Banco Montepio

Credit Update

April 2024

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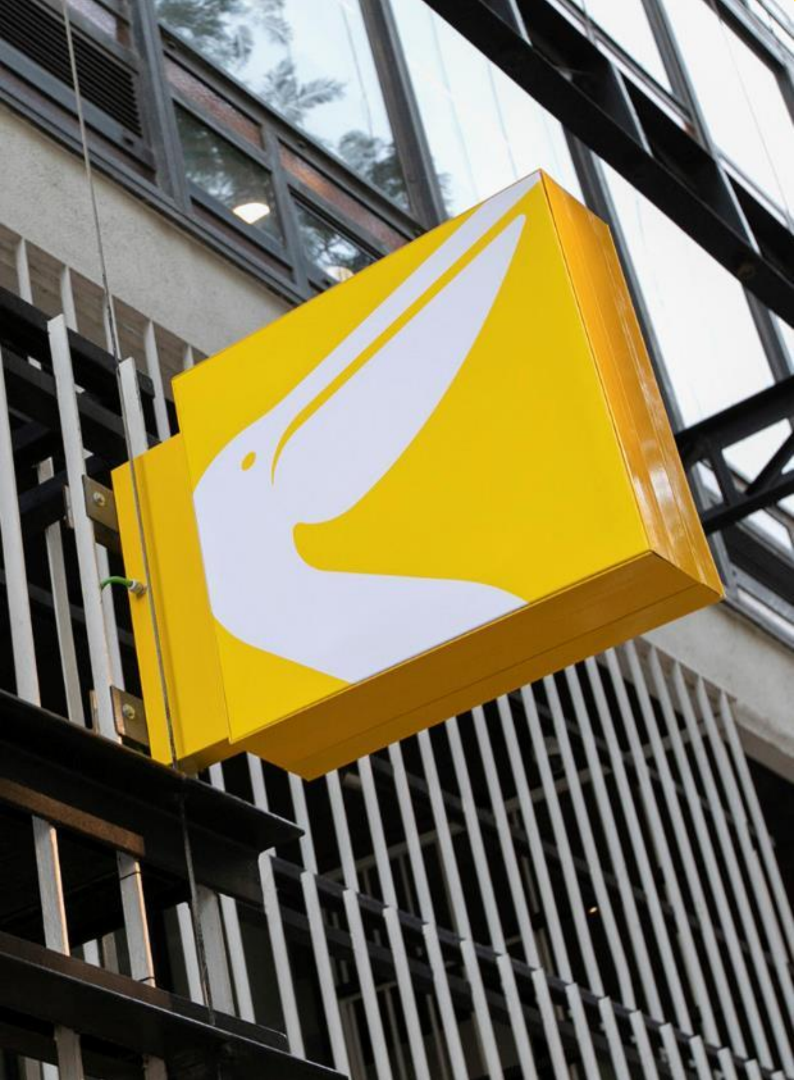

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Banco Montepio

1

Executive Summary

Banco Montepio

Banco Montepio is one of the oldest brands with a long history of trust and tradition built on principles of mutualism

1840
Montepio Geral Associação Mutualista (MGAM), the majority shareholder, was established

1844
MONTE-PIO GERAL
Creation of Caixa Económica Montepio Geral, now Banco Montepio

1846
BANCO DE PORTUGAL
EUROSISTEMA

1919
SEGURANÇA SOCIAL
Establishment of Social Security (*Segurança Social*) providing public (state) support and welfare benefits for residents.

1979
Banco Montepio authorised to operate as a "**universal bank**" (in accordance with DL no. 136/79, amended by DL no. 319/97)

1990
37 Branches

1997
1st Rep Office (Paris)
183 Branches

2010
329 Branches

2011
Acquisition of 100% Finibanco-Holding, SGPS, S.A.
499 Branches

2017
Banco Montepio changed its legal status to a savings bank (*caixa económica bancária*) incorporated as a public limited liability company (*sociedade anónima*), under the supervision of Banco de Portugal, being its capital represented by common shares.
324 Branches

2019
Banco Montepio
Renamed “Banco Montepio”. The legal name “Caixa Económica Montepio Geral” was kept

2020
Implementation of a successful strategy leading to the simplification of the Group's structure with the sale of international participations, the reduction of the branch network and the adjustment of the workforce, the significant reduction of NPAs and the strengthening of capital ratios.

Dec 2023

The Pelican is the symbol of altruism and mutual aid

Banco Montepio

Domestically focused retail and SME bank well positioned in the current macroeconomic environment

Business segments

- Business model focused on traditional retail banking and SME lending in Portugal

Commercial Banking
- Retail banking (Individuals and Corporate)
- Social Economy
- Specialized Credit

Corporate and Investment Banking

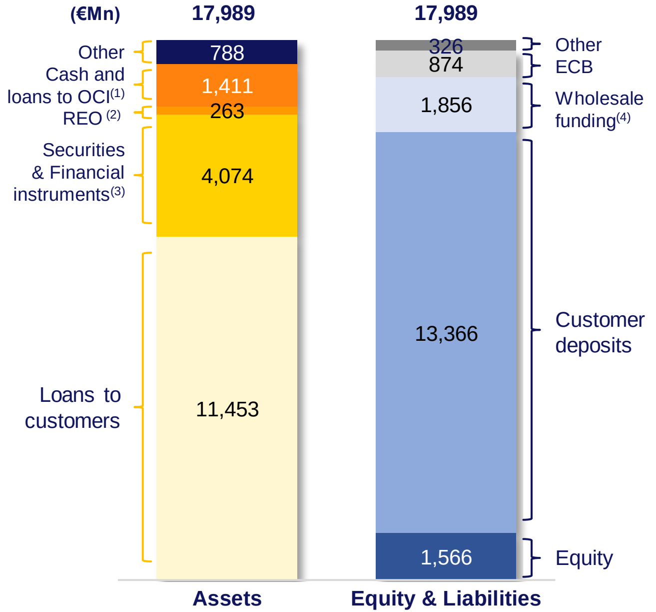
Individuals

Corporate (focus on SME)

Social Economy

Balance sheet overview

- Seventh-largest bank in Portugal by total assets

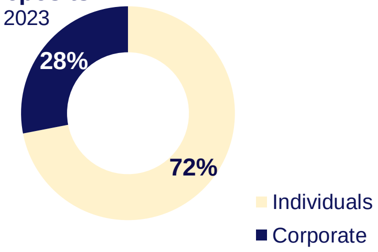


Customer deposits and loans

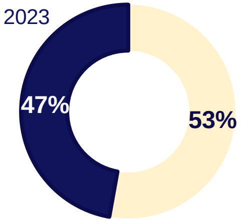
- ~5% market share for loans and deposits supported by strong customer brand recognition

LTD(5): 85.7%

Customer Deposits
31 December 2023



Gross loans to Customers
31 December 2023



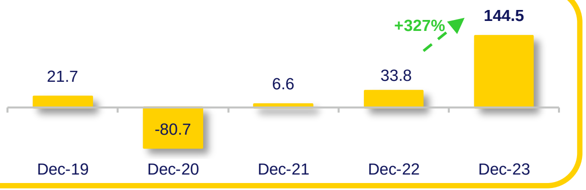
(1) Cash and loans to OCI = Cash and deposits at central banks + Loans and advances to credit institutions repayable on demand + Other loans and advances to credit institutions. (2) REO = Real Estate Owned. (3) Securities & Financial instruments = Financial assets held for trading + Financial assets at fair value through profit or loss (FVPL) + Financial assets at fair value through other comprehensive income (FVOCI) + Other financial assets at amortised cost (4) Wholesale funding = Deposits from other financial institutions + Debt securities issued + Other subordinated debt. (5) Net loans / Customer deposits

Banco Montepio

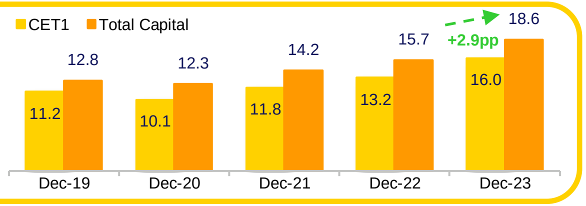
Banco Montepio continues to show good performance with recurring net income and capital ratios at historical highs

- ✓ Significantly improved profitability through efficient, low risk, simplified retail business model
- ✓ Solid performance with strengthening of positive results supported by NII and commissions growth
- ✓ Strong and prudent capital position, well above SREP requirements

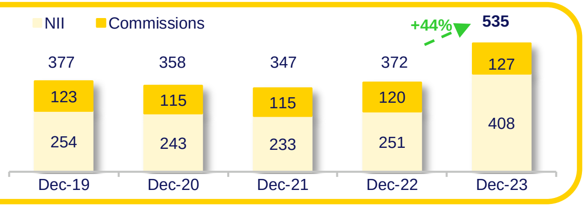
Recurring net income[1] (€Mn)



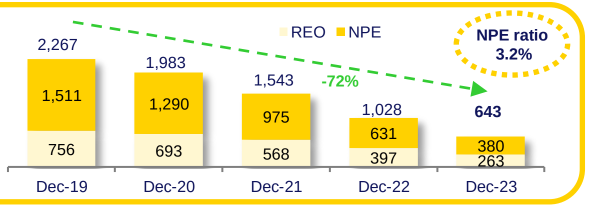
CET1 & Total Capital[2] (%)



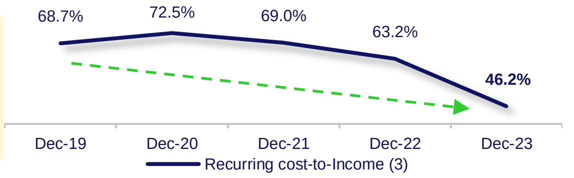
Core operating income (€Mn)



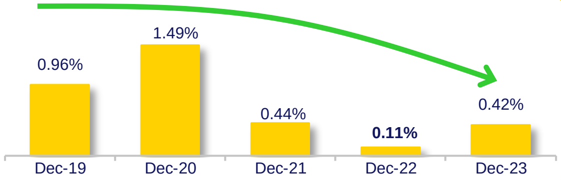
NPAs (€Mn)



Cost-to-income (%)



Cost of credit risk (%)



(1) Recurring net income: Net income excluding FX reserve reclassification. (2) Fully implemented. (3) Recurring cost-to-income: Measured by the ratio between operating costs and operating income, excluding the results from financial operations, the other results and the costs related to the operational adjustment programme.

Banco Montepio

Simplification of the Group with the sale of Finibanco Angola and BEM

GROUP SIMPLIFICATION

- **Completion of the sale of the stake in Finibanco Angola in August 2023**
- **Sale of the stake in Banco Empresas Montepio (BEM)** and integration of all assets, liabilities and operations into Banco Montepio, in order to capture synergies and, at the same time, preserve and enhance the integrated value proposition of commercial banking and investment banking, with the aim of better serving Customers at all times

GOVERNANCE

- **Board of Directors took office** for the four-year period 2022/2025, with effect from 25 July 2022
- The Governing Bodies approved by the shareholders and by the Banco de Portugal follows a **more parity-based governance model** towards the **Banco Montepio's firm commitment to gender equality**; 7 out of 12 members are women
- **Banco Montepio is a leader in SDG5 compliance.** It is a reference in the banking sector and the first Portuguese bank to achieve gender equality in its governing bodies

Strong liquidity position and limited funding requirements

LIQUIDITY & FUNDING

- **Solid liquidity buffer of €4.9Bn**, mainly consisting of cash deposits with the BoP and liquid government bonds marked to market less ECB's valuation haircuts
- **LCR:** 233.1% & **NSFR:** 130.4%, reflecting a comfortable liquidity position
- Stable customer deposits as main funding source with access to wholesale markets driven by MREL requirements and T2 management
- **Wholesale funding maturity profile** spread over years with limited concentrations and manageable needs

MREL

- **Exceeding 2023 MREL requirements** and well positioned to meet 2025 requirements through a sustainable combination of issuance, organic capital generation and balance sheet optimisation
- **No MREL subordination requirements** given the balance sheet size

Operational adjustment plan successfully completed

BUSINESS

- **Loans and advances to customers** amounted to €11.5Bn (-2.2% YoY)
- **Deposits from customers** amounted to €13.4Bn (+1.9% YoY)
- **Loan to Deposits ratio:** 85.7%
- **Customers using the Montepio24 service** (internet and mobile banking) increased by 4.7% YoY, and the number of transactions carried out increased by 5.2% YoY

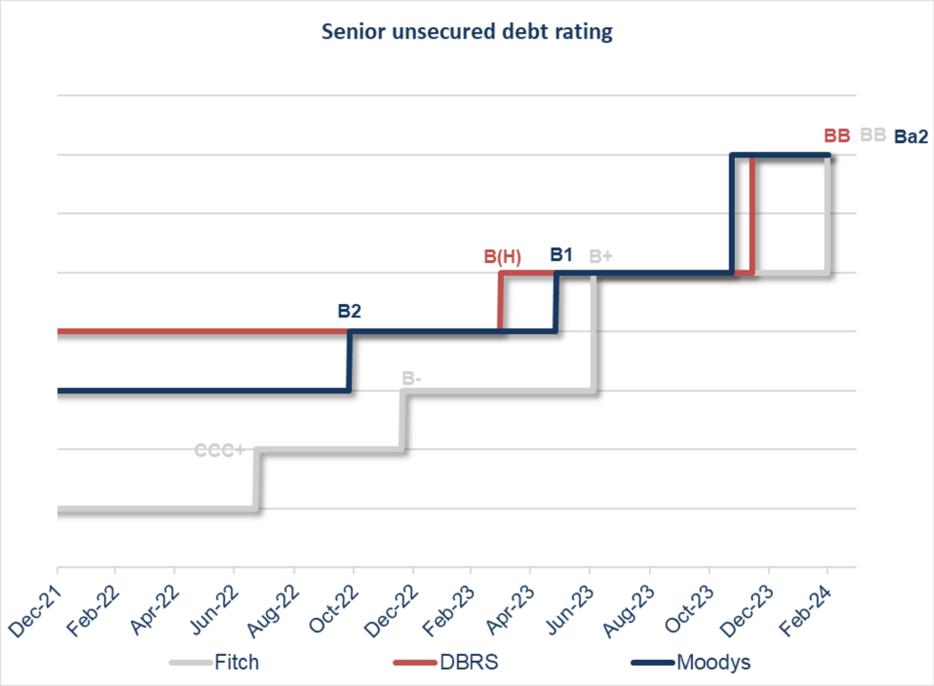
OPERATIONAL ADJUSTMENT

- Improvement of the **efficiency ratio[1] to 46.2%** (63.2% in 2022)
- **Optimisation of the retail network in Portugal** with the closure of 14 branches YoY (-5.7%)
- **Reduction of Banco Montepio's headcount** by 423 YoY, of which 210 (-6.6%) in Portugal
- **Staff costs** increased 0.7% to €153.7Mn (which include the accounting of €8.2Mn in extraordinary charges under the headcount adjustment programme, compared to €10.5Mn in 2022)

[1] Measured by the ratio between operating costs and operating income, excluding the results from financial operations, the other results and the costs related to the adjustment programme.

Banco Montepio

Successive upgrades by the rating agencies, reflecting the significant progress made by Banco Montepio



FitchRatings (▲+6 notches) | MORNINGSTAR DBRS (▲+3 notches) | MOODY'S (▲+4 notches)

- **Feb/2024 - Fitch Ratings upgraded the rating of Banco Montepio's senior unsecured debt two consecutive times in eight months,** the last one in **February/2024 to BB**. Fitch also upgraded the Covered Bonds rating to AAA

- **Dec/2023 - DBRS Ratings upgraded the Long-Term Issuer Rating to BB. This was the second consecutive upgrade in 2023**, in a total of 3 notches.

- **Nov/2023 - Moody's upgraded the senior unsecured debt rating to Ba2. This was the third consecutive upgrade in thirteen months, totalling four levels.** The Covered Bonds rating was upgraded to Aaa

Banco Montepio

2

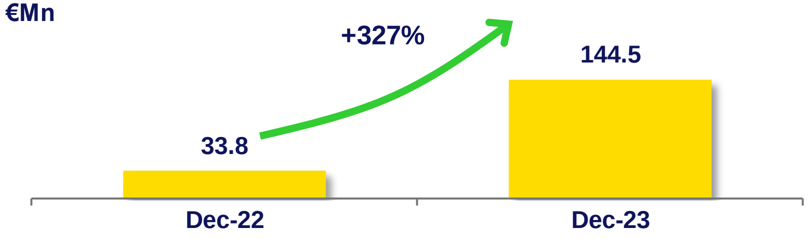
Financial results

Banco Montepio

Normalised recurring net income, driven by NII growth, cost control and low risk loan book

(Euro million)	Dec-22	Dec-23	Change YoY €Mn	Change YoY %
Net interest income	251.5	408.1	156.6	62.3%
Net fee and commission income	120.5	127.0	6.5	5.4%
FX exchange revaluation and other results	(1.9)	(31.2)	(29.3)	<-100%
OPERATING INCOME	**370.1**	**503.9**	**133.8**	**36.2%**
Staff Costs	152.6	153.7	1.1	0.7%
General and administrative expenses	59.7	64.2	4.4	7.4%
Depreciation and amortization	34.0	37.9	3.9	11.5%
OPERATING COSTS	**246.4**	**255.8**	**9.4**	**3.8%**
Loan impairments	13.4	49.6	36.3	>100%
Other impairments & provisions	31.1	16.1	(15.0)	(48.2%)
Share of profit of associates under the equity method	0.5	0.6	0.1	11.2%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**79.7**	**182.9**	**103.2**	**>100%**
Tax	35.6	50.3	14.7	41.4%
Non-controlling interests & discontinuing operations	(10.3)	11.9	22.2	>100%
RECURRING NET INCOME	**33.8**	**144.5**	**110.7**	**>100%**
FX reserve reclassification[(1)]	0.0	(116.1)	(116.1)	-
NET INCOME	**33.8**	**28.4**	**(5.4)**	**(16.1%)**

Recurring net income



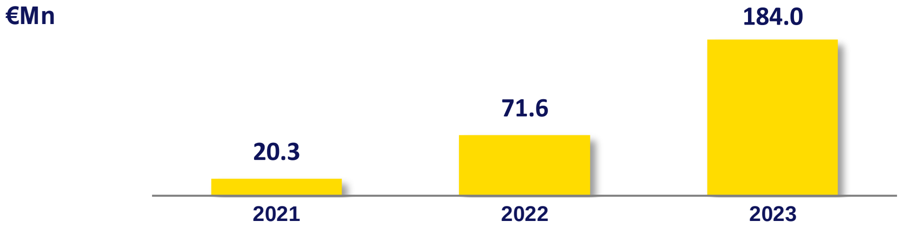
- ✓ Favourable YoY evolution supported by the increase in net interest income (+€156.6Mn YoY) and in commissions (+€6.5Mn YoY)
- **Earnings before tax and non-controlling interests up by €103.2Mn (+129% YoY)**
- In accordance with IAS 21, the accounting of the **non-recurring effect** resulting from the reclassification of the negative foreign exchange reserve determined, however, the recording of a **consolidated net income of €28.4Mn, with no impact on equity or capital ratios**

(1) Refers to the accumulated foreign exchange reserves resulting from the devaluation of the shareholding in Finibanco Angola denominated in Angolan kwanzas, which existed at the date of the deconsolidation of this shareholding and were recorded in the equity of the Banco Montepio Group under the heading of reserves, that have been transferred to the 2023 income statement following the deconsolidation of the shareholding in Finibanco Angola.

Banco Montepio

Three consecutive years with positive results (despite one-off negative effects)

Net income excluding Finibanco Angola, FX revaluation and IFRIC 21 sector contributions



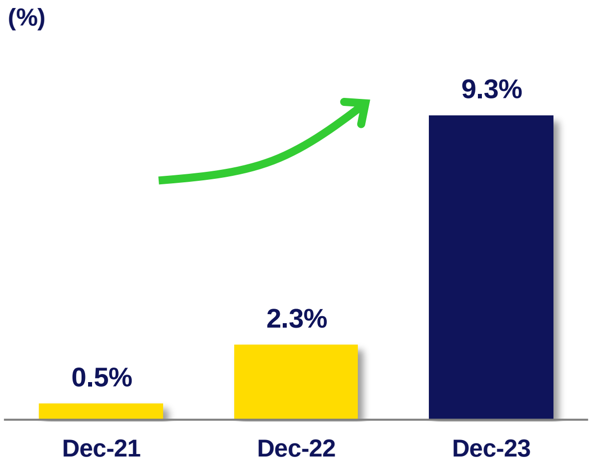
€Mn	2021	2022	2023
Net income (as reported)	6.6	33.8	28.4
Finibanco Angola (sale & FX reserves reclassification)[1]		(22.7)	(116.1)
Results from FX revaluation[2]	9.0	10.8	(20.3)
IFRIC 21 sector contributions[3]	(22.7)	(25.9)	(19.3)
Net income excluding Finibanco Angola, FX revaluation & IFRIC 21 sector contributions	**20.3**	**71.6**	**184.0**

[1] One-off effect related to the sale and deconsolidation of the stake held in Finibanco Angola

[2] (Net gains / (losses) from foreign exchange differences). Results from FX revaluation have been a source of volatility in net income and are mainly related to the Angolan kwanza and the stake held in Finibanco Angola, which will not be repeated in the future as the sale of this stake was completed in August 2023

[3] (Contributions: Banking sector, Ex-ante to the Single Resolution Fund, National Resolution Fund, Deposits Guarantee Fund). Although recurring in the short term, the annual contributions to the banking sector are recognised in the first half of each year, resulting in volatility in net income in the first half of each year compared to the second half.

Recurring ROE[4]



- Year-on-year improvement on the back of growth in core operating income

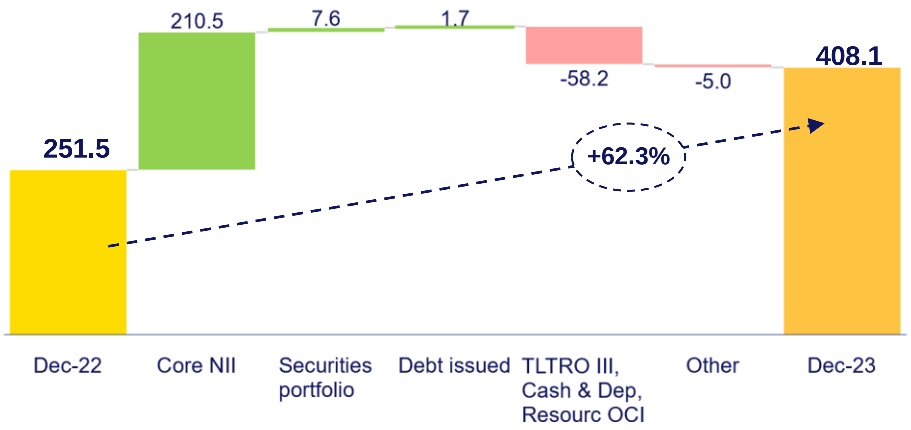
[4] measured as a percentage of the Recurring net income / Average total equity, where Recurring net income is net income excluding the reclassification of foreign exchange reserves

Banco Montepio

Strong NII performance rising 62.3% YoY driven by margin growth

Net interest income YoY

(€Mn)

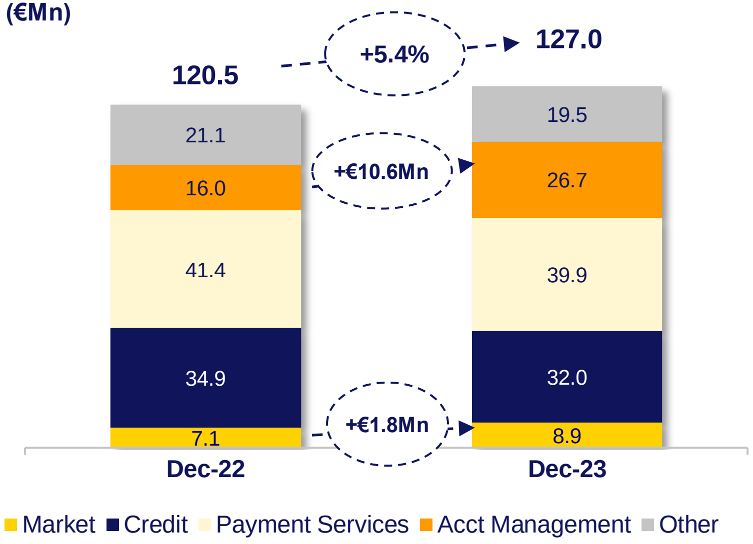


Net interest income 2023 breakdown

(€Mn)

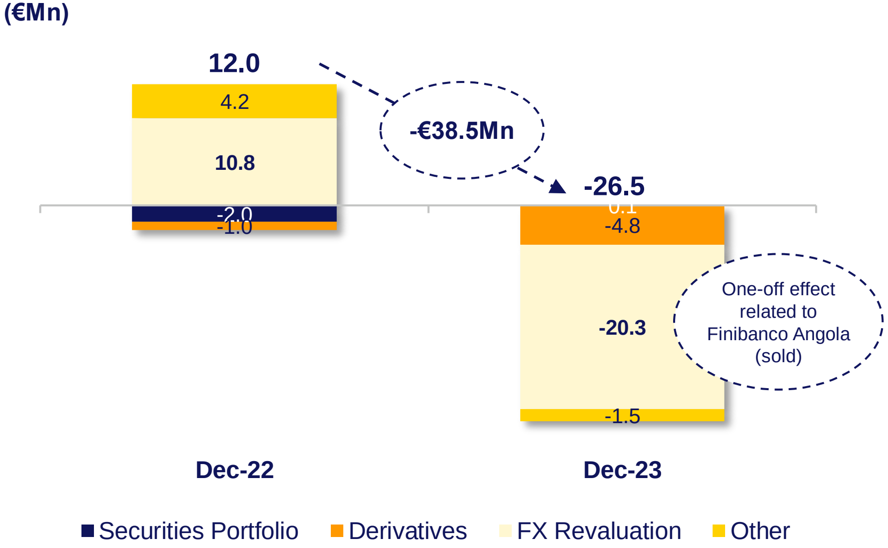
Commissions and results from financial operations

Net fees and commissions



- Higher income from account maintenance and management and market commissions, which together offset the unfavourable performance of commissions related to payment services and credit operations.

Results from financial operations

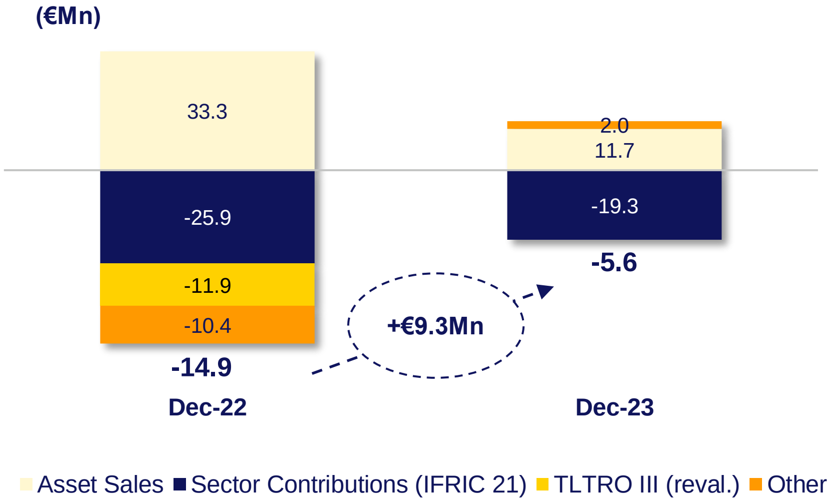


- Results from financial operations decreased by €38.5Mn YoY due to the lower results from foreign exchange revaluation by €31.1Mn, following the sharp devaluation of the Angolan kwanza in 2023.

Banco Montepio

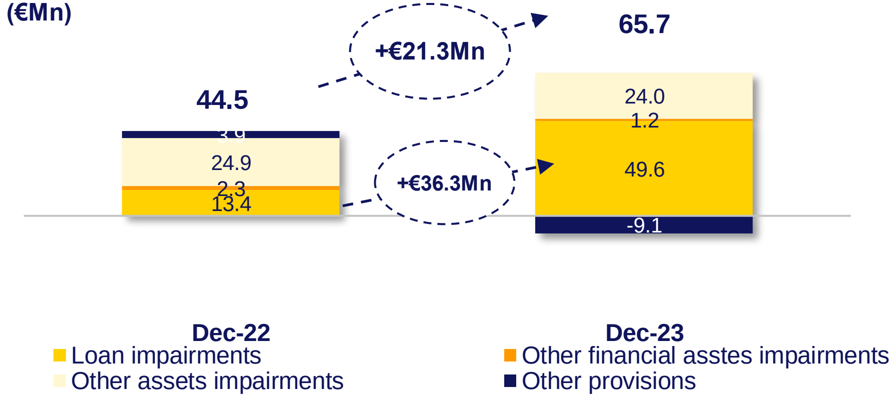
Other results and impairments

Other results

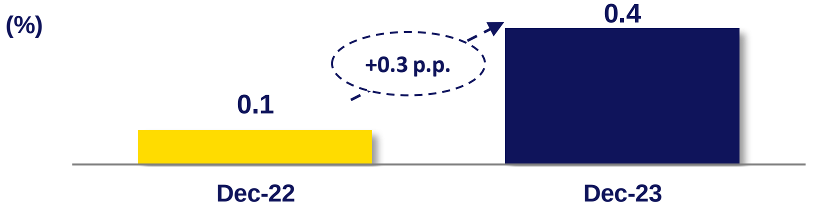


- Reduction in the cost of mandatory banking sector contributions by €6.6Mn and reduction in the cost of remeasuring liabilities associated with TLTRO III by €11.9Mn, despite the lower income from the sale of other assets by €21.6Mn

Impairments and provisions



Cost of credit risk*



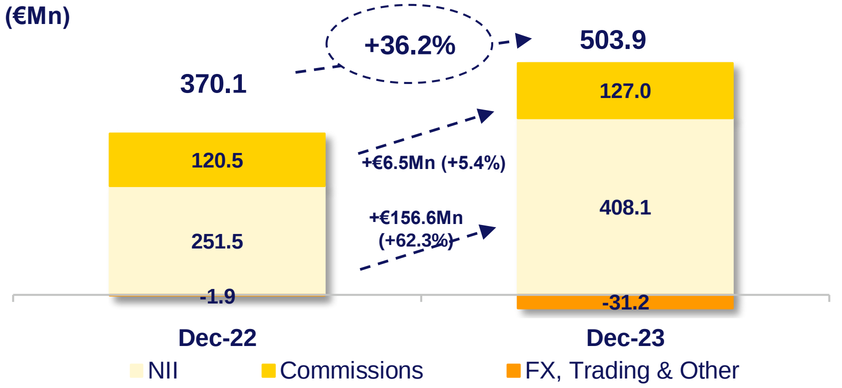
* The low cost of risk in 2022 was mainly related to the reversal of impairments previously charged during COVID-19, based on a prudent approach; the cost of risk in 2023 moved towards normalisation, while maintaining a strict lending policy and the prudent overlays applied to the Stage 2 classification, given the high interest rates and inflation.

Banco Montepio

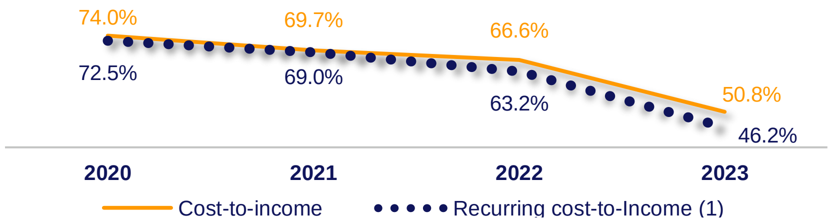
Recurring cost-to-income[(1)] improve to 46.2% with operating income growth markedly outpacing operating costs

✓ The increase in net interest income and commissions was the main driver of the operating income growth, only capped by the negative one-off impact of foreign exchange results

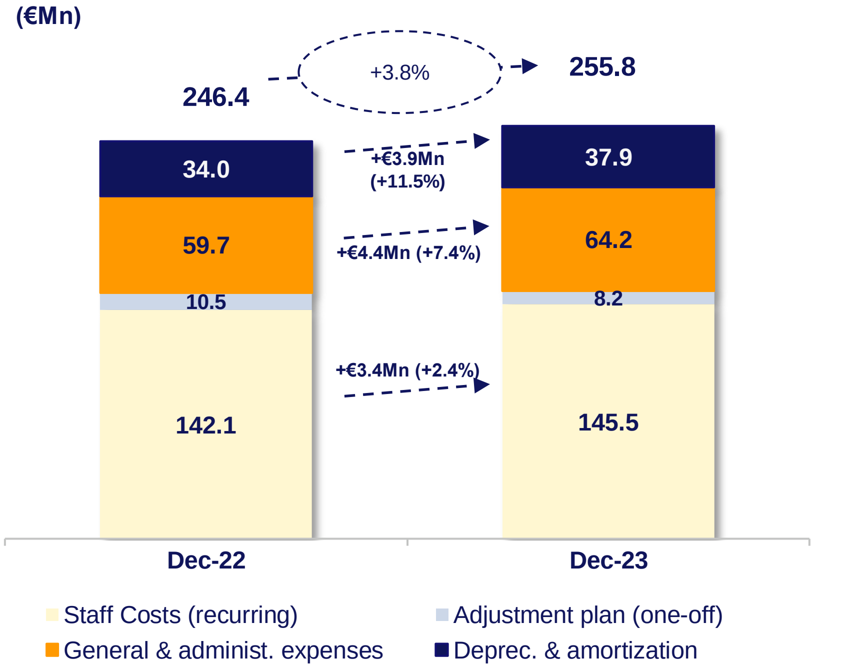
Operating income



Cost-to-income ratio



Operating costs



(1) Measured by the ratio between operating costs and operating income, excluding the results from financial operations, the other results and the costs related to the operational adjustment programme.

Banco Montepio

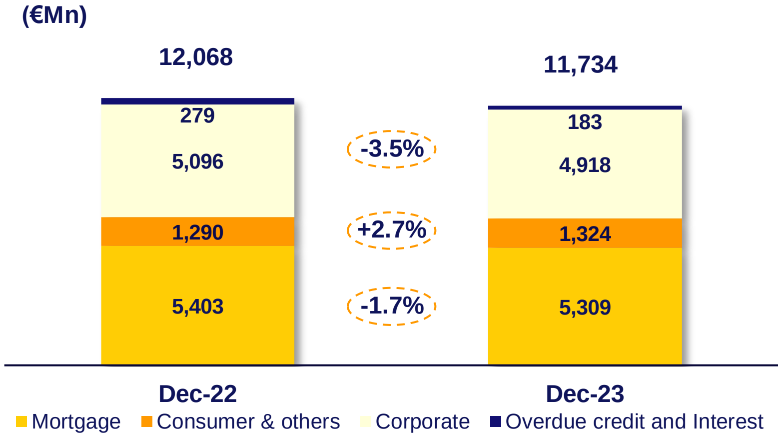
3

Asset Quality, Capital and Liquidity

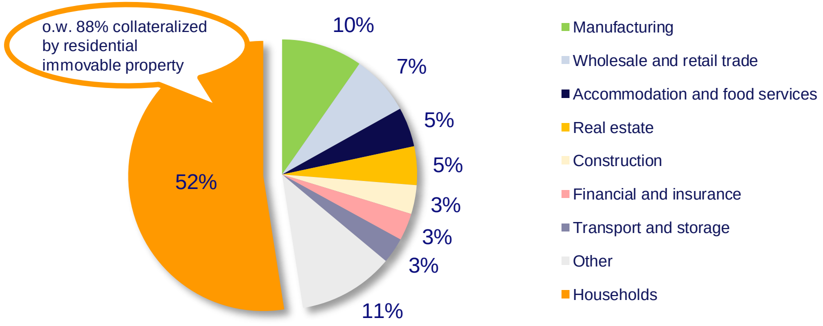
Banco Montepio

Diversified loan portfolio with a decrease in delinquency

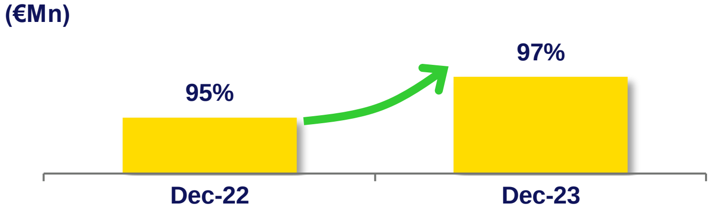
Gross loans to customers by segment



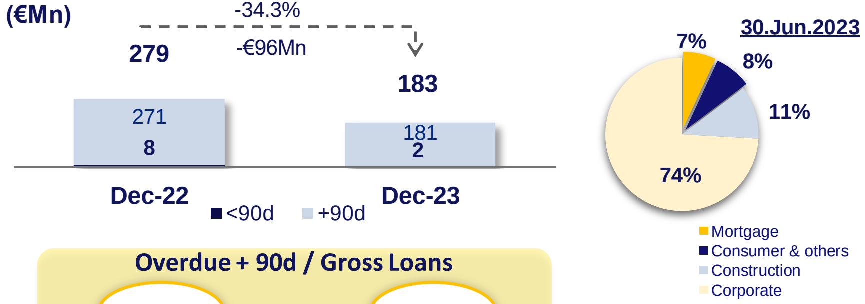
Gross loans to customers by sector (€11.9Bn @30.Jun.2023)



Performing loans (% Gross loans)



Overdue credit and interest



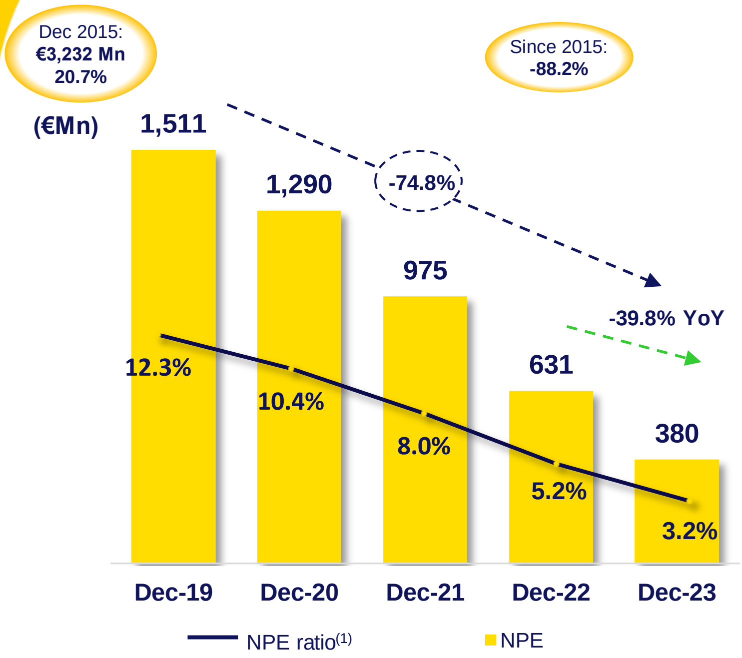
Overdue + 90d / Gross Loans

Dec-22	Dec-23
2.2%	1.5%

Banco Montepio

Continuous NPE reduction with an adequate coverage by impairments

NPE deleveraging



NPL portfolio sales:

2019
Atlas I: NPL €206Mn

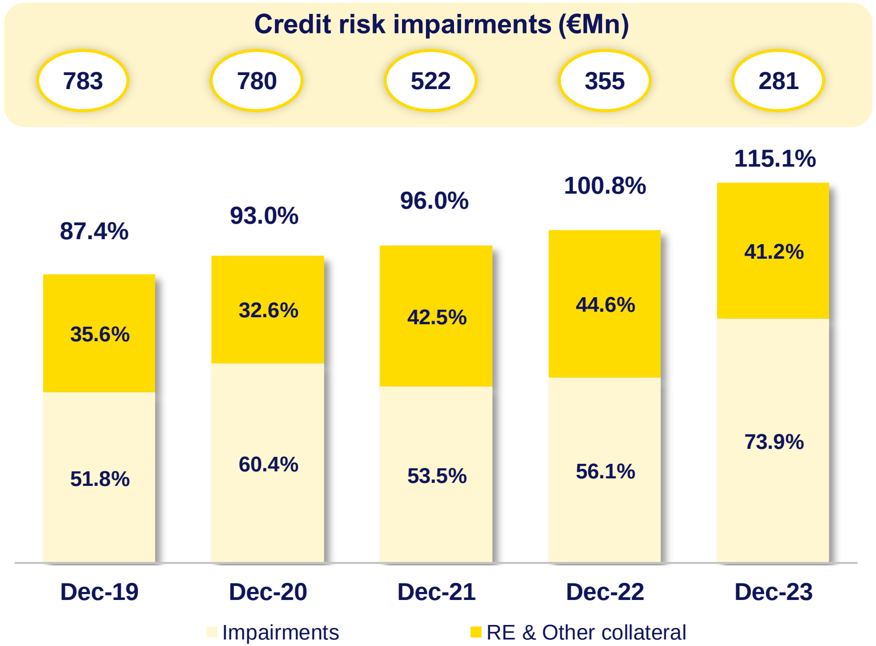
2020:
Atlas II: NPL €263Mn

2021:
Gerês: NPL €133Mn

2022:
Single sale: NPL €54Mn
Alvito: NPL €69Mn
Alqueva: NPL €74Mn

2023:
Minho: NPL €37Mn
Mondego: NPL €10Mn
Côa: NPL €68Mn

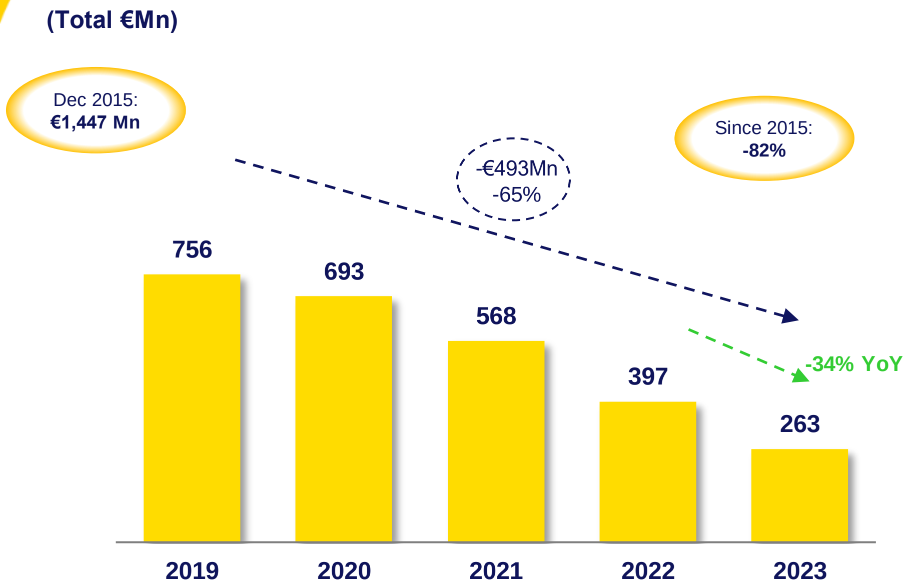
NPE coverage by impairments and collateral

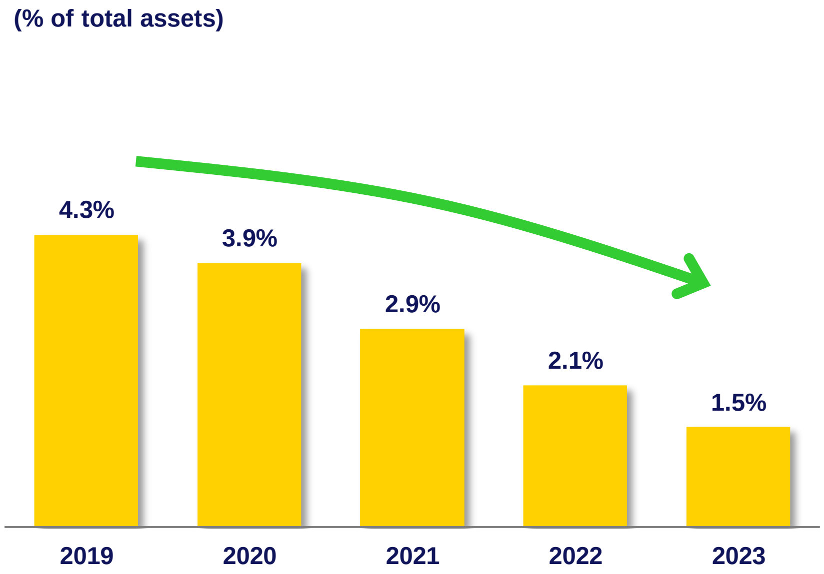


(1) NPE ratio = NPE (as per EBA definition) / Gross Loans

Strong reduction in real estate owned (REO)

Real estate owned (REO)



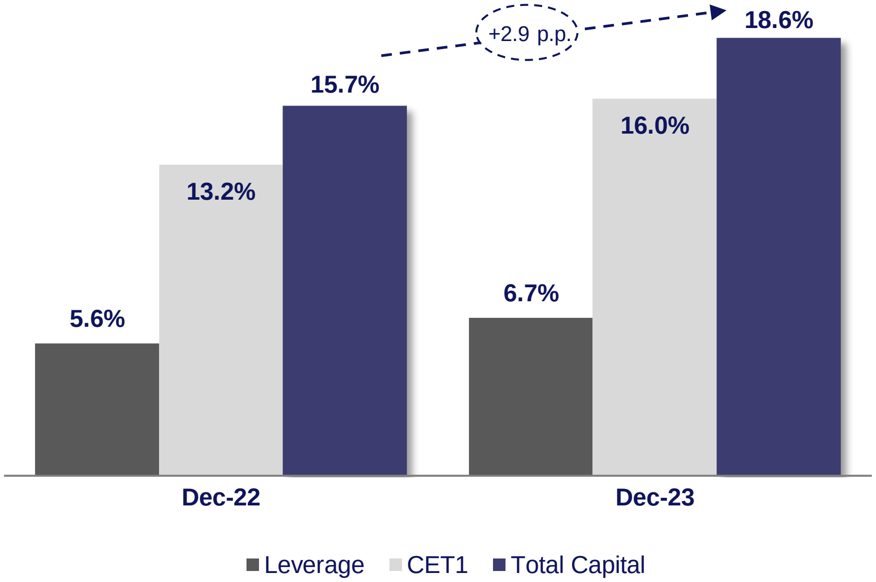


✓ **Focus on the REO sales**, increasing efforts to promote retail sales and take advantage of all wholesale market opportunities

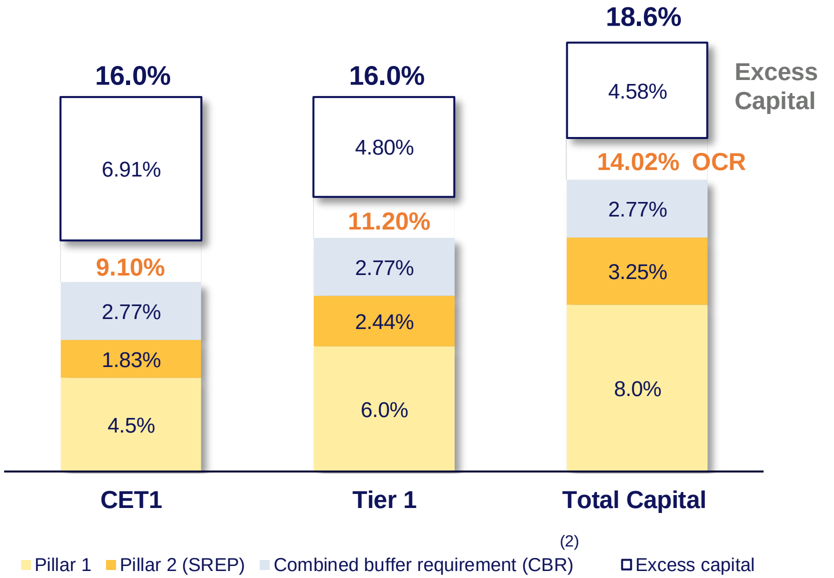
Banco Montepio

Capital ratios on continued upward trajectory based on positive recurring net income and sustained RWA reduction

Capital ratios (*fully implemented*)(1)



Capital ratios: requirements + excess (31 December 2023)



(1) Reflects the full implementation of the prudential rules laid down in the legislation in force in the European Union, which was produced on the basis of the standards set by the Basel Committee on Banking Supervision (Basel II and Basel III). (2) Supervisory Review and Evaluation Process (The procedures followed by the Banco de Portugal in relation to the annual review and evaluation process (SREP) comply with the guidelines of the European Banking Authority (EBA) and the methodologies defined under the Single Supervisory Mechanism).
The ratios include the period's net income.

Banco Montepio

Strong organic capital generation, supported by measures offsetting regulatory deductions

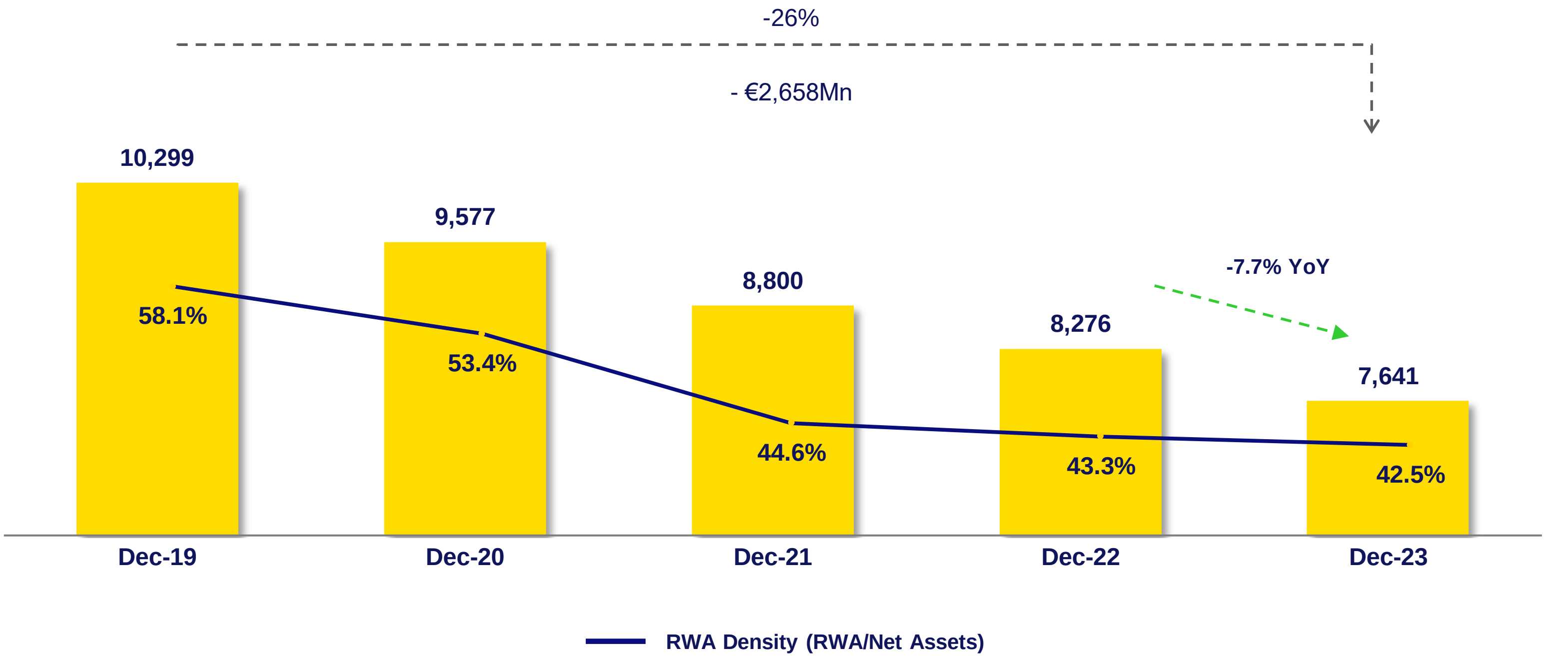
CET1 ratio (*phasing-in*) YoY change

Improved asset quality reflected in strong reduction in RWAs

✓ Capital requirements are determined using the standardised approach, so no impact on Basel IV is expected

Total RWAs

(€Mn)



Banco Montepio

Exceeding 2022/2023 MREL requirements and well positioned to meet 2025 target

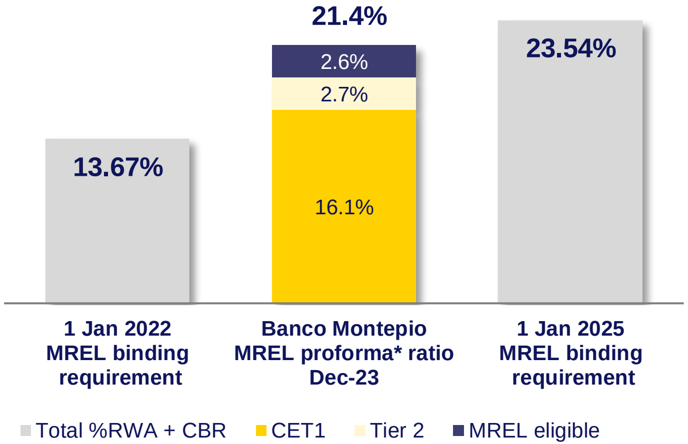
MREL requirements	1 Jan 2022	31 Dec 2023	1 Jan 2025
% RWA	13.67%	14.46%	20.77%
Combined Buffer Requirement (CBR)	n/a	2.77%	2.77%*
Total % RWA + CBR	**13.67%**	**17.23%**	**23.54%**
% LRE (Total Leverage Exposure)	**5.33%**	**5.33%**	**5.33%**

* CBR as at 31/12/2023, subject to revision by BdP

No subordination requirements

Banco Montepio MREL ratio	1 Jan 2022	Dec-23 (proforma)[(1)]
Own Funds (€Mn)	1.289	1.438
MREL eligible liabilities (€Mn)	0	200
Total eligible liabilities (€Mn)	**1.289**	**1.638**
Total RWA (€Mn)	8.763	7.641
MREL ratio (% RWA)	**14,7%**	**21,4%**
MREL ratio (% LRE)	**5,4%**	**9,0%**

[1] The proforma ratios include the period's accumulated net income.



* Proforma including the period's accumulated net income

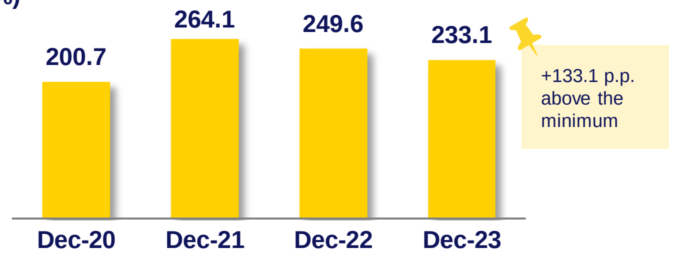
- ✓ Well positioned to meet 2025 requirements through a sustainable combination of issuance, organic capital generation and balance sheet optimisation
- ✓ Aiming to build sufficient MREL buffer consistent with overall strategy and risk profile

Banco Montepio

Robust liquidity position, with levels well above the regulatory requirements; customer deposits representing 81% of total Liabilities

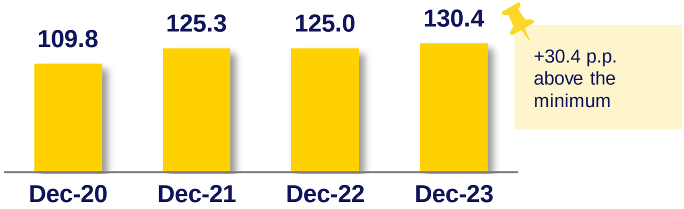
Liquidity Coverage Ratio (LCR)

(%)



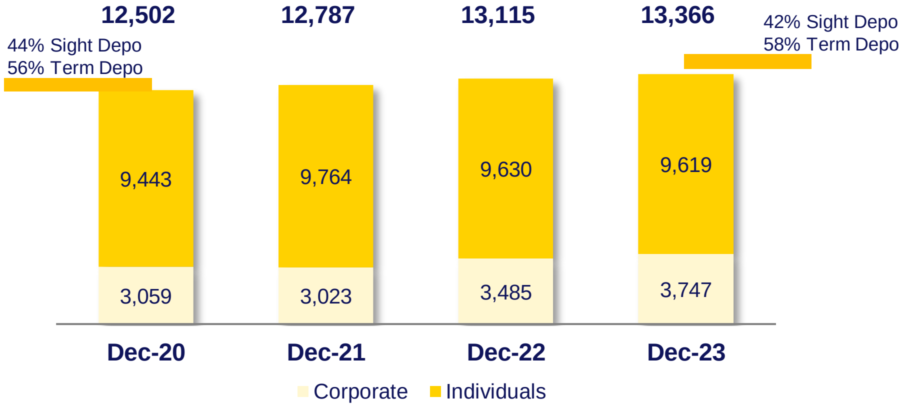
Net Stable Funding Ratio (NSFR)

(%)



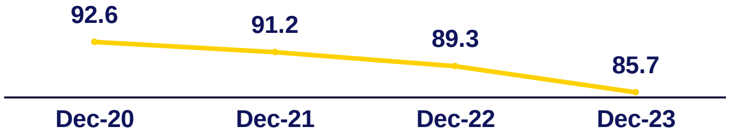
Customers' Deposits

(€Mn)

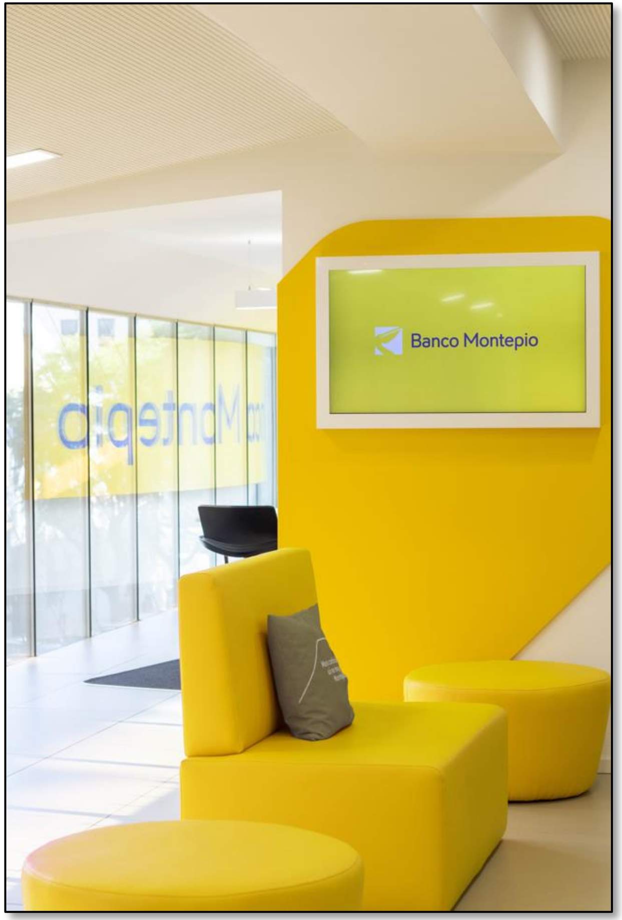


LTD[1]

(%)



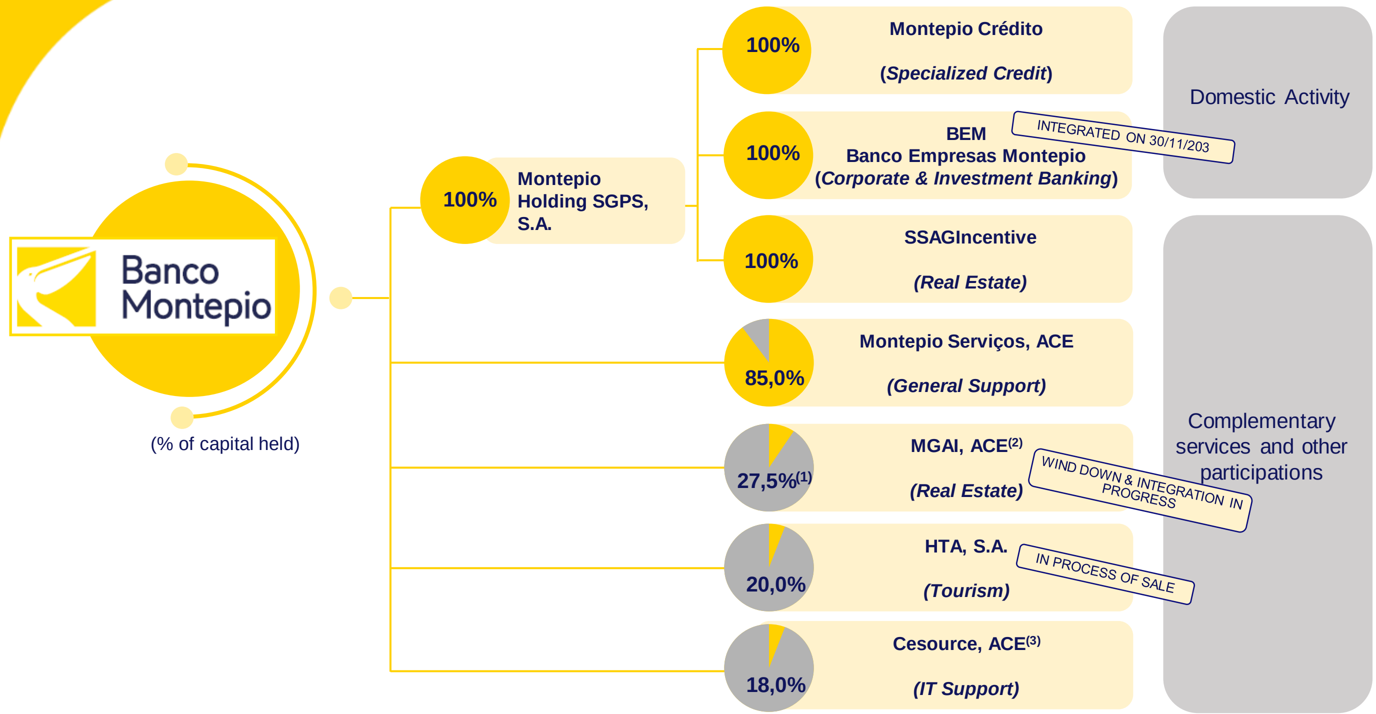
(1) Net Loans / Customer deposits



4

Appendix

Banco Montepio focuses on domestic activity while seeking to simplify the group



- ✓ **Group simplification**

  On 10 August 2023 it was concluded the sale of Finibanco Angola to Access Bank

- ✓ **Focus on Individuals, SME and Social Economy**

(1) CEMG 26.0%, Montepio Investimento 1.0% and SSAGIncentive 0.5%. (2) MGAI, ACE – a Complementary Company Group (*Agrupamento Complementar de Empresas*) established within the Montepio Group in order to manage the Group's Real Estate assets more efficiently. (3) CESource, ACE – a Complementary Company Group established within the Montepio Group in order to provide IT specialized services.

Banco Montepio

Branches in all districts and autonomous islands

As of Dec-23

232 BANCO MONTEPIO RETAIL BRANCHES

5 Representative Offices
- Paris
- Geneva
- Frankfurt
- Toronto
- Newark

Banco Montepio

Governing bodies

4-year term 2022-2025

- The Management and Supervisory Boards took office on 25 July 2022, with the Board of Directors having been reduced from 15 to 12 members;
- As a bank majority owned by a mutual benefits association and one of the main players in the Social sector, Banco Montepio promotes gender equality: the Board is composed of 7 women and 5 men, in full compliance with the SDG 5;
- The Board is focused on improving efficiency and profitability, as well as maintaining the reduction of the risk exposure.

General Meeting Board

Chairman: António Manuel Lopes Tavares

Statutory Auditor[1]

Board of Directors

Chairperson: Manuel Ferreira Teixeira

Non-executive Members:

	Audit Committee
Clementina Maria Dâmaso de Jesus Silva Barroso	(Chairperson)
Florbela dos Anjos Frescata Lima	(Member)
Maria Cândida de Carvalho Peixoto	(Member)
Maria Lúcia Ramos Bica	(Member)
Eugénio Luis Correia Martins Baptista	

Chief Executive Officer: Pedro Manuel Moreira Leitão (CEO)

Executive Members:
Ângela Isabel Sancho Barros (CRO)
Helena Catarina Gomes Soares de Moura Costa Pina (CPO)
Isabel Cristina dos Santos Pereira da Silva (CBO)
Jorge Paulo Almeida e Silva Baião (CTO)
José Carlos Sequeira Mateus (CFO)

[1] PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, registered at CMVM with the number 20161485, was elected for the mandate 2023-2025 in the General meeting held on 28 April 2023.

Banco Montepio

Banco Montepio is successfully delivering on its strategy

Non exhaustive list

Updating the Business Model

- ✓ Strengthening of customer-centric banking services and proximity approach - channel mix
- ✓ Development of distribution capacity & complementary margin
- ✓ Support the financial needs of SMEs and households & strengthen government guaranteed credit lines
- ✓ Apply the sustainability strategy to the business model

Digital Transformation & Operational adjustment

- ✓ Speed up the digital transition
- ✓ Branch network optimization

Capital Maintenance

- ✓ RWA Efficiency (Loans & Securities)
- ✓ Reinforcement of Own Funds
- ✓ Securitizations
- ✓ Non-performing Assets reduction

Group Simplification & Governance

- ✓ Internal regulatory simplification and elimination of redundancies
- ✓ Consolidate and implement sustainability strategy

Banco Montepio

Operational adjustment programme with positive execution

Branch network optimisation

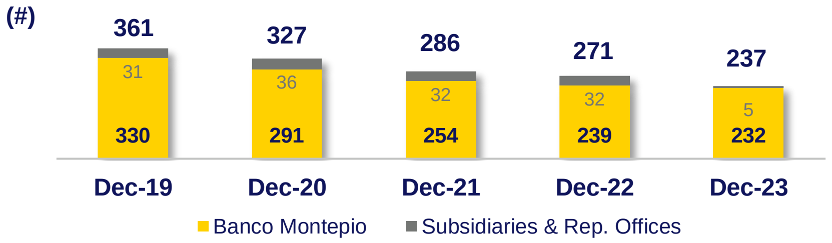
- Eliminate geographic redundancies
- Adapt to consumer trends and support digital transition

✓ **In 2023, 14 branches were closed in Portugal. Banco Montepio's network now has 232 branches**

✓ **124 branches reduction (-34%) since 2019 (o.w. 24 from FNBA)**

✓ **12.5% reduction YoY**

✓ **Overall charges of €1.2Mn (accounted in 2020)**



Staff adjustment

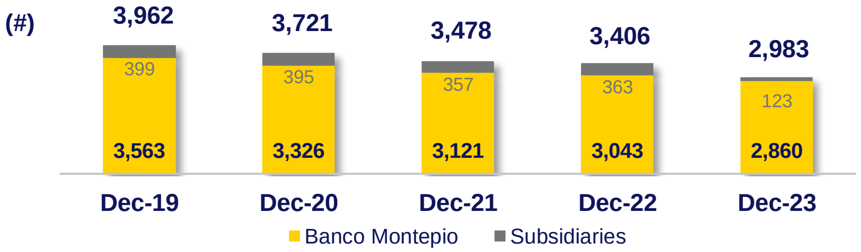
- Programme 2020/2023 targeted early retirements and voluntary redundancies

✓ **Banco Montepio's staff decreased by 183 (-6%) YoY**

✓ **On a consolidated basis, reduction of 979 (-25%) employees since 2019 (o.w. 703 from Banco Montepio and 276 from its subsidiaries)**

✓ **12.4% reduction YoY**

✓ **Overall charges amount: €60.9Mn, o.w. €28.3Mn in 2020, €13.8Mn in 2021, €10.5Mn in 2022 and €8.2Mn in 2023**



Banco Montepio

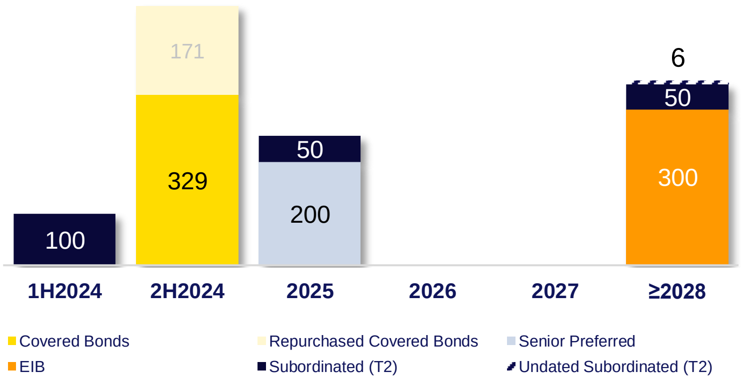
Well diversified wholesale funding maturity profile

Outstanding wholesale debt (*retained shown in grey*)

ISIN	Issue	Maturity	Amount €Mn	Coupon	Type	Stock Exchange
PTCMGSOM0020[1]	*22/05/2017*	*22/05/2024*	*250*	*Euribor 3M + 0.85%*	*CB*	*ISE*
PTCMGEOE0034[1]	*9/11/2026*	*11/11/2024*	*300*	*Euribor 3M + 0.5%*	*CB*	*Euronext Lx*
PTCMGFOE0033[1]	*16/12/2016*	*16/12/2026*	*500*	*Euribor 3M + 0.9%*	*CB*	*Euronext Lx*
PTCMGFOE0033[1][2]	*29/11/2022*	*16/12/2026*	*750*	*Euribor 3M + 0.9%*	*CB*	*Euronext Lx*
PTCMGVOM0025	03/04/2019	03/04/2029 (call @03/04/2024)	100	10.5% *(First Margin: + 10.514%)*	T2	Lux SE
PTCMGAOM0038[3]	14/11/2019	14/11/2024	500	0.125%	CB	ISE
PTCMGBOM0037	09/06/2020	09/06/2030 (call @09/06/2025)	50	9.5% *(First Margin: +9.742%)*	T2	Lux SE
PTCMGGOM0008	30/10/2023	30/10/2026 (call @30/10/2025)	200	Y1-Y2: 10.0% *(Y3 Euribor 3M + 6.234%)*	SP	Lux SE
PTCMGUOM0026[4]	27/12/2018	27/12/2028	50	Y5-Y10: 10.158%	T2	Lux SE
PTFNI1OM0011	02/02/2010	Undated	6.3	Max (5% ; Euribor 6M + 2.75%)	T2	Euronext Lx
Total			2,706			
	o.w. retained		1,971			
	o.w. held by investors		**735**			

(1) Retained in the Balance sheet to reinforce the ECB eligible assets.
(2) Tranche 2.
(3) o.w. €171Mn repurchased.
(4) Call not exercised on 27 Dec 2023; initial coupon of 8% reset to 10.158% (CMS5Y+7.77%).

Debt & EIB maturity profile (as of 31 Dec 2023)



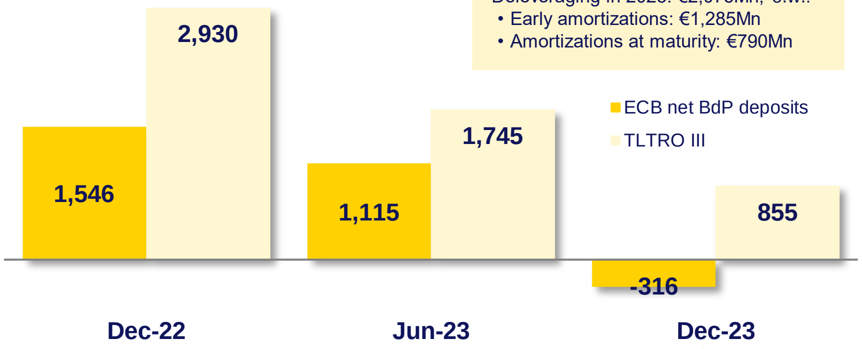
Banco Montepio

Sound liquidity buffer in the amount of €4.9Bn

ECB funding – TLTRO [1]

(€Mn)

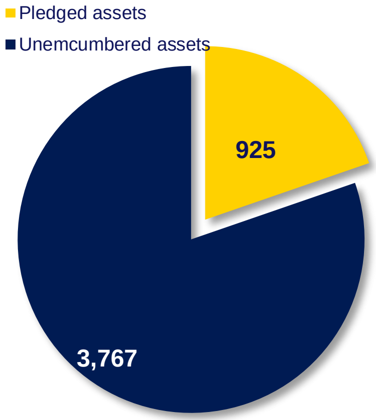
Deleveraging in 2023: €2,075Mn, o.w.:
- Early amortizations: €1,285Mn
- Amortizations at maturity: €790Mn



ECB eligible assets & Liquidity buffer

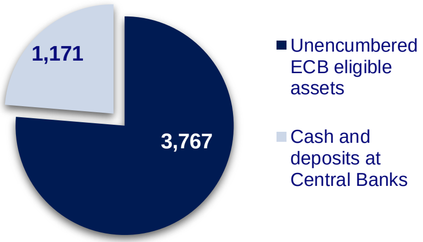
(€Mn, on 31 December 2023)

ECB eligible assets (€4.7Bn)

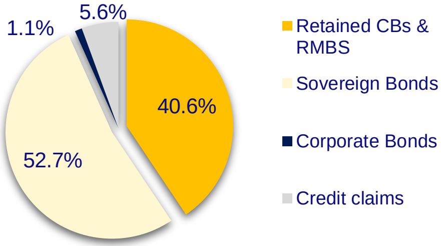


✓ Mainly liquid debt instruments (o.w. 53% government bonds) valued at market prices less ECB's valuation haircuts

Liquidity buffer (€4.9Bn)



ECB eligible assets portfolio

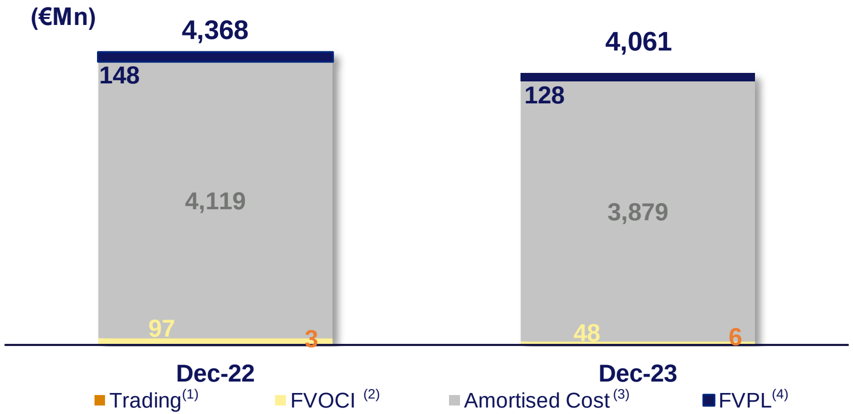


(1) TLTRO III –Targeted longer-term refinancing operations.

Banco Montepio

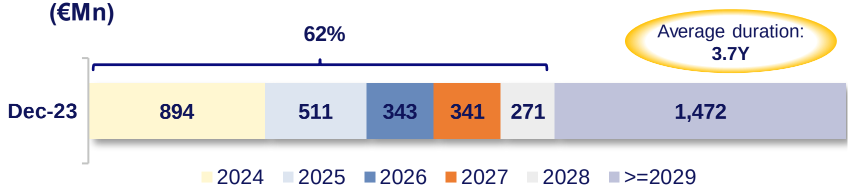
A low-risk securities portfolio consisting mainly of IG government bonds eligible for ECB monetary policy purposes if liquidity needs arise

By portfolio

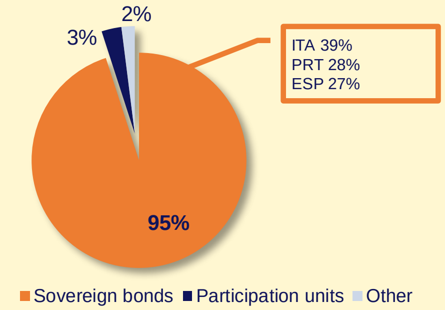


(1) Financial assets held for trading. (2) Financial assets at fair value through other comprehensive income. (3) Other financial assets at amortised cost. (4) Financial assets at fair value through profit or loss (FVPL).

Bond portfolio maturities

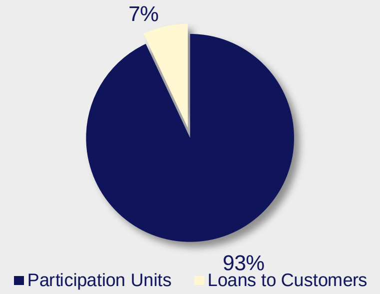


By security type - Dec-23

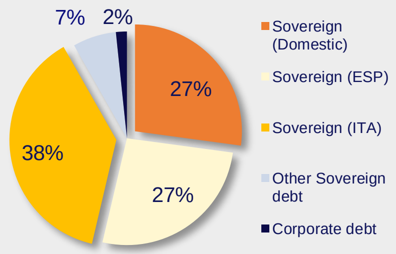


By portfolio

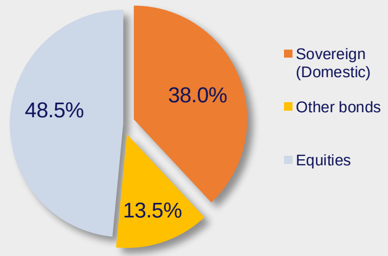
FVPL – Dec-23 (€128Mn)



Amortised cost – Dec-23 (€3,879Mn)



FVOCI – Dec-23 (€48Mn)



Banco Montepio

Portuguese
Macro economy overview

Main indicators	2020	2021	2022	2023 (e)	2024 (p)	2025 (p)
GDP (real growth%)	-8.3	5.7	6.8	2.3	1.3 - 2.3	1.5 - 2.5
Private Consumption	-7.0	4.7	5.6	1.0 - 1.4	0.8 - 1.8	1.1 - 2.1
Public Consumption	0.4	4.5	1.4	1.0 - 1.4	1.0 - 2.0	0.5 - 1.5
Gross Fixed Capital Formation	-2.2	8.1	3.0	2.0 - 2.4	3.2 - 4.2	4.2 - 5.2
Exports	-18.6	12.3	17.4	4.6 - 5.0	2.1 - 3.1	3.0 - 4.0
Imports	-11.8	12.2	11.1	2.2 - 2.4	2.4 - 3.4	3.2 - 4.2
Unemployment (%)	7.0	6.6	6.0	6.5	6.6	6.3
HCPI (%)	-0.1	0.9	8.1	5.3	2.4 - 3.4	1.8 - 2.8
Budget (% of GDP)	-5.8	-2.9	-0.3	1.1	0.4	0.2
Public Debt (% of GDP)	134.9	124.5	112.4	98.7	94.4	89.9
Household Saving Rate (% Disp. Inc.)	11.9	10.6	6.5	6.6	7.9	8.0
Current Account (% of GDP)	-1.0	-0.8	-1.1	1.6	1.1	1.0

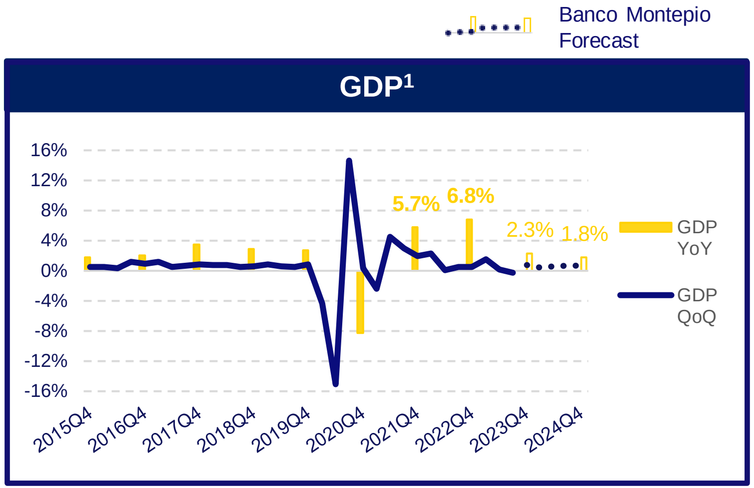
- **GDP grew by 6.8% YoY in 2022 and 2.3% in 2023**. We expect a new **deceleration in 2024**, within the interval +1.3% to +2.3% **and a slight acceleration in 2025**, within the interval +1.5% to +2.5%.
- **The unemployment rate increased in 2023 from 6.0% to 6.5%. We anticipate a new rise to 6.6% in 2024** (**with some upward risks and** especially dependent on the resilience of economic growth) **and return to declines in 2025, to 6.3%.**
- **Inflation fell in 2023 to 5.3%** (+8.1% in **2022**). **We expect it to drop again in 2024, to the range 2.4% to 3.4%, and in 2025, to the range 1.8% to 2.8%.**
- The **2022 budget deficit** stood at 0.3% of GDP, below that registered in 2021 (-2.9%). **A surplus of 1.1% is expected in 2023, followed by a reduction to 0.4% in 2024 and to 0.2% in 2025.**
- The **public debt (% of GDP) ratio** decreased to 98.7% in 2023, 17.9 p.p. below the ratio recorded in 2019. We anticipate a maintenance **of the downward trajectory in the ratio**.
- The **savings rate reached 11.9% in 2020 and then decreased to pre-pandemic values, to 6.5% in 2022**. **It is expected to increase in 2023 to 6.6%, to 7.9% in 2024 and 8.0% in 2025.**

Source: *Instituto Nacional de Estatística* ("INE"), Banco de Portugal and Banco Montepio.

Banco Montepio

Growth of the Portuguese economy

- **GDP grew by 6.8% YoY in 2022,** the **highest growth since 1987** and follows **the 5.7% increase in 2021** after the historic reduction of 8.3% in **2020**, as a consequence of the adverse effects of the Covid-19 pandemic on economic activity.
- **In 2023**, the year started with a **strong and unexpected chain growth of 1.5% in the 2023Q1**. **In the 2023Q2, GDP grew only 0.1%**, and **in the 2023Q3 GDP recorded a slight drop of 0.2%**. **In the 2023Q4**, GDP increased by 0.8%. According to Statistics Portugal, the contribution of domestic demand increased, reflecting the behaviour of private consumption, while the contribution of net external demand was less negative.



- On average, in **2023**, GDP grew by 2.3%, within the upper limit of Banco Montepio's forecast interval +2.1% to +2.3%. Domestic demand presented a positive contribution to the annual growth of GDP, although less significant than that observed in the previous year, with a slowdown in private consumption and in investment. The contribution of net external demand was also positive in 2023, but lower than in 2022, with strong decelerations in volume of both exports and imports of goods and services.
- The **level of GDP in 2023** was **5.9% higher than that observed in the pre-pandemic period (in 2019).**
- **We maintain growth prospects for the Portuguese economy for 2024 as a whole, in the range +1.3% to +2.3%**, with a central value at +1.8%, above the forecasts of the Government's State Budget (+1.5%).

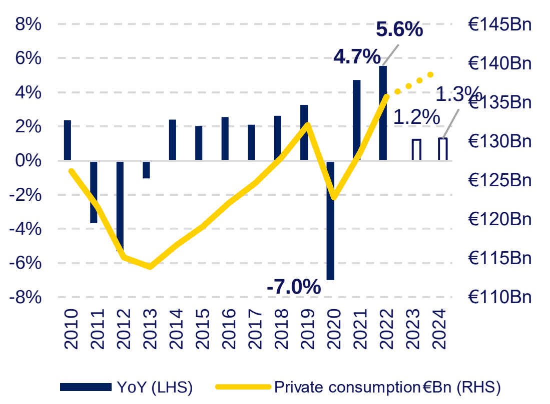
1. Gross domestic product at market prices (quarterly chain linked volume data & annual volume change rate). Source: *Instituto Nacional de Estatística* ("INE") and Banco Montepio.

Banco Montepio

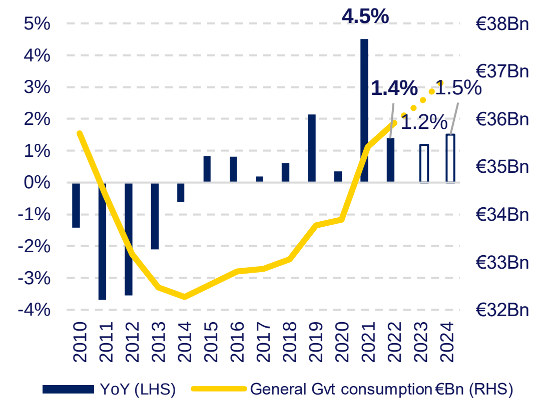
Consumption and Investment

Banco Montepio Forecast

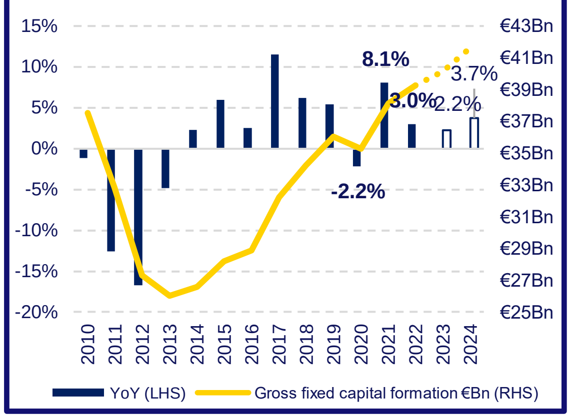
Private Consumption[1]



General Government Consumption[1]



Investment[1]



Private consumption:

- ✓ **In 2020 there was a contraction in private consumption** (-7.0%) due to Covid-19, with a return to growth in 2021 (+4.7%), with a further **acceleration in 2022 (+5.6%)**.
- ✓ **For 2023 we forecast a slowdown (+1.2%)**, **followed by an acceleration in 2024 (+1.3%).**

General Government consumption:

- ✓ In **2021 there was a strong acceleration in public consumption (+4.5%)**, a historically high growth pushed by the budgetary efforts associated with the Covid-19 crisis.
- ✓ **In 2022 it decelerated (+1.4%). Another slowdown is expected in 2023 (+1.2%), followed by an acceleration in 2024 (+1.5%).**

Investment (GFCF):

- ✓ **In 2020 investment decreased (-2.2%),** then **growing 8.1% in 2021 and 3.0% in 2022**, and **is expected to grow only by 2.2% in 2023, in a context of more expensive financing, and then accelerate to 3.7% in 2024**, with growth benefiting namely from the **application of RRP funds**.

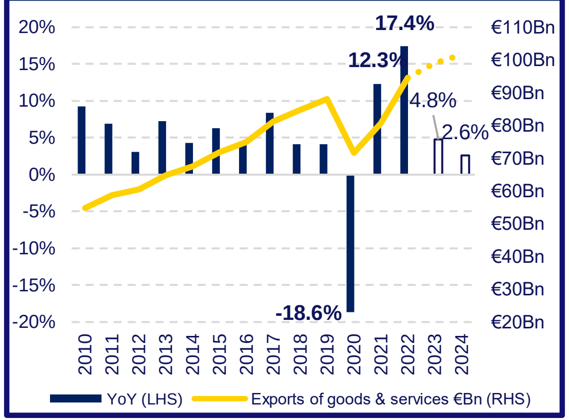
1. Source: *Instituto Nacional de Estatística* ("INE"), Table A 1.2.5.6. "GDP at market prices from the expenditure side (chain linked volume data; annual)" and Banco Montepio.

Banco Montepio

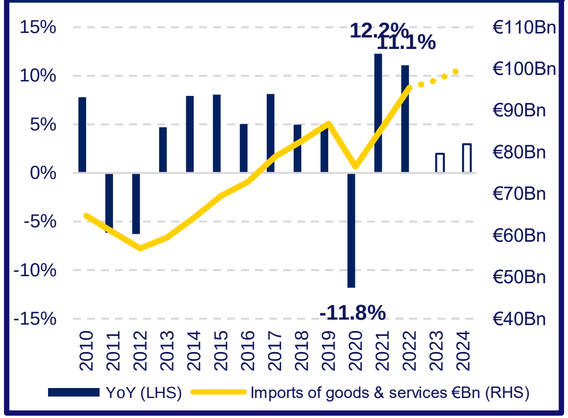
Exports, Imports and Portuguese Current Account Balance

Banco Montepio Forecast

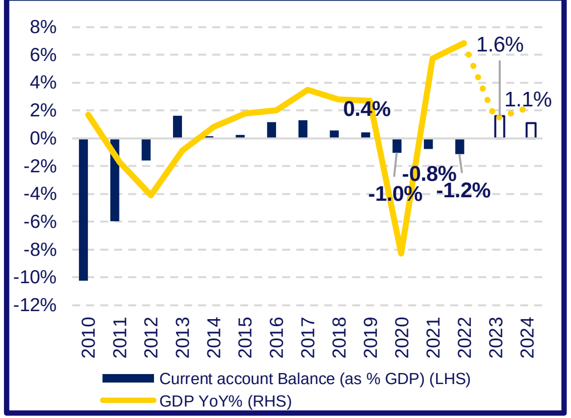
Exports[1]



Imports[1]



Current account Balance[2]



- ✓ Exports of services, namely tourism, grew at a good rate until 2019 as the degree of openness of the Portuguese economy increased. **In 2020 there was an intense downturn in exports (-18.6%),** but with a **return to strong growth in 2021 (+12.3%) and in 2022 (+17.4%).**
- ✓ **A slowdown is expected for 2023 (+4.8%) and 2024 (+2.6%).**

- ✓ **Imports returned to strong growth in 2021** (+12.2%) after the 2020 fall (-11.8%).
- ✓ **Imports have grown 11.1% in 2022 and further growth is expected in 2023, although at a slower pace (+2.0%), followed by an acceleration in 2024 (+2.9%).**

- ✓ Current account balance moved from a surplus of 0.4% of GDP in 2019 to a **deficit of 1.0% and 0.8% in 2020 and 2021**, due to Covid 19.
- ✓ In **2022, a further worsening of the current account deficit was recorded (-1.1%)** as a result of the rise in imported commodities prices due to the military conflict in Eastern Europe.
- ✓ **A return to surpluses is expected in 2023 and 2024, to levels around 1.6% and 1.0%.**

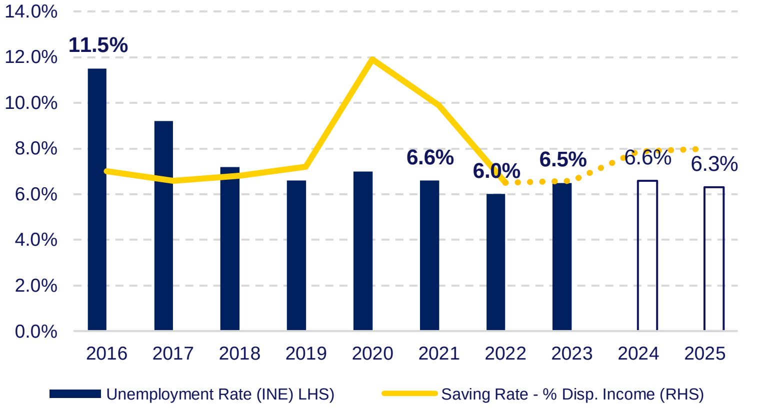
1. *Instituto Nacional de Estatística* ("INE"), Table A 1.2.5.6. "GDP at market prices from the expenditure side (chain linked volume data; annual)" and Banco Montepio.
2. Source: Banco de Portugal, "Current account-Balance-Quarterly-YTD %GDP" and Banco Montepio.

Banco Montepio

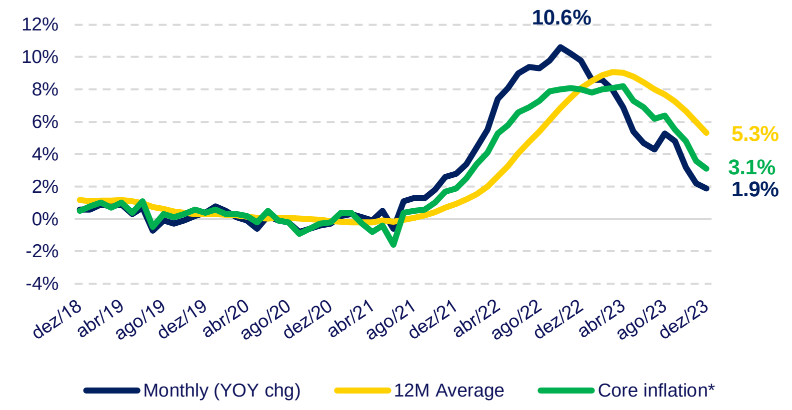
Unemployment, Savings rate and Inflation in Portugal

Banco Montepio Forecast

Unemployment rate vs Savings rate



Inflation Rate (HCPI)



- In the **labour market**, the **employed population** in **2023** was 4,979 thousand and increased by 2.0% (+97.1 thousand) compared to 2022. The **unemployed population**, estimated at 346.6 thousand, also increased by 8.6% (+27.5 thousand).
- The **unemployment rate** was 6.5% in **2023**, increasing from the 6.0% in **2022 (**6.6% in 2021**)**.
- The **unemployment rate is expected to rise in 2024 to 6.6% (with some upside risks).**

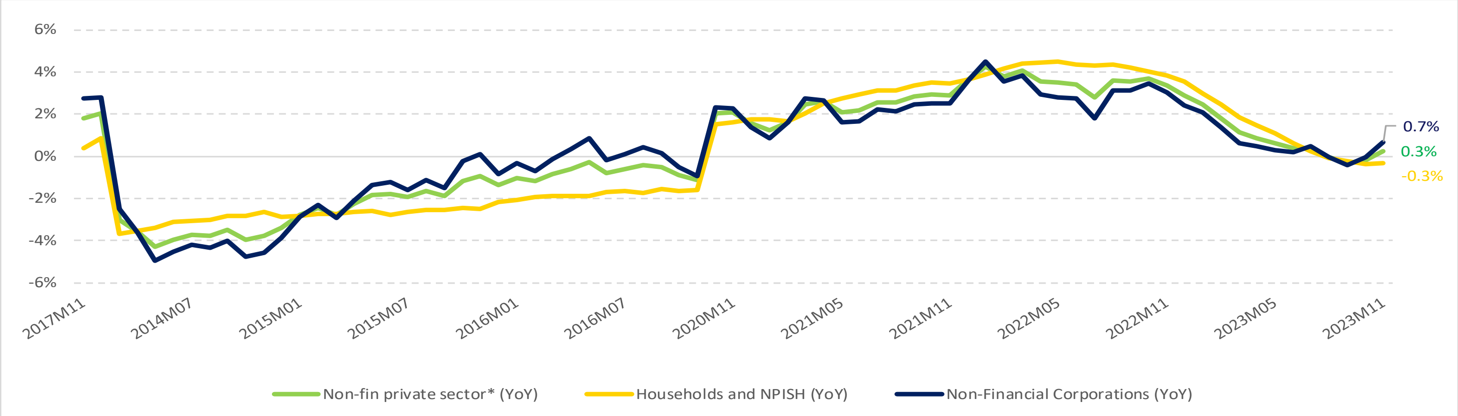
- When measured by the **HCPI**, **the YoY inflation rose from 1.9% in December** (the **lowest level since October 2021) to 2.6% in January, reflecting the expected impact of the increase in electricity prices and the end of VAT exemption on a set of essential food items.**
- **2023 inflation rate in Portugal stood at 5.3% (8.1% in 2022)** in comparison to 5.4% in the Euro Area (+8.4% in 2022).
- **Core inflation** decrease from 3.6% in November 2023 to 3.1% in December 2023, the lowest level since January 2022 (+2.5%).

Source: *Instituto Nacional de Estatística* (“INE”) and Banco Montepio. *Core inflation = Harmonised index of consumer prices - Total excluding unprocessed food and energy - Portugal - Monthly - YoY rate of change

Banco Montepio

Indebtedness of the non-financial sector

Loans to NFC, Non-financial private sector & Households



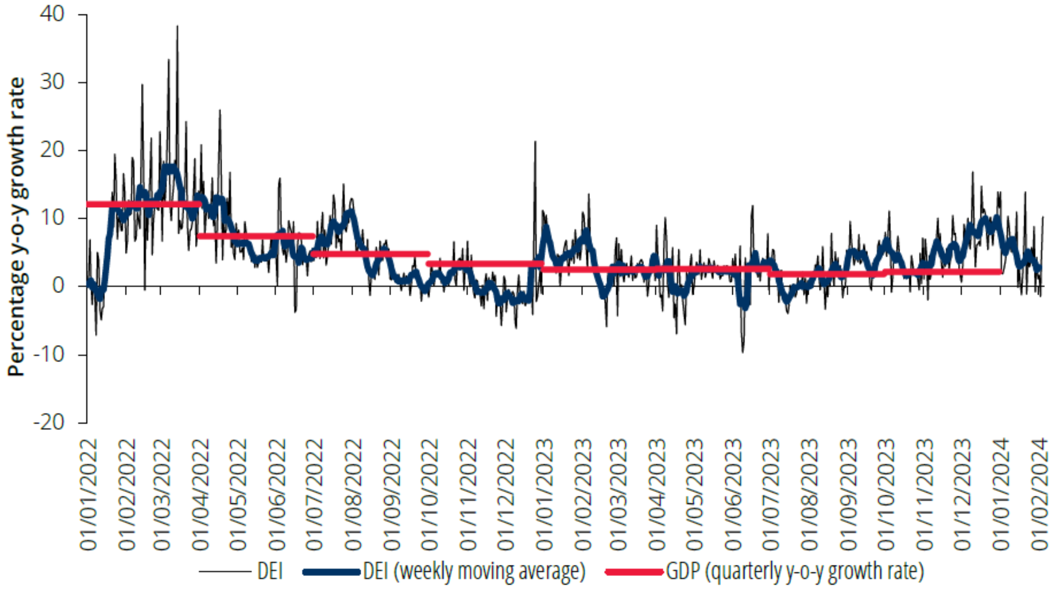
- In **November 2023**, the year-on-year growth the **credit to the Non-financial private sector** accelerated, from -0.2% to +0.3%, after slight declines in the previous three months, accounting for 10 slowdowns in the last 13 months (-0.1 p.p. in the previous month), easing from the slower pace since July 2017 (-0.2%) and slightly approaching (but remaining well away from) the 4.3% of January 2022 (a maximum since June 2009).
- This slight acceleration occurred in the context of an acceleration in the pace of **loans to individuals** (from -0.4% to -0.3%) and an acceleration of the **loans to non-financial corporations** (from 0.0% to +0.7%), **with these recent slowdowns occurring after witnessing a generally favorable trend in credit** (from May 2014 to January 2022)**, which was for many months buoyed by credit moratoriums**.
- The **evolution of loans reflects the marked increase in ECB and Euribor interest rates, as well as the climate of high uncertainty regarding the evolution of the Portuguese and world economy**, given the current inflationary shock and the war in Ukraine.

Source: Banco de Portugal. * Non-financial private sector = Indebtedness of the non-financial sector except general government.

Banco Montepio

Banco de Portugal daily economic indicator

- The **Daily Economic Indicator (DEI) disclosed by Banco de Portugal (BdP) is showing a year-on-year increase of 3.8% in February 2024** (with data for the first 4 days of the month), after **4.7% in January 2024**.
- **The DEI is showing an average value of 4.6% in the 2024Q1, after having grown 5.5% in the 2023Q4, above the values recorded in the 2023Q3 (+2.0%) and in the 2023Q2 (+1.8%)**.
- **We expect a GDP growth (quarter-on-quarter) of 0.4% in the 2024Q1**, after a 2023Q3 (-0.2%).



Note: the DEI covers several dimensions correlated with economic activity in Portugal by summarising information on the following daily variables: road traffic of heavy commercial vehicles on motorways, electricity and natural gas consumption, cargo and mail landed at national airports, and card-based payments in Portugal by residents and non-residents.

Source: Banco de Portugal.

Banco Montepio

Milestones

Banco Montepio's Mortgage Loans is “Consumer Choice 2024” (“*Escolha do Consumidor 2024*”) for the third time in a row

- ✓ Banco Montepio has been awarded the #1 Consumer Choice Brand in the Mortgage Loan category, for the third consecutive year, recording a final score of 79% and a recommendation score of 81%, leading in the dimensions Attributes, Benefits, Values and Emotions.
- ✓ In the evaluation of the emotional positioning of the brand, Banco Montepio leads in all the attributes and stands out in "Brand Loyalty" ("*Lealdade à Marca*") and in "Brand Love" ("*Amor à Marca*").

Banco Montepio's Mortgage Loans have also been awarded two “Right Choice seals” ("*selos Escolha Acertada*") by DECO Proteste

- ✓ According to DECO Proteste, Banco Montepio's mortgage offer is the one with the best price/quality ratio, both with and without associated sales. DECO Proteste analysed the offers of 13 banks for a loan of 200,000 euros, over 30 years, variable rate, with a financing guarantee ratio of 80%. Associated sales taken into account: salary domiciliation; insurance; debit and credit cards and payment domiciliation. Study published in May 2023. This award is the sole responsibility of the awarding organisation.

Banco Montepio reduces the minimum spread on variable-rate mortgage loans to 0.8% and adds a mixed-rate solution with return of spread to its offer

- ✓ At the beginning of 2023, Banco Montepio launched a new mortgage campaign, reducing the minimum spread to 0.8%. In the second quarter of 2023, Banco Montepio complemented the offer with a Mixed Rate Mortgage Loan, which guarantees a fixed rate for 2 years and the return of the value of the spread of each monthly instalment during this period, for a loan for purchase, transfer, construction or works.
- ✓ In addition to these two initiatives, which reflect Banco Montepio's strong commitment to supporting families, the benefit of returning 1% of the loan amount to the customer on a prepaid card (or 1.1% if the house has an A or A+ energy certificate), which the customer can use to buy whatever they want, wherever they want, has also been maintained.

Banco Montepio

Banco Montepio's Mortgage Loans have been awarded the "Five Stars 2024 Award" ("*Prémio Cinco Estrelas 2024*")

- ✓ The Five Stars methodology involved the evaluation of 7 banking brands and the participation of 1,922 consumers between April and September 2023.
- ✓ Banco Montepio obtained a satisfaction score of 77.2%, after evaluating the basic variables that influence consumer choices: satisfaction through experimentation, value for money, intention to recommend, trust in the brand and innovation.
- ✓ The Bank also scored 8 or higher on a scale of 1 to 10 on five additional attributes: service, speed of process, inclusion of other products and their cost, clarity of information and monitoring of the process.

Banco Montepio recognised as "Recommended Brand 2024" ("*Marca Recomendada 2024*")

- ✓ Banco Montepio achieved the best average satisfaction rating in the "Complaint Portal" (“*Portal da Queixa*”) in the category of Banks.
- ✓ This award recognises the close relationship between brands and their customers throughout the purchase process, and reflects that Banco Montepio is a trusted brand for consumers.
- ✓ The "Recommended Brand 2024" label is the sole responsibility of Portuguese consumers and is the result of their evaluation of brands and organisations over the last year on the *Portal da Queixa* platform.

Superbrands 2023

- ✓ This is the 14th time that Banco Montepio has been awarded the Superbrands seal, an annual award that recognises the most important brands in the Portuguese market.
- ✓ This year, Banco Montepio has dedicated the cover of its Superbrands book to Inclusion. A blank cover that gives space to social causes. Banco Montepio is a bank of causes. Often it doesn't appear and isn't seen, but so often it is present. Hand in hand with five institutions, the bank told a story of inclusion in five pictures.

Banco Montepio was awarded the Five Stars ("*Cinco Estrelas*") title in the Banking - Sustainability category for the second year in a row

- ✓ Banco Montepio has been awarded the "Five Stars 2024" title in the Banking - Sustainability category, an award that is the sole responsibility of Five Stars Consulting, which implemented the Five Stars methodology and evaluated 5 banking brands, involving 1,347 consumers, between May and September 2023.
- ✓ Banco Montepio, whose DNA is based on principles that today contribute to a demanding sustainability performance matrix, registered an overall satisfaction of 79.2%, after evaluating the following attributes Experience Satisfaction; Value for Money; Intention to Recommend; Brand Trust and Innovation.

The first financial institution to join the "Forward Faster" initiative

- ✓ Banco Montepio continues to make its way towards Sustainability, having been the first financial institution to join the "Forward Faster" initiative recently launched by the UN Global Compact, which aims to increase responsibility and transparency through the annual public disclosure of commitments and actions to be implemented with a view to achieving the Sustainable Development Goals (SDGs).
- ✓ As part of the **sustainability governance model, the Chief Sustainability Officer (CSO) position was created, reporting hierarchically to the Chairman of the Executive Committee, as well as to other non-executive corporate bodies**, playing an aggregating role as the person primarily responsible for understanding international sustainability trends and benchmarks, anticipating changes and guiding the organisation in order to ensure the development of sustainability strategies and compliance with the regulations and commitments subscribed by Banco Montepio.
- ✓ With a **focus on transparency and on disclosing** Banco Montepio's purpose in the field of **ESG and sustainability**, a dedicated page has been created on the institutional website to publicise the goals we have set and the successes we have achieved: https://www.bancomontepio.pt/en/institutional/sustainability .In this webpage one can find, for example, the **Sustainability Report and the commitments undertaken by subscribing to agreements and joining international organisations and initiatives**.

Banco Montepio

Banco Montepio among the TOP 10 brands with the highest perceived sustainability value

- The Banco Montepio brand is one of the TOP 10 Portuguese brands with the highest perceived sustainability value, according to Brand Finance, the world's leading consultancy in brand valuation.
- According to Brand Finance, this is due to the path the brand has taken in the area of sustainability. "Most importantly, this action has been reinforced by Banco Montepio's communication and brand strategy, which positions sustainability as a priority issue," says Robert Haigh, Director of Strategy and Sustainability at Brand Finance.

Portuguese Association of Business Ethics (*Associação Portuguesa de Ética Empresarial*) awards Banco Montepio for its Social Responsibility and Sustainability Strategy

- The Portuguese Association of Business Ethics (APEE) awarded Banco Montepio the "Social Responsibility and Sustainability Strategy" (“*Estratégia Responsabilidade Social e Sustentabilidade*”) prize, which aims to recognise the implementation of good governance policies and models in public and private sector organisations, both profit and non-profit, that create value for their stakeholders and actively contribute to sustainable development.
- Since 2020, Banco Montepio has prioritised reducing its environmental impact, promoting social and financial inclusion and fostering a culture of diversity, equality and participation.
- Banco Montepio continues to finance infrastructure projects that prioritise the use of renewable energy and sustainable buildings, as well as projects that promote sustainability by making a positive contribution to society, and its investment portfolio incorporates environmental and social indicators.

Banco Montepio is a founding member of the "Nova SBE VOICE Leadership Initiative" and highlights the role of the social and solidarity economy in the domestic SME panorama

- Banco Montepio is one of the 20 founding members of the "Nova SBE VOICE Leadership Initiative" programme, which aims to increase the competitiveness of Portuguese SMEs, with a direct impact on the creation of value, the strengthening of corporate governance and the quality of life of Portuguese citizens. Membership of this initiative is based on:

- the *raison d'être* of Banco Montepio, which began as a Portuguese SME and is now a leader in SDG 5, with an unavoidable presence in supporting and serving the social and solidarity economy;
- in Banco Montepio's intention to bring the contribution of the social and solidarity economy to this project, with organisations and people who have a set of distinctive skills that are very interesting to bring to the SME sphere;
- and, at the same time, in the theme of sustainability as an opportunity to fill market gaps.

In 2023, Banco Montepio maintained its partnership with <Academia de Código_>, financing 95 students who participated in 3 bootcamps held in Lisbon and Porto

- The partnership with <Academia de Código_> is a project that aims to provide a social experience by organising bootcamps in computer languages. Banco Montepio, in order to help all those who want to programme their lives by starting bootcamps, offers the Code Academy Credit Line, a specific line to support students (<Code Cadets>) who have attended the bootcamps in Lisbon and Porto.
- As part of the partnership established and the consequent investment in the Code Academy Credit Line, Banco Montepio supported the financing of 95 students in 2023, for a value of over 500 thousand euros.
- In order to achieve the objectives of this partnership, which is to finance students so that no one is excluded from this reskilling opportunity, more than 250 scholarships have been awarded since 2020, when it began, for a total of 1.4 million euros.

Aldeias de Crianças SOS, ACAPO, APAV, ColorADD, Fenacerci and Banco Montepio join forces for inclusion

- Banco Montepio has launched a corporate social responsibility initiative in partnership with five organisations that fight for inclusion on a daily basis - Aldeias de Crianças SOS, ACAPO, APAV, ColorADD and Fenacerci – issuing the reminder: "This is not a Christmas campaign".
- Hand in hand with five institutions, this campaign told a story of inclusion through the lens of a photojournalist.

- This is also the mission of an institution with an economic and social role that wants to contribute to building a sustainable and equitable society, promoting respect for universally recognised human rights, while subscribing to the principles set out in the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda and the United Nations Women's Empowerment Principles (WEPS).

Banco Montepio

Key Indicators

	Dec-22	Dec-23	Change YoY
ACTIVITY AND RESULTS (€ million)			
Total assets	19,106	17,989	(5.8%)
Gross Loans to customers	12,068	11,734	(2.8%)
Deposits from customers	13,115	13,366	1.9%
Equity	1,519	1,566	3.1%
Recurring net income (excluding the FX reserve reclassification)	33.8	144.5	>100%
FX reserve reclassification		(116.1)	-
Net income	33.8	28.4	(16.1%)
SOLVENCY [(a)]			
Common Equity Tier 1 ratio	13.7%	16.1%	2.4 p.p.
Tier 1 ratio	13.7%	16.1%	2.4 p.p.
Total Capital ratio	16.2%	18.8%	2.6 p.p.
Leverage ratio	5.9%	6.7%	0.8 p.p.
Risk weighted assets (€ million)	8,276	7,641.3	(7.7%)
LIQUIDITY RATIOS			
Loans to customers (net) / Customers' deposits [(b)]	89.3%	85.7%	(3.6 p.p.)
LCR	249.6%	233.1%	(16.5 p.p.)
NSFR	125.0%	130.4%	5.4 p.p.
ASSET QUALITY			
Cost of credit risk	0.1%	0.4%	0.3 p.p.
Non-performing exposures (NPE) [(c)] / Gross Loans to customers	5.2%	3.2%	(2.0 p.p.)
NPE [(c)] coverage by credit risk impairments	56.1%	73.9%	17.8 p.p.
NPE [(c)] coverage by credit risk impairments and associated collaterals and financial guarantees	100.8%	115.1%	14.3 p.p.
PROFITABILITY AND EFFICIENCY			
Total operating income / Average total assets [(b)]	1.9%	2.8%	0.9 p.p.
Net income before income tax / Average total assets [(b)]	0.4%	1.0%	0.6 p.p.
Net income before income tax / Average total equity [(b)]	5.4%	11.8%	6.4 p.p.
ROE	2.3%	9.3%	7.0 p.p.
Cost-to-income (Operating costs / Total operating income) [(b)]	66.6%	50.8%	(15.8 p.p.)
Cost-to-Income, excluding specific impacts [(d)]	63.2%	46.2%	(17.0 p.p.)
Staff costs / Total operating income [(b)]	41.2%	30.5%	(10.7 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Banco Montepio Group	3,406	2,983	(12.4%)
Banco Montepio	3,043	2,860	(6.0%)
Branches			
Domestic network - Banco Montepio	239	232	(2.9%)
International Network [(e)]	20	0	(100.0%)
Representation Offices - Banco Montepio	5	5	0.0%

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios include the net income of the period.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, as amended.

(c) EBA definition.

(d) Excludes results from financial operations and other operating results (net gains arising from the sale of other financial assets and other operating income) and non-recurring operating costs driven by the operational adjustment plan.

(e) Includes corporate centres.

Banco Montepio

Consolidated Income Statement

(million euros)	Dec-22	Dec-23	Change YoY €Mn	Change YoY %
Interest and similar income	300.9	598.5	297.6	98.9%
Interest and similar expense	49.4	190.4	141.0	>100%
NET INTEREST INCOME	**251.5**	**408.1**	**156.6**	**62.3%**
Dividends from equity instruments	1.0	0.9	(0.1)	(10.6%)
Net fee and commission income	120.5	127.0	6.5	5.4%
Results from financial operations	12.0	(26.5)	(38.5)	<(100%)
Other results	(14.9)	(5.6)	9.3	62.5%
OPERATING INCOME	**370.1**	**503.9**	**133.8**	**36.2%**
Staff Costs	152.6	153.7	1.1	0.7%
General and administrative expenses	59.7	64.2	4.4	7.4%
Depreciation and amortization	34.0	37.9	3.9	11.5%
OPERATING COSTS	**246.4**	**255.8**	**9.4**	**3.8%**
Loan impairments	13.4	49.6	36.3	>100%
Other financial assets impairments	2.3	1.2	(1.2)	(49.8%)
Other assets impairments	24.9	24.0	(0.9)	(3.5%)
Provisions net of reversals and annulments	3.9	(9.1)	(13.0)	<(100%)
Share of profit of associates under the equity method	0.5	0.6	0.1	11.2%
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**79.7**	**182.9**	**103.2**	**>100%**
Tax	35.6	50.3	14.7	41.4%
EARNINGS BEFORE PROFIT/(LOSS) FROM DISCONT. OP. AND NON-CONTROLLING INTERESTS	**44.1**	**132.6**	**88.5**	**>100%**
Non-controlling interests	(2.7)	1.7	4.4	>100%
Profit/(loss) from discontinuing operations	(13.0)	13.6	26.6	>100%
RECURRING NET INCOME	**33.8**	**144.5**	**110.7**	**>100%**
FX reserve reclassification	0.0	(116.1)	(116.1)	-
NET INCOME	33.8	28.4	(5.4)	(16.1%)

Banco Montepio

Balance Sheet

(million euros)	Dec-22	Dec-23	Change YoY €Mn	Change YoY %
Cash and deposits at central banks	1,383.8	1,171.4	(212.4)	(15.3%)
Loans and advances to credit institutions repayable on demand	52.3	61.0	8.7	16.7%
Other loans and advances to credit institutions	106.4	178.9	72.5	68.2%
Loans and advances to customers	11,713.1	11,453.3	(259.8)	(2.2%)
Financial assets held for trading	23.1	19.0	(4.1)	(17.8%)
Financial assets at fair value through profit or loss (FVPL)	147.8	128.2	(19.6)	(13.2%)
Financial assets at fair value through other comprehensive income (FVOCI)	97.2	48.1	(49.1)	(50.5%)
Hedging derivatives	0.0	6.2	6.2	>100%
Other financial assets at amortised cost	4,119.4	3,878.8	(240.6)	(5.8%)
Investments in associates	4.4	4.7	0.3	7.1%
Non-current assets held for sale	0.0	0.1	0.1	>100%
Non-current assets held for sale - Discontinued operations	199.7	0.0	(199.7)	(100.0%)
Investment properties	72.7	57.7	(15.0)	(20.7%)
Property and equipment	192.0	195.4	3.4	1.8%
Intangible assets	47.6	57.7	10.1	21.4%
Current tax assets	6.0	1.6	(4.4)	(73.7%)
Deferred tax assets	413.6	381.1	(32.5)	(7.9%)
Other Assets	527.3	346.3	(181.0)	(34.3%)
TOTAL NET ASSETS	**19,106.3**	**17,989.5**	**(1,116.8)**	**(5.8%)**
Deposits from central banks	2,890.0	873.9	(2,016.1)	(69.8%)
Deposits from other financial institutions	341.6	909.4	567.8	>100%
Deposits from customers	13,115.4	13,366.4	251.0	1.9%
Debt securities issued	606.7	730.0	123.3	20.3%
Financial liabilities held for trading	17.7	12.6	(5.1)	(28.6%)
Non-current liabilities held for sale – Discontinued operations	101.7	0.0	(101.7)	(100.0%)
Provisions	30.8	20.8	(10.0)	(32.3%)
Current tax liabilities	4.4	1.7	(2.7)	(62.6%)
Hedging derivatives	0.0	3.5	3.5	>100%
Other subordinated debt	217.0	217.0	0.0	0.0%
Other liabilities	261.5	287.5	26.0	10.0%
TOTAL LIABILITIES	**17,586.8**	**16,423.0**	**(1,163.8)**	**(6.6%)**
Share Capital	2,420.0	1,210.0	(1,210.0)	(50.0%)
Other reserves and retained earnings	(945.7)	328.1	1,273.8	>100%
Consolidated net profit/ (loss) for the period attributable to the shareholders	33.8	28.4	(5.4)	(16.1%)
Total equity attributable to the shareholders	1,508.0	1,566.5	58.5	3.9%
Non-controlling interests	11.4	0.0	(11.4)	(100.0%)
TOTAL EQUITY	**1,519.5**	**1,566.5**	**47.0**	**3.1%**
TOTAL LIABILITIES AND EQUITY	**19,106.3**	**17,989.5**	**(1,116.8)**	**(5.8%)**

Banco Montepio

Ratings

DBRS	Last review in December 2023
Intrinsic Assessment (IA)	BB
Long-Term Issuer Rating	BB
Trend	Stable
Short-Term Issuer Rating	R-4
Trend	Stable
Long-Term Senior Debt	BB
Trend	Stable
Short-Term Debt	R-4
Trend	Stable
Subordinated Debt	B (high)
Trend	Stable
Long-Term Deposits	BB (high)
Trend	Stable
Short-Term Deposits	R-3
Trend	Stable

Moody's	Last review in November 2023
Baseline Credit Assessment (BCA)	ba2
Adjusted Baseline Credit Assessment (BCA)	Ba2
Senior Unsecured MTN	Ba2
Outlook	Stable
Subordinated Debt	Ba3
Long Term Bank Deposits	Baa3
Outlook	Stable
Short Term Bank Deposit Rating	P-3
Long Term Counterparty Risk	Baa2
Covered Bonds	Aaa

Fitch Ratings	Last review in March 2024
Viability Rating (VR)	Bb
Long Term Issuer Default Rating (IDR)	BB
Outlook	Stable
Short Term Issuer Default Rating (IDR)	B
Government Support	No Support
Long-term Senior Preferred Debt Rating	BB
Short-term Senior Preferred Debt Rating	B
Long-Term Senior Non-Preferred Debt Rating	BB-
Subordinated Debt Rating	B+
Long-Term Deposits Rating	BB+
Short-Term Deposits Rating	B
Covered Bonds	AAA
Outlook	Stable

Banco Montepio

Glossary

CET1 - Common Equity Tier 1.

Core operating income - Corresponds to the sum of the Income Statement items "Net interest income" and "Net fee and commission income".

Cost of Credit Risk - Indicator that measures the cost recognized in the period and recorded as credit impairment in the income statement to cover the risk of default in the loans and advances to Customer's portfolio. It results from dividing the Credit Impairment (annualized) by the average balance of gross Loans to Customers.

Cost-to-income ratio - Ratio of operating efficiency measured through the portion of operating income that is absorbed by operating costs, given by dividing operating costs by operating income.

Debt issued - Sum of balance sheet items 'Debt securities issued' and 'Other subordinated debt'.

EBA - European Banking Authority, European Banking Authority.

Fully implemented -Totally implemented, in English. It refers to the full implementation of the prudential rules set out in the legislation in force in the European Union, which was produced based on the standards defined by the Basel Committee on Banking Supervision in the agreements known as Basel II and Basel III.

LCR - Liquidity Coverage Ratio.

Liquidity buffer – The sum of the aggregate amount of the balance sheet item "Cash and deposits at central banks", of applications in central banks and the market value of assets eligible to obtain liquidity from the ECB.

MREL - Minimum Requirement for Own Funds and Eligible Liabilities

Net fees and commissions - Corresponds to the item in the income statement "Net fee and commission income".

NPE - Non-Performing Exposures, Non-performing exposures according to the EBA definition.

NPE Ratio - Ratio given by the division of NPE calculated in accordance with the EBA definition by loans and advances to Customers (gross).

NSFR - Net Stable Funding Ratio

Operating costs - Sum of the Income Statement headings "Staff costs", "General administrative costs" and "Depreciation and amortisation".

Operating income - Corresponds to the sum of the Income Statement items "Net interest income", "Income from equity instruments", "Income from services and commissions", "Income from financial operations", "Other operating income" and "Income from disposal of other assets".

Other results - Corresponds to the sum of the Income Statement headings "Other operating results" and "Results from the sale of other assets".

Performing loans - Corresponds to gross credit excluding non-performing loans.

Phasing-in - Transitional period, in English. It refers to the phased implementation of prudential rules in accordance with the legislation in force in the European Union.

REO – Real Estate owned, as the sum of the balance sheet item "Investment properties" and the assets received in recovery of credit included in the item "Other assets".

Results from financial operations - Sum of the headings in the income statement "Income from assets and liabilities measured at fair value through profit or loss", "Income from financial assets at fair value through other comprehensive income" and "Income from foreign exchange revaluation".

RWA - Risk-Weighted Assets.

Securities portfolio - Total of the balance sheet items "Financial assets held for trading", "Financial assets at fair value through other comprehensive income", "Other financial assets at amortised cost" and "Financial assets at fair value through profit or loss" less "Financial liabilities held for trading".

TLTRO - Targeted Longer Term Refinancing Operations.

YoY - Year-on-year.

YtD - Year-to-date.

Investor Relations Office
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investors@montepio.pt
https://www.bancomontepio.pt/investor-relations

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