Press Release

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Millennium bcp

30 October 2023

Millennium bcp Earnings release as at 30 September 2023

A Bank prepared for the future

Profitability

- **Net income** of **650.7 million euros** in the first nine months of 2023.
- **Group's core operating profit increase** of **38.2%** to **1,841.3 million euros**, supported by the **increase** of **27.2%** on **core income** and by the **strict management** of **operating costs**, which grew 8.5% compared with the same period of 2022.
  - **Effects**[1] related with **Bank Millennium**: **589.6**[2] **million euros** of **costs related** with **CHF mortgage loan portfolio**, out of which 482.5[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 first quarter of the year, 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.

Business model

- **Net income** of **556.8 million euros** in the **activity in Portugal** in the first nine months of 2023.
- **Substantial strengthening** of **capital ratios**. **CET1**[4] **ratio** stood at **14.9%** and **total capital ratio**[4] at **19.4%** (an increase of 357 bp and 431 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 244%, NSFR at 160% and LtD at 73%.
- **On-Balance sheet customer funds grew 2.3%** year on year to **76.9 billion euros**.
- **Significant decrease** of **non-performing assets** compared with September 2022: 398 million euros in NPE, 149 million euros in foreclosed assets and 404 million euros in restructuring funds, a combined reduction of 27.3% compared to September 2022.
- Continued **growth** of the **customer base**, highlighting the increase in mobile Customers (11% from September 2022), which represent 66% of total Customers.
- Investment grade by the 4 rating agencies, after successive upward revisions.

[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 nine months 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 Sep. 23	30 Sep. 22 (restated)	Chg. 23/22
BALANCE SHEET			
Total assets	91,169	97,135	(6.1)%
Equity	6,848	5,837	17.3 %
Loans to customers (net)	55,112	57,010	(3.3)%
Total customer funds	92,379	91,069	1.4 %
Balance sheet customer funds	76,876	75,184	2.3 %
Deposits and other resources from customers	75,534	73,843	2.3 %
Loans to customers (net) / Deposits and other resources from customers (2)	73.0 %	77.2 %	
Loans to customers (net) / Balance sheet customer funds	71.7 %	75.8 %	
RESULTS			
Net interest income	2,117.5	1,545.8	37.0 %
Net operating revenues	2,792.7	2,064.7	35.3 %
Operating costs	854.6	787.4	8.5 %
Operating costs excluding specific items (3)	842.4	781.4	7.8 %
Results on modification	-14.8	-318.6	95.3 %
Loan impairment charges (net of recoveries)	211.4	241.2	(12.3)%
Other impairment and provisions	602.4	532.4	13.2 %
Income taxes	387.4	208.6	85.7 %
Net income	650.7	89.8	>200%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	4.1 %	2.9 %	
Return on average assets (ROA)	1.1 %	0.0 %	
Income before tax and non-controlling interests / Average net assets (2)	1.6 %	0.3 %	
Return on average equity (ROE)	16.7 %	2.3 %	
Income before tax and non-controlling interests / Average equity (2)	24.4 %	4.1 %	
Net interest margin	3.39 %	2.38 %	
Cost to core income (2)(3)	31.2 %	36.9 %	
Cost to income (2)	30.6 %	38.1 %	
Cost to income (2)(3)	31.6 %	37.8 %	
Cost to income - Activity in Portugal (2)(3)	30.3 %	37.7 %	
Staff costs / Net operating revenues (2)(3)	17.1 %	20.6 %	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	50	55	
Non-Performing Exposures (loans to customers) / Loans to customers	3.6 %	4.1 %	
Total impairment (balance sheet) / NPE (loans to customers)	76.6 %	66.5 %	
Restructured loans / Loans to customers	3.1 %	3.6 %	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	244 %	264 %	
Net Stable Funding Ratio (NSFR)	160 %	153 %	
CAPITAL (4)			
Common equity tier I phased-in ratio	14.9 %	11.6 %	
Common equity tier I fully implemented ratio	14.9 %	11.4 %	
Total ratio fully implemented	19.4 %	15.1 %	
BRANCHES			
Activity in Portugal	400	408	(2.0)%
International activity	811	830	(2.3)%
EMPLOYEES			
Activity in Portugal	6,275	6,257	0.3 %
International activity (5)	9,458	9,404	0.6 %

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 114.7 million euros, recognised in the first nine months 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 12.2 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; (iii) costs with employment terminations and (iv) income recognised after an agreement related to responsibilities with former directors of the Bank). In the first nine months of 2022 the impact was negative in the amount of 6.1 million euros, mainly related to the compensation for the temporary adjustment of remuneration in the period 2014/2017.
(4) As at 30 September 2023, capital ratios are estimated including the non-audited positive cumulative net income of the period.
(5) Of which, in Poland: 6,899 employees as at 30 September 2023 (corresponding to 6,776 FTE - Full-time equivalent) and 6,897 employees as at 30 September 2022 (corresponding to 6,778 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS 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.

After successive upward revisions, reflecting the Bank's normalisation path, BCP has reached Investment Grade rating by the four main International Rating Agencies (DBRS, Moody's, S&P and Fitch).

PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 650.7 million euros in the first nine months of 2023, growing noticeably from the 89.8[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 16.7% in the first nine months of 2023, representing a significant increase from the 2.3% recorded at the end of September 2022.

The growth in net income of the Group was largely due to the evolution of core income, which increased by 27.2%, from the 2,119.6 million euros posted in the first nine months of 2022, totalling 2,695.9 million euros in the same period of the current year. The performance of core income mainly reflects the 37.0% (571.6 million euros) growth recorded in net interest income, with net commissions showing a slight increase of 0.8% (to 578.5 million euros) in this period.

[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 7.4 million euros in the first nine months of 2022 results.

To the favourable evolution of net income of the Group in this period also contributed the extraordinary gain of 127.0[2] million euros, recognised in the first quarter of the current 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.

In addition, the evolution of consolidated net income of Millennium bcp was influenced by the extraordinary effects that penalised the result associated with the Polish subsidiary in the first nine months of the previous year and that were not repeated in the current year. The early recognition of the potential costs arising from the program of moratoriums (credit holidays[3]) enacted by the President of the Republic of Poland in July 2022 is relevant in this context. In fact, the Bank estimated the maximum impact of the implementation of this Act if all eligible Bank Millennium Group's borrowers were to use this instrument, having recognised an upfront cost of 80% of such maximum impact in the results of the third quarter of 2022, corresponding to 304.6[4] million euros. On the other hand, notwithstanding the good operating performance of Bank Millennium S.A., the uncertainty associated with the material impacts arising from new legislative measures, led the Bank to consider the total impairment of the goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. in Poland, in the amount of 102.3[2] million euros as at 30 June 2022.

Still in the Polish subsidiary, the contribution to the Institutional Protection Scheme (IPS), established in the third quarter of 2022 and non-existent in 2023, together with temporary exemptions in the current year for other contributions, resulted in a reduction of 108.0 million euros in the overall amount of contributions borne by the Polish subsidiary, thus also contributing to the favourable evolution of the consolidated net income.

The evolution of the consolidated net income, in the period under review, was also favourably influenced by the reduction in loans impairment (net of recoveries) by 12.3%, from 241.2 million euros in the first nine months of 2022 to 211.4 million euros in the same period of 2023, reflecting the performance of both the activity in Portugal and the international activity.

Conversely, the results of the Group continue to be strongly influenced by the increase in the costs associated with foreign exchange mortgage portfolio in the Polish subsidiary, that went from an aggregate amount of 389.2[2] million euros, in the first nine months of 2022, to 589.6[2] million euros, in the first nine months 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 (482.5 million euros in the first nine months of 2023 vs 292.4 million euros in the same period of the previous year, both 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 8.5% (67.2 million euros) compared to the amount posted in the first nine months of 2022.

The 1.5 million euros amount recognised in results from discontinued operations, in the first nine months of 2022, mostly incorporates the adjustment of the sale price of Banque Privée, in accordance with previously agreed conditions[5].

The core operating profit of the Group amounted to 1,841.3 million euros in the first nine months of 2023, showing a significant growth of 38.2% from the 1,332.2 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 556.8 million euros in the first nine months of 2023, standing well above the 288.4 million euros achieved in the same period of the previous year. This evolution reflects above all the

[2] Before taxes an non-controlling interests.
[3] 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.
[4] In the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays) in Poland, which had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. In the scope of this analysis, the amounts referring to the first nine months of 2022 were reclassified, thus diverging from the published accounting values.
[5] 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.

increase of 39.4% in core income, from 1,088.6 million euros to 1,517.6 million euros, to which contributed mostly the increase in net interest income, while net commissions, in turn, stood slightly above the amount posted a year before.

The reduction of 15.3% (41.9 million euros) recorded in impairments and provisions, which overall went from 273.9 million euros to 231.9 million euros at the end of September 2023, also contributed to the favourable performance of net income in the activity in Portugal, reflecting, among others, the risk profile evolution of the credit portfolio in Portugal and the consequent reduction in loans impairment charges (net of recoveries).

Conversely, the evolution of net income in the activity in Portugal was influenced by the strong reduction in net trading income (-116.7 million euros), mainly due to the gains recognised in the first nine months of the previous year with the sale of foreign sovereign debt securities, which did not occur in the same period of this year.

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

It should be noted that the significant expansion of core income largely exceeded the slight rise in operating costs, leading the core operating profit of the activity in Portugal to grow by 64.1%, from 644.3 million euros in the first nine months of 2022 to 1,057.6 million euros at the end of September 2023.

In the international activity, net income amounted to 93.9 million euros in the first nine months of 2023, a significant improvement from the negative amount of 198.5 million euros recorded in the same period of the previous year, mainly due to the higher contribution related to the Polish subsidiary, that after an extended period with negative quarterly results, presented positive results for the fourth consecutive quarter. Net income of the operation in Mozambique, in turn, was below the amount recorded a year earlier, influenced by the impact resulting from the significant increase in minimum cash reserves requirements.

In the evolution of net income in the international activity, the growth recorded in net interest income (+16.5%; +144.7 million euros), mainly reflecting the impact of 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, is particularly relevant. In addition, the aforementioned extraordinary gain of 127.0 million euros, recognised in the first quarter of the current year, resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o. also contributed largely to the favourable performance of net income of the international activity.

The evolution of net income of the international activity was also positively influenced by the extraordinary effects that had penalised the result associated with the Polish subsidiary in the first nine months of 2022. In this sense, it is worth noting the aforementioned upfront recognition of potential costs arising from the moratorium program (credit holidays), in the amount of 304.6[6] million euros. The favourable evolution of the international activity is also explained by the fact that the result of 2022 had been penalised by the impairment related to the totality of goodwill associated with the Group 's stake in Bank Millennium SA in Poland, in the amount of 102.3 million euros. Additionally, the reduction of 108.0 million euros in the overall amount of mandatory contributions borne by the Polish subsidiary also contributed largely to the growth of net income. This reduction reflects the impact of the contribution to the Institutional Protection Scheme (IPS), established in 2022 and with no additional contributions in 2023, together with temporary exemptions in the current year for other mandatory contributions.

On the other hand, the result of the Polish subsidiary and consequently of the international activity, in the first nine months of 2023, was penalised by the increase in costs associated with the portfolio of foreign exchange mortgage loans (+200.5 million euros compared to September 2022), mainly due to the additional provisions booked following the unfavourable decision of the Court of Justice of the European Union regarding these loans. Although on a smaller scale, it is also worth mentioning the impact of the increase in operating costs on the performance of the net income of the international activity, mainly reflecting high inflation rates.

[6] In the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays) in Poland, which had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. In the scope of this analysis, the amounts referring to the first nine months of 2022 were reclassified, thus diverging from the published accounting values.

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 13.9%, from 687.9 million euros in the first nine months of 2022, to 783.7 million euros in the same period of the current year.

NET INTEREST INCOME

Net interest income of the Group reached 2,117.5 million euros in the first nine months of 2023, corresponding to a growth of 37.0% compared to the 1,545.8 million euros posted in the same period of the previous year. The three geographies in which the Bank operates continue to show a favourable evolution of net interest income, with emphasis on the growth achieved by the activity in Portugal.

In fact, net interest income, in the activity in Portugal, reached 1,097.7 million euros, in the first nine months of 2023, showing a growth of 63.6% from the 670.9 million euros recorded at the end of September 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. Benefiting from the evolution of interest rates, the management of the securities portfolio, in turn, also had a positive impact in the evolution of net interest income in the activity in Portugal, mainly through the greater contribution of the income generated by the public debt portfolio.

Conversely, the evolution of net interest income in the activity in Portugal reflects the increase, compared to the first nine months of 2022, of the costs incurred with own debt issue and subordinated 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. This issue, under the Bank's Euro Note Programme, address the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities), and its impact in net interest income was 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 nine months of 2022, related to the funding obtained from the European Central Bank, through the participation in Targeted Longer-Term Refinancing Operations (TLTRO). 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 nine months of 2023. On the other hand, it should be noted the increase in net interest income resulting from liquidity deposited at the Bank of Portugal. Finally, it should be noted the impact of the increase in the cost of resources from other credit institutions, net of interest income earned liquidity surpluses placed with these institutions, reflecting the interest rate evolution in the period under analysis.

In the international activity, net interest income grew by 16.5% compared to the 875.0 million euros recorded in the first nine months of 2022, rising to 1,019.7 million euros in the same period 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 2.38% in the first nine months of 2022 to 3.39% in the same period of 2023, reflecting both the performance of the activity in Portugal, where it evolved from 1.45% to 2.59%, and international activity, where it increased from 4.66% to 5.06%.

EQUITY ACCOUNTED EARNINGS AND DIVIDENDS FROM EQUITY INSTRUMENTS

Equity accounted earnings together with dividends from equity instruments, which comprise dividends and equity income received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 46.9 million euros in the first nine months of 2022, to 48.8 million euros in the same period of 2023. Although this change was not very significant, it should be noted that it was due to opposite performances in each of the headings that compose it. In fact, while equity accounted earnings increased by 26.5% (10.0 million euros) in the last twelve months, totalling 47.6 million euros at the end of September 2023, dividends from equity instruments recorded a significant drop, from 9.3 million euros to 1.2 million euros, in the same period.

In the activity in Portugal, equity accounted earnings together with dividends from equity instrument reached 45.7 million euros in the first nine months of 2023, which compares to 47.1 million euros in the same period of the previous year. Dividends from equity instruments decreased significantly, from 8.5 million euros in the first nine months of 2022 to 0.5 million euros at the end of September this year, while equity accounted earnings grew, from 38.6 million euros to 45.2 million euros, in the same period, driven by the higher contribution associated with the participation in Millenniumbcp Ageas. It should be noted that following the adoption on 1 January 2023, 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, the amount of equity accounted earnings for the first nine months of 2022 has been restated, complying with the requirement for comparative information. This restatement resulted in an adjustment of 7.4 million euros, from 25.5 million euros to 18.1 million euros, in the equity accounted earnings arising from Mbcp Ageas in the first nine months of 2022, compared to 30.8 million euros recorded in the same period 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 nine months of 2023 compared to the amount recorded in the first nine months of 2022.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments totalled 3.1 million euros in the first nine months of 2023, which compares favourably to the negative amount of 0.3 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 nine months of 2023, net commissions totalled 578.5 million euros, slightly above (+0.8%) the amount recorded a year before.

Banking commissions amounted to 499.7 million euros, standing 0.9% above the amount recorded in the first nine months of 2022, reflecting the contribution of the international activity, since in the activity in Portugal this type of commissions remained at a similar level to the one recorded a year before. Market-related commissions, in turn, also remained at a similar level to that recorded in the first nine months of 2022, standing at 78.7 million euros at the end of September 2023, with the increase in the activity in Portugal being almost entirely offset by the reduction in the international activity, namely in the Polish subsidiary.

In the activity in Portugal, net commissions were slightly higher (+0.5%) than the amount recorded in the first nine months of 2022, reaching 419.8 million euros at the end of September 2023. To this performance contributed the evolution of commissions related to financial markets, increasing 2.1% (1.4 million euros) in this period, standing at 64.5 million euros at the end of September 2023. Commissions related to the banking business, in turn, totalled 355.4 million euros, remaining in line with the amount reached in September 2022, since the increase in commissions related to cards and transfers, together with the growth in commissions associated with management and maintenance of accounts more than offset the decrease in commissions related to credit and guarantees. This performance shows, on the one hand, the increase in transaction levels, the dynamics of new customer acquisition and the management of value propositions and, on the other, the impact of the lower production of credit in the current context, together with the legal restrictions imposed in the meantime.

In the international activity, net commissions totalled 158.6 million euros in the first nine months of 2023, standing 1.6% above the 156.1 million euros posted in the same period of the previous year. Commissions related to the banking business increased 2.6%, to an amount of 144.4 million euros at the end of September 2023, mainly reflecting the increase recorded in the operation in Mozambique. Regarding commissions related to markets in the international activity, there was a reduction, from 15.4 million euros in the first nine months of 2022, to 14.2 million euros in the same period of 2023, due to the performance of the Polish subsidiary, since this type of commissions has no expression in the Mozambican subsidiary.

NET COMMISSIONS [1]

Million euros

	9M23	9M22	Chg. 23/22
BANKING COMMISSIONS	**499.7**	**495.3**	**0.9%**
Cards and transfers	187.7	168.7	11.2%
Credit and guarantees	95.0	105.2	(9.8)%
Bancassurance	91.1	89.0	2.4%
Management and maintenance of accounts	119.5	124.5	(4.0)%
Other commissions	6.4	7.8	(17.4)%
MARKET RELATED COMMISSIONS	**78.7**	**78.5**	**0.2%**
Securities	26.9	27.4	(1.9)%
Asset management and distribution	51.8	51.1	1.3%
	578.5	**573.8**	**0.8%**
Of which:			
Activity in Portugal	419.8	417.7	0.5%
International activity	158.6	156.1	1.6%

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

NET TRADING INCOME

In the first nine months of 2023, net trading income reached 104.4 million euros showing a noticeable increase compared to the 74.9 million euros achieved in the same period of the previous year. This evolution includes the gains recognised in this item 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 a negative amount of 17.8 million euros in the first nine months of 2023, standing well below the 98.9 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 nine months of the previous year, which did not occur in the same period this year. The evolution of net trading income in the activity in Portugal was also influenced by the losses recognised in the first nine months 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 23.9 million euros in the first nine months of 2022 to an income of 122.3 million euros in the first nine months of the current year.

This performance was determined by the recognition, in the first nine months of 2023 of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., that as mentioned before amounted to 117.8 million euros in this item, 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 69.9 million euros in the first nine months of 2022 to 42.8 million euros in the same period of the current year, also contributed, albeit in a smaller scale, to the favourable performance of net trading income.

OTHER NET OPERATING INCOME

Other net operating income[7] 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 nine months of 2023, other net operating income totalled a negative amount of 56.5 million euros, showing a significant improvement compared to the also negative amount of 176.8 million euros recorded in the same period of the previous year. This evolution was determined by the reduction of mandatory contributions charged to the Group, particularly expressive in the Polish subsidiary.

In the activity in Portugal, other net operating income also evolved favourably, from a negative amount of 71.3 million euros in the first nine months of 2022, to an also negative amount of 66.7 million euros in the same period of the current year. The reduction of mandatory contributions was also decisive for this performance, 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 nine months of 2022.

The evolution of the overall amount of mandatory contributions in the activity in Portugal, from 88.5 million euros in the first nine months of 2022 to 72.6 million euros in the first nine months 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 nine months 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 nine months of 2022 to 17.7 million euros in the same period of the current year, reflecting the lower reinforcement needs of the SRF determined by the Single Resolution Board (SRB) and also 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.

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

In the international activity, other net operating income totalled 10.2 million euros in the first nine months of 2023, showing a very expressive improvement from the negative amount of 105.5 million euros recognised in the first nine months of 2022. Decisive for this evolution was the reduction by around 90% (from 121.1 million euros to 13.1 million euros) of the mandatory contributions charged to the Polish subsidiary.

This reduction in mandatory contributions was largely due to the contribution, charged in June 2022, associated with the then created Polish institutional protection fund (IPS - Institutional Protection Scheme), which amounted to 59.1 million euros, non-existent in 2023. Additionally, following the contribution to the IPS, the contribution to the deposit guarantee fund has been suspended since the first quarter of 2022 and so Bank Millennium only supported the costs of this fund until the first quarter of 2022, inclusive, in the amount of 8.0 million euros. 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 (36.2 million euros were recognised in the first nine months of 2022). Charges for the resolution fund recognised in the first nine months of 2023, in turn, were also lower than in the same period of the previous year (13.1 million euros vs 17.9 million euros, respectively).

In addition to the reduction in charges with the Polish subsidiary's mandatory contributions, the evolution of other net operating income in the international activity 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.

[7] 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 nine months 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 nine months of 2022 amounted to 14.0 million euros.

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 24.1 million euros in the first nine months of 2022 to an income of 8.6 million euros in the first nine months 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. increased from 31.4 million euros in the first nine months of 2022, to 34.0 million euros in the first nine months of 2023.

OPERATING COSTS

At the end of September 2023, operating costs totalled 854.6 million euros, standing 8.5% above the 787.4 million euros recorded in the same period of 2022, strongly influenced by the inflation rates observed in the geographies in which the Bank operates.

This evolution reflects the increase in both staff costs and other administrative costs, in both cases in the activity in Portugal and mainly in the international activity, where it was more significant essentially due to the performance of the Polish subsidiary.

In consolidated terms, this evolution reflects the increase of 8.4% (36.2 million euros) in staff costs and the 12.6% (31.6 million euros) increase in other administrative costs. Depreciations, in turn, showed a slight reduction of 0.6% (0.6 million euros).

Despite higher operating costs compared to the amount accounted for in the first nine 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 38.1% to 30.6% and from 37.1% to 31.7% in the period under review.

The amounts presented include the specific items[8] considered in each period. Excluding specific items, operating costs evolved from 781.4 million euros in the first nine months of 2022 to 842.4 million euros in the same period of the current year. Cost to income ratio stood at 31.6% and cost to core income ratio at 31.2%, which compare respectively with 37.8% and 36.9% calculated in the first nine months of 2022.

In the activity in Portugal, operating costs totalled 460.0 million euros in the first nine months of 2023 standing 3.5% above the 444.2 million euros posted in the same period of the previous year. This evolution reflects the increase of 5.0% (12.7 million euros) recorded in staff costs and the increase of 5.3% (7.1 million euros) of other administrative costs, reflecting the levels of inflation. Depreciation, in turn, decreased by 6.8%, corresponding to 4.0 million euros.

Between the end of September 2022 and the end of September 2023, cost to income and cost to core income ratios in the activity in Portugal, evolved favorably from 38.2% to 31.1%, and from 40.8% to 30.3%, respectively.

Not considering the impact of specific items[8], operating costs in the activity in Portugal only increased 2.2% in the period under review, from 438.2 million euros to 447.8 million euros, leading to a cost to income ratio of 30.3% and a cost to core income ratio of 29.5%, which compare respectively with 37.7% and 40.3% calculated in the first nine months of 2022.

In the international activity, operating costs amounted to 394.6 million euros, 15.0% above the 343.2 million euros recorded in the first nine months of 2022, largely reflecting 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

[8] In the first nine months of 2023, specific items had a positive impact of 114.7 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 12.2 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; (iii) costs with employment terminations and (iv) income recognised after an agreement related to liabilities with former directors of the Bank. In the first nine months of 2022, the impact was negative in the amount of 6.1 million euros, mainly related to the compensation for the temporary reduction in employee remunerations during 2014-2017.

costs and staff costs increased by 20.8% (24.5 million euros) and 13.0% (23.5 million euros) respectively, while depreciations were 7.6% (3.4 million euros) above the amount calculated a year before.

It should be noted, however, that the growth in net operating revenues more than offset the increase in operating costs, allowing for a favourable evolution in the cost to income ratio in the international activity, from 38.1% in the first nine months of 2022, to 30.0% (33.2%, excluding specific items[8]) in the same period of 2023. In the same way, with the increase in core income, cost to core income ratio of the international activity remained practically unchanged, evolving from 33.3% to 33.5%.

STAFF COSTS

Staff costs totalled 468.0 million euros in the first nine months of 2023, standing 8.4% above the 431.8 million euros accounted in the same period of the previous year, mainly due to the performance of the international activity.

These amounts include the specific items considered in each period in the activity in Portugal. In the first nine months of 2023, specific items had a negative impact of 12.2 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, costs with employment terminations and income recognised after an agreement related to responsibilities with former directors of the Bank. In the first nine months of 2022, the impact was also negative in the amount of 6.1 million euros, mainly related to the 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 455.8 million euros, which compares with 425.8 million euros accounted for at the end of September 2022.

In the activity in Portugal, staff costs reached 264.2 million euros in the first nine months of 2023, standing 5.0% above the 251.5 million euros recorded in the same period of the previous year. Not considering the impact of the specific items there was a 2.7% increase in the same period, from 245.5 million euros to 252.0 million euros.

After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal remained stable, standing at 6,275 employees at the end of September 2023 (6,257 employees as at 30 September 2022). 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 203.8 million euros in the first nine months of 2023, standing 13.0% above the 180.3 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, determined by the strong pressure, resulting from both the levels of inflation and the characteristics of the Polish labour market, in particular from the very low unemployment rates.

On 30 September 2023, the number of employees of the international activity was 9,458, which compares with 9,404 employees on the same date in 2022. This evolution mainly reflects the increase in the number of employees of the subsidiary in Mozambique, from 2,507 employees as at 30 September 2022, to 2,559 employees at the end of September 2023. The Polish subsidiary, in turn, ended September 2023 with 6,899 employees, 2 more employees than at the end of September 2022 (corresponding to 6,776 FTE - full-time equivalent vs 6,778 FTE - full time equivalent, respectively).

OTHER ADMINISTRATIVE COSTS

Other administrative costs totalled 283.4 million euros in the first nine months of 2023, standing 12.6% above the 251.8 million euros accounted in the same period of 2022. Despite the disciplined management of costs pursued by the Group, this evolution was influenced by the inflation rates in the geographies in which the Bank operates, with higher impact in the international activity.

In the activity in Portugal, other administrative costs amounted to 140.6 million euros in the first nine months of 2023, corresponding to a 5.3% increase from the 133.5 million euros recorded in the same period of the previous year. This evolution mainly reflects the increase in costs related to outsourcing, information technology and advisory services, partially offset by savings obtained in water, energy and fuel, resulting from the reduction in energy prices and from an efficient management of these consumptions. The resizing of the branch network which, in the activity in Portugal, evolved from 408 branches, at the end of September 2022, to 400 branches at the same date in 2023, in turn, also has a positive impact on the several headings of other administrative costs.

In the international activity, other administrative costs stood 20.8% above the 118.2 million euros recorded in the first nine months of 2022, totalling 142.8 million euros in the same period of the current year. The general increase in prices was felt both in the Polish subsidiary and in the subsidiary in Mozambique, although the increase in other administrative expenses in the period under review was more significant in the Polish subsidiary. On the other hand, the Polish subsidiary continued to benefit from the synergies achieved following the optimisation of the branch network, the number of which went from 633 branches at 30 September 2022 to 615 branches at the end of September 2023. The subsidiary in Mozambique, in turn, ended the first nine months of 2023 with 196 branches, only one less than on the same date of the previous year.

DEPRECIATIONS

In the first nine months of 2023, depreciations amounted to 103.2 million euros, in line (-0.6%) 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 6.8%, from 59.1 million euros in the first nine months of 2022 to 55.1 million euros at the end of September 2023, with this impact being almost entirely offset by the increase of 7.6% in the international activity, from 44.7 million euros, to 48.1 million euros in the same period.

OPERATING COSTS

Million euros

	9M23	9M22	Chg. 23/22
Staff costs	468.0	431.8	8.4 %
Other administrative costs	283.4	251.8	12.6 %
Depreciations	103.2	103.9	(0.6)%
OPERATING COSTS	**854.6**	**787.4**	**8.5 %**
Of which:			
Activity in Portugal	460.0	444.2	3.5 %
International activity	394.6	343.2	15.0 %

RESULTS ON MODIFICATION

In the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays[9]) 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

[9] 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.

loans, in accordance with IFRS9. In this document, the amounts referring to the first nine months of 2022 were reclassified, thus diverging from the published accounting values.

Thus, in the first nine months of 2023, results on modification totalled a negative amount of 14.8 million euros, which compares with an also negative amount of 318.6 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. The amount recognised in the first nine months of 2022 results mainly from the reclassification of the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). In fact, the Bank estimated the maximum impact of the implementation of this Act if all eligible borrowers were to use this instrument, having recognised an upfront cost of 80% of the respective costs in the results of the third quarter of 2022, corresponding to 304.6 million euros. It should be noted that, in the fourth quarter of 2022, a downward review was carried out and the total estimated cost of credit moratoria was reduced, with a positive impact on the results for the fourth quarter of the year.

IMPAIRMENT FOR LOAN LOSSES

In the first nine months of 2023, loans impairment charges (net of recoveries) stood at 211.4 million euros, standing 12.3% below the 241.2 million euros accounted in the same period of the previous year, due to the favourable performance of both the activity in Portugal and the international activity.

In the activity in Portugal, loans impairment charges (net of recoveries) amounted to 157.7 million euros in the first nine months of 2023, showing a 9.4% reduction from the 174.1 million euros recognised in the same period of the previous year. This performance reflects 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 53.7 million euros at the end of September 2023, showing a 19.9% reduction from the 67.1 million euros recognised in the first nine months of 2022, mainly due to the performance of the Polish subsidiary.

The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record an improvement from the 55 basis points in the first nine months of 2022, standing at 50 basis points in the same period of the current year. The favourable performance of the cost of risk was recorded both in the activity in Portugal where it improved from 57 basis points to 53 basis points and mainly in the international activity, where it stood at 42 basis points in the first nine months of 2023, significantly below the 51 basis points in the first nine months of 2022.

OTHER IMPAIRMENTS AND PROVISIONS

Other impairments and provisions totalled 602.4 million euros in the first nine months of 2023, standing 13.2% above the 532.4 million euros recorded a year before. This evolution was mainly influenced by the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans which amounted to 516.5 million euros in the first nine months of 2023 vs 323.9 million euros in the same period of the previous year. On the other hand, the fact that, in June 2022, impairments were recognised for the goodwill of the Polish subsidiary, amounting to 102.3 million euros, partially offset the increase of other impairments and provisions of the Group observed from one period to the other.

In the activity in Portugal, other impairments and provisions amounted to 74.2 million euros in the first nine months of 2023, standing 25.6% below the 99.7 million euros recognised in the same period of the previous year. In this evolution, it is important to highlight the significant reduction of impairment to non-current assets held for sale, namely the foreclosed assets portfolio, with provisions for other risks also decreasing considerably from September 2022.

In the international activity, other impairment and provisions amounted to 528.2 million euros in the first nine months of 2023, 22.1% above the 432.7 million euros posted in the same period of the previous year.

This performance was due to the aforementioned increase in the provision booked by the Polish subsidiary to face the legal risk associated with mortgage loans in foreign currency, reflecting the estimated impact of the unfavourable decision of the Court of Justice of the European Union regarding this portfolio and the inclusion of more conservative assumptions in the provision calculation methodology, in order to anticipate potential negative trends associated to this portfolio. It should be noted, however, that the impact of these extraordinary provisions was offset by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. (34.0 million euros in the first nine months of 2023 and 31.4 million euros in the same period of 2022).

On the other hand, the evolution of other impairments and provisions in the international activity was influenced by the fact that the amount of 2022 includes the impairment related to the total goodwill associated with the Group's participation in Bank Millennium, as mentioned above.

INCOME TAX

Income tax (current and deferred) amounted to 387.4 million euros in the first nine months of 2023, which compares to 208.6 million euros posted in the same period of the previous year.

The recognised taxes include, in the first nine months of 2023, current tax of 172.7 million euros (75.4 million euros in the first nine months of 2022) and deferred tax of 214.7 million euros (133.2 million euros in the first nine months of 2022).

Expenses with the reduction of deferred tax assets in the first nine months 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 other risks and charges, not deductible for tax purposes.

Current tax expenses in the first nine months 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 91,169 million euros as of 30 September 2023, showing a 6.1% decrease compared to the 97,135 million euros recorded on the same date of the previous year, with this evolution being determined by the reduction in assets in the activity in Portugal, partially offset by the increase recorded in the international activity.

The performance of the activity in Portugal resulted in a decrease of 13.7% in total assets, compared to the 71,370 million euros recorded on 30 September 2022, totalling 61,589 million euros on the same date of the current year. The reduction in loans and advances to Central Banks largely justified the reduction in assets. Additionally, but to a lesser extent, this evolution is also explained by the decreases in loans to customers portfolio (net of impairment), in other assets, in hedging derivatives and in non-current assets held for sale. Conversely, there were increases in deposits at Central Banks and in the securities portfolio.

In the international activity, total assets amounted to 29,580 million euros on 30 September 2023, showing an increase of 14.8% compared to the same date of the previous year (25,765 million euros recorded as of 30 September 2022). This evolution mainly reflects the increase in total assets in the Polish subsidiary, driven above all by the increase observed in the securities portfolio, partly offset by the decrease in deposits at Central Banks. In turn, assets in the Mozambique subsidiary recorded a decrease compared to the previous year due to the reduction in loans and advances to Central Banks and other credit institutions, partially offset by the increase in deposits at Central Banks (increase of local cash reserve requirement).

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp, as defined in the glossary, amounted to 56,665 million euros on 30 September 2023, 3.3% below the 58,622 million euros recorded at the end of the first nine months of the previous year. This evolution reflects the reductions seen in the activity in Portugal and in the international activity, although in the latter case the reduction was of lesser magnitude.

In the activity in Portugal, loans to customers (gross loans) stood at 39,400 million euros as at 30 September 2023, 4.0% below the 41,030 million euros recorded at the end of the first nine months of 2022. The portfolio of credit granted to companies recorded a reduction of 1,593 million euros compared to the end of the first nine months of 2022, in a context 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. Loans to individuals recorded a slight reduction of 36 million euros compared to the same date of the last year, following the decrease observed in mortgage credit (minus 96 million euros) as part of a lower demand for new mortgage credits due to high interest rates and a greater rate of early repayments of existing mortgage credits, partially mitigated by the increase recorded in personal loans (plus 59 million euros).

In the international activity, loans to customers (gross loans) stood at 17,265 million euros on 30 September 2023, 1.9% below the 17,593 million euros recorded at the end of the first nine months of 2022. Loans to companies registered a reduction of 414 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 and a reduction in credit to companies in the subsidiary in Mozambique, although in the latter geography the reduction recorded was smaller. In turn, loans to individuals showed a slight increase of 87 million euros compared to the same date of the previous year. This evolution is being driven by the increase in personal loans observed in both geographies (more significant increase in the Polish subsidiary), partially offset by the reduction in mortgage credit in the Polish subsidiary, since in the Mozambican subsidiary this business segment remained stable.

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 relevant downward trend, falling from 1,722 million euros on 30 September 2022 to 862 million euros as of 30 September 2023, representing 10.2% and 5.2% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.9% and 1.5% of the total consolidated loan portfolio, at the end of the first nine months of 2022 and 2023, respectively. Excluding the portion relating to Euro Bank S.A. (the risk of which is fully covered by a third party, within the scope of the clauses set out in the acquisition contract of that entity) from that portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 1,575 million euros at the end of the first nine months of 2022 to 767 million euros at the end of the first nine months of 2023, representing 9.4% and 4.6% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.7% and 1.4% of the total consolidated loan portfolio on the aforesaid dates, respectively.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Sep. 23	30 Sep. 22	Chg. 23/22
INDIVIDUALS	**33,902**	**33,852**	**0.1 %**
Mortgage loans	27,531	27,939	(1.5)%
Personal loans	6,372	5,913	7.8 %
COMPANIES	**22,763**	**24,770**	**(8.1)%**
Services	8,097	8,728	(7.2)%
Commerce	3,831	4,189	(8.6)%
Construction	1,507	1,612	(6.5)%
Others	9,328	10,241	(8.9)%
	56,665	**58,622**	**(3.3)%**
Of which:			
Activity in Portugal	39,400	41,030	(4.0)%
International activity	17,265	17,593	(1.9)%

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. 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.

Despite the complex economic context, credit quality continues to record a generally favourable evolution, with emphasis on the reduction in the amount of the NPE portfolio, in consolidated terms, evolving from 2,424 million euros on 30 September 2022 to 2,026 million euros on 30 September 2023 (minus 398 million euros in consolidated terms, of which 344 million euros is related to the reduction recorded in the activity in Portugal).

The NPE ratio (measured by the percentage between non performing exposures and the total loan portfolio), in consolidated terms, decreased from 4.1% at the end of the first nine months of 2022 to 3.6% on 30 September 2023, mainly due to the behaviour of the activity in Portugal, whose NPE ratio stood at 3.0% at the end of the first nine months of 2023, which compares with the 3.7% 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 182.7% on 30 September 2022 to 195.7% on 30 September 2023. Additionally, NPE coverage by impairment, in consolidated terms, increased substantially from 66.5% as of 30 September 2022 to 76.6% at the end of the first nine months of 2023 and, in the activity in Portugal, stood at 81.0% on 30 September 2023, reaching a level above the 65.9% registered on 30 September 2022.

The coverage of the mortgage loan portfolio in foreign currency in the Polish subsidiary was substantially reinforced from 41.3% on 30 September 2022 to 73.5% on 30 September 2023.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 23	30 Sep. 22	Chg. 23/22	30 Sep. 23	30 Sep. 22	Chg. 23/22
STOCK (M€)						
Loans to customers (gross)	56,665	58,622	(3.3)%	39,400	41,030	(4.0)%
Overdue loans > 90 days	529	641	(17.5)%	220	296	(25.8)%
Overdue loans	629	730	(13.9)%	230	308	(25.2)%
Restructured loans	1,775	2,093	(15.2)%	1,235	1,571	(21.4)%
NPL > 90 days	793	882	(10.1)%	394	446	(11.7)%
NPE	2,026	2,424	(16.4)%	1,192	1,537	(22.4)%
Loans impairment (Balance sheet)	1,553	1,612	(3.7)%	966	1,012	(4.6)%
NPE impairment (Balance sheet)	1,035	1,172	(11.7)%	620	726	(14.6)%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	1.1 %		0.6 %	0.7 %	
Overdue loans / Loans to customers (gross)	1.1 %	1.2 %		0.6 %	0.8 %	
Restructured loans / Loans to customers (gross)	3.1 %	3.6 %		3.1 %	3.8 %	
NPL > 90 days / Loans to customers (gross)	1.4 %	1.5 %		1.0 %	1.1 %	
NPE / Loans to customers (gross)	3.6 %	4.1 %		3.0 %	3.7 %	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.3 %	2.7 %		2.2 %	2.5 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	293.8 %	251.6 %		440.0 %	342.1 %	
Coverage of overdue loans	246.9 %	220.7 %		419.2 %	328.8 %	
Coverage of NPL > 90 days	195.7 %	182.7 %		245.4 %	227.1 %	
Coverage of NPE	76.6 %	66.5 %		81.0 %	65.9 %	
Specific coverage of NPE	51.1 %	48.3 %		52.0 %	47.2 %	

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 1.4% compared to the 91,069 million euros calculated on 30 September 2022, standing at 92,379 million euros at the end of the first nine months of 2023, 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 customer funds increased from 75,184 million euros on 30 September 2022 to 76,876 million euros on 30 September 2023, mainly due to the expansion of deposits and other resources from customers, which in consolidated terms increased by 1,691 million euros compared to the same date of the previous year due to the positive performance observed in the international activity, partially mitigated by the decrease recorded in the activity in Portugal.

Off-balance sheet customer funds showed a negative evolution compared to the previous year, showing a reduction of 383 million euros, standing at 15,502 million euros at the end of the first nine months of 2023, due to the reduction recorded in the activity in Portugal, partly offset by the increase verified in the international activity.

In the activity in Portugal, total customer funds amounted to 65,639 million euros as at 30 September 2023, showing a reduction of 2.3% compared to 67,173 million euros recorded at the end of the first nine months of the previous year. This evolution is explained by the reductions in deposits and other resources from customers (869 million euros less than in the same date of the previous year) and the decrease of off-balance sheet customers funds (minus 666 million euros than in the same date one year ago). Regarding off-balance sheet customer funds, there were decreases in insurance products (savings and investments) and in assets under management, with the variation in the first segment being the most pronounced, partly offset by the increase in assets placed with customers.

In the international activity, total customer funds stood at 26,740 million euros on 30 September 2023, showing an increase of 11.9% compared to 23,896 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 25,134 million euros as at 30 September 2023, 11.3% above the 22,574 million euros recorded at the end of the first nine months of the previous year, with this evolution being explained by the increase in deposits and other resources from customers in the Polish subsidiary. Conversely, the subsidiary in Mozambique recorded a decrease in deposits and other resources from customers.

Off-balance sheet customer funds in the international activity registered an increase (more 283 million euros compared to 30 September 2022), standing at 1,605 million euros at the end of the first nine months of 2023. This increase was seen essentially in assets under management and assets placed with customers, partially offset by a slight decrease in insurance products (savings and investment).

As at 30 September 2023, on-balance sheet customer funds and deposits and other customer funds, in consolidated terms, represented 83.2% and 81.8% of total customer funds (82.6% and 81.1% respectively at 30 September 2022).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 73.0% on 30 September 2023, with the same ratio, considering on-balance sheet customers funds, standing at 71.7%. Both ratios show values below those obtained at the same date of the previous year, 77.2% and 75.8%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	30 Sep. 23	30 Sep. 22	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS	**76,876**	**75,184**	**2.3 %**
Deposits and other resources from customers	75,534	73,843	2.3 %
Debt securities	1,343	1,341	0.1 %
OFF-BALANCE SHEET CUSTOMER FUNDS	**15,502**	**15,885**	**(2.4)%**
Assets under management	5,240	5,071	3.3 %
Assets placed with customers	5,519	5,166	6.8 %
Insurance products (savings and investment)	4,743	5,649	(16.0)%
	92,379	**91,069**	**1.4 %**
Of which:			
Activity in Portugal	65,639	67,173	(2.3)%
International activity	26,740	23,896	11.9 %

SECURITIES PORTFOLIO

The securities portfolio of the Group, as defined in the glossary, amounted to 24,725 million euros on 30 September 2023, showing an increase of 5,189 million euros in relation to the 19,536 million euros recorded on the same date of the previous year, representing 27.1% of total assets at the end of the first nine months of 2023 (20.1% at the end of the first nine months of 2022).

The portfolio allocated to the activity in Portugal went from 15,407 million euros on 30 September 2022 to 15,639 million euros at the end of the first nine months of 2023. This increase is associated with a reinforcement of the public debt in the euro zone, namely French, Belgium and Spanish public debt, compensating a lower level of investment in Portuguese public debt.

The securities portfolio allocated to the international activity increased significantly from 4,129 million euros at the end of the first nine months of 2022 to 9,086 million euros on 30 September 2023, following the increase of investment in other Eurozone sovereign issuers, in Polish and in Mozambican public debt.

LIQUIDITY MANAGEMENT

Over the last twelve months, the Group's three operations maintained robust liquidity positions, supported mainly by retail deposit bases with proven stability and which allowed all liquidity indicators, regulatory and internal, to be maintained comfortably above the minimum requirements.

The Liquidity Coverage Ratio (LCR) on a consolidated basis reached 244% at the close of September 2023, compared to 264% on 30 September 2022. This surplus of 13 billion euros (compared to 14 billion euros on 30 September 2022) exceeds the 100% regulatory minimum requirement. This buffer 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 the stable funding base, characterised by the large share of customer deposits in the funding structure and medium and long-term instruments, which enabled the stable funding ratio (NSFR: Net Stable Funding Ratio; Article 428 of Regulation (EU) 2019/876) as at 30 September 2023 to stand at 160% (153% on 30 September 2022).

On 30 September 2023, the Group maintains a structurally comfortable liquidity profile with a loan-to-deposit ratio of 73% (calculated according to Bank of Portugal Instruction No. 16/2004), compared to 77% on 30 September 2022, indicating a slight improvement over this period.

In Portugal, despite the significant migration of deposits to non-bank savings products, especially in the first quarter of 2023, the volume of customer deposits showed a reduction of just 1.7% between September 2022 and September 2023. Given this performance, BCP continued to reinforce its deposit market share, which in June 2023 grew by 0.4 pp on an annual basis, to 19.0%, proving the value of the Bank's franchise.

In September 2023, after reacquiring investment grade status by the four main rating agencies, BCP returned to the market, placing an issue of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) under its Euro Note Programme. The issue, in the amount of 500 million euros, has a term of 3 years, with an option for early repayment by the Bank at the end of the second year, an issue price of 99.825% and a fixed interest rate of 5.625% per year, during the first 2 years (corresponding to a spread of 1.90% over the 2-year mid-swaps rate). In the third year, the interest rate will result from the sum of the 3-month Euribor with a spread of 1.90%. The issue was placed among a very diversified base of institutional investors, with demand exceeding the transaction amount by more than 3 times. The high demand and the profile of investors involved in the issuance made it possible to narrow the spread by 30 bps during the execution phase, also reflecting an excellent market response to the Bank's recent rating upgrades. The settlement of the issue occurred in October.

Previously, in chronological order and also with a view to ensure compliance with the MREL, the Bank had issued in October 2022 senior preferred debt, in a "3NC2" format (three-year issue repayable in advance at the end of the second year), in the amount of 350 million euros. This issue, with a coupon of 8.50% per year, was carried out despite adverse market conditions. In November 2022, as the Bank had not decided to exercise (in December) the option of early repayment of a subordinated issue of 300 million euros, it launched an exchange offer at a ratio of 1:1 for new bonds with a higher coupon and longer term. The amount of the new issue was set at 133.7 million euros and a coupon of 8.75% per year, corresponding to a spread of 605.1 basis points over mid-swaps.

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

The liquidity buffer available for discounting at the ECB stood at 25.4 billion euros on 30 September 2023, 2.3 billion euros higher than a year earlier, due mainly to the favourable evolution of the cash flow generated by the activity and the commercial gap, which offset the opposite evolutions regarding the derivatives margin accounts and the reversal of haircuts applicable to eligible assets to the values in force before the COVID -19 pandemic. The liquidity buffer at that date comprised a long position of 1.0 billion euros at the ECB, which evolved from a short position of 1.3 billion euros a year earlier.

In the last twelve months, Bank Millennium showed a very significant growth in its customer deposit base (around 14%). The operation's liquidity position was further reinforced by the placement on the market of a senior non-preferred issue of 500 million euros (initially placed with an amount of 400 million euros and subsequently increased by an additional amount of 100 million euros), with a maturity of four years and with a coupon of 9.875%, which qualifies for MREL purposes, thus completing another stage of the institution's recovery plan.

Millennium bim continues to display a resilient liquidity position, supported by a robust buffer discountable at the respective central bank, despite the strong increase in minimum mandatory reserve rates in national and foreign currency imposed by the respective central bank in the first half of 2023.

CAPITAL

The estimated CET1 ratio as at 30 September 2023 stood at 14.9% both phased-in and fully implemented, reflecting a change of +329 and +357 basis points, respectively, compared to the 11.6% and 11.4% phased-in and fully implemented ratios reported in the same period of 2022, comfortably above the minimum regulatory 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. These effects were, however, more than offset by the positive performance of the recurrent activity in Portugal and by the careful and proactive management of capital.

SOLVENCY RATIOS

Million euros

	30 Sep. 23	30 Sep. 22
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,936	5,235
Tier 1	6,427	5,635
Total Capital	**7,723**	**6,963**
Risk weighted assets	**39,711**	**45,997**
Solvency ratios		
CET1	14.9 %	11.4%
Tier 1	16.2 %	12.3%
Total capital	19.4 %	15.1%
PHASED-IN		
CET1	14.9 %	11.6%

Note: The capital ratios of 30 September 2023 are estimated including the positive accumulated net income.

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2023

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

On 25 September 2023, BCP has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme. The issue, in the amount of 500 million euros, has a tenor of 3 years, with the option of early redemption by the Bank at the end of year 2, an issue price of 99.825% and an annual interest rate of 5.625% during the first 2 years (corresponding to a spread of 1.90% over the 2-year mid-swap rate). The interest rate for the 3rd year was set at 3-month Euribor plus a 1.90% spread.

Fitch Ratings upgraded on 21 September BCP's long-term senior unsecured debt ratings to Investment Grade. This upgrade reflects the Fitch Ratings’ view that BCP’ capital ratios have increased to levels considered adequate. This improvement has been supported by materially stronger profitability given higher interest rates, strong cost efficiency and a balance sheet with reduced credit risk. The upgrade also reflects reduced risks surrounding litigation costs coming from its Polish subsidiary in relation to legacy Swiss franc-denominated mortgage loans. The Outlook on the Long-Term IDR is Stable. Fitch Ratings also raised the ratings on BCP's Additional Tier 1 and Tier 2 instruments by one notch.

S&P Global Ratings upgraded on 12 September BCP's senior unsecured debt ratings to Investment Grade. This upgrade reflects the view that BCP creditworthiness has gradually improved in absolute terms and relative to peers due to a combination of extraordinary measures and solid internal capital generation driven by improving profitability, based on better-than-peer efficiency levels and the expectation that a possible asset quality deterioration will be manageable. The rating on BCP also incorporates potential downside risks arising from the group's Polish operations and its impact on earnings in 2023 and 2024. The Outlook is Stable. S&P Global Ratings also raised the ratings on BCP's Additional Tier 1 and Tier 2 instruments by two notches.

Banco Comercial Português, S.A. was subject to the 2023 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Banco de Portugal (BdP), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). Banco Comercial Português, S.A. notes the announcements made on July 28 by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise, comprising 70 banks that together represent around 75% of total banking assets in the European Union. The 2023 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as an important source of information for the purposes of the Supervisory Review and Evaluation Process (SREP). The results will assist competent authorities in assessing Banco Comercial Português, S.A. ability to meet applicable prudential requirements under stressed scenarios. The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2023-2025). The stress test has been carried out applying a static balance sheet assumption as of December 2022, and therefore does not take into account future business strategies and management actions. It is not a forecast of Banco Comercial Português, S.A. profits. When analysing the results, it should be taken into account that the projections made under the adverse scenario incorporated a significant increase in provisions associated with the legal risk related to credits indexed to Swiss Francs at Bank Millennium in Poland. Considering the results of Banco Comercial Português, S.A, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 448 b.p. in the fully loaded CET1 capital ratio at the end of 2025 compared to December 2022, which compares with an average reduction of 459 b.p. in the universe of the 70 banks submitted to this exercise.
- the application of the baseline scenario resulted in an increase of 256 b.p. in the fully loaded CET1 capital ratio at the end of 2025 compared to December 2022, which compares with an average increase of 136 b.p.

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.

BCP was notified on 12 July by Banco de Portugal, as the national resolution authority, about the update of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board.

The resolution strategy applied continues to be that of a multiple point of entry ("MPE"). The MREL requirements to be met by BCP Group of Resolution (consisting of BCP, S.A., Banco ActivoBank, S.A. and all the subsidiary companies of BCP apart from Bank Millennium S.A. and Banco Internacional de Moçambique and their respective subsidiaries), from 1 January 2024 is of:

- 24.65% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 28.15%); and
- 6.71% of the leverage ratio exposure measure ("LRE").

The Bank is not subject to any subordination requirements.

In accordance with the regulations in force, MREL requirements could be annually updated by the competent authorities, and therefore these targets replace those previously set.

BCP complies to the currently applicable MREL requirement, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan.

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 was once again distinguished as the Best Bank in Marketing and Services on Social Networks (Best Consumer Social Media Marketing and Services) in Portugal in 2023, by Global Finance magazine.
- Millennium bcp was once again distinguished as the Best Bank in Information Security and Fraud Management in Portugal in 2023 - (The Best Consumer Information Security and Fraud Management in Portugal for 2023), by Global Finance magazine.
- Millennium bcp distinguished as "The Best Consumer Lending in Portugal in 2023" by Global Finance magazine.

- Millennium bcp distinguished as the Best Bank in Portugal in the “Sustainable Finance Awards 2023” by Global Finance magazine.
- Millennium bcp was named “Best Consumer Digital Bank” in Portugal, and the Millennium App also being considered “Best Consumer Mobile Banking App” by Global Finance.
- 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.
- 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.
- Millennium bcp has won award Marketeer in the category Banking and Finance.
- IziBizi software, the first invoicing and management software with Bank Account that merges the Cloudware Business billing and management software with Millennium bcp's financial services and Open Banking API, was distinguished at the “Fosun Group 2023 Semi Annual Awarding” with the “Most Innovative Product Award”. IziBizi also won in the “Top Tech of the Future by a Bank” category of the PayTech Awards 2023.
- ActivoBank was named for the second consecutive time as “Powerful Brand” in the “Online Banking” category.
- Bank Millennium distinguished as “Best Bank in Poland” in 2023 by Global Finance.
- Bank Millennium was distinguished as the “Best Digital Bank” in Poland in 2023, by Global Finance magazine.
- Bank Millennium distinguished as the “Best Digital Bank” in Poland for SMEs ("The Best Bank for SMEs in Poland for 2023”) by Global Finance magazine.
- Bank Millennium distinguished with the “Best Consumer Mobile App” in Poland 2023, by Global Finance magazine.
- Bank Millennium's Contact Center was highlighted at the Polish Contact Center Awards 2023, having reached the podium six times, in what is the biggest event in the sector, which recognises the best contact centers and best customer service in Poland.
- Bank Millennium was in the Top 10 in the 17th edition of the Ranking of Responsible Companies. Bank Millennium was once again among the best, occupying sixth position, in the prestigious list of the largest companies in Poland evaluated for the quality of responsible management in accordance with ESG guidelines.
- 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.
- Bank Millennium has joined the United Nations Global Compact (UNGC) as a direct participant. UNGC is the world's largest UN initiative for sustainable business. Accession to the UNGC means a commitment to comply with and implement the Ten Principles of the Compact, covering four areas: human rights, work standards, environmental protection and counteracting corruption.
- 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.
- Millennium bim distinguished as "The Best Consumer Digital Bank for Innovation and Transformation in Africa for 2023" by Global Finance magazine.
- Millennium bim distinguished as “Best Consumer Digital Bank” in Mozambique in 2023 by Global Finance magazine.
- Millennium bcp distinguished with “Best Consumer Mobile App” in Mozambique 2023 by Global Finance magazine.
- Millennium bim distinguished as the “Best Digital Bank” in Mozambique in 2023 by Global Finance magazine.

MACROECONOMIC ENVIRONMENT

In the third quarter of the year, economic activity in China and in the euro area slowed down, whereas the United States continued to exhibit greater resilience amid rising financing costs and reduced international trade flows. In the coming quarters, the persistence of a restrictive global monetary policy stance, as well as a high degree of uncertainty in the geopolitical realm, should continue to constrain economic activity, with the International Monetary Fund (IMF) projecting global GDP growth rates of 3.0% and 2.9% in 2023 and 2024, respectively.

In the financial markets, the third quarter of 2023 was characterised by a significant increase in the long-term governmental bond yields, particularly in the United States, where yields reached levels not seen since 2008. This increase reflects expectations of a prolonged restrictive monetary policy given the resilience of economic activity and a more moderate reduction in inflation levels, due to a fresh surge in international oil prices. In this context, major central banks continue to rise their interest rates, with the European Central Bank increasing its reference rate from 4.00% to 4.50% and the US Federal Reserve from 5.25% to 5.50%. The less favourable performance of sovereign debt markets resulted in reduced demand for riskier asset classes, with the major global equity indices registering devaluations, although modestly, and an increase of the risk premia of corporate debt, as well as of the euro area peripherical countries where there are higher levels of uncertainty, such as of Spain and Italy. In its turn, the risk premia associated with the Portuguese public debt remained relatively stable, benefiting from an improved rating from Fitch, which changed from BBB+ to A-, and forecasts of a budget surplus in 2023 and 2024.

The Portuguese economy stagnated in the second quarter compared to the previous period due to the deterioration of the domestic demand, resulting in a negative contribution from private consumption and investment to the quarterly GDP growth rate, alongside a lower dynamism in the external demand, notwithstanding the positive contribution of net exports. Against this backdrop, Banco de Portugal has revised downwardly its GDP growth projection in 2023, from 2.7% to 2.1%, and foresees a growth rate of 1.5% in 2024, hindered by rising financing costs and a slowdown in the foreign demand. Concerning prices, the inflation rate denoted a more moderate reduction trajectory in the third quarter, conditioned by the increase of international oil prices. In the upcoming months, Banco de Portugal expects that the inflation rate will continue to decline, projecting that it will be, on average, 3.6% in 2024.

In Poland, the economy contracted by 0.6% in the second quarter of 2023 on a year-on-year basis, reflecting a sluggish domestic demand, whose negative impact on GDP was, however, mitigated by the positive contribution of net exports. In the next quarters, it is expected that an improvement in domestic demand, supported by fiscal stimulus measures, will result in a recovery of economic activity. In this context, the IMF projects a GDP growth rate of 0.6% in 2023 and 2.3% in 2024. The weaker economic conditions, along with a decrease in the inflation rate to levels below 10% in September, led to a reduction in the restrictiveness of monetary policy, which hurt the exchange rate, with the Zloty depreciating significantly against the Euro, moving from 4.44 to 4.62 throughout the quarter.

In Mozambique, GDP grew by 4.7% in the second quarter, bolstered by the dynamism of the extractive industry, in particular of natural gas production, that should continue to support economic activity in the medium term, with IMF forecasting a GDP growth of 7.0% in 2023 and 5.0% in 2024. Despite the decrease in the inflation rate to 4.7% in August, the central bank kept its reference rate at 17.25%, given the uncertainty regarding the evolution of prices. Throughout the quarter, Metical appreciated slightly. In Angola, GDP recorded zero growth in the second quarter compared to the same quarter of the previous year, hindered by the contraction of the activity in the oil sector. Despite the less favourable environment, Kwanza remained relatively stable, following the significant depreciation observed in the second quarter.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Group			Activity in Portugal			International activity		
	Sep. 23	Sep. 22 (restated)	Chg. 23/22	Sep. 23	Sep. 22 (restated)	Chg. 23/22	Sep. 23	Sep. 22 (restated)	Chg. 23/22
INCOME STATEMENT									
Net interest income	2,117.5	1,545.8	37.0 %	1,097.7	670.9	63.6 %	1,019.7	875.0	16.5 %
Dividends from equity instruments	1.2	9.3	(86.9)%	0.5	8.5	(94.1)%	0.7	0.7	(1.9)%
Net fees and commission income	578.5	573.8	0.8 %	419.8	417.7	0.5 %	158.6	156.1	1.6 %
Net trading income	104.4	74.9	39.4 %	-17.8	98.9	(118.0)%	122.3	-23.9	>200%
Other net operating income	-56.5	-176.8	68.0 %	-66.7	-71.3	6.4 %	10.2	-105.5	109.7 %
Equity accounted earnings	47.6	37.6	26.5 %	45.2	38.6	17.1 %	2.4	-1.0	>200%
Net operating revenues	**2,792.7**	**2,064.7**	**35.3 %**	**1,478.7**	**1,163.3**	**27.1 %**	**1,313.9**	**901.4**	**45.8 %**
Staff costs	468.0	431.8	8.4 %	264.2	251.5	5.0 %	203.8	180.3	13.0 %
Other administrative costs	283.4	251.8	12.6 %	140.6	133.5	5.3 %	142.8	118.2	20.8 %
Depreciation	103.2	103.9	(0.6)%	55.1	59.1	(6.8)%	48.1	44.7	7.6 %
Operating costs	**854.6**	**787.4**	**8.5 %**	**460.0**	**444.2**	**3.5 %**	**394.6**	**343.2**	**15.0 %**
Operating costs excluding specific items	842.4	781.4	7.8 %	447.8	438.2	2.2 %	394.6	343.2	15.0 %
Profit before impairment and provisions	**1,938.0**	**1,277.2**	**51.7 %**	**1,018.7**	**719.1**	**41.7 %**	**919.3**	**558.2**	**64.7 %**
Results on modification	-14.8	-318.6	95.3 %	0.0	0.0	— %	-14.8	-318.6	95.3 %
Loans impairment (net of recoveries)	211.4	241.2	(12.3)%	157.7	174.1	(9.4)%	53.7	67.1	(19.9)%
Other impairment and provisions	602.4	532.4	13.2 %	74.2	99.7	(25.6)%	528.2	432.7	22.1 %
Profit before income tax	**1,109.3**	**185.0**	**>200%**	**786.8**	**445.2**	**76.7 %**	**322.6**	**-260.2**	**>200%**
Income taxes	**387.4**	**208.6**	**85.7 %**	**230.2**	**157.2**	**46.5 %**	**157.2**	**51.5**	**>200%**
Current	172.7	75.4	129.0 %	10.3	16.5	(37.3)%	162.3	58.9	175.7 %
Deferred	214.7	133.2	61.1 %	219.9	140.6	56.3 %	-5.2	-7.4	30.2 %
Income after income tax from continuing operations	**722.0**	**-23.6**	**>200%**	**556.6**	**288.0**	**93.2 %**	**165.4**	**-311.7**	**153.1 %**
Income arising from discontinued operations	0.0	1.5	(100.6)%	0.0	0.0	— %	0.0	1.5	(100.0)%
Non-controlling interests	71.2	-112.0	163.6 %	-0.2	-0.3	27.8 %	71.5	-111.7	164.0 %
Net income	**650.7**	**89.8**	**>200%**	**556.8**	**288.4**	**93.1 %**	**93.9**	**-198.5**	**147.3 %**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	91,169	97,135	(6.1)%	61,589	71,370	(13.7)%	29,580	25,765	14.8 %
Total customer funds	**92,379**	**91,069**	**1.4 %**	**65,639**	**67,173**	**(2.3)%**	**26,740**	**23,896**	**11.9 %**
Balance sheet customer funds	**76,876**	**75,184**	**2.3 %**	**51,742**	**52,610**	**(1.6)%**	**25,134**	**22,574**	**11.3 %**
Deposits and other resources from customers	75,534	73,843	2.3 %	50,399	51,269	(1.7)%	25,134	22,574	11.3 %
Debt securities	1,343	1,341	0.1 %	1,343	1,341	0.1 %	0	0	— %
Off-balance sheet customer funds	**15,502**	**15,885**	**(2.4)%**	**13,897**	**14,563**	**(4.6)%**	**1,605**	**1,322**	**21.4 %**
Assets under management	5,240	5,071	3.3 %	4,205	4,298	(2.2)%	1,035	773	33.9 %
Assets placed with customers	5,519	5,166	6.8 %	5,182	4,876	6.3 %	338	290	16.5 %
Insurance products (savings and investment)	4,743	5,649	(16.0)%	4,510	5,390	(16.3)%	233	259	(10.3)%
Loans to customers (gross)	**56,665**	**58,622**	**(3.3)%**	**39,400**	**41,030**	**(4.0)%**	**17,265**	**17,593**	**(1.9)%**
Individuals	**33,902**	**33,852**	**0.1 %**	**21,065**	**21,101**	**(0.2)%**	**12,837**	**12,751**	**0.7 %**
Mortgage	27,531	27,939	(1.5)%	18,821	18,917	(0.5)%	8,709	9,022	(3.5)%
Personal Loans	6,372	5,913	7.8 %	2,244	2,184	2.7 %	4,128	3,729	10.7 %
Companies	**22,763**	**24,770**	**(8.1)%**	**18,335**	**19,928**	**(8.0)%**	**4,428**	**4,842**	**(8.6)%**
CREDIT QUALITY									
Total overdue loans	629	730	(13.9)%	230	308	(25.2)%	398	422	(5.7)%
Overdue loans by more than 90 days	529	641	(17.5)%	220	296	(25.8)%	309	345	(10.4)%
Overdue loans by more than 90 days / Loans to customers	0.9 %	1.1%		0.6 %	0.7%		1.8 %	2.0%	
Total impairment (balance sheet)	1,553	1,612	(3.7)%	966	1,012	(4.6)%	587	599	(2.1)%
Total impairment (balance sheet) / Loans to customers	2.7 %	2.7%		2.5 %	2.5%		3.4 %	3.4%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	293.8 %	251.6 %		440.0 %	342.1%		189.9 %	173.9 %	
Non-Performing Exposures (NPE)	2,026	2,424	(16.4)%	1,192	1,537	(22.4)%	834	888	(6.1)%
NPE / Loans to customers	3.6 %	4.1%		3.0 %	3.7%		4.8 %	5.0%	
Total impairment (balance sheet) / NPE	76.6 %	66.5%		81.0 %	65.9%		70.4 %	67.5%	
Restructured loans	1,775	2,093	(15.2)%	1,235	1,571	(21.4)%	540	521	3.5 %
Restructured loans / Loans to customers	3.1 %	3.6%		3.1 %	3.8%		3.1 %	3.0%	
Cost of risk (net of recoveries, in b.p.)	50	55		53	57		42	51	

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Interest and similar income	3,190,572	1,878,103
Interest expense and similar charges	-1,073,111	-332,272
NET INTEREST INCOME	**2,117,461**	**1,545,831**
Dividends from equity instruments	1,216	9,262
Net fees and commissions income	578,458	573,803
Gains/(losses) on financial operations at fair value through profit or loss	-15,326	8,000
Foreign exchange gains/(losses)	21,043	30,894
Gains/(losses) on hedge accounting	-854	-1,506
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	99,565	37,550
Other operating income / (losses)	-71,709	-201,913
TOTAL OPERATING INCOME	**2,729,854**	**2,001,921**
Staff costs	467,976	431,821
Other administrative costs	283,399	251,751
Amortisations and depreciations	103,240	103,856
TOTAL OPERATING EXPENSES	**854,615**	**787,428**
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	**1,875,239**	**1,214,493**
Results on modification	-14,829	0
Impairment of financial assets at amortised cost	-212,653	-246,385
Impairment of financial assets at fair value through other comprehensive income	894	1,763
Impairment of other assets	-20,704	-138,268
Other provisions	-581,395	-695,325
NET OPERATING INCOME	**1,046,552**	**136,278**
Share of profit of associates accounted for using the equity method	47,582	37,615
Gains/(losses) on disposal of subsidiaries and other assets	15,215	11,128
NET INCOME BEFORE INCOME TAXES	**1,109,349**	**185,021**
Income taxes		
Current	-172,695	-75,409
Deferred	-214,684	-133,227
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	**721,970**	**-23,615**
Net income from discontinued or discontinuing operations	-9	1,481
NET INCOME AFTER INCOME TAXES	**721,961**	**-22,134**
Net income for the period attributable to:		
Bank's Shareholders	650,715	89,826
Non-controlling interests	71,246	-111,960
NET INCOME FOR THE PERIOD	**721,961**	**-22,134**
Earnings per share (in Euros)		
Basic	0.055	0.005
Diluted	0.055	0.005

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of

	30 September 2023	31 December 2022 (restated)	30 September 2022 (restated)
ASSETS			
Cash and deposits at Central Banks	3,525,815	6,022,001	3,122,862
Loans and advances to credit institutions repayable on demand	187,966	213,460	346,032
Financial assets at amortised cost			
Loans and advances to credit institutions	1,116,126	963,434	7,751,515
Loans and advances to customers	52,921,349	54,675,793	54,902,163
Debt securities	17,036,087	13,035,582	12,585,844
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,098,527	766,597	1,047,739
Financial assets not held for trading mandatorily at fair value through profit or loss	492,084	552,679	914,910
Financial assets designated at fair value through profit or loss	30,710	—	—
Financial assets at fair value through other comprehensive income	8,673,873	7,461,553	7,574,144
Hedging derivatives	82,079	59,703	799,496
Investments in associated companies	335,261	314,919	398,743
Non-current assets held for sale	81,575	499,035	605,888
Investment property	15,144	15,217	12,238
Other tangible assets	596,226	574,697	574,988
Goodwill and intangible assets	197,241	182,687	157,366
Current tax assets	9,706	17,945	12,892
Deferred tax assets	2,723,447	2,938,986	2,970,129
Other assets	2,046,023	1,582,455	3,358,370
TOTAL ASSETS	**91,169,239**	**89,876,743**	**97,135,319**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	1,240,204	1,468,360	8,967,315
Resources from customers	73,373,829	75,430,143	73,842,798
Non subordinated debt securities issued	2,056,932	1,482,086	1,091,639
Subordinated debt	1,354,493	1,333,056	1,331,884
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	269,007	241,506	246,698
Financial liabilities at fair value through profit or loss	3,502,631	1,817,678	1,331,522
Hedging derivatives	137,348	178,000	2,258,197
Provisions	661,981	561,786	567,205
Current tax liabilities	173,456	23,680	8,490
Deferred tax liabilities	8,964	11,708	11,241
Other liabilities	1,542,481	1,391,973	1,641,506
TOTAL LIABILITIES	**84,321,326**	**83,939,976**	**91,298,495**
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	1,551,113	1,272,262	-367,950
Net income for the period attributable to Bank's Shareholders	650,715	197,386	89,826
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	**5,934,674**	**5,154,653**	**5,131,881**
Non-controlling interests	913,239	782,114	704,943
TOTAL EQUITY	**6,847,913**	**5,936,767**	**5,836,824**
TOTAL LIABILITIES AND EQUITY	**91,169,239**	**89,876,743**	**97,135,319**

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 nine months ended at 30 September 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 nine months of 2023 and 2022 were not audited.