Press Release

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Millennium bcp Earnings release as at 30 June 2024

A Solid and Efficient Bank

Profitability

- **Net income** of **485.3 million euros** in the first half of 2024, 14.7% above the first half of 2023.
- **Group's core operating profit** stood at **1,174.1 million euros**.
- **In Portugal**, **net income** amounted to **411.0 million euros** in the first half of 2024, corresponding to an increase of 16.2% compared to the same period in 2023.
- **Bank Millennium net income** stood at **82.8 million euros** in the first half of 2024, despite charges of 376,0[1] million euros related with CHF mortgage loan portfolio (of which 237.8 million euros in provisions) and costs related to the extension of credit holidays (mortgage in Zlotys) which totalled 46.6[2] million euros.
- **Millennium bim net income** stood at **46.8 million euros** in the first half of the year.

Business model

- **Solid capital ratios. CET1[3] ratio** stood at **16.2%** and **total capital ratio[3]** at **20.6%** (increases of 219 bp and 225 bp, respectively, compared with the same period last year), reflecting the capacity to generate organic capital.
- **Liquidity indicators[4] well above regulatory requirements**: LCR at 296%, NSFR at 175% and LtD at 67%.
- **Group's total Customer funds grew 8.9%** year on year to **100.6 billion euros**.
- **Reduction** in **non-performing assets** compared to June 2023: 176 million euros in NPE and 59 million euros in foreclosed assets.
- **Cost of risk[5]** of the **Group** stood at **34 bp** in the first half of 2024, which compares with 50 bp in the same period of last year.
- **Customer base grew 4.1%**, highlighting the increase in mobile Customers (11% from June 2023), which represent 70% of total active Customers at the end of June 2024.

[1] Before taxes and non-controlling interests. Includes provisions for legal risk, costs with out-of-court settlements and legal advice. Does not include provisions for legal risk on CHF mortgages of Euro Bank (guaranteed by a third party). [2] Before taxes and non-controlling interests. 3 Fully implemented ratio including unaudited net income of the first half of 2024. [4] Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD). 5 Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first half of 2024 stood at 50 bp.

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Millennium bcp

FINANCIAL HIGHLIGHTS (1)

Million euros

	30 Jun. 24	30 Jun. 23 (restated [2])	Chg. 24/23
BALANCE SHEET			
Total assets	99,698	90,941	9.6 %
Equity	7,627	6,568	16.1 %
Loans to customers (net)	55,625	56,336	(1.3 %)
Total customer funds	100,644	92,453	8.9 %
Balance sheet customer funds	83,873	76,733	9.3 %
Deposits and other resources from customers	82,555	75,355	9.6 %
Loans to customers (net) / Deposits and other resources from customers (3)	67.4 %	74.8 %	
Loans to customers (net) / Balance sheet customer funds	66.3 %	73.4 %	
RESULTS			
Net interest income	1,397.5	1,374.4	1.7 %
Net operating revenues	1,750.2	1,844.3	(5.1) %
Operating costs	619.4	561.5	10.3 %
Operating costs excluding specific items (4)	617.2	549.9	12.2 %
Results on modification	(61.0)	(11.6)	<-200%
Loan impairment charges (net of recoveries)	97.0	145.5	(33.3 %)
Other impairment and provisions	292.9	402.9	(27.3) %
Income taxes	137.8	246.0	(44.0) %
Net income	485.3	423.2	14.7 %
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (3)	3.6 %	4.1 %	
Return on average assets (ROA)	1.1 %	1.1 %	
Income before tax and non-controlling interests / Average net assets (3)	1.4 %	1.6 %	
Return on equity (ROE)	15.4 %	16.1 %	
Return on tangible equity (ROTE)	16.0 %	16.7 %	
Income before tax and non-controlling interests / Average equity (3)	19.2 %	24.7 %	
Net interest margin	3.08 %	3.34 %	
Cost to core income (4)	34.4 %	31.2 %	
Cost to income (3)	35.4 %	30.4 %	
Cost to income (3)(4)	35.3 %	32.0 %	
Cost to income - Activity in Portugal (3)(4)	32.7 %	31.0 %	
Staff costs / Net operating revenues (3)(4)	19.3 %	17.3 %	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.) (5)	34	50	
Non-Performing Exposures (loans to customers) / Loans to customers	3.4 %	3.7 %	
Total impairment (balance sheet) / NPE (loans to customers)	81.4 %	73.6 %	
Restructured loans / Loans to customers	3.0 %	3.2 %	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	296 %	214 %	
Net Stable Funding Ratio (NSFR)	175 %	155 %	
CAPITAL (6)			
Common equity tier I phased-in ratio	16.2 %	14.0 %	
Common equity tier I fully implemented ratio	16.2 %	14.0 %	
Total ratio fully implemented	20.6 %	18.3 %	
BRANCHES			
Activity in Portugal	398	402	(1.0 %)
International activity	804	817	(1.6 %)
EMPLOYEES			
Activity in Portugal	6,274	6,256	0.3 %
International activity (7)	9,431	9,393	0.4 %

Notes:

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary.
(2) On 1 January 2023, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49.9% owned by the Group and accounted for under the equity method, adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. During the first half of 2024, Mbcp Ageas reviewed the transition adjustments relating to the adoption of those IFRS, which resulted in a reduction in the amount of the participation by 9.1 million euros against reserves. The participations in Lusofundo – Fundo de Investimento Imobiliário Fechado (42.5%) and Fundo Especial de Investimento Imobiliário Eurofundo (35.1%), received at the end of 2022 as part of the sale process designated as project Crow (sale of hospitality assets and of all the units in two corporate restructuring funds), were reclassified to investments in associated companies with reference to the end of that year. The book value of the participation units in these two entities on 30 June 2024 totalled 26.9 million euros (28.5 million euros on 30 June 2023), with the contribution of these entities to equity accounted earnings being 0.8 million euros in the first half of 2024 (-1.8 million euros in the first half of 2023, previously recognised in net trading income).
(3) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(4) Excludes the impact of specific items: negative impact of 2.2 million euros in the first half of 2024 and positive impact in the amount of 115.3 million euros in the first half of 2023. In the first half of 2024, specific items include costs with employees terminations, namely indemnities and early retirements and income recognised after an agreement related to liabilities with former directors of the Bank. In the first half of 2023, specific items include income of 127.0 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. and costs of 11.6 million euros recognised as staff costs in the activity in Portugal [(i) costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022; (ii) costs with mortgage financing to former employees and (iii) income recognised after an agreement related to liabilities with former directors of the Bank].
(5) Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first half of 2024 stood at 50 bp.
(6) The capital ratios as at 30 June 2024 are estimated, including the positive cumulative net income.
(7) Of which, in Poland: 6,834 employees as at 30 June 2024 (corresponding to 6,710 FTE - Full-time equivalent) and 6,869 employees as at 30 June 2023 (corresponding to 6,746 FTE - Full-time equivalent).

PROFITABILITY ANALYSIS

NET INCOME

In the first six months of 2024, the consolidated net income of Millennium bcp amounted to 485.3 million euros, showing a 14.7% growth from the 423.2 million euros achieved in the same period of the previous year.

This evolution, determined by the favourable performance of the activity in Portugal, corresponded to a return on equity (ROE) of 15.4%.

It should be noted, however, that the performance compared to the same period of the previous year was strongly influenced by the extraordinary gain, recorded in the first quarter of that year in the amount of 127.0[1] million euros resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., within the scope of the strategic partnership in the bancassurance business.

To the growth of net income of the Group, largely contributed the favourable evolution of impairments and provisions and, although less expressive, also the growth in core income. These positive impacts were, however, offset by the increase in operating costs and the recognition in the second quarter of 2024 of the credit holidays cost in the Polish subsidiary, following the extension of credit holidays (associated with mortgage loans denominated in Zlotys).

Other impairments and provisions contributed decisively to the performance of net income of the Group by decreasing 110.0 million euros compared to the same period of the last year, standing at 292.9 million euros at the end of the first half of 2024. Although in the activity in Portugal, other impairments and provisions have shown a 36.9% (-18.0 million euros) reduction, this performance mainly reflects the decrease of 89.4 million euros in the additional provisions booked to face the legal risk implicit in foreign exchange mortgage portfolio in the Polish subsidiary (-93.8 million euros, from 331.6 million euros to 237.8 million euros, if net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party recognised in other net operating income).

It should be noted, however, that, although the amount of additional provisions booked to face the legal risk implicit in this portfolio was lower than the amount recognised in the first half of 2023, the remaining costs associated with this portfolio have increased in the same period, leading to a reduction of the overall cost amount of only 23.1 million euros (from 399.1 million euros, to 376.0 million euros, both before taxes and non-controlling interests), continuing to heavily penalise the results of the Group.

On the other hand, the favourable performance of net income of the Group benefited from the reduction in loans impairment charges (net of recoveries), which, in consolidated terms, decreased 48.5 million euros (-33.3%), totalling 97.0 million euros, in the first half of 2024, benefiting from the reversal of impairments in the second quarter of the year.

Net income of the Group was also positively influenced by the 1.8% increase recorded in core income, from 1,761.4 million euros to 1,793.6 million euros, mainly reflecting the performance of net interest income.

In fact, in the first six months of the year, net interest income of the Group was 1.7% above the amount recorded in the same period of the previous year, rising to 1,397.5 million euros at the end of June 2024. This growth of 23.2 million euros was due to the increase in the contribution of the international activity, attenuated by the reduction in the activity in Portugal. Net commissions, in turn, totalled 396.0 million euros in the first half of 2024, growing 2.3% from the amount achieved in the same period of the previous year. Both in the activity in Portugal and in the international activity, benefiting from commissions related to markets, net commissions as a whole reached a higher level than in the first half of 2023.

[1] Before taxes and non-controlling interests. In addition to this gain, an additional gain of 12.2 million euros was also recognised in the fourth quarter of the previous year, associated with this operation.

On the other hand, despite the disciplined management of operating costs by the Group, net income was influenced by the 10.3% increase, from 561.5 million euros to 619.4 million euros in consolidated operating costs. Both staff costs and other administrative costs were higher than a year earlier, both in the activity in Portugal and mainly in the international activity. Regarding depreciations, although they were also higher than the amount recorded in the same period of the previous year, reflecting the performance of the international activity, their impact on the evolution of operating costs was not significant.

The performance of net income of the Group continues to be also influenced by extraordinary effects associated with the Polish subsidiary, such as the upfront recognition of the costs arising from the moratoriums program (credit holidays). In fact, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act on changes to the Act on support for mortgage borrowers who are in challenging financial situation and the Act on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, an extension of credit holidays for Zlotys mortgage borrowers by four more months in 2024, Bank Millennium recorded in the second quarter of 2024 the estimated total cost resulting from the Act in the amount of 46.6 million euros, recognised as results on modification.

Influenced by the aforementioned increase in operating costs and despite the already mentioned increase in core income, core operating profit of the Group amounted to 1,174.1 million euros, in the first half of 2024, standing 2.1% below the 1,199.9 million euros achieved in the same period of the previous year.

The previous analysis does not exclude the impact of specific items considered in each period. In the first half of 2024, specific items had a negative impact of 2.2 million euros (before taxes), recognised in staff costs in the activity in Portugal, while in the first half of 2023, the impact was positive, in the amount of 115.3 million euros (before taxes and non-controlling interests), including income of 127.0 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (117.8 million euros recognised as net trading income and 9.2 million euros recognised as other net operating income) and costs of 11.6 million euros recognised as staff costs in the activity in Portugal.

Excluding specific items in both periods, core operating profit of the Group amounted to 1,176.4 million euros, 2.9% below the 1,211.5 million euros accounted for in the first half of the previous year.

In the activity in Portugal, net income, at the end of the first half of 2024 amounted to 411.0 million euros, growing 16.2% from the 353.7 million euros achieved in the same period of the previous year.

This evolution was largely due to the reduction in impairments and provisions during last year, with the reversal of impairments in the second quarter of 2024 and the improvement in the risk profile of the credit portfolio allowing a reduction of 48.5% (-51.4 million euros) in loans impairment (net of recoveries), to 54.5 million euros, at the end of first half of the current year. Other impairments and provisions, in turn, showed a reduction of 36.9% (-18.0 million euros) in the same period, standing at 30.7 million euros at the end of June 2024.

For the favourable performance of net income in the activity in Portugal, also contributed, to a large extent, the reduction, in the amount of 32.8 million euros, of the costs associated with mandatory contributions borne by the Bank. This reduction was due, on the one hand, to the fact that no contribution to the Single Resolution Fund was collected as the fund had reached its target level and, on the other, to the reduction of the Bank's liabilities that took place at the end of 2022, with an impact on the calculation of the amount of contributions payable in the current year.

Conversely, net income of the activity in Portugal was influenced by the reduction in core income, which evolved from 987.8 million euros at the end of June 2023 to 959.2 million euros at the end of June of the current year, mainly reflecting the evolution of net interest income, which decreased by 4.8% (-34.2 million euros) to 673.3 million euros, in the first half of 2024. Net commissions, in turn, grew by 5.7 million euros (+2.0%) in the same period, totalling 286.0 million euros at the end of the first half of the current year.

The performance of net income in the activity in Portugal was also influenced, albeit to a lesser extent, by the increase of 3.1% (+9.5 million euros) recorded in operating costs which totalled 316.3 million euros at the end of June 2024 and by the reduction in net trading income, from 4.5 million euros in the first half of 2023, to a negative amount of 4.7 million euros in the first half of 2024.

The evolution of operating costs was mainly due to the increase in other administrative costs, although there was also an increase in staff costs. Depreciations, in turn, remained in line with the amount recorded a year earlier.

The impact of the evolution of core income together with operating costs in the activity in Portugal resulted in a reduction of 5.6% in core operating profit last year, from 681.0 million euros in the first half of 2023, to 642.9 million euros in the same period of the current year.

Excluding the specific items mentioned above, core operating profit in the activity in Portugal decreased by 6.9% from 692.6 million euros to 645.2 million euros.

In the international activity, net income of the first six months of 2024 stood at 74.3 million euros, improving 6.8% from the 69.5 million euros recorded in the same period of the previous year.

This evolution was determined by the performance of Bank Millennium, whose net income amounted to 82.8 million euros in the first half of 2024, which compares to 77.3 million euros in the same period of the previous year, with this subsidiary presenting the seventh quarter in a row with positive results. Millennium bim in Mozambique, in turn, showed a net income of 46.8 million euros, 3.6% below the amount recorded in the first half of the previous year.

The performance of net income of the Polish subsidiary was influenced, on one hand by the reduction in impairments and provisions and by the increase in core income and, on the other, by the impact resulting from the recognition, in the first half of the previous year, of the extraordinary gain resulted from the sale of 80% of the shares of Millennium Financial Services sp. z o.o., by the increase in costs associated with the portfolio of foreign exchange mortgage loans (excluding provisions), by the estimated cost of credit holidays and by the increase in operating costs.

The performance of Millennium bim in Mozambique, in turn, was strongly influenced by the impact on net interest income of the significant increase in the local requirement for non-interest-bearing cash reserves to be held with the central bank and by the increase in operating costs, benefiting on the other hand from the reduction in loans impairments (net of recoveries).

Despite its smaller relative weight within the scope of this analysis, it is worth mentioning the increase of the contribution of the Angolan operation through the appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings.

Reflecting the aforementioned performances in each of the geographies core operating profit of international activity grew by 2.4%, from 518.9 million euros in the first half of 2023 to 531.2 million euros in the same period of 2024, benefiting from the increase in core income and despite the increase in operating costs.

NET INTEREST INCOME

In the first six months of 2024, net interest income of the Group reached 1,397.5 million euros, growing 1.7% from the 1,374.4 million euros posted in the same period of the previous year, with this evolution being determined by the performance of the international activity.

In the activity in Portugal, net interest income totalled 673.3 million euros, showing a reduction of 4.8% from the 707.5 million euros recorded in the first half of 2023.

The performance of net interest income in the activity in Portugal, in the last year, reflects above all, the evolution of the commercial business and the positive impact resulting from the management of the securities portfolio.

Thus, the increases in interest rates in the last year were mainly reflected in the increase in the remuneration of the deposit portfolio, also influenced, although to a lesser extent, by the increase in the average balance of interest-bearing deposits compared to the first half of 2023. On the other hand, the increases in interest rates allowed this evolution to be partially offset by the increase in the income generated by the customer loan portfolio, despite the fact that the average balance of the portfolio decreased in the period under review.

Regarding securities portfolio, although the other securities also generated higher income compared to the first half of 2023, the increased contribution of the income generated by the sovereign debt portfolio stands out, benefiting on the one hand, from the evolution of interest rates and on the other, from the portfolio turnover.

Although on a smaller scale, reference should also be made to the impact on the domestic net interest income of the increase, compared to the first half of 2023, of the costs incurred with issued debt and subordinated debt, arising not only from the increase in interest rates, but also from the impact of one issue of senior preferred debt securities, in the amount of 500 million euros, launched in September 2023. This issue, under the Bank's Euro Note Programme, increase the capacity to meet the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities).

Finally, it is worth mentioning the increase in net interest income due to the favourable impact of liquidity deposited at Bank of Portugal and other credit institutions.

In the international activity, net interest income amounted to 724.3 million euros at the end of June 2024, showing a growth of 8.6% from the 666.8 million euros accounted in the first half of the previous year.

This evolution was mainly due to the performance of the Polish subsidiary, associated with the higher income generated by the securities portfolio and also the lower cost borne with customer deposits. Although with a much smaller impact, the net interest income of the subsidiary in Mozambique was lower compared to the amount recorded in the first six months of the previous year, influenced by the significant increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank, in February and May of 2023.

In consolidated terms, net interest margin went from 3.34% in the first half of 2023 to 3.08% in the same period of the current year, reflecting both the performance of the activity in Portugal and in the international activity.

In fact, in the activity in Portugal, net interest margin evolved from 2.52% to 2.29% in the same period, mainly influenced by the increase in interest rates underlying interest-bearing deposits.

Net interest margin in the international activity, in turn, went from 5.07% in the first half of 2023, to 4.53% in the first half of 2024, a period in which the central bank of Poland kept interest rates unchanged, after the first cuts in September and October 2023. The increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank of Mozambique also contributed unfavourably to this evolution.

Both in the activity in Portugal and in the international activity, the increase in liquidity invested in public debt securities, resulting from the growth of customer deposits, although contributing positively to net interest income, is reflected in a reduction in net interest margin.

EQUITY ACCOUNTED EARNINGS AND DIVIDENDS FROM EQUITY INSTRUMENTS

Equity accounted earnings together with dividends from equity instruments, which comprise dividends and equity income received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, increased from 28.8 million euros in the first half of 2023, to 32.3 million euros in the same period of the current year.

This evolution was determined by the increase of 14.1% (+3.9 million euros) recorded in equity accounted earnings, that totalled 31.6 million euros at the end of June 2024.

In the activity in Portugal, equity accounted earnings evolved from 26.0 million euros at the end of June 2023, to 29.0 million euros at the end of June of the current year, highlighting the contribution of the participation in SIBS to that evolution.

In the international activity, equity accounted earnings totalled 2.6 million euros at the end of the first half of the current year, corresponding to an increase of more than 50% compared to the amount recorded in the first half of 2023, determined by the evolution of the appropriation of the results generated by Banco Millennium Atlântico in Angola. The appropriation of the results generated by Fidelidade Moçambique - Companhia de Seguros S.A. [former Seguradora Internacional de Moçambique, S.A. ("SIM")], in turn, did not change materially compared to the first half of the previous year.

NET COMMISSIONS

In the first half of 2024, net commissions totalled 396.0 million euros, showing a growth of 2.3% compared to the 387.0 million euros recorded in the same period of the previous year, benefiting from the favourable performance of both the activity in Portugal and the international activity.

In consolidated terms, the favourable performance of net commissions was mainly due to the growth of commissions related to financial markets, with banking commissions remaining at the same level as in the same period of the previous year.

In fact, at the end of the first half of the current year banking commissions amounted to 334.8 million euros, in line (+0.1%) with the amount recorded in the same period of 2023, while commissions related to financial markets totalled 61.3 million euros, growing 8.5 million euros (+16.1%) in the same period.

In the activity in Portugal, net commissions grew by 2.0% compared to the 280.2 million euros recorded in the first half of 2023, amounting to 286.0 million euros at the end of the first half of the current year.

Also in this case, commissions related to markets were the main driver for this performance, growing by 11.7% (+5.1 million euros) from the first half of the previous year, totalling 48.8 million euros at the end of June 2024. Banking commissions, in turn, amounted to 237.1 million euros, in line with the amount achieved in the first half of the previous year (+0.3%).

Although the overall amount of banking commissions, in the activity in Portugal, remained stable compared to the amount recorded in the first half of the previous year, it is important to highlight on one hand the growth in commissions related to cards and transfers, showing the increase in transaction levels in the last year and on the other, the reduction in commissions associated with credit and guarantees, reflecting the lower credit production in the current context and the legal restrictions imposed in the meantime.

Commissions from the bancassurance activity, which incorporate commissions obtained from placing insurance products through the Bank's distribution networks, and management and maintenance of account commissions did not show significant changes within the scope of this analysis.

In the international activity, net commissions amounted to 110.1 million euros at the end of the first half of the current year, increasing by 3.1% from the 106.8 million euros recorded in the same period of the previous year, with this evolution being determined by the performance of the Polish subsidiary.

Commissions related to banking business in the international activity remained at the same level as in the same period of the previous year, totalling 97.6 million euros at the end of June 2024. This evolution also resulted, however, from different dynamics with regard to the several types of commissions that make up these items, with the increases in commissions related to cards and transfers and to credit and guarantees being offset by the reduction recorded mainly in bancassurance commissions, following the sale of 80% of the shares of Millennium Financial Services sp. z o.o., as part of the strategic partnership in this business area. Other banking commissions also decreased, although with less expression and commissions associated with management and maintenance of accounts did not change materially in the period under review.

With regard to commissions related to financial markets, in the international activity, there was an increase of 37.5%, to 12.4 million euros at the end of June 2024, determined by the performance of commissions associated with asset management and distribution, since the growth in commissions associated with securities transactions, although relevant, had a small impact on the scope of this analysis.

NET COMMISSIONS

Million euros

	6M24	6M23	Chg. 24/23
BANKING COMMISSIONS	**334.8**	**334.3**	**0.1 %**
Cards and transfers	131.3	122.3	7.4 %
Credit and guarantees	62.8	63.9	(1.7 %)
Bancassurance	57.9	63.1	(8.3 %)
Management and maintenance of accounts	79.6	79.8	(0.2 %)
Other commissions	3.1	5.2	(39.5 %)
MARKET RELATED COMMISSIONS	**61.3**	**52.7**	**16.1 %**
Securities	23.5	18.9	24.3 %
Asset management and distribution	37.7	33.8	11.6 %
	396.0	**387.0**	**2.3 %**
Of which:			
Activity in Portugal	286.0	280.2	2.0 %
International activity	110.1	106.8	3.1 %

NET TRADING INCOME

In the first six months of 2024, net trading income totalled a negative amount of 5.4 million euros, well below the 126.2 million euros achieved in the same period of the previous year. This performance was strongly influenced by the recognition, in the first quarter of 2023, of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business, which, as previously mentioned, totalled 117.8 million euros under this heading.

In the activity in Portugal, although with less expression, net trading income were also below the 4.5 million euros posted a year earlier, standing at a negative amount of 4.7 million euros at the end of June 2024.

In the international activity, the evolution of net trading income, from gains of 121.8 million euros to a marginal cost of 0.7 million euros at the end of the first half of the current year, was determined by the already mentioned gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the first quarter of 2023, considered specific items.

In addition, the performance of this item was also penalised by the increase in costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, that went from 24.6 million euros to 46.4 million euros.

OTHER NET OPERATING INCOME

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 the first six months of 2024, other net operating income totalled a negative amount of 70.4 million euros, that compares to the also negative amount of 72.2 million euros recorded in the same period of the previous year, with the impact of the favourable performance of the activity in Portugal being almost fully offset by the unfavourable evolution recorded in the international activity.

In fact, in the activity in Portugal, other net operating income improved significantly, evolving from a negative amount of 66.8 million euros in the first half of 2023, to an also negative amount of 22.8 million euros at the end of June 2024. In this evolution, the overall reduction in the costs with mandatory contributions stands out, with the gains recognised with the sale of non-current assets held for sale also considerably higher compared to the amount recognised a year earlier.

In the last year, the overall amount of mandatory contributions, decreased from 72.6 million euros to 39.7 million euros, corresponding to a 45.3% reduction. This evolution stems largely from the fact that the Single Resolution Board determined that in 2024, once the Single Resolution Fund had reached its target level, no ex-ante contributions would be levied, contrasting with 17.7 million euros recorded in the first half of 2023. On the other hand, the liabilities reduction, after the repayment of the financing obtained from the European Central Bank (ECB) at the end of 2022, only produced its favourable impact in full on the cost borne with mandatory contributions this year, since both the contributions for the National Resolution Fund (NRF) and the cost incurred with the contribution on the banking sector and the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to address the crisis caused by the COVID-19 pandemic, consider the average values of the balance sheet of the previous year to which the contribution relates, considering end-of-month observations.

Thus, despite the slight increase in the contribution rate (from 0.029% to 0.032%), the contribution to the NRF decreased by around 30%, from 9.5 million euros in the first half of 2023 to 6.5 million euros in the first half of 2024, while the cost incurred with the contribution on the banking sector decreased from 37.9 million euros to 27.9 million euros in the same period. The additional solidarity contribution on the banking sector amounted to 5.1 million euros, compared to 6.9 million euros in the first half of the previous year and the contribution to the deposit guarantee fund, in turn, recorded a non-material amount in the scope of this analysis.

It should be noted that, in the activity in Portugal, of the total amount of costs recognised with mandatory contributions in the current year, 39.5 million euros refer to contributions for national entities (54.3 million euros in the first half of 2023).

In the international activity, other net operating income evolved from a negative amount of 5.3 million euros recognised in the first six months of 2023, to an also negative amount of 47.6 million euros at the end of June 2024.

This performance of other net operating income was mainly influenced by the impacts associated to foreign exchange mortgage loan portfolio in the Polish subsidiary, which under this item went from a marginal income of 1.0 million euros to costs of 27.1 million euros, reflecting the increase arising from court costs related to the counterclaims filed by Bank Millennium for reimbursement of the amounts owed by customers.

On the other hand, the evolution of other net operating income in the international activity was penalised by the increase in the costs associated with mandatory contributions borne by the Polish subsidiary, which in the last year evolved from 13.0 million euros to 22.1 million euros. This evolution was mainly due to the special tax on the Polish banking sector, the payment of which was suspended in the previous year, following the activation of the Bank Millennium Recovery Plan at the beginning of the second half of 2022, whose implementation was completed in June. The contribution to the resolution fund was also higher compared to the amount recognised in the first half of 2023, although with a less significant impact.

The evolution of other net operating income in the international activity was also influenced by the fact that in the first quarter of the previous year a gain of 9.2 million euros, considered a specific item, was recognised, associated with the revaluation of the minority stake (20%) that Bank Millennium in Poland held following the sale of 80% of the shares of Millennium Financial Services sp. z o.o.

OPERATING COSTS

In the first half of 2024, operating costs totalled 619.4 million euros, standing 10.3% above the 561.5 million euros recorded in the same period of the previous year, mainly reflecting the performance of the international activity.

In fact, despite the disciplined management of costs followed by the Group, operating costs in the international activity increased 19.0% from the 254.7 million euros recorded in the first half of 2023, totalling 303.1 million euros at the end of June 2024, while in the activity in Portugal, the increase in operating costs was of 3.1%, in the same period, from 306.8 million euros to 316.3 million euros.

The amounts presented do not exclude the specific items considered in each period in staff costs in the activity in Portugal (negative impact of 2.2 million euros in the first half of 2024 and an also negative impact of 11.6 million euros, in the first half of 2023)

Excluding specific items, operating costs of the Group amounted to 617.2 million euros, standing 12.2% above the 549.9 million euros accounted in the same period of the previous year. This performance was mainly due to the increase in staff costs (+13.9%, +41.2 million euros) but also in other administrative costs (+12.8%, +23.6 million euros), in both cases more significant in the international activity. Depreciations, in turn, were also above the amount recorded a year earlier, although its impact, mainly due to the performance of the international activity, was not very significant in the evolution of operating costs of the Group in this period (+3.7%, +2.6 million euros).

Excluding the specific items mentioned above and also excluding the positive impact of 127.0 million euros, recognised in the first half of 2023, in the international activity, associated with the sale of 80% of the shares in Millennium Financial Services sp. z o.o. also considered specific items, cost to income evolved from 32.0% to 35.3% and cost to core income from 31.2% to 34.4% in the last year.

Cost to income and cost to core income stated ratios evolved, respectively, from 30.4% to 35.4% and from 31.9% to 34.5%.

In the activity in Portugal, operating costs totalled 316.3 million euros in the first half of 2024, standing 3.1% above the 306.8 million euros posted in the same period of the previous year. Excluding the specific items already mentioned the increase was of 6.4%, from 295.1 million euros to 314.1 million euros.

This evolution of operating costs in the activity in Portugal reflects the increases recorded in both staff costs and other administrative costs, since depreciations remained stable compared to the amount recorded a year earlier.

In the period under review, cost to income and cost to core income ratios in the activity in Portugal, excluding the impact of specific items, increased from 31.0% to 32.7% and from 29.9% to 32.7%, respectively. Cost to income and cost to core income stated ratios, in turn, stood at 32.9% and 33.0% in the first half of 2024, levels that compare respectively with 32.2% and 31.1% in the same period of the previous year.

In the international activity, operating costs totalled 303.1 million euros at the end of June 2024, standing 19.0% above the 254.7 million euros accounted in the same period of the previous year, mainly due to the performance of the Polish subsidiary.

The evolution of operating costs in the international activity was mainly due to the increases in staff costs and in other administrative costs and with less expression in depreciations.

In addition to the inflation levels, especially over the previous year, it is also important to mention the impact that the characteristics of the labour market in Poland, with very low unemployment rates and significant increases in the minimum wage, had in operating costs of the Polish subsidiary.

In the international activity cost to income ratio evolved from 28.5% (33.3%, excluding the already mentioned positive impact, of specific items) in the first half of 2023, to 38.4% in the first half of 2024, while cost to core income ratio in turn, went from 32.9% to 36.3% in the same period.

OPERATING COSTS

Million euros

	6M24	6M23	Chg. 24/23
Staff costs	339.7	308.0	10.3 %
Other administrative costs	208.6	184.9	12.8 %
Depreciations	71.2	68.6	3.7 %
	619.4	**561.5**	**10.3 %**
Of which:			
Activity in Portugal	316.3	306.8	3.1 %
International activity	303.1	254.7	19.0 %

STAFF COSTS

In the first six months of 2024, staff costs totalled 339.7 million euros, standing 10.3% above the 308.0 million euros accounted in the same period of the previous year.

These amounts include the impact of specific items[2] recognised in each period. Excluding this impact, staff costs of the Group amounted to 337.5 million euros, increasing 13.9% from the 296.3 million euros accounted for in the same period of the previous year.

In the activity in Portugal, staff costs stated amounted to 178.4 million euros at the end of the first half of 2024, standing 1.6% above the 175.7 million euros recorded in the same period of the previous year. Not considering the impact of specific items, there was a 7.4% increase, from 164.0 million euros to 176.2 million euros.

After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal has remained stable, standing at 6,274 employees at the end of June 2024, 18 more than on 30 June 2023, while the Bank continues to acquire the required capabilities to meet current needs namely by hiring new employees with specific skills, namely on digital, new technologies and internal control areas.

In the international activity, staff costs amounted to 161.3 million euros at the end of June 2024, standing 21.9% above the 132.3 million euros recorded a year before.

The Polish subsidiary was mainly responsible for this evolution that continued to be determined by the strong pressure on basic wages, resulting both from levels of inflation in the country and minimum wage increases, and from the characteristics of the Polish labour market, in particular from the very low unemployment rates in the country.

Conversely, it is worth mentioning the reduction in the total number of employees, which in the last year went from 6,869 employees (6,746 FTE - full-time equivalent) at the end of June 2023, to 6,834 employees (6,710 FTE - full-time equivalent) on 30 June 2024.

The operation in Mozambique, in turn, although with a less significant impact, also contributed to the growth in staff costs in the international activity in the last year due to the joint effect of the salary update and the increase in its headcount, from 2,524 employees on 30 June 2023 to 2,597 employees at the end of June 2024.

The headcount of the international activity on 30 June 2024, was composed of 9,431 employees, compared to 9,393 employees at the end of June 2023.

[2] In the first half of 2024, specific items, related to staff costs, had a negative impact of 2.2 million euros, including costs with employment terminations, namely indemnities and early retirements and an income recognised after an agreement related to liabilities with former directors of the Bank. In the first half of 2023, the impact was also negative in the amount of 11.6 million euros, including costs related to the compensation for the temporary reduction in employees remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022 by the Bank's employees, costs with mortgage financing to former employees and income recognised after an agreement related to liabilities with former directors of the Bank.

OTHER ADMINISTRATIVE COSTS

In the first six months of 2024, other administrative costs totalled 208.6 million euros, standing 12.8% above the 184.9 million euros recorded in the same period of the previous year, notwithstanding the disciplined management of costs followed by the Group.

In the activity in Portugal, other administrative costs amounted to 101.2 million euros, representing a 7.3% increase from the 94.3 million euros recorded in the first half of 2023.

This performance, in spite of the disciplined cost management, largely reflects the increase in costs associated with other specialised services, as well as outsourcing costs, particularly those related to banking operations. Costs related to legal expenses, advertising and rents and leases, among others with a less significant impact on the evolution of other administrative costs in the activity in Portugal, were also higher compared to the amount recorded in the first half of 2023.

Conversely, the reduction in costs associated with advisory services compared to the amounts recorded in the first half of the previous year stands out, as well as the impact in the evolution of most of the items of other administrative costs, resulting from the optimisation of the cost structure of the Bank, made possible by the pursuit of disciplined cost management and the consequent implementation of a series of recurrent measures.

The evolution of most of the items of other administrative costs, also benefited from the positive impact arising from the resizing of the branch network which, in the activity in Portugal, evolved from 402 branches to 398 branches, in the last year.

In the international activity, other administrative costs amounted to 107.4 million euros in the first half of 2024, standing 18.5% above the 90.7 million euros posted in the same period of the previous year, mainly reflecting the increase recorded in the Polish subsidiary.

The performance of other administrative costs in the Polish subsidiary was influenced by the high inflation recorded throughout 2023 and the increase in legal advice costs associated with foreign exchange mortgage loans portfolio. On the other hand, the Polish subsidiary continues to benefit from the optimisation of its branch network, the number of which has evolved from 621 existing branches at the end of June 2023 to 609 branches as at 30 June 2024. The subsidiary in Mozambique, in turn, ended the first half of 2024 with 195 branches, one less than at the end of June of the previous year.

DEPRECIATIONS

Depreciations amounted to 71.2 million euros in the first half of 2024, standing 3.7% above the 68.6 million euros recorded in the same period of the previous year, mainly reflecting the performance of the international activity, namely of the Polish subsidiary.

In the activity in Portugal, depreciations remained in line with the amount recorded in the first half of 2023, totalling 36.7 million euros at the end of the first half of the current year, despite the increased investment made in software and IT equipment, given the Bank's commitment to the digital transformation process.

In the international activity, depreciations amounted to 34.5 million euros in the first half of 2024, standing 8.5% above the 31.8 million euros recorded in the same period of the previous year, reflecting, as already mentioned, mainly the performance of the Polish subsidiary.

RESULTS ON MODIFICATION

In the fourth quarter of 2022, the Bank reviewed and reclassified the amount associated with costs arising from the moratorium program (credit holidays) in Poland, enacted in July of that year, which had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. Since then, this heading also started to include contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans in the Polish subsidary, in accordance with IFRS9.

In the first half of 2024, results on modification totalled a negative amount of 61.0 million euros, which compares with an also negative amount of 11.6 million euros recorded in the same period of 2023. This evolution mainly reflects the recognition, in the first half of the current year, of costs arising from the aforementioned moratorium program (credit holidays) non-existent in the first half of the previous year.

In fact, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act of 12 April 2024 on changes to the Act on support for mortgage borrowers who are in challenging financial situation and the Act on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, an extension of credit holidays for Zloty mortgage borrowers by four more months in 2024, Bank Millennium estimated the preliminary impact of the implementation of this Act on the results of the Group, recognising a cost with credit holidays in the amount of 46.6 million euros.

On the other hand, costs associated with contractual modifications negotiated with customers with foreign exchange mortgage loans, also in the Polish subsidiary, evolved from 7.8 million euros recognised in the first half of 2023, to 9.8 million euros at the end of June 2024.

IMPAIRMENT FOR LOAN LOSSES

In the first six months of 2024, impairment for loan losses (net of recoveries) totalled 97.0 million euros, showing a reduction of 33.3% compared to the 145.5 million euros accounted for in the same period of the previous year, mainly reflecting the favourable evolution recorded in the activity in Portugal, the impact of which was partially offset by the increase in international activity.

In fact, in the activity in Portugal, loans impairment charges (net of recoveries) stood 48.5% below the 106.0 million euros recognised in the first half of 2023, amounting to 54.5 million euros in the end of June 2024. This reduction largely reflects the reversal of impairments in the second quarter of the current year.

In the international activity, impairment charges (net of recoveries) stood 7.3% above the 39.6 million euros recognised in the first half of 2023, standing at 42.5 million euros at the end of June 2024. This performance mainly reflects the higher level of provisioning required by the Polish subsidiary, partially offset by the reduction in impairment charges recorded in the Mozambican subsidiary.

It should be noted, however, that the increase in impairment charges (net of recoveries) in the Polish subsidiary was influenced by the positive impact in the first half of the previous year associated with the change in default definition, thus having an unfavourable impact on the evolution of this item compared to the same period of 2023.

The evolution of impairment charges (net of recoveries), benefiting from the impact of certain impairments reversal in the second quarter of the year, allowed the cost of risk (net of recoveries) of the Group, to improve significantly, from 50 basis points in the first half of 2023 to 34 basis points in the first half of 2024. Excluding this impact, the cost of risk in the first half of 2024 stood at 50 basis points, as it was a year earlier.

In the activity in Portugal, also strongly influenced by the aforementioned reversal of impairments in the second quarter of the year, the cost of risk (net of recoveries) decreased from 53 basis points to 28 basis points. Excluding this reversal, the cost of risk in the activity in Portugal stood at 52 basis points in the first half of 2024.

In the international activity, the cost of risk (net of recoveries) went from 44 basis points to 46 basis points in the same period.

OTHER IMPAIRMENTS AND PROVISIONS

In the first half of 2024, other impairment and provisions totalled 292.9 million euros, which represents a reduction of 27.3% compared to 402.9 million euros recorded in the same period of the previous year. This evolution was determined by the lower reinforcement of the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, which amounted to 260.6 million euros in the current year vs 350.0 million euros recognised in the first half of 2023.

Other impairments and provisions recognised in the activity in Portugal also contributed to the favourable performance of this item in consolidated terms, as there was a reduction of 36.9% over the last year, from 48.7 million euros to 30.7 million euros, mainly reflecting the reduction in provisions namely for other risks and for guarantees and other commitments.

In the international activity, the reduction in other impairments and provisions was 26.0%, with total amount evolving from 354.2 million euros in the first half of the previous year, to 262.1 million euros in the first half of the current year, mainly justified by the fact that the provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, was 89.4 million euros lower than the amount recognised in the first six months of 2023.

INCOME TAX

Income tax (current and deferred) amounted to 137.8 million euros in the first six months of 2024, which compares to 246.0 million euros posted in the same period of the previous year.

Taxes recognised in the first half of 2024 include current tax of 71.3 million euros (126.5 million euros in the first half of 2023) and deferred tax of 66.5 million euros (119.5 million euros in the first half of 2023).

Current tax expenses in the first half of 2024 were influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and by mandatory contributions to the banking sector, both non-deductible for tax purposes at the level of the Polish subsidiary.

Expenses with the reduction of deferred tax assets in the first half of 2024 mainly result from the income of the period of the activity in Portugal, being positively influenced by the recognition of additional deferred tax assets related to credit impairment losses not deducted for taxation purposes in previous years, and negatively influenced by mandatory contributions to the banking sector.

The evolution of deferred tax assets was influenced by the reduction of deferred tax assets covered by Special Framework applicable to Deferred Tax Assets ("REAID") given the evolution of the taxable income and, regarding the Polish subsidiary, by the decision of the Supreme Administrative Court (NSA) from 6 December 2023. In fact, NSA issued a judgment on the rules for recognising the effects in CIT of cancellations of mortgage loans indexed to foreign currencies and foreign currency loans (in particular in Swiss francs) adjudicated by common courts. According to the NSA, the Bank should recognise the tax consequences not by recognising the resulting losses as tax-deductible costs, but by adjusting the revenues from the above-mentioned loans (FX gains, interest, commissions and fees) previously taxed with CIT, taking into account the rules of limitation of tax liabilities.

As a result of the analysis of the NSA's judgment, the Bank recognised in the first half of 2024 a deferred tax asset in the amount of 222.6 million Zlotys (51.6 million euros) based on estimates of future adjustments of interest income, FX gains, commissions and fees earned on mortgage loans indexed to Swiss francs and foreign currency loans in this currency which are the subject of court disputes for their cancellation.

BALANCE SHEET

TOTAL ASSETS

Millennium bcp’s consolidated balance sheet total assets amounted to 99,698 million euros as of 30 June 2024, showing a growth of 9.6% compared to the 90,941 million euros recorded on the same date of the previous year, with this evolution being driven mainly by the increase in assets in the international activity and also by the increase in assets recorded in the activity in Portugal.

In the activity in Portugal, total assets stood at 65,251 million euros on 30 June 2024, increasing by 4.6% compared to the 62,373 million euros recorded on 30 June 2023. The reinforcement of the securities portfolio, in particular the public debt portfolio, with liquidity resulting from the increase in balance sheet customer funds, largely justified this evolution. Conversely, reductions were observed in loans to customers portfolio (net of impairment) and, although less significant, also in deferred taxes assets and in other assets.

In the international activity, total assets amounted to 34,447 million euros on 30 June 2024, showing a growth of 20.6% compared to the 28,568 million euros recorded on the same date in the previous year. This evolution mainly reflects the increase in the total assets of the Polish subsidiary, driven mainly by the increases observed in the securities portfolio (mainly in local public debt) and in loans to customers portfolio (net of impairment). The total assets of the subsidiary in Mozambique also recorded an increase, mainly due to the increase observed in deposits and loans and advances to central banks. The increase in the securities portfolio, in the case of the Polish subsidiary, and the increase in deposits and loans and advances to central banks, in the case of the subsidiary in Mozambique, result from liquidity deriving from the increase in balance sheet customer funds.

LOANS TO CUSTOMERS

Millennium bcp's consolidated customer loan portfolio (gross loans, that is, before impairment and fair value adjustments), as defined in the glossary, amounted to 57,224 million euros as of 30 June 2024, standing 1.2% below the 57,912 million euros recorded at the end of the first half of the previous year. This evolution reflects the reduction observed in the activity in Portugal, although the increase in the international activity had partially offset this reduction. By segments, there was a reduction in loans to companies, partially offset by an increase in loans to individuals (driven mainly by the dynamism of personal loans and also mortgage loans).

In the activity in Portugal, loans to customers (before impairment) amounted to 38,567 million euros as of 30 June 2024, standing 3.3% below the 39,883 million euros recorded at the end of the first six months of 2023. The decrease in loans to customers portfolio results, on the one hand, from a lower level of performing credit (-1,163 million euros) and, on the other hand, from a reduction in non-performing exposures (NPE) (-152 million euros).

Loans to individuals in the activity in Portugal amounted to 21,450 million euros on 30 June 2024, above the 21,065 million euros recorded at the end of the first half of the previous year. By segments, there were increases both in personal loans and in mortgage loans (+222 million euros and +164 million euros, respectively).

Loans to companies in the activity in Portugal stood at 17,117 million euros on 30 June 2024, decreasing by 9.0% compared to the same date of the previous year, due to lower demand for credit influenced by monetary policy, delays in investment projects (namely those co-financed with European funds) and also, reduction of NPEs in this segment. Additionally, the repayment of Covid lines also influenced this evolution, with increased impact at the Bank as it had assumed a leading role in granting this financing during the pandemic.

In the international activity, loans to customers (gross) amounted to 18,656 million euros as of 30 June 2024, above the 18,029 million euros recorded on the same date in the previous year, mainly due to the increase in credit in the Polish subsidiary (due mainly to the favourable evolution of the Zloty and also a slight increase in credit in local currency), although the reduction recorded in the Mozambican subsidiary slightly mitigated the aforesaid increase.

Loans to individuals in the international activity showed an expansion, rising from 13,290 million euros at the end of the first half of 2023 to 13,998 million euros at the end of the first half of 2024, explained by the dynamism of personal loans (+549 million euros due to the growth recorded in the Polish and Mozambican subsidiaries, with the increase recorded in the Polish subsidiary being the most significant) and also by the positive evolution of mortgage loans (+159 million euros, essentially justified by the appreciation of the Zloty in the case of the Polish subsidiary).

Regarding the mortgage loan portfolio in foreign currency in the Polish subsidiary, the agreements signed with customers and the reinforcement of provisions to face the legal risk contributed to the reduction of the portfolio, which evolved from 1,052 million euros to 499 million euros, representing 6.1% and 2.8% of the loans to customers of Bank Millennium and 1.8% and 0.9% of the consolidated loans to customers, at the end of first half of 2023 and 2024, respectively. Excluding the portion relating to Euro Bank S.A.[3] from that portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 948 million euros to 439 million euros, representing 5.5% and 2.4% of the loans to customers of Bank Millennium and 1.6% and 0.8% of the consolidated loans to customers, at the end of first half of 2023 and 2024, respectively.

Loans to companies in the international activity recorded a reduction of 1.7% compared to the 4,740 million euros recorded on 30 June 2023, reaching 4,659 million euros at the end of the first half 2024. By geographies, there was a reduction in loans to companies in the Mozambican subsidiary, while in the Polish subsidiary there was a stabilisation, influenced by the aforementioned appreciation of the local currency.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Jun. 24	30 Jun. 23	Chg. 24/23
INDIVIDUALS	**35,447**	**34,355**	**3.2 %**
Mortgage loans	28,297	27,974	1.2 %
Personal loans	7,150	6,380	12.1 %
COMPANIES	**21,776**	**23,557**	**(7.6 %)**
Services	7,564	8,404	(10.0 %)
Commerce	3,772	4,008	(5.9 %)
Construction	1,497	1,549	(3.4 %)
Others	8,943	9,596	(6.8 %)
	57,224	**57,912**	**(1.2 %)**
Of which:			
Activity in Portugal	38,567	39,883	(3.3 %)
International activity	18,656	18,029	3.5 %

QUALITY OF CREDIT PORTFOLIO

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.

The Bank has in place a credit portfolio management and monitoring processes, namely with regard to the assessment of the risk profile of the exposure in different portfolios/segments. These procedures have the purpose of identifying and closely monitoring the customers potentially more affected by the macroeconomic and/or geopolitical context, anticipating possible difficulties in meeting their commitments and defining credit and performance strategies adjusted to the specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk in cases where there are risks of loss in the exposure value.

The NPE stock, in consolidated terms, decreased to 1,965 million euros on 30 June 2024, showing a reduction of 176 million euros compared to the end of the first half of 2023, with the NPE ratio as a percentage of the total credit portfolio decreasing from 3.7% to 3.4%. In the activity in Portugal, the NPE stock totalled 1,109 million euros at the

[3] The risk of Euro Bank S.A.'s portfolio is fully covered by a third party, within the scope of the clauses set out in the acquisition contract of that entity.

end of the first half of 2024, with a significant reduction of 152 million euros being recorded compared to the same date of the previous year, with the NPE ratio as a percentage of the total credit portfolio evolving from 3.2% to 2.9%.

The ratio between total impairment and NPL stock for more than 90 days, in consolidated terms, stood at 206.5% on 30 June 2024, above the ratio observed in the first half of 2023 (198.9%). The ratio between total impairment and NPE stock has recorded an improvement both in consolidated terms (81.4% at the end of the first half of the current year vis-à-vis 73.6% recorded on 30 June 2023) and also in the activity in Portugal (87.1% on 30 June 2024 vis-à-vis 75.1% on 30 June 2023). Additionally, on 30 June 2024, the ratio between impairments allocated to NPE and NPE stock stood at 54.2% in consolidated terms (49.2% in the same date of the previous year) and at 55.3% in the activity in Portugal (47.9% in the same date of the previous year).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Jun. 24	30 Jun. 23	Chg. 24/23	30 Jun. 24	30 Jun. 23	Chg. 24/23
STOCK (M€)						
Loans to customers (gross)	57,224	57,912	(1.2 %)	38,567	39,883	(3.3 %)
Overdue loans > 90 days	497	545	(8.7 %)	191	214	(10.9 %)
Overdue loans	645	651	(1.0 %)	240	231	4.0 %
Restructured loans	1,726	1,881	(8.2 %)	1,168	1,314	(11.0 %)
NPL > 90 days	774	792	(2.3 %)	363	382	(5.1 %)
NPE	1,965	2,142	(8.2 %)	1,109	1,262	(12.1 %)
Total loans impairment (Balance sheet)	1,599	1,576	1.4 %	966	947	2.0 %
Impairments allocated to NPE (Balance sheet)	1,065	1,053	1.1 %	613	604	1.6 %
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	0.9 %		0.5 %	0.5 %	
Overdue loans / Loans to customers (gross)	1.1 %	1.1 %		0.6 %	0.6 %	
Restructured loans / Loans to customers (gross)	3.0 %	3.2 %		3.0 %	3.3 %	
NPL > 90 days / Loans to customers (gross)	1.4 %	1.4 %		0.9 %	1.0 %	
NPE / Loans to customers (gross)	3.4 %	3.7 %		2.9 %	3.2 %	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.1 %	2.5 %		1.9 %	2.3 %	
COVERAGE BY IMPAIRMENTS						
Total impairment / Overdue loans by more than 90 days	321.4 %	289.3 %		505.7 %	441.9 %	
Total impairment / Overdue loans	248.1 %	242.2 %		401.9 %	409.9 %	
Total impairment / NPL > 90 days	206.5 %	198.9 %		266.3 %	247.7 %	
Total impairment / NPE	81.4 %	73.6 %		87.1 %	75.1 %	
Impairments allocated to NPE / NPE	54.2 %	49.2 %		55.3 %	47.9 %	

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

CUSTOMER FUNDS

On 30 June 2024, Millennium bcp's consolidated total customer funds, as defined in the glossary, amounted to 100,644 million euros, showing a favourable evolution, increasing by 8,192 million euros compared to the 92,453 million euros obtained on the same date of the previous year, benefiting mainly from the increase in the international activity (+5,134 million euros) and also from the growth recorded in the activity in Portugal (+3,058 million euros). During this period, there was a more significant increase in the balance sheet customer funds and also a growth in off-balance sheet customer funds.

Consolidated balance sheet customer funds, which comprise deposits and other resources from customers and debt securities placed with customers, amounted to 83,873 million euros on 30 June 2024, showing an expansion of 7,140 million euros compared to the 76,733 million euros reached at the end of the first half of the previous year. This evolution results above all from the increase recorded in the international activity, but also from the increase recorded in the activity in Portugal (+4,541 million euros and +2,599 million euros, respectively).

As of 30 June 2024, consolidated off-balance sheet customer funds stood at 16,771 million euros, showing a growth of 1,051 million euros compared to the figure posted in the same date a year ago. Off-balance sheet customer funds recorded increases both in the activity in Portugal and in the international activity.

In the activity in Portugal, total customer funds reached 69,101 million euros on 30 June 2024, which compares with the 66,043 million euros recorded on the same date in the previous year, with this evolution being almost entirely justified by the evolution of the balance sheet customer funds, more specifically due to the surge in deposits and other resources from customers (+2,659 million euros).

Off-balance sheet customer funds in the activity in Portugal registered an increase of 459 million euros compared to the same date of the previous year, standing at 14,547 million euros on 30 June 2024, with a more significant increase seen in assets placed with customers, partially offset by the decrease observed in insurance products (savings and investment). Assets under management remained stable compared to the same date of the previous year.

In the international activity, total customer funds increased by 5,134 million euros compared to the 26,409 million euros recorded on 30 June 2023, standing at 31,543 million euros at the end of the first half of 2024, mainly reflecting the positive contribution of the Polish subsidiary and also a smaller increase recorded in the subsidiary in Mozambique.

Balance sheet customer funds in the international activity, entirely made up of deposits and other resources from customers, stood at 29,319 million euros on 30 June 2024, 4,541 million euros above the value of 24,778 million euros recorded at the end of the first half of 2023, benefiting above all from the increasing volumes of deposits in the Polish subsidiary and also from an increase recorded in Mozambican subsidiary.

Off-balance sheet customer funds in the international activity registered an increase of 593 million euros compared to the same date of the last year, standing at 2,224 million euros on 30 June 2024, driven mainly by the increase recorded in assets under management and also by the increase observed in assets placed with customers. Conversely, although smaller in size, there was a decrease in insurance products (savings and investment).

On 30 June 2024, balance sheet customer funds, on a consolidated basis, represented 83.3% of total customer funds (83.0% as of 30 June 2023), with deposits and other resources from customers, on a consolidated basis, representing 82.0% of total customer funds (81.5% in the same date of the previous year).

The loans to deposits ratio, in accordance with the Bank of Portugal’s Instruction no. 16/2004, stood at 67.4% as of 30 June 2024, with the same ratio, considering balance sheet customer funds, standing at 66.3%. Both ratios show values below those obtained at the same date of the previous year, 74.8% and 73.4%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	30 Jun. 24	30 Jun. 23	Chg. 24/23
BALANCE SHEET CUSTOMER FUNDS	**83,873**	**76,733**	**9.3 %**
Deposits and other resources from customers	82,555	75,355	9.6 %
Debt securities	1,318	1,378	(4.3 %)
OFF-BALANCE SHEET CUSTOMER FUNDS	**16,771**	**15,720**	**6.7 %**
Assets under management	5,809	5,366	8.3 %
Assets placed with customers	6,425	5,415	18.7 %
Insurance products (savings and investment)	4,537	4,939	(8.1 %)
	100,644	**92,453**	**8.9 %**
Of which:			
Activity in Portugal	69,101	66,043	4.6 %
International activity	31,543	26,409	19.4 %

SECURITIES PORTFOLIO

Millennium bcp's consolidated securities portfolio, as defined in the glossary, stood at 33,351 million euros on 30 June 2024, showing a significant increase of 42.9% compared to the 23,334 million euros recorded on the same date of the previous year, representing 33.5% of total consolidated assets at the end of the first half of 2024, above the percentage of 25.7% recorded at the end of the first half of 2023.

The portfolio allocated to the activity in Portugal increased from 15,999 million euros at the end of the first half of 2023 to 21,021 million euros at the end of the first half of 2024, with this increment being driven mainly by increase in public debt of other euro zone countries (namely Belgian, Italian, German, French and Spanish public debt), in Portuguese public debt and also in American public debt.

The securities portfolio allocated to the international activity rose from 7,335 million euros at the end of the first half of 2023 to 12,329 million euros on 30 June 2024, driven mainly by the activity in the Polish subsidiary, following the reinforcement of investment in local public debt, offsetting a lower investment in the public debt of euro zone countries.

LIQUIDITY MANAGEMENT

In June 2024, balance sheet customer funds of the Group grew by 9.3%, thus accelerating the growth rate observed in 2023 (on 31 December 2023, growth compared to the end of 2022 was 2.5%). This evolution was mainly due to the strong growth in the deposits of customers from Bank Millennium, mainly attributable to the retail segment. In the same period of time, which in Portugal follows the period of the most intense migration of customer funds to State savings products, BCP resumed its deposit growth trajectory, also supported by retail customers. This evolution allowed the Bank to effectively defend its market share, reinforced in the first quarter of 2024, and to exceed the maximum value of balance sheet customer funds observed in December 2022.

The trends mentioned above, combined with the slight decrease of the consolidated credit portfolio, the two new issues under the MREL (Minimum Requirements for Own Funds and Eligible Liabilities) carried out by BCP and Bank Millennium, the inaugural issue of covered bonds also carried out by Bank Millennium and the Group's overall profitability resulted in the strengthening of the consolidated liquidity position compared to the previous year, reflected in the evolution of regulatory and internal liquidity risk indicators defined within the scope of the Group's risk appetite statement.

Thus, the LCR, a regulatory standard that assesses short-term liquidity risk, grew in consolidated terms from 214% to 296% (of which 20 pp in the first half of 2024).

The structural liquidity risk indicator, the NSFR, grew from 155% to 175% (of which 8 pp in the first half of 2024).

After regaining investment grade status by the four main rating agencies, BCP reinforced the long-term component of its wholesale financing structure by issuing, in September 2023, 500 million euros of preferred senior debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities), as foreseen in the Liquidity Plan for 2023. In the first quarter of 2024, and fulfilling an objective defined in the Liquidity Plan for the current year, BCP refinanced an issue of Additional Tier 1 (AT1) of 400 million euros issued in January 2019, through a new issue of the same instrument and amount under more favourable conditions (interest rate of 8.125% vs. 9.25%).

The favourable evolution of BCP's commercial gap from a liquidity perspective, the issuance of debt and the growth of cash flow from operations, among other less relevant factors, led the ECB's liquidity buffer to reach an historical maximum of 29.8 billion euros in June 2024.

With the placement of 500 million euros senior non-preferred issue in September 2023, eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) purposes, Bank Millennium fulfilled another stage of its Recovery Plan, which was successfully completed at the end of the second quarter of 2024. Previously, Bank Millennium carried out its inaugural issue of covered bonds, amounting to 300 million Zlotys, with a three-year maturity. As a result of the growth in the deposit base and issues placed on the market, Bank Millennium significantly improved its liquidity position, reflected in regulatory indicators well above the minimum required.

Over the last year, Millennium bim reinforced its liquidity position, with the discountable buffer at the respective central bank and all liquidity indicators benefiting from a significant growth in the customer deposit base.

CAPITAL

The estimated CET1 ratio as at 30 June 2024 stood at 16.2% phased-in and fully implemented, reflecting a change of +219 basis points compared to the 14.0% phased-in and fully implemented ratios reported on the same date in 2023, comfortably above the minimum regulatory ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2024 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability targets.

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. These effects were, however, more than offset by the positive performance of the recurrent activity in Portugal and by the careful and proactive management of capital, which includes shareholder remuneration, in line with the bank's medium-term objectives.

SOLVENCY RATIOS

Million euros

	30 Jun. 24	30 Jun. 23
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	6,435	5,855
Tier 1	6,924	6,353
Total Capital	**8,184**	**7,670**
Risk weighted assets	**39,742**	**41,818**
Solvency ratios		
CET1	16.2 %	14.0 %
Tier 1	17.4 %	15.2 %
Total capital	20.6 %	18.3 %
PHASED-IN		
CET1	16.2 %	14.0 %

Note: The capital ratios of June 2024 are estimated including the positive accumulated net income.

SIGNIFICANT EVENTS IN 2024

During the first half of 2024, in a context of continued uncertainty about the international geopolitical situation and progressive normalisation in Portugal through the government action, which had an impact on the decisions of companies as well as families, BCP stood out for its central role in proximity, trust and quality in the services provided to its Customers, continuing to decisively support families and companies.

On 19 June 2024, the Executive Management Board of Bank Millennium S.A. informed that on that day it took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund. In the Bank’s Executive Management Board’s opinion, all key assumptions of the Recovery Plan have been achieved. In particular, all indicators defined in the Plan have reached adequate and safe levels, profitability and financial results of Bank Millennium S.A. Capital Group improved sustainably, capital ratios were restored to levels comfortably above required regulatory minimums while the Group and the Bank meet MREL requirements, including the combined buffer requirements. The Bank’s Management Board also does not identify future circumstances that would justify further continuation of the Recovery Plan.

On 28 May 2024, BCP, in accordance with legal terms and taking into account the deliberation of the Annual General Meeting held on 22 May 2024, informed the Shareholders that, from 21 June 2024, the dividend would be paid relating to the 2023 financial year.

Banco Comercial Português concluded on 22 May 2024 with 64.10% of the share capital represented, the Annual General Meeting of Shareholders, with emphasis on the following resolutions: Election of the Board of the General Meeting for the 2024/2027 four-year period; Approval of the management report, the balance sheet and the individual and consolidated financial statements for the 2023 financial year, the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report; Approval of the proposal for the appropriation of profit regarding the 2023 financial year; Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative; Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies; and Approval of the appointment of the Statutory Auditor and its alternate and the selection of the External Auditor for the four-year period 2024/2027.

On 22 May 2024, BCP informed that, at the General Shareholders' Meeting held on that date, it proceeded with the election of the Statutory Auditor, Effective and Alternate and the choice of the External Auditor for the four-year period 2024/2027, as follows:

> Effective Statutory Auditor: KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., legal entity no. 502161078, with registered office at Av. Fontes Pereira de Melo, no. 41, 15.º - Ed. FPM 41, 1069-006 Lisbon, registered with OROC under number 189 and registered with CMVM under number 20161489, represented by Miguel Pinto Douradinha Afonso (registered with OROC under number 1454 and registered with CMVM under number 20161064), with professional address at Avenida Fontes Pereira de Melo, no. 41 15th Ed. FPM 41, 1069-006 Lisbon.
>
> Alternate Statutory Auditor: Vítor Manuel da Cunha Ribeirinho (registered with OROC under number 1081 and registered with CMVM under number 20160693), with professional address at Avenida Fontes Pereira de Melo, n.º 41 15th Ed. FPM 41, 1069-006 Lisbon.
>
> External Auditor: KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

On 12 March 2024, S&P Global Ratings upgraded BCP's Outlook from Stable to Positive.

On 11 January 2024, BCP informed that it has set the conditions for a new issue of Additional Tier 1, in the amount of 400 million euros, with the option of early repayment by Millennium bcp from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78%. The operation, which generated strong market interest, followed a series of meetings involving more than 60 investors. Demand, in the final terms of the issue, reached an amount exceeding 3 billion euros (more than 7 times the amount issued), with orders from more than 250 institutional investors.

On 11 January 2024, the EIB signs an agreement with Millennium bcp to provide 400 million euros in new loans to Portuguese companies.

On 5 January 2024, BCP informed, under the terms and for the purposes of article 6 of CMVM Regulation No. 1/2023, that the Non-Executive Director Xiaoxu Gu (also known as Julia Gu) presented on that day its resignation to the position of non-executive member of the Board of Directors, effective from 29 February 2024. The Bank informed that it began the process of identifying and selecting a new non-executive member to join its Board of Directors in accordance with the applicable Bank's regulations. The conclusion of this process will be announced in due course and will not affect the regular functioning of the Board of Directors.

On 1 January 2024, BCP informed that it has decided to exercise its option to early redeem all its Additional Tier 1 notes “Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes” (ISIN: PTBCPFOM0043), issued on 31 January 2019, in accordance with Condition 9.2 of the terms and conditions of the Notes. The early redemption of the Notes shall take place on their first call date according with its terms and conditions, 31 January 2024, at their outstanding principal amount together with accrued interest.

AWARDS AND DISTINCTIONS

- Millennium bcp and ActivoBank were elected “Consumer Choice” in 2024. Millennium bcp was distinguished in the “Large Banks” and “Banking Apps” categories and ActivoBank in the “Digital Banking” category. It should be noted that Millennium bcp was distinguished as “Consumer's Choice” for the fourth consecutive year while ActivoBank has been in leadership for six years.
- Millennium bcp was distinguished with the 2024 Five Star Award in the Large Banks category.
- Millennium bcp considered the “Best Investment Bank in Portugal” in 2024 by Global Finance magazine.
- Millennium bcp was elected “Best Foreign Exchange Bank 2024 in Portugal” by Global Finance magazine.
- Millennium bcp considered as the “Best Bank (market leader) and with Best Service (best service) in the Trade Finance category in Portugal” by Euromoney magazine.
- Millennium bcp distinguished in the 13th Edition of the Euronext Lisbon Awards in the Local Market Member Category Equity and received in that same edition of the Euronext Lisbon Awards with two awards in the Growing Structured Finance category.
- Millennium bcp leads Inovadora COTEC for the 4th consecutive year.
- Millennium bcp won the APCC Best Contact Centers 2024 award in the category of Best Banking Contact Center in Portugal.
- Millennium bcp was distinguished in the ranking of Companies Committed to Youth, which aims to recognise the best companies in the Iberian Peninsula and Latin America that promote initiatives for the development of Young Talent. This initiative is the responsibility of the OIJ-International Youth Organisation and DCH-International Organisation for Human Capital Management.
- Bank Millennium was considered the “Best Bank in Poland” in 2024 by Global Finance magazine.
- Bank Millennium was distinguished as a Reliable Employer for the tenth consecutive time.
- Bank Millennium was awarded by the eleventh time as "Service Quality Star".
- Bank Millennium was distinguished in Global Finance’s “The Innovators 2024” awards.
- Bank Millennium came in second place in the Multichannel Service Quality category in the Golden Banker 2024 ranking.
- Bank Millennium was distinguished by the Global Finance registry with the title "The Greatest innovation in Finance" in the Corporate Finance category.
- Bank Millennium achieved second place in the "Best Employers in Poland 2024" ranking, in the Banking and Financial Services category, by Forbes in collaboration with the company Statista.
- Bank Millennium stands out in the "ESG Responsible Management" ranking, having come in third place in the Governance section and in the TOP 10 of the general classification.
- The Millennium bim brand was considered by Mozambican consumers to be the best in the financial sector in the "Large Banks" category, within the scope of the first edition of the "Mozambican Consumer Choice" project, organised by Consumer Choice, in which Millennium bim was the only distinguished national bank.

SUBSEQUENT EVENTS

On July 4, 2024, the Fitch Ratings agency improved BCP's Outlook from Stable to Positive.

On July 22, 2024, the Bank informed that it has been notified by Banco de Portugal, as the national resolution authority, about the update 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), with immediate application, is of:

25.17% 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 28.67%); and

6.67% of the leverage ratio exposure measure ("LRE").

Additionally, the Bank informed that is not subject to any subordination requirements. In accordance with the regulations in force, MREL requirements could be annually updated by the competent authorities, and therefore these targets replace those previously set. On that date, BCP informed that it complied with the established MREL requirements, both as a percentage of the TREA (including the CBR) and as a percentage of the LRE.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) has kept its forecast for global Gross Domestic Product (GDP) growth rate in 2024 unchanged at 3.2%. However, the risks to this projection are tilted to the downside and relate mainly to the possibility of escalating geopolitical tensions.

The performance of financial markets in the second quarter of 2024 was positive, with the major global equity indices registering valuations. However, this occurred at a more moderate pace compared to the first three months of the year, due to persistent geopolitical risks and uncertainty regarding the global economic outlook. In this context, the US government bond yields have since May reversed their upward trend, reflecting a greater moderation of economic activity and a decrease in the inflation rate. Regarding the euro area sovereign debt market, there was increased volatility at the end of the quarter, driven by the uncertainty surrounding the outcome of snap legislative elections in France. This resulted in a moderate depreciation of the Euro and a widening of French public debt risk premium against Germany, which also translated into higher risk premia for Italy, Spain, and Portugal. In early June, the European Central Bank (ECB) announced, as expected, a 25 basis points (b.p.) reduction in reference interest rates, as the inflation rate has been gradually approaching levels closer to the central bank’s target. Market expectations suggest that the easing cycle of euro area monetary policy will continue in the coming quarters, which contributed to the downward trajectory of Euribor interest rates.

In the second quarter of 2024, activity indicators suggest that the Portuguese economy continued to evolve positively after the 0.8% quarter-on-quarter growth observed in the first three months of the year. The favourable performance of the economic activity has been supported by the recovery of private consumption, resulting from rising real disposable income for households, and expectations of greater investment dynamism on the back of reduced financing costs and the execution of the Recovery and Resilience Plan, alongside robust exports. Against this backdrop, Banco de Portugal has kept its projection for economic growth in 2024 unchanged at 2.0%. Concerning inflation, despite the uneven trajectory observed in the second quarter, a downward trend is expected to resume in the second half of the year. For 2024, Banco de Portugal predicts that the inflation rate will be 2.5%, following the average value of 2.8% recorded in the first half of the year.

In Poland, the GDP accelerated in the first quarter of 2024, from 1.0% to 2.0%, year-on-year and the European Commission projects a GDP growth rate of 2.8% for 2024. The dynamism of economic activity is expected to continue to be supported by private consumption, benefiting from rising real disposable income and historically low levels of the unemployment rate. Concerning the inflation rate, a gradual increase in prices is anticipated in the second half of the year, with the European Commission projecting an inflation rate of 4.3% for the whole year, after a reduction in the first months of the year to 2.6% in May. In the second quarter, the central bank of Poland held the reference interest rate at 5.75%, and the Zloty appreciated, with the exchange rate against the euro reaching 4.25 in May, the lowest value since 2020.

In Mozambique, the economic activity slowed down from 4.8% to 3.2% (year-on-year) during the first quarter of 2024. For the whole year, the IMF predicts that the GDP will grow 4.3%. The downward trajectory of inflation in the first half of the year, which stood at 3.0% in June, led to a reduction in the reference interest rate from 15.75% to 15.00% in May. In its turn, the Metical remained relatively stable throughout the second quarter.

In Angola, the IMF projects an acceleration in GDP growth in 2024, from 0.9% to 2.4%. Persistent upward inflationary pressures determined an interest rate hike by the central bank of Angola from 19.00% to 19.50% in May, and over the quarter, the Kwanza appreciated slightly.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Group			Activity in Portugal			International activity		
	Jun. 24	Jun. 23 (restated)	Chg. 24/23	Jun. 24	Jun. 23 (restated)	Chg. 24/23	Jun. 24	Jun. 23	Chg. 24/23
INCOME STATEMENT									
Net interest income	1,397.5	1,374.4	1.7 %	673.3	707.5	(4.8 %)	724.3	666.8	8.6 %
Dividends from equity instruments	0.8	1.2	(33.1 %)	0.0	0.5	(100.0 %)	0.8	0.7	16.4 %
Net fees and commission income	396.0	387.0	2.3 %	286.0	280.2	2.0 %	110.1	106.8	3.1 %
Net trading income	(5.4)	126.2	(104.2 %)	(4.7)	4.5	<-200%	(0.7)	121.8	(100.6 %)
Other net operating income	(70.4)	(72.2)	2.5 %	(22.8)	(66.8)	65.9 %	(47.6)	(5.3)	<-200%
Equity accounted earnings	31.6	27.7	14.1 %	29.0	26.0	11.6 %	2.6	1.7	51.6 %
Net operating revenues	**1,750.2**	**1,844.3**	**(5.1 %)**	**960.7**	**951.9**	**0.9 %**	**789.4**	**892.4**	**(11.5 %)**
Staff costs	339.7	308.0	10.3 %	178.4	175.7	1.6 %	161.3	132.3	21.9 %
Other administrative costs	208.6	184.9	12.8 %	101.2	94.3	7.3 %	107.4	90.7	18.5 %
Depreciation	71.2	68.6	3.7 %	36.7	36.8	(0.4 %)	34.5	31.8	8.5 %
Operating costs	**619.4**	**561.5**	**10.3 %**	**316.3**	**306.8**	**3.1 %**	**303.1**	**254.7**	**19.0 %**
Operating costs excluding specific items	617.2	549.9	12.2 %	314.1	295.1	6.4 %	303.1	254.7	19.0 %
Profit before impairment and provisions	**1,130.7**	**1,282.8**	**(11.9 %)**	**644.4**	**645.1**	**(0.1 %)**	**486.3**	**637.7**	**(23.7 %)**
Results on modification	(61.0)	(11.6)	<-200%	0.0	0.0	0.0 %	(61.0)	(11.6)	<-200%
Loans impairment (net of recoveries)	97.0	145.5	(33.3 %)	54.5	106.0	(48.5 %)	42.5	39.6	7.3 %
Other impairment and provisions	292.9	402.9	(27.3 %)	30.7	48.7	(36.9 %)	262.1	354.2	(26.0 %)
Profit before income tax	**679.9**	**722.7**	**(5.9 %)**	**559.2**	**490.4**	**14.0 %**	**120.7**	**232.4**	**(48.1 %)**
Income taxes	**137.8**	**246.0**	**(44.0 %)**	**148.2**	**136.8**	**8.4 %**	**(10.4)**	**109.2**	**(109.6 %)**
Current	71.3	126.5	(43.7 %)	8.3	8.5	(2.1 %)	62.9	118.0	(46.6 %)
Deferred	66.5	119.5	(44.4 %)	139.9	128.3	9.1 %	(73.4)	(8.7)	<-200%
Income after income tax from continuing operations	**542.1**	**476.7**	**13.7 %**	**410.9**	**353.6**	**16.2 %**	**131.1**	**123.1**	**6.5 %**
Income arising from discontinued operations	0.0	0.0	100.0 %	0.0	0.0	100.0 %	0.0	0.0	0.0 %
Non-controlling interests	56.8	53.5	6.2 %	(0.1)	(0.1)	12.4 %	56.9	53.6	6.2 %
Net income	**485.3**	**423.2**	**14.7 %**	**411.0**	**353.7**	**16.2 %**	**74.3**	**69.5**	**6.8 %**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	99,698	90,941	9.6 %	65,251	62,373	4.6 %	34,447	28,568	20.6 %
Total customer funds	**100,644**	**92,453**	**8.9 %**	**69,101**	**66,043**	**4.6 %**	**31,543**	**26,409**	**19.4 %**
Balance sheet customer funds	**83,873**	**76,733**	**9.3 %**	**54,555**	**51,955**	**5.0 %**	**29,319**	**24,778**	**18.3 %**
Deposits and other resources from customers	82,555	75,355	9.6 %	53,236	50,577	5.3 %	29,319	24,778	18.3 %
Debt securities	1,318	1,378	(4.3 %)	1,318	1,378	(4.3 %)	0	0	0.0 %
Off-balance sheet customer funds	**16,771**	**15,720**	**6.7 %**	**14,547**	**14,088**	**3.3 %**	**2,224**	**1,632**	**36.3 %**
Assets under management	5,809	5,366	8.3 %	4,326	4,332	(0.1 %)	1,483	1,033	43.5 %
Assets placed with customers	6,425	5,415	18.7 %	5,907	5,080	16.3 %	519	334	55.1 %
Insurance products (savings and investment)	4,537	4,939	(8.1 %)	4,314	4,675	(7.7 %)	223	264	(15.4 %)
Loans to customers (gross)	**57,224**	**57,912**	**(1.2 %)**	**38,567**	**39,883**	**(3.3 %)**	**18,656**	**18,029**	**3.5 %**
Individuals	**35,447**	**34,355**	**3.2 %**	**21,450**	**21,065**	**1.8 %**	**13,998**	**13,290**	**5.3 %**
Mortgage	28,297	27,974	1.2 %	19,024	18,861	0.9 %	9,273	9,114	1.7 %
Personal Loans	7,150	6,380	12.1 %	2,426	2,204	10.1 %	4,725	4,176	13.1 %
Companies	**21,776**	**23,557**	**(7.6 %)**	**17,117**	**18,818**	**(9.0 %)**	**4,659**	**4,740**	**(1.7 %)**
CREDIT QUALITY									
Total overdue loans	645	651	(1.0 %)	240	231	4.0 %	404	420	(3.7 %)
Overdue loans by more than 90 days	497	545	(8.7 %)	191	214	(10.9 %)	306	331	(7.3 %)
Overdue loans by more than 90 days / Loans to customers	0.9 %	0.9 %		0.5 %	0.5 %		1.6 %	1.8 %	
Total impairment (balance sheet)	1,599	1,576	1.4 %	966	947	2.0 %	633	629	0.7 %
Total impairment (balance sheet) / Loans to customers	2.8 %	2.7 %		2.5 %	2.4 %		3.4 %	3.5 %	
Total impairment (balance sheet) /Overdue loans by more than 90 days	321.4 %	289.3 %		505.7 %	441.9 %		206.6 %	190.3 %	
Non-Performing Exposures (NPE)	1,965	2,142	(8.2 %)	1,109	1,262	(12.1 %)	856	880	(2.7 %)
NPE / Loans to customers	3.4 %	3.7 %		2.9 %	3.2 %		4.6 %	4.9 %	
Total impairment (balance sheet) / NPE	81.4 %	73.6 %		87.1 %	75.1 %		74.0 %	71.5 %	
Restructured loans	1,726	1,881	(8.2 %)	1,168	1,314	(11.0 %)	557	567	(1.7 %)
Restructured loans / Loans to customers	3.0 %	3.2 %		3.0 %	3.3 %		3.0 %	3.1 %	
Cost of risk (net of recoveries, in b.p.)	34	50		28	53		46	44	

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2024 AND 2023

(Thousands of euros)

	6M24	6M23 (restated)
Interest and similar income	2,387,479	2,038,806
Interest expense and similar charges	(989,931)	(664,446)
NET INTEREST INCOME	**1,397,548**	**1,374,360**
Dividends from equity instruments	786	1,175
Net fees and commissions income	396,036	387,048
Gains/(losses) on financial operations at fair value through profit or loss	(22,239)	7,689
Foreign exchange gains/(losses)	17,664	10,644
Gains/(losses) on hedge accounting	541	823
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1,329)	107,086
Other operating income / (losses)	(84,298)	(85,507)
TOTAL OPERATING INCOME	**1,704,709**	**1,803,318**
Staff costs	339,722	307,971
Other administrative costs	208,555	184,917
Amortisations and depreciations	71,167	68,613
TOTAL OPERATING EXPENSES	**619,444**	**561,501**
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	**1,085,265**	**1,241,817**
Results on modification	(60,976)	(11,597)
Impairment of financial assets at amortised cost	(97,102)	(146,359)
Impairment of financial assets at fair value through other comprehensive income	(5,104)	114
Impairment of other assets	(10,551)	(14,093)
Other provisions	(277,144)	(388,125)
NET OPERATING INCOME	**634,388**	**681,757**
Share of profit of associates accounted for using the equity method	31,559	27,661
Gains/(losses) on disposal of subsidiaries and other assets	13,913	13,322
NET INCOME BEFORE INCOME TAXES	**679,860**	**722,740**
Income taxes		
Current	(71,265)	(126,474)
Deferred	(66,509)	(119,525)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	**542,086**	**476,741**
Net income from discontinued or discontinuing operations	0	(9)
NET INCOME AFTER INCOME TAXES	**542,086**	**476,732**
Net income for the period attributable to:		
Bank's Shareholders	485,282	423,249
Non-controlling interests	56,804	53,483
NET INCOME FOR THE PERIOD	**542,086**	**476,732**
Earnings per share (in Euros)		
Basic	0.063	0.054
Diluted	0.063	0.054

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2024 AND 2023 AND 31 DECEMBER 2023

(Thousands of euros)

	30 June 2024	31 December 2023 (restated)	30 June 2023 (restated)
ASSETS			
Cash and deposits at Central Banks	3,710,364	4,545,526	3,884,338
Loans and advances to credit institutions repayable on demand	265,887	337,687	238,861
Financial assets at amortised cost			
Loans and advances to credit institutions	847,989	908,477	570,552
Loans and advances to customers	53,669,864	53,305,159	54,396,653
Debt securities	19,224,592	17,579,136	16,247,089
Financial assets at fair value through profit or loss			
Financial assets held for trading	2,257,979	822,904	1,482,890
Financial assets not held for trading mandatorily at fair value through profit or loss	389,657	440,007	476,588
Financial assets designated at fair value through profit or loss	34,138	32,004	21,968
Financial assets at fair value through other comprehensive income	13,787,862	10,834,291	7,452,868
Hedging derivatives	62,962	40,628	45,593
Investments in associated companies	438,251	374,414	332,401
Non-current assets held for sale	53,166	80,317	155,001
Investment property	40,107	39,100	14,825
Other tangible assets	595,839	606,447	604,389
Goodwill and intangible assets	231,663	223,105	188,170
Current tax assets	22,068	20,469	12,818
Deferred tax assets	2,462,148	2,554,331	2,849,544
Other assets	1,603,506	1,626,684	1,966,454
TOTAL ASSETS	**99,698,042**	**94,370,686**	**90,941,002**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	1,161,025	829,126	2,094,824
Resources from customers	80,539,643	75,606,813	73,680,329
Non subordinated debt securities issued	2,788,062	2,712,682	1,486,507
Subordinated debt	1,386,090	1,397,425	1,349,805
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	193,077	207,387	274,804
Financial liabilities at fair value through profit or loss	3,333,590	3,608,487	3,052,680
Hedging derivatives	36,749	67,825	103,393
Provisions	963,210	753,103	636,276
Current tax liabilities	114,498	197,085	162,592
Deferred tax liabilities	5,838	8,795	8,746
Other liabilities	1,549,167	1,691,552	1,523,167
TOTAL LIABILITIES	**92,070,949**	**87,080,280**	**84,373,123**
EQUITY			
Share capital	3,000,000	3,000,000	3,000,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	400,000
Legal and statutory reserves	384,402	316,375	316,375
Reserves and retained earnings	2,302,206	1,714,083	1,512,315
Net income for the period attributable to Bank's Shareholders	485,282	856,050	423,249
Non-controlling interests	1,038,732	987,427	899,469
TOTAL EQUITY	**7,627,093**	**7,290,406**	**6,567,879**
TOTAL LIABILITIES AND EQUITY	**99,698,042**	**94,370,686**	**90,941,002**

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.

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 and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

Non-performing exposures (NPE) – non-performing loans and advances to customers (includes loans to customers at amortised cost, loans to customers at fair value through profit or loss and, from 2023, debt instruments at amortised cost associated to credit operations before impairment) 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 (includes loans to customers at amortised cost, loans to customers at fair value through profit or loss and, from 2023, debt instruments at amortised cost associated to credit operations before impairment) 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) deducted from Coupons on AT1 (if they exist), divided by the average equity (weighted average of the average of monthly equity in the period), with Equity = Equity - preference shares - other capital instruments - non controlling interests.

Return on tangible equity (ROTE) – net income (after minority interests) deducted from Coupons on AT1 and from goodwill impairment (if they exist), divided by the average equity, deducted from goodwill and intangible assets (weighted average of the average of monthly equity in the period), with Equity = Equity - preference shares - other capital instruments - non controlling interests.

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.

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 interim condensed consolidated financial statements, for the three months ended on 30 June 2024, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The figures for the six months of 2024 and 2023 were not audited.