



Presentation to the Ordinary General Meeting of Bank Millennium S.A.

Bank Millennium 2019 results and acquisition of Euro Bank

20 March 2020



# DISCLAIMER

This presentation has been prepared by Bank Millennium for its stakeholders for information purpose only.

The information presented in this presentation should be read together with other information published by the Bank (on [www.bankmillennium.pl](http://www.bankmillennium.pl)), in particular financial and current reports and with documents delivered to this Ordinary General Meeting.

Financial data presented hereby is on consolidated Bank Millennium Group level.

Euro Bank financial data is presented in the following way: in profit and loss items for last 7 months of 2019, in balance sheet items at the end of September and December 2019 and in sales data as indicated on the graphs.

The data is based on published financial reports with two pro-forma adjustments:

- The Bank prepares its financial statements according to International Financial Reporting Standards, therefore only interests from derivatives meeting formal hedge accounting principles are recorded as Net Interest Income while other interest from derivatives is booked in results on financial assets and liabilities held for trading. As this hedge accounting relationship changes through time and does not necessarily include the entire portfolio of FX, Currency and Interest Rate swaps, the Bank provides in this presentation pro-forma data which presents all margin from derivatives in Net Interest Income. In the Bank's opinion, aforementioned approach allows better understanding of Net Interest Income evolution as it reflects substance of the derivatives transactions which are related to the liquidity management of the assets and liabilities in foreign currencies.
- According to current understanding of IFRS9 standard, small part of credit portfolio is fair valued through P&L. As fair value adjustment of this portfolio has similar economic effect to impairment adjustment, it was excluded from Total Operating Income and added to cost of risk line.

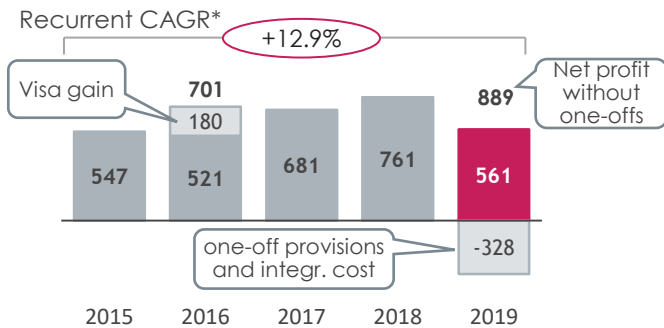
Statements regarding future refer only to the date on which they were created and are based on a knowledge, information and opinions available on this day. The Bank does not undertake obligation to publish any updates, modifications or revisions of the information, data or statements contained in this presentation unless such obligations arises under applicable laws and regulations.

This presentation should not be treated as a recommendation to purchase securities, an offer, invitation or a solicitation of an offer to purchase, invest or conclude any transaction on securities, in particular with respect to securities of Bank Millennium.

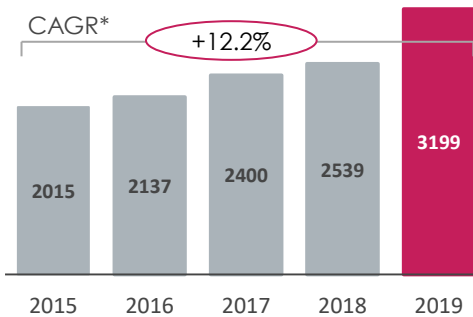
## SUMMARY OF 2015-2019 ACHIEVEMENTS (1)

Profitability under regulatory burden, integration costs and legal risks;  
Low NPL levels and solid capital position

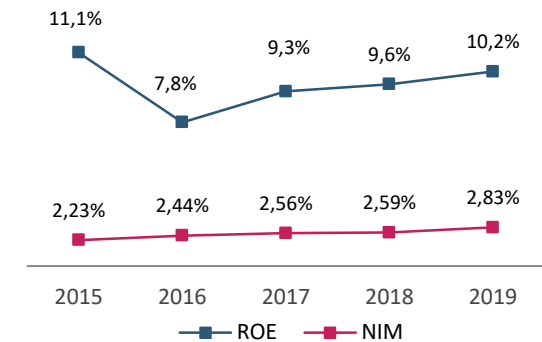
### Net Income (PLN million)



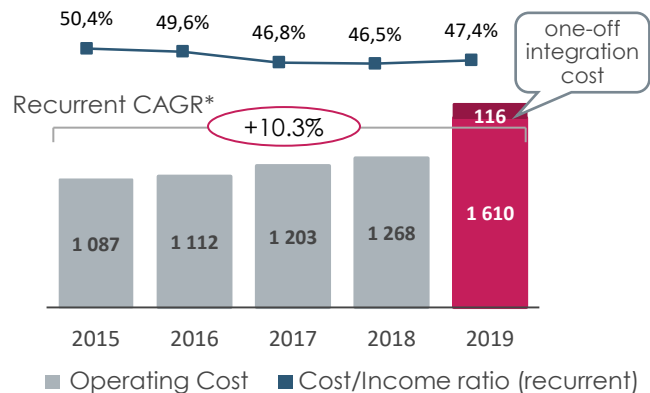
### Core Income (PLN million)



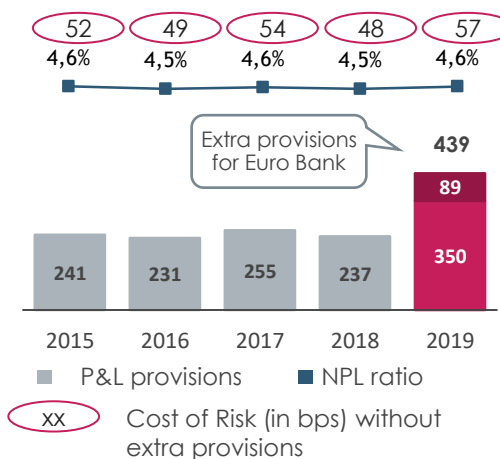
### ROE\*\* & NIM (PLN million)



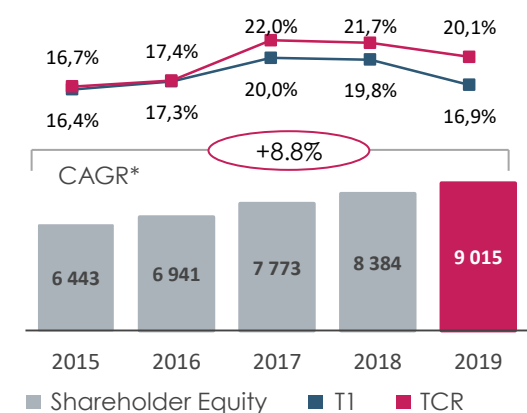
### Costs & Cost/Income ratio (PLN million)



### Provisions and NPL ratio (PLN million)



### Capital Adequacy (PLN million)

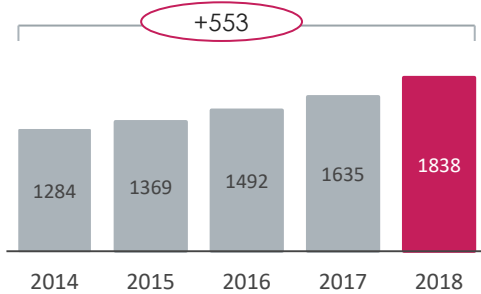


(\*) Compound annual growth rate (\*\*) adjusted for one-off items

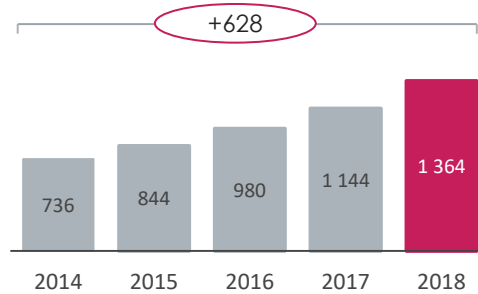
## SUMMARY OF 2015-2019 ACHIEVEMENTS (2)

Solid organic growth accelerated by the merger of Euro Bank in 2019

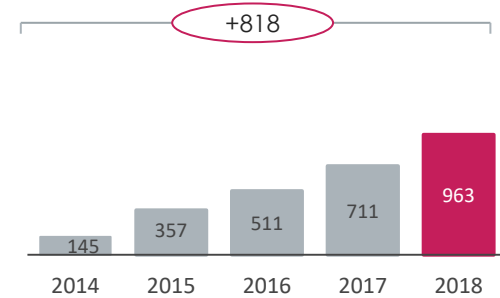
Active retail Customers (thousand)



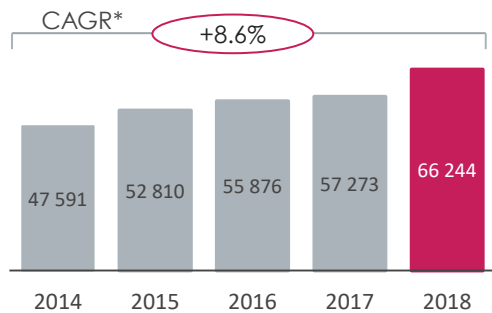
On-line active customers (thousand)



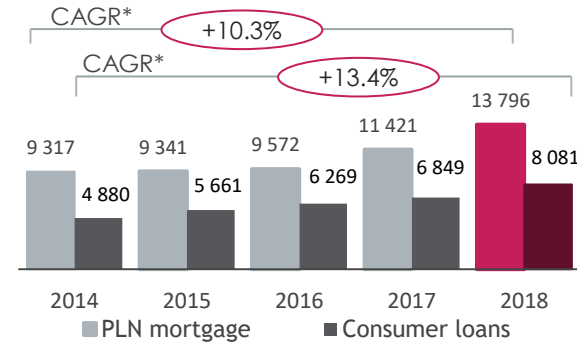
Mobile active customers (thousand)



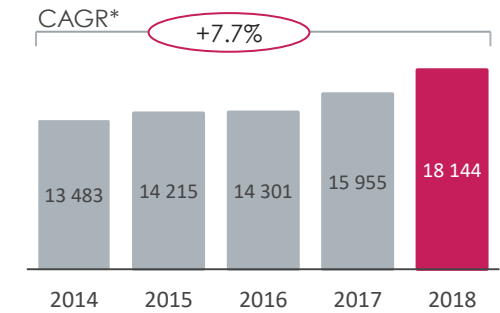
Customer Deposits (PLN million)



Retail PLN Loans (PLN million)



Companies Loans (PLN million)



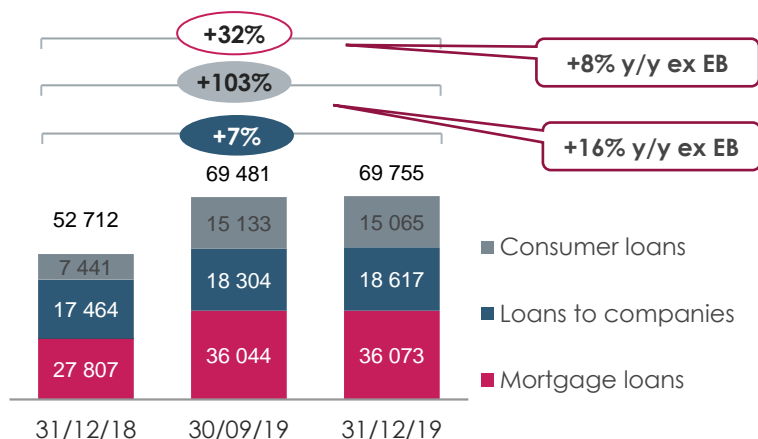
(\*) Compound annual growth rate

## LOANS AND DEPOSITS

Strong growth of volumes accelerated by Euro Bank acquisition

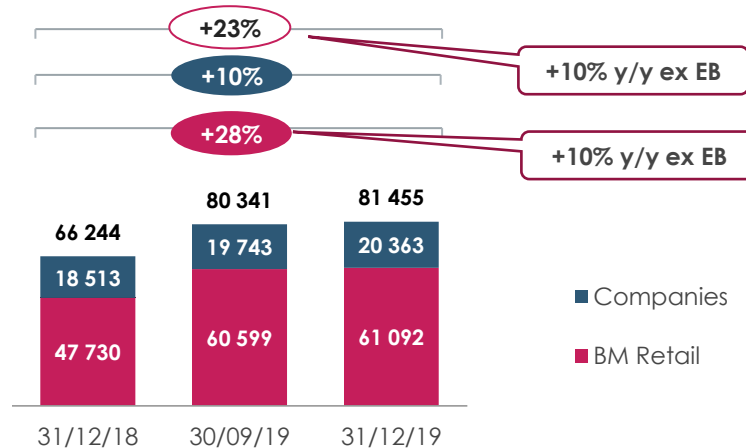
Loan Portfolio of the Group (net)

(PLN million)

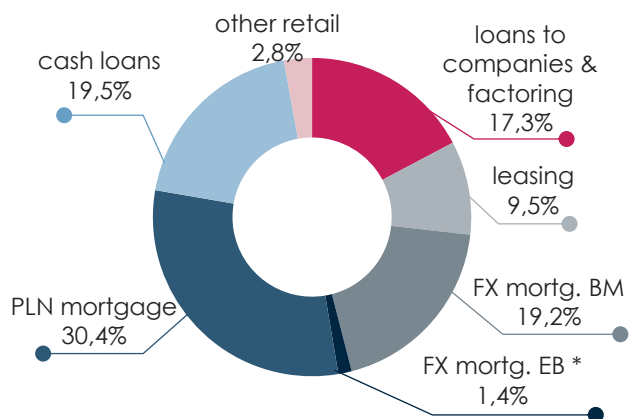


Customer Deposits

(PLN million)



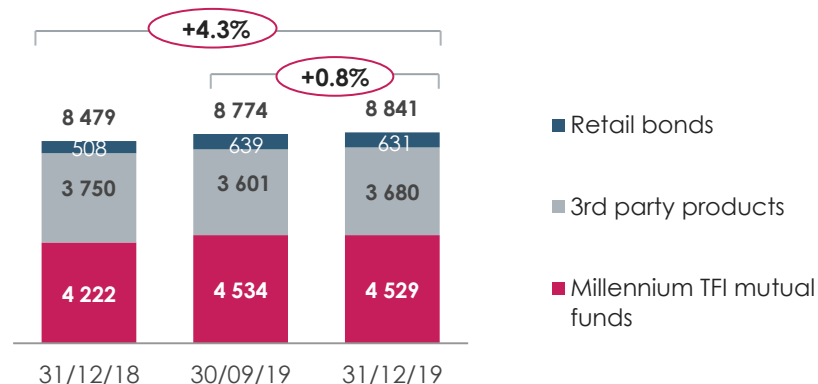
Structure of Loan Portfolio (gross)



(\*) Covered by SocGen guarantee and indemnity

Non-deposit investment products \*\*

(PLN million)

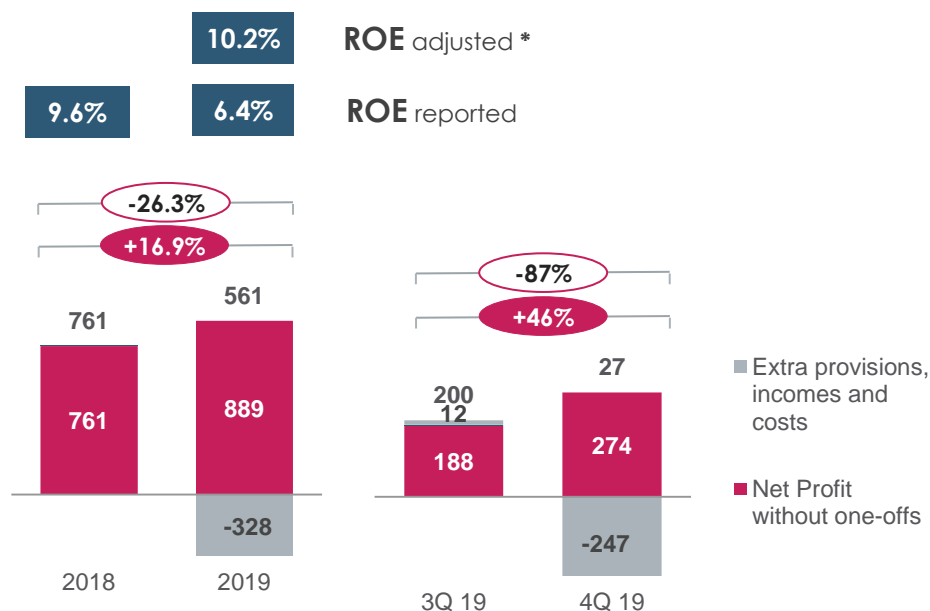


(\*\*) including mutual funds, saving-insurance products and retail bonds

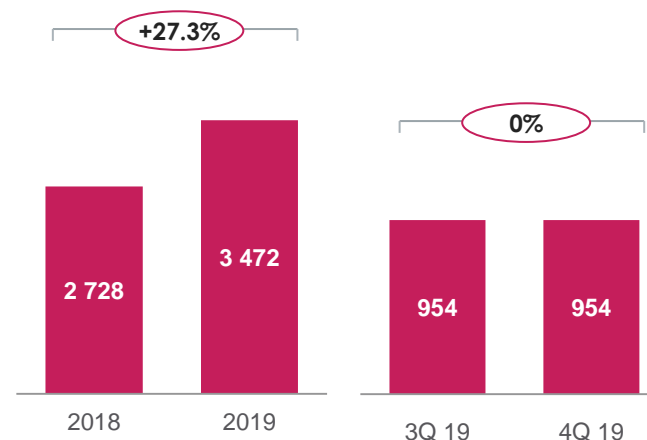
## PROFITABILITY

- Without Euro Bank integration and provision one-offs, ROE stood at 10.2% level;
- Operating income grew by 27% with 7 months of the merged bank

Net profit (PLN million)



Operating income (PLN million)



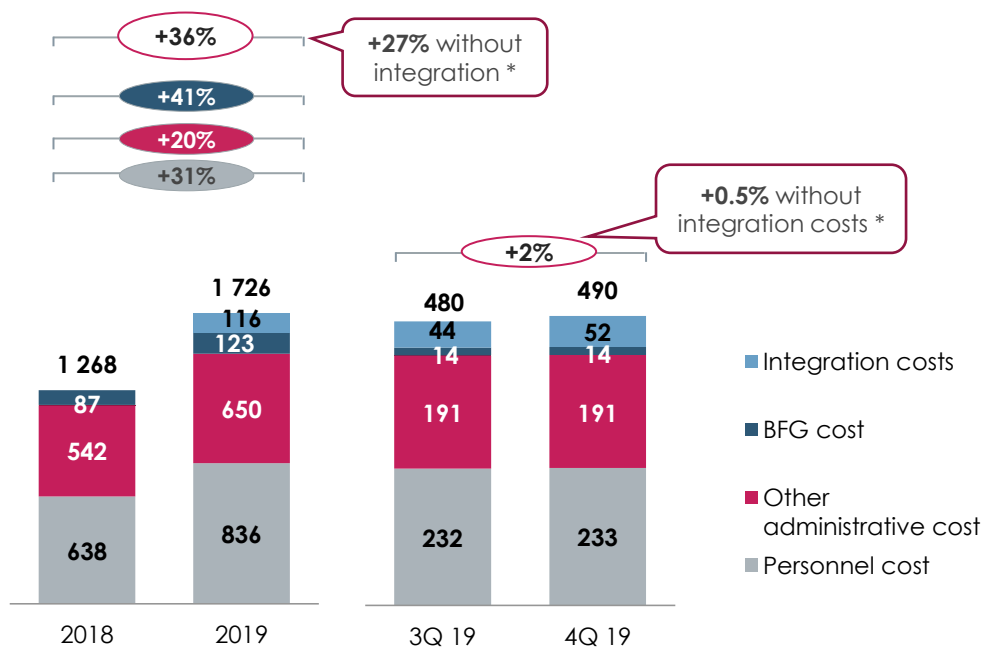
(\*) without one-offs: 1. integration costs (PLN 116m) and extra risk provisions (PLN 89m) for merged Euro Bank, 2. PLN 27 million release of tax asset provision (1Q), 3. PLN 45 million of positive revaluation of shares in PSP (3Q), 4. PLN 223 m provisions for FX mortgage legal risk (4Q),

## COST EFFICIENCY

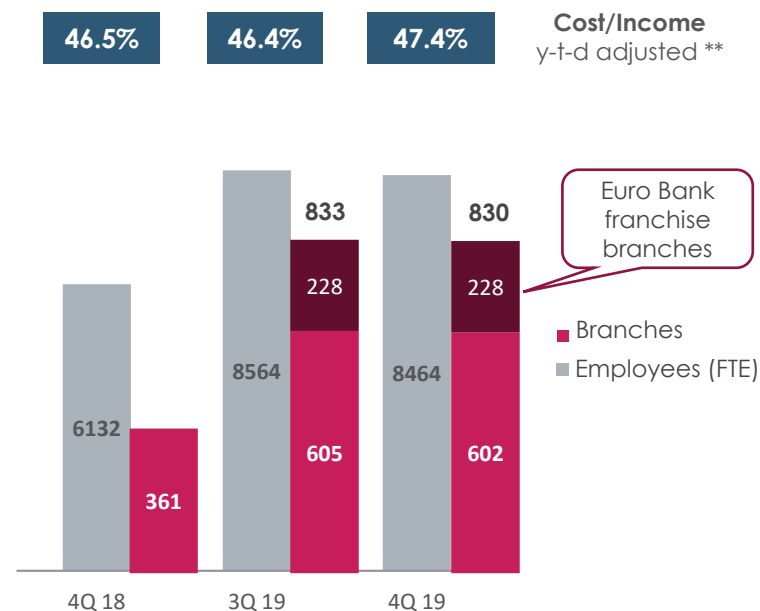
- Integrations cost in 2019/20 will be lower than originally planned;
- Synergies to be relevant from 2020 onwards

### Operating cost

(PLN million)



### Cost/Income, branches and staff



Initial plan to close 60 branches in 2020 and reduce 260 FTE in 1Q  
**Synergies** will start to be visible in 2020: above PLN 100 million

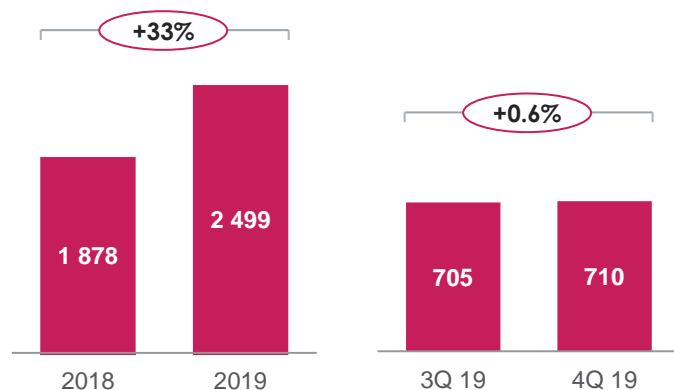
(\*) additional administrative costs directly related to Euro Bank acquisition, merger and integration process (PLN 116 million in 2019)

(\*\*) without one-off income and integration costs; with equal distribution of BFG resolution fee through the year (3Q); reported C/I as at the end of 2019 was 49.7%

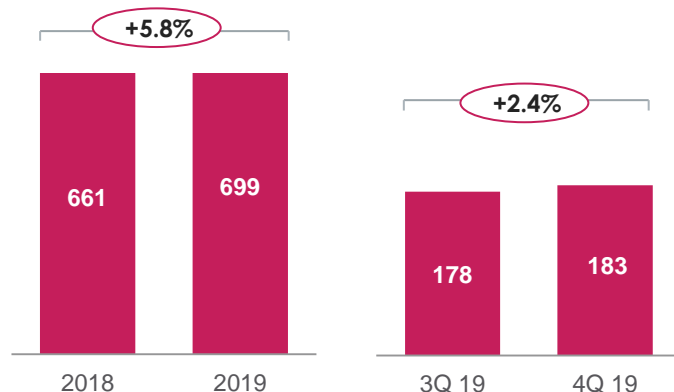
## INTEREST AND COMMISSION INCOME

Interest income higher by 33% yearly;  
NIM limited by cash loan fees return

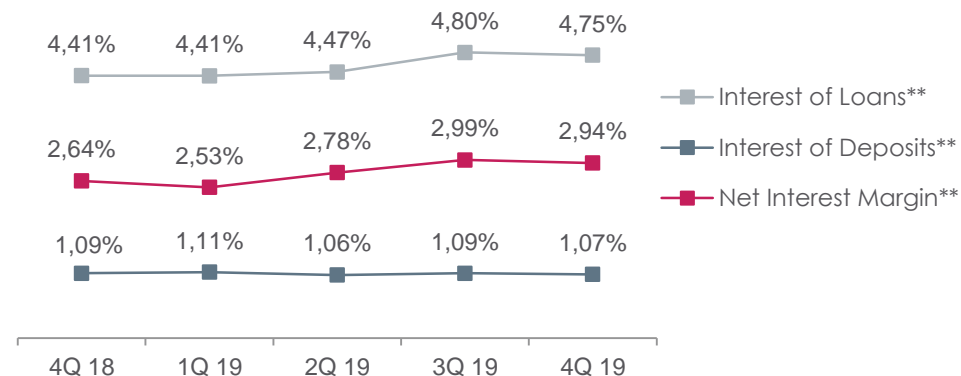
Net Interest Income \* (PLN million)



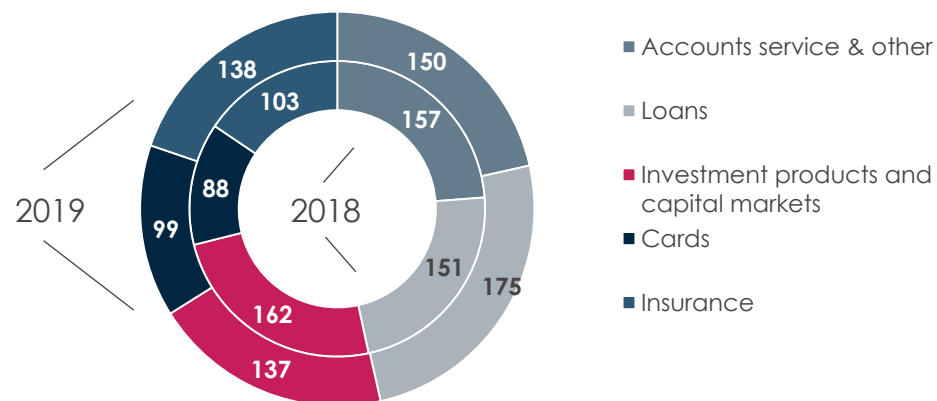
Net Commission Income (PLN million)



Interest on loans and deposit



Commission income structure (PLN million)



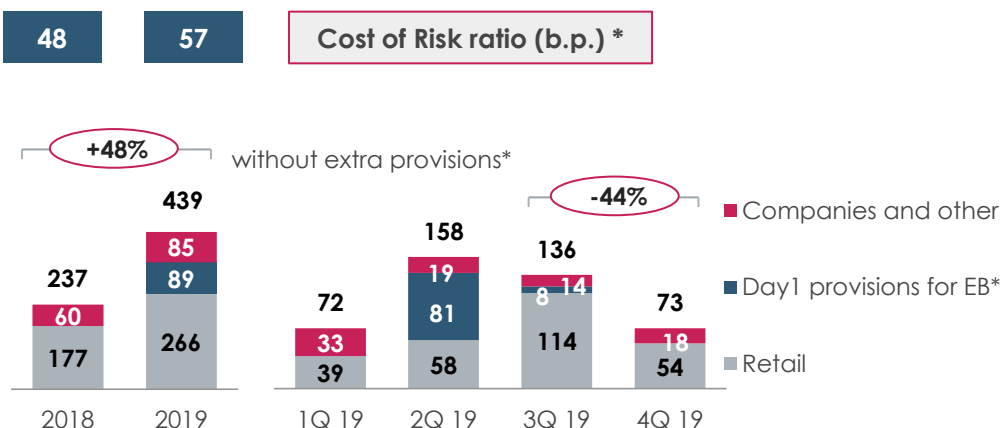
(\*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 62.5 million in 2019 and PLN 60.4 million in 2018) is presented in results on financial assets and liabilities held for trading (\*\*) including Euro Bank since 1st June 2019, NIM and loans yield include interest from swaps

## ASSET QUALITY, LIQUIDITY AND CAPITAL

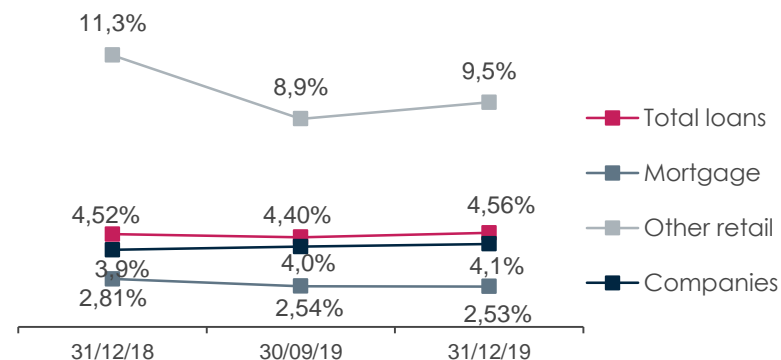
One-off provisions on Euro Bank acquired portfolio;  
High asset quality and liquidity maintained

### Cost of Risk

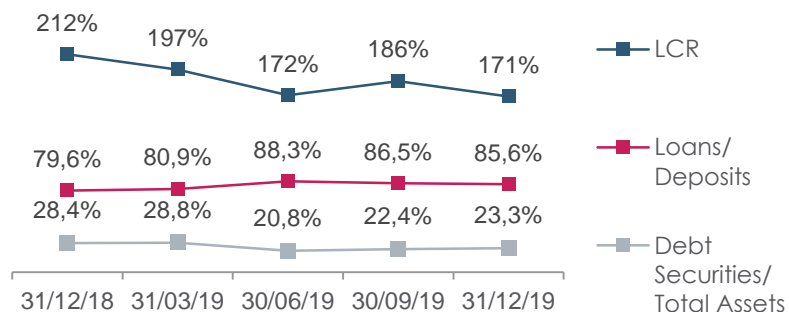
(PLN million)



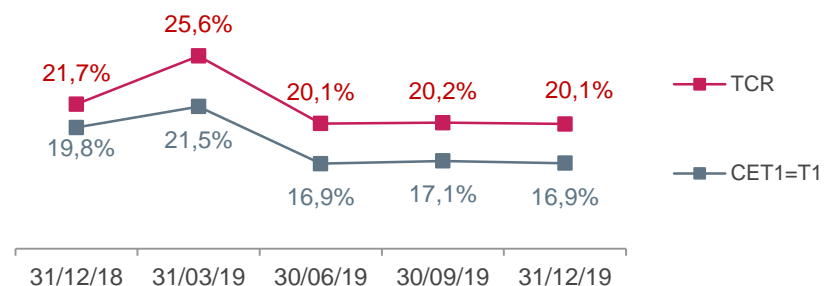
### Impaired Loans (IFRS9 stage 3/POCI)



### Liquidity indicators



### Group Capital Ratios \*\*



(\*) Total net provisions created (inc. fair value adjustment of loan portfolio and loans modification effect) to average net loans; without Day1 acquisition related extra provisions created for Euro Bank loan portfolio (\*\*) Bank's (solo) capital ratios are: TCR 20.0% and CET1 16.8%

## ACQUISITION OF EURO BANK

One of the fastest and smoothest mergers on Polish market ended on November 11th 2019

### Transaction Agreement

### Closing

### Legal merger

### Operational merger

**Day 0** (5 November 2018)



**Day 1** (31 May 2019)



**Day 2** (1 October 2019)



**Day 3** (11 November 2019)



#### • One owner

- Two legal entities
- Two brands
- Two systems

#### • One owner • One legal entity

- Two brands
- Two systems

#### • One legal entity • One Brand • One system

Day 0



Beginning of the transaction with the signing of the Transaction Agreement

Day 1



Effective change of ownership, however two legal entities remain

IFRS3 Fair Value of assets/liabilities and IFRS9 charge of stage 1-2 portfolio (12 months ECL calculation)

Day 2



After necessary approvals from AGM of both banks and the Polish Financial Supervision Authority (KNF) were obtained, Bank Millennium completed next stage of integration - registration of the legal merger in the National Court Register (KRS) took place on 1st October

Day 3



Start of day-to-day operational functioning as one bank - one brand, common product offer, one branch network and customer service using a common IT / Digital platform

## ACQUISITION OF EURO BANK

Increase of Bank's market position after merger across majority of key indicators

### Bank Millennium **before**

June 2019

Area	Value	Market position (*)
# of active Retail clients, mln	1.9	#8
# of Digital clients, mln	1.5	#6
Total assets, bln PLN (***)	82.3	#7
Consumer loans, bln PLN	8.3	#8

### Bank Millennium **after**

December 2019



Area	Value	Market position (*)
# of active Retail clients, mln	2.6 (+32%)	#7 (+1) (**)
# of Digital clients, mln	1.8 (+21%)	#5 (+1) (**)
Total assets, bln PLN	98.1 (+19%)	#7 (=)
Consumer loans, bln PLN	15.1 (+82%)	#5 (+3)

(\*) position based on PRNews data

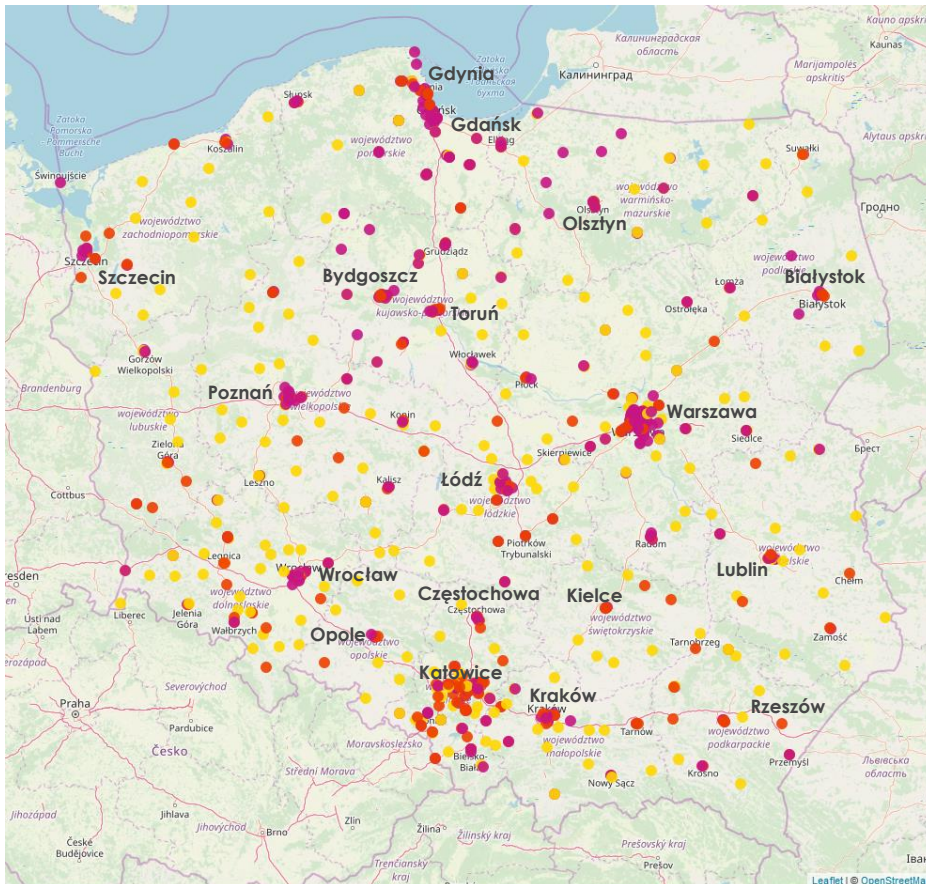
(\*\*) Bank's estimate based on Q3 data for the market and growth resulting from merger with Euro Bank

(\*\*\*) after deducting impacts resulting from the acquisition of Euro Bank and the impact of balance sheet items

# BANK MILLENNIUM BRANCHES

Combined network of 830 branches after acquisition

## Bank Millennium distribution network



After the merger with Euro Bank, Bank Millennium's presence in smaller towns has been significantly extended.

- 602 own branches
- 228 franchise branches



## PROPOSAL TO RETAIN 2018 PROFIT

### Resolution no. 5

Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, subject to regulatory recommendations.

Taking into account the position of KNF on dividend policy of banks in 2019, presented in December 2019 (\*) and taking into account the takeover of, and later merger with, Euro Bank conducted in 2019 (without a share issue), the Bank's Management Board presents to the General Meeting the proposal to retain the entire net profit generated in 2019 in the Bank's equity capital, including recognition of effect of the settlement of the merger with Euro Bank S.A.

Equity, Capital ratios, Net profit	Bank Millennium Group	Bank Millennium
Equity – on 31 Dec. 2019 (PLN thousand)	8 941 519	8 690 087
Total Capital Ratio – on 31 Dec. 2019	20.1%	20.0%
Common Equity T1 ratio – on 31 Dec. 2019	16.9%	16.7%
2019 net profit (PLN thousand)	560 732	600 683
Covering the effect of settlement of the merger with Euro Bank	-	39 957 (**)
Allocation to Reserve capital (PLN thousand)	-	560 726

(\*) The high capital ratios at the end of 2019 would allow the payment of dividend, were it not for the additional K1 and K2 criteria for banks with FX mortgage loan portfolios, which KNF maintained when it announced in December 2019 its recommendation on banks' dividend policy

(\*\*) The net financial result achieved by the company being acquired (Euro Bank S.A.) commencing from date of starting consolidation up to the day preceding the date of merger, decreased by additional revaluation charges against Euro Bank S.A. portfolio without recognised impairment and together with consolidation adjustments recorded in consolidated profit and loss account during this period, was recorded in the Bank's financial statements under equity as "Retained earnings" in the amount of minus PLN 39,956 thousand