

**BANK MILLENNIUM
GROUP**

**INSTITUTIONAL
PRESENTATION**

September 2022

AGENDA

1.

Macroeconomic environment in Poland

2.

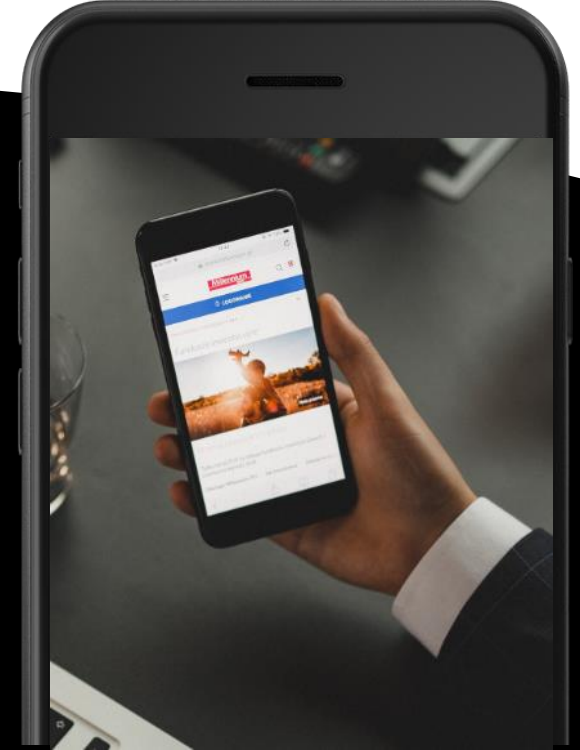
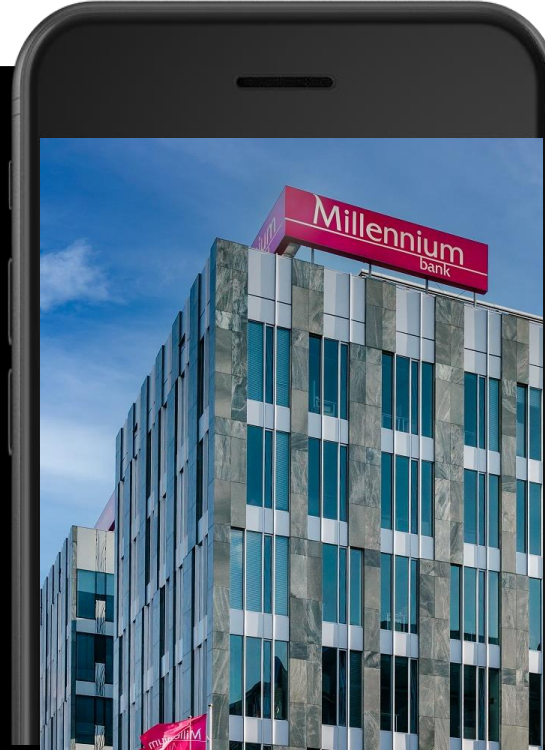
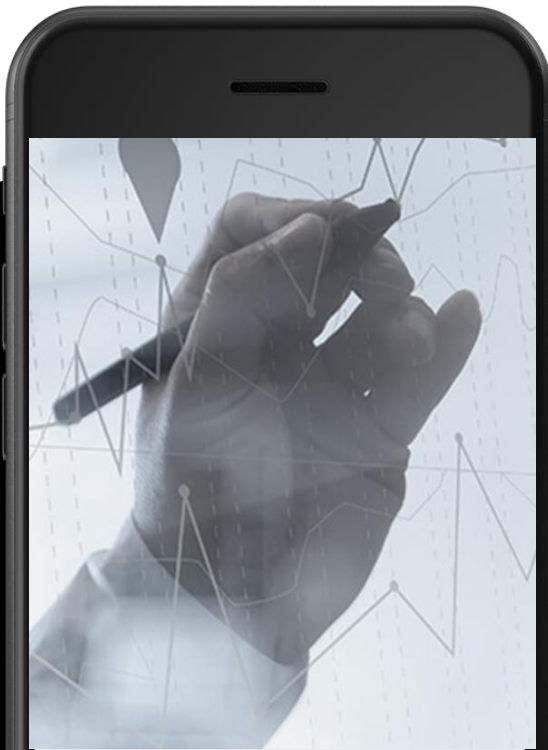
Banking sector in Poland

3.

Bank Millennium general overview and strategy

4.

Financial performance



A hand holding a black pen is shown drawing a line graph on a grid background. The graph consists of several interconnected lines and points, with some points highlighted by teardrop-shaped callouts. The overall scene is in a light, desaturated color palette.

01

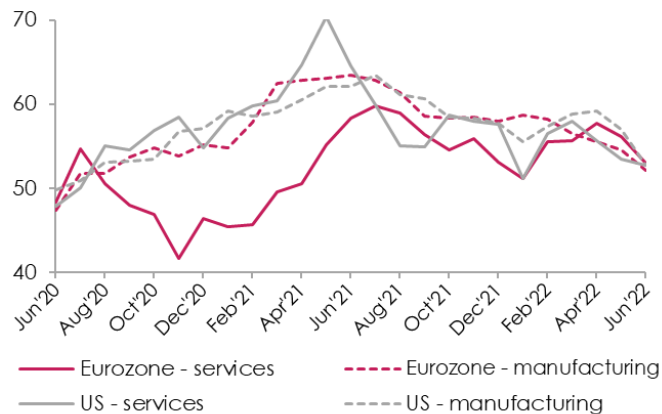
BANK'S PRESENTATION

**Macroeconomic environment
in Poland**

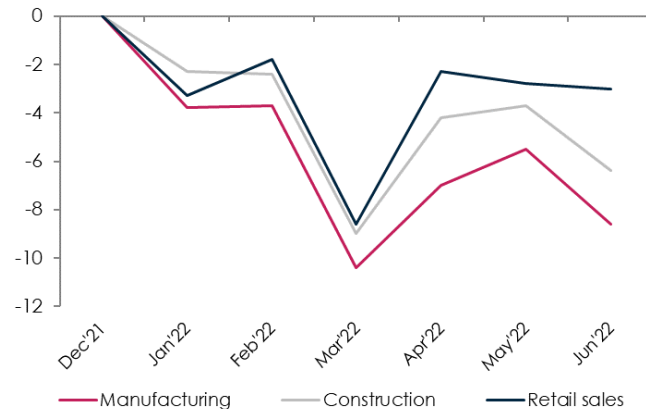
MACROECONOMIC OVERVIEW

Economy

PMI indicators in Eurozone and US (pts)



Business sentiment indicators in Poland (pts, change from 12.2021)

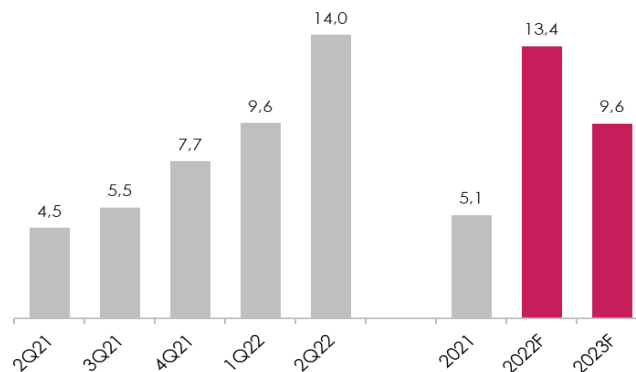


Outlook for the Polish economy is deteriorating because of high inflation, high interest rates, prolonged disruptions in supply chains and increased risks of a global recession, especially in the Eurozone, Poland's main trade partner. Leading indicators started to deteriorate and PMI for Polish manufacturing sector suggest a recession in the sector. After a solid start of the year, GDP growth is expected to decelerate rapidly and reach 1.5% in 2023 compared to estimated 4.8% in 2022. Inflation remains high driven by energy and food prices and should stay above the NBP's target in next 2 years.

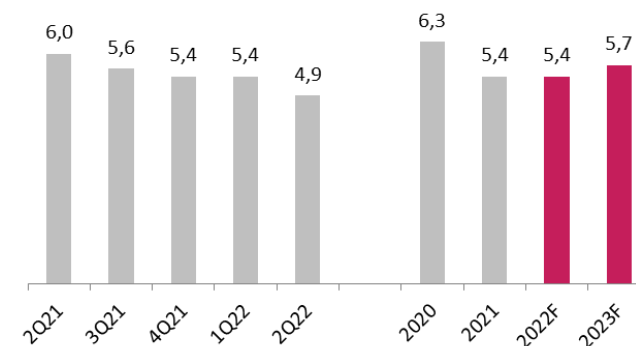
GDP growth rate (% y/y)



CPI inflation (% y/y)



Registered unemployment rate (%)

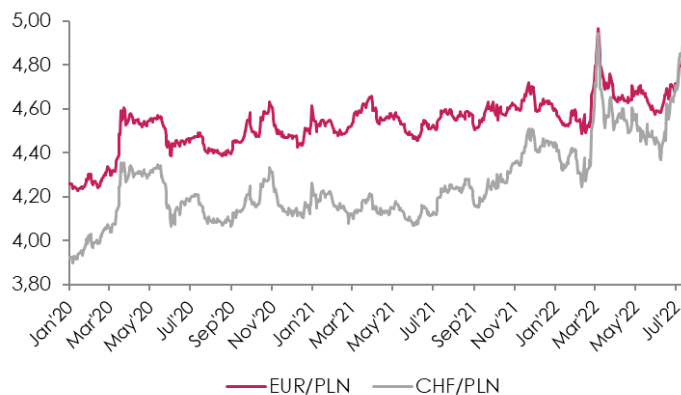


Source: GUS, Macrobond, Bank Millennium, F - forecast, Bloomberg

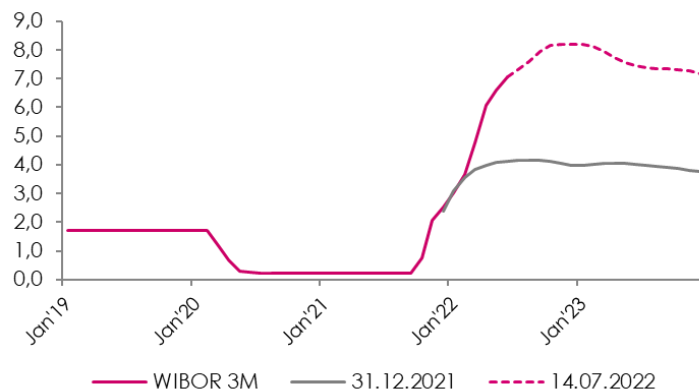
MACROECONOMIC OVERVIEW

Financial markets

Evolution of FX rates

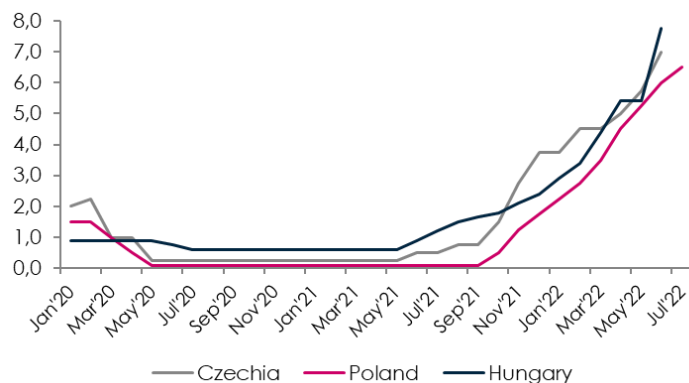


WIBOR 3M and market expectations (%)

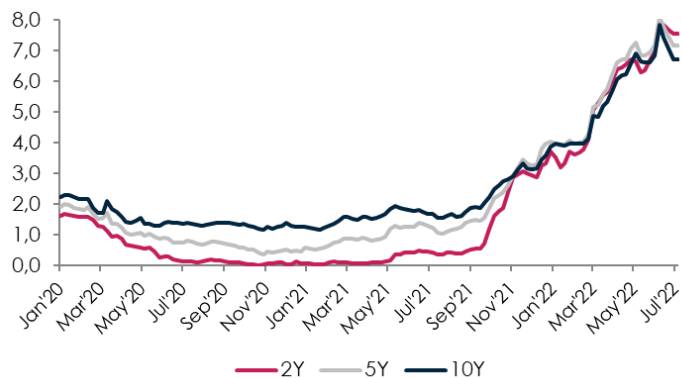


Monetary Policy Council continued monetary tightening in 2Q 2022. The pace of interest rates hikes slowed in July due to mounting risks for economic activity. Expected continuation of the tightening cycle in coming months exerts negative pressure on bonds. Polish Zloty depreciated substantially during June and July driven by rising probability of a global recession and growing imbalances of Polish economy.

Official interest rates in CEE-3 countries (%)



Polish T-bonds yields (%)



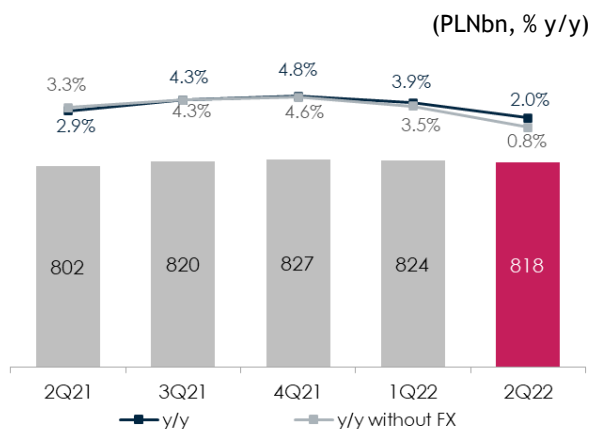
Spread of Polish 10Y bond to 10Y German benchmark (%)



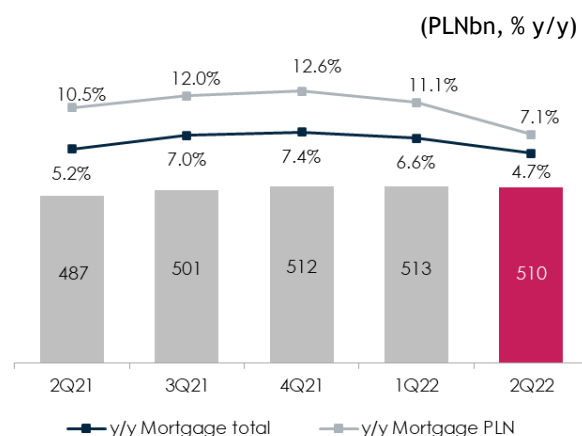
MACROECONOMIC OVERVIEW

Monetary aggregates

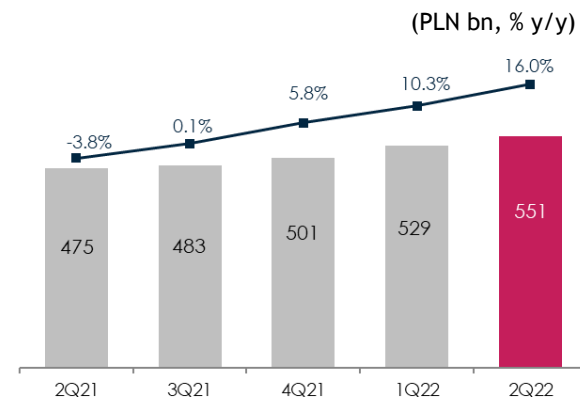
Loans to households



Mortgage loans

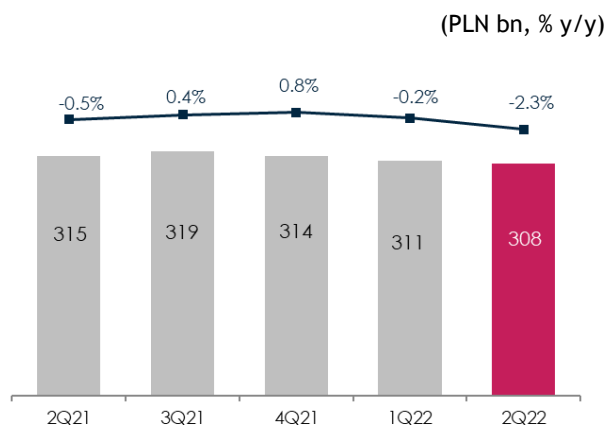


Loans to companies

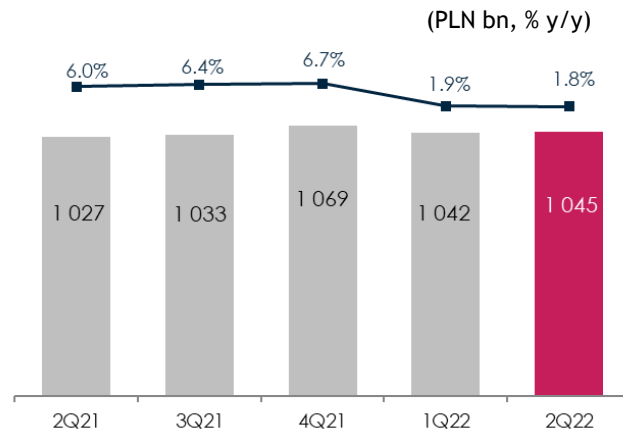


↘ Demand for loans in households' sector, both for mortgage and cash loans, is going down because of rising interest rates. Growth of loans to companies accelerated in 2Q22, which might reflect the increased demand for overdrafts.

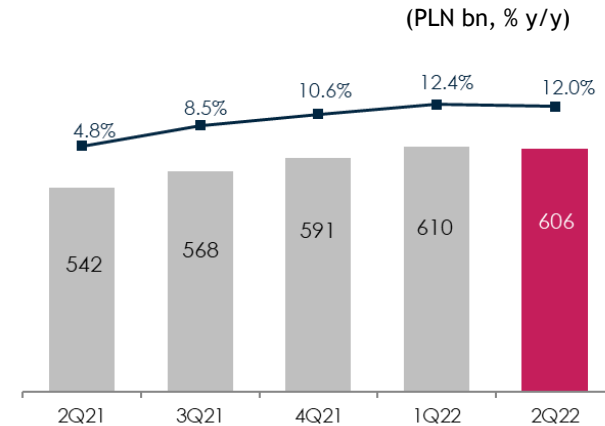
Households: non-mortgage loans



Deposits from households



Deposits from companies



↘ Total value of deposits in the banking sector did not change significantly in 2Q22. Value of households' deposits increased slightly and corporate deposits decreased comparing to the end of 1Q22.



02



INSTITUTIONAL PRESENTATION

Banking sector in Poland

POLISH BANKING SECTOR OVERVIEW (*)

30 fully registered banks, 499 co-operative banks (active mainly in rural areas of the country) and additional **35 international** banks acting in Poland in a form of branch

Around **10k banking outlets (5.1k branches)** and c143 thousand persons employed in the sector

Top 5 banks in Poland comprise **57% of total assets** of the sector but consolidation of the sector continues, 46% share of assets of State controlled banks

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

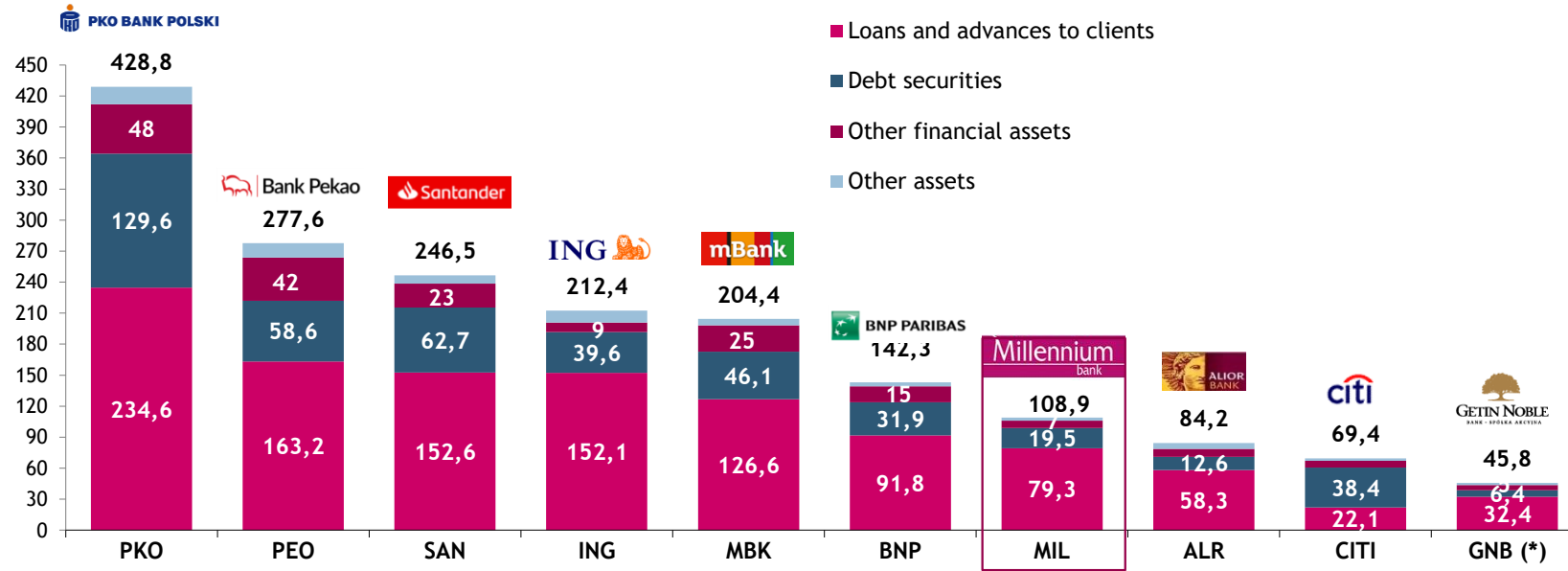
Strong banking supervision and **high level of solvency** of Polish banks (average TCR = 18.8%, CET1 = 16.9%**) confirmed by stress tests

Comfortable liquidity (L/D = 75.4%) supported margins

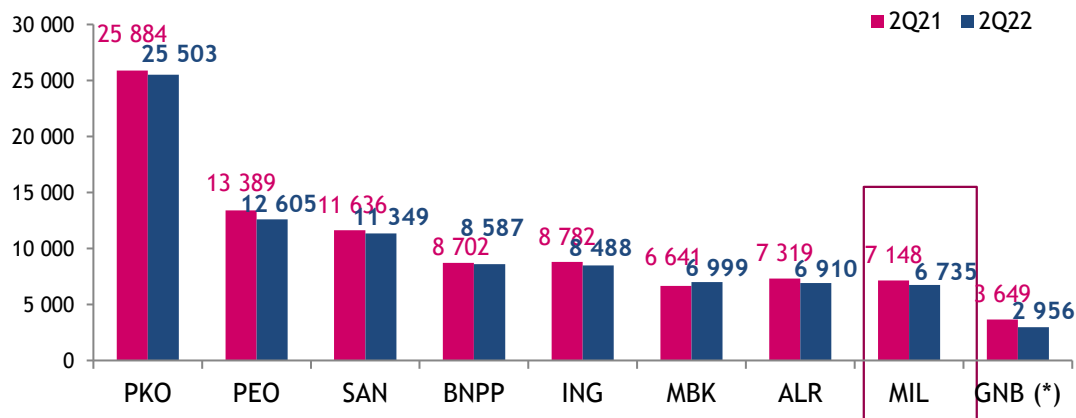
Profitability under pressure due to high obligatory burdens: new banking tax (highest in Europe), guarantee fund payments and regulatory limits on many fees (insurance, interchange, mutual funds)

POLAND'S LARGEST BANKS

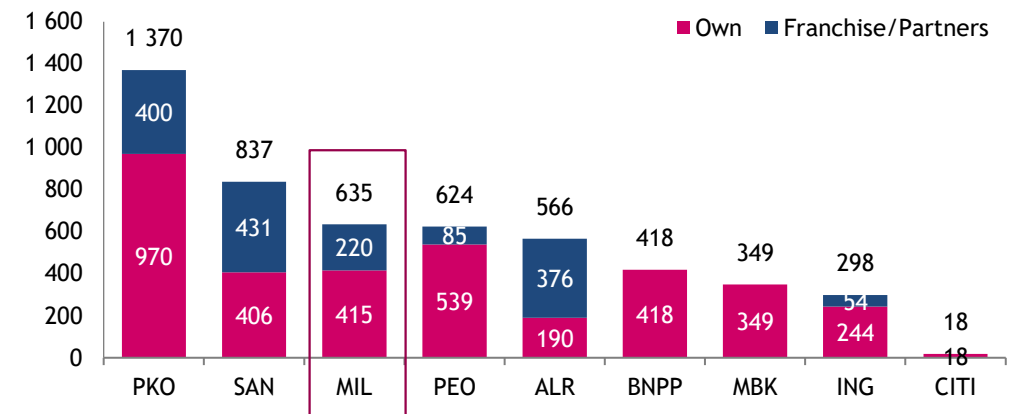
As at 30 June 2022 (PLN bn)



Total headcount (**)



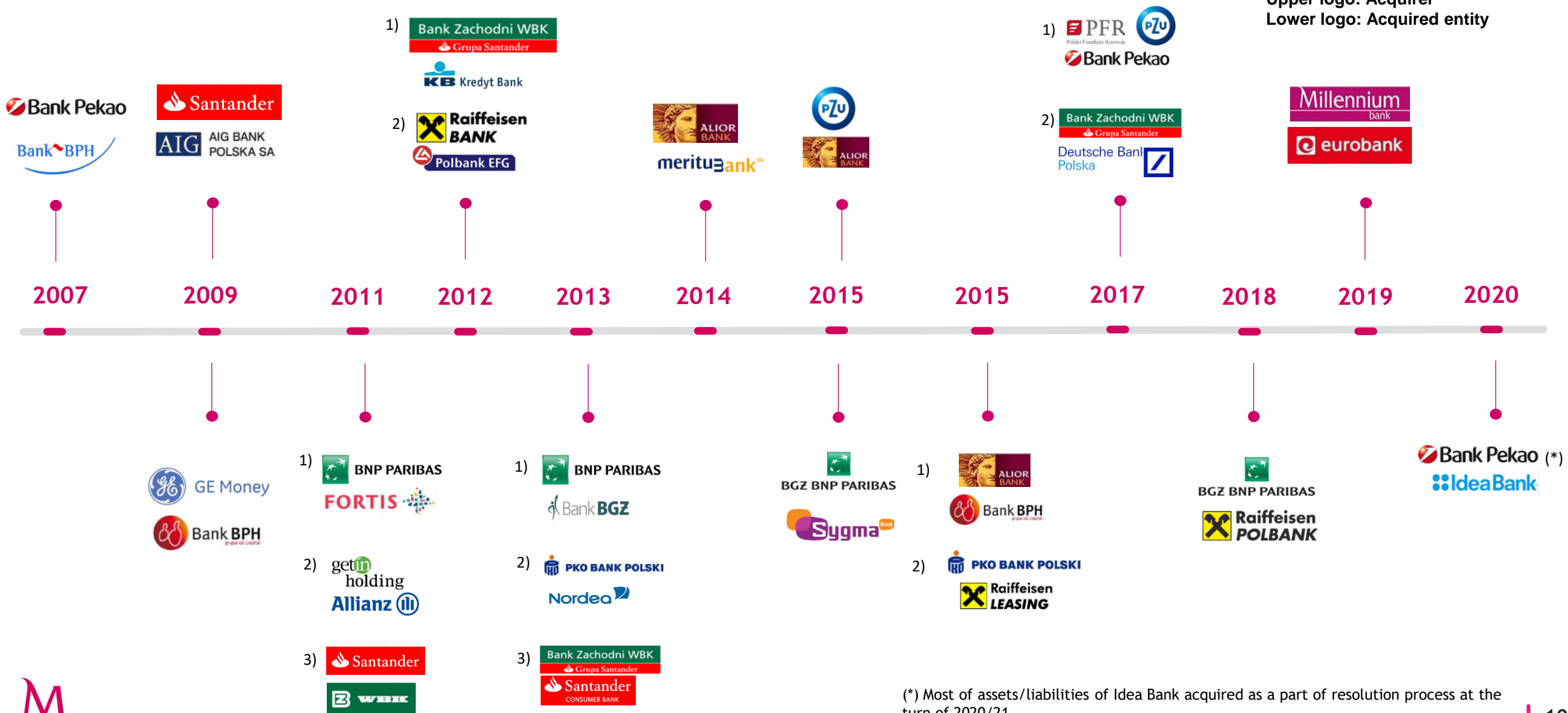
Total distribution network



Source: publicly available financial reports of peer banks
 (*) GNB data for 1Q22, (**) Total FTEs

RECENT M&A TRANSACTIONS IN THE POLISH BANKING SECTOR

Upper logo: Acquirer
Lower logo: Acquired entity



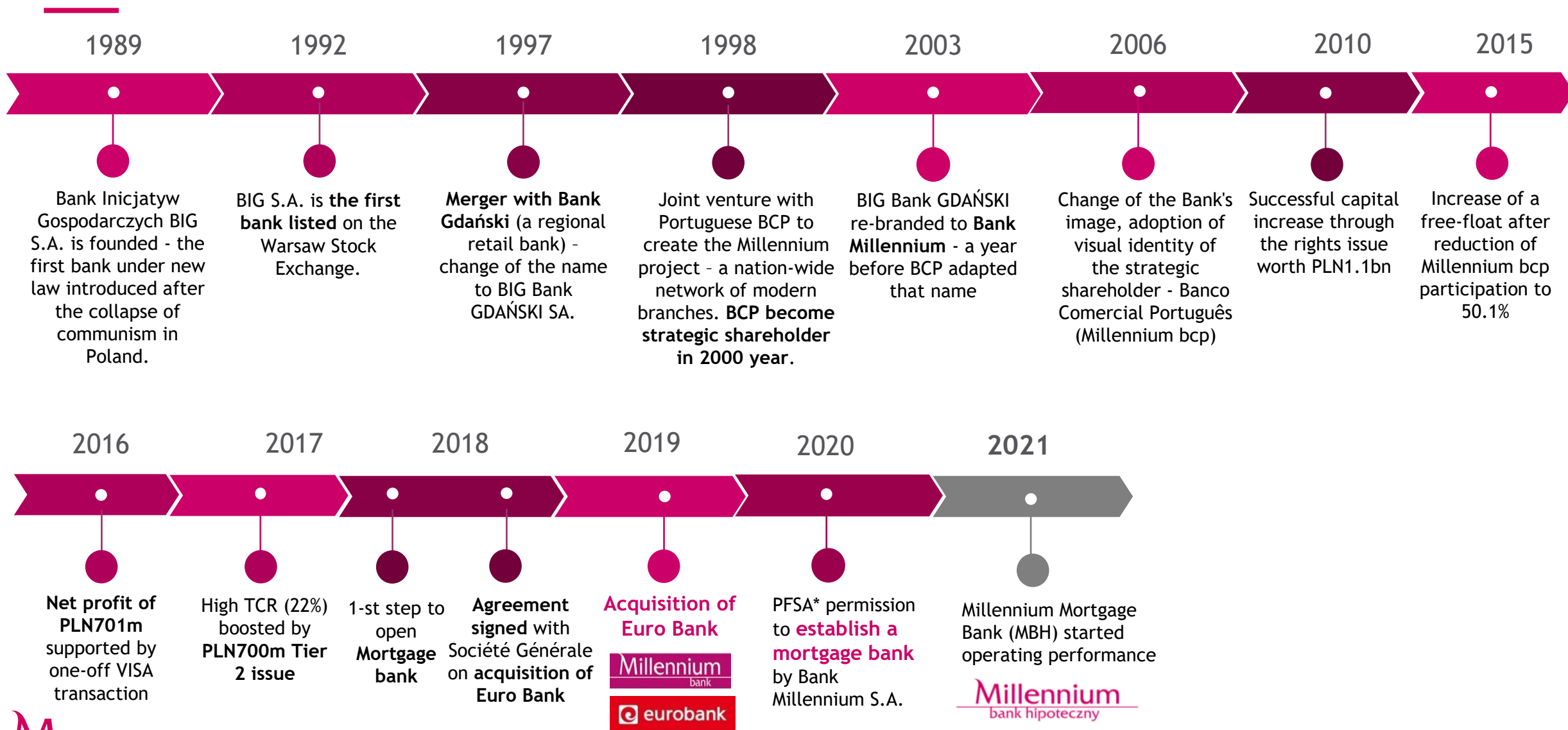
(*) Most of assets/liabilities of Idea Bank acquired as a part of resolution process at the turn of 2020/21



INSTITUTIONAL PRESENTATION

Bank Millennium general overview and strategy

HISTORY OF BANK MILLENNIUM AT A GLANCE



(*) Polish Financial Supervision Authority

OVERVIEW OF STRATEGIES FROM 'BEFORE COVID'



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

2021 - A TRANSITION YEAR BEFORE NEW STRATEGY ROLL-OUT



**Quick
recovery of
business
results**



**Focus on
operational
efficiency**



**Full
digitalisation**



- ↘ Improvement of business results through better pricing and sales increase in core products
- Double-digit growth of cash loan sales
- Mortgage sales above PLN7bn
- Corporate loan book growth >PLN1.1bn



- ↘ New operational efficiency program: Processes Re-engineering, automatisation, standardisation and simplification
- # radical productivity
- Fine-tuning of branch network after 21% reduction in 2020
- C/I of c.a. 47%



- ↘ Extending digital customer base beyond current age segments
- Exceeding 80% digital clients by the end of YE21
- 80% end-to-end sales processes coverage on digital platforms
- Keeping top-notch customer digital experience

2022-24 STRATEGY: INSPIRED BY PEOPLE

For years **clients** have been at the **center of our thinking**. We talk, listen, understand and co-create our solutions together. Now, we are to leverage this approach in even more intensive way ...



... by complementing with the internal view and insights to be truly **inspired by (our) people!**

Pillars of 'Millennium 24' strategy:

01

Top quality and extended offering for **individual clients**

02

Bank of the 1st choice for **new microbusinesses**

03

Strategic partner supporting **corporate development**

&

Supported by **innovative solutions** & top notch **CX** in digital channels (**mobile-first** approach)

04

Sustainable organization **on the climate neutrality path**

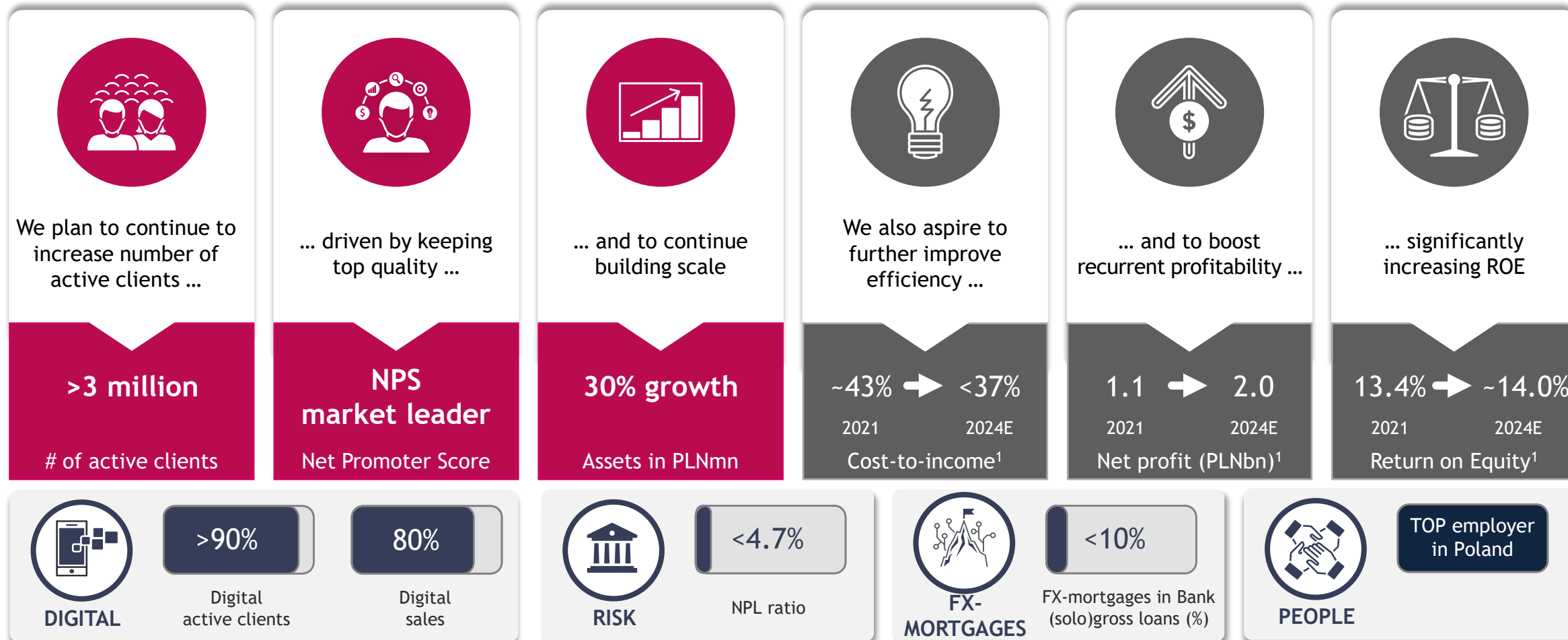
05

Great place to work for **our people** and for **top talents**

STRATEGY 2024 AMBITIONS IN BRIEF

Profitable growth, doubling Bank Millennium's recurrent profit while driving scale, strong customer recognition

Ambitions by 2024:



1. Details available at https://www.bankmillennium.pl/documents/10184/123526/Millennium_Strategy2022-24_investorpresentation_EN.pdf , 2. C/I, net profit and ROE excluding FX-mortgage book related costs

MORTGAGES - OUR LONG-TERM CUSTOMER ACQUISITION PRODUCT

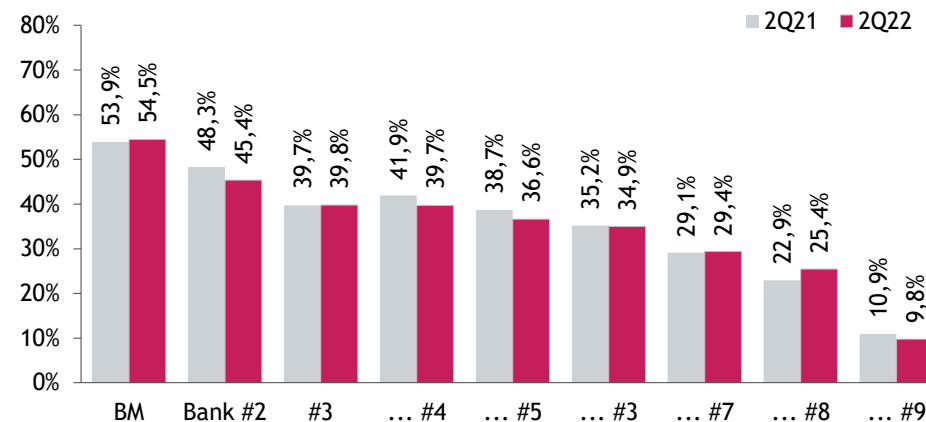
Millennium Mortgage Bank (MBH) started operating performance on June 14, 2021

Rationale for establishing MBH

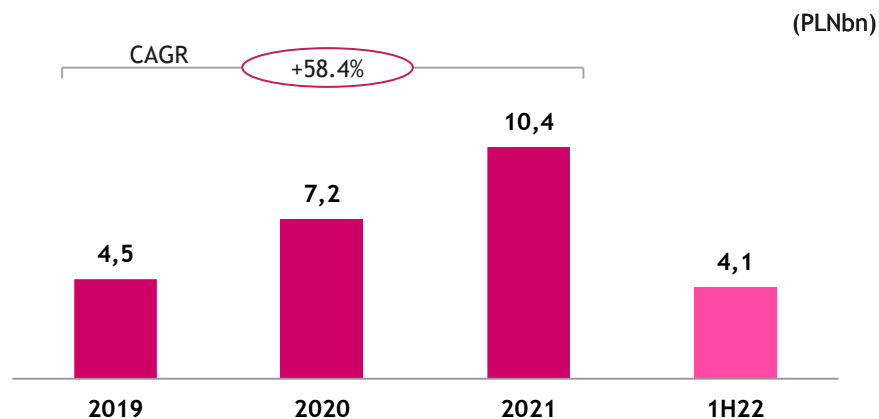
MBH will provide opportunities for medium term sustainable development of mortgage lending business and will allow to:

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

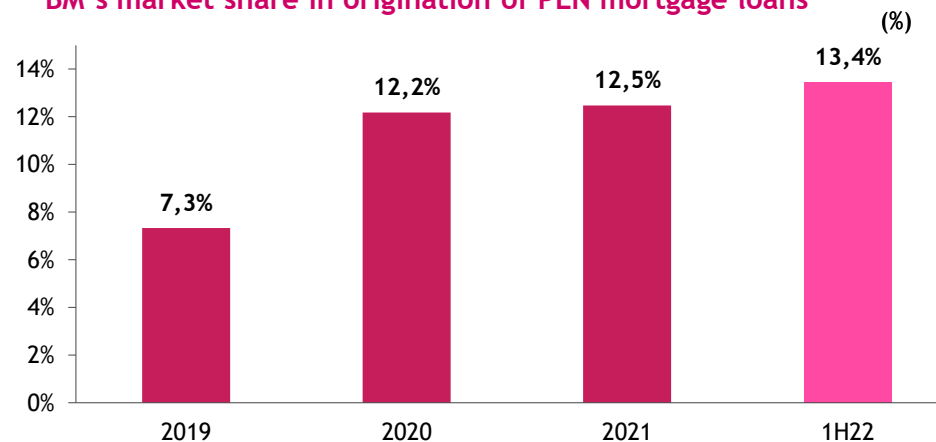
Share of mortgage loans in total portfolio (top 9 banks) (%)



BM's origination of PLN mortgage loans



BM's market share in origination of PLN mortgage loans (%)



BANK MILLENNIUM TODAY

2.8 million (*) active retail clients,
2.4 million (*) online active clients
2.1 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 **635** branches in
attractive locations

Profitability under pressure
from extraordinary items
(reported **ROE at -6.3%**) (***)

Proven track-record of tight cost
control; **cost/income** ratio at **46.6%**
(**)

TCR ratio of 15.2% and low
impaired loans ratio



(*) 2Q22 data, (**) 2Q22 reported data (adjusted for extraordinary items: FX-mortgage legal risk provisions, costs of litigations and settlements with clients and with linear distribution of BFG resolution fund fee), (***) 2Q22 data, adjusted ROE: 23.0%

MARKET SHARES IN MAIN PRODUCTS

	2018	2020	2021	June 2022
Total loans	4.6%	6.1%	6.1%	6.0%
Loans to individuals	5.6%	8.0%	8.2%	8.0%
<i>mortgage</i>	7.0%	8.6%	8.7%	9.0%
• <i>new loan agreements</i>	6.6%	12.2%	12.5%	13.5%
<i>in credit cards</i>	5.6%	6.8%	7.6%	8.0%
<i>other consumer</i>	3.9%	8.6%	8.6%	8.4%
Loans to companies	3.9%	4.2%	4.2%	4.1%
<i>leasing sales</i>	4.9%	4.2%	5.7%	5.0%
<i>factoring sales (*)</i>	8.1%	8.5%	7.3%	5.9%

	2018	2020	2021	June 2022
Total deposits	5.3%	5.3%	5.5%	5.8%
Deposits of individuals	6.2%	6.7%	6.8%	6.8%
<i>demand deposits (**)</i>	6.9%	7.2%	7.0%	6.9%
Deposits of companies	3.9%	3.2%	3.8%	4.5%
<i>demand deposits</i>	2.9%	3.1%	3.2%	3.7%
Mutual funds (incl. third party)	4.6%	4.5%	4.6%	4.5%

WE ARE LEADERS IN DIGITAL INNOVATION AND OFFER BEST CLASS QUALITY OF SERVICE TO OUR CUSTOMERS

Human focused approach in digital and innovations based on:



Research and needs' understanding



Following newest trends to shape better emotions and behaviours, solutions testing neuroresearch, eyetracking, CX monitoring

Technology and cyber security



Which support digital transformation and customer protection ex. AI, chatbots, IoT, robotisation, analytics

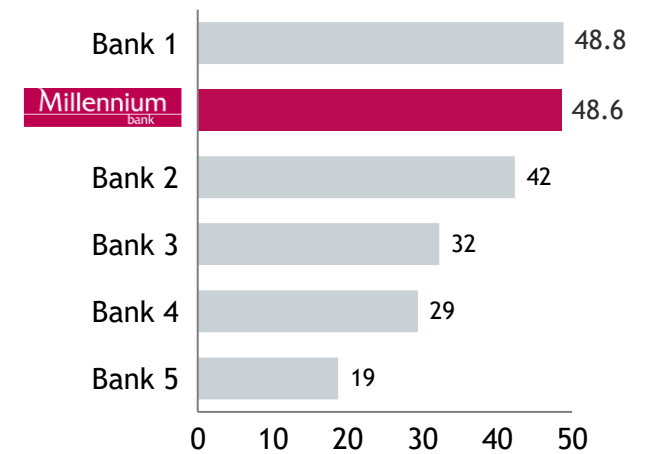
Products and processes



Fully adjusted to digital and omnichannel. Ensuring need of deeply personalised experience. Supported by newest technology ex. biometric, e-identity, PSD2

... and adding value to customer experience drive high loyalty and recommendation (NPS¹). These led to our recognition as the innovation and quality leader

NPS of Polish banks (2021)



Newsweek

1st place 2021
"Traditional banking"
2nd place 2021
"Remote banking"



Winner 2020
European Customer Centricity Awards



Fin-Tech Innovator 2020
Golden Banker

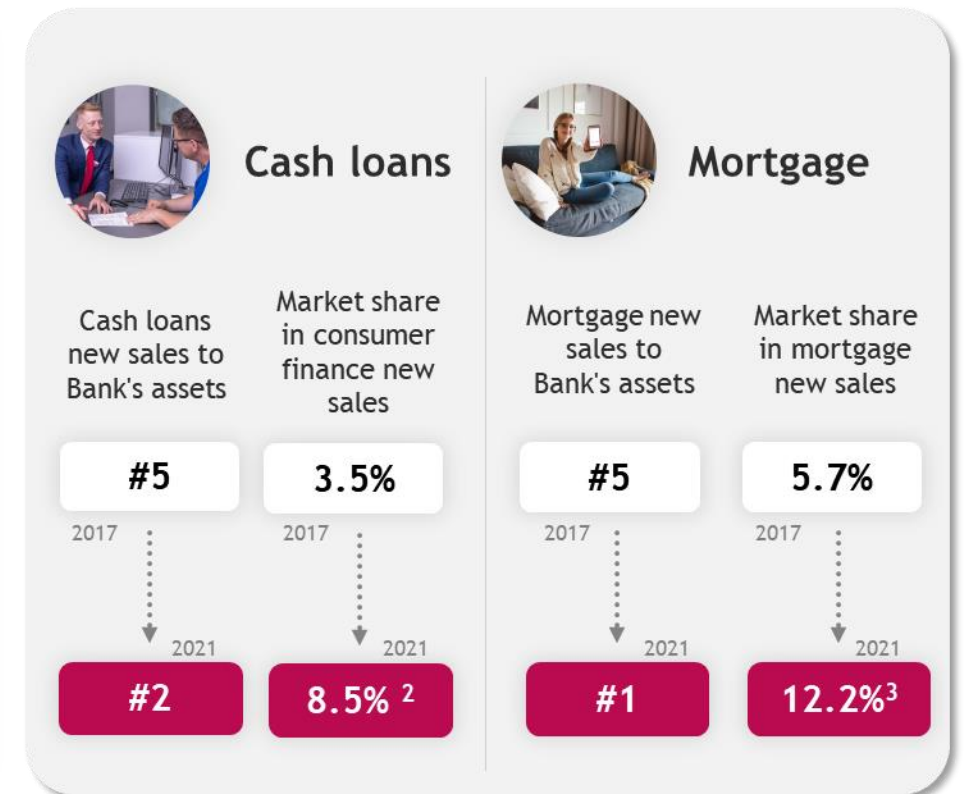
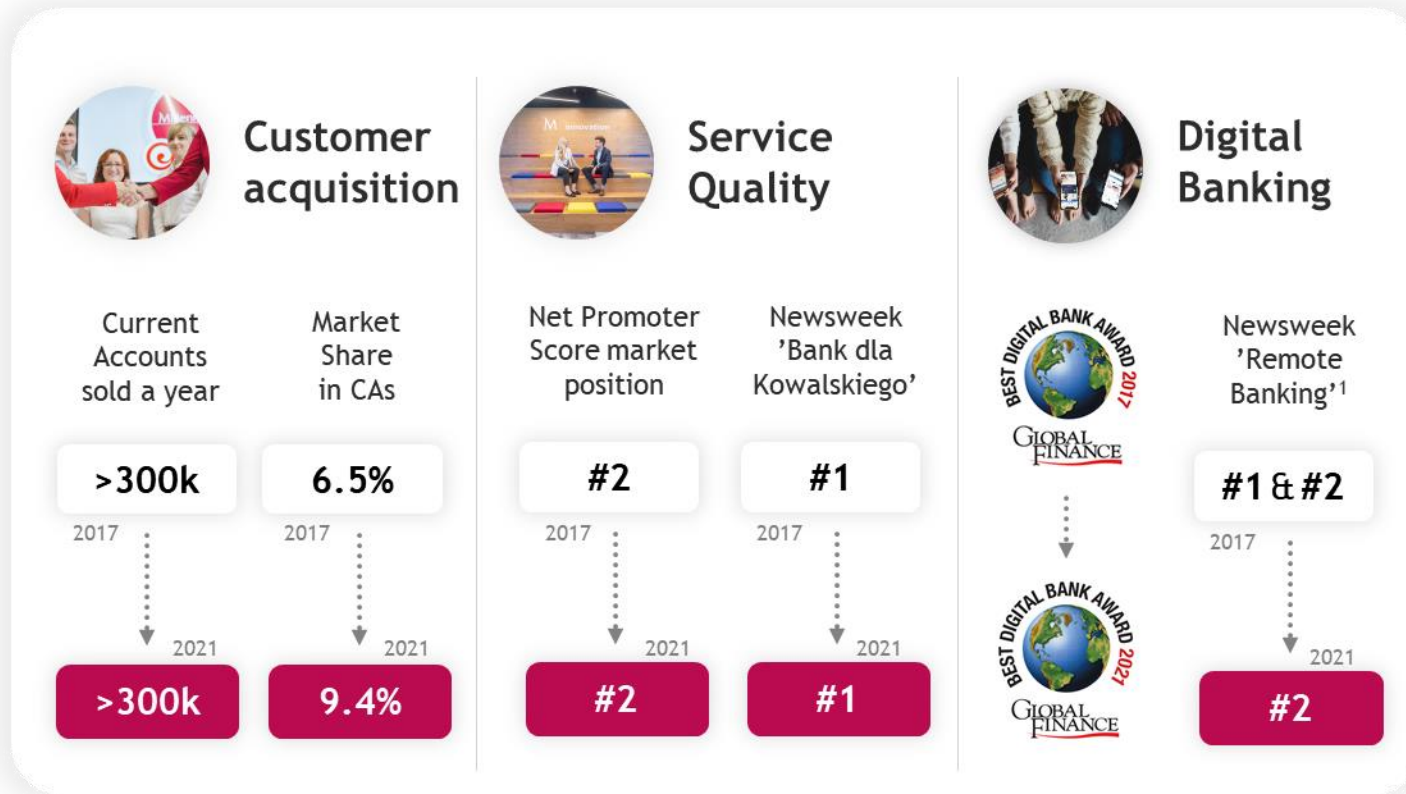
GLOBAL FINANCE

Outstanding Innovator 2021
for Open Banking Services
Global Finance

SOLID TRACK RECORD OF DELIVERING

Our top customers growth engine was fuelled by leading position in quality and digital services ...

... now complemented by competences in development of loan offer

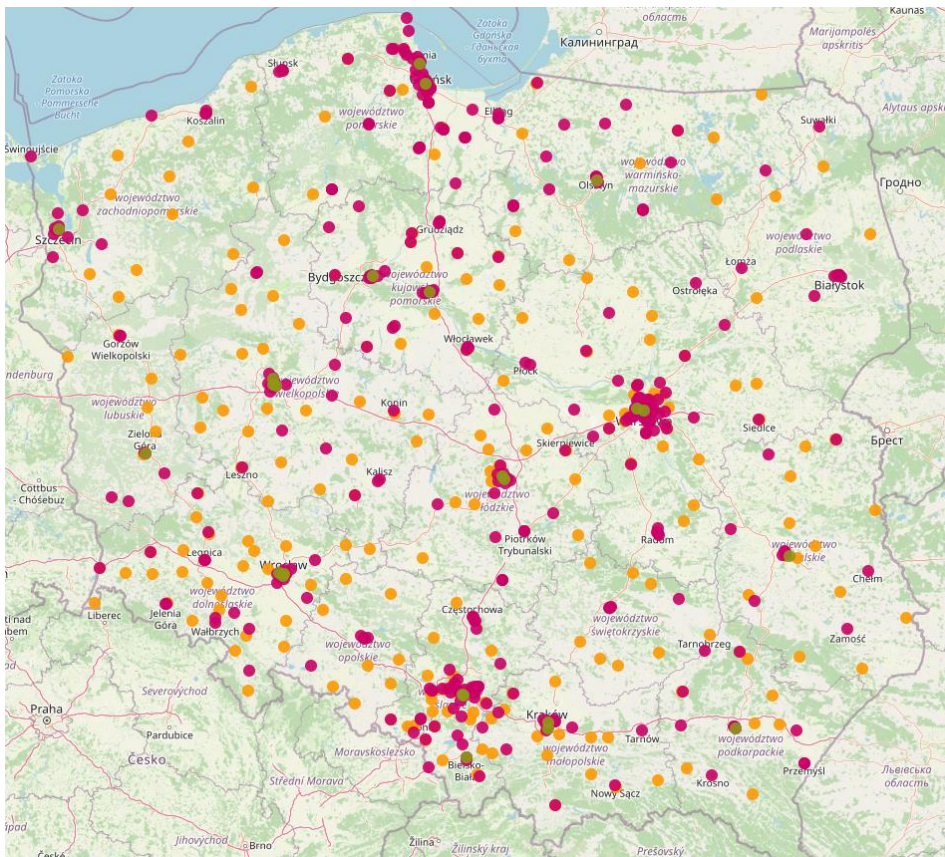


1. In 2017 edition Bank was ranked in following categories: „Mobile Banking” - 1st place and 'Internet Banking' - 2nd place / 2. 1H21 / 3. 1Q-3Q21
Source: Bank Millennium, Financial statements, Kantar, Newsweek, Global Finance Magazine

BANK MILLENNIUM BRANCHES

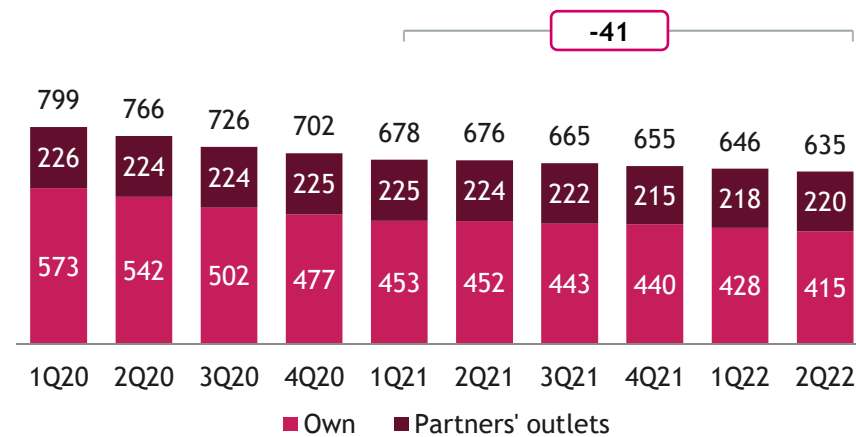
(as at June 30, 2022)

Network of 635 branches

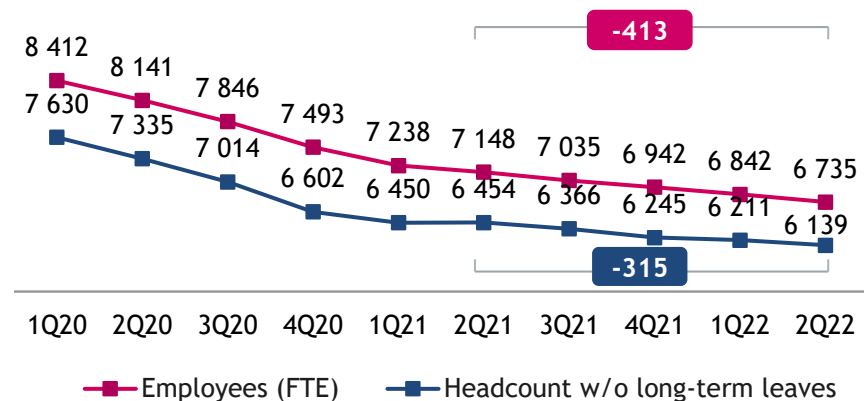


- own branches
- franchise branches
- mini branches

Branches



Employees

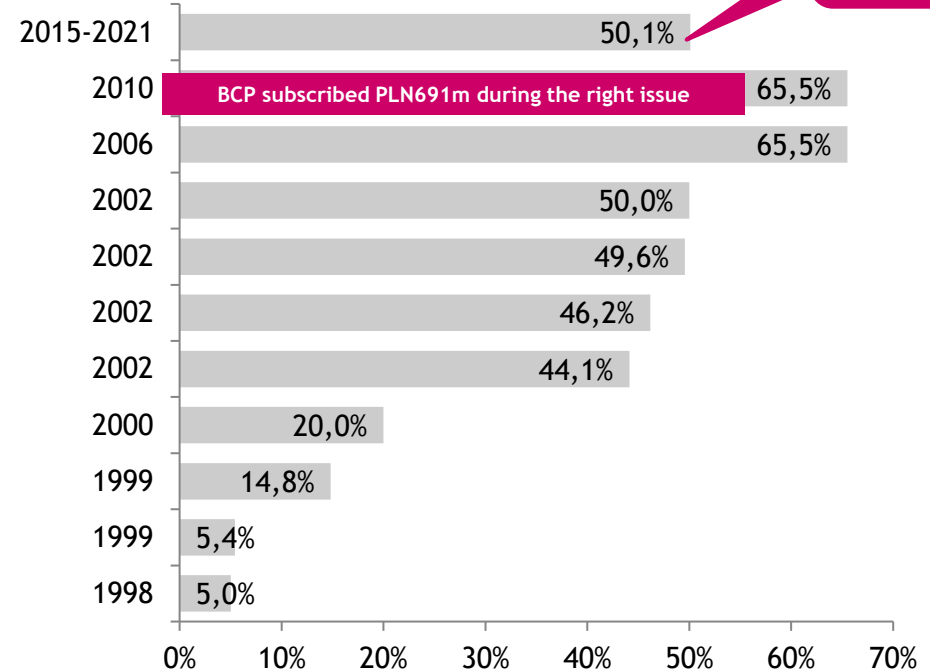


RELATIONS WITH BCP AND BM's MANAGEMENT COMPOSITION



- 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's stake - evolution since 1998



Sale of 15.4% through ABB in March '15



Joao Bras Jorge
CEO
Since 2006



Fernando Bicho
Deputy CEO, CFO
Since 2002



Wojciech Haase
CRO
Since 1997



Andrzej Gliński
Corporate Business
Since 2010



Wojciech Rybak
Retail Business
Since 2016



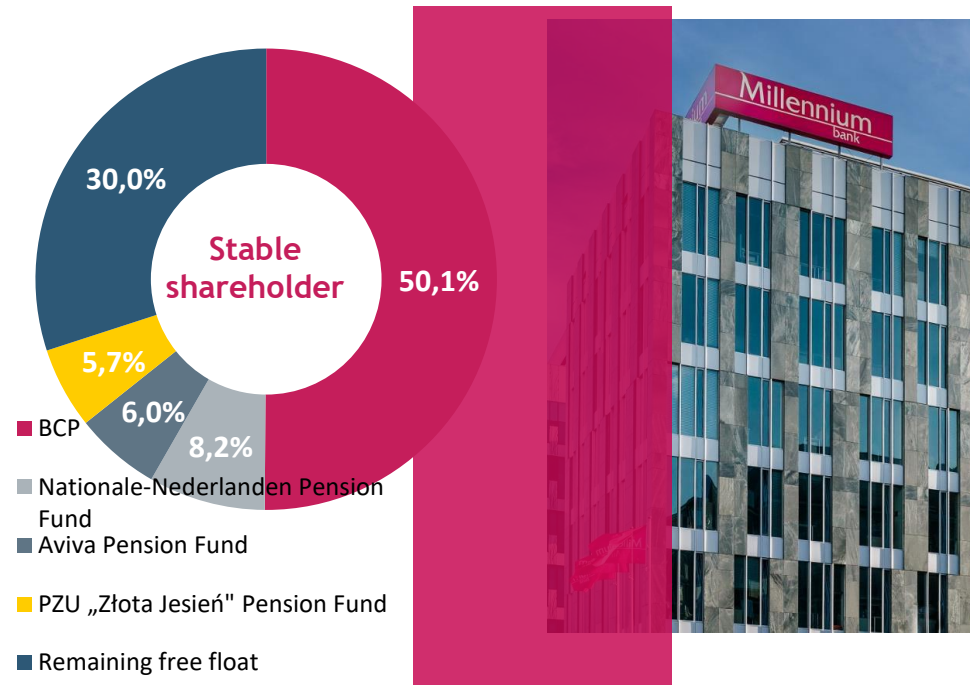
Antonio Pinto
Digital & Marketing
Since 2018



Jarosław Hermann
IT & Operations
Since 2018

SOLID FOUNDATIONS APPRECIATED BY INVESTORS

Bank Millennium's shareholder structure (31.12.2021)

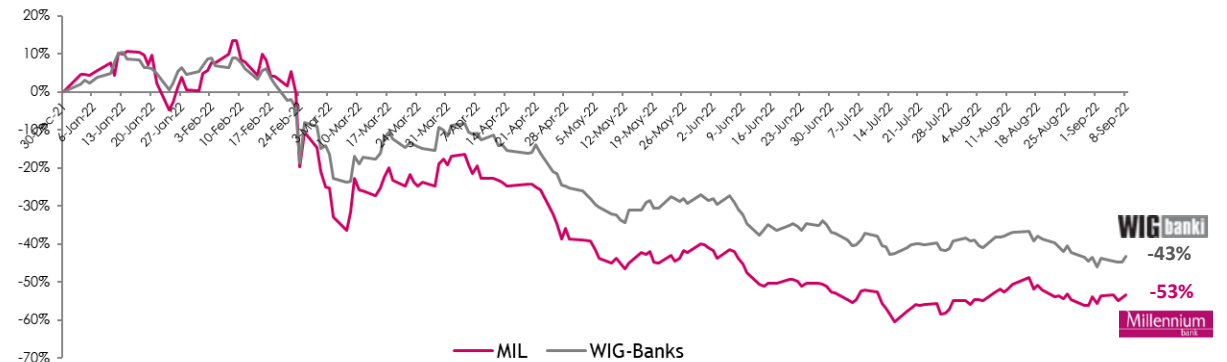


Bank's current ratings

Moody's **Baa3 / P2/ ba2 / under review**

Fitch **BB/ B/ bb / stable outlook**

Bank Millennium share performance vs. WIG Bank index



Participation in domestic stock market indices



WIG



WIG 30



mWIG 40



WIG 30TR



WIG ESG



WIG BANKI



WIG POLAND

ESG: ENVIRONMENT

Sustainability has long been included in our business strategy. Now we plan to become climate neutral

Our advanced capabilities in the ESG & Sustainability development ...



Strong own emissions' monitoring, reductions and reporting for over 10 years



Environmental policy of no financing for new coal mining, coal-based energy



0.96%

% of coal-related exposure in corporate portfolio (09/21)

0.27%

% of coal-related exposure in all portfolio (09/21)

Zero exposure to extraction of hydrocarbons and coal mining

... will support our leading position on the climate neutrality path

Reduction of emission...

50%

% cut in own¹ CO₂e emission in 2022 vs. 2020

... and striving to achieve climate neutrality by:

2027

Scope 1&2

2050

Scope 3

Reduction of financing of not sustainable activities and ...

PLN2bn

financing for corp. & leasing in sustainable and transformational projects (next 3 years)

Implementation of sustainable products in retail ...

... and contribution to the increase of awareness and knowledge about climate change



ESG: SOCIAL

Banking in Millennium - responsible and without barriers

Our strong position has been recognised on the market ...

... and our aspiration is continue to achieve ambitious goals in the coming years

Best Bank for CSR

In CEE 2017



Golden Leaf

Polityki 2021



Customers

- ✔ Customer centric service focused on superb quality, further simplification of client-facing processes and communication, best-in-class digital and omnichannel experience
- ✔ Banking without barriers and accessible for persons with disabilities



Employees

- ✔ Enhanced EVP¹ incl. development of hybrid working model, talent management based on career paths creating new opportunities and top quality of working conditions
- ✔ Self-education and training adjusted to the individual needs
- ✔ Regular employee opinion polls



Community

- ✔ Financial education for children and their parents
- ✔ Cultural initiatives as over 30-year old tradition
- ✔ Support for employees' social initiatives benefitting their local environment



ESG: GOVERNANCE

Highest quality and standards

Our strong position has been recognised on the market ...

... and our aspiration is continue to achieve ambitious goals in the coming years

+10 years
of membership

WIG ESG

RESPECT
Index

Signatory

 **KARTA**
RÓŻNORODNOŚCI

 **SUSTAINABLE**
DEVELOPMENT GOALS

ESG Rating

Rating: **Medium**

 **SUSTAINALYTICS**

Rating: **A**

MSCI 



Ethical approach to business

- ✓ Regularly revised Code of Ethics and compliance assessment



Anti-financial crime measures

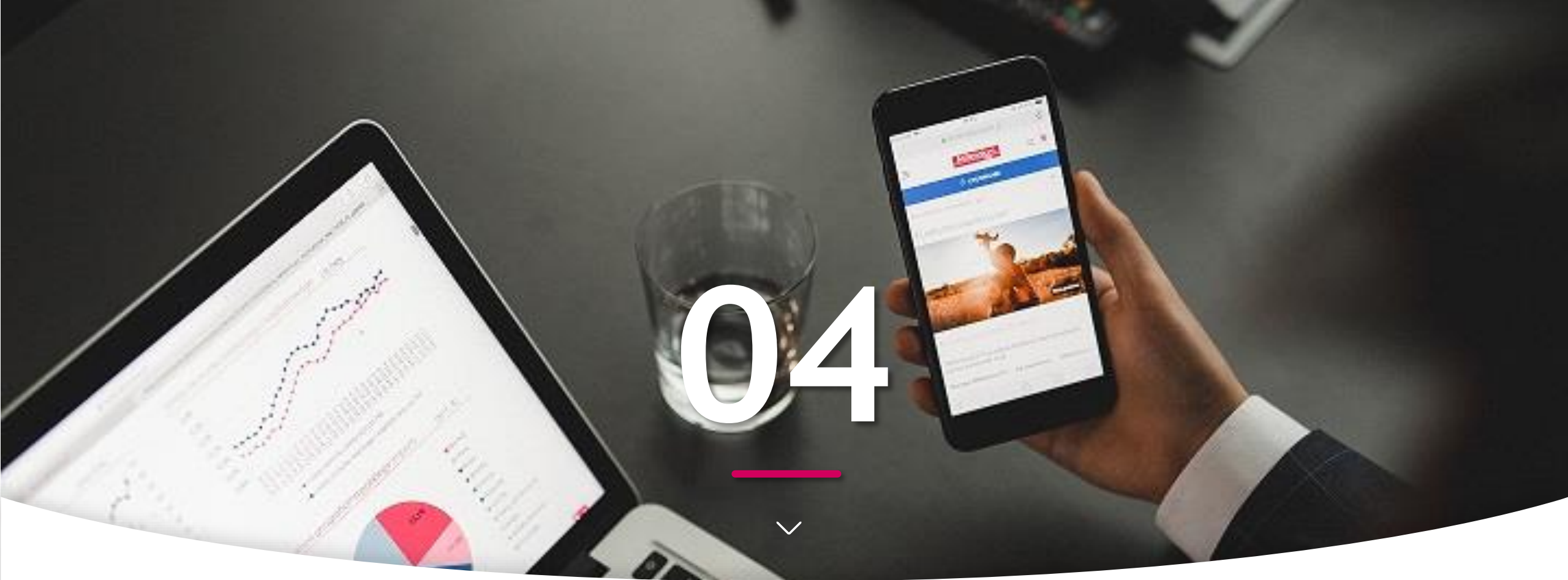
- ✓ Measures in place to increase transparency and credibility of business relations with clients
- ✓ Further development of robust AML IT system



Consideration of climate and environmental risks

- ✓ Sustainability metrics in Risk Appetite Statements
- ✓ Climate risk assessment in risk policy
- ✓ Stress testing





INSTITUTIONAL PRESENTATION

Financial performance

SYNTHETIC P&L ACCOUNT

Reported results

	1H21	1H22	Change Y/Y	1Q22	2Q22	Change Q/Q
Net interest income	1 277	2 140	68%	961	1 179	23%
Net commission income	414	427	3%	221	206	-7%
Other non-interest income	98	-70	-171%	-22	-48	119%
Operating Income	1 789	2 497	40%	1 160	1 337	15%
General and administrative costs	-705	-1 059	50%	-435	-624	44%
Depreciation	-101	-104	4%	-52	-53	2%
Total operating costs	-806	-1 163	44%	-486	-677	39%
Net cost of risk *	-134	-154	15%	-83	-71	-15%
FX legal risk provision	-1 047	-1 015	-3%	-499	-515	3%
Operating profit	-197	165	-	91	74	-
Banking tax	-152	-169	11%	-82	-87	6%
Pre-tax profit	-349	-4	-	9	-13	-
Income tax	-163	-259	59%	-132	-127	-3%
Net profit	-512	-263	-	-122	-140	-

(*) cost of risk includes impairment provisions (on all stages), FV adjustment on loans and result on modification.

BALANCE SHEET

	30.06.2021	31.03.2022	30.06.2022	Change y/y
ASSETS				
Cash and balances with the Central Bank	2 676	8 286	5 810	117%
Loans and advances to banks	606	986	1 080	78%
Loans and advances to customers	75 794	78 703	79 342	5%
Amounts due from reverse repo trans.	18	26	8	-55%
Debt securities	22 175	18 703	19 532	-12%
Derivatives (for hedging and trading)	163	241	221	35%
Shares and other financial instruments	133	152	149	12%
Tangible and intangible fixed assets	912	936	938	3%
Other assets	1 630	1 724	1 778	9%
TOTAL ASSETS	104 107	109 756	108 858	5%
LIABILITIES AND EQUITY				
Deposits and loans from banks	742	647	547	-26%
Deposits from customers	89 998	97 305	96 122	7%
Liabilities from repo transactions	0	0	0	-
Financial liabilities at fair value through P&L and hedging derivatives	329	880	1 081	229%
Liabilities from securities issued	311	40	0	-100%
Provisions	408	721	759	86%
Subordinated liabilities	1 540	1 548	1 554	1%
Other liabilities	2 402	2 417	3 017	26%
TOTAL LIABILITIES	95 731	103 558	103 079	8%
TOTAL EQUITY	8 376	6 198	5 779	-31%
TOTAL LIABILITIES AND EQUITY	104 107	109 756	108 858	5%

FINANCIAL HIGHLIGHTS OF 1H22

Growing core profitability and efficiency, stable cost of risk

Adjusted net profit*

+106% y/y

NII and NIM strongly up

+68%; +156bp y/y

Fees up

+3% y/y

Adj. ROE

23.0%

Adj. cost/income

32.8%

Cost of risk

37 bp



(*) 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); ROE: Equity adjusted by FX related costs

BUSINESS HIGHLIGHTS OF 1H22

Good dynamics of retail business, corporate one showing gradual improvement

Loans

+5% y/y

PLN mortgage loans

+19% y/y

Leasing portfolio

+8% y/y

Debit cards

+202k y/y

Active digital customers

2.4mn

Customer deposits

+7% y/y

CREDIT HOLIDAYS

Significant upfront impact to be booked in 3Q22



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 BM'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.



Other considerations:

- Application for/use of credit holidays does not trigger a loan reclassification to Stage 2.

CAPITAL MANAGEMENT

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 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).

THE MOST IMPORTANT AWARDS AND ACHIEVEMENTS OF BANK MILLENNIUM IN 1ST HALF 2022

Professionalism and activities for sustainable development confirmed by independent rankings and competitions



CSR Golden Leaf

The Bank's activities for sustainable development and making them an integral part of the business strategy have once again been appreciated with the CSR Golden Leaf from Polityka weekly. This award is given to companies, which implement the most stringent standards of corporate social responsibility - they have ethics management systems, are good corporate citizens, introduce actions in response to the needs of clients and staff and minimise their impact on the natural environment.



Bank Millennium is the best bank in Poland according to Global Finance Magazine



Bank Millennium is Service Quality Star 2022



2nd place in the ranking of the Best Employers Poland 2022 in the category "Banks and financial services"



3rd place in the category of #Customer relations of the Stars of Banking competition

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