



# BANK MILLENNIUM GROUP

## INSTITUTIONAL PRESENTATION

April 2021

# AGENDA

1.

Macroeconomic  
environment  
in Poland



2.

Banking sector  
in Poland



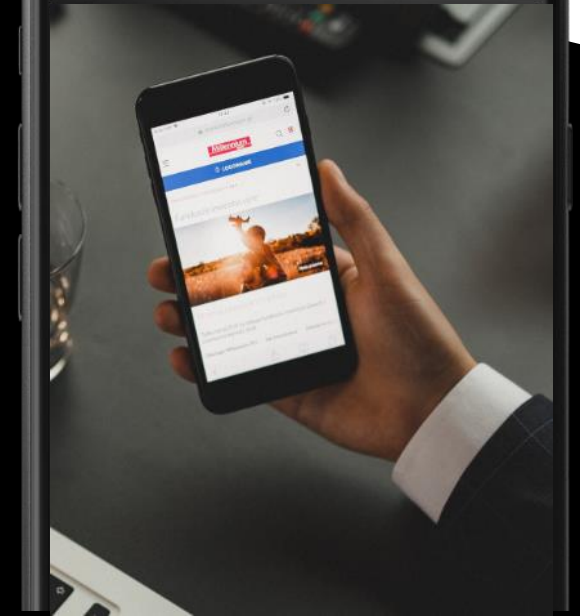
3.

Bank Millennium  
general overview  
and strategy



4.

Financial  
performance



A hand holding a black marker is drawing a line graph on a grid background. The graph features several jagged lines and two large, dark, teardrop-shaped markers. The overall image has a light blue and white color scheme with a curved bottom edge.

# 01

## **INSTITUTIONAL PRESENTATION**

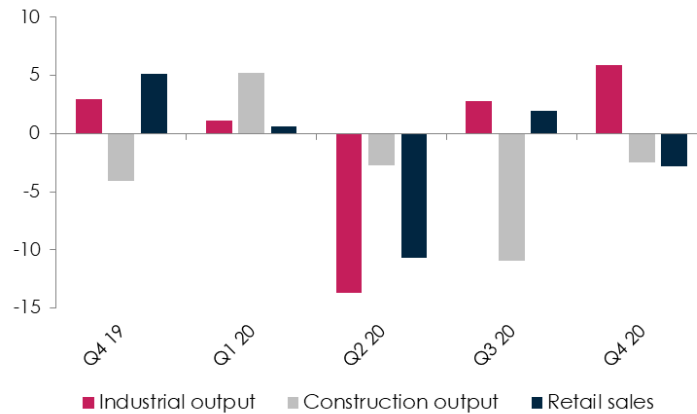
**Macroeconomic environment  
in Poland**



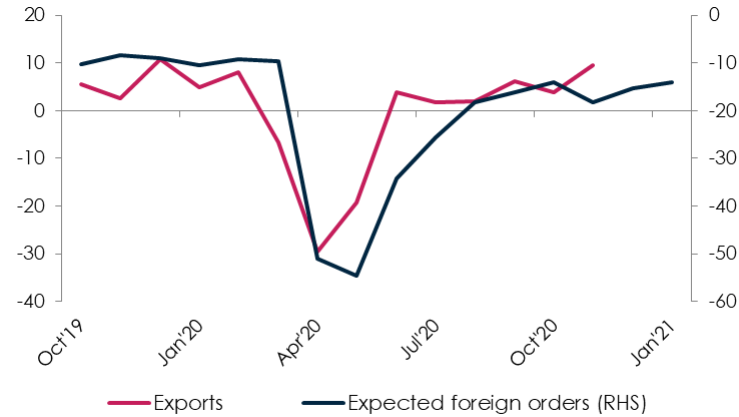
# MACROECONOMIC OVERVIEW

## Economy

Data from real economy (% y/y)

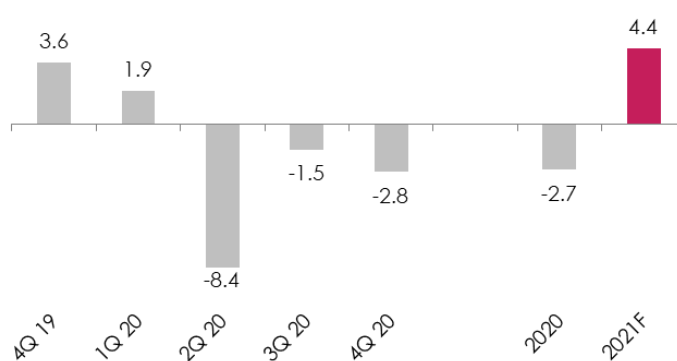


Exports and expected foreign orders (% y/y, pts)

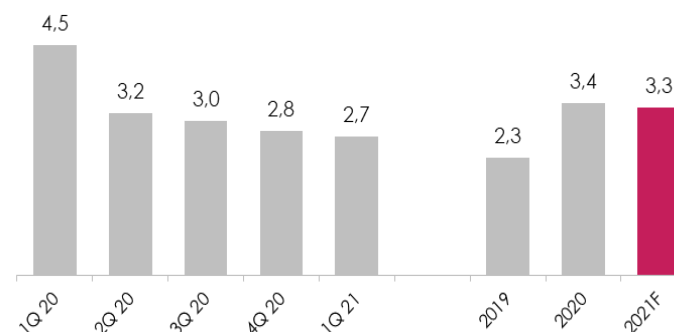


Polish economy surprised on the upside in 4Q20 showing some resilience to reintroduced restrictions for a part of the service and trade sector. Manufacturing rebounded particularly strongly due to increasing global trade and demand from abroad. Outlook for 2021 remains favourable despite slower-than-expected vaccination roll-out and strong impact of restrictions in economies of main trading partners.

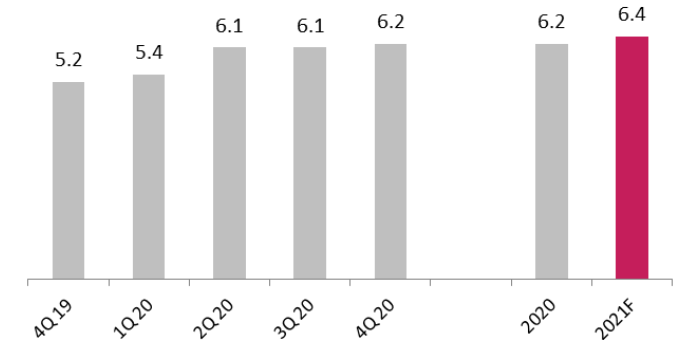
GDP growth rate (% y/y)



CPI inflation (% y/y)



Registered unemployment rate (%)



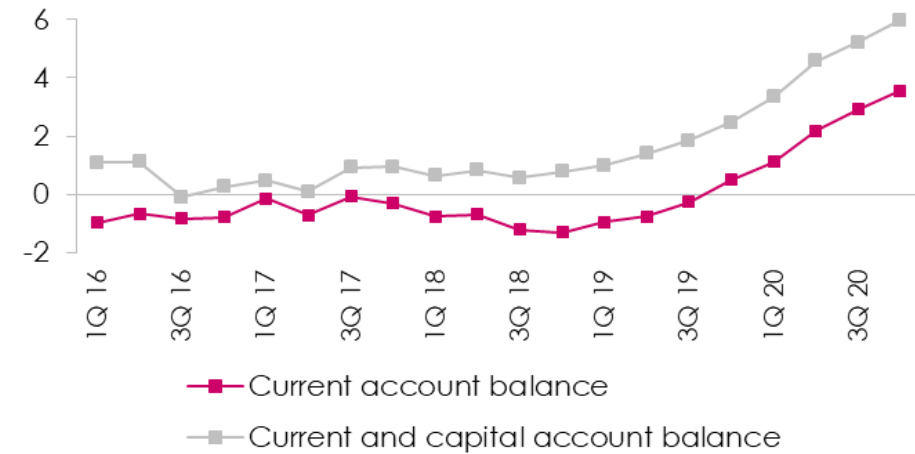
# MACROECONOMIC OVERVIEW

## Economy

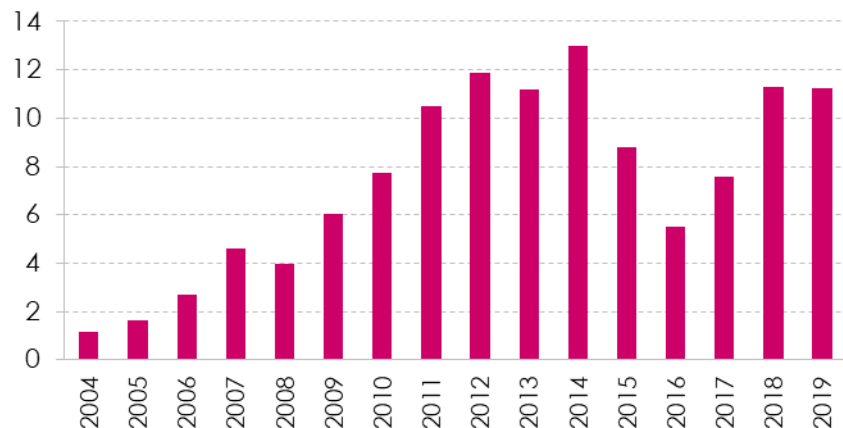
Exports and import according to national accounts (% y/y)



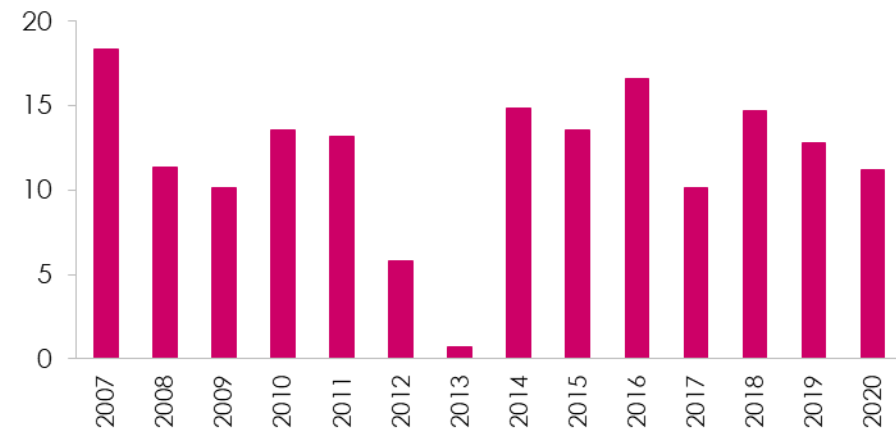
Current and capital account balance (% GDP)



Inflow of European Union funds to Poland (EUR bn)



Inflow of foreign direct investments to Poland (EUR bn)

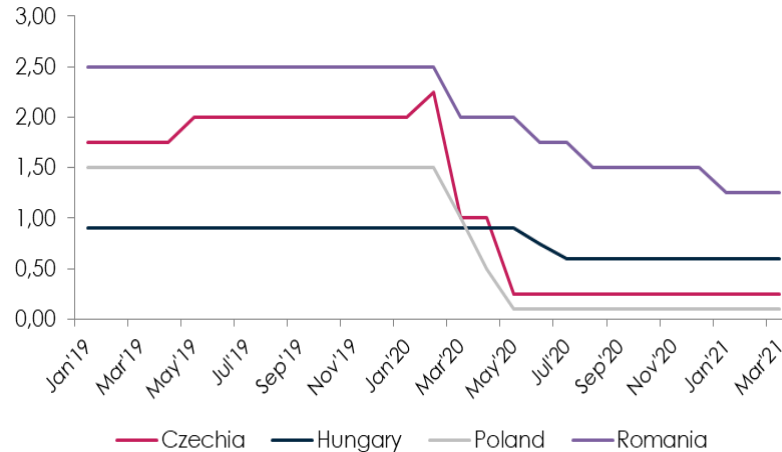


# MACROECONOMIC OVERVIEW

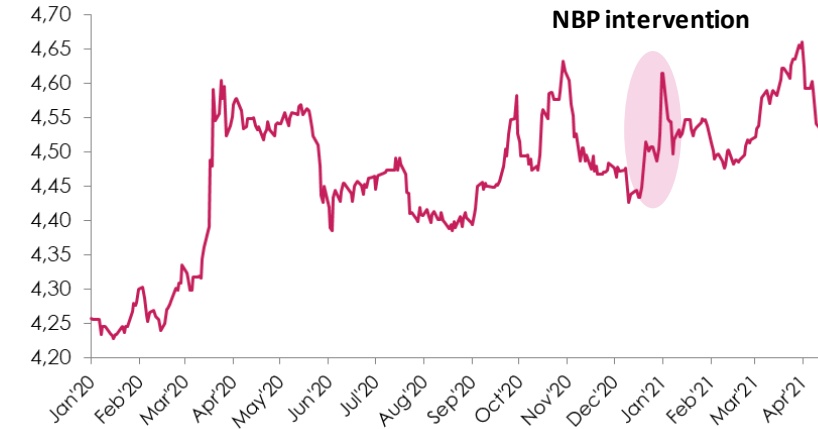
## Financial markets

Interest rates in CEE countries

(%)



EUR/PLN exchange rate



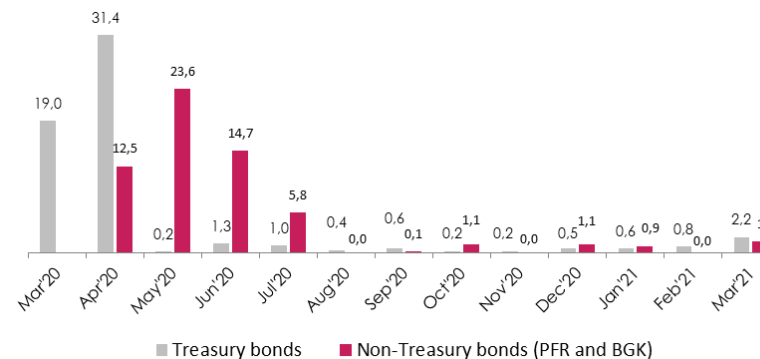
Yields of T-bonds

(%)



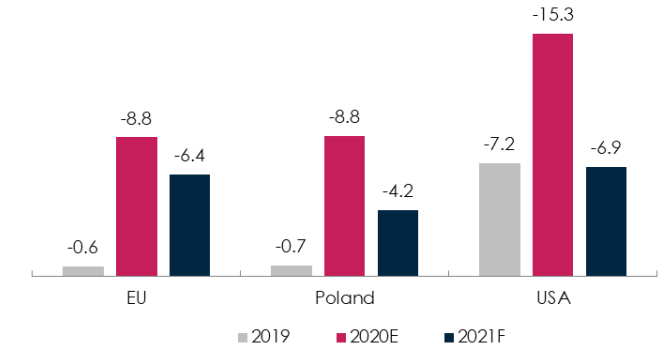
NBP buybacks of bonds

(PLN bln)



General government deficit

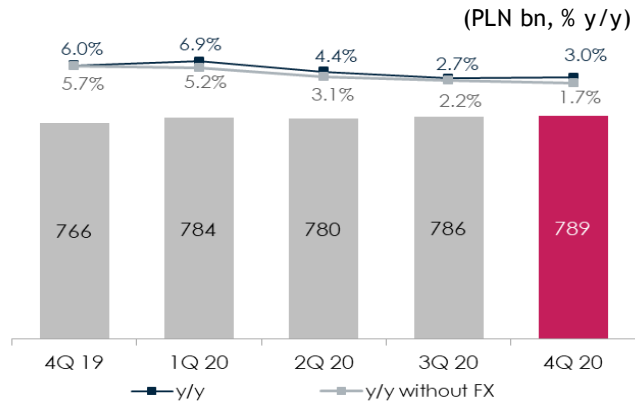
(% GDP)



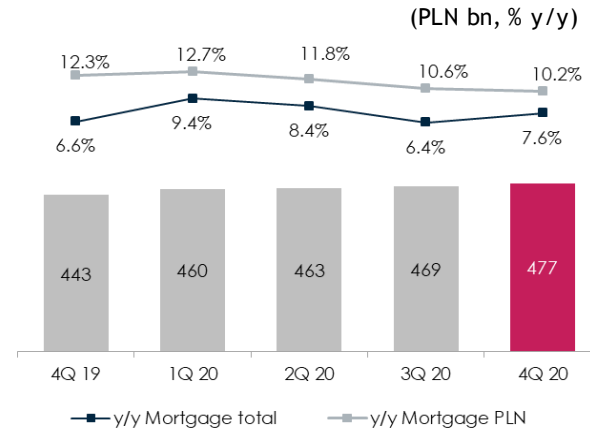
# MACROECONOMIC OVERVIEW

## Monetary aggregates

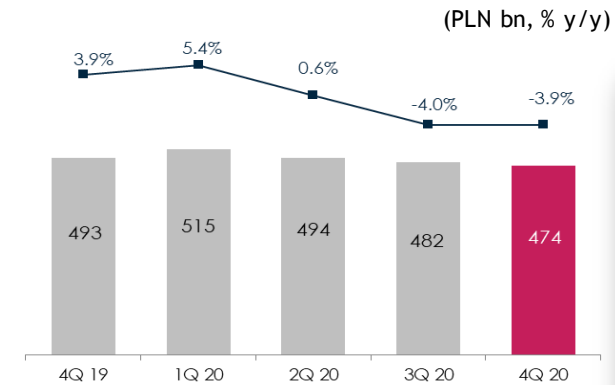
### Loans to households



### Mortgage loans

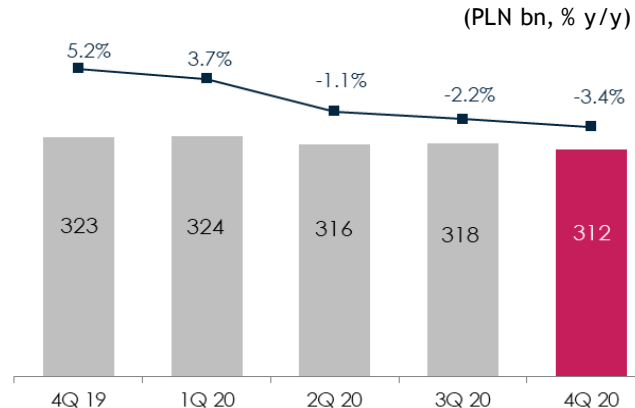


### Loans to companies

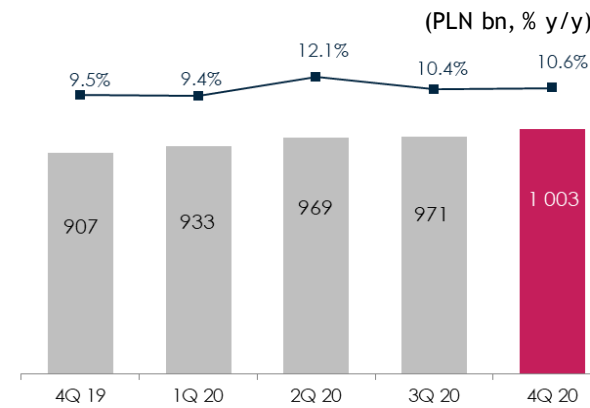


4Q20 showed continuation of trends from previous quarter. Loans for companies and non-mortgage loans were declining. On the other hand, mortgage loans continued relatively strong growth.

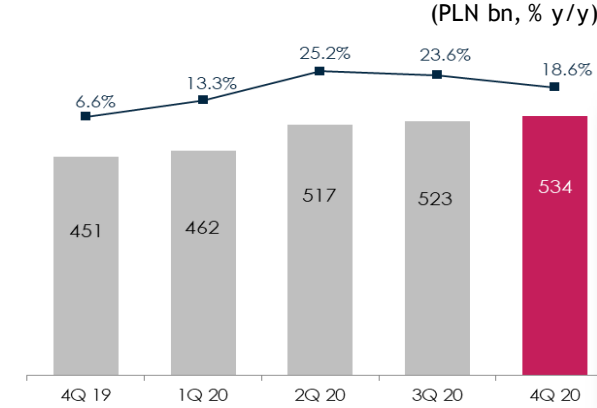
### Households: non-mortgage loans



### Deposits from households



### Deposits from companies



Annual growth rate of households deposits remained strong in 4Q. Growth rate of deposits from companies decreased as public aid from first Financial Shield ended.



02

## INSTITUTIONAL PRESENTATION

Banking sector in Poland



# POLISH BANKING SECTOR OVERVIEW (\*)

**30 fully registered banks**, 530 co-operative banks (active mainly in rural areas of the country) and additional **36 international** banks acting in Poland in a form of branch

Around **11.5k banking outlets (5.5k branches)** and c149 thousand persons employed in the sector

**Top 5 banks** in Poland comprise **50% of total assets** of the sector and top 10 make 72%, but consolidation of the sector continues

Highest standards in **modern technology** implementation (e.g. mobile users, pay-pass payments) and **quality** of service



**Strong resilience during the pandemic crisis** - only one bank was subject to resolution procedure (due to pre-pandemic issue), fall-outs of small co-operative banks

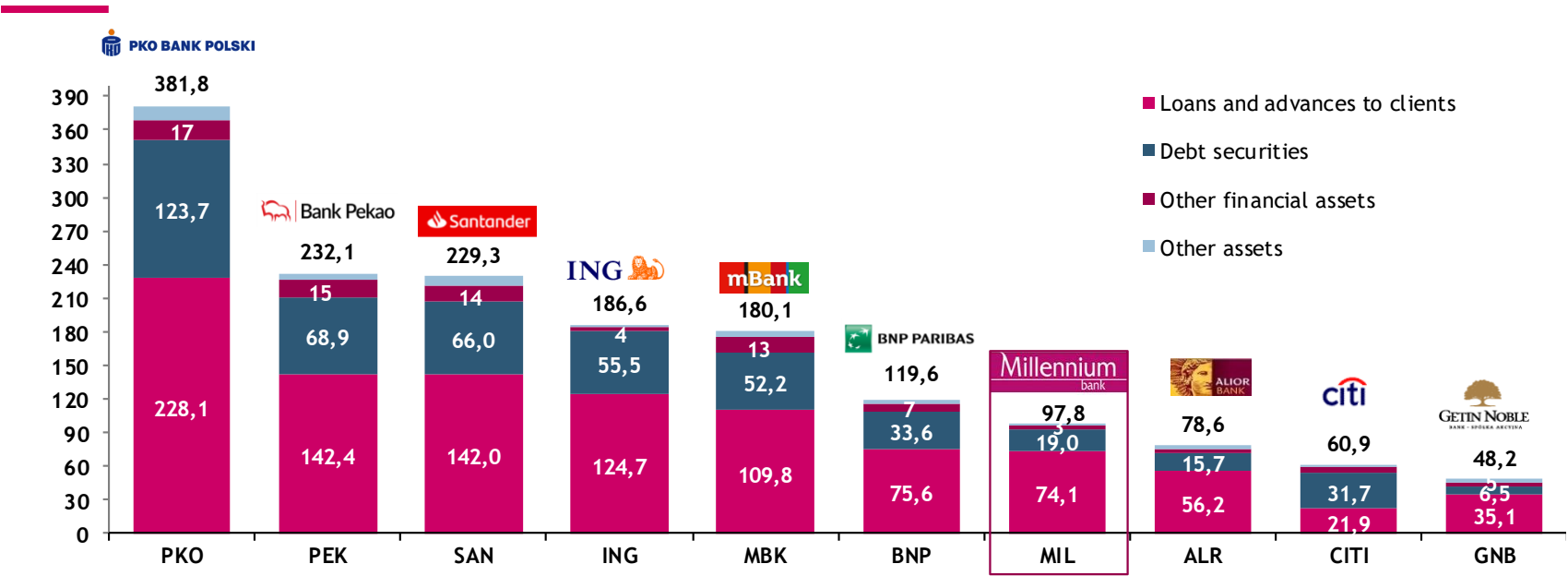
Strong banking supervision and **high level of solvency** of Polish banks (average TCR = 19%, CET1 = 17% ) confirmed by stress tests

**Comfortable liquidity** (L/D = 88%) supported margins, while interest rates at historical low levels

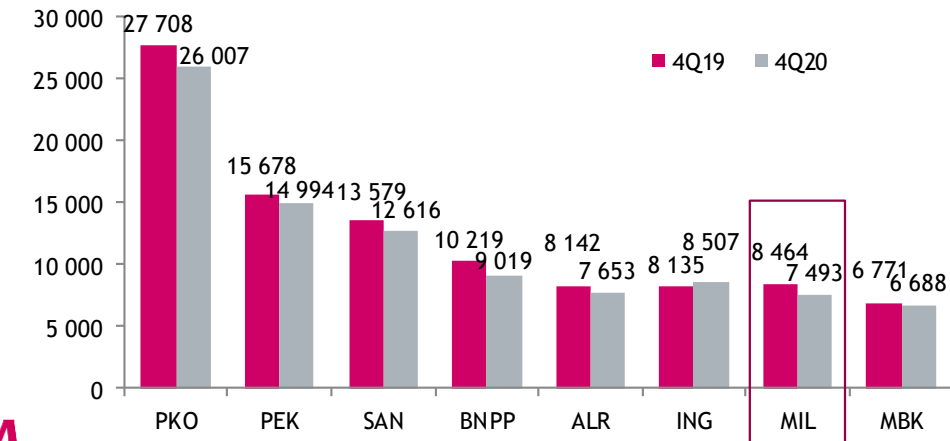
**Profitability under pressure** due to high obligatory burdens: new banking tax (highest in Europe), guarantee fund payments and regulatory limits on many fees (insurance, interchange, mutual funds)

# THE BIGGEST BANKS IN POLAND

As at 31 December 2020 (PLNbn)

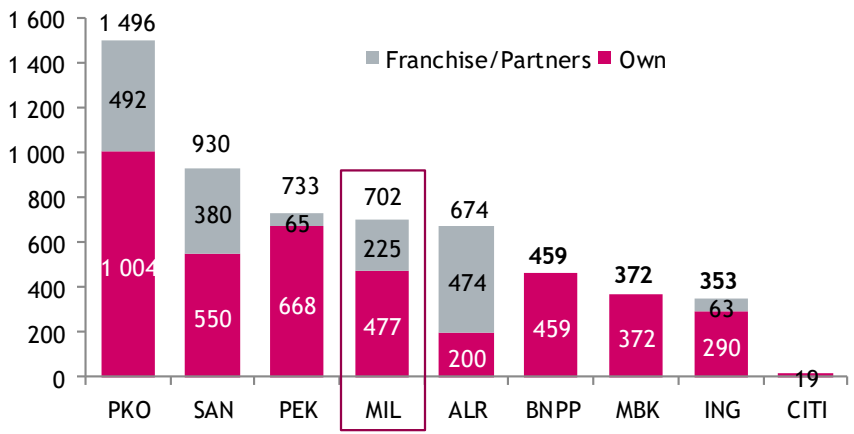


## Total headcount\*



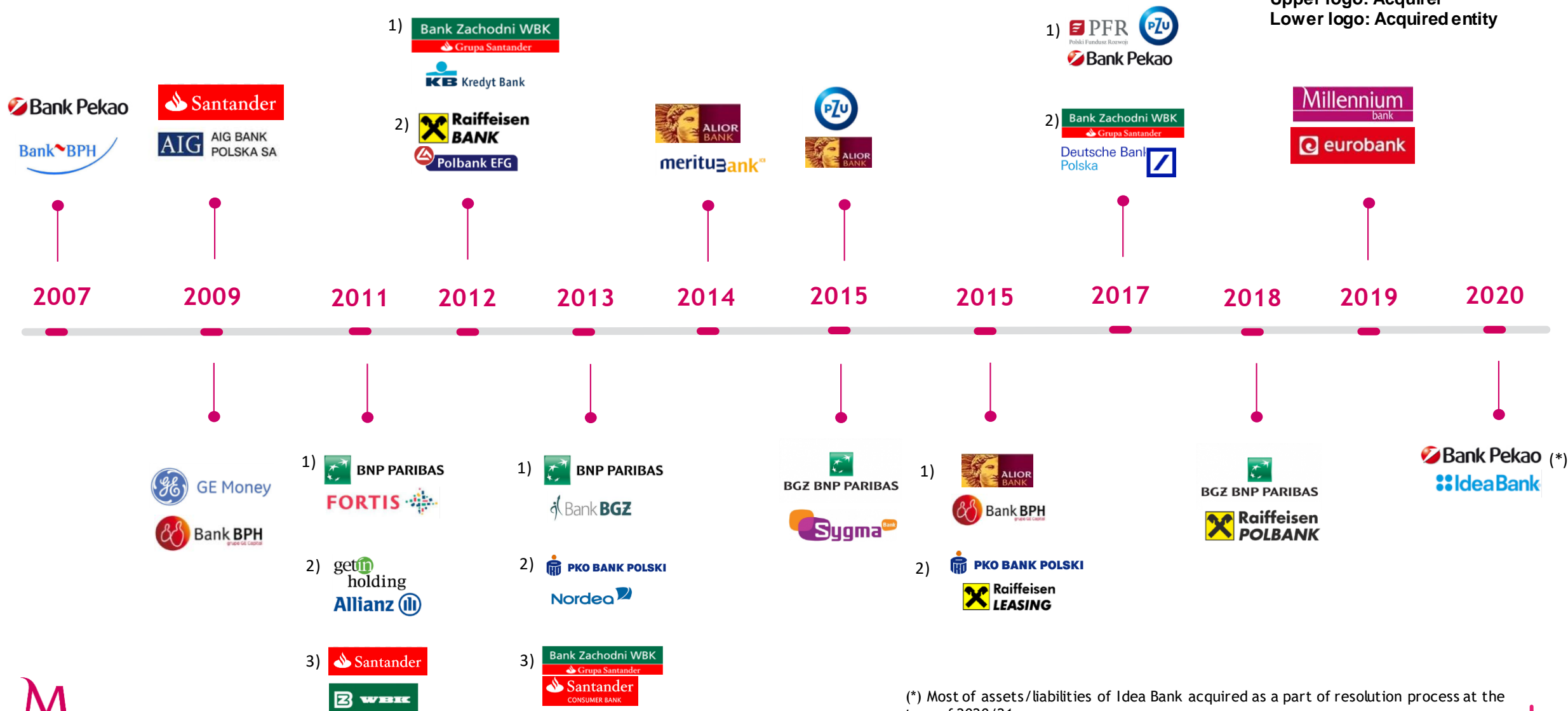
(\*) Total FTEs

## Total distribution network



# RECENT M&A TRANSACTIONS IN THE POLISH BANKING SECTOR

Upper logo: Acquirer  
Lower logo: Acquired entity



(\*) Most of assets/liabilities of Idea Bank acquired as a part of resolution process at the turn of 2020/21

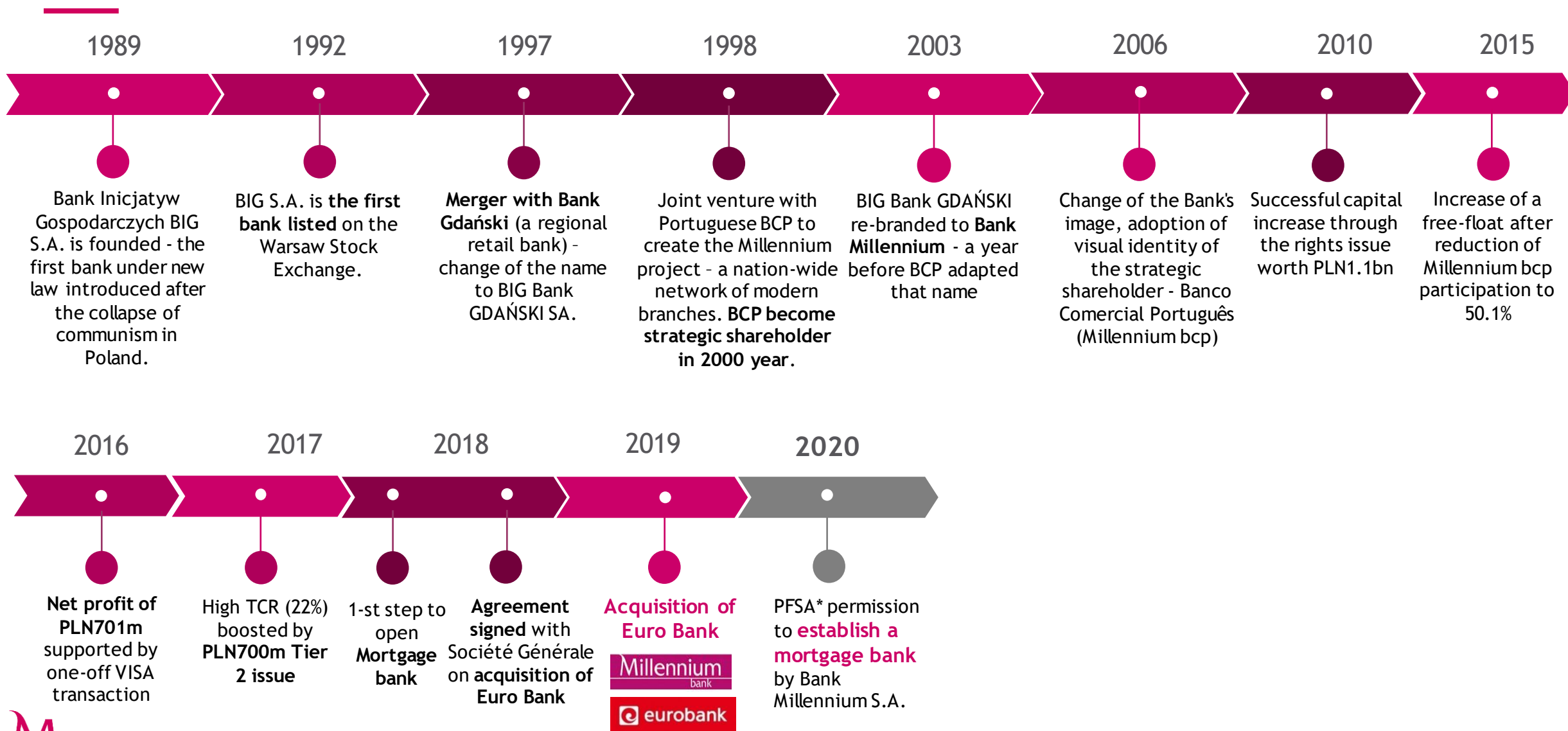


# INSTITUTIONAL PRESENTATION

Bank Millennium general overview  
and strategy



# HISTORY OF BANK MILLENNIUM AT A GLANCE



# MORTGAGES - OUR LONG-TERM CUSTOMER ACQUISITION PRODUCT

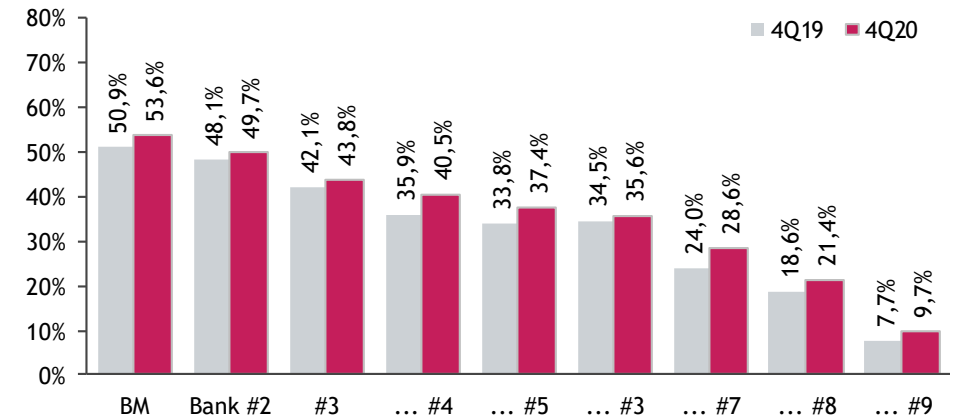
Millennium Mortgage Bank (MBH) received a banking licence on June 16, 2020; operating licence (and a start of business) is expected in 1H21

## Rationale for establishing MBH

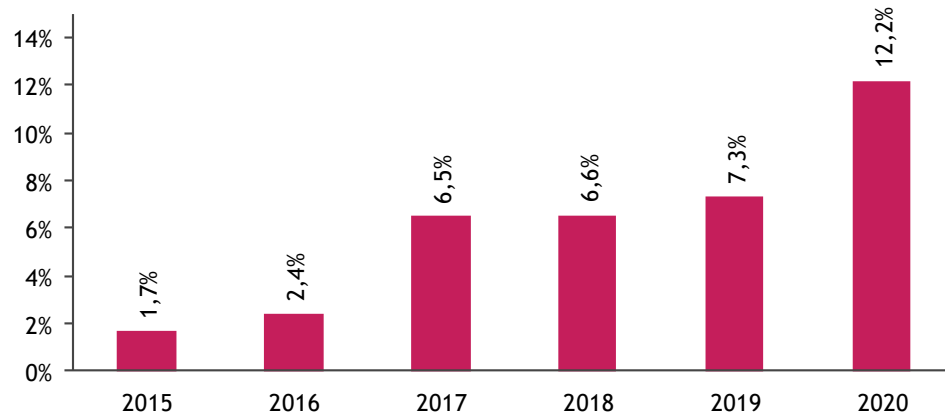
MBH will provide opportunities for medium term sustainable development of mortgage lending business and will allow to:

- ✓ reduce assets-liabilities maturity mismatch
- ✓ diversify funding mix
- ✓ provide access to large and cheaper than senior unsecured debt funding market of covered bonds
- ✓ reduce MREL requirement

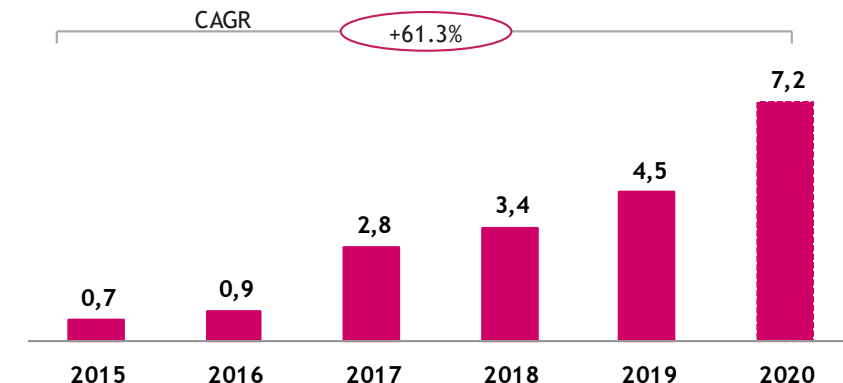
## Share of mortgage loans in total portfolio (top 9 banks) (%)



## BM's market share in origination\* (%)



## BM's origination of mortgage loans\* (PLNbn)



# OVERVIEW OF STRATEGIES SINCE 2009



## 2009-2011: “Managing through the crisis”

- Conservative liquidity management, strengthening capital ratios
- Improved risk management
- Improving core profitability drivers
- Restructuring of distribution platform, improving efficiency through strict cost management



## 2012-2014: “Rebalancing the business model for profitability”

- Rebalanced product mix (e.g., mortgage vs. cash loan, term vs. other deposits), deposits price optimization
- Setting Corporate lending on a growth track with new targeting tools and RM management models
- Focus on strengthening competitive advantage (online, mobile, quality, customer intelligence)
- Further reduced operating expenses by strict admin. cost management and lean initiatives



## 2015-2017: “Focus on profitability preservation, while keeping organic growth target”

- Accelerating acquisition of retail customers via traditional, new and digital channels, while maintaining segment profitability
- Keeping differentiating through customer experience, further leveraging digital and customer intelligence
- Keeping the growth momentum in corporate segment while improving profitability
- Maintaining operational excellence and strict cost control



## 2018-2020: “Accelerated growth”

- Complementing current growth engine in **Retail** (C/A acquisition) with **new engines** (cash Loan, investments and micro business)
- Accelerate the growth in **Corporate** through **lending** and enhanced **sales force efficiency**
- Focus growth around client satisfaction, in retail **mass personalization** and in business with **sectorial knowledge approach**
- Strong leverage of **digital** in **banking** and beyond as competitive edge
- **Opportunistic** approach to **inorganic growth options**
- Win the war for talent thanks to engaging and inspiring work environment

# BANK MILLENNIUM TODAY

**2.6 million** (\*) active retail clients,  
**2.1 million** (\*) online active clients  
**1.7 million** (\*) mobile active clients

6% average market share, of which 7-8% in retail segment and 4% in corporate business

Well developed retail banking platform with **702 branches** in attractive locations

Profitability under pressure from extraordinary items (reported **ROE at 0.2%**) (\*\*\*)

Proven track-record of tight cost control; **cost/income** ratio at **49%** (\*\*)

**Strong TCR** (19.5%) ratio and one of the **lowest impaired loans ratio** among top banks



# MARKET SHARES IN MAIN PRODUCTS

%	2015	2016	2017	2018	2019	2020
<b>Total loans</b>	<b>4.7</b>	<b>4.5</b>	<b>4.4</b>	<b>4.6</b>	<b>5.7</b>	<b>6.1</b>
<b>Loans to individuals</b>	<b>5.9</b>	<b>5.7</b>	<b>5.5</b>	<b>5.6</b>	<b>7.7</b>	<b>8.0</b>
- <i>mortgage</i>	7.5	7.0	7.0	7.0	8.3	8.4
• <i>new loan agreements</i>	1.7	2.4	6.5	6.6	7.3	12.2
- <i>in credit cards</i>	5.7	5.4	5.7	5.6	6.4	6.8
- <i>other consumer</i>	3.9	3.9	3.7	3.9	8.2	8.6
<b>Loans to companies</b>	<b>3.7</b>	<b>3.6</b>	<b>3.6</b>	<b>3.9</b>	<b>4.0</b>	4.2
- <i>leasing sales</i>	6.5	6.0	5.4	4.9	5.1	4.2
- <i>factoring sales *</i>	10.0	9.2	8.6	8.1	7.5	7.9
<b>Total deposits</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>	<b>5.3</b>	<b>6.0</b>	<b>5.3</b>
<b>Deposits of individuals</b>	<b>5.7</b>	<b>5.8</b>	<b>5.7</b>	<b>6.2</b>	<b>7.2</b>	<b>6.7</b>
- <i>demand deposits **</i>	5.5	6.3	6.1	6.9	8.0	7.2
<b>Deposits of companies</b>	<b>4.4</b>	<b>3.8</b>	<b>3.8</b>	<b>3.9</b>	<b>4.0</b>	<b>3.2</b>
- <i>demand deposits</i>	2.4	2.5	2.6	2.9	3.0	3.1
<b>Mutual funds (incl. third party)</b>	<b>4.4</b>	<b>4.6</b>	<b>5.0</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>

# EB INTEGRATION AND FURTHER OPERATIONAL EFFICIENCY IMPROVEMENTS

Tangible and recurrent cost synergies achieved ahead of plan

(PLNmnn)

Integration costs and synergies	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20
Integration costs*	-2.0	-17.8	-44.3	-52.2	-116.3	-30.1	-5.2	-17.3	-14.3	-66.9
- o/w depreciation	-	-	-	-0.8	-0.8	-0.4	-0.5	-0.7	-0.7	-2.3
Additional provisions on Euro Bank portfolio**	-	-80.6	-8.0	-	-88.6	-	-	-	-	-
<b>Total impact (pre-tax)</b>	<b>-1.9</b>	<b>-98.4</b>	<b>-52.3</b>	<b>-52.2</b>	<b>-204.9</b>	<b>-30.1</b>	<b>-5.2</b>	<b>-17.3</b>	<b>-14.3</b>	<b>-66.9</b>
Synergies	-	-	-	23.4	23.4	25.0	37.1	48.1	57.3	167.6
<b>Net impact (pre-tax) ***</b>	<b>-1.5</b>	<b>-79.7</b>	<b>-42.4</b>	<b>-23.2</b>	<b>-146.9</b>	<b>-5.1</b>	<b>31.9</b>	<b>30.8</b>	<b>43.1</b>	<b>100.6</b>



## Integration costs

Will stay clearly below the plan (incurred to date represent 88% of the plan)

## Net synergies in a steady uptrend

with FY20 result > PLN100mn, above the plan, and 2021 expected to bring 2x higher result

**FY20 synergies above the plan**

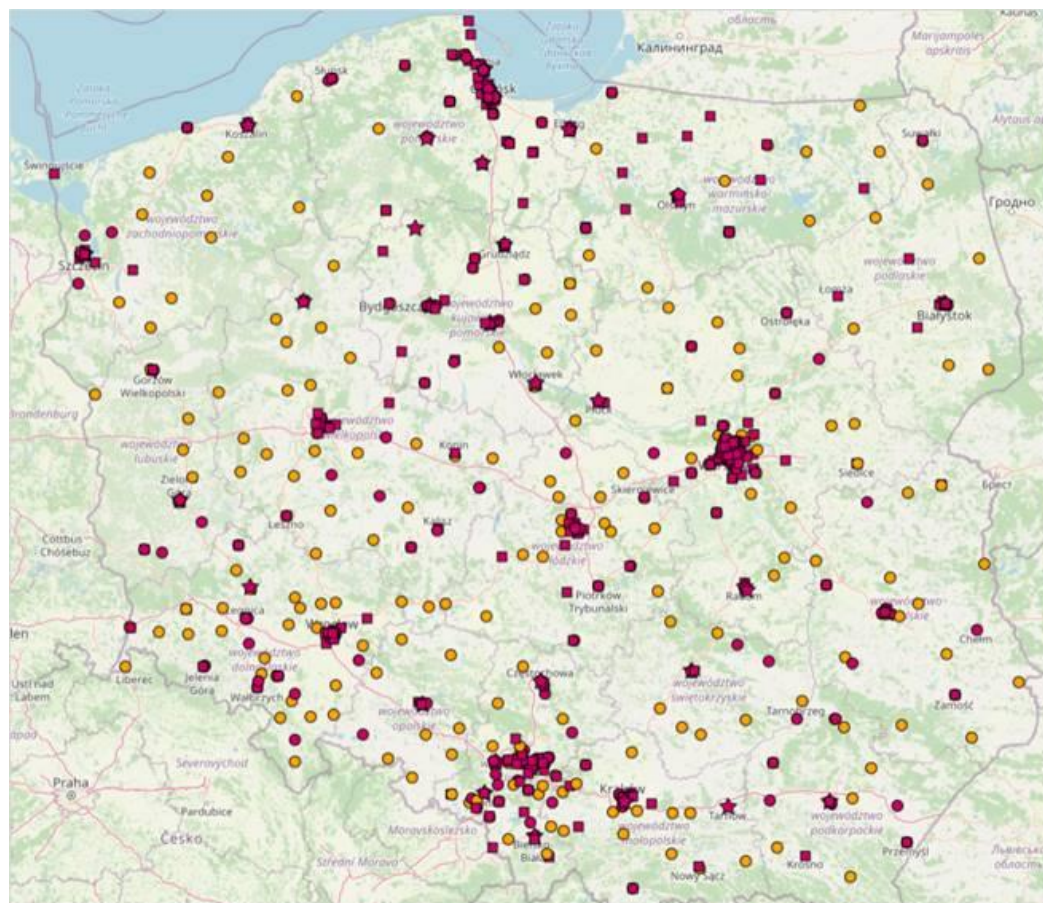


(\*) Costs: P&L OPEX directly related to Euro Bank acquisition, merger and integration. Expenses: additionally there was a PLN87mn PPA adjustment, while capex totalled PLN33mn in 2019; (\*\*) 12-month expected credit loss (ECL) estimated on fair value of loan portfolio in accordance with IFRS 9 (on D1 in 2Q19) plus extra provisions on normal loans being subsequently reclassified after D1; (\*\*\*) net of tax in 2019

# BANK MILLENNIUM BRANCHES

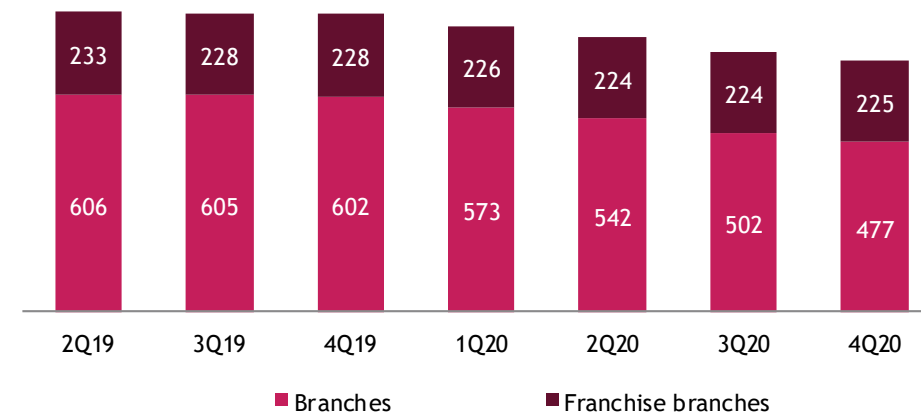
(as at 31 December 2020)

Network of 702 branches

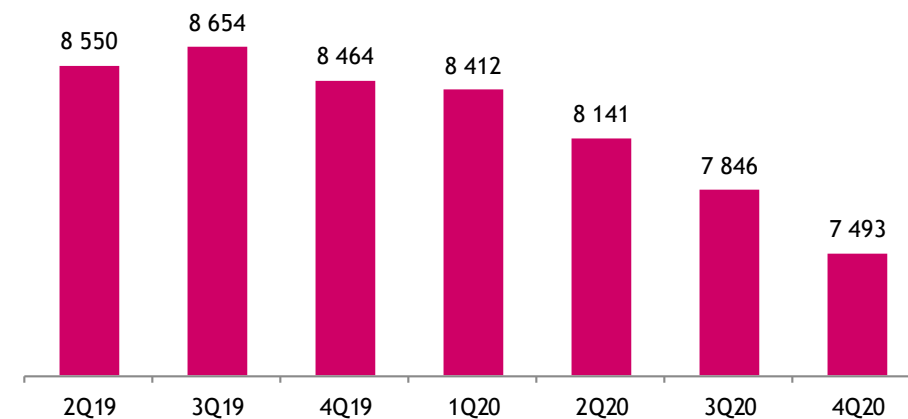


■ own branches  
● franchise branches

Branches and franchise branches

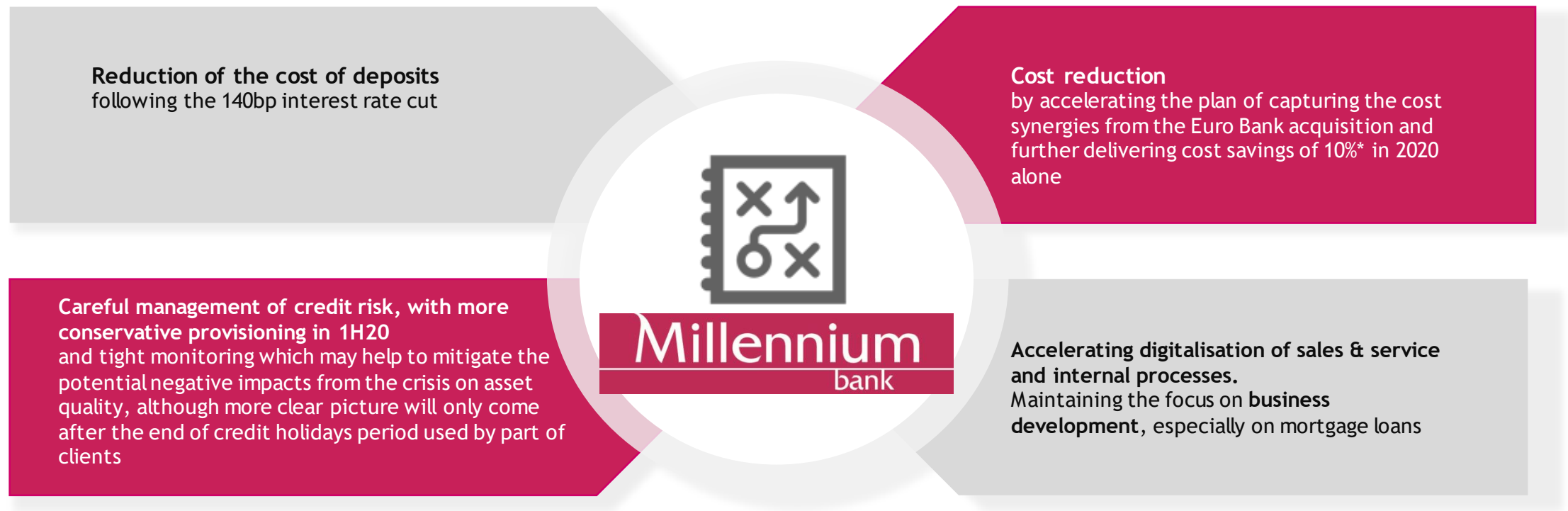


Employment (FTE)



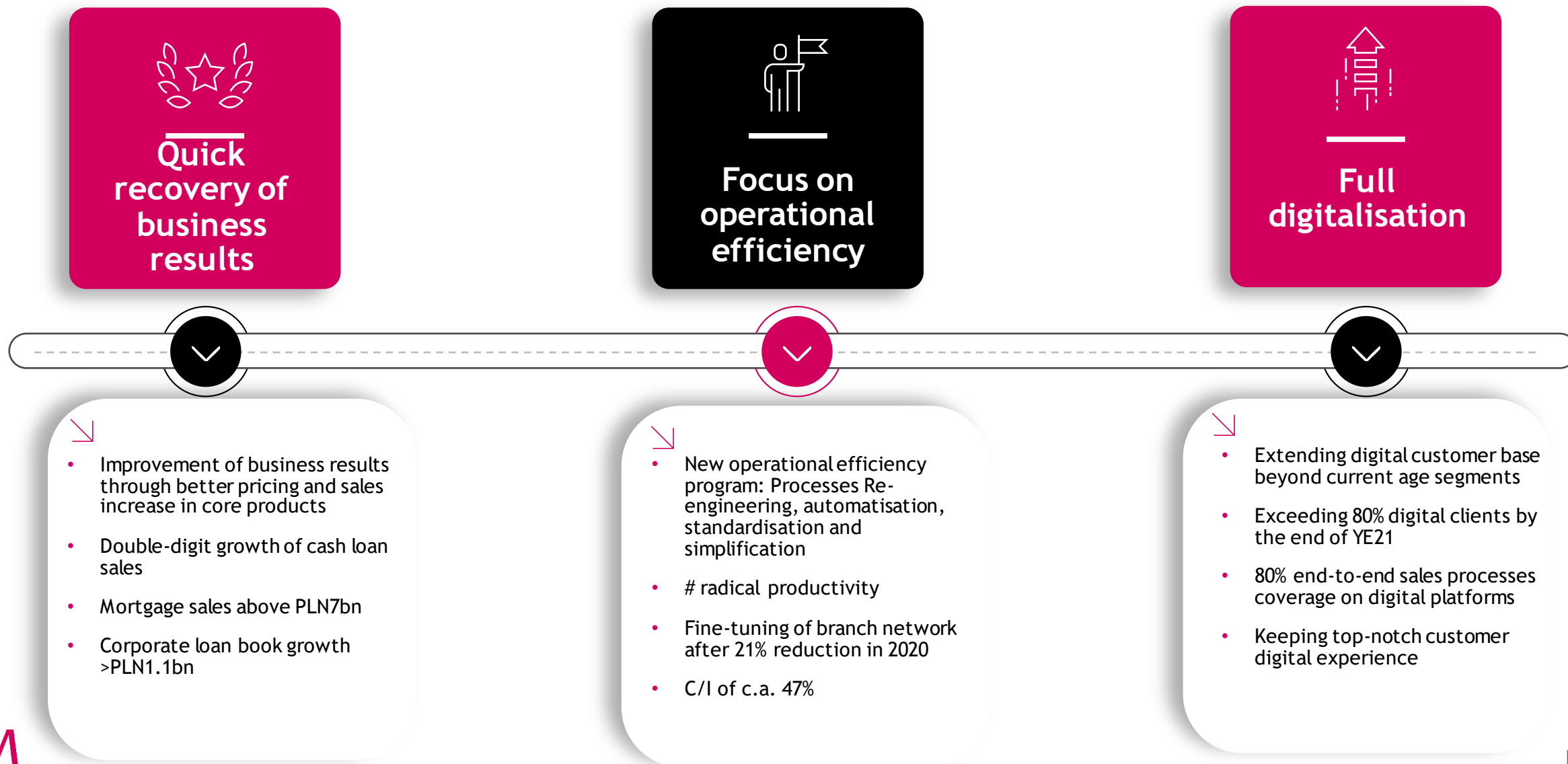
# PROJECT 'MILLENNIUM THROUGH COVID-19'

- Results was 2020 will be negatively impacted by the significant interest rate cuts and additional provisions for FX mortgage loans legal risk
- In this context, the Bank adopted mitigation measures that are already providing relief, namely through:





# 2021 - A TRANSITION YEAR BEFORE NEW STRATEGY ROLL-OUT

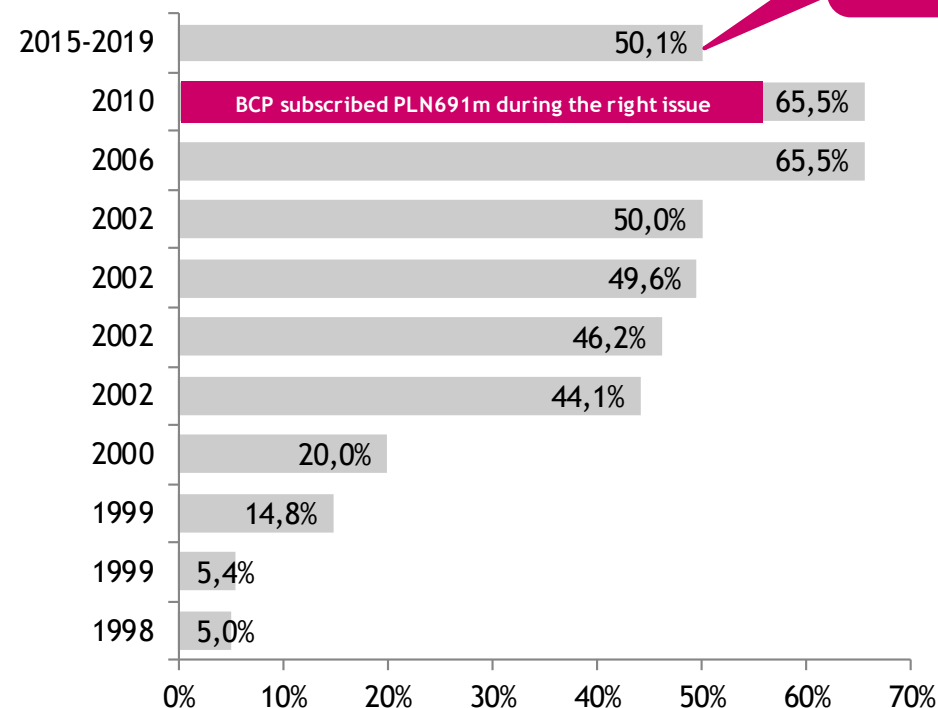


# RELATIONS WITH BCP AND MANAGEMENT COMPOSITION



- BCP demonstrated in the past strong support to Bank Millennium in Poland; commitment in equity was shown during the capital increase concluded in February 2010. BCP also supported liquidity, especially in 2009-2010 years (EUR 200 million bilateral loan matured in April 2011, and money market line - until July 2010)
- Currently, no dependence on BCP funding and no exposure to BCP or Portuguese public debt
- 8 managers from Portugal employed on permanent basis, including 3 Management Board members

BCP stake evolution since 1998



Joao Bras Jorge  
CEO



Fernando Bicho  
Deputy CEO, CFO



Wojciech Haase  
CRO



Andrzej Gliński  
Corporate Business



Wojciech Rybak  
Retail Business

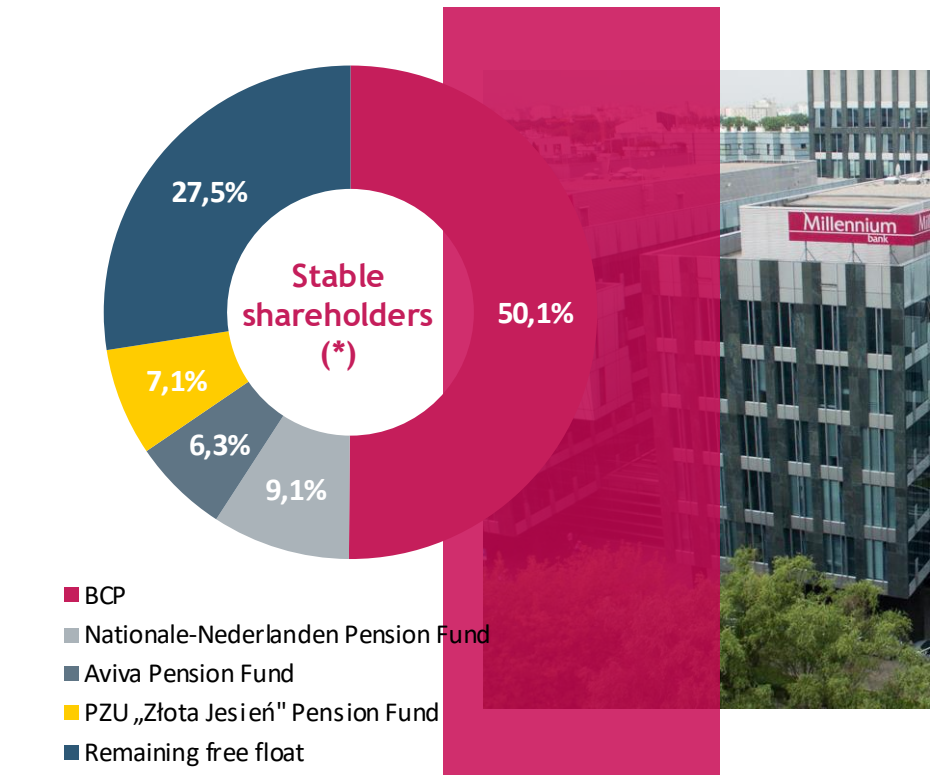


Antonio Pinto  
Digital & Marketing



Jarosław Hermann  
IT & Operations

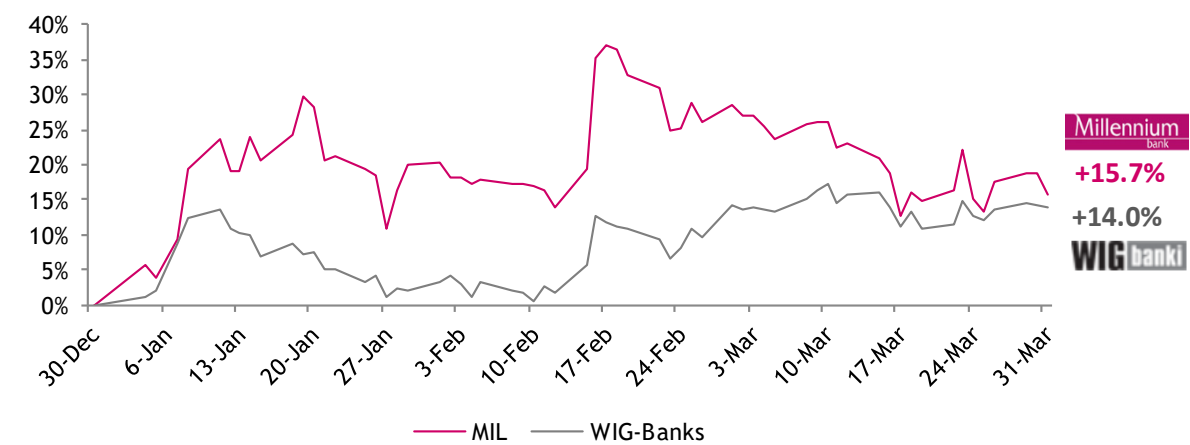
# SOLID FOUNDATIONS APPRECIATED BY INVESTORS



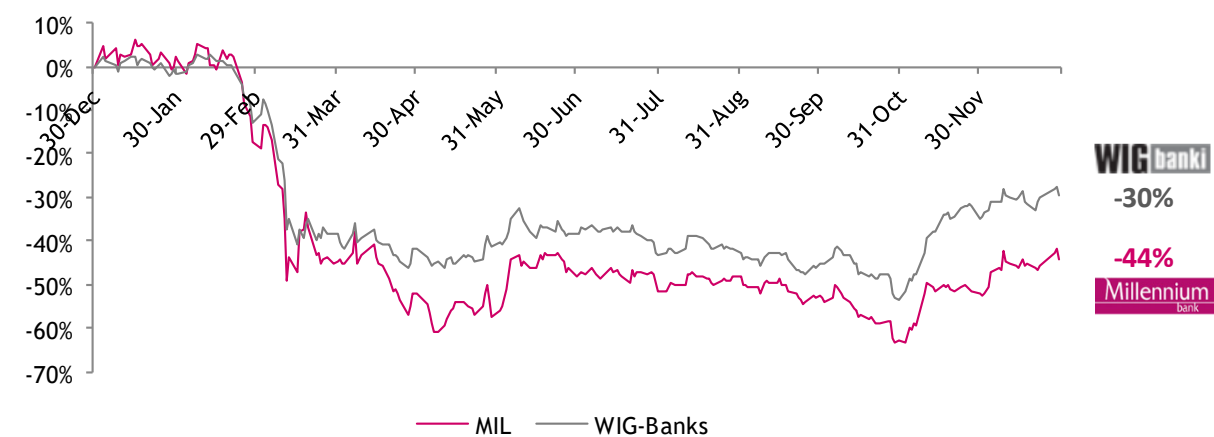
## Bank’s current ratings

Moody's	Baa1 / P2/ baa3 / stable outlook
Fitch	BBB- / F3/ bbb- /Rrating Watch Negative

## Bank Millennium: ytd share price performance



## Bank Millennium: share price performance in 2020





04

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## INSTITUTIONAL PRESENTATION

Financial performance



# KEY PROFIT & LOSS ITEMS

PLNm	2020	2019	Change Y/Y	4Q20	3Q20	Change Q/Q
Net interest income	2 583.1	2 499.4	3.3%	624.6	628.6	-0.6%
Net commission income	746.1	699.2	6.7%	192.7	179.8	7.2%
<b>Total operating income</b>	<b>3 577.8</b>	<b>3 471.5</b>	<b>3.1%</b>	<b>909.5</b>	<b>887.2</b>	<b>2.5%</b>
<b>Total costs</b>	<b>-1 752.8</b>	<b>-1 726.1</b>	<b>1.5%</b>	<b>-417.7</b>	<b>-412.1</b>	<b>1.4%</b>
<i>Costs without EB integration and BFG</i>	-1 519.5	-1 489.6	2.0%	-377.2	-367.5	2.6%
Loan loss provisions (incl. Covid-19)	-621.3	-439.0	41.5%	-165.4	-156.3	5.8%
FX mortg. legal risk provisions	-713.6	-223.1	219.8%	-415.9	-129.7	220.8%
Banking tax on assets	-279.1	-248.0	12.6%	-70.1	-67.8	3.4%
<b>Net profit</b>	<b>22.8</b>	<b>560.7</b>	<b>-95.9%</b>	<b>-109.1</b>	<b>60.1</b>	<b>-281.3%</b>
<i>Net profit without extraordinary items*</i>	709.5	921.1	-23.0%	203.5	179.4	13.5%
NIM	2.61%	2.84%	-0.23 pp	2.53%	2.49%	0.04 pp
<b>Cost/Income reported ytd</b>	<b>49.0%</b>	<b>49.7%</b>	<b>-0.7 pp</b>			
<b>Cost/Income adjusted (*) ytd</b>	<b>46.7%</b>	<b>46.9%</b>	<b>-0.2 pp</b>			
Cost of risk ytd	83 bp	68 bp	+15 bp			
ROE ytd	0.2%	6.4%	-6.2 pp			
ROE adjusted (*) ytd	7.8%	10.6%	-2.8 pp			

# KEY PROFIT & LOSS ITEMS

PLNm	Dec. 20	Dec. 19	Change Y/Y	Sept. 20	Change Q/Q
Active customers (ths)	2 633	2 571	62	2 631	2
incl. on-line and mobile	2 053	1 838	215	2 022	31
Customer funds	90 264	90 295	0.0%	94 133	-4.1%
Deposits	81 511	81 455	0.1%	85 852	-5.1%
Deposits of individuals	61 875	61 092	1.3%	61 933	-0.1%
Loans	74 088	69 615	6.4%	72 590	2.1%
FX mortgage loans excl. EB	13 140	13 493	-2.6%	13 515	-2.8%
Loans without FX mortgage	59 960	55 151	8.7%	58 084	3.2%
L/D	90.9%	85.5%	5.4 pp	84.6%	6.6 pp
Impaired loan ratio (*)	4.95%	4.6%	0.4 pp	4.7%	0.3 pp
Coverage ratio	65.7%	62.5%	3.2 pp	68.0%	-2.3 pp
CET1 = T1	16.5%	16.9%	-0.4 pp	17.0%	-0.5 pp
TCR	19.5%	20.1%	-0.6 pp	20.0%	-0.5 pp

# FINANCIAL HIGHLIGHTS OF 4Q20/2020

Lower interest rates and extraordinary items taking a toll on the results

4Q20

NII stable, NIM up

**+4bp q/q**

Fees up

**+7% q/q**

HR costs down

**-10% q/q**

2020

Revenues up y/y

**+3%**

Costs only marginally up

**+2%**

Provision coverage up

**DPD90+ 119%**

# BUSINESS HIGHLIGHTS OF 4Q20/2020

Retail business fast returning to/above pre-Covid levels, corporate activity on the mend

4Q20

Mortgage sales

>PLN2.0bn

AuM

+7% q/q

Debit cards

>3mn

2020

Mortgage sales

PLN6.8bn+57%

Active digital customers

>2.0mn

Loans

+6% y/y

# INVESTOR RELATIONS CONTACT:

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