



# ANNOUNCEMENT

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Millennium  
bcp

24 October 2022

## Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 9M 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 9M 2022.

In 3Q 2022, Bank Millennium S.A. Capital Group reported net loss PLN 1,001 million, €214.3 million (9M22: net loss of PLN 1,264 million, €270.5 million). This unprecedented level of quarterly loss was entirely an outcome of upfront recognition of costs of credit holidays (PLN 1,423 million pre-tax, €304.6 million / PLN 1,153 million after tax, €246.8 million) imposed on Polish banks in July. Excluding these, BM Group would post net profit of PLN 152 million, €32.5 million (PLN 68 million with banking tax included, € 14.6 million) despite incurring high costs related to FX-mortgages (PLN 640 million pre-tax, €137 million / PLN 591 million after tax altogether, €126.5 million) and a couple of sizeable negative extraordinary items. This was the second quarter in a row, when results of the core business more than offset costs related to FX-mortgages.

Similarly, to recent reporting periods, costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated and continued to be the main drag on the increasingly profitable core business of the Group.

#### 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.  
LEI: JU1U6SODG9YLT7N8ZV32

#### INVESTOR RELATIONS

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Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN 498 million (pre-tax) in 3Q22, €106.6 million (9MQ22: PLN 1,513 million, €323.9 million) with PLN 447 million in Q322, €95.7 million (9M22: PLN 1,366 million, €292.4 million) attributable to FX-mortgages originated by the Bank. Without extraordinary items, i.e. provision for credit holidays, provisions for FX mortgage legal risk, costs related to amicable settlements with borrowers of those loans, impact of payment to the Protection Scheme (IPS) and with linear distribution of BFG resolution fund fee the net profit adjusted would be PLN 1,832 million, €392,3 million, +127.4% y-o-y and +10,6% q-o-q.

Main highlights are as follows:

**Excluding the FX-mortgage related costs and cost of credit holidays, the Group would post positive net results**

- Reported 9M 2022 net loss of PLN 1,264 million (EUR -270.5 million)
- Without extraordinary items, i.e. provision for credit holidays, provisions for FX mortgage legal risk, costs related to amicable settlements with borrowers of those loans, impact of payment to the Protection Scheme (IPS) and with linear distribution of BFG resolution fund fee the net profit adjusted would be PLN 1,832 million, €392,3 million, +127.4% y-o-y and +10,6% q-o-q
- Extraordinary provisions related to CHF denominated mortgage loans: PLN 1,513 million (EUR 322.9 million) for FX mortgages legal risks (excluding loans originated by Euro Bank), increasing cumulative provisions to 41.3% of the FX mortgage portfolio originated by Bank Millennium
- Reported ROE of -28.6% and Adjusted\* ROE of 24.6%
- Cost/income ratio reported of 41.6% and adjusted\* cost/income of 32.6%

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## Operating income and costs

- Net interest income increased 75.3% y-o-y and 7.8% q-o-q, reflecting the increase in interest rates occurred since October 2021
- Net fees decreased -1.5% y-o-y and -13.0% q-o-q
- Operating costs increased 34.5% y-o-y and decreased -31.8% q-o-q, mainly due to much higher contribution to Banking Guarantee Fund (BFG) funds and contribution to the institutional protection scheme ('IPS') established by eight Polish banks
- Total operating income increased 48.1% y-o-y and 5.1% q-o-q

## High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at 4.54% versus 4.65% at end of September 2021
- Cost of Risk at 44 b.p. which compares to 36 b.p. in September 2021
- Loans to deposits ratio at 81% which compares to 86 at the end of September 2021

## Capital position

- Group's Total Capital Ratio (TCR) at 12,36% and T1 ratio at 9,45%, below requirements (13.5% and 10.8%, respectively)
- The drop of capital ratios was driven mainly by the fall of own funds by 14.2%, being before all a result of a creation of provisions to "Credit holidays" assistance program and further creation of legal risk provision, as announced by the BM in the July 2022 notice to the market
- According to Polish regulations, the Bank activated the Capital Recovery Plan, aiming to restore capital levels above regulatory requirements as soon as possible, through a combination of improved operating profitability and capital optimization measures, namely through securitization operations

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## Retail business

- 2.9 million active Clients, an increase of 50 thousand q-o-q and 190 thousand y-o-y
- Retail deposits stable increased 3% y-o-y
- Retail loans grew 1% y-o-y (+6%, excluding FX mortgages)
- Quarterly new production of PLN mortgage loans in Q3 2022 at PLN 1.4 billion, (EUR 0.3 billion) a decrease of -36% q-o-q (-19% y-o-y in 9M 2022)
- Cash loans production in Q3 2022 at PLN 1.5 billion PLN (0.3 billion EUR), an 8% q-o-q increase in Q3 2022 (-6% y-o-y in 9M 2022)
- In September 2022, market share of new mortgages production stood at 12.5% and in new sales of cash loans at 10.3%

## Companies business

- Companies' deposits increased 22% y-o-y
- Loans to companies increased 6% y-o-y
- Factoring business volume grew 10% y-o-y
- Leasing business volume grew 7% y-o-y

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

## End of announcement

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