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

Bank Millennium S.A. Capital Group, in Q4 2022, reported net profit of PLN 249 million (EUR 54 million), despite high costs related to FX-mortgages (4Q22: PLN 617 million after tax, EUR 132 million). It is worth mentioning the return to profits after a long period of quarterly negative results.

In spite of the positive earnings in Q4 2022, in the full year 2022 ('FY22'), reported net result was negative (PLN 1,015 million, EUR 217 million) but was lower than the PLN 1,332 million (EUR 292 million) losses reported in 2021 ('FY21'). In FY22, FX-mortgage costs were lower than those in FY21, PLN 2,363 million (EUR 505 million) versus PLN 2,430 million (EUR 533 million), both after taxes.

Bank Millennium results were strongly impacted by the cost of credit holidays (PLN 1,073 million after tax, EUR 229 million) and significant cost of IPS (PLN 224 million after tax, EUR 48 million).

Excluding both the impact of FX-mortgage related costs and credit holidays and adding a hypothetical level of banking tax, Bank Millennium's FY22 net profit would be PLN 2,241 million (EUR 479 million). Costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated and continued to be a material drag on the increasingly net income of Bank Millennium in 2022. Provisions for legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN 505 million (pre-tax) (EUR 108 million in 4Q22) and PLN 2,017 million (EUR 431 million)

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in FY22, of which provisions for the portfolio of FX-mortgage loans originated by Bank Millennium amounted to PLN 1,844 million (EUR 394 million).

At the end December of 2022, provisions for the portfolio originated by Bank Millennium were at the level of PLN 4,986 million, EUR 1,065 million (equivalent to 46.8% coverage of the grossed-up FX-mortgage book). Provisions for the portfolio originated by EuroBank amounted to PLN 409 million (EUR 87 million) at the end of 2022.

In 4Q22, capital ratios improved markedly, returning to levels above the minimum requirements.

Consolidated TCR increased to 14.4% at YE22 from 12.4% at the end of September'22, while consolidated T1 ratio to 11.3%. This was an outcome of lower RWAs, Q4 2022 net income and fair value impact of the securities portfolio.

On the other hand, minimum required ratios for Bank Millennium were lowered by the regulator during 4Q22, as a result of the reduction of the P2R buffer in December'22. Consolidated minimum required TCR ratio stood at 12.7% at YE22, while consolidated T1 ratio at 10.2%.

BANCO COMERCIAL PORTUGUÊS, S.A.,
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Main highlights are as follows:

Excluding the FX-mortgage related costs and cost of credit holidays, the Group would post positive net results in FY22:

- As a result of the extraordinary costs reported in 2022, Bank Millennium reported a net loss of PLN 1,015 million (EUR 217 million)
- Excluding extraordinary items, i.e. FX-mortgage related costs, cost of credit holidays and with linear distribution of BFG resolution fund fee and hypothetical bank tax in 2H22; the net profit adjusted would be positive of PLN 2,241 million, EUR 479 million, +99.3% y-o-y and +8.8% q-o-q
- Extraordinary provisions related to CHF denominated mortgage loans: PLN 2,017 million (EUR 431 million) for FX mortgages legal risks, PLN 1,844 million (EUR 394 million) attributable to FX-mortgages originated by the Bank
- At the end of December 2022, provisions for the portfolio originated by Bank Millennium were at the level of PLN 4,986 million, EUR 1,065 (equivalent to a coverage of 46.8% of the grossed-up FX-mortgage book)
- Adjusted* ROE of 21.5% and reported ROE of -17.5%
- Adjusted* cost/income of 36.2% and reported cost/income ratio of 39.3%

Operating income and costs

- Net interest income (NII) increased 23% y-o-y (including cost of credit holidays for PLN mortgage loans), reflecting the increase in interest rates occurred since October 2021. Without credit holidays NII would have grown by 71.8% y-o-y (-1.7% q-o-q)
- Net fees decreased -2.7% y-o-y and increased by 12.6% q-o-q
- Operating costs increased 27.5% y-o-y and 1.5% q-o-q, mainly due to contribution to the institutional protection scheme ('IPS') established by eight Polish banks
- Operating income without credit holidays increased 49.9% y-o-y and 1.9% q-o-q

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High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at 4.5% versus 4.4% at end of December 2021
- Cost of Risk at 44 b.p. which compares to 37 b.p. in December 2021
- Loans to deposits ratio at 78% which compares to 86% at the end of December 2021

Capital position

- Group's Total Capital Ratio (TCR) at 14.42% and T1 ratio at 11.28%, above requirements (12.7% and 10.2%, respectively)

Retail business

- 2.9 million active Clients, an increase of 28 thousand q-o-q and 193 thousand y-o-y
- Retail deposits increased 4% y-o-y
- Retail loans decreased by 3% y-o-y (+1%, excluding FX mortgages)
- Quarterly new production of PLN mortgage loans in Q4 2022 at PLN 0.9 billion, (EUR 0.2 billion) a decrease of 33% y-o-y and 34% q-o-q
- Cash loans production in Q4 2022 at PLN 1.4 billion PLN (0.3 billion EUR), a 3% y-o-y and 9% q-o-q
- In December 2022, market share of new mortgages production stood at 12.8% and in new sales of cash loans at 10.4%

Companies' business

- Companies' deposits increased 15% y-o-y
- Loans to companies decreased 2% y-o-y

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- Factoring business volume decreased 5% y-o-y
- Leasing business volume grew 3% y-o-y

(*) Extraordinary items: FX-mortgage related costs, cost of credit holidays and with linear distribution of BFG resolution fund fee and hypothetical bank tax in 2H22; in 2021 also material revaluation of financial investments (VISA); ROE: Equity adjusted by FX related costs.

End of announcement

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