



Millennium
bank

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

Bank Millennium/Bank Millennium Group
2020 results, dividend proposal and
information on FX-mortgages

March 24, 2021

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), in particular financial and current reports.

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

Euro Bank related financial data is presented as follows: P&L items for the last 7 months of 2019, in the balance sheet at the end of June and December 2019 and in sales data as indicated on the charts.

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, in this presentation it was excluded from Total Operating Income and added to cost of risk line.

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.

AGENDA



Macro overview

01

Covid-19
impacts and the
Bank's response

02

Financial results

03

Dividend
proposal

04

KNF Chairman's
proposal on FX-
mortgage loans

05

A hand holding a black pen, pointing to a line graph on a grid background. The graph shows several lines with data points, some of which are highlighted with red markers. The background is a light blue color with a grid pattern.

01

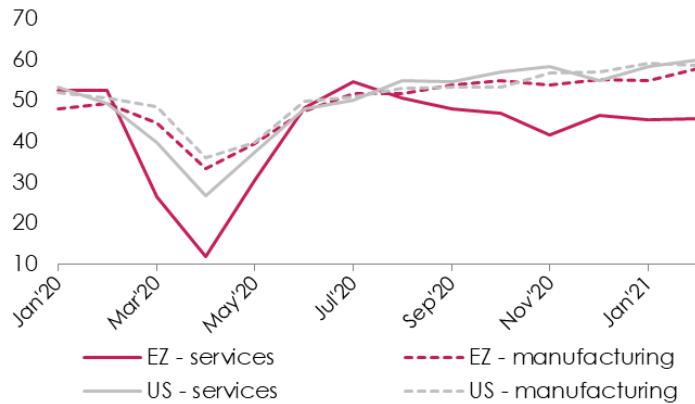
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**Macroeconomic
background**

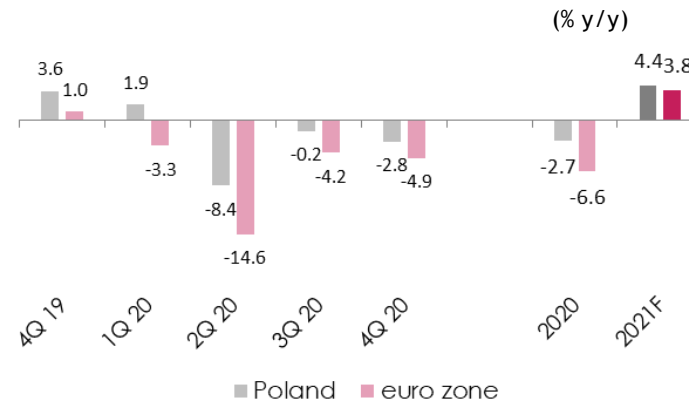
MACROECONOMIC OVERVIEW

2020 a year of unprecedented economic shock

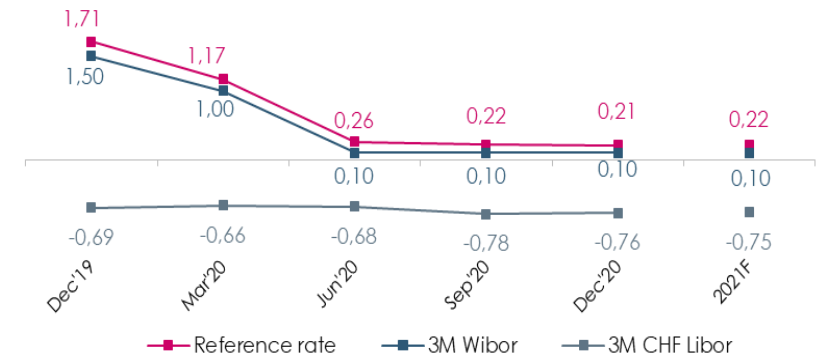
PMIs in Eurozone and in the US



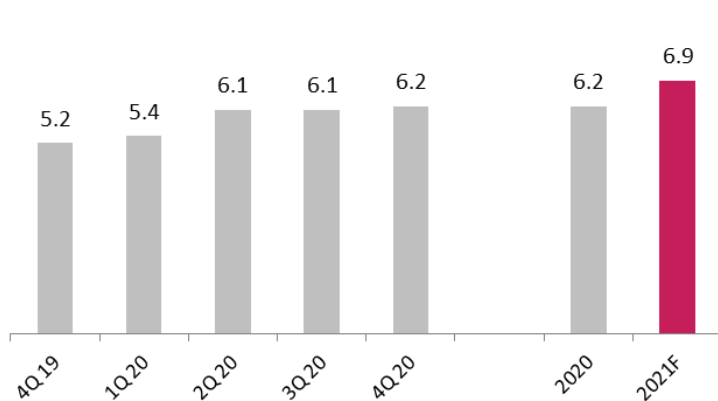
GDP growth rate in Poland and Eurozone



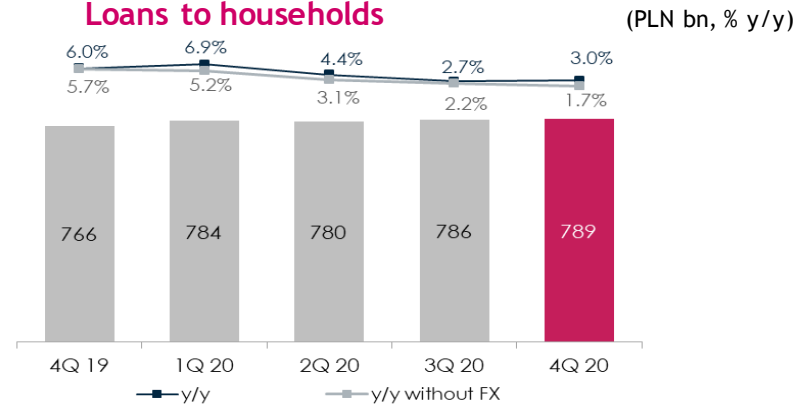
Interest rates



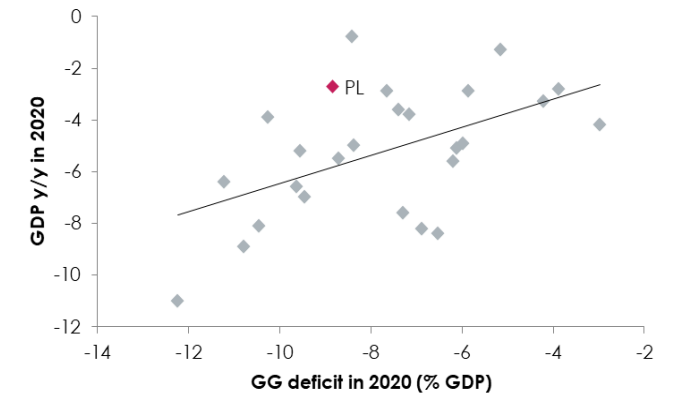
Registered unemployment rate (%)



Loans to households



General government deficit and GDP in EU



Source: GUS, Bank Millennium, F - forecast

02



PRESENTATION TO THE ORDINARY GENERAL MEETING OF BANK MILLENNIUM S.A.

**Covid-19 pandemic impacts
and the Bank's response**

BANKING IN COVID-19 PANDEMIC AND ADJUSTMENT TO 'NEW NORMAL'

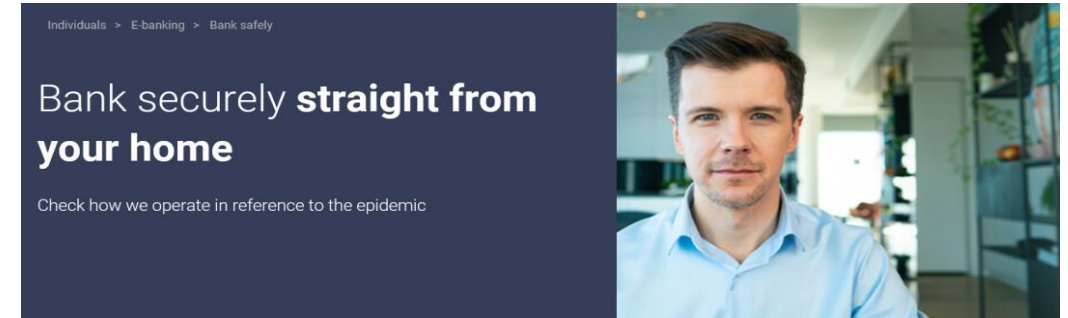
We supported our clients and employees during the pandemic

Support for customers:

- Contactless card transactions up to PLN100 without PIN
- Most transactions can be done safely and remotely from home
- Fully online current account opening with the use of selfie
- Implementation of new application for Good Start benefit programme
- Dedicated website and banner communication on the portal
- Personalized campaigns; SMS message, PUSH, Inbox in Millenet and mobile app, context messages in the system and on the website
- Credit holidays and online cash loans sales
- Online tracking of mortgage application
- Access to PUE ZUS platform allowing access of tourist vouchers
- Increasing share of electronic signage in processes in corporate banking

Flexible reaction to changing pandemic conditions:

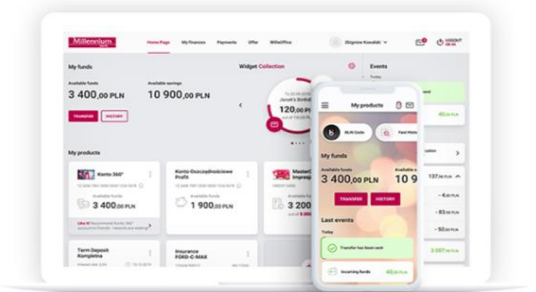
- HQ presence between 33% on a rotational basis to 50% depending on the stage of the pandemic; strict precautionary measures maintained through the whole period
- Branch network returned to normal functioning while protection measures/procedures were maintained in full; min-branches at shopping malls partly closed due to government restrictions



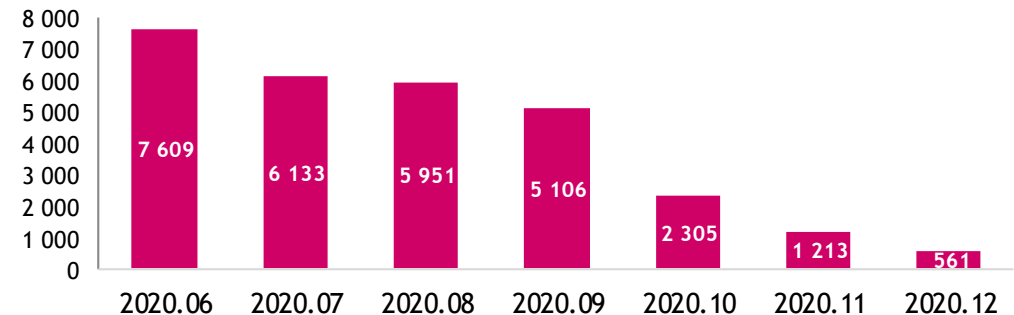
You can do so much **without leaving your home**

Remember that in Millenet and mobile app you will make most transactions safely and remotely

- ✓ Bank Millennium mobile app and Millenet online banking system are available 24/7
- ✓ you can sort out many administrative matters through Millenet online banking system in MilleAdministration tab
- ✓ pay for online shopping and in a stationary store make contactless payments by phone or card



Portfolio with active credit holidays



THE BANK'S RESPONSE TO THE CRISIS

- The bank faced severe unprecedented crisis conditions related to COVID-19 pandemic
- The situation impacted the Bank both at operational and economic/financial levels, requiring complex response
- Every crisis, apart from risks, also brings new opportunities, shifting market conditions

Crisis response had 3 major phases:



**Crisis management
& business continuity**
(Immediate reaction)

Phase 1

Bank focused on the crisis management stage, ensuring availability of key processes and limiting panic reactions of both Customers and Employees.



**Effective management
in crisis conditions**
(Short term)

Phase 2

Preparation to maximize level of resilience and prepare for any macroeconomic & financial scenario



Recovery & New Normal
- adjusting to post-crisis conditions
(Long term)

Phase 3

Understand new normal, identify opportunities, adjust services and processes ahead of competitors

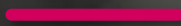
Coordination Management Team for Pandemic

New Project - Millennium through COVID-19

Preparing 2021



03



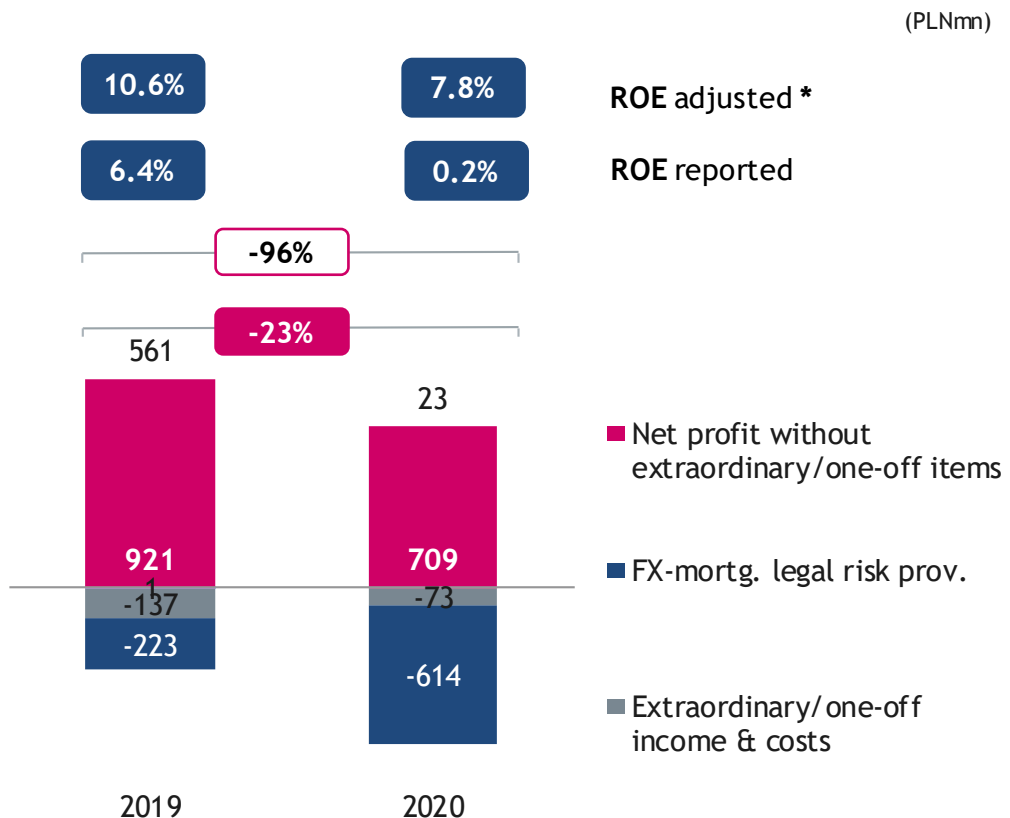
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Financial results

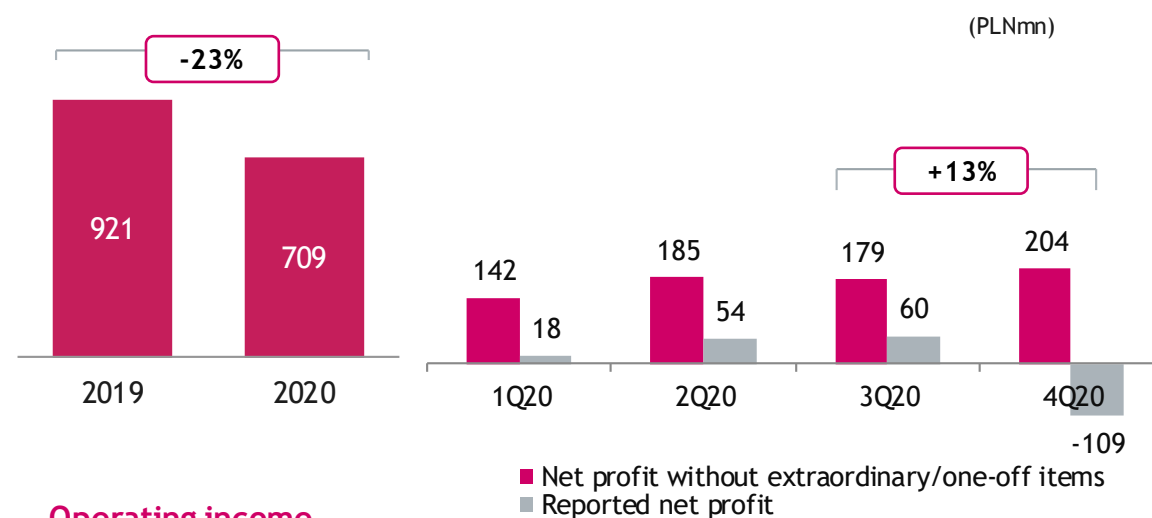
FINANCIAL HIGHLIGHTS OF 2020

2020 net profit under significant impact of pandemic/extraordinary items but operating income up 3% y/y

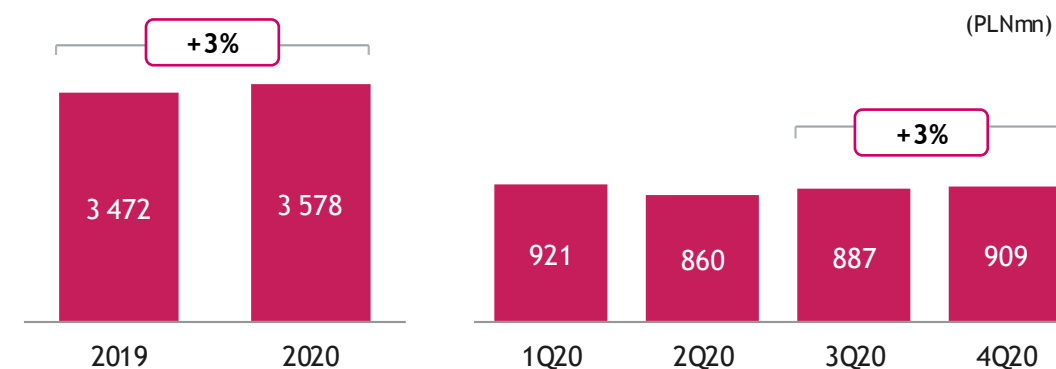
Net profit



Net profit w/o extraordinary items



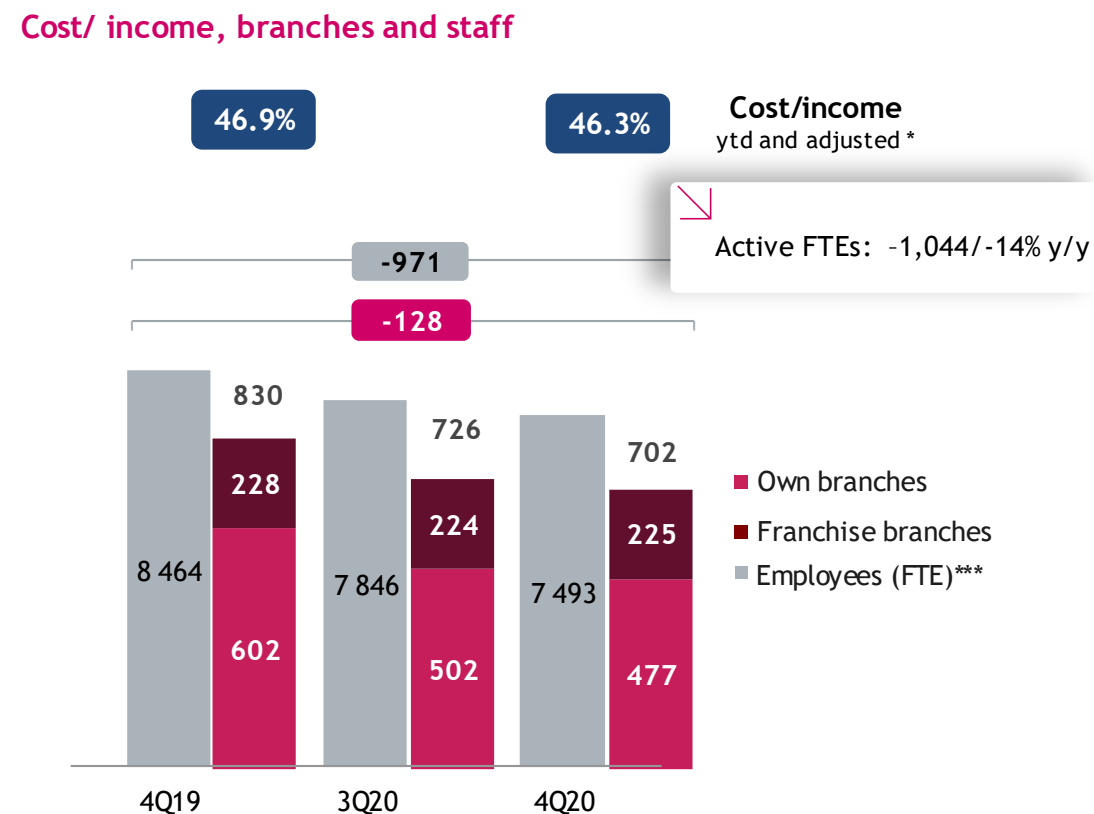
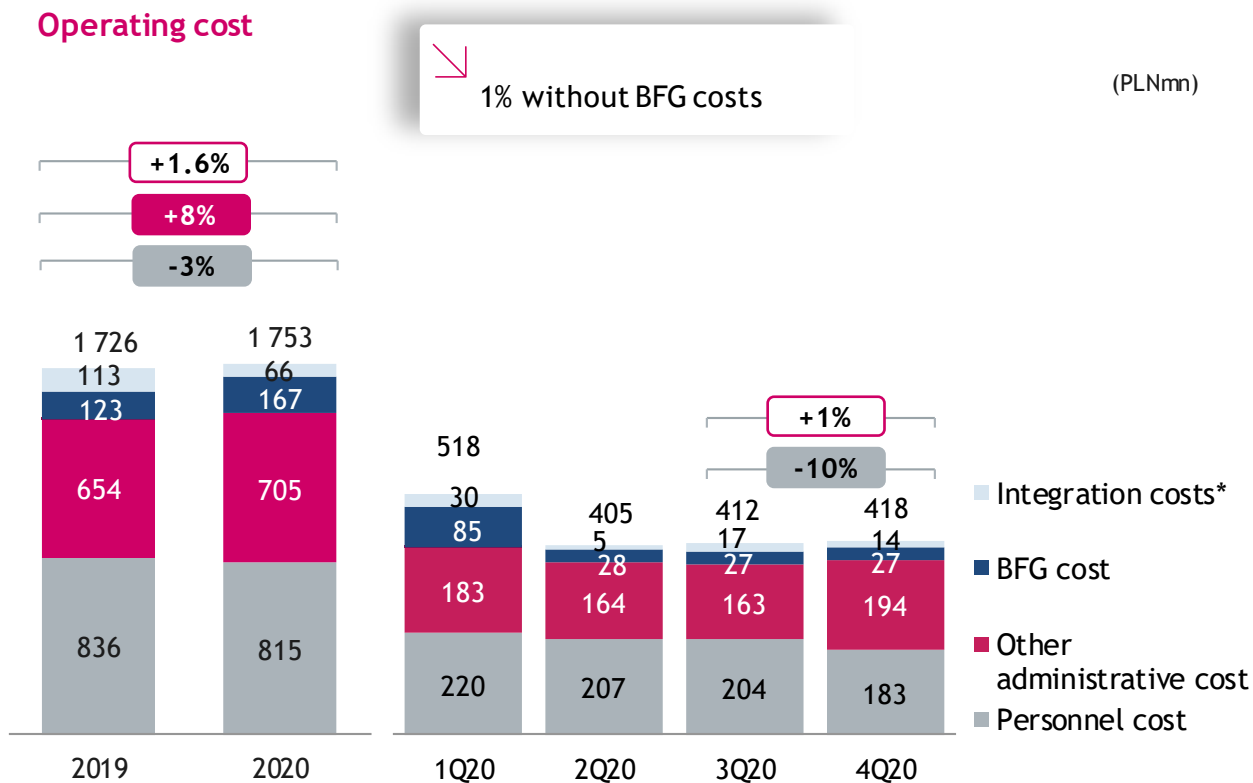
Operating income



(*) Extraordinary items

COST EFFICIENCY

Costs without BFG decreased -1% y/y. Decreasing staff costs especially in 4Q (-10% q/q)



(*) additional administrative costs directly related to Euro Bank acquisition, merger and integration process (PLN113mn in 2019 and PLN66mn in 2020, of which PLN41.4mn for staff restructuring)

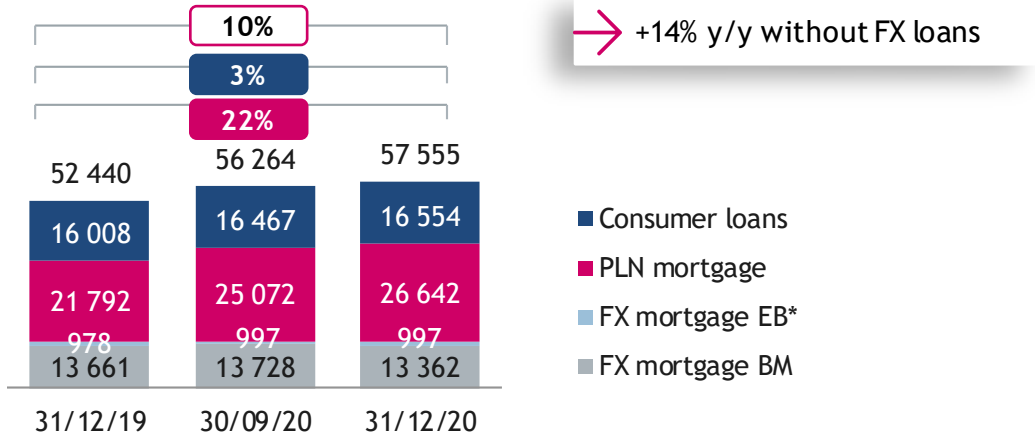
(**) without one-off income and integration costs

(***) number of active employees 6,602 at YE20, down 14% y/y

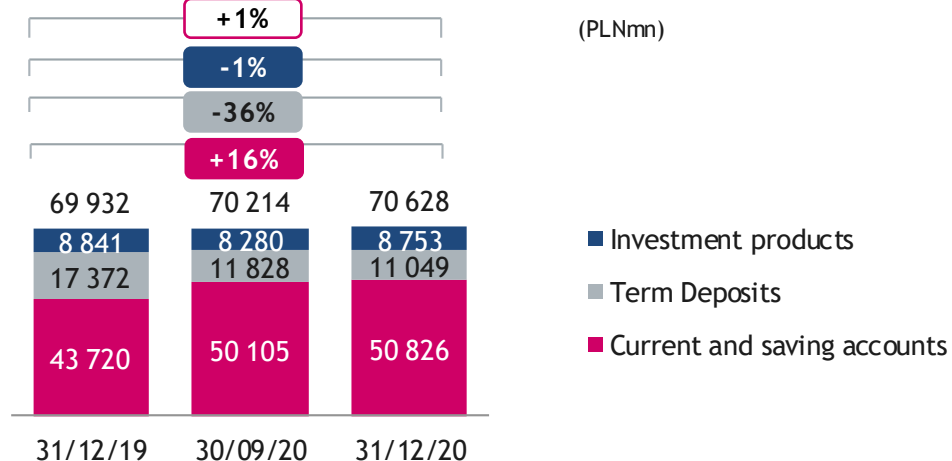
RETAIL BUSINESS - LOANS AND CUSTOMER FUNDS

Solid growth of retail loans driven by mortgages; high dynamics of current accounts volumes

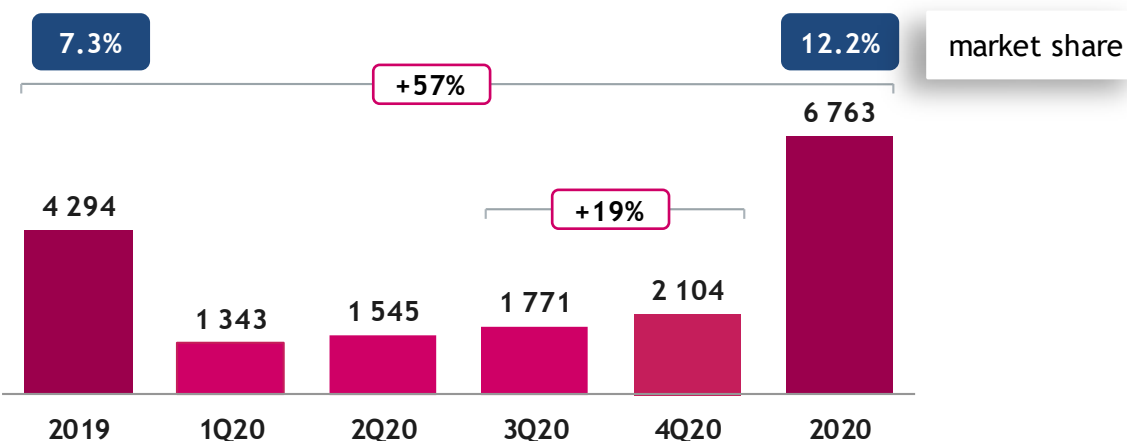
Retail loans (gross) (PLNmn)



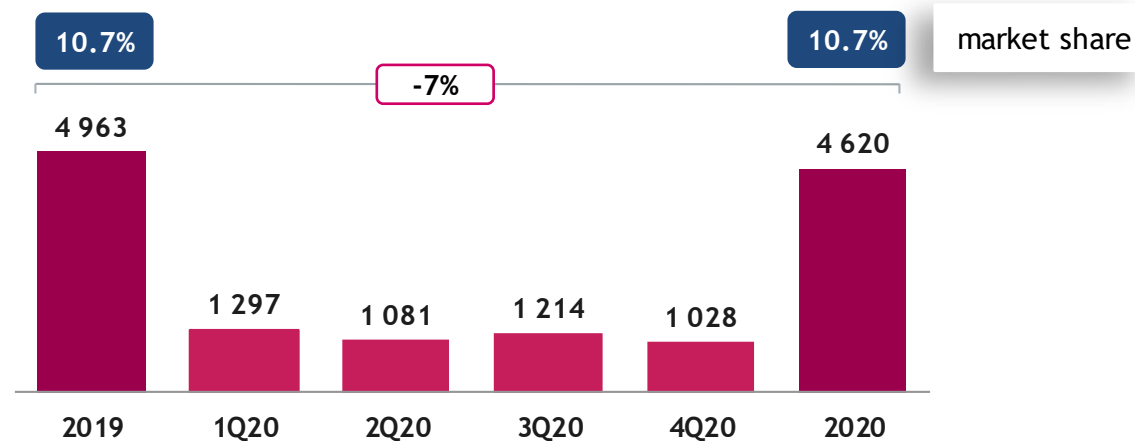
Retail customer funds (PLNmn)



Mortgage loans new sales (**) (PLNmn)



Cash loans new sales (**) (PLNmn)

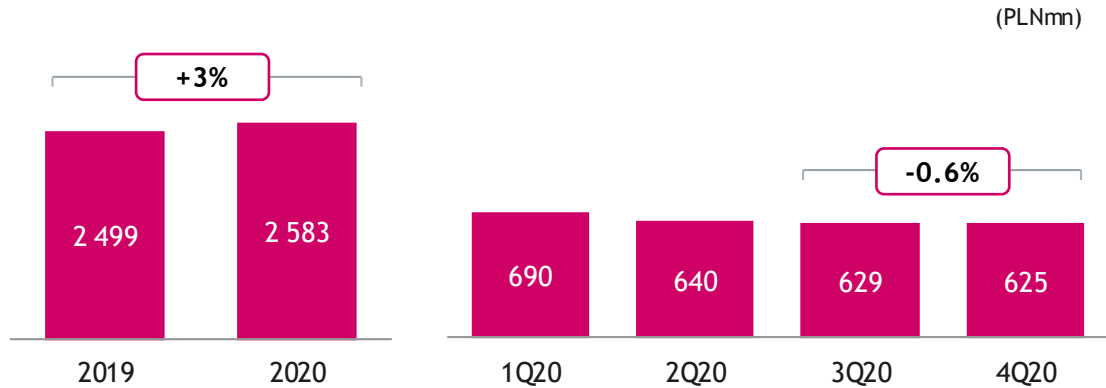


(*) Loans from Euro Bank - covered by 100% indemnity and 80% guarantee agreement with SocGen
 (**) with Euro Bank sale data from 1st of June 2019

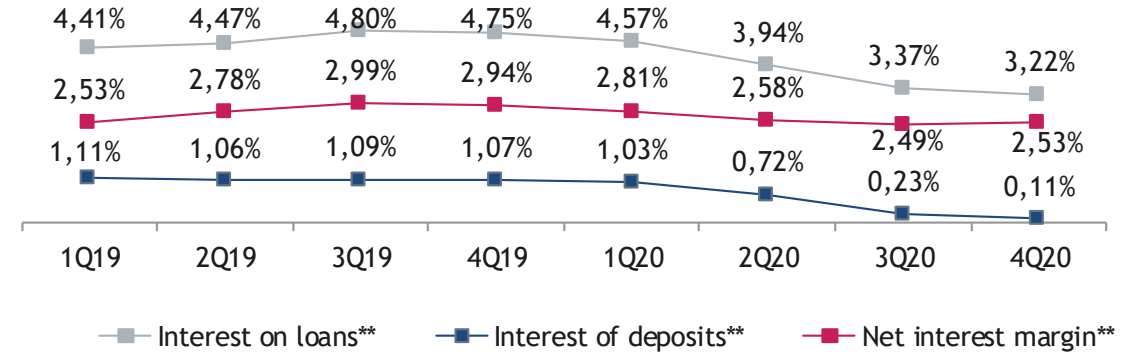
INTEREST AND COMMISSION INCOME

2020 NII up 3% y/y; net fees up 7% y/y

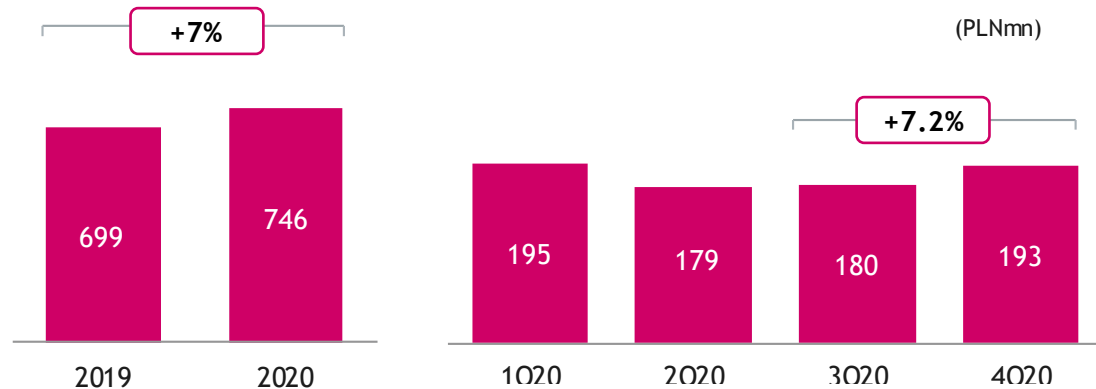
Net interest income *



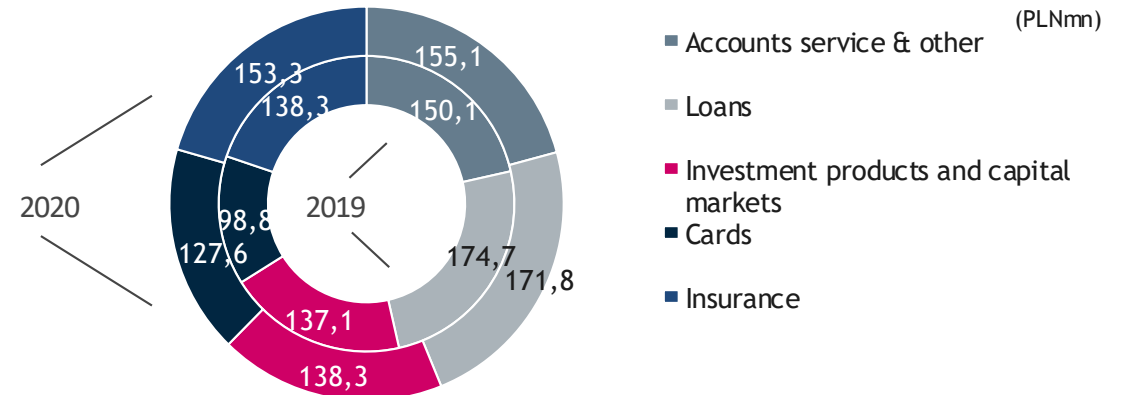
Interest on loans and deposit (quarterly average)



Net fees



Fee income structure



(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN34.5mn in 2020 and PLN62.5mn in 2019) 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

Stable credit quality in retail, deterioration in corporate due to specific cases moved to stage 3

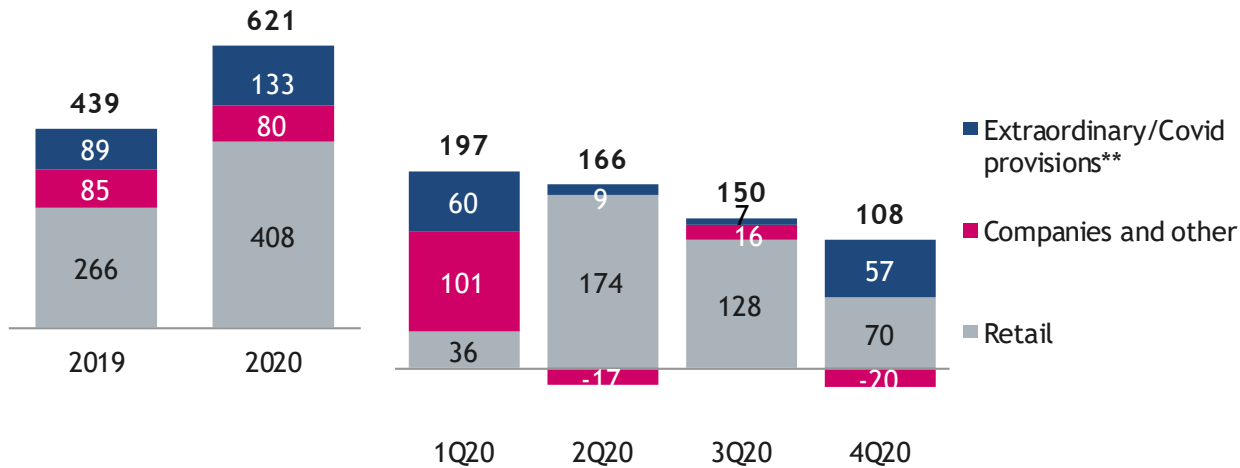
Cost of risk

(PLNmn)

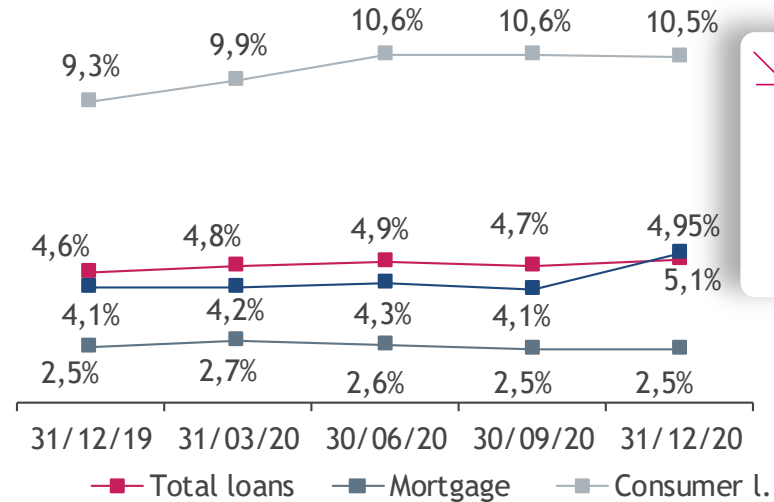
68 83

→ Cost of risk ytd (bp) *

+42%



Impaired loans (IFRS9 stage 3 & POCI)



↘ PLN76mn of consumer NPLs (principal; PLN69mn off-balance sheet) was sold in 4Q20 generating PLN8.2mn pre-tax profit

↘ New more conservative default definition for retail portfolio was introduced in 1Q20
A few corporate cases reclassified to stage 3 from stage 2 in 4Q20



(*) Total net provisions created (incl. fair value adjustment of loan portfolio and loans modification effect) to average gross loans

(**) Extraordinary Day1 acquisition related extra provisions created for Euro Bank loan portfolio in 2019 and Covid-19 related provisions in 2020



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Dividend proposal

PROPOSAL TO RETAIN 2020 PROFIT

Resolution no. 6

Bank Millennium's dividend policy assumes distribution of between 35% to 50% of net profit, subject to regulatory recommendations.

However, taking into account:

- recommendation of Polish Financial Supervision Authority (PFSA) of 25 November and 22 December 2020 in the matter of maintaining an additional capital requirement in order to secure the risk resulting from FX loans and credits for households secured with a mortgage,
- PFSA position of 16 December 2020 in the matter of dividend policy of banks (and other entities) in 2021,
- recommendation of PFSA of 13 January 2021 on suspension of a dividend payment in the first half of 2021,
- uncertainty in business activity due to COVID-19 pandemic,
- existing legal/operational risks,

The Bank Management Board requests the General Meeting the proposal to retain all net profit generated in 2020 in the Bank's own capital

Equity, Capital ratios, Net profit	Bank Millennium Group	Bank Millennium
Equity - on 31 Dec. 2020 (PLN thousand)	9 090 976	8 835 703
Total Capital Ratio - on 31 Dec. 2020	19.5%	19.2%
Common Equity T1 ratio - on 31 Dec. 2020	16.5%	16.2%
2020 net profit (PLN thousand)	22 817	18 579
Allocation to Reserve capital (PLN thousand)	-	18 579



PRESENTATION TO THE ORDINARY GENERAL MEETING OF BANK MILLENNIUM S.A.

**KNF Chairman's proposal on FX-
mortgage loans**

KNF CHAIRMAN'S PROPOSAL ON FX-MORTGAGES

On December 8, 2020 Mr. Jacek Jastrzębski, the Chairman of the Financial Supervision Authority ('FSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Key milestones:



Consultations/Work group

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have been assessing the conditions under which such solution could be implemented and consequent impacts.



Key aspects for consideration*

1. Favourable opinion or at least non-objection from important public institutions.
2. Support from National Bank of Poland to the implementation.
3. Level of legal certainty of the settlement agreements to be signed with the borrowers.
4. Level of the financial impact on a pre- and after tax basis;
5. Capital consequences including regulatory adjustments in the level of capital requirements associated with FX mortgage loans

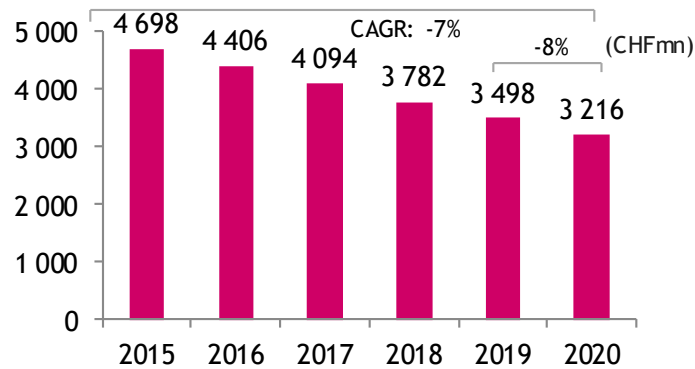


SB and shareholders' consent necessary if the MB recommends to join the program

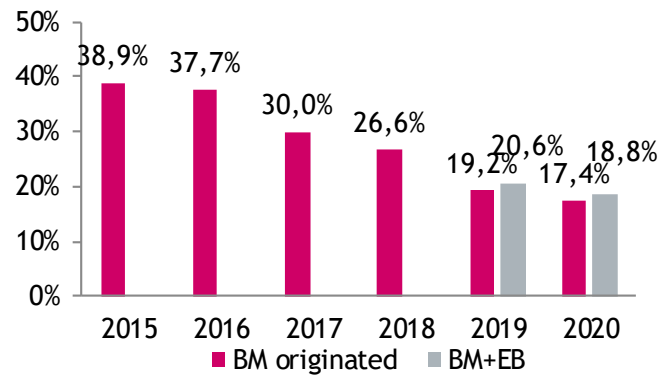
If / when a recommendation regarding the program would be ready, the Management Board would submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

FX-MORTGAGE PORTFOLIO OF BANK MILLENNIUM

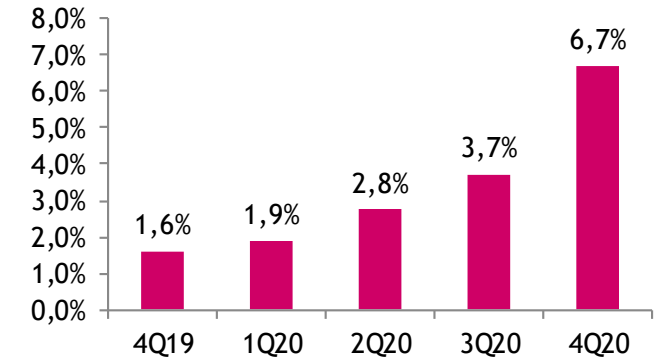
FX-mortgages*



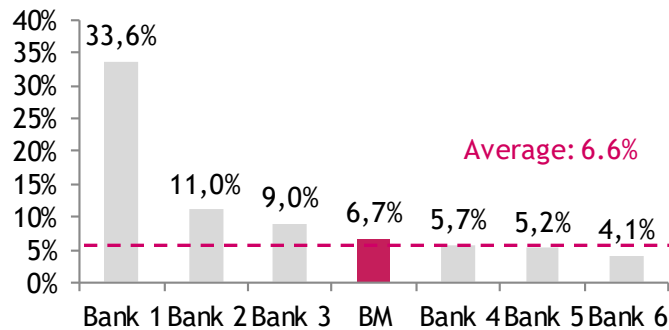
FX-mortgages as % of total book



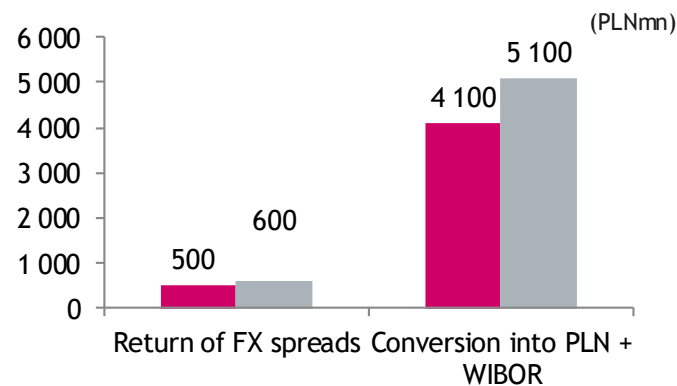
Provisions against legal risk as % of FX-mortgage book**



Provisions against legal risk as % of FX-mortgage book**



Potential cost of KNF Chairman's proposal ***



Supreme Court session planned for April 13

- The First Chairman of the Supreme Court (SC) addressed questions of law regarding FX mortgage loans to the entire composition of the SC Civil Chamber
- The session will be a closed one, while the resolution will be announced to the public together with verbal motives.
- Passing the resolution requires the presence at the session of 2/3 of Judges of the Civil Chamber (at least 18 judges).
- A resolution of the full composition of the SC Civil Chamber has the form of a legal principle, which means that it is binding for all courts in Poland.



(*) Excluding EB, (**) as % of gross book; excluding EB, *** 100% conversion of BM's book assumed, pre-tax