | 13.7% | 1.0 p.p. |
| Total Capital ratio | 15.1% | 16.2% | 1.1 p.p. |
| Leverage ratio | 5.6% | 5.9% | 0.3 p.p. |
| Risk weighted assets (€ million) | 8,800 | 8,276 | (5.9%) |
| **LIQUIDITY RATIOS** | | | |
| Loans to customers (net) / Customers' deposits (b) | 91.5% | 89.3% | (2.2 p.p.) |
| LCR | 264.1% | 249.6% | (14.5 p.p.) |
| NSFR | 125.3% | 125.0% | (0.3 p.p.) |
| **ASSET QUALITY** | | | |
| Cost of credit risk | 0.4% | 0.1% | (0.3 p.p.) |
| Non-performing exposures (NPE) [(c)] / Gross Loans to customers | 8.0% | 5.3% | (2.7 p.p.) |
| NPE [(c)] coverage by credit risk Impairments | 53.5% | 56.5% | 3.0 p.p. |
| NPE [(c)] coverage by credit risk Impairments and associated collaterals and financial guarantees | 96.0% | 103.9% | 7.9 p.p. |
| **PROFITABILITY AND EFFICIENCY** | | | |
| Total operating income / Average total assets [(b)] | 1.9% | 1.9% | 0.0 p.p. |
| Net income before income tax / Average total assets [(b)] | 0.2% | 0.4% | 0.2 p.p. |
| Net income before income tax / Average total equity [(b)] | 2.4% | 4.7% | 2.3 p.p. |
| Cost-to-income (Operating costs / Total operating income) [(b)] | 69.2% | 66.6% | (2.6 p.p.) |
| Cost-to-Income, excluding specific impacts [(d)] | 68.6% | 63.2% | (5.4 p.p.) |
| Staff costs / Total operating income [(b)] | 43.3% | 41.2% | (2.1 p.p.) |
| **EMPLOYEES AND DISTRIBUTION NETWORK (Number)** | | | |
| Employees | | | |
| Banco Montepio Group | 3,478 | 3,406 | (2.1%) |
| Banco Montepio | 3,121 | 3,043 | (2.5%) |
| Branches | | | |
| Domestic network - Banco Montepio | 254 | 239 | (5.9%) |
| International Network [(e)] | 20 | 20 | 0.0% |
| Representation Offices - Banco Montepio | 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.

## CONSOLIDATED INCOME STATEMENT

| (Euro million) | Dec-21 restated | Dec-22 | Change YoY €Mn | Change YoY % |
|---|---|---|---|---|
| Interest and similar income | 294.8 | 300.9 | 6.1 | 2.0% |
| Interest and similar expense | 62.3 | 49.4 | (12.9) | (20.7%) |
| **NET INTEREST INCOME** | **232.6** | **251.5** | **18.9** | **8.1%** |
| Dividends from equity instruments | 1.8 | 1.0 | (0.8) | (45.8%) |
| Net fee and commission income | 114.7 | 120.5 | 5.8 | 5.1% |
| Results from financial operations | 10.8 | 12.0 | 1.2 | 11.1% |
| Other results | 7.8 | (14.9) | (22.7) | <-100% |
| **OPERATING INCOME** | **367.7** | **370.1** | **2.4** | **0.6%** |
| Staff Costs | 159.1 | 152.6 | (6.5) | (4.1%) |
| General and administrative expenses | 61.3 | 59.7 | (1.6) | (2.5%) |
| Depreciation and amortization | 34.1 | 34.0 | (0.1) | (0.1%) |
| **OPERATING COSTS** | **254.4** | **246.4** | **(8.0)** | **(3.2%)** |
| Loan impairments | 51.4 | 13.4 | (38.0) | (74.0%) |
| Other financial assets impairments | 4.4 | 2.3 | (2.1) | (46.9%) |
| Other assets impairments | 31.0 | 24.9 | (6.1) | (19.8%) |
| Provisions net of reversals and annulments | (3.9) | 3.9 | 7.8 | >100% |
| Share of profit of associates under the equity method | 0.0 | 0.5 | 0.5 | >100% |
| **EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS** | **30.4** | **79.7** | **49.3** | **>100%** |
| Tax | 24.9 | 35.6 | 10.7 | 42.7% |
| Non-controlling interests | 1.1 | (2.7) | (3.8) | <-100% |
| Profit/(loss) from discontinuing operations | 2.3 | (13.0) | (15.3) | <-100% |
| **NET INCOME** | **6.6** | **33.8** | **27.2** | **>100%** |

## CONSOLIDATED BALANCE SHEET

| (Euro million) | As reported Dec-21 | Restated Dec-21 | Dec-22 | Change YoY €Mn | Change YoY % |
|---|---|---|---|---|---|
| Cash and deposits at central banks | 2,968 | 2,944 | 1,384 | (1,560) | (53.0%) |
| Loans and advances to credit institutions repayable on demand | 67 | 67 | 52 | (15) | (22.2%) |
| Other loans and advances to credit institutions | 229 | 177 | 106 | (71) | (40.0%) |
| Loans and advances to customers | 11,668 | 11,629 | 11,713 | 84 | 0.7% |
| Financial assets held for trading | 8 | 8 | 23 | 15 | >100% |
| Financial assets at fair value through profit or loss (FVPL) | 203 | 203 | 148 | (55) | (27.4%) |
| Financial assets at fair value through other comprehensive income (FVOCI) | 123 | 123 | 97 | (26) | (21.1%) |
| Hedging derivatives | 5 | 5 | 0 | (5) | (100.0%) |
| Other financial assets at amortised cost | 3,004 | 2,968 | 4,119 | 1,151 | 38.8% |
| Investments in associates | 4 | 4 | 4 | 0 | 11.1% |
| Non-current assets held for sale | 39 | 39 | 0 | (39) | (100.0%) |
| Non-current assets held for sale - Discontinued operations | 0 | 206 | 200 | (6) | (3.1%) |
| Investment properties | 103 | 103 | 73 | (30) | (29.3%) |
| Property and equipment | 232 | 202 | 192 | (10) | (5.0%) |
| Intangible assets | 40 | 49 | 48 | (1) | (2.3%) |
| Current tax assets | 7 | 7 | 6 | (1) | (9.1%) |
| Deferred tax assets | 460 | 461 | 414 | (47) | (10.2%) |
| Other Assets | 553 | 519 | 527 | 8 | 1.6% |
| **TOTAL NET ASSETS** | **19,713** | **19,713** | **19,106** | **(607)** | **(3.1%)** |
| Deposits from central banks | 2,902 | 2,902 | 2,890 | (12) | (0.4%) |
| Deposits from other financial institutions | 555 | 555 | 342 | (213) | (38.4%) |
| Deposits from customers | 12,787 | 12,710 | 13,115 | 405 | 3.2% |
| Debt securities issued | 1,617 | 1,617 | 607 | (1,010) | (62.5%) |
| Financial liabilities held for trading | 7 | 7 | 18 | 11 | >100% |
| Non-current liabilities held for sale – Discontinued operations | 0 | 90 | 102 | 12 | 12.4% |
| Provisions | 34 | 29 | 31 | 2 | 6.6% |
| Current tax liabilities | 2 | 1 | 4 | 3 | >100% |
| Other subordinated debt | 217 | 217 | 217 | (0) | (0.1%) |
| Other liabilities | 227 | 221 | 261 | 40 | 18.2% |
| **TOTAL LIABILITIES** | **18,350** | **18,350** | **17,587** | **(763)** | **(4.2%)** |
| Share Capital | 2,420 | 2,420 | 2,420 | 0 | 0.0% |
| Other reserves and retained earnings | (1,076) | (1,076) | (946) | 130 | 12.1% |
| Consolidated net profit/ (loss) for the period attributable to the shareholders | 7 | 7 | 34 | 27 | >100% |
| Total equity attributable to the shareholders | 1,350 | 1,350 | 1,508 | 158 | 11.7% |
| Non-controlling interests | 13 | 13 | 11 | (2) | (11.3%) |
| **TOTAL EQUITY** | **1,363** | **1,363** | **1,519** | **156** | **11.5%** |
| **TOTAL LIABILITIES AND EQUITY** | **19,713** | **19,713** | **19,106** | **(607)** | **(3.1%)** |

**Additional information:**

**Investor Relations Office**
**Fernando Teixeira**
Phone: (+351) 210 416 144
investors@montepio.pt

**Disclaimer -** The financial information contained in this document was prepared in accordance with International Financial Reporting Standards ("IFRS") for Banco Montepio Group within the scope of the preparation of consolidated financial statements, in accordance with Regulation (EC) 1606/2002.

## GLOSSARY

**CET1** - Common Equity Tier 1.

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

**Cost of Credit Risk** - Indicator that measures the cost recognized in the period and recorded as credit impairment in the income statement to cover the risk of default in the loans and advances to Customer's portfolio. It results from dividing the Credit Impairment (annualized) by the average balance of Loans to Customers (gross).

**Cost-to-income ratio** - Ratio of operating efficiency measured through the portion of operating income that is absorbed by operating costs, given by dividing operating costs by operating income.

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

**EBA** - European Banking Authority, European Banking Authority.

**Fully implemented** -Totally implemented, in English. It refers to the full implementation of the prudential rules set out in the legislation in force in the European Union, which was produced based on the standards defined by the Basel Committee on Banking Supervision in the agreements known as Basel II and Basel III.

**LCR** - Liquidity Coverage Ratio.

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

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

**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".

**Performing loans** - Corresponds to gross credit excluding non-performing loans.

**Phasing-in** - Transitional period, in English. It refers to the phased implementation of prudential rules in accordance with the legislation in force in the European Union.

**Results from financial operations -** Sum of the headings in the income statement "Income from assets and liabilities measured at fair value through profit or loss", "Income from financial assets at fair value through other comprehensive income" and "Income from foreign exchange revaluation".

**RWA** - Risk-Weighted Assets.

**Securities portfolio** - Sum of the balance sheet headings "Financial assets held for trading", "Financial assets at fair value through other comprehensive income", "Other financial assets at amortised cost", and "Financial assets at fair value through profit or loss".

**TLTRO** - Targeted Longer Term Refinancing Operations.

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

**YoY** - Year-on-year.