



# ANNOUNCEMENT

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Millennium  
bcp

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## Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in H1 2022

Banco Comercial Português, S.A. hereby informs that Bank Millennium in Poland, in which it has a 50.1% holding and whose accounts are fully consolidated at BCP group level, released today its results for H1 2022.

In the 2Q 2022, Bank Millennium S.A. Capital Group improved significantly their operating results allowing Bank Millennium to achieve a positive net result after all costs related to FX-denominated mortgage portfolio. Strong growth in core revenues (2Q 2022: up 60% y/y, 1H22: up 52% y/y) more than offset the 12% y/y growth of operational costs (excl. cost of joining the Institutional Protection Scheme or 'IPS'; 1H22: +13% y/y) and the continuing elevated costs related to FX-denominated mortgage portfolio (1H22: PLN1,170 million, EUR 252,2 million).

Excluding the significant one-off costs related to IPS (PLN252 million pre-tax, EUR 54.3 million), the Group would post a positive net result in 2Q22.

The consolidated net loss of Bank Millennium Group, in H1 2022, amounted to PLN 262.6 million (EUR -56.6 million) versus -PLN 511.6 million (EUR -112.7 million).

1H 2022 result was substantially influenced by provisions for legal risks related to the portfolio of foreign currency (FX) mortgage loans, which amounted to PLN 1,014.6 million (EUR 218.8 million), of which PLN 918.6 million (EUR 198.1 million) attributable to FX-mortgages originated by the Bank and PLN 96 million (EUR 20.7 million) related to the portfolio of the former Euro Bank. Cumulative provisions at the end of the 1H 2022 represent 36.3% of the FX mortgage portfolio originated by Bank

#### BANCO COMERCIAL PORTUGUÊS, S.A.,

having its registered office at Praça D. João I, 28, Oporto, registered at the Commercial Registry of Oporto, with the single commercial and tax identification number 501 525 882 and the share capital of EUR 4,725,000,000.00.  
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Millennium. Excluding extraordinary items, i.e., provisions for FX mortgage legal risk, costs of amicable settlements with FX-mortgage borrowers and other legal costs, and with linear distribution of BFG resolution fund fee (without net impact of IPS contribution), the net profit would be PLN 1,127.8 million (EUR 243.2 million), representing an increase on a comparable basis of 106.2%. The adjusted\* ROE amounted to 23.0%.

Main highlights are as follows:

**Excluding the IPS, Bank Millennium achieved positive net result after all costs related to FX-denominated mortgage portfolio**

- Reported 1H 2022 net loss of PLN 262.6 million (EUR -56.6 million).
- Excluding FX-mortgage provisions and other legal costs related to FX mortgage loans portfolio, and with linear distribution of BFG resolution fund fee (without net impact of IPS contribution), the net profit would be PLN 1,127.8 million (EUR 243.2 million), representing an increase, on a comparable basis, of 106.2% and a 29.9% increase q-o-q
- Extraordinary provisions related to CHF denominated mortgage loans: PLN 1,014.6 million (EUR 218.8 million) for FX mortgages legal risks (excluding loans originated by Euro Bank), increasing cumulative provisions to 36.3% of the FX mortgage portfolio originated by Bank Millennium
- Reported ROE of -6.4% and Adjusted\* ROE of 23.0%
- Cost/income ratio reported of 46.6% and adjusted\* cost/income of 32.8%

**Operating income and costs**

- Total operating income increased 39.5% y-o-y and 15.3% q-o-q
- Operating costs (without BFG/IPS) increased 9.4% y-o-y and decreased 2.5% q-o-q
- Net interest income increased 67.6% y-o-y and 22.7% q-o-q, reflecting the increase in interest rates occurred since October 2021

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- Net fees grew 3.1% y-o-y and decreased 6.7% q-o-q

### High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at 4.3% versus 4.7% at end of June 2021
- Cost of Risk at 37 b.p. which compares to 33 b.p. in June 2021
- Loans to deposits ratio at 82.5% which compares to 84.2% at the end of June 2021

### Capital position

- Group's Total Capital Ratio (TCR) at 15.2% and T1 ratio at 12.1%, above requirements (13.5% and 10.8%, respectively)

### Retail business

- 2.8 million active Clients, an increase of 66 thousand q-o-q and 173 thousand y-o-y
- Retail deposits stable stable y-o-y (+0.30%)
- Retail loans grew 4% y-o-y (12%, excluding FX mortgages)
- Quarterly new production of PLN mortgage loans in Q2 2022 at PLN 2.2 billion, (EUR 0.5 billion) an increase of 12% q-o-q (-11% y-o-y in H1 2022)
- Cash loans production in Q2 2022 at PLN 1.4 billion PLN (0.3 billion EUR), a 26% q-o-q increase in Q2 2022 (-7% y-o-y in H1 2022)
- In June 2022, market share of new mortgages production stood at 13.5% and in new sales of cash loans at 9.8%

### Companies business

- Companies' deposits increased 24% y-o-y
- Loans to companies increased 5% y-o-y

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- Leasing business volume grew 8% y-o-y

### **Credit holidays - Significant upfront impact to be booked in 3Q 2022**

The Act of July 7, introduced, among others, a handful of measures aimed at support of PLN mortgage borrowers, including:

- Ability to suspend up to 8 monthly instalments (2 instalments in 3Q22 and 4Q22 each and one in each quarter of 2023, only one loan per household, only loans for housing purposes, only loans granted before July 1, 2022),
- Enforcement of additional PLN1.4bn sector's contribution to Borrowers Support Fund (FWK),
- Replacement of WIBOR as the main benchmark for loans.

Expected impact on Bank Millennium's results in 3Q22:

- Maximum cost of credit holidays at PLN1.8bn at the Group level if 100% of eligible borrowers would use such option,
- Upfront cost of credit holidays to be booked in 3Q22 based on an expected participation rate between 75% to 90%, above market average (66%) announced so far.

**Capital ratios expected to be temporarily below minimum requirements due to the impact of upfront booking of credit holidays, but the recovery is expected in a relatively short term**

- Upfront recognition of costs of credit holidays is expected to result in a negative net result for 3Q22.
- As a result, capital ratios will drop by c300bps, and Group's T1 ratio may fall 118-174 bps below the current minimum requirements set by the Polish Financial Supervision Authority ('PFSA'). T1 ratio is where the highest deficit is expected.
- Risk of a breach of respective capital ratios triggered the decision to launch the recovery plan.
- Each bank is required to have a ready and at least once a year updated recovery plan filed with

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the PFSA. Bank Millennium's current recovery plan was approved by the regulator in February this year.

- The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations). While in the recovery procedure, the Bank will not pay banking tax (PLN80mn+ per quarter).

(\*) Extraordinary items: FX-mortgage legal risk provisions, costs of litigations and settlements with clients and with linear distribution of BFG resolution fund fee (without net impact of IPS contribution); in 2021 also material revaluation of financial investments (VISA).

## End of announcement

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