Press Release

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Millennium bcp

27 July 2023

Millennium bcp Earnings release as at 30 June 2023

A Bank prepared for the future

Profitability

- **Net income** of **423.2 million euros** in the first half of 2023.
- **Group's core operating profit increase** of **40.1%** to **1,199.9 million euros**, supported by the **increase** of **28.3%** on **core income** and by the **strict management** of **operating costs**, which grew 8.8% compared with the same period of 2022.
    - **Effects**[1] related with **Bank Millennium**: **399.1**[2] **million euros** of **costs related** with **CHF mortgage loan portfolio**, out of which 331.6[3] million euros related with provisions, resulting from the application of more conservative assumptions to the provisioning model after the Court of Justice of the European Union ruling; **results benefited**, in the previous quarter, **of 127.0 million euros** related with the **sale of Millennium Financial Services stake (80%)** as a result of the strategic partnership in the bancassurance business.

Robust business model

- **Net income** of **353.7 million euros** in the **activity in Portugal** in the first half of 2023.
- **Substantial strengthening** of **capital ratios**. **CET1**[4] **ratio** stood at **14.0%** and **total capital ratio**[4] at **18.3%** (an increase of 268 bp and 304 bp, respectively, compared with the same period of last year), reflecting the strong capacity to generate organic capital.
- **Strong liquidity indicators**[5], **well above regulatory requirements**: LCR at 214%, NSFR at 155% and LtD at 75%.
- **On-Balance sheet customer funds grew 2.9%** year on year to **76.7 billion euros**.
- **Significant decrease** of **non-performing assets** compared with June 2022: 361 million euros in NPE, 162 million euros in foreclosed assets and 400 million euros in restructuring funds, a combined reduction of 25.8% compared to June 2022
- Continued **growth** of the **customer base**, highlighting the increase in mobile Customers (+13% from June 2022), which represent 66% of total Customers.

[1] Before taxes and non-controlling interests [2] Includes provisions for legal risk, costs with out-of-court settlements and legal advice [3] Does not include provisions for legal risk on CHF mortgages of Euro Bank (guaranteed by a third party) [4] Fully implemented ratio including unaudited net income for the first half of 2023 [5] Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD).

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FINANCIAL HIGHLIGHTS (1)

Million euros

	30 Jun. 23	30 Jun. 22 (restated)	Chg. 23/22
BALANCE SHEET			
Total assets	90,950	96,022	(5.3)%
Equity	6,577	6,240	5.4 %
Loans to customers (net)	56,336	57,039	(1.2)%
Total customer funds	92,453	91,070	1.5 %
Balance sheet customer funds	76,733	74,546	2.9 %
Deposits and other resources from customers	75,355	73,190	3.0 %
Loans to customers (net) / Deposits and other resources from customers (2)	74.8 %	77.9 %	
Loans to customers (net) / Balance sheet customer funds	73.4 %	76.5 %	
RESULTS			
Net interest income	1,374.4	985.2	39.5 %
Net operating revenues	1,844.3	1,273.0	44.9 %
Operating costs	561.5	516.2	8.8 %
Operating costs excluding specific items (3)	549.9	510.5	7.7 %
Results on modification	-11.6	-1.9	<-200%
Loan impairment charges (net of recoveries)	145.5	179.4	(18.9)%
Other impairment and provisions	402.9	371.9	8.3 %
Income taxes	246.0	155.8	57.9 %
Net income	423.2	62.2	>200%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	4.1 %	2.7 %	
Return on average assets (ROA)	1.1 %	0.1 %	
Income before tax and non-controlling interests / Average net assets (2)	1.6 %	0.4 %	
Return on average equity (ROE)	16.8 %	2.4 %	
Income before tax and non-controlling interests / Average equity (2)	24.6 %	6.7 %	
Net interest margin	3.34 %	2.29 %	
Cost to core income (2)(3)	31.2 %	37.2 %	
Cost to income (2)	30.4 %	40.6 %	
Cost to income (2)(3)	32.0 %	40.1 %	
Cost to income - Activity in Portugal (2)(3)	31.0 %	39.5 %	
Staff costs / Net operating revenues (2)(3)	17.3 %	21.9 %	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	50	61	
Non-Performing Exposures (loans to customers) / Loans to customers	3.7 %	4.3 %	
Total impairment (balance sheet) / NPE (loans to customers)	73.6 %	64.5 %	
Restructured loans / Loans to customers	3.2 %	3.6 %	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	214 %	261 %	
Net Stable Funding Ratio (NSFR)	155 %	153 %	
CAPITAL (4)			
Common equity tier I phased-in ratio	14.0 %	11.5 %	
Common equity tier I fully implemented ratio	14.0 %	11.3 %	
Total ratio fully implemented	18.3 %	15.3 %	
BRANCHES			
Activity in Portugal	402	415	(3.1)%
International activity	817	832	(1.8)%
EMPLOYEES			
Activity in Portugal	6,256	6,254	— %
International activity (5)	9,393	9,413	(0.2)%

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: positive impact of 115.3 million euros, recognised in the first half of 2023, including income of 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) and costs of 11.6 million euros recognised as staff costs in the activity in Portugal ((i) costs related to the compensation for the temporary adjustment of remuneration in the period 2014/2017; (ii) costs with mortgage financing to former employees and (iii) income recognised after an agreement related to responsibilities with former directors of the Bank). In the first half of 2022 the impact was negative in the amount of 5.7 million euros, mainly related to the compensation for the temporary adjustment of remuneration in the period 2014/2017.
(4) As at 30 June 2023, capital ratios are estimated including the non-audited positive cumulative net income of the period.
(5) Of which, in Poland: 6,869 employees as at 30 June 2023 (corresponding to 6,746 FTE - Full-time equivalent) and 6,871 employees as at 30 June 2022 (corresponding to 6,735 FTE - Full-time equivalent). As of 30 June 2022, the number of employees associated with the international activity includes 3 employees of Cayman, nonexistent as of 30 June 2023, since the operation was liquidated in 2022.

RESULTS AND ACTIVITY IN THE FIRST HALF 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.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), being accounted for under the equity method, as Investments in associated companies. On 1 January 2023 Millenniumbcp Ageas adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. Taking into account that the initial adoption of IFRS 17 and IFRS 9 requires comparative information, Millenniumbcp Ageas Grupo Segurador made the transition exercise on 1 January 2022. The impacts resulting from this implementation by Mbcp Ageas led to the restatement of the accounts of the Group referring to 2022.

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 29 March 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 triggering the commencement of the Strategic Insurance Cooperation between the Bank and the buyers, as described above.

On 24 March 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.

PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 423.2 million euros in the first six months of 2023, growing noticeably from the 62.2[1] million euros achieved in the same period of the previous year.

This evolution of the consolidated net income reflects the favourable performance of both the activity in Portugal and the international activity, driving return on equity (ROE) of the Group to increase significantly to 16.8% in the first half of 2023, compared with 2.4% recorded in the first half of 2022.

The growth in net income of the Group largely reflects the evolution of core income, which increased by 28.3%, from 1,372.7 million euros in the first half of 2022 to 1,761.4 million euros in the same period of 2023, benefiting from the 39.5% (389.2 million euros) increase in net interest income.

The favourable evolution of net income of the Group in this period also benefited from the extraordinary gain of 127.0[2] million euros, in the first quarter of the year, 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.

[1] Following the adoption, on 1 January 2023, of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group, and complying with comparative information requirements, the accounts of the Group referring to 2022 were restated accordingly, corresponding to a negative impact of 12.3 million euros in the first half of 2022 results.

[2] Before taxes an non-controlling interests.

On the other hand, the reduction in the amount of mandatory contributions levied on the Group, particularly significant in the Polish subsidiary, where the amount of mandatory contributions decreased by about 90.0% (103.7 million euros), largely explained by temporary exemptions, also contributed to the good performance of the consolidated net income.

The favourable evolution of net income of the Group is also influenced by the fact that in the first half of the previous year the result was heavily penalised by the recognition of impairments, in the amount of 102.3 million euros, concerning the total goodwill associated with the group's stake in Bank Millennium S.A. in Poland.

An improvement of risk profile of the credit portfolio in the activity in Portugal, in turn, allowed a reduction in credit impairment (net of recoveries), determining the favourable evolution of this item, which in consolidated terms stood 33.9 million euros (18.9%) below the amount calculated in the first half of 2022.

Conversely, the results of the Group continue to be strongly influenced by the increase in the costs associated with foreign exchange mortgage portfolio, that globally went from 257.8[2] million euros, in the first half of 2022, to 399.1[2] million euros, in the first half of 2023. The overall increase in these costs was mainly due to the additional provisions booked to face the litigation risk implicit in this portfolio following the unfavourable decision of the Court of Justice of the European Union, regarding foreign exchange mortgage loans (331.6 million euros in the first half of 2023 vs 198.1 million euros in the same period of the previous year, net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party).

On the other hand, despite the pursuit of a disciplined management of operating costs by the Group, the impact of inflation was felt in the geographies in which the Bank operates (particularly in Poland and Mozambique where it recorded double-digit levels in 2022), influencing the evolution of operating costs that, in consolidated terms, increased 8.8% (45.3 million euros) compared to the amount posted in the first half of 2022.

At the same time, albeit on a smaller scale, the results of the Group were also influenced on one hand by the increase in equity accounted earnings and on the other hand by the less favourable performance, compared to the first half of 2022, of dividends from equity instruments and results on modification. Net commissions, in turn, remained in line with the amounts calculated in the first six months of 2022.

The 1.5 million euros amount recognised in results from discontinued operations, in the first half of 2022, mostly incorporates the adjustment of the sale price of Banque Privée, in accordance with previously agreed conditions[3].

The core operating profit of the Group amounted to 1,199.9 million euros in the first six months of 2023, showing a significant growth of 40.1% from the 856.5 million euros achieved in the same period of 2022, driven by the already mentioned increase in core income.

In the activity in Portugal, net income amounted to 353.7 million euros in the first half of 2023, showing a significant growth from the 162.2 million euros achieved in the same period of the previous year, reflecting above all the increase of 39.6% in core income, from 707.7 million euros to 987.8 million euros.

The growth in core income, of 280.0 million euros, mainly reflects the positive performance in net interest income, which increased 277.0 million euros (64.3%) from the first half of 2022, with net commissions also evolved favourably, showing, however, a more modest growth.

The evolution of net income in the activity in Portugal was also influenced, on the one hand, by an improvement of risk profile of the credit portfolio, which corresponded to a reduction in loans impairment charges (net of recoveries), and on the other hand, by the strong reduction in net trading income, mainly due to the gains recognised in the first half of the previous year with the sale of foreign sovereign debt securities, which did not occur in the first half of this year.

Net income in the activity in Portugal also reflects, albeit to a lesser extent, a slight increase in operating costs and the smaller contribution of dividends from equity instruments on the one hand and the favourable performance of equity accounted earnings, other net operating income and other impairment and provisions on the other.

[3] Following the sale of the entire share capital of Banque Privée BCP (Suisse S.A.) in the fourth quarter of 2021, the purchase price was subject to subsequent adjustments, according to typical provisions 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.

It should be noted that the significant expansion of core income largely exceeded the rise in operating costs, leading the core operating profit of the activity in Portugal to grow by 64.5%, from 413.9 million euros in the first half of 2022 to 681.0 million euros in first half of 2023.

In the international activity, net income amounted to 69.5 million euros, a significant improvement from the negative amount of 100.0 million euros recorded in the same period of the previous year, penalised by the recognition of impairments, in the amount of 102.3 million euros, related to the totality of goodwill associated with the Group 's stake in Bank Millennium SA in Poland. The evolution of net income in the international activity also largely reflects the contribution related to the Polish subsidiary, that after an extended period with negative quarterly results, presented positive results for the third consecutive quarter.

To the favorable performance of the Polish subsidiary contributed to a large extent both the aforementioned extraordinary gains associated with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. and the 21.6% growth recorded in net interest income driven by the successive increases in the reference interest rates of the central bank of Poland observed between the last quarter of 2021 and the third quarter of 2022. Additionally, the reduction in the amount of mandatory contributions levied on the Polish subsidiary also contributed to the growth of net income.

On the other hand, the result of the Polish subsidiary and consequently of the international activity in the first half of 2023 was penalised by the increase in costs associated with the portfolio of foreign exchange mortgage loans, mainly due to the additional provisions booked following the unfavourable decision of the Court of Justice of the European Union regarding these loans.

Benefiting from the increase in core income and despite the impact of the inflation rate on operating costs, core operating profit of the international activity increased by 17.2%, from 442.6 million euros in the first half of 2022, to 518.9 million euros in the first half of 2023.

NET INTEREST INCOME

Net interest income of the Group reached 1,374.4 million euros in the first half of 2023, showing a growth of 39.5% compared to the 985.2 million euros posted in the same period of the previous year. The favourable evolution of net interest income was driven by a general improvement in the three geographies in which the Bank operates, with emphasis on the growth achieved by the activity in Portugal, exceeding 60%.

In fact, net interest income, in the activity in Portugal, reached 707.5 million euros, in the first six months of 2023, showing a significant growth of 64.3% from the 430.5 million euros recorded at the end of the first half of 2022.

This performance of net interest income largely reflects the higher income generated by the loan portfolio stemming from the increases in interest rates, partially offset by the increase in the remuneration of the deposit portfolio.

At the same time, the evolution of net interest income in the activity in Portugal also reflects the positive impact resulting from the management of the securities portfolio, namely the greater contribution of the income generated by the public debt portfolio, benefiting from the evolution of interest rates.

Conversely, the evolution of net interest income in the activity in Portugal reflects the increase, compared to the first half of 2022, of the costs incurred with issued debt, arising not only from the increase in interest rates, but 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), partially offset by the repayment of a covered bond issue in May 2022.

The performance of net interest income in the activity in Portugal was also influenced by the impact from the income recorded in the first half 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 in December 2022 and a residual portion in January 2023, this refinancing operation (TLTRO III) no longer had material impact in the first half of 2023. The interest rate evolution has also driven the increase in the cost of resources from other credit institutions, net of interest income earned liquidity surpluses placed with these institutions. 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 20.2% compared to the 554.7 million euros recorded in the first half of 2022, rising to 666.8 million euros in the first six months of the current year.

This evolution was mainly due to the performance of the Polish subsidiary, driven by successive increases in the reference interest rates that have taken place between the last quarter of 2021 and the third quarter of 2022, with interest income at the subsidiary in Mozambique also increasing, albeit to a lesser extent, influenced by the significant increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank.

In consolidated terms, net interest margin rose from 2.29% in the first half of 2022 to 3.34% in the first half of 2023, reflecting both the performance of the activity in Portugal, where it evolved from 1.41% to 2.52%, and international activity, where it increased from 4.44% to 5.07%.

EQUITY ACCOUNTED EARNINGS AND DIVIDENDS FROM EQUITY INSTRUMENTS

Equity accounted earnings together with dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 33.3 million euros in the first half of 2022, to 30.6 million euros in the same period of 2023, with the reduction in dividends from equity instruments in the activity in Portugal partially offset by the growth of equity accounted earnings, observed both in the activity in Portugal and in the international activity.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments totalled 28.2 million euros in the first half of 2023, compared to 34.0 million euros posted in the same period of the previous year.

It should be noted that according to the requirement for comparative information, the amount of equity accounted earnings for the first half of 2022 has been restated, following the adoption on 1 January 2022, of IFRS 9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group.

This restatement resulted in an adjustment of 12.3 million euros, from 18.0 million euros to 5.7 million euros, in the equity accounted earnings arising from Mbcp Ageas in the first half of 2022, compared to 19.7 million euros recorded in the first half of 2023. The impact of the results from Mbcp Ageas on the evolution of this item was offset by the lower income generated by the participations in Unicre and SIBS, in the first half of 2023 compared to the amount recorded in the first six months of 2022.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments totalled 2.4 million euros in the first six months of 2023, which compares favourably to the negative amount of 0.6 million euros in the same period of the previous year, mainly reflecting the evolution of the contribution of Banco Millennium Atlântico earnings to this item.

NET COMMISSIONS

In the first six months of 2023, net commissions totalled 387.0 million euros, remaining flat to the amount recorded in the same period of the previous year (-0.1%) since the growth achieved in the activity in Portugal was fully offset by the reduction recorded in the international activity, namely in the Polish subsidiary.

In consolidated terms, banking commissions remained at a similar level to the one recorded in the first half of 2022 with the increase in the activity in Portugal being offset by the reduction in international activity, where commissions associated with markets also decreased, influencing the evolution of this item in consolidated terms, since in the activity in Portugal, this type of commissions did not change significantly.

In the activity in Portugal, net commissions were 1.1% higher than the 277.2 million euros recorded in the first half of 2022, amounting to 280.2 million euros at the end of the first half of the current year.

Decisive for this evolution was the increase of 3.2 million euros (1.4%) recorded in commissions related to the banking business, that in the first half of 2023 stood at 236.5 million euros. The increase in commissions related to cards and transfers largely contributed to this performance, essentially reflecting the greater contribution of commissions related to 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 in transaction levels. Commissions associated with management and maintenance of accounts, in turn, also grew mainly due to the dynamics of new customer acquisition and by management of value propositions. Bancassurance commissions and other banking commissions in the activity in Portugal also showed a favourable, albeit smaller, evolution. Conversely, commissions related to credit and guarantees together showed a reduction, in the same period, reflecting the lower credit production in the current context and the legal restrictions imposed in the meantime.

Commissions related to financial markets, in the activity in Portugal, stood at 43.7 million euros at the end of the first half of 2023, in line with the amount recorded in the first half of 2022.

In the international activity, net commissions totalled 106.8 million euros in the first six months of 2023, standing 3.2% below the 110.4 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 reduction in the Polish subsidiary.

Commissions related to the banking business in the international activity totalled 97.8 million euros at the end of June 2023, which compares with 99.3 million euros accounted for in the same period of the previous year, reflecting the reduction in the Polish subsidiary, partially compensated by the good performance of the operation in Mozambique with regard to this type of commissions.

Commissions related to markets in the international activity, in turn, evolved from 11.1 million euros in the first half of 2022, to 9.1 million euros in the same period of 2023, due to the performance of the activity in the Polish subsidiary, since this type of commissions have no expression in the Mozambican subsidiary.

NET COMMISSIONS (1)

Million euros

	6M23	6M22	Chg. 23/22
BANKING COMMISSIONS	**334.3**	**332.7**	**0.5%**
Cards and transfers	122.3	110.4	10.8%
Credit and guarantees	63.9	75.3	(15.1)%
Bancassurance	63.1	59.6	5.8%
Management and maintenance of accounts	79.8	82.0	(2.7)%
Other commissions	5.2	5.4	(4.1)%
MARKET RELATED COMMISSIONS	**52.7**	**54.9**	**(3.9)%**
Securities	18.9	19.7	(4.1)%
Asset management and distribution	33.8	35.2	(3.8)%
	387.0	**387.6**	**(0.1)%**
Of which:			
Activity in Portugal	280.2	277.2	1.1%
International activity	106.8	110.4	(3.2)%

(1) In the first half of 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first half of 2022 of such items are presented considering these reclassifications with the purpose of ensuring their comparability, thus diverging from the published accounted amounts. The total amount of net commissions disclosed in previous periods remains unchanged compared to those published in previous periods.

NET TRADING INCOME

In the first six months of 2023, net trading income reached 124.5 million euros showing a noticeable increase compared to the 42.2 million euros achieved in the same period of the previous year. This evolution mostly benefited from the gains 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 2.7 million euros in the first half of 2023, standing well below the 59.8 million euros posted in the same period of 2022. This performance was mainly due to the contribution associated with securities portfolio, mainly due to the gains from foreign sovereign debt securities recognised in the first half of the previous year, which did not occur in the first half of this year. It should be noted, however, that, in the same period, there was a favourable evolution of net trading income associated with Portuguese public debt securities, since the losses recorded were not material, contrary to what had happened in the first half of 2022. The evolution of net trading income in the activity in Portugal was also influenced by the losses recognised in the first half of 2023 with the sale of credits, in contrast to the gains recorded in the same period of the previous year.

In the international activity, net trading income showed a significant increase, from a negative amount of 17.6 million euros in the first half of 2022 to an income of 121.8 million euros in the first half of the current year.

This performance was determined by the contribution of the Polish subsidiary, namely the recognition, in the first half of 2023, of the gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., that as mentioned before amounted to 117.8 million euros being considered a specific item. In addition, the reduction in costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, from 49.3 million euros in the first half of 2022 to 24.6 million euros in the first six months of the current year, also contributed to the favourable performance of this heading.

OTHER NET OPERATING INCOME

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 half of 2023, other net operating income stood at a negative amount of 72.2 million euros, showing a significant improvement compared to the also negative amount of 175.3 million euros recorded in the same period of the previous year, mainly reflecting the performance of the international activity, namely by the reduction of mandatory contributions charged to the Polish subsidiary.

In the activity in Portugal, other net operating income went from a negative amount of 72.0 million euros in the first half of 2022 to an also negative amount of 66.8 million euros in the same period of the current year, benefiting from the reduction of mandatory contributions, although its impact was largely offset by the lower gains recognised with the sale of non-current assets held for sale compared to the amount recognised in the first half of 2022.

The evolution of the global amount of mandatory contributions in the activity in Portugal, from 88.5 million euros in the first half of 2022 to 72.6 million euros in the first half of 2023, was mainly due to the reduction in contributions for the National Resolution Fund (NRF) and the Single Resolution Fund (SRF). In fact, the contribution to the NRF decreased by around 50%, to 9.5 million euros in the first half of 2023, mainly due to the reduction in the contribution rate from 0.057% in 2022 to 0.029% in 2023. The cost of the contribution to the Single Resolution Fund (SRF), in turn, decreased from 25.8 million euros in the first six months of 2022 to 17.7 million euros in the same period of the current year, mainly reflecting the lower reinforcement needs of the SRF determined by the Single Resolution Board (SRB) and the increase, from 15.0% to 22.5%, of the share of this contribution that can be delivered as irrevocable payment commitments, thus reducing the impact on the profit and loss account of the institutions.

[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 half of 2022, considered in this analysis, are in accordance with such restatement in order to ensure comparability, thus diverging from the published accounting values. The amounts reclassified in the first six months of 2022 amounted to 1.9 million euros.

It should be noted that of the total amount of costs recognised with mandatory contributions in the activity in Portugal in the first half of 2023, 54.3 million euros refer to contributions for national entities (62.2 million euros in the first six months of 2022).

In the international activity, other net operating income improved considerably compared to the negative amount of 103.3 million euros recognised in the first half of 2022, totalling an also negative amount of 5.3 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 by around 90% (from 116.7 million euros to 13.0 million euros).

This evolution was due, in large part, to the contribution, charged in June 2022, associated with the then created Polish institutional protection fund (IPS - Institutional Protection Scheme), which amounted to 54.3 million euros, non-existent in 2023. On the other hand following the contribution to the IPS, the contribution of Bank Millennium to the deposit guarantee fund has been suspended since the first quarter of 2022, also contributing to the favourable evolution of the global amount of mandatory contributions compared to the first half of 2022. Additionally, the evolution of mandatory contributions also benefited from the suspension of the payment of the special tax on the Polish banking sector, following the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan (36.4 million euros, in the first half of 2022). Charges for the resolution fund recognised in the first half of 2023, in turn, were also lower than in the first half of 2022.

In addition to the reduction in charges with the Polish subsidiary's mandatory contributions, the evolution of other net operating income also benefited, albeit to a lesser extent, from a gain of 9.2 million euros, considered a specific item, associated with the revaluation of the minority stake (20%) which Bank Millennium in Poland held following the sale of 80% of the shares of Millennium Financial Services sp. z o.o, in the first quarter of 2023.

Conversely, other net operating income was negatively influenced by the impacts related to foreign exchange mortgage loan portfolio that in this item went from an income of 16.7 million euros in the first half of 2022 to a residual income of 1.0 million euros in the first half of 2023. This performance reflects both 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 costs arising from negotiation with customers. On the other hand, the 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. evolved from 20.7 million euros in the first half of 2022 to 18.4 million euros in the first half of 2023.

OPERATING COSTS

In the first half of 2023, operating costs totalled 561.5 million euros, standing 8.8% above the 516.2 million euros recorded in the first half of 2022, strongly influenced by the inflation rates observed in the geographies in which the Bank operates.

Notwithstanding the disciplined management of costs followed by the Group, this evolution is thus due to the contribution of both the activity in Portugal, and mainly from the international activity, namely the Polish subsidiary.

In consolidated terms, this evolution reflects the increase of 8.4% (23.8 million euros) in staff costs and the 13.7% (22.3 million euros) increase in other administrative costs. Depreciations, in turn, showed a slight reduction of 1.2% (0.9 million euros).

Despite higher operating costs, compared to the amount accounted for in the first six months of 2022, the increase in both net operating revenues and core income, allowed a significant improvement of cost to income and cost to core income ratios which evolved, respectively, from 40.6% to 30.4% and from 37.6% to 31.9% in the period under review.

The amounts presented include the specific items[5] considered in each period. Excluding specific items, operating costs evolved from 510.5 million euros in the first half of 2022 to 549.9 million euros in the same period of the current year. Cost to income ratio stood at 32.0% and cost to core income ratio at 31.2%, which compare respectively with 40.1% and 37.2% calculated in the first half of 2022.

In the activity in Portugal, operating costs totalled 306.8 million euros standing 4.4% above the 293.8 million euros posted in the same period of the previous year. This evolution of operating costs in the activity in Portugal mainly reflects the increase of 6.0% (10.0 million euros) recorded in staff costs. Other administrative costs stood 6.7% (5.9 million euros) above the amount accounted in the first half of the previous year due to the levels of inflation, while depreciation fell by 7.4%, corresponding to 2.9 million euros.

In the period under review, cost to income and cost to core income ratios in the activity in Portugal, evolved from 40.3% to 32.2%, and from 41.5% para 31.1%, respectively, evidencing the strength of the operation in Portugal and the resilience of its business model.

Not considering the impact of specific items, operating costs in the activity in Portugal went from 288.2 million euros to 295.1 million euros. Cost to income ratio stood at 31.0% and cost to core income ratio at 29.9% which compare respectively with 39.5% and 40.7% calculated in the first half of 2022.

In the international activity, the evolution of operating costs, from 222.4 million euros in the first half of 2022, to 254.7 million euros at the end of the first half of 2023, largely reflects the inflation recorded in the last twelve months, in both the subsidiary in Mozambique and mainly in the Polish subsidiary, given its greater materiality.

Other administrative costs and staff costs increased by 22.2% (16.4 million euros) and 11.7% (13.8 million euros) respectively, while depreciations were 7.0% (2.1 million euros) above the amount calculated a year before.

It should be noted, however, that the growth in net operating revenues and core income more than offset the increase in operating costs in the international activity, allowing for a favourable evolution in the cost to income and cost to core income ratios, from 40.9% and 33.4% in the first half 2022, to 28.5% (33.3%, excluding specific items) and 32.9% in the same period of 2023.

STAFF COSTS

Staff costs totalled 308.0 million euros in the first six months of 2023, standing 8.4% above the 284.2 million euros accounted in the same period of the previous year, due to both the performance of the activity in Portugal and the international activity.

These amounts include the specific items considered in each period in the activity in Portugal. In the first half of 2023, specific items had a negative impact of 11.6 million euros, including the compensation for temporary reduction in employee remunerations in 2014-2017 as distribution of part of the Bank's results obtained in 2022, costs with mortgage financing to former employees and income recognised after an agreement related to responsibilities with former directors of the Bank. In the first half of 2022, the impact was also negative in the amount of 5.7 million euros, mainly related to compensation for temporary reduction in remunerations in 2014-2017 as distribution of the Bank's 2021 results by the employees of the Bank.

Excluding specific items, staff costs of the Group amounted to 296.3 million euros, which compares with 278.5 million euros accounted for in the first half of 2022.

In the activity in Portugal, staff costs amounted to 175.7 million euros in the first six months of 2023, standing 6.0% above the 165.7 million euros recorded in the same period of the previous year (164.0 million euros in the first half of

[5] In the first half of 2023, specific items had a positive impact of 115.3 million euros, including income of 127.0 million euros arising from the Polish subsidiary, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (117.8 million euros recognised as net trading income and 9.2 million euros recognised as other net operating income) and costs of 11.6 million euros recognised as staff costs in the activity in Portugal: (i) costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017; (ii) costs with mortgage financing to former employees and (iii) income recognised after an agreement related to liabilities with former directors of the Bank. In the first half of 2022 the impact was negative in the amount of 5.7 million euros, mainly related to the compensation for the temporary reduction in employee remunerations during 2014-2017.

2023, corresponding to an increase of 2.5% compared to the 160.0 million euros recorded in the same period of 2022, not considering the impact of the specific items).

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 stable, standing at 6,256 employees at the end of June 2023, two more than on the same date of the previous year. It should be noted, however, that the Bank continued to acquire the required capabilities to meet current needs namely by hiring new employees with specific digital and new technologies skills.

In the international activity, staff costs amounted to 132.3 million euros in the first half of 2023, 11.7% above the 118.5 million euros recorded in the same period of 2022. 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. In the Polish subsidiary, the evolution of staff costs continued to be determined by the strong pressure on basic wages, resulting both from rising levels of inflation and from the characteristics of the Polish labour market, in particular from the very low unemployment rates verified in the country.

On 30 June 2023, the number of employees of the international activity was 9,393, which compares with 9,413 employees on the same date in 2022. Both subsidiaries maintained their number of employees stable, as the Polish subsidiary ended the first half of 2023 with 6,869 employees, just two less than at the end of June 2022 (6,746 FTE - full-time equivalent, corresponding to 11 more employees), while the operation in Mozambique saw a reduction from 2,539 employees to 2,524 employees in the same period.

OTHER ADMINISTRATIVE COSTS

Other administrative costs evolved from 162.6 million euros in the first half of 2022 to 184.9 million euros in the first half of 2023, strongly influenced by the inflation rates in the geographies in which the Bank operates. The 13.7% increase in consolidated terms thus reflects the contribution of both the activity in Portugal and mainly the international activity, despite the disciplined management of costs pursued by the Group.

In the activity in Portugal, other administrative costs totalled 94.3 million euros in the first six months of 2023, standing 6.7% above the 88.4 million euros recorded in the same period of the previous year, mainly reflecting the increase in costs related to outsourcing, information technology, advisory services and rents and leases. The increase in costs associated with advisory services is related with exercises within the scope of supervision. On the other hand, savings were obtained in water, energy and fuel, resulting from the reduction in energy prices and from an efficient management of these consumptions. At the same time, following the pursuit of disciplined cost management, the Bank continues to implement a set of measures with recurrent impacts in this regard. The resizing of the branch network which, in the activity in Portugal, evolved from 415 branches, at the end of June 2022, to 402 branches at the same date in 2023, also has a positive impact on the several headings of other administrative costs.

In the international activity, other administrative costs amounted to 90.7 million euros in the first half of 2023, standing 22.2% above the 74.2 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.

The increase in costs was more noticeable in the Polish subsidiary which reflects, in addition to the impact of inflation, also the increase in costs in legal advice associated with foreign exchange mortgage loan portfolio. On the other hand, it should be noted that the evolution of other administrative costs, in the international activity, continues to benefit from the optimisation of the branch network verified in the Polish subsidiary, with the number of branches decreasing from 635 branches at the end of June 2022, to 621 as at 30 June 2023. The subsidiary in Mozambique, in turn, ended the first half of 2023 with 196 branches, one less than a year earlier.

DEPRECIATIONS

In the first six months of 2023, depreciations amounted to 68.6 million euros, in line with the amount posted in the same period of the previous year.

In this performance it is important to mention the favourable evolution of the activity in Portugal, where depreciations reduced by 7.4%, from 39.8 million euros at the end of the first half of 2022 to 36.8 million euros at the end of the first half of 2023, with this impact being almost entirely offset by the increase of 7.0% in the international activity, from 29.7 million euros, to 31.8 million euros in the same period.

The performance of the international activity was determined by the evolution of the subsidiary in Mozambique, since in the Polish subsidiary the increase in depreciations in the period under analysis was not relevant.

OPERATING COSTS

Million euros

	6M23	6M22	Chg. 23/22
Staff costs	308.0	284.2	8.4 %
Other administrative costs	184.9	162.6	13.7 %
Depreciations	68.6	69.5	(1.2)%
OPERATING COSTS	**561.5**	**516.2**	**8.8 %**
Of which:			
Activity in Portugal	306.8	293.8	4.4 %
International activity	254.7	222.4	14.5 %

RESULTS ON MODIFICATION

Results on modification totalled a negative amount of 11.6 million euros in the first half of 2023 which compares with an also negative amount of 1.9 million euros recorded in the same period 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 the Polish subsidiary.

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 had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. Since then this heading also started to include contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans, in accordance with IFRS9. Despite being insignificant within the scope of this analysis, the amounts referring to first half of 2022, which had been recognised in other net operating income, were reclassified, thus diverging from the published accounting values.

[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.

IMPAIRMENT FOR LOAN LOSSES

In the first half of 2023, loans impairment charges (net of recoveries) stood 18.9% below the 179.4 million euros accounted in the same period of the previous year, standing at 145.5 million euros. This evolution reflects the favourable performance of the activity in Portugal, since in the international activity loans impairment remained stable compared to the amount calculated a year earlier.

In the activity in Portugal, loans impairment charges (net of recoveries) amounted to 106.0 million euros in the first six months of 2023, showing a 24.0% reduction from the 139.5 million euros recognised in the same period of the previous year, reflecting an improvement in the risk profile of the credit portfolio, also benefiting from the cure of relevant non-performing exposures.

In the international activity, impairment charges (net of recoveries) totalled 39.6 million euros in the first half of 2023, in line with the amount recognised in the same period of 2022. It should be noted, however, that this evolution results from the fact that the higher level of provisioning required by the Polish subsidiary was more than offset by the evolution of the subsidiary in Mozambique which, in the first half of 2023, benefited from the reversal of impairments recognised in prior periods.

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 61 basis points in the first half of 2022, standing at 50 basis points in the first half 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 from 69 basis points to 53 basis points in the same period. In the international activity, the cost of risk net of recoveries stood at 44 basis points in the first half of 2023, remaining in line with the first half of 2022.

OTHER IMPAIRMENTS AND PROVISIONS

Other impairments and provisions totalled 402.9 million euros in the first six months of 2023, standing 8.3% above the 371.9 million euros recorded in the same period of 2022. This evolution main reflects, on the one hand, the additional provision booked by the Polish subsidiary, to face the legal risk of foreign exchange mortgage loans (350.0 million euros in the first half of 2023 vs 218.8 million euros in the same period of the previous year) and, on the other, the recognition in June 2022, of impairments of the goodwill of the Polish subsidiary, in the amount of 102.3 million euros.

In the activity in Portugal, other impairments and provisions amounted to 48.7 million euros in the first half of 2023, showing a 4.4% decrease from the 51.0 million euros recognised in the same period of the previous year. This evolution reflects the significant reduction of impairment to non-current assets held for sale, namely the foreclosed assets portfolio, although its impact has been largely offset by the increase in other assets impairments and in provisions for other risks, guarantees and other commitments and legal and fiscal contingencies.

In the international activity, other impairment and provisions amounted to 354.2 million euros in the first half of 2023, 10.4% above the 320.9 million euros posted in the same period of the previous year.

This evolution reflects, on the one hand, the estimated impact of the unfavourable decision of the Court of Justice of the European Union, regarding mortgage loans in foreign currency in the Polish subsidiary and the inclusion of more conservative assumptions in the provision calculation methodology, in order to anticipate potential negative trends associated to this portfolio and on the other hand the recognition, in June 2022, of the impairment to the total goodwill associated with the Group's participation in Bank Millennium, that as previously mentioned influenced the evolution in this period.

Additionally, the impact of extraordinary provisions booked to face the legal risk associated with mortgage loans in foreign currency was mitigated 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. (18.4 million euros in the first six months of 2023 and 20.7 million euros in the same period of 2022).

INCOME TAX

Income tax (current and deferred) amounted to 246.0 million euros in the first half of 2023, which compares to 155.8 million euros posted in the same period of the previous year.

The recognised taxes include, in the first six months of 2023, current tax of 126.5 million euros (44.9 million euros in the first half of 2022) and deferred tax of 119.5 million euros (110.8 million euros in the first half of 2022).

Deferred tax expenses in the first half of 2023 mainly result from the income of the period of the activity in Portugal and are influenced by mandatory contributions to the banking sector and provisions for legal risks not deductible for tax purposes.

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

BALANCE SHEET

TOTAL ASSETS

Total assets of the consolidated balance sheet of Millennium bcp amounted to 90,950 million euros as of 30 June 2023, showing a 5.3% decrease compared to the 96,022 million euros recorded on the same date of the previous year, due to the reduction of assets in the activity in Portugal, although the increase observed in the international activity partially offset that reduction.

The performance of the activity in Portugal resulted in a decrease of 10.4% in total assets, compared to the 69,643 million euros recorded on 30 June 2022, totalling 62,382 million euros on the same date of the current year. This evolution is explained, to a large extent, by the reductions in deposits at central banks (mainly associated with the early repayment of the financing that had been raised from the European Central Bank within the scope of targeted longer-term refinancing operations, known as "TLTRO") and, to a lesser extent, by the decreases in other assets, in loans to customers portfolio (net of impairment), in hedging derivatives and in non-current assets held for sale. Conversely, deposits at credit institutions and loans and advances to credit institutions increased in this period.

In the international activity, total assets amounted to 28,568 million euros on 30 June 2023, showing an increase of 8.3% compared to the same date of the previous year (26,379 million euros recorded as of 30 June 2022). Regarding the evolution of the balance sheet items, there were increases in the securities portfolio, in deposits at central banks and in others assets, which were partially offset by the reductions in loans and advances to credit institutions and deposits at credit institutions.

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp, as defined in the glossary, amounted to 57,912 million euros on 30 June 2023, 1.3% below the 58,653 million euros recorded at the end of June of the previous year, due to the reduction verified in the activity in Portugal.

In the activity in Portugal, customer loans (gross loans) stood at 39,883 million euros as at 30 June 2023, 1.7% below the 40,577 million euros recorded at the end of the first half of 2022. The portfolio of credit granted to companies recorded a reduction of 796 million euros compared to the end of the first half of 2022, mainly due to the environment of lower demand for credit due to higher interest rates, postponements and delays in investment projects and, also, reduction of NPE stock in this segment. Conversely, loans to individuals showed a positive evolution compared to the same date of the previous year, both in mortgage and in personal loans (63 million euros and 38 million euros more, respectively).

In the international activity, loans to customers (gross loans) stood at 18,029 million euros on 30 June 2023, 0.3% below the 18,076 million euros recorded at the end of the first half of 2022. Loans to individuals showed a slight increase of 41 million euros compared to the same date of the previous year. This evolution was driven by the increase in personal loans registered in the Polish and Mozambican subsidiaries, which was partially offset by the reduction in mortgage loans verified in both subsidiaries, with more pronounced movements in the Polish subsidiary. Loans to companies registered a reduction of 87 million euros compared to the same date of the last year, due to the contraction of credit registered in the Polish subsidiary, within the scope of risk weighted assets and capital ratios optimisation, partially offset by the increase in loans to companies at 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 downward trend, falling from 1,812 million euros on 30 June 2022 to 1,052 million euros as of 30 June 2023, representing 10.4% and 6.1% of the total amount of credit recorded on the balance sheet of Bank Millennium and 3.1% and 1.8% of the total consolidated loan portfolio, at the end of the first half of 2022 and 2023, respectively. Excluding the portion relating to Euro Bank SA (the risk of which is fully covered by a third party, within the scope of the clauses set out in the acquisition contract of that entity) from that portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 1,666 million euros at the end of the first half of 2022 to 948 million euros at the end of the first half of 2023, representing 9.6% and 5.5% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.8% and 1.6% of the total consolidated loan portfolio on the aforesaid dates, respectively.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Jun. 23	30 Jun. 22	Chg. 23/22
INDIVIDUALS	**34,355**	**34,213**	**0.4 %**
Mortgage loans	27,974	28,284	(1.1)%
Personal loans	6,380	5,929	7.6 %
COMPANIES	**23,557**	**24,441**	**(3.6)%**
Services	8,404	8,462	(0.7)%
Commerce	4,008	4,230	(5.3)%
Construction	1,549	1,632	(5.1)%
Others	9,596	10,116	(5.1)%
	57,912	**58,653**	**(1.3)%**
Of which:			
Activity in Portugal	39,883	40,577	(1.7)%
International activity	18,029	18,076	(0.3)%

QUALITY OF CREDIT PORTFOLIO

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

Since the outbreak of the Russia/Ukraine conflict, the Bank has been monitoring 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, in the distribution chains of several products and commodities, in inflationary pressures and in the level of interest rates. Nevertheless, specific portfolios were identified as being potentially more vulnerable and for which more closely monitoring procedures were put in place.

Despite the complex economic context, credit quality continues to record a generally favourable evolution. Within the scope of the NPE reduction strategy, there was, in consolidated terms, a decrease of 361 million euros compared to the end of the first half of 2022, standing the total amount of NPE at 2,142 million euros as of 30 June from 2023. In the activity in Portugal, the stock of NPE totalled 1,262 million euros at the end of the first half of 2023, with a reduction of 373 million euros recorded in the mentioned period.

The NPE ratio[7], in consolidated terms, decreased from 4.3% at the end of the first half of 2022 to 3.7% on 30 June 2023. In the activity in Portugal, NPE ratio stood at 3.2% at the end of the first half of 2023, which compares with 4.0% recorded in the same date of the previous year.

Regarding coverage ratios by impairments, NPL coverage for more than 90 days, in consolidated terms, increased from 178.5% on 30 June 2022 to 198.9% on 30 June 2023. Additionally, NPE coverage by impairment, in consolidated terms, increased from 64.5% as of 30 June 2022 to 73.6% at the end of the first half of 2023 and, in the activity in Portugal, stood at 75.1% on 30 June 2023, reaching a level above the 63.6% registered on 30 June 2022.

The coverage of the mortgage loan portfolio in foreign currency in the Polish subsidiary was substantially reinforced from 36.3% on 30 June 2022 to 64.7% on 30 June 2023.

[7] NPE Ratio is measured by the percentage between non performing exposures divided by the total loan portfolio.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Jun. 23	30 Jun. 22	Chg. 23/22	30 Jun. 23	30 Jun. 22	Chg. 23/22
STOCK (M€)						
Loans to customers (gross)	57,912	58,653	(1.3)%	39,883	40,577	(1.7)%
Overdue loans > 90 days	545	618	(11.9)%	214	287	(25.2)%
Overdue loans	651	753	(13.5)%	231	307	(24.8)%
Restructured loans	1,881	2,109	(10.8)%	1,314	1,616	(18.7)%
NPL > 90 days	792	904	(12.4)%	382	491	(22.2)%
NPE	2,142	2,502	(14.4)%	1,262	1,635	(22.8)%
Loans impairment (Balance sheet)	1,576	1,615	(2.4)%	947	1,040	(8.9)%
NPE impairment (Balance sheet)	1,053	1,185	(11.1)%	603	738	(18.2)%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	1.1 %		0.5 %	0.7 %	
Overdue loans / Loans to customers (gross)	1.1 %	1.3 %		0.6 %	0.8 %	
Restructured loans / Loans to customers (gross)	3.2 %	3.6 %		3.3 %	4.0 %	
NPL > 90 days / Loans to customers (gross)	1.4 %	1.5 %		1.0 %	1.2 %	
NPE / Loans to customers (gross)	3.7 %	4.3 %		3.2 %	4.0 %	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.5 %	2.8 %		2.3 %	2.7 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	289.3 %	261.1 %		441.9 %	362.8 %	
Coverage of overdue loans	242.2 %	214.5 %		409.9 %	338.5 %	
Coverage of NPL > 90 days	198.9 %	178.5 %		247.7 %	211.8 %	
Coverage of NPE	73.6 %	64.5 %		75.1 %	63.6 %	
Specific coverage of NPE	49.2 %	47.3 %		47.8 %	45.1 %	

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

CUSTOMER FUNDS

Total customer funds showed a favourable evolution, with a growth of 1.5% compared to the 91,070 million euros calculated on 30 June 2022, standing at 92,453 million euros at the end of the first half of the current year, benefiting from the increase recorded in the international activity, despite the reduction seen in the activity in Portugal. In this period, there was an expansion of balance sheet customer funds, against a decrease in off-balance sheet customer funds.

Balance sheet resources increased from 74,546 million euros on 30 June 2022 to 76,733 million euros on 30 June 2023, mainly due to the expansion of deposits and others resources from customers, which in consolidated terms increased by 2,165 million euros compared to the same date of the previous year due to the performance observed in the international activity, since in the activity in Portugal they remained almost stable compared to the same date of the previous year.

Off-balance sheet customer funds showed a negative evolution compared to the previous year, showing a decrease of 804 million euros, standing at 15,720 million euros at the end of the first half of 2023, essentially due to the reduction recorded in the activity in Portugal, partly offset by the increase verified in international activity.

In the activity in Portugal, total customer funds amounted to 66,043 million euros as at 30 June 2023, showing a reduction of 1.4% compared to 66,971 million euros recorded at the end of June of the previous year. This evolution is explained by the decrease of 991 million euros in off-balance sheet customers funds (decrease observed in all segments, with the reduction registered in insurance products being the most significant), partially offset by the increases in deposits and others resources from customers and in debt securities (42 million euros and 22 million euros, respectively).

In the international activity, total customer funds stood at 26,409 million euros on 30 June 2023, showing an increase of 9.6% compared to 24,100 million euros recorded on the same date of 2022, mainly reflecting the positive contribution of the Polish subsidiary, partially offset by the decrease recorded in the subsidiary in Mozambique.

Balance sheet customer funds in the international activity stood at 24,778 million euros as at 30 June 2023, 9.4% above the 22,655 million euros recorded at the end of June of the previous year, with this evolution being explained by the increase in deposits and others resources from customers in the Polish subsidiary. Conversely, the subsidiary in Mozambique recorded a decrease in deposits and others resources from customers.

Off-balance sheet customer funds in the international activity registered an increase (more 187 million euros compared to 30 June 2022), standing at 1,632 million euros at the end of the first half of 2023. In terms of segments, there was an increase in assets under management and assets placed with customers and a decrease in insurance products (savings and investment).

As at 30 June 2023, on-balance sheet customer funds and deposits and others customer funds, in consolidated terms, represented 83.0% and 81.5% of total customer funds (81.9% and 80.4% respectively at 30 June 2022).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 74.8% on 30 June 2023, with the same ratio, considering on-balance sheet customers funds, standing at 73.4%. Both ratios show values below those obtained at the same date of the previous year, 77.9% and 76.5%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	30 Jun. 23	30 Jun. 22	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS	**76,733**	**74,546**	**2.9 %**
Deposits and other resources from customers	75,355	73,190	3.0 %
Debt securities	1,378	1,356	1.6 %
OFF-BALANCE SHEET CUSTOMER FUNDS	**15,720**	**16,524**	**(4.9)%**
Assets under management	5,366	5,173	3.7 %
Assets placed with customers	5,415	5,458	(0.8)%
Insurance products (savings and investment)	4,939	5,893	(16.2)%
	92,453	**91,070**	**1.5 %**
Of which:			
Activity in Portugal	66,043	66,971	(1.4)%
International activity	26,409	24,100	9.6 %

SECURITIES PORTFOLIO

The securities portfolio of the Group, as defined in the glossary, amounted to 23,363 million euros on 30 June 2023, showing an increase of 2,230 million euros in relation to the 21,133 million euros recorded on the same date of the previous year, representing 25.7% of total assets at the end of the first half of 2023 (22.0% at the end of the first half of 2022).

The portfolio allocated to the activity in Portugal went from 15,877 million euros on 30 June 2022 to 16,028 million euros at the end of the first half of 2023, with this increase being driven by public debt in the euro zone, namely French and Spanish public debt, despite a lower level of investment in Portuguese public debt.

The securities portfolio related with the international activity increased from 5,256 million euros at the end of the first half of 2022 to 7,335 million euros on 30 June 2023. Regarding the investment in public debt, there was an increase compared to the levels recorded in the previous year, due to the additions of Mozambican public debt and that of others countries, despite lower investment in the Polish public debt.

LIQUIDITY MANAGEMENT

Over the last twelve months, the Group's three operations have maintained robust liquidity positions, based mainly on highly resilient and stable retail deposit bases. These characteristics were once again demonstrated by the immunity of deposits to the sequence of liquidity events that affected banks in the US and Europe throughout the first half of 2023.

In Portugal, and despite the significant migration of deposits that began in the first quarter of 2023 to non-banking savings products, BCP's on-balance sheet resources still show a positive evolution in the last twelve months, due to the strong growth observed throughout the second half of 2022. This evolution corresponded to an increase in BCP's market share in balance sheet customer funds, a trend that continued at least until the end of the first quarter of 2023.

With regard to market financing, BCP's activity between June 2022 and June 2023 was once again justified mainly on grounds of regulatory compliance, given the Bank's excess liquidity position. In chronological order, the Bank issued senior preferential debt in October, in a "3NC2" format (a three-year issue redeemable in advance in the second year), in the amount of 350 million euros, with a view to ensuring compliance with the “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities). 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 subordinated issue for 300 million euros, it launched a 1:1 exchange offer for new bonds with a higher coupon and longer term. The amount of the new issue was set at 133.7 million euros and a coupon of 8.75% pa, corresponding to a spread of 605.1 bp over mid-swaps.

Still in Portugal, and throughout the period under analysis, the liquidity accumulated in the Banco de Portugal account in 2022 by reducing the commercial gap and by complying with the MREL emissions plan was applied, in order of materiality, in the full early repayment of the Targeted longer-term refinancing operation III ("T LTRO III" , in the gross amount of 8.15 billion euros) and the reinforcement of margin accounts for derivatives, whose provisioning needs grew very significantly after the beginning of the crisis in Ukraine and until the end of 2022, starting a gradual reduction process over the first half of 2023.

The liquidity buffer available for discounting at the ECB stood at 25.2 billion euros on 30 June 2023, 2.0 billion euros more than a year earlier, to which the favorable evolution of the commercial gap and the cash flow generated by the activity contributed, mitigating the opposite evolution of the strengthening of derivative margin accounts and the reversal of the haircuts applicable to eligible assets for the values in force until the outbreak of the COVID-19 pandemic. The liquidity buffer comprises at that date a long position of 855 million euros on the ECB, which evolved from a short position of 2.1 billion euros a year earlier.

Likewise, on 30 June 2023, Bank Millennium and Millennium bim held resilient liquidity positions, supported by robust discountable buffers at the respective central banks, with all regulatory and internal indicators comfortably above regulatory requirements.

The Liquidity Coverage Ratio (LCR) reached 214%, on a consolidated basis, at the close of June 2023 (compared to 261% on 30 June 2022), corresponding to a surplus of 10 billion euros (compared to 14 billion euros on 30 June 2022) above the 100% regulatory minimum requirement. The surplus is attributed to the presence of highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity.

The Group reinforced its stable funding base, characterised by the large share of customer deposits in the funding structure, collateralised funding and medium and long-term instruments, which enabled the stable funding ratio (Article 428 of Regulation (EU) 2019/876) as at 30 June 2023 to stand at 155% (153% on 30 June 2022).

The Group demonstrates a strong and stable funding position, as evidenced by its credit transformation ratio on deposits, which was calculated in accordance with Bank of Portugal Instruction No. 16/2004. As of 30 June 2023, the credit transformation ratio stands at 75%, 78% on 30 June 2022.

CAPITAL

The estimated CET1 ratio as at 30 June 2023 stood at 14.0% both phased-in and fully implemented, reflecting a change of +249 and +268 basis points, respectively, compared to the 11.5% and 11.3% phased-in and fully implemented ratios reported in the same period of 2022, comfortably above the minimum ratios defined on 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 solvency targets.

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 moratoriums on mortgage loans adopted in Poland. These effects were, however, more than offset by the positive performance of the recurrent activity in Portugal and by the careful management of capital, including 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, maintained with the aim of immunizing regulatory ratios against exchange rates' changes.

SOLVENCY RATIOS

Million euros

	30 Jun. 23	30 Jun. 22
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,855	5,221
Tier 1	6,353	5,728
Total Capital	**7,670**	**7,060**
Risk weighted assets	**41,815**	**46,131**
Solvency ratios		
CET1	14.0 %	11.3%
Tier 1	15.2 %	12.4%
Total capital	18.3 %	15.3%
PHASED-IN		
CET1	14.0 %	11.5%

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

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2023

During the first half of 2023 and under a challenging macroeconomic environment, the Bank kept its focus on supporting households and companies.

Banco Comercial Português, S.A. concluded on May 24, through electronic means and, simultaneously, at the Bank's facilities, with 64.29% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions being highlighted:

- Approval of the individual and consolidated Annual Report, the balance sheet and financial statements of 2022, and the Corporate Governance Report, which includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report, and the proposal for the appropriation of profit concerning the 2022 financial year.

- Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies and revoking the retirement regulation of the Executive Directors.

- Approval of the update of the policy for selection and appointment of the Statutory Auditor or Audit Firm and the hiring of not prohibited non-audit services under the terms of the legislation in force.

S&P Global Ratings, DBRS and Moody's revised the Outlook to Positive on April 17th, May 24th and May 26th, respectively.

Fitch Ratings on March 17 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 distinguished in the 2023 "Cinco Estrelas" (Five Stars) Awards in the category of Large Banks.
- Leadership in the Inovadora COTEC Program for the third consecutive year with 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.
- Millennium bcp was named "Best Investment Bank" in Portugal by Global Finance.
- Millennium bcp is Europe's "Best Private Bank For Self-Directed Investments" according to Professional Wealth Management, a publication of the Financial Times Group, in the PWM Wealth Tech Awards 2023.
- Millennium bcp has won the APCC Contact Centers 2023 award in the category of Best Banking Contact Center in Portugal.
- 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.

- Bank Millennium came in second place on the ranking list of best employers in the "Banking and Financial Services" category in the 3rd edition of the Best Employers Poland 2023 ranking prepared by Forbes Poland and Statista.
- Bank Millennium has been awarded the Golden Bank 2023 title for the best multi-channel service quality in the Golden Banker 2023 ranking. This ranking, the largest in the banking sector in Poland, aims to identify the banking institutions that offer the highest standards of service quality, provide the best products and carry out activities that stand out from the competition.
- Bank Millennium wins the CSR Golden Leaf from Polityka Weekly for its consistent activities for sustainability and its measurable successes in limiting the consumption of resources.
- Millennium bim distinguished as "Best Bank in Mozambique" in 2023 by Global Finance.
- Millennium bim distinguished as "Best Private Bank" in Mozambique for the fourth year in a row.

SUBSEQUENT EVENTS

- Millennium bcp considered a climate leader in Europe by the Financial Times and Statista. For the third consecutive year, the Bank is part of the "Europe's Climate Leaders 2023" ranking prepared by the two institutions.

MACROECONOMIC ENVIRONMENT

In the first half of the year, economic activity in China and in the euro area was subdued, while the US economy has shown great resiliency. Against this background of lower dynamism of the global aggregate demand, the inflation rate has tumbled in the past months, after the elevated value registered at the end of 2022, decreasing in June to 5.5% in the euro area and to 3.0% in the United States. For the whole year, the International Monetary Fund (IMF) foresees a global economic growth of 3.0%, 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.

Regarding financial markets, the performance in the second quarter was positive, characterised by lower volatility due to the dissipation of fears related with the turmoil in the American banking sector observed in the beginning of March. In this sense, the major equity indices of developed economics registered valuations, which were particularly significant in the technological segment. In the sovereign debt markets, the German government bond yields continued to surge, benefiting from the prospect of additional interest rate hikes by the European Central Bank, that rose its reference interest rate by 50 basis points between April and June, which currently standing at 4.00%. In this context, the Euribor interest rates continued their upward trend throughout the whole curve, with the twelve-month rates increasing to levels higher than 4%. In its turn, the risk premia of the Portuguese and Italian sovereign debt tightened, while the Spanish risk premia have remained stable. In the United States, despite expectations that the end of the interest rate hiking cycle by the Federal Reserve is near, following an increase to 5.25% in May, the government bond yields have also increased, supported by the resilience that the US economy has been exhibited. In the foreign exchange market, Euro has been relatively stable against the US Dollar, with a value around 1.09.

After the pronounced expansion of the Portuguese economy in the first quarter (1.6%, relatively to the previous quarter), the Bank of Portugal envisages a growth rate of 2.7% for 2023, boosted by the favourable evolution of tourism services exports and by the dynamism of investment, driven by the Recovery and Resilience Plan projects. However, this forecast is subject to important downside risks related to tighter financial conditions and the slowdown of external demand, given the elevated global monetary policy restrictiveness. Concerning prices, the inflation rate has proceeded its downward trajectory during the second quarter, standing at 4.7% in June. For the whole year, the Bank of Portugal projects an average inflation rate of 5.2%.

In Poland, economy has contracted by 0.3%, year-on-year, in the first quarter of 2023, hindered by sluggish internal demand, namely private consumption, whose negative impact on GDP was, however, mitigated by the positive contribution of net exports. In this sense, the European Commission anticipates a GDP growth of 0.7% in 2023. The persistence of elevated inflationary pressures, with an average inflation rate of 16% in the first half of the year, prompted the central bank to maintain a restrictive monetary policy, keeping the key interest rate unchanged at 6.75% in June 2023, by the tenth consecutive month. Notwithstanding the greater uncertainty regarding the evolution of economic activity, Zloty has appreciated throughout the second quarter.

In Mozambique, GDP grew 4.2% in the first quarter, bolstered by the dynamism of the extractive industry, that should continue to support economic activity in the medium term, along with an improvement of domestic demand. Despite the fall of inflation to 9.6% in May, the uncertainty regarding price evolution led the central bank of Mozambique to raise the mandatory reserve ratios once more, and to keep the key interest rate unchanged at 17.25%. Against this backdrop, Metical remained stable.

In Angola, GDP should have decelerated in the first months of the year, penalised by the contraction of the activity in the oil sector, due to lower oil prices. In this context, Kwanza has been depreciating markedly.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Group			Activity in Portugal			International activity		
	Jun. 23	Jun. 22 (restated)	Chg. 23/22	Jun. 23	Jun. 22 (restated)	Chg. 23/22	Jun. 23	Jun. 22	Chg. 23/22
INCOME STATEMENT									
Net interest income	1,374.4	985.2	39.5 %	707.5	430.5	64.3 %	666.8	554.7	20.2 %
Dividends from equity instruments	1.2	12.9	(90.9)%	0.5	12.2	(95.9)%	0.7	0.7	2.3 %
Net fees and commission income	387.0	387.6	(0.1)%	280.2	277.2	1.1 %	106.8	110.4	(3.2)%
Net trading income	124.5	42.2	194.8 %	2.7	59.8	(95.4)%	121.8	-17.6	>200%
Other net operating income	-72.2	-175.3	58.8 %	-66.8	-72.0	7.2 %	-5.3	-103.3	94.8 %
Equity accounted earnings	29.4	20.5	43.8 %	27.7	21.8	27.4 %	1.7	-1.3	>200%
Net operating revenues	**1,844.3**	**1,273.0**	**44.9 %**	**951.9**	**729.5**	**30.5 %**	**892.4**	**543.5**	**64.2 %**
Staff costs	308.0	284.2	8.4 %	175.7	165.7	6.0 %	132.3	118.5	11.7 %
Other administrative costs	184.9	162.6	13.7 %	94.3	88.4	6.7 %	90.7	74.2	22.2 %
Depreciation	68.6	69.5	(1.2)%	36.8	39.8	(7.4)%	31.8	29.7	7.0 %
Operating costs	**561.5**	**516.2**	**8.8 %**	**306.8**	**293.8**	**4.4 %**	**254.7**	**222.4**	**14.5 %**
Operating costs excluding specific items	549.9	510.5	7.7 %	295.1	288.2	2.4 %	254.7	222.4	14.5 %
Profit before impairment and provisions	**1,282.8**	**756.8**	**69.5 %**	**645.1**	**435.7**	**48.1 %**	**637.7**	**321.1**	**98.6 %**
Results on modification	-11.6	-1.9	<-200%	0.0	0.0	— %	-11.6	-1.9	<-200%
Loans impairment (net of recoveries)	145.5	179.4	(18.9)%	106.0	139.5	(24.0)%	39.6	40.0	(0.9)%
Other impairment and provisions	402.9	371.9	8.3 %	48.7	51.0	(4.4)%	354.2	320.9	10.4 %
Profit before income tax	**722.7**	**203.5**	**>200%**	**490.4**	**245.2**	**100.0 %**	**232.4**	**-41.7**	**>200%**
Income taxes	**246.0**	**155.8**	**57.9 %**	**136.8**	**83.2**	**64.4 %**	**109.2**	**72.6**	**50.6 %**
Current	126.5	44.9	181.5 %	8.5	14.2	(40.1)%	118.0	30.8	>200%
Deferred	119.5	110.8	7.8 %	128.3	69.0	85.8 %	-8.7	41.8	(120.9)%
Income after income tax from continuing operations	**476.7**	**47.7**	**>200%**	**353.6**	**162.0**	**118.3 %**	**123.1**	**-114.3**	**>200%**
Income arising from discontinued operations	0.0	1.5	(100.6)%	0.0	0.0	— %	0.0	1.5	(100.0)%
Non-controlling interests	53.5	-13.0	>200%	-0.1	-0.2	48.5 %	53.6	-12.8	>200%
Net income	**423.2**	**62.2**	**>200%**	**353.7**	**162.2**	**118.1 %**	**69.5**	**-100.0**	**169.5 %**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	90,950	96,022	(5.3)%	62,382	69,643	(10.4)%	28,568	26,379	8.3 %
Total customer funds	**92,453**	**91,070**	**1.5 %**	**66,043**	**66,971**	**(1.4)%**	**26,409**	**24,100**	**9.6 %**
Balance sheet customer funds	**76,733**	**74,546**	**2.9 %**	**51,955**	**51,892**	**0.1 %**	**24,778**	**22,655**	**9.4 %**
Deposits and other resources from customers	75,355	73,190	3.0 %	50,577	50,536	0.1 %	24,778	22,655	9.4 %
Debt securities	1,378	1,356	1.6 %	1,378	1,356	1.6 %	0	0	— %
Off-balance sheet customer funds	**15,720**	**16,524**	**(4.9)%**	**14,088**	**15,079**	**(6.6)%**	**1,632**	**1,445**	**12.9 %**
Assets under management	5,366	5,173	3.7 %	4,332	4,353	(0.5)%	1,033	820	26.0 %
Assets placed with customers	5,415	5,458	(0.8)%	5,080	5,136	(1.1)%	334	322	3.9 %
Insurance products (savings and investment)	4,939	5,893	(16.2)%	4,675	5,590	(16.4)%	264	303	(12.8)%
Loans to customers (gross)	**57,912**	**58,653**	**(1.3)%**	**39,883**	**40,577**	**(1.7)%**	**18,029**	**18,076**	**(0.3)%**
Individuals	**34,355**	**34,213**	**0.4 %**	**21,065**	**20,963**	**0.5 %**	**13,290**	**13,249**	**0.3 %**
Mortgage	27,974	28,284	(1.1)%	18,861	18,798	0.3 %	9,114	9,486	(3.9)%
Personal Loans	6,380	5,929	7.6 %	2,204	2,166	1.8 %	4,176	3,763	11.0 %
Companies	**23,557**	**24,441**	**(3.6)%**	**18,818**	**19,614**	**(4.1)%**	**4,740**	**4,827**	**(1.8)%**
CREDIT QUALITY									
Total overdue loans	651	753	(13.5)%	231	307	(24.8)%	420	445	(5.7)%
Overdue loans by more than 90 days	545	618	(11.9)%	214	287	(25.2)%	331	332	(0.3)%
Overdue loans by more than 90 days / Loans to customers	0.9 %	1.1%		0.5 %	0.7%		1.8 %	1.8%	
Total impairment (balance sheet)	1,576	1,615	(2.4)%	947	1,040	(8.9)%	629	574	9.6 %
Total impairment (balance sheet) / Loans to customers	2.7 %	2.8%		2.4 %	2.6%		3.5 %	3.2%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	289.3 %	261.1 %		441.9 %	362.8%		190.3 %	173.1 %	
Non-Performing Exposures (NPE)	2,142	2,502	(14.4)%	1,262	1,635	(22.8)%	880	867	1.5 %
NPE / Loans to customers	3.7 %	4.3%		3.2 %	4.0%		4.9 %	4.8%	
Total impairment (balance sheet) / NPE	73.6 %	64.5%		75.1 %	63.6%		71.5 %	66.2%	
Restructured loans	1,881	2,109	(10.8)%	1,314	1,616	(18.7)%	567	493	15.0 %
Restructured loans / Loans to customers	3.2 %	3.6%		3.3 %	4.0%		3.1 %	2.7%	
Cost of risk (net of recoveries, in b.p.)	50	61		53	69		44	44	

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

	30 June 2023	30 June 2022 (restated)
Interest and similar income	2,038,806	1,141,684
Interest expense and similar charges	-664,446	-156,526
NET INTEREST INCOME	**1,374,360**	**985,158**
Dividends from equity instruments	1,175	12,873
Net fees and commissions income	387,048	387,583
Gains/(losses) on financial operations at fair value through profit or loss	5,928	6,810
Foreign exchange gains/(losses)	10,644	14,811
Gains/(losses) on hedge accounting	823	-3,673
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	107,086	24,276
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	0	0
Other operating income / (losses)	-85,507	-189,326
TOTAL OPERATING INCOME	**1,801,557**	**1,238,512**
Staff costs	307,971	284,152
Other administrative costs	184,917	162,569
Amortisations and depreciations	68,613	69,475
TOTAL OPERATING EXPENSES	**561,501**	**516,196**
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	**1,240,056**	**722,316**
Results on modification	0	0
Impairment of financial assets at amortised cost	-146,359	-183,203
Impairment of financial assets at fair value through other comprehensive income	114	1,366
Impairment of other assets	-14,093	-125,129
Other provisions	-388,125	-244,410
NET OPERATING INCOME	**679,996**	**170,940**
Share of profit of associates accounted for using the equity method	29,422	20,464
Gains/(losses) on disposal of subsidiaries and other assets	13,322	12,100
NET INCOME BEFORE INCOME TAXES	**722,740**	**203,504**
Income taxes		
Current	-126,474	-44,930
Deferred	-119,525	-110,836
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	**476,741**	**47,738**
Net income from discontinued or discontinuing operations	-9	1,479
NET INCOME AFTER INCOME TAXES	**476,732**	**49,217**
Net income for the period attributable to:		
Bank's Shareholders	423,249	62,184
Non-controlling interests	53,483	-12,967
NET INCOME FOR THE PERIOD	**476,732**	**49,217**
Earnings per share (in Euros)		
Basic	0.054	0.006
Diluted	0.054	0.006

Millennium bcp

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2023 AND 2022 AND 31 DECEMBER 2022

(Thousands of euros) (Thousands of euros)

	30 June 2023	31 December 2022 (restated)	30 June 2022 (restated)
ASSETS			
Cash and deposits at Central Banks	3,884,338	6,022,001	7,930,297
Loans and advances to credit institutions repayable on demand	238,861	213,460	329,648
Financial assets at amortised cost			
Loans and advances to credit institutions	570,552	963,434	875,317
Loans and advances to customers	54,396,653	54,675,793	55,187,231
Debt securities	16,247,089	13,035,582	12,102,018
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,482,890	766,597	1,758,419
Financial assets not held for trading mandatorily at fair value through profit or	505,064	552,679	932,227
Financial assets at fair value through other comprehensive income	7,452,868	7,461,553	8,644,875
Hedging derivatives	45,593	59,703	531,459
Investments in associated companies	313,017	314,919	392,097
Non-current assets held for sale	155,001	499,035	630,736
Investment property	14,825	15,217	2,869
Other tangible assets	604,389	574,697	586,244
Goodwill and intangible assets	188,170	182,687	151,835
Current tax assets	12,818	17,945	13,822
Deferred tax assets	2,849,544	2,938,986	2,845,515
Other assets	1,966,454	1,582,455	3,107,464
TOTAL ASSETS	**90,950,094**	**89,876,743**	**96,022,073**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	2,094,824	1,468,360	8,996,119
Resources from customers	73,680,329	75,430,143	73,190,262
Non subordinated debt securities issued	1,486,507	1,482,086	1,114,595
Subordinated debt	1,349,805	1,333,056	1,350,165
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	274,804	241,506	192,880
Financial liabilities at fair value through profit or loss	3,052,680	1,817,678	1,343,985
Hedging derivatives	103,393	178,000	1,677,170
Provisions	636,276	561,786	503,232
Current tax liabilities	162,592	23,680	8,746
Deferred tax liabilities	8,746	11,708	9,232
Other liabilities	1,523,167	1,391,973	1,396,035
TOTAL LIABILITIES	**84,373,123**	**83,939,976**	**89,782,421**
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	316,375	268,534	268,534
Reserves and retained earnings	1,521,407	1,272,262	-30,727
Net income for the period attributable to Bank's Shareholders	423,249	197,386	62,184
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	**5,677,502**	**5,154,653**	**5,441,462**
Non-controlling interests	899,469	782,114	798,190
TOTAL EQUITY	**6,576,971**	**5,936,767**	**6,239,652**
TOTAL LIABILITIES AND EQUITY	**90,950,094**	**89,876,743**	**96,022,073**

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

Non-performing exposures (NPE) – non-performing loans and advances to customers (includes loans to customers at amortised cost, loans to customers at fair value through profit or loss and, from 2023, debt instruments at amortised cost associated to credit operations before impairment) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (includes loans to customers at amortised cost, loans to customers at fair value through profit or loss and, from 2023, debt instruments at amortised cost associated to credit operations before impairment) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Disclaimer

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

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

The interim condensed consolidated financial statements, for the six months ended at 30 June 2023, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The figures for the first six months of 2023 and 2022 were not audited.