

27 February 2023

Millennium bcp Earnings release as at 31 December 2022

A Bank prepared for the future

Robust business model

- **CET1 ratio increase** to **12.5%** (**13.0%** on a **pro forma¹** basis), through organic generation and other initiatives, including securitizations and non-performing assets decrease. At the end of the year, CET1 ratio stood above regulatory requirement of 9.41%² and exceeded the 2024 strategic plan target.
- **Reinforcement** of the **liquidity position**. On-Balance sheet customer funds up by 8.5% to 77.2 billion euros reflecting a 4.8 billion euros increase (9.6%) in Portugal.
- **Non-performing assets decrease**: reduction from December 2021 of 535 million euros in NPE, 265 million euros in foreclosed assets and 376 million euros in restructuring funds.
- **Customer base growth** of 5.5%, highlighting the increase in mobile Customers, which represent 63% of total Customers.

Profitability

- **Net income** of **207.5 million euros**, which compares with 138.1 million euros in 2021 and **ROE** stood at **4.0%**, in spite of the extraordinary effects related with Bank Millennium.
 - **Increase** of **26.1%** in **core income** of the **Group** and **strict management** of **operating costs** (+3.1%, excluding specific items).
 - **The key effects³** of **Bank Millennium** were: 525.6⁴ million euros of costs related with the foreign exchange mortgage loan portfolio, cost related with credit holidays of 282.8 million euros, contribution of 59.0 million euros for the Institutional Protection Scheme (IPS)⁵ and booking of Bank Millennium goodwill impairment of 102.3 million euros.
 - **Mandatory contributions** for the **banking sector** in **Portugal** of **62.2 million euros**.

¹ Subject to the already requested ECB approval for the application of article 352 (2) of the CRR; Fully implemented ratio including unaudited net income for 2022. ² Minimum prudential requirements since January 1st, 2023. ³ Before taxes and minority interests. ⁴ Includes provisions for legal risk, costs with out-of-court settlements and legal advice. ⁵ New polish fund aimed to guarantee the stability of the financial system, ensuring the liquidity and solvency of member banks.

BANCO COMERCIAL PORTUGUÊS, S.A.,
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto, with the
single commercial and tax identification number 501 525 882
and the share capital of EUR 3,000,000,000.00.
LEI: JU1U6SODG9YLT7N8ZV32

INVESTOR RELATIONS

Bernardo Collaço
Phone +351 211 131 084
investors@millenniumbcp.pt
bernardo.collaco@millenniumbcp.pt
alexandre.moita@millenniumbcp.pt

MEDIA CONTACTS

Erik T. Burns
Phone +351 211 131 242
Mobile +351 917 265 020
erik.burns@millenniumbcp.pt
cintia.barbas@millenniumbcp.pt

FINANCIAL HIGHLIGHTS (1)

Million
euros

	31 Dec. 22	31 Dec. 21	Chg. 22/21
BALANCE SHEET			
Total assets	89,861	92,905	(3.3)%
Equity	5,921	7,062	(16.2)%
Loans to customers (net)	56,198	56,360	(0.3)%
Total customer funds	92,808	90,097	3.0 %
Balance sheet customer funds	77,250	71,175	8.5 %
Deposits and other resources from customers	75,907	69,560	9.1 %
Loans to customers (net) / Deposits and other resources from customers (2)	74.0 %	81.0 %	
Loans to customers (net) / Balance sheet customer funds	72.7 %	79.2 %	
RESULTS			
Net interest income	2,149.8	1,588.6	35.3 %
Net operating revenues	2,867.5	2,334.4	22.8 %
Operating costs	1,073.0	1,115.6	(3.8)%
Operating costs excluding specific items (3)	1,056.5	1,024.9	3.1 %
Results on modification	(309.9)	—	— %
Loan impairment charges (net of recoveries)	300.6	348.9	(13.8)%
Other impairment and provisions	755.6	712.2	6.1 %
Income taxes	304.3	203.6	49.5 %
Net income	207.5	138.1	50.3 %
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	3.0 %	2.6 %	
Return on average assets (ROA)	0.1 %	0.0 %	
Income before tax and non-controlling interests / Average net assets (2)	0.5 %	0.3 %	
Return on average equity (ROE)	4.0 %	2.4 %	
Income before tax and non-controlling interests / Average equity (2)	7.3 %	3.3 %	
Net interest margin	2.46 %	1.93 %	
Cost to core income (2)(3)	36.2 %	44.2 %	
Cost to income (2)	37.4 %	47.8 %	
Cost to income (2)(3)	36.8 %	43.9 %	
Cost to income - Activity in Portugal (2)(3)	37.0 %	42.6 %	
Staff costs / Net operating revenues (2)(3)	19.7 %	24.1 %	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	52	60	
Non-Performing Exposures (loans to customers) / Loans to customers	3.8 %	4.7 %	
Total impairment (balance sheet) / NPE (loans to customers)	68.3 %	68.0 %	
Restructured loans / Loans to customers	3.2 %	4.4 %	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	212 %	269 %	
Net Stable Funding Ratio (NSFR)	154 %	150 %	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.6 %	11.7 %	
Common equity tier I fully implemented ratio	12.5 %	11.7 %	
Total ratio fully implemented	16.8 %	15.8 %	
BRANCHES			
Activity in Portugal	408	434	(6.0)%
International activity	832	854	(2.6)%
EMPLOYEES			
Activity in Portugal	6,252	6,289	(0.6)%
International activity (5)	9,491	9,579	(0.9)%

Notes:

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary. Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, concluded in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group, in 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in IFRS 5. On the other hand, following the sale, at the end of 2021, of the 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), now designated Fidelidade Moçambique - Companhia de Seguros S.A., through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in 2021, was restated, being reflected as income from discontinued operations in the international activity, as defined in IFRS 5 in order to ensure its comparability. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM regarding 2021 was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items, related to 2021, was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of those subsidiaries were no longer considered interest earning assets in the period under analysis.

(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(3) Excludes specific items: negative impact of 16.5 million euros in 2022 and 90.7 million euros in 2021, both before taxes. In 2022, specific items include: i) the distribution of the Bank's 2021 results by the employees of the Bank, as approved at the General Meeting of Banco Comercial Português, S.A., held on May 4, 2022; ii) costs with mortgage financing to former employees; iii) discretionary remuneration paid to employees as a measure to offset the impacts of inflation; and iv) the recognition of a provision for other structure adaptation measures. In 2021, specific items were mainly related to the adjustment of headcount carried out by the Bank in that year, including a provision in the amount of 84.2 million euros.

(4) As at 31 December 2022 and 31 December 2021, capital ratios include the positive cumulative net income of each period. Ratios as of 31 December 2022 were not audited.

(5) Of which, in Poland: 6,987 employees as at 31 December 2022 (corresponding to 6,860 FTE - Full-time equivalent) and 7,079 employees as at 31 December 2021 (corresponding to 6,942 FTE - Full-time equivalent). As of 31 December 2021, the number of employees associated with the international activity includes 4 employees of Cayman, nonexistent as of 31 December 2022, since the operation was liquidated during the year.

RESULTS AND ACTIVITY IN 2022

The outbreak of the war in Ukraine, resulting from the invasion of that country by the Russian Federation at the end of February, marked decisively the year of 2022. In the context of the resulting geopolitical crisis, the Bank acted in accordance with the guidelines of the European Union and implemented a set of mechanisms to monitor the situation and measures to support the Ukrainian people. The direct exposure of the Group to the economies of the two countries involved in the conflict is not material. Nevertheless, the high level of uncertainty currently prevailing regarding the outcome of the conflict does not allow, at this stage, to exclude significant future impacts, which are currently not predictable or quantifiable.

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, concluded in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group, in 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in IFRS 5. On the other hand, following the sale, at the end of 2021, of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (“SIM”), now designated Fidelidade Moçambique - Companhia de Seguros S.A., through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in 2021, was restated, being reflected as income from discontinued operations in the international activity, as defined in IFRS 5 in order to ensure its comparability. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of those subsidiaries were no longer considered interest earning assets in the period under analysis.

In the fourth quarter, the Bank proceeded to the restatement of the amount related to potential costs resulting from credit holidays policy in Poland, enacted in July 2022, previously booked in other impairments and provisions. These costs are now booked in results on modification item. This item also started to include contractual modifications, in accordance with IFRS 9, namely those negotiated with customers holding foreign exchange mortgage loans. The 2021 amounts, given its immateriality in this context, were not restated.

In 2022, Banco Comercial Português, S.A. completed Project Crow regarding the sale of Participation Units in Fundo de Recuperação Turismo, Fundo de Capital de Risco and FLIT-PTREL-SIF, S.C.A., as well as other assets of the hospitality sector. Considering that the Bank had already booked provisions for the potential impacts arising from the reduction of exposure to these assets, the completion of this transaction did not have a material impact on the consolidated results.

In 2022, the Group liquidated its subsidiaries BCP Finance Company and Millennium bcp Bank & Trust.

RESULTS

The consolidated **net income** of Millennium bcp amounted to 207.5 million euros in 2022, standing significantly above the 138.1 million euros achieved in the previous year.

This evolution of net income of the Group was due to the significant growth recorded in the activity in Portugal, although its impact was largely offset by the evolution of the result of the international activity, arising from the negative result associated with the Polish subsidiary.

In this sense, it should be noted that despite the good operating performance of Bank Millennium S.A., the uncertainty associated with the material impacts arising from new legislative measures, led the Bank to consider the total impairment of the current goodwill associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium S.A. in the amount of 102.3¹ million euros as at 30 June 2022.

Though still negative, the net result of the Polish subsidiary evolved favourably compared to last year, despite the worsening of the extraordinary effects that have strongly influenced its performance, having returned to positive results in the fourth quarter of 2022, after an extended number of quarters with negative results.

In this context, the Bank recognised upfront the potential costs arising from the program of moratoriums (credit holidays) enacted in July 2022 by the President of the Republic of Poland. Thus, following the signing by the President of the Republic of Poland of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for borrowers of mortgages denominated in Zlotys, the Bank estimated the maximum impact of the implementation of this Act if all eligible Bank Millennium Group's borrowers were to use this instrument, having recognised an upfront cost of 80% of such maximum impact in the results of the third quarter of 2022, corresponding to 304.6¹ million euros. In the fourth quarter of 2022, a review was carried out of the effective cost and use of credit moratoriums by eligible borrowers in the second half of 2022, and ongoing requests to suspend loan installments in 2023 were analysed. As a result of this review, the total estimated cost of credit moratoriums was reduced to 282.8¹ million euros at the end of 2022, with a positive impact on the results for the fourth quarter of the year. These costs are recognised under the heading results on modification, justifying almost the entirety of its balance in 2022.

On the other hand, the results of the operation in Poland continue to be penalised by the costs incurred with the mandatory contributions to which it was subject. In this context, it is worth highlighting the contribution to the newly established Polish Institutional Protection Scheme (IPS) in the amount of 59.0¹ million euros in 2022, non-existent in 2021. This fund, set up by the Bank together with the other participating financial institutions was created with the aim of ensure the stability of the local financial system by ensuring the liquidity and solvency of the member banks, serving simultaneously to support situations of forced restructuring, carried out by the Bank Guarantee Fund in banks that are public companies.

The costs associated with foreign exchange mortgage portfolio, in turn, despite continuing to heavily penalise the performance of the Polish subsidiary, recorded an overall reduction of 27.5¹ million euros, from 553.2¹ million euros in 2021, to 525.6¹ million euros in 2022. The additional provisions booked to face the legal risk implicit in this portfolio represent the most significant portion of these costs, with their reduction compared to the previous year contributing decisively to the favourable evolution of the overall amount. On the other hand, Bank Millennium continues to focus on reducing the foreign exchange mortgage portfolio, through agreements with its Customers aimed at amending contract terms, converting the loans into local currency or early reimbursing them (in full or in part), translating into an increase in the corresponding costs. The court costs related to the claims filed by Bank Millennium were also higher than in the previous year.

Despite the previously mentioned impacts, the favourable performance of net income of the Group was possible mainly thanks to the evolution of core income, which proved to be 26.1% higher than the 2,316.3 million euros recorded in 2021, reaching 2,921.7 million euros at the end of 2022. The growth in core income was observed in the three geographies in which the Bank operates, with the Polish subsidiary making a strong contribution to this evolution, driven by the increase of approximately 70% recorded in net interest income.

¹ Before taxes and in the case of Bank Millennium S.A, before minority interests.

At the same time, the performance of the results of the Group also benefited from the reduction recorded in operating costs, despite the rise in inflation observed in the geographies in which the Bank operates, since the previous year had been penalised by the extraordinary provision recognised as staff costs in the activity in Portugal, to address the costs of the headcount adjustment plan carried out by the Bank that year.

Excluding the aforementioned provision, in the amount of 84.2 million euros, considered as a specific item, and also excluding the remaining specific items in both periods, the core operating profit of the Group amounted to 1,865.1 million euros at the end of 2022, showing a significant increase of 44.4% compared to the 1,291.4 million euros achieved in the previous year. The stated core operating profit, in turn, increased by 54.0%, from 1,200.7 million euros in 2021, to 1,848.7 million euros in 2022.

In addition to the increase in core income and the reduction in operating costs, the net income of the Group also benefited from the lower level of provisioning for loans and, to a lesser extent, from the increase recorded both in equity accounted earnings and in dividends from equity instruments.

Conversely, the net income of the Group in 2022 is penalised, as mentioned above, both by the early recognition of potential costs arising from the moratorium program (credit holidays), recognised in results on modification, and by the evolution of other impairments and provisions, influenced by the recognition of the total impairment of the goodwill associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium SA. Other net operating income, strongly influenced by the increase in mandatory contributions both in the activity in Portugal and in the Polish operation, and net trading income also showed an unfavourable evolution compared to the previous year.

Finally, it should be noted the result of discontinued operations, which evolved from 70.9 million euros in 2021 to 5.5 million euros in the current year. In 2021, the result of discontinued operations reflects the positive impacts arising from the sale of the entire share capital of Banque Privée BCP (Suisse) SA, and 70% of the investment that the Group held in Seguradora Internacional de Moçambique, SA (“SIM”), now designated Fidelidade Moçambique - Companhia de Seguros SA, which took place in that year. In 2022, this item incorporates the sale price adjustment of Banque Privée, according to previously agreed conditions² and the correction of the gain generated in the participation that the Group held in “SIM”.

In the activity in Portugal, net income amounted to 353.6 million euros in 2022, showing a significant growth from the 172.8 million euros achieved in the previous year.

The performance of the activity in Portugal largely benefited from the growth of 165.9 million euros recorded in core income, which rose from 1,345.7 million euros in 2021 to 1,511.5 million euros in 2022, as a result of the favourable evolution evidenced mainly by net interest income, but also by net commissions.

On the other hand, the reduction in operating costs determined by the recognition as staff costs, in 2021, of a provision, in the amount of 84.2 million euros, to address the costs of the headcount adjustment plan that the Bank carried out that year, also contributed significantly to the favourable evolution of the net result of the activity in Portugal.

Even excluding the aforementioned provision, considered as a specific item, and also excluding the remaining specific items³ in both years, operating costs in the activity in Portugal showed a reduction compared to the previous year, which together with the expansion of core income led to a 24.6% growth in core operating profit excluding specific items, from 743.5 million euros in 2021 to 926.3 million euros in 2022. The stated core operating profit, in the activity in Portugal, in turn, increased from 652.8 million euros in 2021, to 909.8 million euros in 2022.

² The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

³ Net income includes the negative impact of 16.5 million euros in 2022 and 90.7 million euros in 2021, both before taxes, recognised as specific items, fully recognised in staff costs in the activity in Portugal in both years. In 2022, specific items included: i) the distribution of part of the results obtained by the Bank in 2021 by its employees, as approved at the General Meeting of Banco Comercial Português, SA, held on 4 May, 2022; ii) costs with mortgage financing to former employees; iii) discretionary remuneration paid to employees as a measure to offset the impacts of inflation; and iv) the recognition of a provision for other structure adaptation measures. In 2021, specific items are mainly related to the costs arising from the adjustment of headcount carried out by the Bank that year, including a provision in the amount of 84.2 million euros.

In addition, it is also important to highlight the significant reduction in the portfolio's provisioning needs in the activity in Portugal, compared to the previous year, reflecting a better risk perspective of this portfolio in relation to 2021. Although to a lesser extent, equity accounted earnings and dividends from equity instruments also contributed favourably to the evolution of net income from the activity in Portugal in the last year.

Conversely, the evolution of the net result of the activity in Portugal was influenced by the increase in other impairments and provisions and by the worse performance of other net operating income and net trading income compared to the previous year.

In the international activity, net income amounted to a negative amount of 146.1 million euros in 2022, showing a very significant drop compared to the also negative amount of 34.7 million euros recorded in 2021, despite the fact that the operations abroad have improved their results compared to 2021. In fact, the evolution of the income of the international activity compared to the previous year was penalised by the recognition of a provision, in the amount of 102.3 million euros, concerning to the total goodwill associated with the stake that the Group holds in Bank Millennium, SA, despite the good operational performance of this subsidiary.

Net income of the international activity was also influenced by the reduction in the results of discontinued operations following the positive impacts that occurred in 2021, associated with the sale of the entire share capital of Banque Privée BCP (Suisse) SA, and 70% of the stake that the Group held in Seguradora Internacional de Moçambique, SA ("SIM"), now designated Fidelidade Moçambique - Companhia de Seguros SA, which occurred in that year.

The evolution of net income of the international activity, on the other hand, benefited, as previously mentioned, from the improvement in the results presented both by the Polish and Mozambican subsidiaries, and by the Angolan operation.

Despite maintaining a solid operating performance and its contribution having improved compared to the previous year, the Polish subsidiary continues, however, to present a negative result, due to the extraordinary effects that have been strongly influencing its performance.

In this sense, in addition to the upfront recognition of potential costs arising from the moratorium program (credit holidays), recognised in 2022 as results on modification, in the amount of 282.8 million euros, also the increase in the mandatory contributions to which the Polish subsidiary was subject (from 94.4 million euros in 2021 to 120.9 million euros in 2022), influenced the performance of the international activity. On the other hand, the costs associated with the foreign exchange mortgage loans portfolio, despite continuing to heavily penalize the result of the Polish operation, recorded, globally, a reduction of 27.5 million euros in the last year, from 553.2 million euros in 2021, to 525.6 million euros in 2022.

The impact of the extraordinary effects referred to above was offset by the significant increase recorded in core income from the international activity, which evolved from 970.7 million euros in 2021 to 1,410.1 million euros in 2022. The performance of net interest income in the Polish operation was decisive for this evolution, driven by successive increases in reference interest rates between the last quarter of 2021 and the third quarter of 2022, putting an end to the period of rates close to zero set by the National Bank of Poland in the initial phase of the pandemic.

Benefiting from the increase in core income and despite the impact of rising levels of inflation on operating costs, the core operating profit of the international activity grew by 71.4%, from 547.9 million euros in 2021 to 938.9 million euros in 2022.

Net interest income reached 2,149.8 million euros in 2022, showing a significant growth of 35.3% compared to the 1,588.6 million euros posted in the previous year. The favourable evolution of net interest income was observed in the three geographies in which the Bank operates, with the Polish subsidiary, growing the most, by almost 70%.

In the activity in Portugal, net interest income stood 14.4% above the 831.3 million euros achieved in 2021, reaching 951.0 million euros at the end of 2022. The favourable performance of net interest income in the activity in Portugal reflects the positive impact resulting from the management of the securities portfolio, as well as the favourable evolution of the commercial business. In this context, it is worth mentioning the contribution of the income generated

by the sovereign debt portfolio, benefiting from the evolution of interest rates and portfolio rotation, although the other securities also generated higher income compared to 2021.

The higher income generated by the loan portfolio stems, on the one hand, from the increase in credit volumes and, on the other hand, from the recent increases in interest rates, which have had a growing impact on the income generated by the performing loans portfolio. To the favourable evolution of income generated by credit contributed, to a large extent, loans granted to companies within the scope of national and European guarantees to support activity in Portugal. Customer funds, despite the increase in the average balance of interest-bearing deposits compared to 2021, still had a minor impact on the evolution of net interest income in the activity in Portugal.

Net interest income of the activity in Portugal also benefited from the higher income from other assets and liabilities and from the net investment of surplus liquidity with other credit institutions. On the other hand, there was a reduction in the costs incurred with subordinated debt, reflecting the maturity of some issues over the last year.

The performance of net interest income in the activity in Portugal was also influenced by lower income resulting from funding obtained from the European Central Bank, through participation in targeted longer-term refinancing operations (TLTRO). In fact, the income recorded in 2022, resulting from the negative interest rate applied, was lower than that recorded in 2021, due, on the one hand, to the end of interest rate discount period since 23 June 2022, and on the other hand, to the change in the methodology for calculating interest. At the same time, reference should be made to the increase in net interest income resulting from liquidity deposited at the Bank of Portugal.

Finally, reference should be made to the increase, compared to the previous year, in the costs incurred with issued debt, resulting from issues placed on the market during 2021 and 2022, only partially offset by the repayment of a covered bond issue in May 2022. In this sense, it should be noted the launch of a senior preferred issue, in the amount of 500 million euros, in the first quarter of 2021, as well as a new issue, of securities representing senior preferred social debt, also in the amount of 500 million euros, at the end of the third quarter of 2021, both placed under the Bank's Euro Note Programme. Also under its Euro Note Programme, the Bank returned to the market, in October 2022, to place an issue of senior preferential debt securities, in the amount of 350 million euros. It should be noted that all the issues mentioned are aimed at meeting the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

In the international activity, net interest income amounted to 1,198.8 million euros at the end of 2022 showing a significant growth of 58.3% from the 757.3 million euros accounted in 2021. This evolution was mainly due to the performance of the Polish subsidiary, with the net interest income at the subsidiary in Mozambique also presenting a favourable performance, albeit with a smaller impact.

In the Polish subsidiary, net interest income was boosted by successive increases in the reference interest rates that have been taking place since the last quarter of 2021 and the third quarter of 2022, ending the period of interest rates close to zero that had been set by the National Bank of Poland since the initial phase of the pandemic and which had been penalizing the net interest income of the subsidiary. The impact of these interest rate increases was mainly felt on the interest income of loans to customers, which played a decisive role in the favourable evolution of the net interest income of the subsidiary.

On the other hand, the favourable performance of net interest income in the Mozambican operation benefited from the increase in interest rates and also reflects the exchange rate evolution of Metical against the euro.

In consolidated terms, net interest margin stood at 2.46% in 2022, showing a favourable evolution from 1.93% in the previous year, mainly reflecting the performance of the international activity. In the activity in Portugal net interest margin also recorded an increase compared to the previous year, although less significant.

Thus, in the activity in Portugal, net interest margin evolved from 1.44% in 2021 to 1.53% in 2022, mainly influenced by the increase in interest rates underlying the credit and sovereign debt portfolios.

In turn, net interest margin in the international activity, increased significantly, from 3.09% in 2021 to 4.77% in 2022, mainly reflecting the reversal of the evolution trend of the reference interest rates set by the National Bank of Poland,

which after a period of rates close to zero, announced successive increases between the last quarter of 2021 and the third quarter of 2022.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved favourably from 57.9 million euros in 2021 to 78.8 million euros at the end of 2022, mainly reflecting the performance of the activity in Portugal. In the international activity, equity accounted earnings also improved compared to those recorded in the previous year, although on a smaller scale.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments stood at 77.1 million euros in 2022, increasing 31.9% from the 58.4 million euros posted in the previous year. This evolution reflects the performance of both the income associated with investments that are part of the shares portfolio of the activity in Portugal, which showed a very significant growth compared to the immaterial amount posted in the previous year, and the increase in equity accounted earnings, namely with regard to the income generated by the participation in Unicre and the greater contribution of the participation in Millenniumbcp Ageas in 2022.

In the international activity, the evolution of equity accounted earnings together with the income of dividends from equity instruments, from a negative amount of 0.6 million euros in 2021 to a positive amount of 1.7 million euros in 2022, benefited from the appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. ("SIM"), now designated Fidelidade Moçambique - Companhia de Seguros S.A., following the sale at the end of 2021 by BIM - Banco Internacional de Moçambique, S.A. ("BIM") to Fidelidade - Companhia de Seguros, S.A., of 70% of SIM's share capital and voting rights, keeping BIM approximately 22% of its share capital. The results generated by Banco Millennium Atlântico in Angola did not have a material impact on the evolution of this heading.

Net commissions showed a 6.1% growth from the 727.7 million euros recorded in 2021, reaching 771.9 million euros at the end of 2022. This performance reflects, in part, the progressive normalisation of the economic activity, arising from the favourable evolution of the pandemic associated with COVID-19.

The favourable performance of net commissions, as a whole, was determined by the increase recorded in the activity in Portugal, reflecting the evolution of banking commissions, with commissions related to markets also standing at a higher level than that achieved in the previous year, although with a lesser impact. The contribution of international activity to the evolution of this item, in turn, was slightly lower than in 2021, with the increase in banking commissions being fully absorbed by the drop in commissions related to markets.

In the activity in Portugal, net commissions grew by 9.0% from the 514.3 million euros recorded in 2021, amounting to 560.6 million euros at the end of the current year. This performance reflects, in part, the progressive normalisation of economic activity, resulting from the favourable evolution of the pandemic associated with COVID-19. Both banking commissions, which increased by 40.7 million euros (9.4%), and market related commissions, which stood 5.5 million euros (6.7%) above the amount accounted for in 2021, contributed to the favourable evolution of net commissions in the activity in Portugal. Commissions related to transfers, which mostly include amounts charged for transactions carried out with cards and the respective payment networks, for bank transfers and for the use of points of sale (POS), were the main factors responsible for this performance, largely reflecting the recovery of transaction levels existing before the outbreak of the pandemic, along with the growth in management and maintenance of accounts, reflecting, on the one hand, the dynamics of new customers acquisition and, on the other, greater commercial dynamism and adequate management of value offers, with customers subscribing integrated solutions and service packages.

In the international activity, net commissions totalled 211.4 million euros at the end of 2022, standing 1.0% below the 213.4 million euros posted in 2021. The small change in net commissions in the international activity, results from offsetting evolutions, with the increase in the operation in Mozambique being completely offset by the reduction occurred in the Polish subsidiary. In both geographies, the recorded evolution was amplified by the exchange rate evolution of the respective currencies against the euro.

NET COMMISSIONS

Million euros

	2022	2021	Chg. 22/21
BANKING COMMISSIONS	664.6	614.9	8.1 %
Cards and transfers	220.3	181.8	21.1 %
Credit and guarantees	144.4	154.9	(6.8)%
Bancassurance	119.4	116.1	2.8 %
Management and maintenance of accounts	165.5	148.5	11.4 %
Other commissions	15.1	13.5	12.5 %
MARKET RELATED COMMISSIONS	107.3	112.9	(5.0)%
Securities	39.3	37.1	6.0 %
Asset management and distribution	68.0	75.8	(10.3)%
NET COMMISSIONS	771.9	727.7	6.1 %
Of which:			
Activity in Portugal	560.6	514.3	9.0 %
International activity	211.4	213.4	(1.0)%

Net trading income amounted to 50.0 million euros in 2022, standing 42.3% below the 86.5 million euros reached in the previous year. This evolution was determined by the performance of the international activity, though in the activity in Portugal net trading income was also lower than in 2021.

In the activity in Portugal, net trading income stood at 69.2 million euros in 2022, showing an 8.4% drop from the 75.6 million euros recorded in the previous year, mainly influenced by lower results associated with Portuguese sovereign debt securities compared to the previous year.

On the other hand, the gains recognised in 2022, arising from the revaluation of corporate restructuring funds, despite not being very significant, contributed largely to the evolution of net trading income in the activity in Portugal, insofar as they contrast with the costs that were reflected in the previous year. In this regard, it should be noted that, as communicated to the market on 9 January, 2023, in addition to the announcement of 29 December, 2022, on the completion of the Crow Project, relating to the sale of Participating Units in Fundo de Recuperação Turismo, Fundo de Capital de Risco and FLIT-PTREL-SIF, SCA, as well as others assets in the hotel sector, the conclusion of this transaction had an immaterial impact, taking into account that the Bank had already made provisions for the potential impacts arising from the reduction of exposure to these assets.

Regarding the international activity, net trading income went from a positive amount of 11.0 million euros in 2021, to a negative amount of 19.3 million euros at the end December 2022. This evolution was determined by the performance of the Polish subsidiary, having been slightly offset by the increase recorded in the Mozambican operation.

In the Polish subsidiary, the drop in income recognised from the revaluation of Visa shares was of particular importance, with income from the loan portfolio mandatorily classified at fair value through profit or loss also recording a drop in relation to the amount accounted for in the previous year. Costs with foreign exchange operations, in turn, were higher than in the previous year, partly influenced by the increase in costs incurred in converting mortgage loans granted in Swiss francs, following the agreements closed with customers, which in 2022 penalised net trading income by 82.0 million euros, compared to 78.3 million euros recognised in 2021.

At the subsidiary in Mozambique, there was a favourable evolution of net trading income, determined by the increase in income from foreign exchange operations carried out with customers and by the exchange rate evolution of the Metical against the euro.

Other net operating income includes, among others, the costs associated with the resolution and the deposit guarantee funds as well as with the other mandatory contributions, both in the activity in Portugal and in the international activity.

In 2022, other net operating income stood at a negative amount of 182.9 million euros, compared to an also negative amount of 126.3 million euros posted in the previous year. This evolution is heavily influenced precisely by the increase in costs with mandatory contributions, both in the activity in Portugal and mainly in the international activity.

In the activity in Portugal, other net operating income went from a negative amount of 66.1 million euros in 2021, to an also negative amount of 76.3 million euros at the end of 2022, penalised, as mentioned above, by the increase in costs with mandatory contributions. In 2022, the global amount of costs recognised with mandatory contributions in the activity in Portugal amounted to 88.5 million euros, exceeding by 11.3 million euros the 77.2 million euros recorded in the previous year. It should be noted that of the total amount supported in 2022, 62.2 million euros refer to contributions to national entities (56.2 million euros in 2021). Conversely, the evolution of other net operating income in the activity in Portugal benefited from the significant increase in gains recognised with the sale of non-current assets held for sale, which more than doubled compared to the previous year.

In the international activity, other net operating income totalled a negative amount of 106.7 million euros at the end of December 2022, which compares with the also negative amount of 60.3 million euros recognised in 2021. This evolution was determined by the contribution of the Polish subsidiary, namely by the increase in costs with mandatory contributions to which the subsidiary was subject and by the impacts associated with the foreign exchange mortgage loan portfolio.

Mandatory contributions borne by the Polish operation increased by 26.5 million euros last year, from 94.4 million euros in 2021 to 120.9 million euros at the end of 2022. This increase was largely due to the contribution to the Institutional Protection Scheme (IPS), which amounted to 59.0 million euros in 2022, non-existent in 2021. This fund was set up with the aim of ensuring the stability of the local financial system by ensuring the liquidity and solvency of the member banks, while serving to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. Thus, the Bank, together with the other participating financial institutions, created a company that, in turn, constituted an "aid fund" to which each bank will contribute with the equivalent of 0.4% of its deposits covered by the local Deposit Guarantee Fund. On the other hand, following the creation of this new contribution, in 2022 Bank Millennium will only bear the costs with the deposit guarantee fund for the first quarter of the year, which arose at 8.0 million euros (15.2 million euros in 2021). Conversely, the special tax on the Polish banking sector was significantly below the 68.5 million euros recorded in 2021, totalling 36.1 million euros at the end of 2022, reflecting the suspension of its payment following the activation of the Recovery Plan of Bank Millennium.

With regard to the impacts associated with the foreign exchange mortgage loan portfolio, the evolution of other net operating income reflects, on the one hand, the increase of 10.1 million euros arising from court costs related to the claim processes filed by Bank Millennium, which are mainly aimed at claiming the costs associated with the use of capital, by customers, during the period of the respective loans, and on the other hand, the reduction of 11.0 million euros in income to be reimbursed from a third party, as compensation for costs incurred with the booking of provisions to address the legal risk implicit in foreign exchange mortgage loans, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A.

Operating costs, not considering the effect of specific items³, totalled 1,056.5 million euros in 2022, standing 3.1% above the 1,024.9 million euros recorded in the previous year. Notwithstanding the disciplined management of costs and the commitment of the Group on improving efficiency, this evolution was strongly influenced by the rise in inflation that occurred across all geographies in which the Bank operates.

In this sense, it should be noted that the performance of operating costs of the Group, excluding specific items³, was determined by the increase in other administrative costs, particularly significant in the international activity, even though the activity in Portugal also recorded an increase compared to the amount accounted for in the previous year.

Although, in consolidated terms, staff costs, excluding specific items³, remained in line with the amount posted in 2021, there were different dynamics with regard to their evolution, insofar as the savings achieved in the activity in Portugal were fully offset by the increase recorded in the operations abroad.

Although on a much smaller scale, the increase in depreciations in the international activity more than offset the reduction achieved in the activity in Portugal, with this item not having materially influenced the evolution of operating costs in consolidated terms.

In the activity in Portugal, the evolution of operating costs, not considering the effect of specific items³, from 602.2 million euros in 2021 to 585.3 million euros in 2022, was determined by the reduction in staff costs, resulting from the implementation of the headcount adjustment plan that the Bank carried out in 2021. It should be noted that the costs resulting from the said headcount adjustment, among which the recognition of a provision, in the amount of 84.2 million euros, were recognised as specific items in 2021. Operating costs in the activity in Portugal were also influenced, although to a lesser extent, by the increase in other administrative costs, with emphasis on the increase in energy-related costs and the impacts of the high inflation that characterised the year 2022.

In the international activity, operating costs totalled 471.3 million euros at the end of 2022, standing 11.5% above the 422.7 million euros accounted in 2021. This evolution was due to the performance of both the Polish subsidiary and the subsidiary in Mozambique, in both cases, reflecting the inflationary increases recorded in these geographies, in recent months.

In consolidated terms, despite higher operating costs, excluding specific items³, compared to the amount accounted for in 2021, cost to income and cost to core income ratios showed a significant improvement, benefiting from the favourable evolution of both net operating revenues and core income, respectively. Thus, excluding specific items, the cost to income ratio of the Group went from 43.9% in 2021 to 36.8% in 2022, while cost to core income ratio stood at 36.2%, considerably below the 44.2% recorded in the previous year. Cost to income and cost to core income stated ratios evolved, respectively, from 47.8% to 37.4% and from 48.2% to 36.7% in the same period.

Staff costs, not considering the effect of specific items (16.5 million euros in 2022 and 90.7 million euros in 2021), remained in line with the amount recorded in the previous year, totalling 564.3 million euros at the end of 2022.

The specific items mentioned above were, in both years, fully recognised in the activity in Portugal. In 2022, specific items include: i) the distribution of part of the results obtained by the Bank in 2021 by its employees, as approved at the General Meeting of Banco Comercial Português, SA, held on 4 May, 2022; ii) costs with mortgage financing to former employees; iii) attribution of a punctual payment to employees as a measure to offset the impacts of inflation; and iv) the recognition of a provision for other structure adaptation measures. On the other hand, in 2021, the specific items were mainly related to costs incurred with the headcount adjustment carried out by the Bank in that year, mainly including the impact of a provision, in the amount of 84.2 million euros, following the adjustments identified as necessary by the Bank.

Although, in consolidated terms, staff costs, excluding specific items, are at a similar level to the previous year, it is important to highlight the reduction achieved in the activity in Portugal, whose impact was, however, fully offset by the increase in the international activity.

In the activity in Portugal, staff costs, excluding the impact of specific items (16.5 million euros in 2022 and 90.7 million euros in 2021), amounted to 322.2 million euros at the end of 2022, showing a 6.8% reduction from the 345.5 million euros posted in the previous year. This favourable evolution reflects mainly the impact of the reduction, in net terms, in the number of employees, reflecting the impact arising from the implementation of the headcount adjustment plan. In this sense, it should be noted that, during the year 2021, the Bank reduced its number of employees in the activity in Portugal by 724 employees, most of whom during the second half of the year, having ended the year with 6,289 employees. On 31 December, 2022, the number of employees assigned to the activity in Portugal was 6,252. The costs arising from the headcount adjustment were recognised in 2021, as specific items, with the aforementioned provision, in the amount of 84.2 million euros, being the most significant item.

In the international activity, staff costs amounted to 242.1 million euros in 2022, standing 11.1% above the 218.0 million euros recorded in the previous year. The Polish subsidiary was mainly responsible for this evolution, although the subsidiary in Mozambique also saw an increase in staff costs compared to the previous year.

In the Polish subsidiary, the evolution of staff costs continued to be determined by the strong pressure on basic wages, resulting both from rising levels of inflation and from the characteristics of the Polish labour market, in particular from the very low unemployment rates verified in the country. In this sense, as a way of retaining and motivating employees, the amounts allocated to bonus paid to employees was also higher than in 2021. Conversely, the challenging context that the subsidiary has been facing dictated the need to continue to improve efficiency. In this sense, there was a progressive reduction in the total number of employees, from 7,079 employees (6,942 FTE - full-time equivalent) at the end of 2021, to 6,987 employees (6,860 FTE - full-time equivalent) on 31 December, 2022, which had a positive impact on the evolution of the staff costs of the subsidiary and, consequently, on the international activity.

The operation in Mozambique, in turn, despite having maintained its number of employees stable, with 2,504 employees on 31 December, 2022 (2,496 employees a year earlier), also showed an increase in staff costs compared to the previous year, justified by both the salary update and, above all, by the exchange rate evolution of the Metical against the euro.

Other administrative costs in 2022 were strongly influenced by the increase in inflation, having evolved from 324.2 million euros in 2021 to 353.0 million euros at the end of 2022. The increase of 8.9% in consolidated terms was essentially due to the performance of the international activity, despite the fact that other administrative costs in the activity in Portugal were also higher than in the previous year.

In the activity in Portugal, other administrative costs amounted to 184.0 million euros in 2022, standing 4.3% above the 176.4 million euros recorded in 2021. This performance was mainly due to the increase, greater than 60%, in costs related to water, energy and fuels, mainly reflecting the increased cost of energy.

Additionally, the greater investment by the Bank in technology and cybersecurity led to an increase in the respective costs namely associated to the maintenance of hardware and software. On the other hand, the increasingly digital servicing model, with the increasing transfer of transactions to machines, translated into the growth of the number of deposit machines installed in branches, which, along with the inclusion of a greater number of branches in the deposit centralisation service was reflected in the increase in costs associated with the transport of values, despite the fact that the cost per transaction has decreased.

At the same time, the favourable evolution of the pandemic associated with COVID-19 and the consequent gradual recovery of economic activity had an impact on the performance of other administrative costs. As such, it should be noted, on the one hand, the increase in costs incurred with advisory services, travel, hotel and representations, rents and sponsorships, and on the other, the favourable performance of other supplies and services, outsourcing and communications, related to remote work. In this sense, reference should be made to the reduction in judicial recovery activity, due to the reduction in lawsuits and Non-performing exposures (NPE), with a considerable impact on expenses associated with law firms.

Finally, it should also be noted that the Bank has pursued a disciplined cost management, implementing a series of measures in this regard. Among the aforementioned measures, emphasis should be given to the resizing of the branches network in the activity in Portugal, which decreased from 434 branches at the end of 2021, to 408 branches on 31 December 2022, with positive impact on the several items of other administrative costs, along with a series of recurring initiatives aimed at optimizing the cost structure of the Bank.

In the international activity, other administrative costs amounted to 168.9 million euros in 2022, representing a 14.3% increase from the 147.8 million euros posted in the previous year, largely reflecting the aforementioned general price increase. This evolution was due to the performance of both the Polish subsidiary, and the subsidiary in Mozambique with the latter reflecting also the evolution of the Metical against the euro. The evolution of other administrative costs in the subsidiary in Mozambique was also due, among other factors of lesser relevance, to the increase in management fees, since they are associated with the results obtained by the subsidiary, which in 2022 proved to be

higher compared to those obtained in the previous year. On the other hand, it should be noted that the evolution of other administrative costs, in the international activity, continues to benefit from the synergies obtained as a result of the optimisation of the branch network verified mainly in the Polish subsidiary whose number decreased from the 655 branches existing at the end of December 2021, to 635 branches on December 31, 2022. The subsidiary in Mozambique, in turn, ended 2022 with 197 branches, two fewer than at the end of the previous year.

Depreciations amounted to 139.2 million euros in 2022, standing slightly above (+1.5%) the amount recorded in 2021. Although, in consolidated terms, depreciations remained at a similar level to that of the previous year, there were evolutions in opposite directions, with the reduction obtained in the activity in Portugal being fully offset by the increase recorded in the international activity.

In the activity in Portugal, depreciations stood at 79.1 million euros at the end of the current year, slightly below (1.5%) the amount posted in 2021, despite the increased investment concentrated in software and IT equipment, given the Bank's commitment to the digital transformation process.

In the international activity, depreciations amounted to 60.2 million euros in 2022, standing 5.8% above the 56.9 million euros recorded in 2021. This evolution was determined by the performance of the subsidiary in Mozambique, mainly reflecting the exchange rate evolution of the Metical against the euro, since in local currency the amount of depreciations in this subsidiary showed a more modest growth. Inversely, the increase in depreciations in the Polish subsidiary was offset by the impact arising from the exchange rate evolution of the Zloty against the euro, assuming an immaterial value.

OPERATING COSTS (1)

Million euros

	2022	2021	Chg. 22/21
Staff costs	564.3	563.6	0.1 %
Other administrative costs	353.0	324.2	8.9 %
Depreciations	139.2	137.2	1.5 %
OPERATING COSTS	1,056.5	1,024.9	3.1 %
Of which:			
Activity in Portugal	585.3	602.2	(2.8)%
International activity	471.3	422.7	11.5 %
Cost to core income of the Group	36.2 %	44.2 %	
Cost to income of the Group	36.8 %	43.9 %	

(1) Excludes the impact of specific items.

Results on modification, non-existent in 2021, totalled a negative amount of 309.9 million euros in 2022.

The amount recognised in results on modification, in 2022, results mainly from the reclassification, in the fourth quarter of the year, of the amount associated to potential costs arising from the moratorium program in Poland (credit holidays), enacted by the President of the Republic of Poland in July of the same year, which was accounted for in other impairments and provisions. This item also started to include contractual modifications, in accordance with IFRS9, namely those negotiated with customers with exchange mortgage loans. The amounts referring to 2021, given its immateriality in this context, were not restated.

In this context, it should be noted that, following the signing by the President of the Republic of Poland of the Act of 7 July, 2022 on crowdfunding for business ventures and assistance to borrowers, introducing, among others, access to

moratoria (credit holidays) of up to eight months in 2022-2023 for borrowers of mortgage loans denominated in Zlotys, the Bank estimated the maximum impact of the implementation of this Act if all eligible borrowers were to use this instrument, having recognised an upfront cost of 80% of the respective costs in the results of the third quarter of 2022, corresponding to 304.6 million euros. In the fourth quarter of 2022, a review was carried out of the effective cost and use of credit moratoriums by eligible borrowers in the second half of 2022, and ongoing requests to suspend housing loan installments in Zlotys in 2023 were analysed. As a result of this review, the total estimated cost of credit moratoria was reduced to 282.8 million euros at the end of 2022, with a positive impact on the results for the fourth quarter of the year.

In 2022, **impairment for loan losses** (net of recoveries) totalled 300.6 million euros, showing a reduction of 13.8% compared to the 348.9 million euros accounted for in 2021, thanks to the favourable evolution recorded in the activity in Portugal, slightly softened by the performance of the international activity.

In the activity in Portugal, loans impairment charges (net of recoveries), amounted to 218.4 million euros in 2022, standing 20.1% below the 273.3 million euros recognised in the previous year, reflecting a better perspective of the credit portfolio risk in relation to the previous year.

In the international activity, impairment charges (net of recoveries), stood 8.8% above the 75.6 million euros recognised in 2021, amounting to 82.2 million euros at the end of 2022. This evolution was due to the higher level of provisioning required by both the Polish and the Mozambican subsidiaries.

The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record a significant improvement from the 60 basis points observed in 2021, standing at 52 basis points at the end of 2022.

The performance of the activity in Portugal was decisive for this evolution, with the cost of risk (net of recoveries) falling from 69 basis points in 2021 to 54 basis points in the current year.

In the international activity, in turn, the cost of risk net of recoveries worsened, rising from 41 basis points to 47 basis points in the same period.

Other impairments and provisions totalled 755.6 million euros in 2022, increasing 6.1% from the 712.2 million euros recorded in 2021, mainly due to the performance of the activity in Portugal.

Other impairments and provisions, in the activity in Portugal, amounted to 205.3 million euros at the end of 2022, showing an increase of 24.1% compared to the 165.4 million euros recognised in the previous year. This evolution reflects, to a large extent, the higher level of provisioning required by other assets, particularly with regard to non-current assets held for sale, namely the foreclosed assets portfolio, reflecting the application of more conservative valuation assumptions, despite the significant portfolio reduction recorded in 2022. At the same time, there was also an increase in provisions, mainly reflecting the evolution of provisions booked for others risks. Although with a less material impact, provisions for tax contingencies also grew compared to 2021, in the same order of magnitude as the reduction seen in provisions for guarantees and other commitments.

In the international activity, other impairment and provisions amounted to 550.3 million euros at December 2022, in line (+0.6%) to the amount calculated in the previous year.

Although the overall amount of other impairments and provisions in the international activity has remained stable compared to 2021, this performance stems from different performances that offset each other.

In this regard, it should be noted that notwithstanding the good operating performance of Bank Millennium S.A., the expected effect that the increase in reference interest rates has on the prospective evolution of net interest income and the fact that Bank Millennium S.A. continues to assess the goodwill associated with the consumer credit business acquired from Euro Bank S.A. as recoverable, given the sensitivity of the estimated value to the main assumptions considered and the uncertainty associated with the material impacts on the Business Plan and projections arising from

potential legislative measures, the Bank has considered the total impairment of the goodwill associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium S.A. in the amount of 102.3 million euros as at 30 June 2022.

In contrast, despite continuing to strongly penalise the result of the Polish subsidiary, the reinforcement of the extraordinary provision, booked to address the foreign exchange mortgage legal risk, evolved favourably from the 505.3 million euros recognised in 2021, to 430.8 million euros at the end of December of the current year. In both years, the impact of these provisions has been partially offset by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount to be received from a third party, following the indemnity clauses and contractual guarantees clauses provided for in the acquisition contract of Euro Bank S.A. (48.0 million euros in 2021 and 37.0 million euros in 2022). The remaining provisions for others risks recognised in the Polish subsidiary also were lower compared to the amount posted in 2021.

Additionally, the performance of other impairments and provisions in the international activity also benefited, albeit to a lesser extent, both from the lower impairments recognised in respect of the investment in Banco Millennium Atlântico, including the impairment for goodwill recognised in 2022, and from the favourable evolution recorded in the subsidiary in Mozambique.

Income tax (current and deferred) amounted to 304.3 million euros in 2022, which compares to 203.6 million euros obtained in the previous year.

The recognised taxes include, in 2022, current tax of 109.6 million euros (81.4 million euros in 2021) and deferred tax of 194.7 million euros (122.3 million euros in 2021).

Current tax expenses in 2022 were strongly influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and by mandatory contributions to the banking sector, both of them non-deductible for tax purposes in the Polish subsidiary.

Deferred tax expenses in 2022 mainly result from the income of the period of the activity in Portugal and are influenced by some mandatory contributions to the banking sector in Portugal non-deductible for tax purposes.

The Group income before tax includes the expense of 102.3 million euros related to the impairment of the goodwill of the Polish subsidiary, which has no impact on current and deferred taxes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 89,861 million euros as of 31 December 2022, showing a 3.3% drop in comparison to the 92,905 million euros recorded at the end of 2021, since the increase in total assets of the international activity was not enough to compensate the reduction in the activity in Portugal.

The performance of the activity in Portugal resulted in a decrease of 5.9% of total assets, compared to the 67,216 million euros posted as of 31 December 2021, standing at 63,268 million euros at the end of 2022. This evolution is explained by the reductions in deposits at central banks (associated to the early repayment of the bulk of the financing that had been contracted with the European Central Bank within the scope of targeted longer-term refinancing operations), in the securities portfolio, mainly due to the divestment in Portuguese public debt and also in non-current assets held for sale, in particular the portfolio of real estate properties received as payment. In the opposite direction, there were increases in loans and advances to credit institutions and loans to customers portfolio (net of impairment).

In the international activity, total assets amounted to 26,593 million euros as of 31 December 2022, showing an increase of 3.5% compared to the 25,689 million euros posted at the end of the previous year. As far as the evolution of the balance sheet items is concerned, there were increases in deposits at central banks, in securities portfolio and in loans and advances to credit institutions, in part offset by the reduction in loans to customers portfolio (net of

impairment) and by the recognition of the goodwill impairment associated with the acquisition by the BCP Group of the control percentage of the Polish subsidiary.

Consolidated **loans to customers (gross)** of Millennium bcp, as defined in the glossary, amounted to 57,713 million euros as of 31 December 2022, standing below the 58,231 million euros figure achieved at the end of the previous year, mainly due to the reduction recorded in the international activity, despite the fact that the increase in the activity in Portugal partially offset that reduction.

In the activity in Portugal, loans to customers (before impairment) amounted to 40,149 million euros as of 31 December 2022, standing 0.7% above the 39,866 million euros recorded at the end of 2021. The growth of loans portfolio (net) includes, on the one hand, the increase of the performing loans, which has grown by 800 million euros during 2022 and on the other hand, the reduction of 517 million euros in NPE from 1,878 million euros as of 31 December 2021 to 1,361 million euros at the end of 2022. It should be noted that the Bank has been successfully implementing a strategy of NPE reduction, in order to achieve the targets defined in the plan approved for the reduction of this type of exposure.

In the activity in Portugal, loans to individuals increased from 20,505 million euros accounted on 31 December 2021 to 21,194 million euros at the same date in 2022, mainly driven from the dynamism of mortgage loans, which compared to 31 December 2021 recorded an increase of 3.4%.

Still regarding the activity in Portugal, loans to companies fell by 2.1% compared to 2021, amounting to 18,955 million euros at the end of 2022. Regarding the credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State, the total figure of credit stood at 2,042 million euros as at 31 December 2022, comparing to 2,577 million euros recorded in the same date in the previous year. At the end of 2022, the total amount of credit under the COVID-19 lines represented about 5.1% of the total loan portfolio for the activity in Portugal.

In the international activity, loans to customers (gross) amounted to 17,564 million euros as of 31 December 2022, standing 4.4% below the 18,365 million euros posted at the end of 2021. The Polish subsidiary recorded a decrease in loan portfolio compared to the same date of the previous year, driven by the reduction in mortgage loans, as a result of the provision booked for credit holidays program and a lower amount of credit granted to companies. Inversely, loan portfolio in the subsidiary in Mozambique recorded an increase amplified by the Metical appreciation vs euro.

Loans to individuals in the international activity showed a contraction, evolving from 13,566 million euros as of 31 December 2021 to 12,971 million euros at the end of 2022. This evolution is mostly explained by the reduction in mortgage loans in the Polish subsidiary, as previously mentioned.

As for the foreign exchange loan portfolio, mostly denominated in Swiss francs, it continued to show a relevant downward trend, falling from 2,185 million euros as of 31 December 2021 to 1,504 million euros as of 31 December 2022, representing 12.4% and 8.9% of the total amount of credit recorded on the balance sheet of Bank Millennium and 3.8% and 2.6% of the Group's total loans portfolio at the end of 2021 and 2022, respectively.

It should be noted that the foreign exchange loan portfolio before provisions for individual mortgage loans in Swiss francs⁴ (which amounted to 589 million euros and 904 million euros on 31 December 2021 and 2022, respectively) and deducted from the part relating to Euro Bank S.A. (whose risk is fully secured by a third party, under the clauses provided for in the contract of acquisition of that entity) amounted to 2,609 million euros at the end of 2021 and 2,277 million euros at the end of 2022, resulting in a reduction of 12.7% compared to the same date the previous year.

Loans to companies in the international activity recorded a reduction of 4.3%, in comparison with the 4,799 million euros achieved on 31 December 2021, standing at 4,593 million euros at the end of 2022. By geographies, there was a credit contraction in the Polish subsidiary and an increase in the subsidiary in Mozambique that was not sufficient to avoid a reduction in the amounts of loans to companies.

⁴ In the first half of 2021, the Group changed the presentation of provisions for individual mortgage loans in Swiss francs, starting to allocate provisions for future legal risks and recognising them as a reduction in the gross book value of loans for those where a reduction in cash flows is expected, as provided for under IFRS 9.

LOANS TO CUSTOMERS (GROSS)

Million euros

	31 Dec. 22	31 Dec. 21	Chg. 22/21
INDIVIDUALS	34,165	34,071	0.3 %
Mortgage loans	28,124	28,072	0.2 %
Personal loans	6,042	5,999	0.7 %
COMPANIES	23,548	24,160	(2.5)%
Services	8,037	8,297	(3.1)%
Commerce	4,055	4,231	(4.2)%
Construction	1,532	1,766	(13.2)%
Others	9,923	9,866	0.6 %
	57,713	58,231	(0.9)%
Of which:			
Activity in Portugal	40,149	39,866	0.7 %
International activity	17,564	18,365	(4.4)%

The **quality of the credit portfolio** continues to benefit from the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years.

Since the outbreak of the Russia/Ukraine conflict, the Bank has performed a set of quantitative and qualitative analysis to assess the potential impacts in the performance of the credit portfolio. This evaluation was carried out, particularly, in Portugal and Poland, the latter being a geography potentially more exposed to the impacts of this event, considering it is a neighbouring country of Ukraine. Taking into consideration that it is not possible to foresee how the conflict will evolve, it is difficult to determine to the full extent of the economic consequences in the Bank's business and near/mid-term prospects, namely regarding the effects of the impacts on the energy sector, on the distribution chains of several products and commodities, on inflationary pressures and on the level of interest rates. Nevertheless, specific portfolios were identified as being potentially more vulnerable and for which more closely monitoring procedures were putted in place.

Loan portfolio quality has continued to record a favourable trend. In this context, NPE ratio, in consolidated terms, measured by the ratio between non performing exposures and the total loan portfolio dropped from 4.7% at the end of 2021 to 3.8% as of 31 December 2022, largely due to the performance of the domestic loan portfolio, whose NPE ratio stood at 3.4% at the end of 2022, which compares to 4.7% in the same date the prior year.

At the same time, the coverage by impairments ratios also evolved positively, being worth mentioning that NPL by more than 90 days coverage, in consolidated terms, rose by about 58 pp compared to 2021, evolving from 151.2% at the end of 2021 to 208.9% as of 31 December 2022. The coverage of NPE by impairments, in consolidated terms, was set at 68.3% at the end of 2022, showing some stability compared to the values recorded in the previous year (68.0% at 31 December 2021). In Portugal, the coverage of NPE by impairments stood at 68.6% as of 31 December 2022, also remaining at the same level as in the previous year (68.5% as of 31 December 2021).

Still regarding to the coverage ratios, we highlight that the coverage of foreign exchange mortgage loan portfolio in the Polish Subsidiary⁵ was reinforced from 25.7% as of 31 December 2021 to 46.8% as of 31 December 2022.

⁵ Coverage ratio measured by the quotient between the total amount of provisions booked (672 million euros and 1,065 million euros, including both provisions consisting directly of reduction in asset value and provisions in liabilities, at the end of 2021 and 2022, respectively) and the total amount of the portfolio, before the provisions directly reducing the gross book value of the loans and excluding exposure from Euro Bank S.A. (2,609 million euros and 2,277 million euros at the end of of 2021 and 2022, respectively).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Dec. 22	31 Dec. 21	Chg. 22/21	31 Dec. 22	31 Dec. 21	Chg. 22/21
STOCK (M€)						
Loans to customers (gross)	57,713	58,231	(0.9)%	40,149	39,866	0.7 %
Overdue loans > 90 days	496	949	(47.8)%	180	586	(69.3)%
Overdue loans	590	1,080	(45.3)%	201	605	(66.8)%
Restructured loans	1,866	2,564	(27.2)%	1,341	2,069	(35.2)%
NPL > 90 days	725	1,237	(41.4)%	333	776	(57.0)%
NPE	2,218	2,752	(19.4)%	1,361	1,878	(27.5)%
Loans impairment (Balance sheet)	1,515	1,871	(19.0)%	935	1,286	(27.3)%
NPE impairment (Balance sheet)	1,011	1,369	(26.2)%	592	917	(35.5)%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	1.6 %		0.4 %	1.5 %	
Overdue loans / Loans to customers (gross)	1.0 %	1.9 %		0.5 %	1.5 %	
Restructured loans / Loans to customers (gross)	3.2 %	4.4 %		3.3 %	5.2 %	
NPL > 90 days / Loans to customers (gross)	1.3 %	2.1 %		0.8 %	1.9 %	
NPE / Loans to customers (gross)	3.8 %	4.7 %		3.4 %	4.7 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	305.8 %	197.0 %		519.5 %	219.5 %	
Coverage of overdue loans	256.7 %	173.3 %		465.6 %	212.6 %	
Coverage of NPL > 90 days	208.9 %	151.2 %		280.4 %	165.8 %	
Coverage of NPE	68.3 %	68.0 %		68.6 %	68.5 %	
Specific coverage of NPE	45.6 %	49.7 %		43.5 %	48.8 %	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	2.6 %	3.2 %		2.4 %	3.1 %	

Note: NPE include loans to customers only, as defined in the glossary.

Total customer funds amounted to 92,808 million euros as of 31 December 2022, showing a favourable evolution, increasing 3.0% compared to the 90,097 million euros posted at the end of 2021. This increase, in the amount of 2,711 million euros compared to the same date one year ago, was achieved due to the strong performance of the activity in Portugal, although it also benefited on a smaller scale from the increase in the international activity. While there was an expansion of balance sheet customer funds, a decrease was observed in off-balance sheet customer funds.

Balance sheet customer funds amounted to 77,250 million euros as of 31 December 2022, showing an increase of 6,075 million euros from the 71,175 million euros recorded at the end of the previous year. This increase was due to the strong performance of the activity in Portugal, which recorded a growth of 4,758 million euros, but also attributable to the contribution of international activity, which grew by 1,317 million euros.

Off-balance sheet customer funds amounted to 15,558 million euros as of 31 December 2022, decreasing by 17.8% compared to the 18,922 million euros recorded at the same date the prior year, due to the declines recorded both in the activity in Portugal, as well as in the international activity, but in this case on a smaller scale.

In the activity in Portugal, total customer funds reached 68,262 million euros as of 31 December 2022, which compares to the 66,290 million euros achieved on the same date of the previous year. This evolution was explained by the evolution of the balance sheet customer funds, more precisely by the growth of deposits and other resources from customers, which increased 5,021 million euros compared to the previous year, reflecting an increase in savings and confidence in the Bank's franchise.

Off-balance sheet customer funds in the activity in Portugal dropped by 16.4% compared to the same date in the prior year, evolving from 16,972 million euros as of 31 December 2021 to 14,185 million euros at the end of 2022, with this decrease seen across all business segments.

In the international activity, total customer funds rose by 3.1%, compared to 23,806 million euros recorded as of 31 December 2021, amounting to 24,546 million euros at the end of 2022.

Balance sheet customer funds in the international activity stood at 23,173 million euros on 31 December 2022, 6.0% above the 21,856 million euros posted at the end of 2021, benefiting both from the increasing volumes of deposits in the Polish operation, as well as in the Mozambican operation, even though in this case the increase was less significant.

Off-balance sheet customer funds in the international activity decreased from 1,950 million euros on 31 December 2021 to 1,373 million euros on 31 December 2022. This decrease occurred in all business segments, with the drop in assets under management being the most significant in absolute terms.

On 31 December 2022, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 83.2% and 81.8% of total customer funds (79.0% e 77.2% for the aforementioned ratios as of 31 December 2021, respectively).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 74.0% as of 31 December 2022, with the same ratio, considering balance sheet customer funds, standing at 72.7%. Both ratios show values below those obtained at the same date of the previous year, 81.0% and 79.2%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	31 Dec. 22	31 Dec. 21	Chg. 22/21
BALANCE SHEET CUSTOMER FUNDS	77,250	71,175	8.5 %
Deposits and other resources from customers	75,907	69,560	9.1 %
Debt securities	1,343	1,615	(16.8)%
OFF-BALANCE SHEET CUSTOMER FUNDS	15,558	18,922	(17.8)%
Assets under management	5,114	5,773	(11.4)%
Assets placed with customers	5,102	6,486	(21.3)%
Insurance products (savings and investment)	5,343	6,663	(19.8)%
	92,808	90,097	3.0 %
Of which:			
Activity in Portugal	68,262	66,290	3.0 %
International activity	24,546	23,806	3.1 %

On 31 December 2022, the **securities portfolio** of the Group, as defined in the glossary, amounted to 19,918 million euros, showing a decrease compared to 21,201 million euros recorded in the same date of the previous year, representing 22.2% of the total assets at the end of 2022 (22.8% at the end of 2021).

The performance of the Group's securities portfolio was determined by the decrease of 1,567 million euros of the portfolio related to the activity in Portugal, which had balance sheet carrying amount of 14,561 million euros at the end of 2022, compared to 16,128 million euros posted as of 31 December 2021. Despite the reinforcement of foreign public debt, namely French and Spanish public debt, the aforesaid decrease was due basically to the divestment in the Portuguese sovereign debt.

The portfolio of securities related to international activity stood at a higher level than the one recorded at the end of 2021, increasing from 5,072 million euros on that date to 5,357 million euros at 31 December 2022. With regard to investment in public debt in the international activity, there was a reduction compared to the levels recorded in the prior year, mainly due to the divestment in Polish public debt, that was not totally offset by the reinforcement of the public debt of Mozambique and other countries.

LIQUIDITY MANAGEMENT

In 2022, the liquidity positions of BCP, Bank Millennium and Banco Internacional de Moçambique (BIM) reinforced their robustness, based mainly on the growth of the respective customer deposit bases. This growth was particularly significant in the operation in Portugal, in which it reached approximately 10%, mainly through the contribution of the retail depositors' segment. The main source of financing for the operation in Portugal thus saw its stability reinforced, supporting, as in previous years, a favourable evolution of the commercial gap.

As a result, the liquidity risk indicators of each of the operations continued to comply by a very comfortable margin with all the regulatory minimums and the stricter requirements imposed by the Group's Risk Appetite Statement (RAS).

Accordingly, the regulatory Liquidity Coverage Ratio (LCR), an indicator of short-term liquidity risk, stood at 212% on a consolidated basis at the end of December 2022 (31 December 2021: 269%), well above the minimum regulatory requirement of 100%, supported by portfolios of highly liquid assets whose value is compatible with a prudent liquidity management by the Group.

The regulatory Net Stable Funding Ratio (NSFR), an indicator of structural liquidity risk, increased from 150% on 31 December 2021 to 154% on 31 December 2022, also above the regulatory minimum of 100%, mainly based on the growth of the customer deposit portfolio.

The loan-to-deposit transformation ratio, another structural indicator of the RAS (calculated in accordance with Bank of Portugal Instruction no 16/2004, in force), also evolved favorably from a liquidity risk perspective, from 81% on 31 December 2021 to 74% one year later.

It should be noted that, in the annual risk review for 2023, the internal limits for the RAS indicators remained unchanged facing 2022.

Regarding the presence of the Bank in the debt segment of the capital market, it is worth highlighting the following events, in chronological order: (i) in May, BCP repaid a covered bond issue in the amount of 1,000 million euros. Given the Bank's surplus position in terms of liquidity, there was no need to refinance the amount repaid in the market; (ii) in October, the Bank placed its third issue of senior preferred debt on the market in a 3NC2 format (3 years maturity callable after 2 years) in the amount of 350 million euros. The operation was aimed at ensuring compliance with the requirements of "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities), namely the indicative target that will be in force during 2023, from 1 January. This issue, with a coupon of 8.50% per annum (corresponding to a spread of 554.7bps over mid-swaps) was carried out in very difficult market conditions, demonstrating the Bank's ability to access the market even in an adverse and very complex environment; and (iii) in November, and considering that in view of the prevailing market conditions the Bank had decided not to exercise, in December, the early repayment option on a subordinated issue of 300 million euros, BCP launched an offer to exchange these securities not reimbursed, in the ratio of 1:1, by others of the same nature, to be issued. Thus, given the non-exercise of the call-option, investors were offered the option to exchange the bonds they held for newly issued securities with a higher coupon and longer term. The amount of the new subordinated issue 10.25NC5.25 was set at 133.7 million euros and the coupon at 8.75%, per annum, corresponding to a spread of 605.1bps over mid-swaps.

Still with regard to the funding structure, BCP repaid in advance in December 2022 the first tranche of the Targeted longer term refinancing operation III ("T LTRO III"), contracted in June 2020 in the amount of 7.55 billion euros. Considering the balance in deposit at the Bank of Portugal and other available liquidity, BCP ended 2022 with a long position on the Eurosystem of 2.6 billion euros.

Throughout 2022, the behavior of the liquidity buffer at the ECB was mainly determined by the impacts, in opposite directions, of the aforementioned favourable evolution of the commercial gap, on the one hand and, on the other hand, of the growth of the margin calls related to derivatives and the decrease of the market price of the assets eligible for discount with the Eurosystem, effects that showed a growing trend after the outbreak of war in Ukraine. The combined effect of these and other factors of lesser materiality allowed, nevertheless, the buffer to grow 2.7 billion euros on an annual basis, to 26.5 billion euros.

Likewise, in the year ended December 2022, Bank Millennium and BIM demonstrated the resilience of their liquidity positions, supported by their retail deposit bases and robust buffers discountable at the respective central banks, with regulatory and internal indicators of liquidity risk positioned comfortably above the defined thresholds. In the case of the operation in Poland, this occurred even considering the effects of the invasion of Ukraine, which resulted in the significant devaluation of the eligible asset portfolio and the strengthening of derivatives' margin accounts.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at very low levels over the next three years, with annual refinancing needs with no material expression.

CAPITAL

The estimated CET1 ratio as at 31 December 2022 stood at 12.6% phased-in and 12.5% fully implemented, reflecting a change of +93 and +77 basis points, respectively, compared to the 11.7% both phased-in and fully implemented ratios reported on the same date in 2021 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2023 (CET1 9.406%, T1 11.375% and Total 14.000%) and in line with the medium-term solvency objectives. The supervisory authority's decision on the application of article 352 (2) of the CRR is awaited to exclude certain structural exchange rate positions from the calculation of market risk-weighted assets, to immunize regulatory ratios against changes in exchange rates. This change would have an estimated impact on the fully implemented CET1 ratio of at least +51 basis points.

The evolution of capital ratios in the period continued to be significantly conditioned by the impacts on Bank Millennium, related to the increase in provisions for legal risks associated with loans in foreign currency and with the new regime of moratorium on mortgage loans adopted in Poland. These effects were offset by the positive performance of the recurrent activity in Portugal, as well as by the capital reinforcement measures adopted.

SOLVENCY RATIOS

Million euros

	31 Dec. 22	31 Dec. 22 pro forma*	31 Dec. 21
FULLY IMPLEMENTED			
Own funds			
Common Equity Tier 1 (CET1)	5,382	5,382	5,375
Tier 1	5,875	5,875	5,884
Total Capital	7,241	7,241	7,247
Risk weighted assets	43,106	41,224	45,863
Solvency ratios			
CET1	12.5 %	13.0 %	11.7 %
Tier 1	13.6 %	14.2 %	12.8 %
Total capital	16.8 %	17.5 %	15.8 %
PHASED-IN			
CET1	12.6 %	13.2 %	11.7 %

* Subject to the already requested approval of the application of article 352 (2) of the CRR.

Note: The capital ratios of December 2022 and December 2021 include the positive accumulated net income of the respective periods. The capital ratios of December 2022 were not audited.

SIGNIFICANT EVENTS IN 2022

In 2022, the Bank kept its focus on supporting households and companies, in the current demanding and challenging context.

Following the geopolitical crisis with the invasion of Ukraine, the Bank acted in accordance with the guidelines of the European Union and implemented a set of mechanisms to monitor measures to support the Ukrainian people.

In the scope of the Supervisory Review and Evaluation Process (SREP), BCP has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from March 1, 2022: CET1 9.16%, T1 11.13% and Total 13.75%.

The European Investment Bank (EIB) and Millennium bcp renewed their long-standing partnership through a signing of an agreement to support SMEs, medium-sized companies and large Portuguese companies by providing a guarantee of 200 million euros that aims to mobilize financing up to 840 million euros.

Bank Millennium (Poland) and the EIB Group, comprehending the European Investment Bank and the European Investment Fund, came together to support Polish SMEs affected by the COVID-19 crisis through a guarantee of 1.5 billion Zlotys.

Conclusion on May 4, 2022 of the Annual General Meeting of Shareholders, with 64.31% of the share capital represented, with the following resolutions:

- Approval of the individual and consolidated Annual Report, balance sheet and financial statements of 2021, and the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies and the Sustainability Report; and approval of the proposal for the appropriation of profit concerning the 2021 financial year;
- Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies; approval of the update of the internal policy for the selection and assessment of the suitability of the Members of the Management and Supervisory Bodies and Key-functions Holders; approval of the update of the policy for selection and appointment of the Statutory Auditor or audit firm and the hiring of non-prohibited non-audit services, under the terms of the legislation in force; and approval of the proposal to amend the articles of association of the Bank;
- Election of the Board of Directors, including the Audit Committee and of the Remunerations and Welfare Board, for the term-of-office 2022/2025.

BCP has been notified by the Bank of Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board. The resolution strategy applied continues to be that of a multiple point of entry ("MPE"). The MREL requirements to be met by BCP Group of Resolution (consisting of BCP, S.A., Banco ActivoBank, S.A. and all the subsidiary companies of BCP apart from Bank Millennium S.A. and Banco Internacional de Moçambique and their respective subsidiaries), from 1 January 2024 is of:

- 23.81% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 27.31%); and
- 6.92% of the leverage ratio exposure measure ("LRE").

Until the date mentioned before, BCP should comply with an interim requirement of:

- 18.09% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirement of 21.34%); and
- 6.92% of the LRE.

No subordination requirements have been applied to the Bank. In accordance with the regulations in force, MREL requirements must be updated or reconfirmed annually. The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan. As of January 1, 2022, BCP complied to the intermediate MREL requirement set for that date, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

Considering that the Regulations of the Statutory Auditors Association foresees that the maximum exercise period of a partner responsible for the guidance of the statutory audit of an auditor is seven years and that Paulo Alexandre de Sá Fernandes, ROC no. 1456, registered with the CMVM under no. 20161066, is the partner of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("Deloitte") responsible for the statutory and external auditing of the Bank since 2016, BCP disclosed that it was informed on July 21 by Deloitte that, from that date on, João Carlos Henriques Gomes Ferreira, ROC no. 1129, registered with the CMVM under no. 20160741, became responsible for the statutory and external auditing of Banco Comercial Português, S.A.

Following receipt of the letter from the European Central Bank on the assessment of the suitability of the members of the Board of Directors and the Audit Committee elected at the General Shareholders' Meeting of May 4, 2022, for the four-year period 2022/2025, the Board of Directors began its functions on September 5, 2022. Clara Raposo and Teófilo da Fonseca were not subject to this assessment since they informed that, for personal reasons, they were not available to serve on the Board of Directors. On October 11, BCP informed that its Board of Directors, in accordance with the law and the Bank's regulations on Succession Planning, approved that day the co-optation of Prof. Altina Sebastián and Mr. Pedro Ferreira Malaquias as independent non-executive directors of the Bank, thus filling the vacancies on the Board of Directors. The co-optation was subject to the suspensive condition of obtaining authorisation from the European Central Bank to exercise their functions and will be submitted for ratification at the Bank's next General Meeting.

On July 15, 2022, Bank Millennium informed that due to expected costs of credit holidays the Bank posted a negative net result in the 3rd quarter of 2022 and as a result its capital ratios fell below the current minimum requirements set by Polish Financial Supervision Authority ('PFSa'). As the breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15, 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSa and the Bank Guarantee Fund.

Moody's Rating Agency, as part of its regular revision, upgraded BCP's senior unsecured debt ratings to Investment Grade, from Ba1/Prime-2 to Baa3/Prime-2, driven by the reduction in the stock of Non-performing assets (NPA) and the improvement in capitalisation levels over the last years, the improvement in domestic profitability, which offsets the impact of provisions for legal risk in Poland, as well as the BCP's funding plan being executed to comply with its Minimum Requirement for own funds and Eligible Liabilities (MREL).

Moody's Rating Agency assigned a rating of Baa3, corresponding to investment grade, to Bank Millennium's senior non-preferred debt in Poland, within the scope of the Euro Medium Term Notes (EMTN) program.

S&P Global Ratings upgraded BCP's long-term issuer credit rating by one notch to 'BB+', keeping the Outlook stable. This upgrade follows the recent upgrade on the sovereign rating, as well as the recent improvement of BCP credit risk profile, result of the 40% reduction in NPEs since 2019 and the expectations from S&P Global Ratings that the uncertainties in Poland will have a manageable impact on the level of the Bank's capitalisation. The Outlook reflects the Bank's solid retail franchise that should enable to strength domestic profitability.

Fitch Rating Agency revised the Outlook for BCP's rating from stable to positive, maintaining the long-term rating at BB. The revision of the outlook reflects the organic reduction in non-performing assets since the end of 2019, as well as the lower uncertainty about the provisioning related to mortgage loans denominated in CHF of Bank Millennium.

On 18 October 2022, Banco Comercial Português, S.A. has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme. The issue, in the amount of 350 million euros, has a tenor of 3 years, with the option of early redemption by the Bank at the end of year 2, an issue price of 100% and an annual interest rate of 8.5% during the first 2 years (corresponding to a spread of 5.547% over the 2-year mid-swap rate). The annual interest rate for the 3th year was set

at 3-month Euribor plus a 5.547% spread. The high demand and the diversified profile of the investors who subscribed the issue confirmed, once again, the Bank's ability to access capital market in a context of high volatility and great uncertainty.

The Board of Directors, at its meeting held on 14 November 2022, resolved to request the calling of a General Meeting of Shareholders to take place on 20 December, with the following Agenda:

Item One - To resolve on altering article 4 (1) of the articles of association (Share Capital) aiming at reformulating the items of own capital, comprising the reinforcement of funds subject to regulatory qualification as distributable by means of the reduction of the share capital in 1,725,000,000 euros, without changing either the existing number of shares or net equity;

Item Two - To resolve on the ratification of the co-optation by the Board of Directors of 2 Directors for the term-of-office 2022/2025;

Item Three - To resolve upon the election of an alternate member of the Audit Committee for the 2022/2025 term-of-office.

On 22 November 2022, Banco Comercial Português, S.A. informed it has decided not to exercise the early redemption option on its €300,000,000 4.50% T2 Subordinated Fixed Rate Reset Notes due December 2027 (ISIN: PTBCPWOM0034) (the "Notes") on its one-time call date (7 December 2022). As such, and in accordance with the Final Terms, the coupon will reset to the aggregate of the 5-year Mid-Swap Rate prevailing on 5 December 2022 and the initial margin of 4.267% per annum.

In light of BCP's decision not to call the Notes, BCP also announced the launch of an exchange offer, offering to the current holders of its issue €300,000,000 4.50% T2 Subordinated Fixed Rate Reset Notes due December 2027 the option and opportunity to exchange their holdings for new Euro denominated T2 Notes.

BCP informs about the results of the Offer, which expired at 4:00 p.m. on 29 November 2022, having received valid offers for exchange by noteholders for an aggregate nominal amount of €133,700,000.00. On 5 December 2022, BCP issued New Notes in the same amount, to be subscribed by those noteholders that validly offered Notes for exchange.

The New Notes, in the amount of €133,700,000.00, have a tenor of 10.25 years, with the option of early redemption by the Bank during a period of three months at the end of year 5, and fixed annual interest rate of 8.75% during the first 5.25 years. The annual interest rate from year 5.25 onwards was set at the 5-year mid-swap rate plus a 6.051%.

On 20 December 2022, Banco Comercial Português, S.A. concluded, through electronic means and, simultaneously, at the Bank's facilities, with 63.57% of the share capital represented, the General Meeting of Shareholders, with the following resolutions:

Item One - Approval of the amendment to article 4 (1) of the articles of association (Share Capital) aiming at the special purpose of reformulating the items of equity, comprising the reinforcement of funds able of being regulatory qualified as distributable by means of the reduction of the share capital in 1,725,000,000 euros, without changing either the existing number of shares or net equity;

Item Two - Ratification of the co-optation by the Board of Directors of 2 Directors for the 2022/2025 term of office;

Item Three - Election of an alternate member of the Audit Committee for the term of office 2022/2025.

On 21 December 2022, Banco Comercial Português, S.A. informed that, under the context of the Supervisory Review and Evaluation Process (SREP), it has been notified of the decision of the European Central Bank regarding minimum prudential requirements to be fulfilled on a consolidated basis from January 1, 2023.

In addition, BCP was previously informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from January 1, 2023: CET1 9.41%, Tier 1 11.38% and Total 14.00%, of which P1, respectively, 4.5%, 6% and 8% and P2R, respectively, 1.41%, 1.88% and 2.5%.

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 1.0%).

On 23 December 2022, Banco Comercial Português, S.A., in accordance with article 29-K of the Portuguese Securities Code and article 1 of the CMVM Regulation no. 5/2008, hereby informs that, pursuant to the resolutions adopted at the General Meeting of the Bank held on November 20th, 2022, the Bank registered its new share capital of 3,000,000,000 Euros at the Commercial Registry Office, maintaining the number of nominative, book-entry shares without nominal value and of the voting rights at 15,113,989,952.

Furthermore and pursuant to article 3, paragraph b) of the CMVM Regulation no. 5/2008, the Bank also informed that, effective as of today, the Company Secretary function is performed by Ana Patrícia Moniz Macedo and the Alternate Company Secretary function is performed by António Augusto Amaral de Medeiros.

On 29 December 2022, Banco Comercial Português, S.A. informed that after the conclusion, on 12 August 2022, of the sale and purchase agreements and other agreements with a related company of Davidson Kempner Capital Management LP (the "Purchaser"), together with Novo Banco, S.A., Caixa Geral de Depósitos, S.A., Banco Santander Totta, S.A. and Oitante, S.A. (the "Sellers"), proceeded to the closing of the Project Crow and the implementation of the Agreements were concluded on 29 December 2022, following the verification of the stipulated contractual conditions precedent.

As a result of the closing of the Project Crow:

- the Sellers' units in "Fundo de Recuperação Turismo, Fundo de Capital de Risco ("FRT") together with the assets directly and indirectly held by FRT were transferred to the Purchaser;
- the Sellers' share in "FLIT - PTREL, SICAV-SIF, S.C.A. ("FLIT") together with the assets directly and indirectly held by FLIT were transferred to the Purchaser;
- certain hospitality assets indirectly held by Fundo Recuperação, FCR were indirectly acquired by FLIT;
- certain assets indirectly held by FLIT and FRT were transferred to relevant Sellers.

AWARDS AND DISTINCTIONS

Bank #1 in the 2023 5 Stars Award, Consumer Choice 2023, in the "Large Banks" category for the third consecutive year.

In 2022, the BCP Group was included again in The Sustainability Yearbook, a publication edited by S&P.

Millennium bcp is part of the Bloomberg Gender-Equality Index for the third consecutive year.

Best Investment Bank, in Portugal, in 2022, for the fourth consecutive year, according to Global Finance.

Best Foreign Exchange Provider, in Portugal, in 2022, according to Global Finance.

Millennium bcp wins Inovadora COTEC status for the second consecutive year, supporting more than 360 companies to achieve the status Inovadora COTEC.

Millennium bcp was distinguished as Best Bank for Sustainable Finance in Portugal in 2022, according to Global Finance.

Millennium bcp was once again distinguished as one of leading companies in the fight against climate change, according to "Europe's Climate Leaders 2022" ranking published by the Financial Times and Statista.

Best Consumer Digital Bank, in Portugal, in 2022, according to Global Finance. In addition to this category, BCP also won in three other categories: The Best Information Security and Fraud Management in Western Europe for 2022 (consumer); The Best in Social Media Marketing and Services in Western Europe for 2022 (Consumer) and The Best Information Security and Fraud Management in Western Europe for 2022 (Corporate).

iziBizi won the Best Digital Transformation Project in Portugal. iziBizi was also distinguished with the Best Banking Project" and Best Future of Business Models Project awards. iziBizi is the first invoicing management program with a bank account, which merges Cloudware invoicing and management software with Millennium bcp's financial services and Open Banking API.

Distinction at the Euronext Lisbon Awards with the Local Market Member in Equity and Growing Structured Finance awards.

ActivoBank distinguished with Consumer Choice, in the "Digital Banking" category, for the fifth consecutive year.

ActivoBank distinguished as Powerful Brand, in the "Online Banking" category, in the joint study of Sábado magazine and Marktest, by the second consecutive year.

Bank Millennium is Best Bank in Poland in 2022, according to Global Finance.

Bank Millennium distinguished as the Best Digital Bank in Poland in 2022, according to Global Finance.

Bank Millennium distinguished with the Kantar Polska Award for the most effective brand communication.

Bank Millennium among Poland's Best Employers in 2022 according to the ranking prepared by Forbes Polska and Statista.

Bank Millennium distinguished as the best Digital Bank in the Newsweek's Friendly Bank ranking.

Bank Millennium distinguished as "Europe's Diversity Leader 2023" in the Financial Times ranking.

Best Trade Finance Provider, in Mozambique, in 2022, according to Global Finance.

Bank of the Year in Mozambique, in 2022, by Euromoney.

Bank of the Year in Mozambique, in 2022, by The Banker magazine.

"Best Digital Bank" in Mozambique and "Most Innovative Digital Bank in Africa", according to Global Finance.

"Best Private Bank" in Mozambique, for the fourth consecutive year, according to Global Finance.

SUBSEQUENT EVENTS

On 9 January 2023, in addition to the announcement made on December 29, 2022, on the conclusion of the Crow Project, regarding the sale of Participation Units in the Fundo de Recuperação Turismo, Fundo de Capital de Risco and FLIT-PTREL-SIF, S.C.A., as well as other assets of the hospitality sector, Banco Comercial Português, S.A. informs that the completion of this transaction resulted in the receipt of approximately 233 million euros.

Based on the terms of the transaction, Banco Comercial Português, S.A informs that the conclusion of the Crow project had a positive marginal impact of 1.6 million euros on the consolidated results for the year 2022. In terms of capital ratio (CET1 fully implemented), it is estimated that the reduction in exposure on the balance sheet to these assets, due to the sales made, will be reflected in an increase of approximately 15 bps.

MACROECONOMIC ENVIRONMENT

In 2022, the global GDP recorded a marked slowed down, as a result of the economic fallout of Russia's military aggression against Ukraine, namely through the increase of energy and food prices. In 2023, the International Monetary Fund (IMF) predicts that the global economy will maintain its deceleration trajectory, with a growth rate of 2.9%, below its historical average (3.8%). The risks to this projection are tilted to the downside, stemming from a deteriorating geopolitical situation and the evolution of the monetary policy.

In the United States, the steep rise in inflation rate, which reached 8.0% in 2022, prompted the Federal Reserve to hike its key interest rate from 0.25% to 4.50%, throughout the year. In this context of tighter financial conditions, the IMF anticipates a substantial deceleration of the North American economy in 2023. In the Euro Area, the European Central Bank has also raised its reference interest rate, from 0.0% to 2.50%, driven by soaring inflation rates, which registered an annual increase of 8.4% in 2022. Against this background of rising price levels and interest rates, as well as elevated risks in the geopolitical and energetic spheres, the IMF foresees a GDP growth rate of 0.7% in the Euro Area in 2023, compared with the 3.5% observed in 2022. In turn, China is expected to show signs of economic recovery, following the easing of the COVID-19 containment measures, which determined a subpar GDP growth in 2022.

In financial markets, 2022 was characterised by, on the one hand, marked devaluations of major global equity indices due to a high degree of uncertain and the inversion of an expansionary monetary policy stance. On the other hand, there was a sharp rise in governmental bond yields, amid surging inflationary pressures and the resulting expectations of higher general level of interest rates. Against this backdrop, inter-bank interest rates Euribor recorded notable increases throughout the whole curve, reaching levels not seen since 2008. The challenging macroeconomic and financial environment penalised the risk premia of both corporate bonds and Euro Area periphery sovereign debt, as well as emerging market's asset classes. In the foreign exchange market, there was a strong appreciation of the US Dollar, particularly against the Euro and the Japanese Yen. Despite the turmoil that characterised financial markets in 2022, the national equity index appreciated by 2.8%.

In Portugal, GDP proceeded its slowdown trajectory in the fourth quarter of 2022, reflecting a deceleration of private consumption and weak investment growth, notwithstanding the huge amount of European funds available, while exports remained robust. Despite the sluggish economic activity at year-end, the strong performance observed in the first quarter contributed to a GDP growth rate of 6.7% in 2022. However, the Bank of Portugal predicts a significant deceleration of the Portuguese economy in 2023, hindered by the uncertainty regarding external demand and the evolution of the inflation rate, that is expected to persist elevated in 2023 (5.8%), after reaching 8.1% in 2022.

In 2022, the Polish economy remained resilient regardless of the heightened uncertainty stemming from Russia's military aggression against Ukraine, soaring inflation rates, rising financing costs, and risks of disruption in energy supply. In this context, Zloty depreciated marginally throughout the year. In 2023, the IMF envisages a marked decrease of Poland's GDP growth rate (from 5.4% to 0.3%), due to the persistently high inflationary pressures and a restrictive monetary policy. In 2022, the central bank hiked its key interest rate from 1.75% to 6.75%.

In Mozambique, economic activity accelerated in 2022, bolstered by the favourable evolution of the extractive industry, with the IMF forecasting a GDP growth rate of 3.7%. Against this background, the central bank rose its key interest rate from 13.25% to 17.25% over the year and Metical appreciated. In 2023, the Mozambican economy is expected to continue its recovery, with a projected 4.9% growth rate, despite the slowdown in global economic activity.

Angola's economy sustained its recovery trend in 2022, benefiting from rising commodity prices, which backed the evolution of Kwanza. In 2023, it is expected a further acceleration in economic activity, with IMF foreseeing a GDP growth of 3.4% compared with 2.9% in 2022.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

	Million euros								
	Consolidated			Activity in Portugal			International activity		
	Dec. 22	Dec. 21	Chg. 22/21	Dec. 22	Dec. 21	Chg. 22/21	Dec. 22	Dec. 21	Chg. 22/21
INCOME STATEMENT									
Net interest income	2,149.8	1,588.6	35.3 %	951.0	831.3	14.4 %	1,198.8	757.3	58.3 %
Dividends from equity instruments	10.1	0.9	>200%	9.3	0.1	>200%	0.8	0.8	(1.7)%
Net fees and commission income	771.9	727.7	6.1 %	560.6	514.3	9.0 %	211.4	213.4	(1.0)%
Net trading income	50.0	86.5	(42.3)%	69.2	75.6	(8.4)%	(19.3)	11.0	<-200%
Other net operating income	(182.9)	(126.3)	(44.8)%	(76.3)	(66.1)	(15.4)%	(106.7)	(60.3)	(77.0)%
Equity accounted earnings	68.7	56.9	20.7 %	67.8	58.3	16.3 %	0.9	(1.4)	167.0 %
Net operating revenues	2,867.5	2,334.4	22.8 %	1,581.6	1,413.6	11.9 %	1,285.9	920.8	39.7 %
Staff costs	580.8	654.3	(11.2)%	338.7	436.2	(22.4)%	242.1	218.0	11.1 %
Other administrative costs	353.0	324.2	8.9 %	184.0	176.4	4.3 %	168.9	147.8	14.3 %
Depreciation	139.2	137.2	1.5 %	79.1	80.3	(1.5)%	60.2	56.9	5.8 %
Operating costs	1,073.0	1,115.6	(3.8)%	601.7	692.9	(13.1)%	471.3	422.7	11.5 %
Operating costs excluding specific items	1,056.5	1,024.9	3.1 %	585.3	602.2	(2.8)%	471.3	422.7	11.5 %
Profit before impairment and provisions	1,794.5	1,218.8	47.2 %	979.8	720.7	35.9 %	814.7	498.1	63.6 %
Results on modification	(309.9)	—	— %	—	—	— %	(309.9)	—	— %
Loans impairment (net of recoveries)	300.6	348.9	(13.8)%	218.4	273.3	(20.1)%	82.2	75.6	8.8 %
Other impairment and provisions	755.6	712.2	6.1 %	205.3	165.4	24.1 %	550.3	546.8	0.6 %
Profit before income tax	428.5	157.7	171.6 %	556.1	282.0	97.2 %	(127.7)	(124.3)	(2.7)%
Income taxes	304.3	203.6	49.5 %	207.6	109.0	90.4 %	96.7	94.6	2.3 %
Current	109.6	81.4	34.8 %	17.2	11.1	54.7 %	92.4	70.2	31.6 %
Deferred	194.7	122.3	59.2 %	190.4	97.9	94.4 %	4.3	24.3	(82.4)%
Income after income tax from continuing operations	124.1	(45.9)	>200%	348.6	173.0	101.5 %	(224.4)	(218.9)	(2.5)%
Income arising from discontinued operations	5.5	70.9	(92.2)%	—	—	— %	5.5	70.9	(92.2)%
Non-controlling interests	(77.8)	(113.1)	31.2 %	(5.0)	0.2	<-200%	(72.8)	(113.3)	35.7 %
Net income	207.5	138.1	50.3 %	353.6	172.8	104.6 %	(146.1)	(34.7)	<-200%
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	89,861	92,905	(3.3)%	63,268	67,216	(5.9)%	26,593	25,689	3.5 %
Total customer funds	92,808	90,097	3.0 %	68,262	66,290	3.0 %	24,546	23,806	3.1 %
Balance sheet customer funds	77,250	71,175	8.5 %	54,077	49,319	9.6 %	23,173	21,856	6.0 %
Deposits and other resources from customers	75,907	69,560	9.1 %	52,734	47,712	10.5 %	23,173	21,848	6.1 %
Debt securities	1,343	1,615	(16.8)%	1,343	1,606	(16.4)%	—	9	(100.0)%
Off-balance sheet customer funds	15,558	18,922	(17.8)%	14,185	16,972	(16.4)%	1,373	1,950	(29.6)%
Assets under management	5,114	5,773	(11.4)%	4,307	4,629	(7.0)%	806	1,143	(29.5)%
Assets placed with customers	5,102	6,486	(21.3)%	4,803	6,076	(20.9)%	299	410	(27.1)%
Insurance products (savings and investment)	5,343	6,663	(19.8)%	5,075	6,267	(19.0)%	268	397	(32.4)%
Loans to customers (gross)	57,713	58,231	(0.9)%	40,149	39,866	0.7 %	17,564	18,365	(4.4)%
Individuals	34,165	34,071	0.3 %	21,194	20,505	3.4 %	12,971	13,566	(4.4)%
Mortgage	28,124	28,072	0.2 %	19,014	18,394	3.4 %	9,110	9,678	(5.9)%
Personal Loans	6,042	5,999	0.7 %	2,180	2,111	3.3 %	3,862	3,888	(0.7)%
Companies	23,548	24,160	(2.5)%	18,955	19,361	(2.1)%	4,593	4,799	(4.3)%
CREDIT QUALITY									
Total overdue loans	590	1,080	(45.3)%	201	605	(66.8)%	390	475	(17.9)%
Overdue loans by more than 90 days	496	949	(47.8)%	180	586	(69.3)%	316	364	(13.2)%
Overdue loans by more than 90 days / Loans to customers	0.9 %	1.6%		0.4 %	1.5%		1.8 %	2.0%	
Total impairment (balance sheet)	1,515	1,871	(19.0)%	935	1,286	(27.3)%	581	585	(0.7)%
Total impairment (balance sheet) / Loans to customers	2.6 %	3.2%		2.3 %	3.2%		3.3 %	3.2%	
Total impairment (balance sheet) / Overdue loans by more than 90 days	305.8 %	197.0 %		519.5 %	219.5%		184.0 %	160.8 %	
Non-Performing Exposures (NPE)	2,218	2,752	(19.4)%	1,361	1,878	(27.5)%	856	874	(2.1)%
NPE / Loans to customers	3.8 %	4.7%		3.4 %	4.7%		4.9 %	4.8%	
Total impairment (balance sheet) / NPE	68.3 %	68.0%		68.6 %	68.5%		67.8 %	66.9%	
Restructured loans	1,866	2,564	(27.2)%	1,341	2,069	(35.2)%	525	495	6.0 %
Restructured loans / Loans to customers	3.2 %	4.4%		3.3 %	5.2%		3.0 %	2.7%	
Cost of risk (net of recoveries, in b.p.)	52	60		54	69		47	41	

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Thousands of euros)

	2022	2021
Interest and similar income	2,737,235	1,709,124
Interest expense and similar charges	(587,463)	(120,523)
NET INTEREST INCOME	2,149,772	1,588,601
Dividends from equity instruments	10,086	938
Net fees and commissions income	771,908	727,723
Gains/(losses) on financial operations at fair value through profit or loss	27,306	(247)
Foreign exchange gains/(losses)	19,390	17,494
Gains/(losses) on hedge accounting	(2,233)	4,286
Gains/(losses) arising from derecognition of financial assets and liabilities at amortised cost	18,883	(3,717)
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	(13,386)	68,722
Other operating income / (losses)	(193,112)	(128,905)
TOTAL OPERATING INCOME	2,788,614	2,274,895
Staff costs	580,807	654,270
Other administrative costs	352,961	324,172
Amortisations and depreciations	139,250	137,156
TOTAL OPERATING EXPENSES	1,073,018	1,115,598
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,715,596	1,159,297
Results on modification	(309,865)	–
Impairment of financial assets at amortised cost	(300,829)	(352,833)
Impairment of financial assets at fair value through other comprehensive income	5,023	(4,626)
Impairment of other assets	(192,059)	(60,882)
Other provisions	(568,297)	(642,726)
NET OPERATING INCOME	349,569	98,230
Share of profit of associates accounted for using the equity method	68,722	56,937
Gains/(losses) on disposal of subsidiaries and other assets	10,167	2,570
NET INCOME BEFORE INCOME TAXES	428,458	157,737
Income taxes		
Current	(109,632)	(81,353)
Deferred	(194,688)	(122,273)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	124,138	(45,889)
Net income from discontinued or discontinuing operations	5,537	70,881
NET INCOME AFTER INCOME TAXES	129,675	24,992
Net income for the year attributable to:		
Bank's Shareholders	207,497	138,082
Non-controlling interests	(77,822)	(113,090)
NET INCOME FOR THE YEAR	129,675	24,992
Earnings per share (in Euros)		
Basic	0.011	0.007
Diluted	0.011	0.007

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022 AND 2021

(Thousands of euros)

	2022	2021
ASSETS		
Cash and deposits at Central Banks	6,022,001	7,796,299
Loans and advances to credit institutions repayable on demand	213,460	361,786
Financial assets at amortised cost		
Loans and advances to credit institutions	963,434	453,213
Loans and advances to customers	54,675,793	54,972,401
Debt securities	13,035,582	8,205,196
Financial assets at fair value through profit or loss		
Financial assets held for trading	766,597	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	552,679	990,938
Financial assets at fair value through other comprehensive income	7,461,553	12,890,988
Hedging derivatives	59,703	109,059
Investments in associated companies	298,717	462,338
Non-current assets held for sale	499,035	780,514
Investment property	15,217	2,870
Other tangible assets	574,697	600,721
Goodwill and intangible assets	182,687	256,213
Current tax assets	17,945	17,283
Deferred tax assets	2,938,986	2,688,216
Other assets	1,582,455	1,385,292
TOTAL ASSETS	89,860,541	92,904,812
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,468,360	8,896,074
Resources from customers	75,430,143	69,560,227
Non subordinated debt securities issued	1,482,086	2,188,363
Subordinated debt	1,333,056	1,394,780
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	241,506	231,241
Financial liabilities at fair value through profit or loss	1,817,678	1,581,778
Hedging derivatives	178,000	377,206
Provisions	561,786	458,744
Current tax liabilities	23,680	20,427
Deferred tax liabilities	11,708	16,932
Other liabilities	1,391,973	1,116,983
TOTAL LIABILITIES	83,939,976	85,842,755
EQUITY		
Share capital	3,000,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	268,534	259,528
Reserves and retained earnings	1,245,949	580,304
Net income for the year attributable to Bank's Shareholders	207,497	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,138,451	6,119,385
Non-controlling interests	782,114	942,672
TOTAL EQUITY	5,920,565	7,062,057
TOTAL LIABILITIES AND EQUITY	89,860,541	92,904,812

GLOSSARY

Assets placed with customers - amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds - deposits and other resources from customers and debt securities placed with customers.

Business Volumes - corresponds to the sum of total customer funds and loans to customers (gross).

Commercial gap - loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core operating profit - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

Cost to core income - operating costs divided by core income.

Cost to income - operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments - loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments - loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments - non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers - debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers - resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having some influence, the Group does not control the financial and operational policies.

Insurance products - includes unit linked saving products and retirement saving plans ("PPR", "PPE" and "PPR/E").

Loans impairment (balance sheet) - balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) - impairment (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) - loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) - loans to customers (net) divided by deposits and other resources from customers.

Loan to value ratio (LTV) - mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Net trading income - results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

Non-performing exposures (NPE) - non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) - overdue loans (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds - assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions - impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income - dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Other net operating income - other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans - total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days - total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Performing loans - loans to customers (gross) deducted from Non-performing exposures (NPE).

Profit before impairment and provisions - net operating revenues deducted from operating costs.

Resources from credit institutions - resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) - net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) - net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) - net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) - net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

Specific coverage of NPE - NPE impairments (balance sheet) divided by the stock of NPE.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards (“IFRS”) of the BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, as the currently existing version.

The information in this presentation is for information purposes only and should be read in conjunction with all other information made public by the BCP Group.

The figures presented do not constitute any form of commitment by BCP regarding future earnings.

The figures for 2022 were not audited.