



December 6, 2021

Bank Millennium's Strategy 2022-2024: Inspired by people

Clients have always been at the heart of Bank Millennium's strategy. This is best reflected by our NPS (Net Promoter Score), which at close to 50, is among the highest in the Polish banking sector. In our new 2022 - 2024 Strategy ('Millennium 2024: Inspired by people') we want to take client obsession to a whole new level. This is epitomised in our new marketing motto: **"Bank Millennium. Inspired by You"**.

Polish clients have increasingly high expectations towards banking services. Even though the sector in general is already offering high quality services, there is still a lot of friction nonetheless. This shows the way for improvements that can be made. Individual clients frequently wait months for a mortgage loan and corporate clients may wait weeks for a new loan. **We want to change it. We will aim to remove this friction by blending our client focus DNA with insights from our employees and by leveraging our excellent digital and omnichannel capabilities.**

We are well positioned to deliver

Covid-19 pandemic has hugely influenced customer channel preferences. Many clients enrolled to digital for the first time. **Bank Millennium has for a long time been recognised as a top bank in digital space. This, we believe, makes us ideally positioned to welcome and positively surprise banking customers in this new world.** Already over 80% of our clients are active in digital channels and we aspire to reach over 90% by 2024. We also aspire to continue to increase the share of digital sales in different products.

Our aspirations

Yet, we are not stopping at seamless delivery of just the "easy products". **We intend to further innovate to bring convenience to clients who are experiencing friction.** Already some types of mortgage loans at Millennium can be taken in 5 days and **we are aspiring to revolutionise the process even further with mobile first (& omnichannel support) mindset.** Similarly, in investments products - already over 65% are purchased via digital but **we want to make the process even more convenient by launching RoboAdvisory solutions soon.** We will take our personalisation efforts further, turn our mobile app into each client's 'personal command centre' and will leverage PSD2 to bring convenience to new-to-bank customers e.g. in consumer finance space. We also aim to play a much stronger role in e-commerce by leveraging increasingly successful Goodie (over 2.5mn downloads already), payment gateways and will develop Buy-Now-Pay-Later solutions. **And we will not stop in retail. We are launching totally new digitally led sales and service model for micro business customers and make a firm commitment to reimagine corporate lending process to make it quick and very friendly.** This will be a pillar of our strategic commitment to companies in Poland. While this is a long list of initiatives, what makes us firmly believe that this is achievable, is the passion of our people, their resilience and commitment. To support their drive even further **we will develop new, satisfactory for employees, ways of working (EVP - Employee Value Proposition).**

We have proved that we deliver on our promises

We have also proved that we are an institution which delivers on promises and can multitask. In our previous mid-term strategy (*Strategy 2020 for Bank Millennium*, October 30, 2017) we promised

to complement our growth, which at the time had driven mainly by client acquisition, with new engines and to consider non-organic growth possibilities. And we did it. We retained a leading position in client acquisition (approx. 300k current accounts sold p.a.) while boosting our market shares in consumer finance (market share in new production up from 3.5% in 2017 to 8.5% in 2021) and mortgage (up to 12.2% from 5.7%). And we did all this in parallel to driving successful acquisition and integration of Euro Bank. Now, we are a much larger, and much more capable bank, ready to embark on its next journey.

2024 target KPIs

By 2024 we are aspiring to deliver not only on our clients expectations, but also to reward shareholders with ambitious financial KPIs. We aspire to double our recurrent (i.e. without costs related to FX-mortgage portfolio including legal risk) net profit to PLN2bn and reach recurrent RoE of around 14%. We intend to pursue this, based on three main principles:

- 1) **Significant revenue growth across all segments, yet in the corporate segment with priority to low RWA density products,**
- 2) **Leverage on our already very cost efficient and scalable operating platform which we plan to further improve with AI, chatbots and SmartOps to reach C/I below 37% in 2024,**
- 3) **Keep NPL ratio below 4.7%.**

ESG remains at the core of our strategy

We stay committed to the Environment and Society. We have been a proud constituent of WIG-ESG (previously Respect Index) for over ten years and have A rating in ESG by MSCI. **We are on a way to cut 50% of CO2e emissions (2020/22) and will reach climate neutrality (scope 1&2) by 2027.** We aspire to reach full climate neutrality (incl. scope 3) by 2050 and will be actively engaged in supporting our clients in their decarbonisation journey.

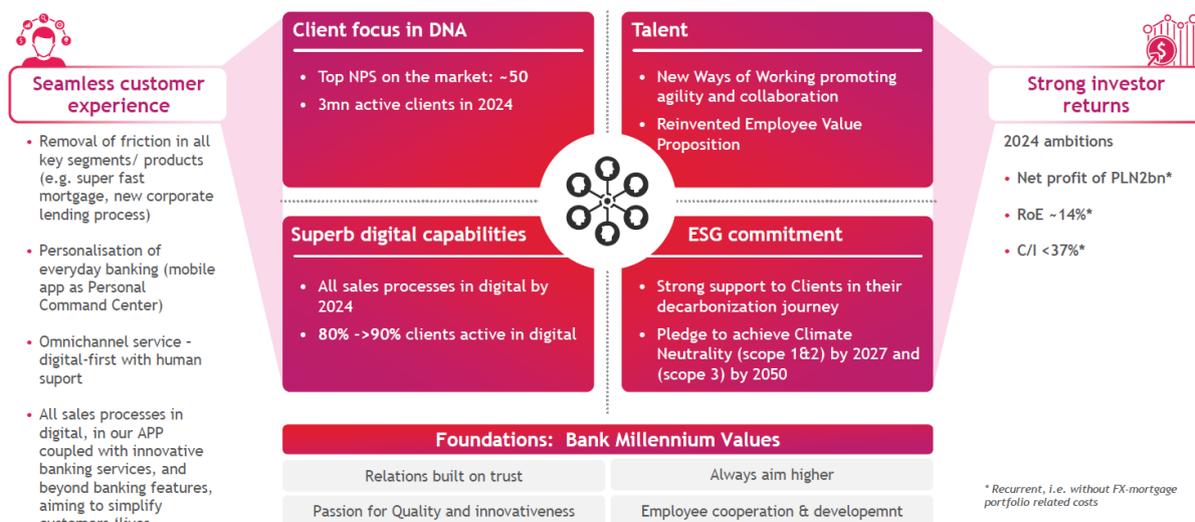
Addressing the challenges of FX-mortgage legacy book

Within the current strategy horizon **we will continue to address the FX-mortgage challenges** which recently affected our profitability. In 9M21, we posted PLN791mn core business net profit (excl. FX mortgage legacy book related costs including legal risk provisions) and 16.4% RoE while posting PLN1.6bn loss on the FX-mortgage legacy book. The latter stemmed mainly from legal risk provisioning, costs of amicable settlements and legal costs. As a result, legal risk provision currently covers around 20% of the outstanding FX-mortgage portfolio, well above the peers' average. **We are on a good track to reduce this exposure in absolute and relative terms. We aim to cut it to approx. 7% of total loan book from close to 14% currently.** We are working hard to solve this challenge jointly with our clients and have seen favourable path in amicable settlements which, year to date, have outnumbered new lawsuits. **In the next 12 months we expect to maintain the pace of successful negotiations with our clients.**

Conclusion

We stay confident that the passion of our people, our pro-customer DNA & marked shift of customer channel preferences which plays to our advantage coupled with positive macro-outlook and clear plan to address legacy challenges will help us to achieve our ambitious goals.

Millennium Bank 2024 Strategy: *Inspired by people*



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