Press Release

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ISIN · PTBCP0AM0015

Millennium bcp

15 May 2023

Millennium bcp Earnings release as at 31 March 2023

A Bank prepared for the future

Profitability

- **Net income** of **215.0 million euros**, which compares to 112.9 million euros in the first quarter of 2022, despite adverse effects related to Bank Millennium.
    - **Increase** of **30.7%** in **core income** of the **Group** to **860.0 million euros** and **strict management** of **operating costs** (+5.3%, from the same period of 2022).
    - **Effects**[1] related to **Bank Millennium**: 205.7[2] million euros of costs related with the foreign exchange mortgage loan portfolio, out of which 71.6 million euros from the application of more conservative assumptions to provisioning model; Positive one-off effect of 127,0 million euros related with the sale of 80% of Millennium Financial Services stake as a result of the strategic partnership in the bancassurance business.
- **Net income** of **170.8 million euros** in the **activity** in **Portugal**, which compares to 107.6 million euros in the same period of 2022.

Robust business model

- **Substantial strengthening** of **capital ratios**. **CET1**[3] ratio stood at **13.6%** and **total capital ratio** at **18.0%** (an increase of 205 bp and 245 bp, respectively from the same period in 2022), reflecting the strong capacity to generate organic capital and the approval by the ECB in March 2023 of CRR 352 (2) implementation.
- **Strong liquidity indicators**[4] (LCR: 201%; NSFR:154% and LtD: 74%) and **well above regulatory requirement**.
- **On-Balance sheet customer funds** of the **Group grew 4.0%** to **76.4 billion euros**, supported mostly by the deposit increase of 2.5 billion euros (5.1%) in deposits in Portugal.
- **Significant decrease** of **non-performing assets** from March 2022: 506 million euros in NPE, 216 million euros in foreclosed assets and 372 million euros in restructuring funds.
- **Continued growth** of the **Customer base**, highlighting the increase in mobile Customers, which represent 65% of total Customers as of the end of March 2023.

[1] Before taxes and minority interests. [2] Includes provisions for legal risk, costs with out-of-court settlements and legal advice.[3] Fully implemented ratio including unaudited net income for the first quarter of 2023. [4] Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR) e Loans to Deposits Ratio (LtD).

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FINANCIAL HIGHLIGHTS (1)

Million euros

	31 Mar. 23	31 Mar. 22	Chg. 23/22
BALANCE SHEET			
Total assets	89,157	95,561	(6.7)%
Equity	6,306	6,570	(4.0)%
Loans to customers (net)	55,745	56,656	(1.6)%
Total customer funds	92,063	91,358	0.8%
Balance sheet customer funds	76,416	73,495	4.0%
Deposits and other resources from customers	75,015	71,944	4.3%
Loans to customers (net) / Deposits and other resources from customers (2)	74.3 %	78.7 %	
Loans to customers (net) / Balance sheet customer funds	72.9 %	77.1 %	
RESULTS			
Net interest income	664.6	465.1	42.9%
Net operating revenues	999.0	701.6	42.4%
Operating costs	268.5	255.0	5.3%
Operating costs excluding specific items (3)	269.8	255.0	5.8%
Results on modification	-5.9	-0.8	<-200%
Loan impairment charges (net of recoveries)	80.4	89.9	(10.5%)
Other impairment and provisions	237.7	164.1	44.9%
Income taxes	156.2	85.5	82.8%
Net income	215.0	112.9	90.5%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	4.5 %	3.0 %	
Return on average assets (ROA)	1.1 %	0.5 %	
Income before tax and non-controlling interests / Average net assets (2)	1.8 %	0.8 %	
Return on average equity (ROE)	17.7 %	8.2 %	
Income before tax and non-controlling interests / Average equity (2)	28.8 %	12.1 %	
Net interest margin	3.25 %	2.19 %	
Cost to core income (2)(3)	31.4 %	38.8 %	
Cost to income (2)	26.9 %	36.3 %	
Cost to income (2)(3)	30.9 %	36.3 %	
Cost to income - Activity in Portugal (2)(3)	29.2 %	33.7 %	
Staff costs / Net operating revenues (2)(3)	16.7 %	19.6 %	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	56	62	
Non-Performing Exposures (loans to customers) / Loans to customers	3.8 %	4.6 %	
Total impairment (balance sheet) / NPE (loans to customers)	71.1 %	67.9 %	
Restructured loans / Loans to customers	3.3 %	4.2 %	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	201 %	283 %	
Net Stable Funding Ratio (NSFR)	154 %	150 %	
CAPITAL (4)			
Common equity tier I phased-in ratio	13.6 %	11.4 %	
Common equity tier I fully implemented ratio	13.6 %	11.5 %	
Total ratio fully implemented	18.0 %	15.5 %	
BRANCHES			
Activity in Portugal	408	421	(3.1%)
International activity	819	843	(2.8%)
EMPLOYEES			
Activity in Portugal	6,273	6,264	0.1%
International activity (5)	9,472	9,480	(0.1%)

Notes:

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: income amounting to 128.3 million euros (before taxes), recognised in the first quarter of 2023, of which 1.3 million euros recognised as staff costs in the activity in Portugal, related to an income recognised after an agreement related to responsibilities with former directors of the Bank and 127.0 million euros 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).
(4) As at 31 March 2023, capital ratios are estimated including the non-audited positive cumulative net income of the period.
(5) Of which, in Poland: 6,945 employees as at 31 March 2023 (corresponding to 6,815 FTE - Full-time equivalent) and 6,980 employees as at 31 March 2022 (corresponding to 6,842 FTE - Full-time equivalent). As of 31 March 2022, the number of employees associated with the international activity includes 3 employees of Cayman, nonexistent as of 31 March 2023, since the operation was liquidated in 2022.

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2023

The war in Ukraine, resulting from the invasion of that country by the Russian Federation at the end of February 2022, continues to influence world events. Although the direct exposure of the Group to the economies of the two countries involved in the conflict is not material, the high level of uncertainty currently prevailing regarding the outcome of the conflict does not allow, at this stage, to exclude significant future impacts, which currently cannot be predicted or quantified.

On 13 February 2023, Bank Millennium signed an agreement for the sale of 80% of the shares in Millennium Financial Services sp. z o.o. to Towarzystwo Ubezpieczeń na Życie Europa S.A. which acquires 72% of the Company's shares and Towarzystwo Ubezpieczeń Europa S.A. which acquires 8% of the Company's shares. Bank Millennium concluded also with the buyers and with Millennium Financial Services sp. z o.o. certain agreements concerning exclusive insurance distribution model, including a cooperation agreement, distribution agreements and agency agreements. The strategic cooperation provides for long term (10 years) bancassurance partnership in relation to specified insurance products linked to loans offered by Bank Millennium.

On March 29, 2023, the transaction was concluded with the transfer of 80% of the shares of Millennium Financial Services sp. z o.o., as well as with the payment of the price for the shares to Bank Millennium S.A., resulting in the recognition of the corresponding positive financial result and triggers the commencement of the Strategic Insurance Cooperation between the Bank and the buyers, as described above.

On March 24, 2023, BCP was notified of the favourable decision of the supervisory authority on the request for the application of article 352 (2) of the CRR for the exclusion of the calculation of weighted assets for market risk of certain structural exchange positions for hedging of regulatory ratios against changes in exchange rates.

RESULTS

The consolidated **net income** of Millennium bcp amounted to 215.0 million euros in the first quarter of 2023, corresponding to an increase of 90.5% from the 112.9 million euros achieved in the same quarter of the previous year.

This evolution of the consolidated net income was due to the significant growth recorded both in the activity in Portugal and in the international activity, driving the return on equity (ROE) of the Group to 17.7%, significantly above the 8.2% achieved in the first quarter of 2022.

The evolution of core income, which increased by 30.7% (202.0 million euros) from the first quarter of 2022, largely contributed to the growth in the net income of the Group, mainly benefiting from the performance of net interest income, both in the activity in Portugal, where it grew by 128.1 million euros (+60.5%) and in the international activity, where the increase amounted to 71.3 million euros (+28.2%).

The net income of the first three months of the year also reflects the extraordinary gain, considered as a specific item, 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., in the scope of the strategic partnership in the bancassurance business.

On the other hand, the costs associated with foreign exchange mortgage portfolio continue to heavily penalise the performance of the Polish subsidiary and, consequently, of the Group, with an overall increase of 77.8[1] million euros, from 127.9[1] million euros in the first quarter of 2022, to 205.7[1] million euros, in the first quarter of 2023. The additional provisions booked to face the legal risk implicit in this portfolio represent the most significant portion of these costs, having also been the main cause for the overall increase in costs associated to this portfolio, reflecting more conservative provisioning model assumptions.

Despite having a less material impact on the evolution of net income of the Group, it is also important to mention, on the one hand, the favourable performance of loans impairment and, on the other, the increase in operating costs that despite a disciplined management, mainly reflects the impact of inflation observed in the geographies in which the Bank operates. Results on modification and equity accounted earnings also recorded a less favourable performance compared to the first quarter of 2022.

The consolidated **core operating profit** of Millennium bcp amounted to 591.4 million euros in the first quarter of 2023, showing a significant growth of 46.8% compared to the 402.9 million euros achieved in the same quarter of 2022, driven by the increase in core income, from 657.9 million euros to 860.0 million euros in the same period.

In the activity in Portugal, net income amounted to 170.8 million euros at the end of March 2023, showing a significant growth from the 107.6 million euros achieved in the same period of the previous year.

The performance of the activity in Portugal largely benefited from the growth of 133.3 million euros (38.3%) recorded in core income, which rose from 348.2 million euros in the first quarter of 2022 to 481.6 million euros in the first quarter of 2023, as a result of the favourable evolution evidenced mainly by net interest income, but also by net commissions, although in this case with a less material impact.

Despite the slight increase in operating costs, from 143.2 million euros to 146.4 million euros, determined by the impact of inflation on other administrative costs, **core operating profit** in the activity in Portugal showed a growth higher than 60% compared to the 205.0 million euros recorded in the first quarter of 2022, rising to 335.1 million euros in the same period of the current year.

In addition, the evolution of net income of the activity in Portugal in the period under analysis was also influenced, on one hand by the significant decrease in other impairments and provisions with special emphasis on loans impairment, and on the other hand, by the lower net trading income and, albeit on a smaller scale, also by the drop in other net operating income.

[1] Before taxes and minority interests.

In the international activity, net income amounted to 44.1 million euros, compared to 5.3 million euros recorded in the same quarter of the previous year.

Although the subsidiary in Mozambique showed a favourable performance, the increase in net income from the international activity, compared to the first quarter of 2022, was almost entirely due to the higher contribution of the Polish subsidiary, that showed positive results for the second quarter in a row, after an extended number of quarters with negative results.

In this context, the gains associated with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., with a total amount of 127.0 million euros (117.8 million euros referring to the gain, recognised in net trading income and 9.2 million euros recognised in other net operating income, associated with the revaluation of the 20% minority stake held by Bank Millennium after the completion of the operation) were particularly relevant. The growth in net interest income also contributed largely to the evolution of net income in the Polish subsidiary, driven by the successive increases in the reference interest rates between the last quarter of 2021 and the third quarter of 2022. Additionally, the performance of the Polish subsidiary benefited from the reduction of around 50% of the mandatory contributions to which it was subject in the first quarter of 2023, compared to the same quarter of the previous year (17.7 million euros vs 36.2 million euros). This reduction follows the suspension of payment of both the special tax on the Polish banking sector, resulting from the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan, and the contribution to the Bank's deposit guarantee fund, due to the contribution to the Polish institutional protection fund (IPS - Institutional Protection Scheme) created in June 2022, despite the increase in the costs associated with the resolution fund recorded in the first quarter of the year. On the other hand, as previously mentioned, the performance of the Polish subsidiary continues to be heavily penalised by the costs associated with foreign exchange mortgage portfolio, as they globally showed an increase of 77.8[1] million euros compared to the amount calculated in the first quarter of 2022, arising above all from the application of more conservative assumptions to the provisioning model.

The 1.4 million euros amount recognised in results from discontinued operations in the international activity, in the first quarter of 2022, mostly incorporates the adjustment of the sale price of Banque Privée, in accordance with previously agreed conditions[2].

Benefiting from the increase in core income and despite the impact of inflation rate on operating costs, **core operating profit** of the international activity grew by 29.5%, from 197.9 million euros in the first quarter of 2022 to 256.3 million euros in the first quarter of 2023.

Net interest income of the Group showed a significant growth of 42.9% from the 465.1 million euros posted in the first quarter of 2022, reaching 664.6 million euros at the end of March 2023. The favourable evolution of net interest income was observed in all the geographies in which the Bank operates, with the activity in Portugal growing by more than 60%.

In the first quarter of 2023, net interest income in the activity in Portugal amounted to 339.9 million euros, showing a significant growth of 60.5% compared to the 211.8 million euros recorded in the same quarter of 2022.

The favourable performance of net interest income in the activity in Portugal largely reflects the higher income generated by the loan portfolio stemming from the increases in interest rates. On the other hand, the rise in interest rates had an impact on the remuneration of the deposit portfolio, with the consequent negative impact on the evolution of the net interest income in the activity in Portugal. Additionally, the evolution of the net interest income in the activity in Portugal also reflects the positive impact resulting from the management of the securities portfolio, with particular reference to the greater contribution of the income generated by the public debt portfolio, benefiting from the evolution of interest rates.

Conversely, the evolution of the net interest income in the activity in Portugal reflects the increase, compared to the first quarter of 2022, of the costs incurred with issued debt, arising not only from the increase in interest rates, but

[2] Following the sale of the entire share capital of Banque Privée BCP (Suisse S.A.) in the first quarter of 2021, the purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

also from the impact of an issue of senior preferential debt securities, in the amount of 350 million euros, launched in October 2022, under the Bank's Euro Note Programme, aiming at meeting the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities), only partially offset by the repayment of a covered bond issue in May 2022. At the same time, reference should also be made to the increase in costs incurred with issued subordinated debt, reflecting the increase in interest rates applied.

Finally, it is important to mention that the performance of net interest income in the activity in Portugal was also influenced by the impact from the income recorded in the first quarter of 2022 related to the funding obtained from the European Central Bank, through participation in Targeted Longer-Term Refinancing Operations (TLTRO), resulting from the negative interest rate applied. Following the full early repayment of this refinancing operation (T LTRO III) in December 2022 and a residual portion in January 2023, the respective interest did not have a material impact in the first quarter of 2023. In contrast, reference should be made to the increase in net interest income resulting from liquidity deposited at the Bank of Portugal.

In the international activity, net interest income grew by 28.2% compared to the 253.3 million euros recorded in the first quarter of 2022, rising to 324.7 million euros in the first quarter of 2023. This evolution was mainly due to the performance of the Polish subsidiary, driven by successive increases in the reference interest rates that have been taking place between the last quarter of 2021 and the third quarter of 2022, with the net interest income at the subsidiary in Mozambique also increased, albeit to a lesser extent.

In consolidated terms, net interest margin rose from 2.19% in the first quarter of 2022 to 3.25% in the first quarter of 2023, reflecting both the performance of the activity in Portugal and in the international activity.

Thus, in the activity in Portugal, net interest margin evolved from 1.41% in the first quarter of 2022 to 2.44% in the first quarter of 2023, mainly influenced by the increase in interest rates underlying the credit and sovereign debt portfolios, while net interest margin in the international activity, increased, from 4.13% to 4.98% in the same period, mainly reflecting the impact of the monetary policy of the National Bank of Poland, which after a period of rates close to zero, made successive increases between the last quarter of 2021 and the third quarter of 2022.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends and earnings received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 17.1 million euros in the first quarter of 2022 to 13.8 million euros in the first quarter of 2023, mainly reflecting the performance of the activity in Portugal, since the change recorded in the international activity is not material within the scope of this analysis.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments totalled 12.9 million euros in the first three months of 2023, standing 20.3% below the 16.2 million euros posted in the same period of the previous year. This evolution mainly reflects the performance of equity accounted earnings, namely the unfavourable evolution in the income generated by the participation in Unicre, partially offset by the higher contribution of the participation in SIBS.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments stood at 0.9 million euros in the first quarter of 2023, remaining stable compared to the amount accounted for in the same quarter of the previous year.

Net commissions[3] reached 195.4 million euros in the first quarter of 2023, standing 1.3% above the 192.8 million euros recorded in the same quarter of the previous year.

The evolution of net commissions, in consolidated terms, benefited from the increase in banking commissions in the activity in Portugal, which was offset by the reduction in market related commissions, both in the activity in Portugal and mainly in the international activity, where banking commissions also decreased compared to the amount recorded in the same quarter of the previous year.

[3] In the first quarter of 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first quarter of 2022 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. The total amount of net commissions disclosed in previous periods remains unchanged compared to those published in previous periods.

In the activity in Portugal, net commissions grew by 3.8% from the 136.5 million euros recorded in in the first quarter of 2022, amounting to 141.7 million euros in the first quarter of 2023. Decisive for this evolution was the increase of 6.0 million euros (5.2%) recorded in commissions related to the banking business, largely benefiting from the performance of commissions related to cards and transfers. These commissions mainly include the amounts charged for transactions carried out with cards and the respective payment networks, for bank transfers and for the use of points of sale (POS), thus showing an increase of transaction levels. Commissions associated with management and maintenance of accounts also grew compared to the amount posted in March 2023. Conversely, credit commissions showed a reduction in the period under analysis, given the lower credit production in the current context. Commissions related to financial markets, in turn, had a minor impact on the evolution of net commissions in the activity in Portugal, standing 0.7 million euros (3.4%) below the amount accounted for in the first quarter of 2022.

In the international activity, net commissions totalled 53.7 million euros in the first quarter of 2023, standing 4.7% below the 56.4 million euros posted in the same period of the previous year, with the increase recorded in the subsidiary in Mozambique being insufficient to offset the drop in the Polish subsidiary.

NET COMMISSIONS

Million euros

	3M23	3M22	Chg. 23/22
BANKING COMMISSIONS	**170.4**	**165.3**	**3.1%**
Cards and transfers	62.7	50.5	24.2%
Credit and guarantees	32.7	41.0	(20.2)%
Bancassurance	32.5	30.4	6.7%
Management and maintenance of accounts	39.8	40.4	(1.4)%
Other commissions	2.7	3.1	(10.4)%
MARKET RELATED COMMISSIONS	**25.0**	**27.6**	**(9.1)%**
Securities	8.1	9.1	(10.6)%
Asset management and distribution	16.9	18.5	(8.4)%
NET COMMISSIONS	**195.4**	**192.8**	**1.3%**
Of which:			
Activity in Portugal	141.7	136.5	3.8%
International activity	53.7	56.4	(4.7)%

Net trading income amounted to 131.6 million euros in the first quarter of 2023, showing a very expressive growth compared to the 43.4 million euros achieved in the same period of the previous year, caused by the gain recognised with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, as part of the strategic partnership in bancassurance business (117.8 million euros in the first quarter of 2023, considered as specific item).

In the activity in Portugal, net trading income totalled 10.2 million euros in the first three months of 2023, standing well below the 49.3 million euros posted in the same period of 2022. This evolution stems mainly from the gains recognised in the first quarter of the previous year with the sale of foreign sovereign debt securities, which did not occur in the first quarter of this year. Likewise, the income recognised from the sale of credits in the first quarter of 2022, contrasts with the costs recorded in the first quarter of 2023, negatively influencing the evolution of this item.

In the international activity, the significant increase in net trading income, from a negative amount of 5.9 million euros in the first quarter of 2022 to an income of 121.4 million euros in the first quarter of 2023, was determined by the recognition of the gain obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, as mentioned before. The evolution of net trading income at the Polish subsidiary also benefited from the reduction in costs incurred in converting mortgage loans granted in Swiss francs, following the agreements with customers, which totalled 11.4 million euros in the first quarter of 2023, compared to the 25.9 million euros that were recognised in the first quarter of 2022.

Other net operating income[4] 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 quarter of 2023, other net operating income stood at a negative amount of 6.4 million euros, showing a significant improvement compared to the also negative amount of 16.9 million euros recorded in the same quarter of the previous year. This evolution was driven by the international activity, namely the Polish subsidiary.

In the activity in Portugal, other net operating income went from 10.8 million euros in the first quarter of 2022 to 1.7 million euros at the same period of the current year, mainly due to the gains recognised with the sale of non-current assets held for sale, which in the first three months of 2023 were lower than the amount recognised in the first quarter of 2022.

In the international activity, other net operating income improved considerably compared to the negative amount of 27.6 million euros recognised in the first quarter of 2022, totaling also a negative amount of 8.0 million euros in the same period of 2023. This evolution mainly reflects the performance of the Polish subsidiary, largely influenced by the reduction of the mandatory contributions to which it was subject.

Thus, the mandatory contributions borne by the Polish operation totalled 17.7 million euros in the first quarter of 2023, corresponding to around half of the 36.2 million euros posted in the same quarter of the previous year, largely due to the suspension of payment of the special tax on the Polish banking sector, resulting from the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan (in the first quarter of 2022 this tax amounted to 17.7 million euros). At the same time, the contribution to the Bank Millennium deposit guarantee fund is also suspended, following the contribution to the Polish institutional protection fund (IPS - Institutional Protection Scheme) in June 2022. This fund was set up with the aim of ensuring the stability of the local financial system by ensuring the liquidity and solvency of the member banks, while serving to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. As such, Bank Millennium only recorded costs of the deposit guarantee fund for the first quarter of 2022, which amounted to 8.0 million euros. On the other hand, the costs recognised in the first quarter with the resolution fund, 17.7 million euros, represent an increase from the 10.5 million euros recorded in the first quarter of 2022. The amount recognised in the first quarter of 2023 corresponds to an estimate of the charges for this fund, with the final amount only known in the second quarter.

On the other hand, it should also be noted that following the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the first quarter of 2023, Bank Millennium in Poland recognised a gain of 9.2 million euros under this heading, considered as a specific item, associated with the revaluation of the minority stake (20%) it held.

Conversely, other net operating income was negatively influenced by the impacts related to foreign exchange mortgage loan portfolio that went from an aggregate positive amount of 9.0 million euros in the first quarter of 2022 to a marginally positive amount of 0.8 million euros in the first quarter of 2023. This performance reflects on one hand the increase arising from court costs related to the claim processes filed by Bank Millennium, which are mainly aimed at claiming the costs associated with the use of capital, by customers, during the period of the respective loans and on the other hand, the reduction in income to be reimbursed from a third party, as compensation for costs incurred with the booking of provisions to address the legal risk implicit in foreign exchange mortgage loans, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A.

Operating costs totalled 268.5 million euros in the first quarter of 2023, standing 5.3% above the 255.0 million euros recorded in the same quarter of the previous year. Notwithstanding the disciplined management of costs and the

[4] In the fourth quarter of 2022, the amounts associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans, which were recognised in other net operating income were restated, becoming recognised as results on modification. The historical amounts referring to the first quarter of 2022, considered in this analysis, are in accordance with those restatement in order to ensure it comparability, thus diverging from the published accounting values. The amounts reclassified in the first three months of 2022 amounted to 0.8 million euros.

commitment of the Group on improving efficiency, this evolution was strongly influenced by the inflation observed in the geographies in which the Bank operates.

In this sense, it should be noted that the performance of operating costs of the Group reflects the increase both in the activity in Portugal (from 143.2 million euros in the first quarter of 2022 to 146.4 million euros in the first quarter of 2023), and mainly in the international activity (from 111.8 million euros to 122.1 million euros, in the same period).

In consolidated terms, this evolution reflects an increase of 6.6 million euros (4.8%) in staff costs and 7.6 million euros (9.2%) in other administrative costs. Depreciation showed a slight decrease of 0.7 million euros (-2.0%).

In consolidated terms, despite higher operating costs, compared to the amount accounted for in the first three months of 2022, cost to income and cost to core income ratios showed a significant improvement, benefiting from the favourable evolution of both net operating revenues and core income, respectively. Thus, excluding the impact of specific items[5], the cost to income ratio of the Group was considerably below the first quarter of 2022 level (36.3%), standing at 30.9% in the same period of the current year, while cost to core income ratio of the Group stood at 31.4%, also considerably below the March 2022 level (38.8%). Cost to income and cost to core income stated ratios stood at 26.9% and 31.2%, respectively.

Staff costs totalled 144.3 million euros in the first three months of 2023, standing 4.8% above the 137.7 million euros accounted in the same period of the previous year, mainly due to the performance of the international activity.

Staff costs in the activity in Portugal amounted to 80.2 million euros in the first three months of 2023, standing 0.4% above the 79.9 million euros recorded in the same period of the previous year. After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal remained relatively stable, having evolved from 6,264 employees on 31 March 2022 to 6,273 employees at the end of March from 2023.

In the international activity, staff costs increased by 10.9% compared to the 57.9 million euros recorded in the first quarter of 2022, rising to 64.2 million euros in the same period of the current year. A major contributor to this evolution was the increase in wages recorded at the Polish subsidiary, although the subsidiary in Mozambique also recorded an increase in this item, albeit with a smaller impact in absolute terms.

Both subsidiaries maintained their number of employees stable, as the Polish subsidiary ended the first quarter of 2023 with 6,945 employees (6,815 FTE - full-time equivalent) compared to 6,980 employees (6,842 FTE - full-time equivalent) in the same quarter of the previous year, while the operation in Mozambique increased from 2,497 employees to 2,527 employees in the same period.

Other administrative costs increased from 82.7 million euros in the first quarter of 2022 to 90.3 million euros in the first quarter of 2023, strongly influenced by the inflation rates in the geographies in which the Bank operates. The 9.2% increase in consolidated terms thus reflects the contribution of both the activity in Portugal and the international activity, despite the disciplined management of costs pursued by the Group.

In the activity in Portugal, other administrative costs totalled 47.9 million euros in the first three months of 2023, standing 10.4% above the 43.4 million euros recorded in the same period of the previous year mainly reflecting the increase in costs related to advisory services, in particular arising from exercises within the scope of supervision, outsourcing, information technology services, advertising and other specialised services. Conversely, the savings obtained in water, energy and fuel, resulting from an efficient management of these consumptions, stand out.

At the same time, following the pursuit of disciplined cost management, the Bank continues to implement a series of measures in this regard, among which a series of recurring initiatives with the objective of optimising the cost structure of the Bank, such as the resizing of the branch network which, in the activity in Portugal, evolved from 421

[5] Specific items: income amounting to 128.3 million euros recognised in the first quarter of 2023, of which 1.3 million euros recognised as staff costs in the activity in Portugal and 127.0 million euros related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. recognised in the international activity, mainly as net trading income.

branches, at the end of March 2022, to 408 branches at the same date in 2023, with the resulting positive impact on most items of other administrative costs.

In the international activity, other administrative costs amounted to 42.4 million euros in the first quarter of 2023, standing 7.8% above the 39.3 million euros recorded in the same period of the previous year, largely reflecting the aforementioned general price increase, which had repercussions both on the Polish subsidiary and on the subsidiary in Mozambique. On the other hand, it should be noted that the evolution of other administrative costs, in the international activity, continues to benefit from the synergies obtained as a result of the optimisation of the branch network verified in the Polish subsidiary whose number decreased from the 646 branches existing at the end of March 2022, to 622 branches on March 31, 2023. The subsidiary in Mozambique, in turn, ended first quarter of 2023 with 197 branches, the same number as a year earlier.

Depreciations amounted to 33.9 million euros in the first quarter of 2023, standing 2.0% below the amount recorded in the same quarter of the previous year. This performance benefited from the favourable evolution recorded in the activity in Portugal, from 20.0 million euros in March 2022 to 18.4 million euros at the end of March 2023, partially offset by the increase in the international activity, from 14.6 million euros, to 15.5 million euros in the same period.

OPERATING COSTS

Million euros

	3M23	3M22	Chg. 23/22
Staff costs	144.3	137.7	4.8%
Other administrative costs	90.3	82.7	9.2%
Depreciations	33.9	34.6	(2.0%)
OPERATING COSTS	**268.5**	**255.0**	**5.3%**
Of which:			
Activity in Portugal	146.4	143.2	2.3%
International activity	122.1	111.8	9.2%

Results on modification totalled a negative amount of 5.9 million euros in the first quarter of 2023, which compares with an also negative amount of 0.8 million euros recorded in the same quarter of the previous year. In both periods, the amounts are associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans.

In fact, in the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays[6]) in Poland, enacted in July of that year, which was 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 accordance with IFRS9. Despite being insignificant within the scope of this analysis, the amounts referring to the first quarter of 2022, which were recognised in other net operating income, were restated, thus diverging from the published accounting values.

In the first quarter of 2023, **impairment for loan losses** (net of recoveries) stood 10.5% below the 89.9 million euros recorded in the same quarter of the previous year, totalling 80.4 million euros, thanks to the favourable evolution recorded in the activity in Portugal, partially offset by the performance of the international activity.

[6] Following the signing by the President of the Republic of Poland of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers, introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for borrowers of mortgages denominated in Zlotys.

In the activity in Portugal, loans impairment charges (net of recoveries), amounted to 53.0 million euros in the first three months of 2023, showing a 22.7% reduction from the 68.5 million euros recognised in the same period of the previous year, reflecting a better perspective of the credit portfolio risk.

In the international activity, impairment charges (net of recoveries), in turn, totalled 27.4 million euros in the first quarter of 2023, standing 28.5% above the 21.3 million euros recognised in the same quarter of the previous year, reflecting the higher level of provisioning required by the Polish subsidiary.

The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record a significant improvement from the 62 basis points observed in the first quarter of 2022, standing at 56 basis points in the first quarter of the current year.

The performance of the activity in Portugal was decisive for this evolution, with the cost of risk (net of recoveries) falling significantly from 68 basis points to 53 basis points in the same period.

In the international activity, in turn, the cost of risk net of recoveries went from 47 basis points in the first quarter of 2022 to 63 basis points in the first quarter of 2023.

Other impairments and provisions totalled 237.7 million euros in the first quarter of 2023, standing 44.9% above the 164.1 million euros recorded in the same period of 2022, essentially reflecting the increase in the international activity, mainly associated with the reinforcement of the provision booked by the Polish subsidiary, to face the legal risk of foreign exchange mortgage loans (183.6 million euros in the first quarter of 2023 vs 107.8 million euros in the same quarter of the previous year).

In the activity in Portugal, other impairments and provisions showed a 12.4% decrease from the 56.2 million euros recognised in the first quarter of 2022, standing at 49.2 million euros at the end of March 2023. This evolution reflects, to a large extent, the significant reduction of non-current assets held for sale, namely the foreclosed assets portfolio.

In the international activity, other impairment and provisions amounted to 188.5 million euros in the first quarter of 2023, significantly above the 107.9 million euros posted in the same period of the previous year, mainly due to the reinforcement of the extraordinary provision, booked by the Polish subsidiary to address the foreign exchange mortgage legal risk.

In this sense, it should be noted that the increase in these provisions, from 107.8 million euros in the first quarter of 2022 to 183.6 million euros in the first quarter of 2023, essentially results from the inclusion of more conservative assumptions in the calculation methodology (corresponding to an additional amount of 71.6 million euros), in order to anticipate potential negative trends. The impact of these provisions was partially offset by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. (9.1 million euros in the first three months of 2023 and 10.4 million euros in the same period of 2022).

Income tax (current and deferred) amounted to 156.2 million euros in the first quarter of 2023, which compares to 85.5 million euros obtained in the same period of the previous year.

The recognised taxes include, in the first quarter of 2023, current tax of 76.3 million euros (18.0 million euros in the first quarter of 2022) and deferred tax of 79.9 million euros (67.5 million euros in the same period of 2022).

Current tax expenses in the first quarter of 2023 were strongly influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and mandatory contributions to the banking sector, both non-deductible for tax purposes, in the Polish subsidiary.

Deferred tax expenses in the first quarter of 2023 mainly result from the income of the period of the activity in Portugal and are influenced by provisions not deductible for tax purposes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 89,157 million euros as of 31 March 2023, showing a 6.7% drop compared to the 95,561 million euros recorded on 31 March 2022, with this evolution being explained essentially by the reduction of assets recorded in the activity in Portugal, despite the slight increase observed in the international activity.

In the activity in Portugal, total assets reached 62,105 million euros on 31 March 2023, showing a decrease of 9.6% compared to the 68,737 million euros recorded at the end of the first quarter of 2022. This evolution is mostly explained by the reductions in deposits at central banks (associated to the early repayment of the financing that had been raised from the European Central Bank within the scope of Targeted Longer-Term Refinancing Operations) and, to a lesser extent, by the decreases in non-current assets held for sale, hedging derivatives, others assets and loans to customers portfolio (net of impairment). On the other hand, there were increases in the securities portfolio and loans and advances to credit institutions.

In the international activity, total assets amounted to 27,052 million euros on 31 March 2023, showing a slight increase of 0.8% compared to the 26,824 million euros recorded on the same date of the previous year. Regarding the evolution of the balance sheet items, there were increases in the securities portfolio and in others assets, which were partially offset by the reductions in loans to customers portfolio (net of impairment), loans and advances to credit institutions, deposits in Central Banks, deposits in other credit institutions and, also, by the recognition of the total impairment of the goodwill associated with the acquisition by the BCP Group of the current percentage of control over the Polish subsidiary.

Consolidated **loans to customers (gross)** of Millennium bcp, as defined in the glossary, totalled 57,290 million euros on 31 March 2023, 2.0% below the 58,473 million euros figure achieved in the same date of the previous year, due mainly to the reductions verified in the international activity and in the activity in Portugal, although in the latter case the decrease recorded is of lesser magnitude.

In the activity in Portugal, customer loans (gross loans) stood at 39,937 million euros on 31 March 2023, 0.9% below the 40,318 million euros recorded at the end of the first quarter of 2022. This evolution is explained by the companies segment, which registered a reduction of 735 million euros compared to the end of the first quarter of 2022, influenced by the environment of lower demand for credit due to higher interest rates and delays in investment projects and, also, by the reduction of stock of NPE. Conversely, the evolution of loans to individuals mitigated the reduction in loans to customers, due to the positive performance of both mortgage loans (300 million euros more than in the same date of the previous year) and personal loans (54 million euros more than in the same date of the previous year).

In the international activity, customer loans (gross loans) stood at 17,353 million euros on 31 March 2023, 4.4% below the 18,155 million euros registered at the end of the first quarter of 2022. By geographies, there was a reduction in credit at the Polish subsidiary and an increase in the loan portfolio at the subsidiary in Mozambique, not sufficient to avoid a decrease in loans to customers in the international activity. The portfolio of loans to individuals showed a contraction of 712 million euros compared to the same date of the last year, with this evolution being explained by the reduction of mortgage loans at the Polish subsidiary, as a result of the provision booked for credit holidays program, despite the increase registered in the subsidiary in Mozambique. Additionally, loans to companies recorded a reduction of 90 million euros compared to the same date of the last year, due to the contraction of credit recorded in the Polish subsidiary within the scope of risk weighted assets and capital ratios optimisation, partially offset by the increase in credit in the subsidiary in Mozambique.

Still with regard to the international activity, the mortgage loan portfolio in foreign currency, registered in the Polish subsidiary, mostly denominated in Swiss francs, continued to show a significant downward trend, falling from 1,986 million euros on 31 March 2022 to 1,219 million euros on 31 March 2023, representing 11.3% and 7.3% of the total amount of credit recorded on the balance sheet of Bank Millennium and 3.4% and 2.1% of the Group's total loans portfolio, at the end of the first quarter of 2022 and 2023, respectively. If the portion relating to Euro Bank

S.A. (the risk of which is fully covered by a third party, within the scope of the clauses provided for in the acquisition contract of that entity) is deducted from the aforementioned portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 1,832 million euros at the end of the first quarter of 2022 to 1,106 million euros at the end of the first quarter of 2023, representing 10.5% and 6.6% of the total amount of loans recorded on the balance sheet of Bank Millennium and 3.1% and 1.9% of the Group's total loans portfolio on the aforesaid dates, respectively.

LOANS TO CUSTOMERS (GROSS)

Million euros

	31 Mar. 23	31 Mar. 22	Chg. 23/22
INDIVIDUALS	**33,819**	**34,177**	**(1.0)%**
Mortgage loans	27,733	28,208	(1.7)%
Personal loans	6,086	5,969	2.0 %
COMPANIES	**23,471**	**24,296**	**(3.4)%**
Services	8,179	8,316	(1.6)%
Commerce	3,978	4,130	(3.7)%
Construction	1,547	1,831	(15.5)%
Others	9,768	10,020	(2.5)%
	57,290	**58,473**	**(2.0)%**
Of which:			
Activity in Portugal	39,937	40,318	(0.9)%
International activity	17,353	18,155	(4.4)%

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

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

Despite the complex economic context, credit quality continues to show a generally favourable evolution. The stock of NPE, in consolidated terms, decreased to 2,173 million euros on 31 March 2023, showing a reduction of 506 million euros compared to the end of the first quarter of 2022. In the activity in Portugal, the stock of NPE totalled 1,279 million euros at the end of the first quarter of 2023, with a reduction of 509 million euros recorded in the aforesaid period.

The NPE ratio[7], in consolidated terms, decreased from 4.6% at the end of the first quarter of 2022 to 3.8% on 31 March 2023, essentially reflecting the performance of the loan portfolio in Portugal, whose NPE ratio stood at 3.2% at the end of the first quarter of 2023, which compares with the 4.4% recorded in the same period of the last year.

At the same time, the coverage ratios recorded a positive evolution, with emphasis on coverage of NPL for more than 90 days, in consolidated terms, going from 155.5% on 31 March 2022 to 211.6% on 31 March 2023. In addition, coverage

[7] NPE ratio, measured by the percentage between non performing exposures and the total loan portfolio.

of NPE by impairments, in consolidated terms, increased from 67.9% on 31 March 2022 to 71.1% at the end of the first quarter of 2023, being worth mentioning the performance of the domestic loan portfolio whose coverage of NPE by impairments stood at 74.3% on 31 March 2023, about 6pp above the 68.5% recorded on 31 March 2022.

Still regarding to the coverage ratios, we highlight that the coverage of foreign exchange mortgage loan portfolio in the Polish Subsidiary[8] was reinforced from 30.9% as of 31 March 2022 to 55.8% as of 31 March 2023.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Mar. 23	31 Mar. 22	Chg. 23/22	31 Mar. 23	31 Mar. 22	Chg. 23/22
STOCK (M€)						
Loans to customers (gross)	57,290	58,473	(2.0)%	39,937	40,318	(0.9)%
Overdue loans > 90 days	488	876	(44.3)%	176	516	(65.8)%
Overdue loans	595	1,007	(41.0)%	197	533	(63.0)%
Restructured loans	1,893	2,466	(23.3)%	1,360	1,966	(30.8)%
NPL > 90 days	730	1,169	(37.5)%	338	708	(52.3)%
NPE	2,173	2,679	(18.9)%	1,279	1,788	(28.5)%
Loans impairment (Balance sheet)	1,545	1,818	(15.0)%	951	1,225	(22.4)%
NPE impairment (Balance sheet)	1,044	1,346	(22.5)%	612	880	(30.4)%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	1.5 %		0.4 %	1.3 %	
Overdue loans / Loans to customers (gross)	1.0 %	1.7 %		0.5 %	1.3 %	
Restructured loans / Loans to customers (gross)	3.3 %	4.2 %		3.4 %	4.9 %	
NPL > 90 days / Loans to customers (gross)	1.3 %	2.0 %		0.8 %	1.8 %	
NPE / Loans to customers (gross)	3.8 %	4.6 %		3.2 %	4.4 %	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.5 %	3.0 %		2.3 %	2.9 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	316.8 %	207.4 %		539.6 %	237.6 %	
Coverage of overdue loans	259.9 %	180.5 %		482.0 %	229.8 %	
Coverage of NPL > 90 days	211.6 %	155.5 %		281.2 %	172.9 %	
Coverage of NPE	71.1 %	67.9 %		74.3 %	68.5 %	
Specific coverage of NPE	48.0 %	50.3 %		47.8 %	49.2 %	

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

Consolidated **total customer funds** amounted to 92,063 million euros on 31 March 2023, 0.8% above the 91,358 million euros obtained on the same date of the previous year, benefiting from the increases registered both in the activity in Portugal and in the international activity. With regard to the nature of resources, balance sheet customer funds showed an increase, while a decrease was observed in off-balance sheet customer funds.

Consolidated balance sheet customer funds amounted to 76,416 million euros on 31 March 2023, showing a growth of 2,921 million euros compared to the 73,495 million euros achieved on the same date of the previous year, driven by the positive contributions of the activity in Portugal and in the international activity, which showed increases of 2,334 million euros and 587 million euros compared to the same period of the last year, respectively.

[8] Coverage ratio, measured between the total amount of provisions booked (771 million euros and 1,203 million euros, including both provisions recognised as reduction in the gross book value of loans in the assets side and provisions recorded in liabilities side, on 31 March 2022 and 31 March 2023, respectively) and the total amount of the portfolio, before the provisions directly reducing the gross book value of the loans and excluding exposure from Euro Bank S.A. (2,495 million euros and 2,155 million euros as at 31 March 2022 and 31 March 2023, respectively). Provisions for individual mortgage loans in Swiss francs deducted from assets amounted to 662 million euros and 1,049 million euros at 31 March 2022 and 2023, respectively, and the mortgage loan portfolio in foreign currency, deducted from the portion relating to the Euro Bank S.A. amounted to 1,832 million euros at the end of the first quarter of 2022 and 1,106 million euros at the end of the first quarter of 2023.

As at 31 March 2023, consolidated off-balance sheet customer funds amounted to 15,647 million euros, showing a reduction of 12.4% compared to the 17,863 million euros obtained on the same date of the previous year, due to the declines registered both in the activity in Portugal and in the international activity, being in the latter case a lesser magnitude decrease. The reduction registered in off-balance sheet customer funds reflects the expiry date of some products with a fixed term and the lower appetite for investment products in a context of greater uncertainty, as well as the devaluation of some portfolios due to the negative evolution of the financial markets.

In the activity in Portugal, total customer funds reached 66,996 million euros as of 31 March 2023, which compares to the 66,635 million euros calculated on the same date of the previous year. This evolution is explained by different dynamics, namely by the increase of 2,476 million euros in deposits and other resources from customers, still reflecting an increase in individuals savings, and by the decrease of 1,973 million euros in off-balance customer funds, with this decrease observed in all segments (the reduction registered in insurance products - savings and investment was the most significant one in absolute terms).

In the international activity, total customer funds amounted to 25,067 million euros at the end of the first quarter of 2023, increasing by 1.4% compared to the 24,723 million euros recorded on 31 March 2022. Balance sheet customer funds in the international activity stood at 23,609 million euros as of 31 March 2023, registering an increase of 2.5% compared to the 23,022 million euros recorded at the end of the first quarter 2022, benefiting from the increasing volumes of deposits both in the Polish operation, as well as in the Mozambican operation, even though in a smaller scale in the latter case. In turn, off-balance sheet customer funds in the international activity decreased from 1,701 million euros on 31 March 2022 to 1,458 million euros as of 31 March 2023, with this decrease being observed in all business segments.

On 31 March 2023, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 83.0% and 81.5% of total customer funds (80.4% e 78.7% for the aforementioned ratios as of 31 March 2022, respectively).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 74.3% as of 31 March 2023, with the same ratio, considering balance sheet customer funds, standing at 72.9%. Both ratios show values below those obtained at the same date of the previous year, 78.7% and 77.1%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	31 Mar. 23	31 Mar. 22	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS	**76,416**	**73,495**	**4.0%**
Deposits and other resources from customers	75,015	71,944	4.3%
Debt securities	1,401	1,551	(9.7%)
OFF-BALANCE SHEET CUSTOMER FUNDS	**15,647**	**17,863**	**(12.4%)**
Assets under management	5,221	5,557	(6.0%)
Assets placed with customers	5,307	6,052	(12.3%)
Insurance products (savings and investment)	5,119	6,254	(18.1%)
	92,063	**91,358**	**0.8%**
Of which:			
Activity in Portugal	66,996	66,635	0.5%
International activity	25,067	24,723	1.4%

On 31 March 2023, the consolidated **securities portfolio**, as defined in the glossary, amounted to 22,929 million euros, showing an increase of 14.7% compared to the 19,985 million euros registered on the same date of the previous year, representing 25.7% of the total assets at the end of the first quarter 2023, which compares to the 20.9% at the end of the first quarter 2022.

The securities portfolio allocated to the activity in Portugal recorded an increase of 1,029 million euros, standing at 15,965 million euros on 31 March 2023, which compares with the 14,937 million euros recorded on the same date of the previous year. With regard to the investment in public debt in the activity in Portugal, there was an increase compared to the amount recorded in the same date of the previous year, associated with greater portfolio diversification, following the strengthening of foreign public debt, namely Spanish and French public debt, which more than offset the divestment recorded in Portuguese sovereign debt.

The securities portfolio allocated to the international activity was above the one observed at the end of the first quarter of 2022, having evolved from the 5,048 million euros on that date to 6,963 million euros on 31 March 2023. Regarding the investment in public debt in the international activity, there was also an increase compared to the levels recorded in the same date of the prior year, due to the expansion of Mozambican public debt and that of others countries, partially offset by the divestment in Polish public debt.

LIQUIDITY MANAGEMENT

Over the past twelve months, the main operations of the Group reinforced their liquidity positions through growth in the respective customer deposit bases, which was particularly significant in the Portuguese and Polish operations. This trend supported the favourable behaviour of discountable liquidity buffers at the respective central banks and most of the risk indicators, which continued to comfortably comply with the minimum regulatory requirements, both locally and on a consolidated basis.

In the case of BCP, this evolution occurred despite the interruption, in the first quarter of 2023, of the long cycle of growth in customer deposits that started after the outbreak of the COVID-19 crisis, in the first quarter of 2020. The erosion of deposits occurred both in the retail segment and in the corporate segment, the former being mainly attributable to increased competition from non-banking products in attracting savings, within a framework of increasing interest rates and normalisation of the monetary policy.

With regard to market financing, the activity of BCP between March 2022 and March 2023 was once again justified mainly on grounds of regulatory compliance, given the Bank's excess liquidity position. In chronological order, BCP repaid in May its only outstanding issue of covered bonds amounting to 1,000 million euros, which, given the Bank's strong liquidity surplus, there was no need to refinance in the market. In October, the Bank issued 3NC2 (3 years maturity callable after two years) senior preferred debt of 350 million euros, with a view to ensuring compliance with the “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities), namely the indicative target for Portugal in force from 1 January 2023. This issue, with a coupon of 8.50% per annum, was carried out despite adverse market conditions. Finally, in November, as the Bank had not decided to exercise (in December) the early repayment option of a T2 issue for 300 million euros, it launched an exchange offer at a ratio of 1:1 for new bonds with a higher coupon and longer term. The amount of the new issue was fixed at 133.7 million euros and a coupon of 8.75% per annum, corresponding to a spread of 605.1 bp on mid-swaps.

Still in Portugal, and throughout the period under analysis, the liquidity raised from the favourable behaviour of the commercial gap and by the MREL issuance plan was used, in order of materiality, in the full early repayment of TLTRO III (in the gross amount of 8.15 billion euros) and in the payment of the referred issue of covered bonds. The reinforcement of the derivatives’ margin accounts, whose provisioning needs grew significantly after the start of the crisis in Ukraine and until the end of 2022, was slightly above 900 million euros.

The liquidity buffer available for discounting at the ECB stood at 26.0 billion euros on 31 March 2023, 2.8 billion euros more than a year earlier and slightly below the amount observed in December 2022 (26.5 billion euros). The liquidity buffer comprises at that date a long position of 689 million euros on the ECB, which evolved from a short position of 711 million euros one year before.

Likewise, in March 31, 2023, Bank Millennium and BIM held resilient liquidity positions, supported by robust discountable buffers at the respective central banks, with a favourable evolution compared to the previous year. In the case of the operation in Poland, this occurred even considering the effects of the invasion of Ukraine, which resulted in the market price loss of the eligible asset portfolio and the reinforcement of the derivative's margin accounts.

From a regulatory perspective, on a consolidated basis, the Liquidity Coverage Ratio (LCR) stood at 201% at the end of March 2023 (31 March 2022: 283%), equivalent to a surplus of 10 billion euros (31 March 2022: 16 billion euros) facing a 100% regulatory minimum requirement, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The decrease of the LCR was mainly due to the reimbursement of the Targeted Longer Term Refinancing Operation III (T LTRO III; 8.15 billion euros), as the collateral released with the reimbursement, though eligible for central bank discount, is not eligible for the HQLA buffer of the LCR, contrary to the cash balance with the Bank of Portugal, causing the indicator to drop but still well above the minimum requirement of 100%.

In addition, the Group reinforced its stable funding base, characterised by a large share of customer deposits in the funding structure, supplemented by collateralised funding and medium and long-term instruments, which enabled the net stable funding ratio (Article 428 of Regulation (EU) 2019/876) as at 31 March 2023 to stand at 154% (150% as at 31 March 2022). With a similar trend, the indicator that calculates the transformation ratio of loans to deposits, in accordance with Bank of Portugal Instruction no. 16/2004 (current version), registered on 31 March 2023 a value of 74%, compared to 79% one year earlier.

CAPITAL

The estimated CET1 ratio as at 31 March 2023 stood at 13.6% both phased-in and fully implemented, reflecting a change of +212 and +205 basis points, respectively, compared to the 11.4% and 11.5% phased-in and fully implemented ratios reported in the same period of 2022, above the minimum regulatory ratios defined within the scope of SREP (Supervisory Review and Evaluation Process) for the year 2023 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability goals.

The evolution of capital ratios in the period continued to be significantly influenced by the impacts on Bank Millennium, related to the increase in provisions for legal risks associated with loans in foreign currency and with the new regime of moratorium on mortgage loans adopted in Poland. These effects were, however, more than offset not only by the positive performance of the recurrent activity in Portugal and by the careful management of capital, but also by the supervisory authority's approval of the request for the application of CRR article 352 (2) to exclude from the market risk weighted assets certain structural currency positions to immunise regulatory ratios against exchange rates' changes.

SOLVENCY RATIOS

Million euros

	31 Mar. 23	31 Mar. 22
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,590	5,295
Tier 1	6,085	5,801
Total Capital	**7,412**	**7,145**
Risk weighted assets	**41,254**	**46,054**
Solvency ratios		
CET1	13.6 %	11.5 %
Tier 1	14.8 %	12.6 %
Total capital	18.0 %	15.5 %
PHASED-IN		
CET1	13.6 %	11.4 %

Note: The capital ratios of March 2023 are estimated, including the positive accumulated net income.

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2023

During the first quarter of 2023, the Bank kept its focus on supporting households and companies, in the current challenging macroeconomic environment.

Fitch Ratings upgraded BCP’s long-term deposits rating to ‘BBB-’ and the long-term Issuer Default Rating to ‘BB+’, with a stable Outlook. BCP's ratings upgrade primarily reflect the bank’s improved asset quality, the improvement in capitalisation and resilient pre-impairment profitability, due to a leading franchise in Portugal and sound cost efficiency.

Bank Millennium S.A. on February 13 executed the agreement for the sale of 80% of the shares in Millennium Financial Services sp. z o.o. and concluded also certain agreements concerning an exclusive insurance distribution model, including a cooperation agreement and distribution and agency agreements. On 29 March 2023, Bank Millennium S.A. informed the completion of the transaction resulting in the recognition of the correspondent extraordinary positive financial result, in the first quarter of 2023, of 597 million Zlotys before taxes (127 million euros).

AWARDS AND DISTINCTIONS

- Millennium bcp and ActivoBank were elected “Escolha do Consumidor” (Consumer Choice) 2023 in the categories of “Big Banks” and “Digital Bank”, respectively. Millennium bcp collected the award for the third consecutive year while ActivoBank accumulates five years in the leadership position.
- Millennium bcp was Bank #1 in the 2023 “Cinco Estrelas” (Five Stars) Awards.
- Leadership in the Inovadora COTEC Program for the third consecutive year with 648 applications and 54% market share.
- Millennium bcp was included for the fourth year in the Bloomberg Gender-Equality Index, remaining in the elite group of companies, that worldwide, stand out for their implementation of policies and practices of gender equality, diversity, and inclusion.
- Millennium bcp was distinguished as Local Market Member in Equity in the Euronext Lisbon Awards.
- ActivoBank was named for the second consecutive time as “Powerful Brand” in the “Online Banking” category.
- Millennium App was distinguished with the “Product of the Year” and “Prémio Cinco Estrelas” awards, in the “Banking Apps” category, a distinction awarded by Five Star Consulting Portugal and Consumer Choice.
- Bank Millennium distinguished as “Best Bank in Poland” in 2023 by Global Finance.
- Millennium bim distinguished as “Best Private Bank” in Mozambique for the fourth year in a row.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) revised slightly downwards its projection for the global economic growth in 2023, from 2.9% to 2.8%, which corresponds to an historically low output growth, driven by the restrictive stance of global monetary policy and tensions in the geopolitical sphere. The risks to this projection are tilted to the downside and relate to the possibility of the worsening of the aforementioned factors.

The performance of financial markets in the first quarter of 2023 was positive, despite the heightened volatility observed in the beginning of March due to the turmoil in the American banking sector and, in a less degree, in the European one. The major equity indices registered moderated valuations. In the sovereign debt markets, the German government bond yields continued to surge, benefiting from the dissipation of recession fears in the euro area and from the prospect of additional interest rate hikes by the European Central Bank. In turn, in the United States, the government bond yields exhibited a downward trend, reflecting the higher uncertainty regarding the robustness of the banking sector and investors' expectations about the end of the interest rate hiking cycle by the Federal Reserve, following the increase of 50 basis points between January and March. In this context, the Euro appreciated against the US Dollar, and the Euribor interest rates raised throughout the whole curve, nonetheless, more modestly than in the previous quarter.

In the first quarter, the Portuguese GDP recorded a quarter-on-quarter growth rate of 1.6%, which represents a marked acceleration compared to the previous period (0.3%). The strong dynamism of the Portuguese economy results from a significant increase in exports, driven by the improvement in external demand and by the robust growth levels of tourism services exports. In this context, the IMF has recently revised its projection for the Portuguese GDP growth in 2023, from 1.0% to 2.6%. However, this projection is subject to important downside risks related to tighter financial conditions and the slowdown of external demand. Concerning prices, the inflation rate decreased since the start of the year, with an observed value of 8.0% in March. The IMF predicts that the inflation rate will proceed a downward trajectory throughout the year, albeit remaining at elevated levels (5.6%).

After the notable resilience manifested by the Polish economy in 2022, amid strong uncertainty stemming from the military aggression of Russia to Ukraine, the economic activity may have lost vigor in the first quarter of 2023, driven by a sluggish internal demand. The persistence of inflationary pressures, more elevated than previously anticipated, prompted the central bank to maintain a restrictive monetary policy, keeping the key interest rate unchanged at 6.75%. Against this background, the IMF projects that in 2023 the GDP registers a marginal growth rate of 0.3% and that inflation persists at high levels (11.9%). Zloty was relatively stable throughout the quarter.

In Mozambique, the IMF anticipates an acceleration of GDP in 2023, from 4.1% to 5.0%, bolstered by the energy projects in Rovuma River basin, notwithstanding the risks of slowdown of the external demand and the reduction of commodity prices in international markets. The persistence of high inflationary pressures led the Central Bank of Mozambique to raise the mandatory reserve ratios, however the key interest rate remained unchanged at 17.25% and the Metical depreciated, albeit at a moderate pace. In Angola, the economy grew 3.0% in 2022, supported by the non-oil sector. In 2023, the IMF envisages an acceleration of GDP's recovery, with a growth rate of 3.5%. The central bank eased its monetary policy stance, in a context of lower inflation, which led to a slight depreciation of Kwanza against the Euro.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Consolidated			Activity in Portugal			International activity		
	Mar. 23	Mar. 22	Chg. 23/22	Mar. 23	Mar. 22	Chg. 23/22	Mar. 23	Mar. 22	Chg. 23/22
INCOME STATEMENT									
Net interest income	664.6	465.1	42.9 %	339.9	211.8	60.5 %	324.7	253.3	28.2 %
Dividends from equity instruments	0.0	0.9	(95.1)%	0.0	0.8	(100.0)%	0.0	0.1	(32.4)%
Net fees and commission income	195.4	192.8	1.3 %	141.7	136.5	3.8 %	53.7	56.4	(4.7)%
Net trading income	131.6	43.4	>200%	10.2	49.3	(79.4)%	121.4	-5.9	>200%
Other net operating income	-6.4	-16.9	62.3 %	1.7	10.8	(84.6)%	-8.0	-27.6	71.0 %
Equity accounted earnings	13.8	16.2	(15.1)%	12.9	15.3	(16.0)%	0.9	0.9	0.7 %
Net operating revenues	**999.0**	**701.6**	**42.4 %**	**506.3**	**424.5**	**19.3 %**	**492.7**	**277.1**	**77.8 %**
Staff costs	144.3	137.7	4.8 %	80.2	79.9	0.4 %	64.2	57.9	10.9 %
Other administrative costs	90.3	82.7	9.2 %	47.9	43.4	10.4 %	42.4	39.3	7.8 %
Depreciation	33.9	34.6	(2.0)%	18.4	20.0	(7.8)%	15.5	14.6	5.9 %
Operating costs	**268.5**	**255.0**	**5.3 %**	**146.4**	**143.2**	**2.3 %**	**122.1**	**111.8**	**9.2 %**
Operating costs excluding specific items	269.8	255.0	5.8 %	147.8	143.2	3.2 %	122.1	111.8	9.2 %
Profit before impairment and provisions	**730.5**	**446.6**	**63.6 %**	**359.8**	**281.3**	**27.9 %**	**370.6**	**165.3**	**124.2 %**
Results on modification	-5.9	-0.8	<-200%	0.0	0.0	— %	-5.9	-0.8	<-200%
Loans impairment (net of recoveries)	80.4	89.9	(10.5)%	53.0	68.5	(22.7)%	27.4	21.3	28.5 %
Other impairment and provisions	237.7	164.1	44.9 %	49.2	56.2	(12.4)%	188.5	107.9	74.7 %
Profit before income tax	**406.3**	**191.8**	**111.9 %**	**257.6**	**156.5**	**64.6 %**	**148.7**	**35.2**	**>200%**
Income taxes	**156.2**	**85.5**	**82.8 %**	**86.8**	**49.1**	**77.0 %**	**69.4**	**36.4**	**90.6 %**
Current	76.3	18.0	>200%	6.3	5.6	13.2 %	70.0	12.4	>200%
Deferred	79.9	67.5	18.5 %	80.5	43.5	85.2 %	-0.6	24.0	(102.4)%
Income after income tax from continuing operations	**250.1**	**106.3**	**135.3 %**	**170.8**	**107.5**	**58.9 %**	**79.3**	**-1.2**	**>200%**
Income arising from discontinued operations	0.0	1.4	(100.0)%	0.0	0.0	— %	0.0	1.4	(100.0)%
Non-controlling interests	35.1	-5.2	>200%	0.0	-0.1	55.8 %	35.2	-5.1	>200%
Net income	**215.0**	**112.9**	**90.5 %**	**170.8**	**107.6**	**58.8 %**	**44.1**	**5.3**	**>200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	89,157	95,561	(6.7)%	62,105	68,737	(9.6)%	27,052	26,824	0.8 %
Total customer funds	**92,063**	**91,358**	**0.8 %**	**66,996**	**66,635**	**0.5 %**	**25,067**	**24,723**	**1.4 %**
Balance sheet customer funds	**76,416**	**73,495**	**4.0 %**	**52,807**	**50,473**	**4.6 %**	**23,609**	**23,022**	**2.5 %**
Deposits and other resources from customers	75,015	71,944	4.3 %	51,407	48,931	5.1 %	23,609	23,013	2.6 %
Debt securities	1,401	1,551	(9.7)%	1,401	1,542	(9.2)%	0	9	(100.0)%
Off-balance sheet customer funds	**15,647**	**17,863**	**(12.4)%**	**14,189**	**16,162**	**(12.2)%**	**1,458**	**1,701**	**(14.3)%**
Assets under management	5,221	5,557	(6.0)%	4,336	4,597	(5.7)%	885	960	(7.8)%
Assets placed with customers	5,307	6,052	(12.3)%	4,995	5,678	(12.0)%	311	374	(16.8)%
Insurance products (savings and investment)	5,119	6,254	(18.1)%	4,857	5,886	(17.5)%	262	367	(28.7)%
Loans to customers (gross)	**57,290**	**58,473**	**(2.0)%**	**39,937**	**40,318**	**(0.9)%**	**17,353**	**18,155**	**(4.4)%**
Individuals	**33,819**	**34,177**	**(1.0)%**	**21,115**	**20,761**	**1.7 %**	**12,704**	**13,416**	**(5.3)%**
Mortgage	27,733	28,208	(1.7)%	18,918	18,618	1.6 %	8,814	9,590	(8.1)%
Personal Loans	6,086	5,969	2.0 %	2,197	2,143	2.5 %	3,890	3,826	1.7 %
Companies	**23,471**	**24,296**	**(3.4)%**	**18,822**	**19,557**	**(3.8)%**	**4,649**	**4,739**	**(1.9)%**
CREDIT QUALITY									
Total overdue loans	595	1,007	(41.0)%	197	533	(63.0)%	397	474	(16.2)%
Overdue loans by more than 90 days	488	876	(44.3)%	176	516	(65.8)%	312	361	(13.6)%
Overdue loans by more than 90 days / Loans to customers	0.9 %	1.5%		0.4 %	1.3%		1.8 %	2.0%	
Total impairment (balance sheet)	1,545	1,818	(15.0)%	951	1,225	(22.4)%	595	593	0.3 %
Total impairment (balance sheet) / Loans to customers	2.7 %	3.1%		2.4 %	3.0%		3.4 %	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	316.8 %	207.4 %		539.6 %	237.6%		190.8 %	164.4 %	
Non-Performing Exposures (NPE)	2,173	2,679	(18.9)%	1,279	1,788	(28.5)%	894	891	0.3 %
NPE / Loans to customers	3.8 %	4.6%		3.2 %	4.4%		5.2 %	4.9%	
Total impairment (balance sheet) / NPE	71.1 %	67.9%		74.3 %	68.5%		66.5 %	66.6%	
Restructured loans	1,893	2,466	(23.3)%	1,360	1,966	(30.8)%	533	500	6.6 %
Restructured loans / Loans to customers	3.3 %	4.2%		3.4 %	4.9%		3.1 %	2.8%	
Cost of risk (net of recoveries, in b.p.)	56	62		53	68		63	47	

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2023 AND 2022

(Thousands of euros)

	31 March 2023	31 March 2022
Interest and similar income	978,598	513,921
Interest expense and similar charges	(314,047)	(48,820)
NET INTEREST INCOME	**664,551**	**465,101**
Dividends from equity instruments	44	889
Net fees and commissions income	195,405	192,844
Gains/(losses) on financial operations at fair value through profit or loss	12,488	8,691
Foreign exchange gains/(losses)	6,567	1,859
Gains/(losses) on hedge accounting	668	(2,162)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	112,672	6,377
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	(832)	28,619
Other operating income / (losses)	(16,039)	(25,298)
TOTAL OPERATING INCOME	**975,524**	**676,920**
Staff costs	144,337	137,723
Other administrative costs	90,261	82,667
Amortisations and depreciations	33,914	34,611
TOTAL OPERATING EXPENSES	**268,512**	**255,001**
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	**707,012**	**421,919**
Results on modification	(5,949)	—
Impairment of financial assets at amortised cost	(81,226)	(90,932)
Impairment of financial assets at fair value through other comprehensive income	245	398
Impairment of other assets	(2,789)	(11,395)
Other provisions	(234,399)	(152,039)
NET OPERATING INCOME	**382,894**	**167,951**
Share of profit of associates accounted for using the equity method	13,767	16,208
Gains/(losses) on disposal of subsidiaries and other assets	9,675	7,617
NET INCOME BEFORE INCOME TAXES	**406,336**	**191,776**
Income taxes		
Current	(76,299)	(17,978)
Deferred	(79,947)	(67,493)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	**250,090**	**106,305**
Net income from discontinued or discontinuing operations	—	1,388
NET INCOME AFTER INCOME TAXES	**250,090**	**107,693**
Net income for the period attributable to:		
Bank's Shareholders	214,959	112,866
Non-controlling interests	35,131	(5,173)
NET INCOME FOR THE PERIOD	**250,090**	**107,693**
Earnings per share (in Euros)		
Basic	0.055	0.027
Diluted	0.055	0.027

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2023 AND 2022 AND 31 DECEMBER 2022

(Thousands of euros)

	31 March 2023	31 December 2022	31 March 2022
ASSETS			
Cash and deposits at Central Banks	3,035,276	6,022,001	9,829,597
Loans and advances to credit institutions repayable on demand	203,508	213,460	290,040
Financial assets at amortised cost			
Loans and advances to credit institutions	628,975	963,434	816,853
Loans and advances to customers	54,075,476	54,675,793	55,120,873
Debt securities	14,958,995	13,035,582	9,181,107
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,581,105	766,597	1,364,250
Financial assets not held for trading mandatorily at fair value through profit or loss	540,856	552,679	957,516
Financial assets at fair value through other comprehensive income	7,897,799	7,461,553	10,438,349
Hedging derivatives	38,943	59,703	455,823
Investments in associated companies	322,814	298,717	457,266
Non-current assets held for sale	253,491	499,035	700,275
Investment property	14,720	15,217	3,023
Other tangible assets	607,023	574,697	595,658
Goodwill and intangible assets	177,389	182,687	252,954
Current tax assets	17,907	17,945	20,204
Deferred tax assets	2,791,088	2,938,986	2,863,034
Other assets	2,011,441	1,582,455	2,214,498
TOTAL ASSETS	**89,156,806**	**89,860,541**	**95,561,320**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	1,095,155	1,468,360	8,979,742
Resources from customers	73,913,771	75,430,143	71,944,040
Non subordinated debt securities issued	1,488,619	1,482,086	2,158,734
Subordinated debt	1,331,426	1,333,056	1,363,364
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	246,611	241,506	170,059
Financial liabilities at fair value through profit or loss	2,502,224	1,817,678	1,520,580
Hedging derivatives	130,644	178,000	1,040,213
Provisions	600,354	561,786	521,657
Current tax liabilities	62,876	23,680	8,191
Deferred tax liabilities	7,845	11,708	15,742
Other liabilities	1,471,683	1,391,973	1,269,212
TOTAL LIABILITIES	**82,851,208**	**83,939,976**	**88,991,534**
EQUITY			
Share capital	3,000,000	3,000,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	400,000
Legal and statutory reserves	268,534	268,534	259,528
Reserves and retained earnings	1,580,845	1,245,949	186,100
Net income for the period attributable to Bank's Shareholders	214,959	207,497	112,866
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	**5,480,809**	**5,138,451**	**5,699,965**
Non-controlling interests	824,789	782,114	869,821
TOTAL EQUITY	**6,305,598**	**5,920,565**	**6,569,786**
TOTAL LIABILITIES AND EQUITY	**89,156,806**	**89,860,541**	**95,561,320**

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insurance products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

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

Non-performing exposures (NPE) – non-performing loans and advances to customers (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) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

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

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

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

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

Disclaimer