

Millennium
bank

Presentation
2Q21/1H21
results



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.

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

- The Bank altered its presentation of margin on derivatives that is not meeting formal hedge accounting principles and from Jan 1, 2021 all margin from derivatives is included in the reported NII. While 1H20 accounts have been restated accordingly, the 2H20 ones are still presented in this presentation on a pro-forma basis, i.e. all margin from derivatives is presented in NII, thereby slightly differing from the reported 2H20 accounts.
- 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

Financial
performance

01

Business
development

02

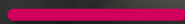
Appendices

03





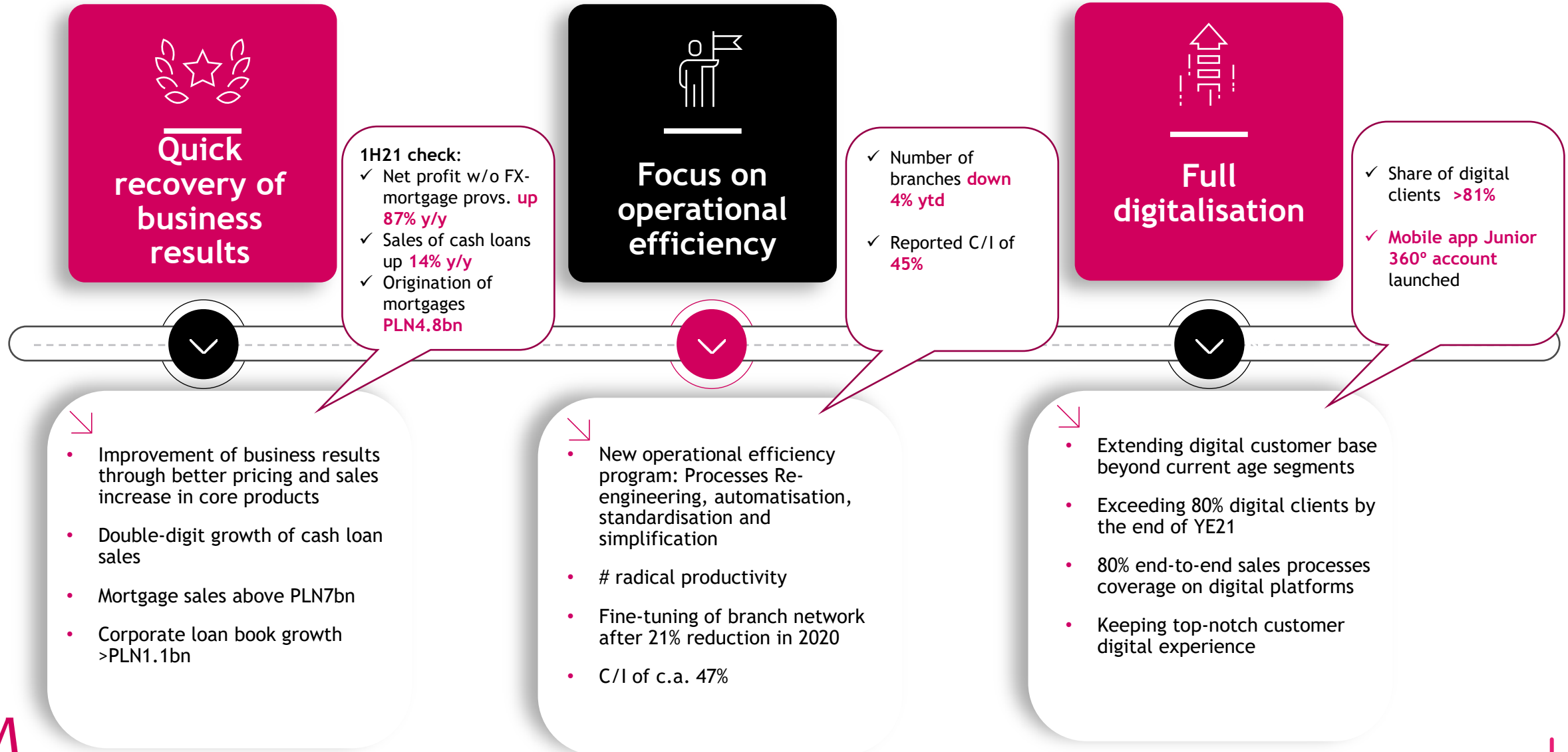
01



PRESENTATION OF 2Q21/1H21 RESULTS

Financial performance

2021 - A TRANSITION YEAR BEFORE NEW STRATEGY ROLL-OUT



KEY PROFIT & LOSS ITEMS

PLNm	1H21	1H20	Change Y/Y	2Q21	1Q21	Change Q/Q
Net interest income	1 277.2	1 329.9	-4.0%	654.9	622.3	5.2%
Net commission income	414.1	373.5	10.9%	209.3	204.8	2.2%
Total operating income	1 789.4	1 781.0	0.5%	922.5	867.0	6.4%
Total costs	-805.9	-923.0	-12.7%	-378.5	-427.3	-11.4%
<i>Costs without EB integration and BFG</i>	-722.5	-774.9	-6.8%	-348.3	-374.2	-6.9%
Loan loss provisions (incl. Covid-19)	-133.5	-362.9	-63.2%	-57.3	-76.2	-24.8%
FX mortg. legal risk provisions	-1 047.0	-168.0	523.2%	-513.6	-533.4	-3.7%
Banking tax on assets	-152.0	-141.2	7.6%	-76.9	-75.0	2.5%
Net profit	-511.6	71.7	-	-200.3	-311.3	-
<i>Net profit without extraordinary items*</i>	473.7	326.6	45.0%	267.6	206.1	29.8%
NIM	2.58%	2.69%	-0.11 pp	2.60%	2.56%	0.04 pp
Cost/Income reported	45.0%	51.8%	-6.7 pp	41.0%	49.3%	-8.3 pp
Cost/Income adjusted (*)	45.5%	47.1%	-1.6 pp	43.6%	47.3%	-3.7 pp
Cost of risk	33 bp	98 bp	-65 bp	28 bp	39 bp	-11 bp
ROE	-11.6%	1.6%	-	-9.3%	-13.8%	-
ROE adjusted (*)	10.9%	7.2%	3.7 pp	12.4%	9.4%	3.0 pp



(*) Extraordinary items: in 2021 FX-mortgage provisions and even distribution of BFG resolution fund fee, in 2020 also EB restructuring costs

KEY BALANCE SHEET AND BUSINESS ITEMS

PLNm	Jun. 21	Jun. 20	Change Y/Y	Mar. 21	Change Q/Q
Active customers (ths)	2 632*	2 617	15	2 611	21
incl. on-line and mobile	2 140	1 971	169	2 113	27
Customer funds	99 484	93 904	5.9%	97 418	2.1%
Deposits	89 998	86 255	4.3%	88 255	2.0%
Deposits of individuals	64 966	63 436	2.4%	64 264	1.1%
Loans	75 794	71 340	6.2%	74 636	1.6%
FX mortgage loans excl. EB	10 665	13 622	-21.7%	11 977	-10.9%
Loans without FX mortgage	64 203	56 715	13.2%	61 700	4.1%
L/D	84.2%	82.7%	1.5 pp	84.6%	-0.4 pp
Impaired loan ratio (**)	4.7%	4.8%	-0.1 pp	4.9%	-0.2 pp
Coverage ratio	66.5%	66.1%	0.3 pp	64.3%	2.2 pp
CET1 = T1	15.6%	17.0%	-1.4 pp	16.3%	-0.7 pp
TCR	18.7%	20.0%	-1.3 pp	19.4%	-0.7 pp

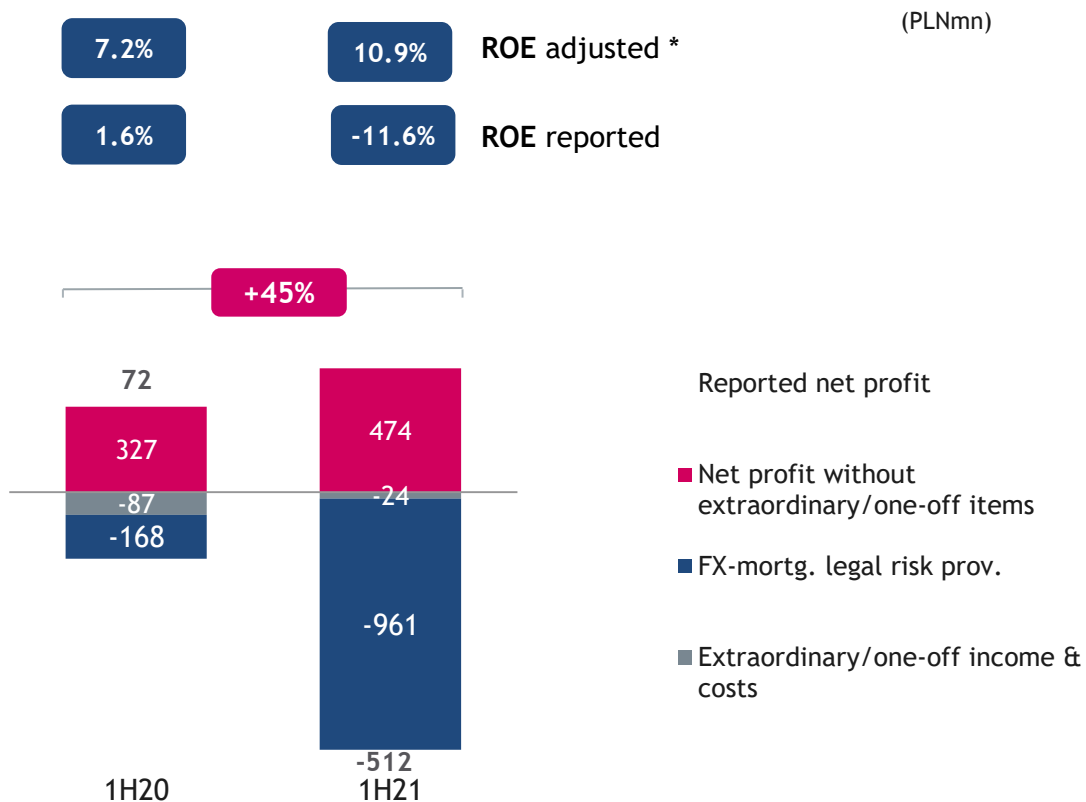


(*) Changes in methodology since Dec-20
(**) stage 3 and POCl loans share in gross total loans

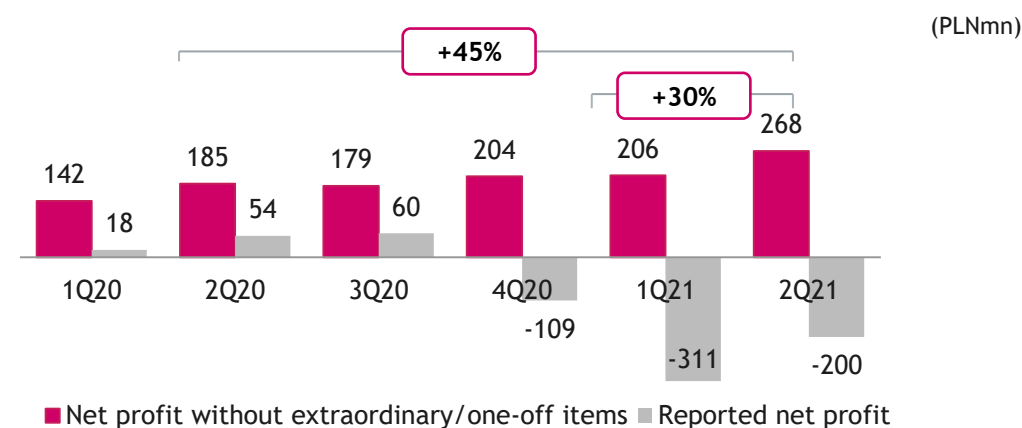
FINANCIAL HIGHLIGHTS OF 2Q21/1H21

Without FX mortgage provisions and extraordinary items, 1H21 ROE at 10.9%; adjusted net income up 45% y/y

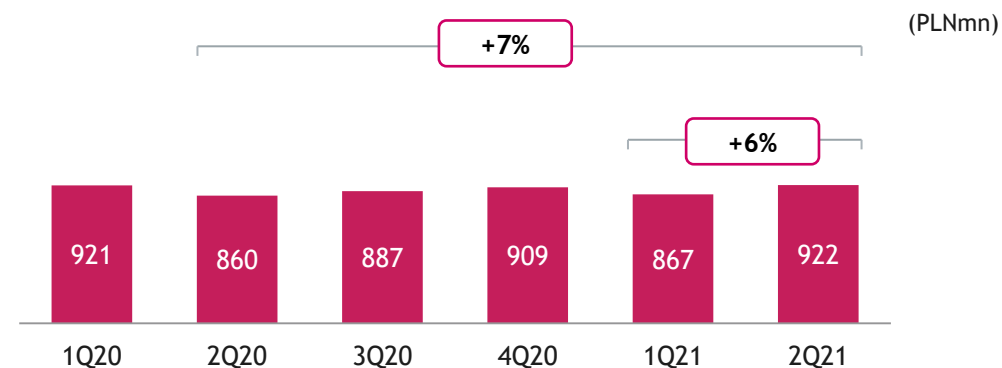
Net profit



Net profit w/o extraordinary* items



Operating income



(*) Extraordinary items: in 2021 FX-mortgage provisions and even distribution of BFG resolution fund fee; in 2020 also EB restructuring costs

FINANCIAL HIGHLIGHTS OF 2Q21

Most of last year's pandemic impact neutralised

Adjusted net profit*

+45% y/y

NII rebounded, NIM up

+4bp q/q

Fees up

+17% y/y

Adjusted ROE

12.4%

Costs reduction

-7% y/y

Provision coverage up

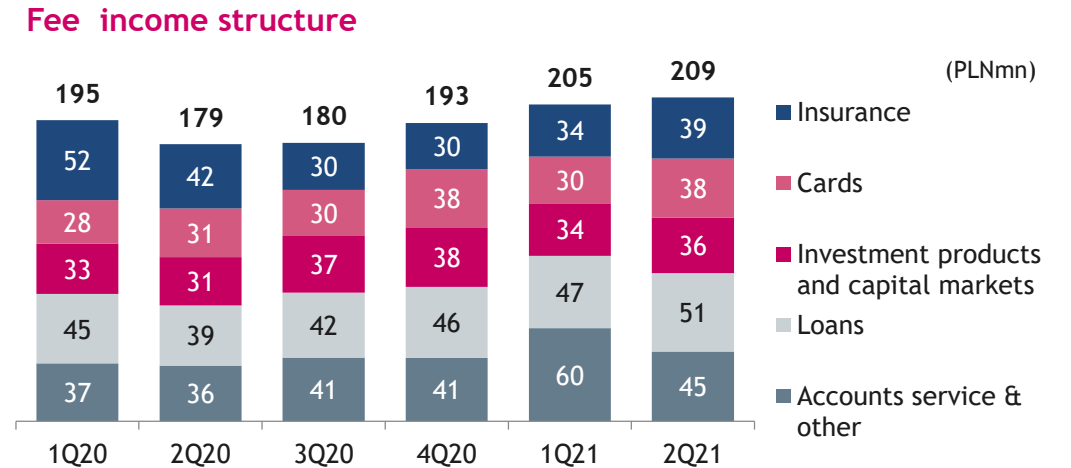
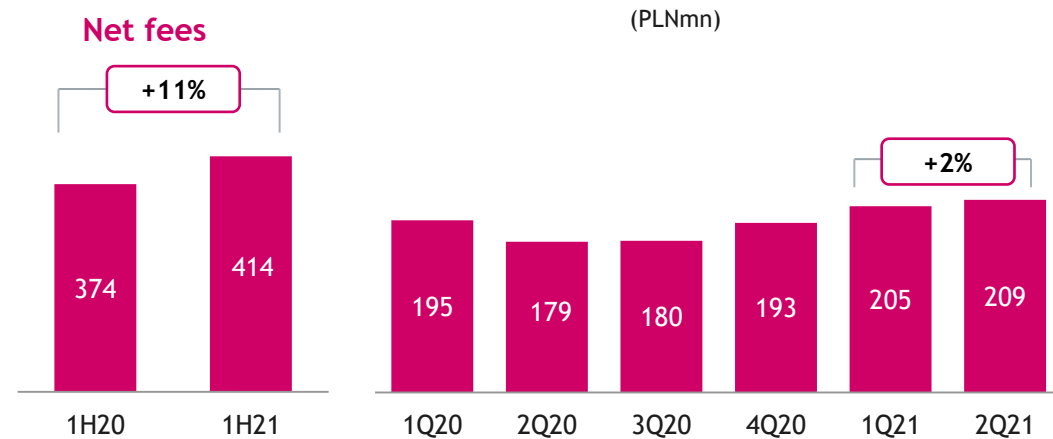
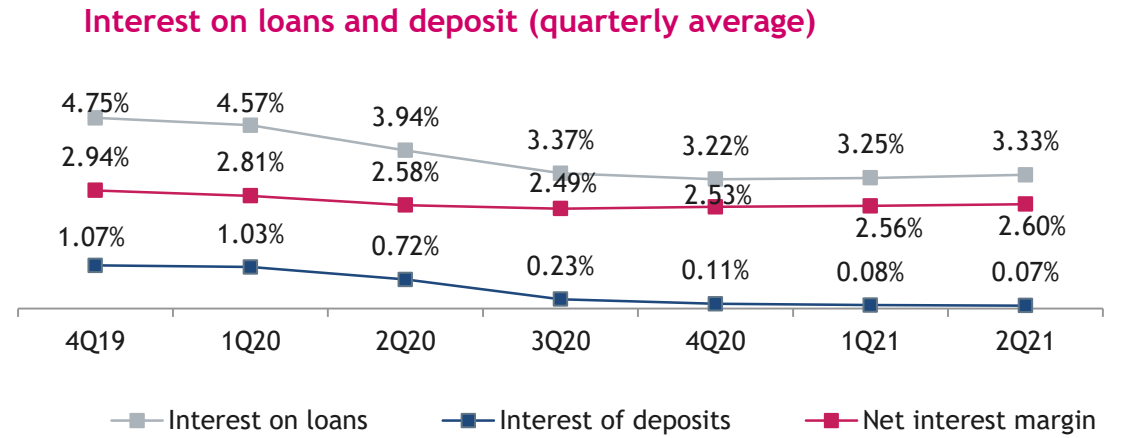
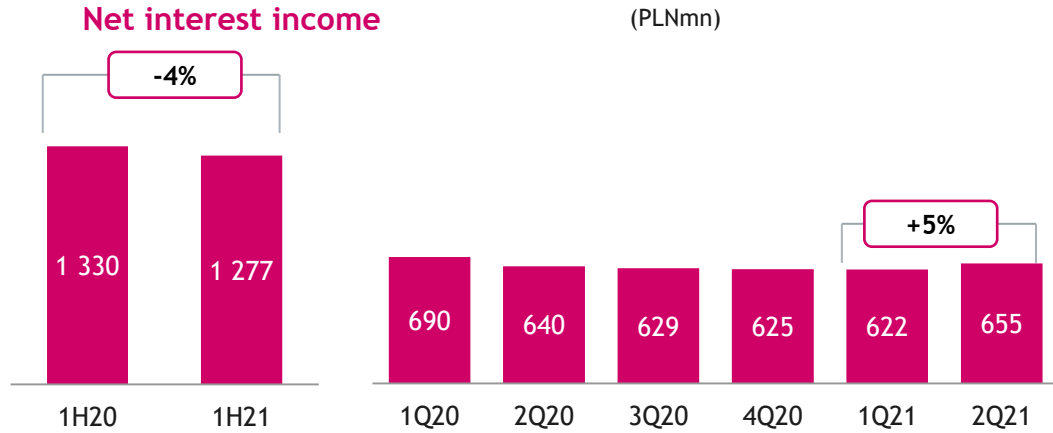
DPD>90 124%



* In 2021 excl. FX-mortgage provisions and even distribution of BFG resolution fund fee, in 2020 also EB restructuring costs

INTEREST AND COMMISSION INCOME

NII rebounded in 2Q21 with gradually growth of quarterly NIM; net fees up 11% y/y

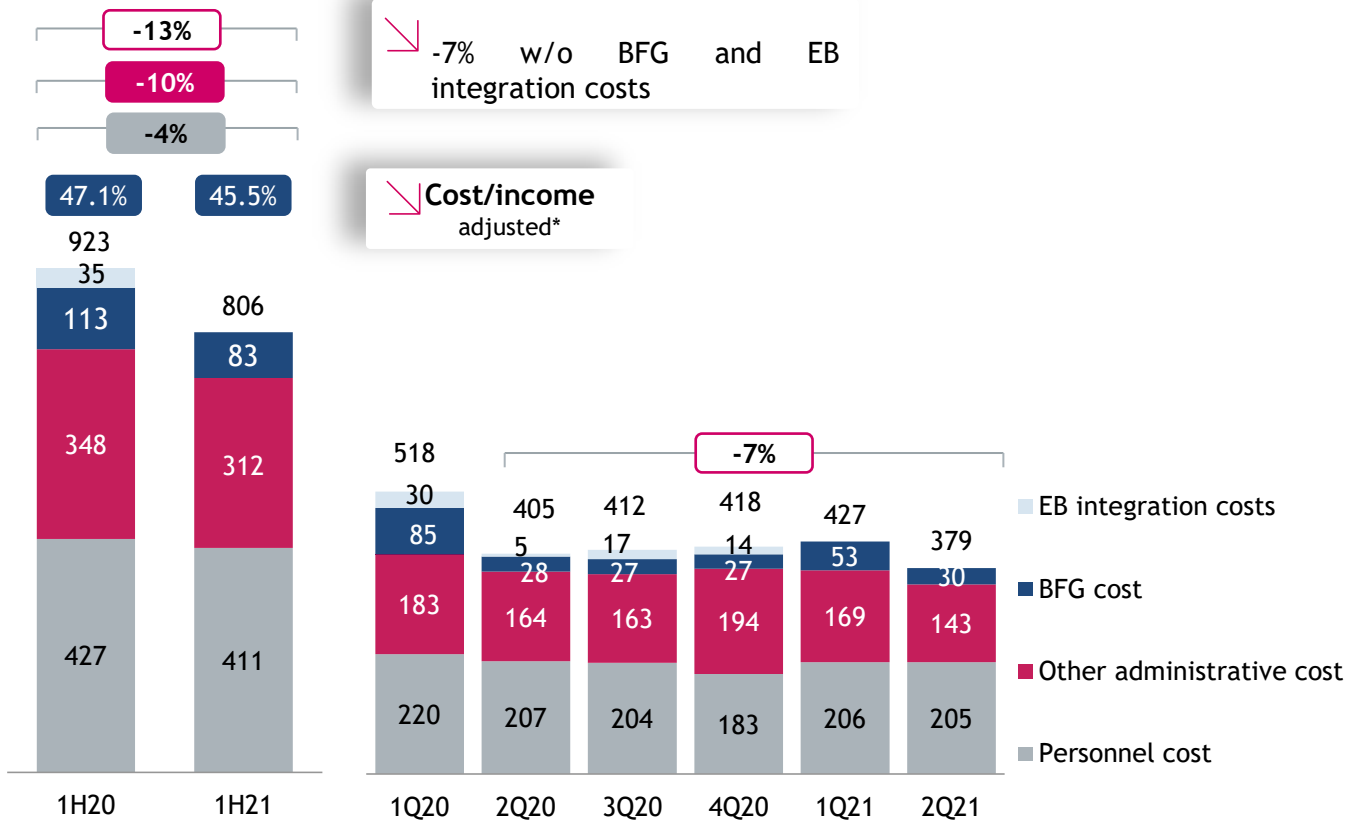


COST EFFICIENCY

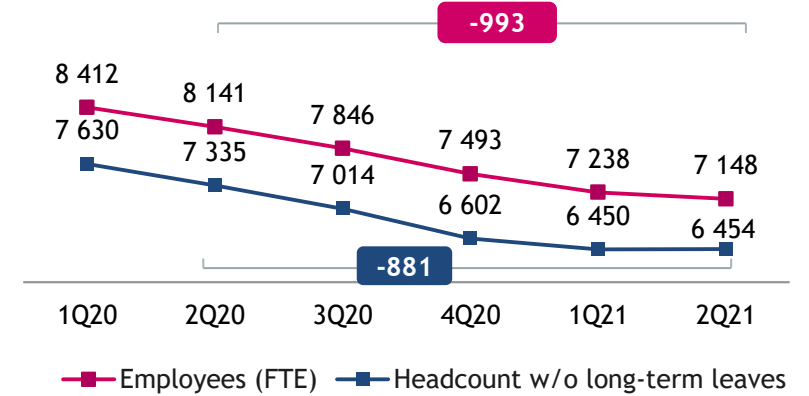
Operating costs decreased 13% y/y supported by lower BFG fees and cost saving initiatives (-7% w/o BFG and integration)

Operating cost

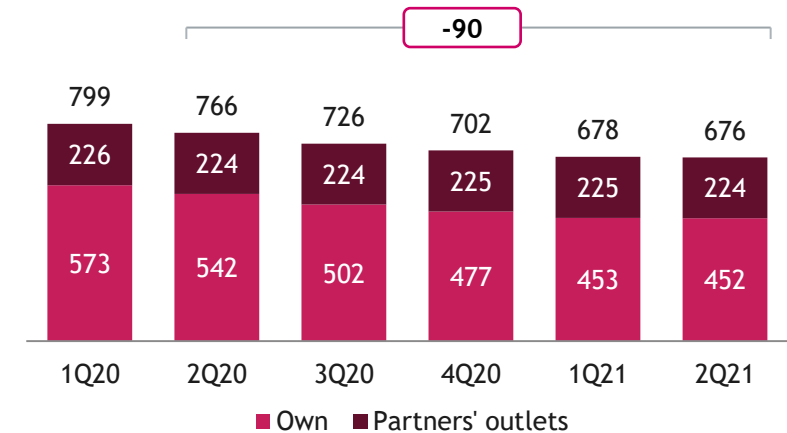
(PLNmn)



Employees



Branches



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

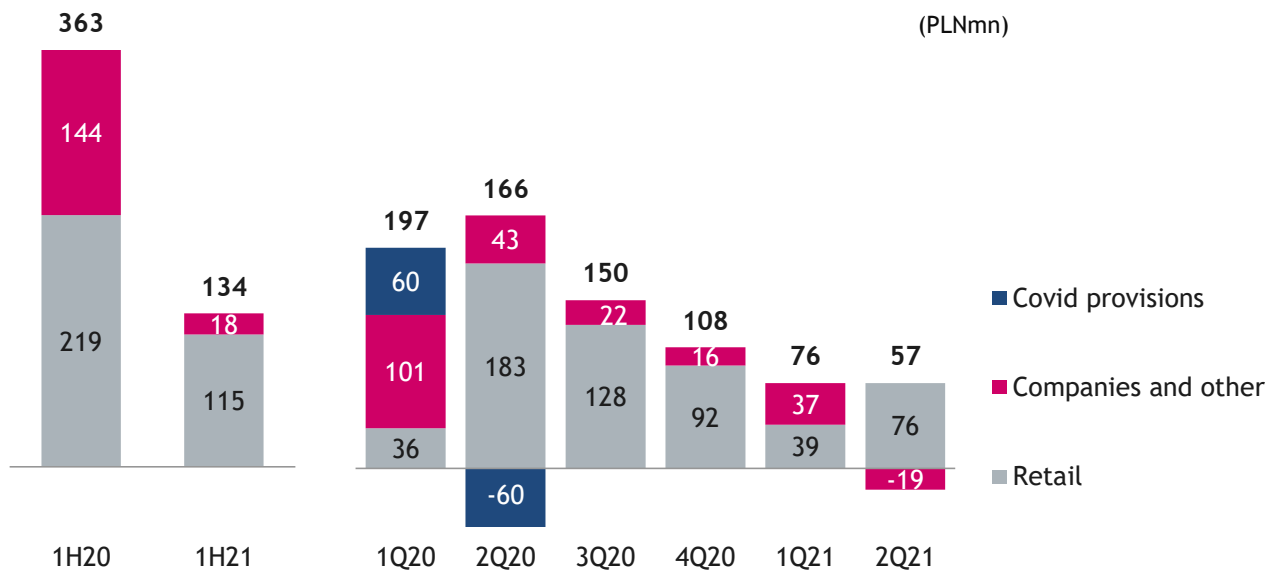
ASSET QUALITY

Strong credit quality without signs of deterioration

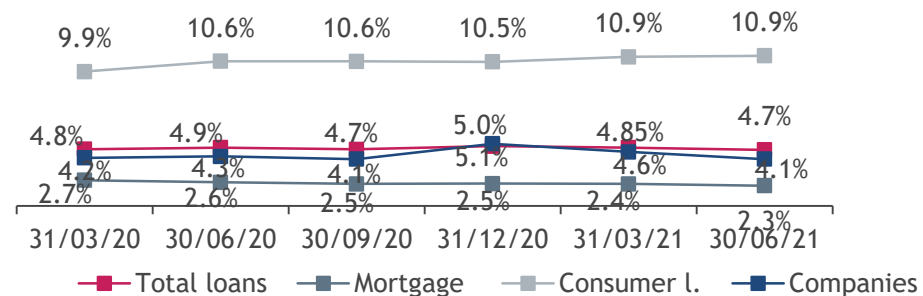
Cost of risk (bp)

98	33	108*	89	80	55	39	28	Total loans
100	39	65	133	91	62	27	52	Retail
95	14	103	86	47	29	77	-47	Companies

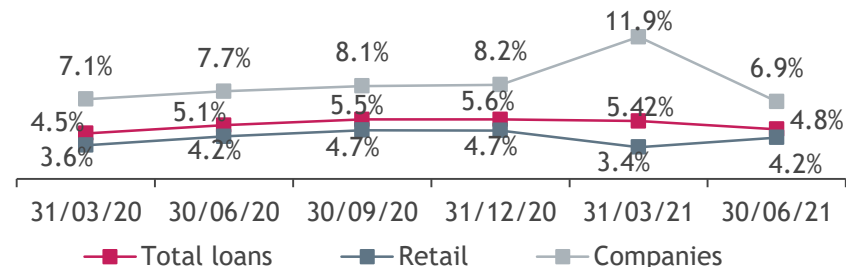
-63%



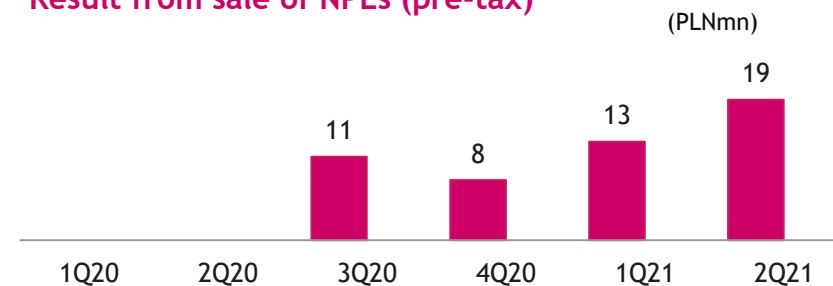
Impaired loans (IFRS9 stage 3 & POCI)



Share of stage 2 loans



Result from sale of NPLs (pre-tax)

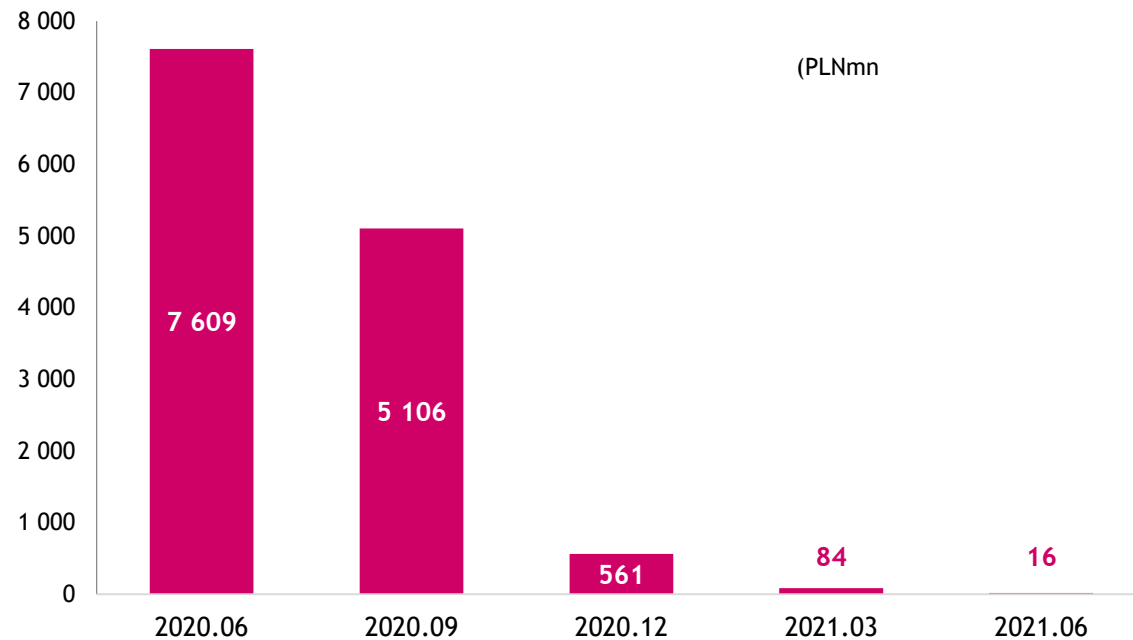


(*) Cost of risk of 108 bps for 1Q20 includes Covid-19 provisions not allocated to business segments (75 bps without Covid-19 provisions).

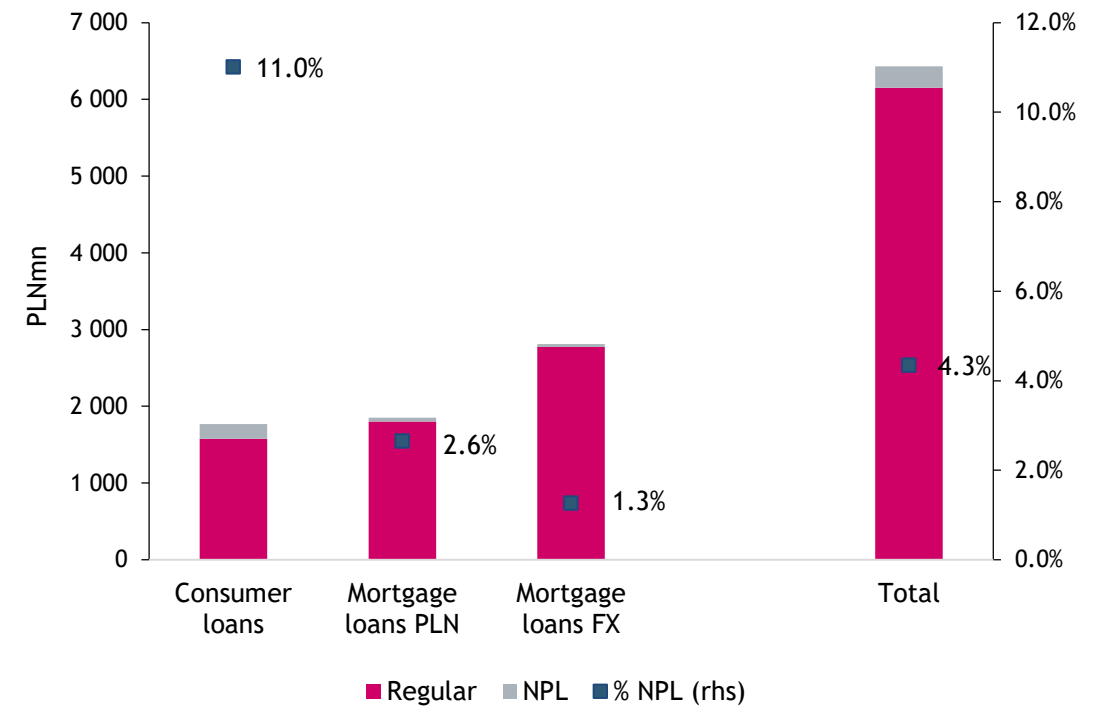
BANK MILLENNIUM SUPPORT FOR CUSTOMERS DURING THE COVID-19

Temporary credit holidays

Portfolio with active credit holidays



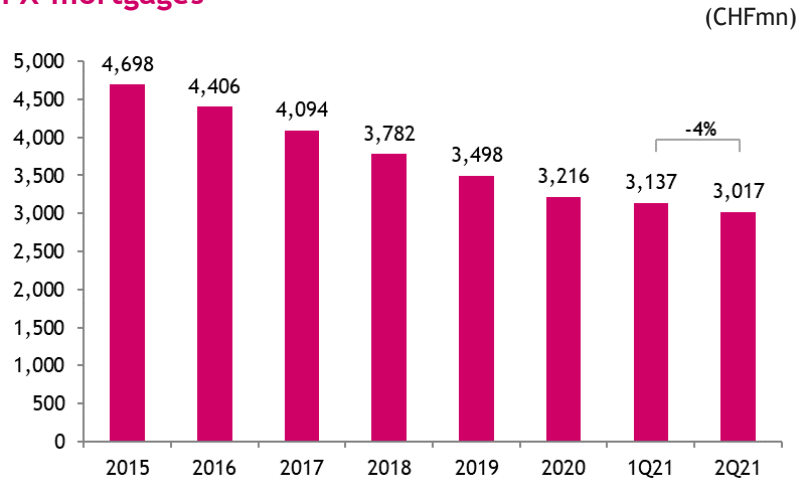
Quality of expired credit holidays



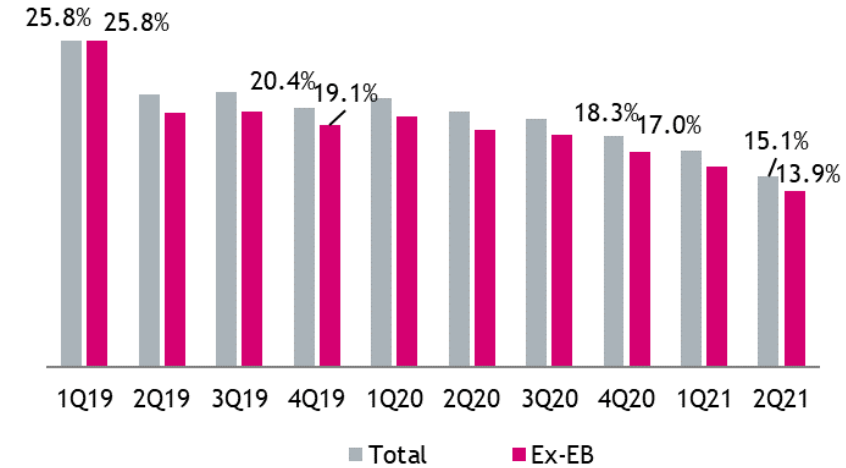
FX-MORTGAGE PORTFOLIO

FX-mortgage portfolio continued to decline steadily in CHF terms

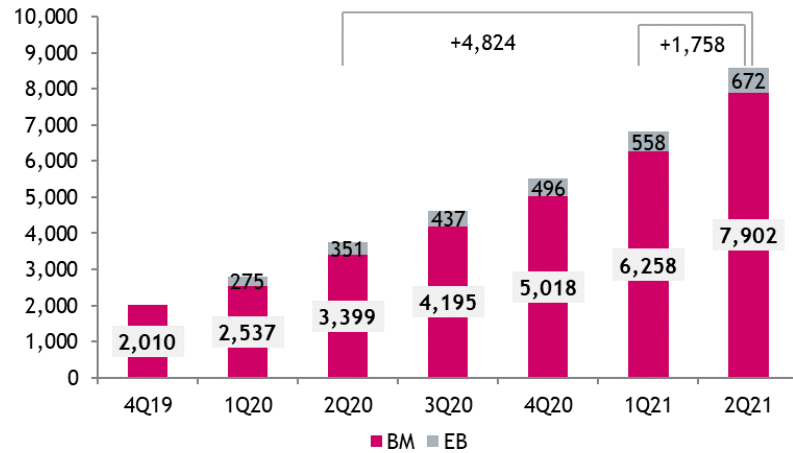
FX-mortgages*



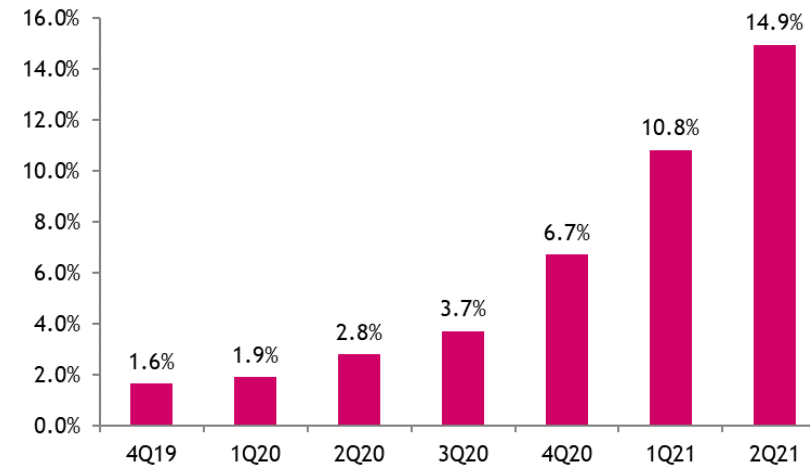
FX-mortgages as % of total book



Individual indexation lawsuit cases



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

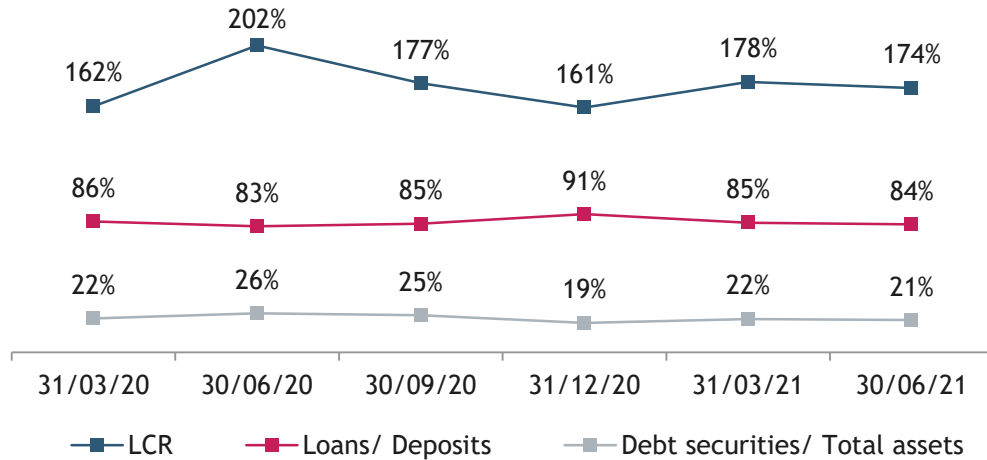


(* Excluding f.EB)

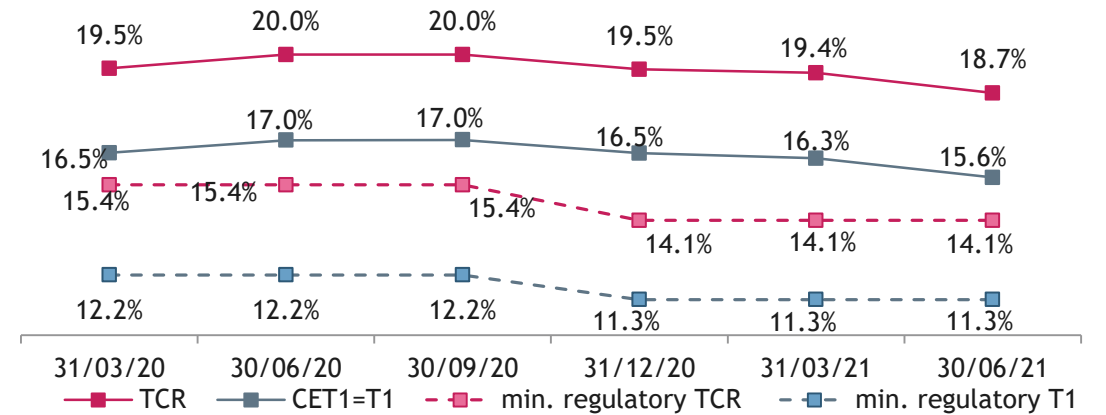
LIQUIDITY AND CAPITAL

Robust liquidity and strong capital adequacy with surplus of more than 4 ppt despite material provisions burden

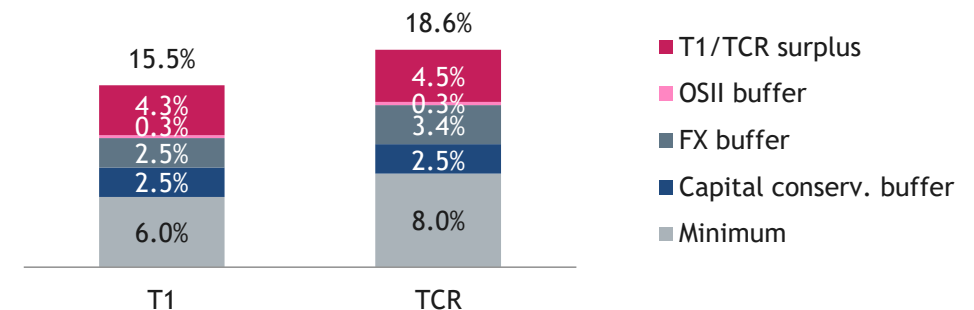
Liquidity indicators



Group capital ratios *



Capital requirement vs. actual ratios as at 30 June 21 (Group)



High level of risk absorption capacity:

- **4.3%-4.5%** of T1/TCR surplus
- **2.5%-3.4%** of T1/TCR FX-buffer



(*) Bank's (solo) capital ratios : TCR 18.6% and CET1 15.5%



02



PRESENTATION OF 2Q21/1H21 RESULTS

Business development

BUSINESS HIGHLIGHTS OF 2Q21

Retail business growing fast above pre-Covid levels, corporate showing signs of gradual improvement

Loans

+6% y/y

New mortgage sales record

PLN2.6bn

Cash loans sales

+14% y/y

Investment products

+24% y/y

Active digital customers

>2.1mn

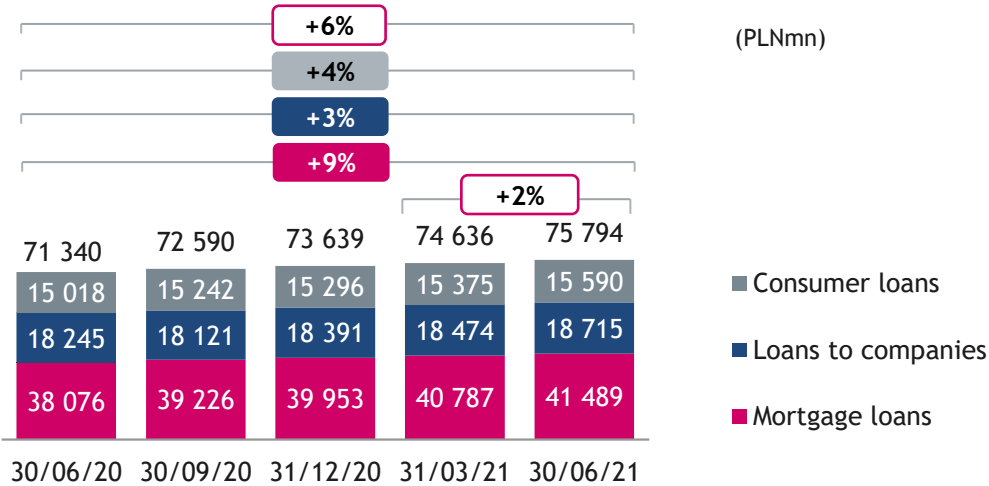
Customer deposits

+4% y/y

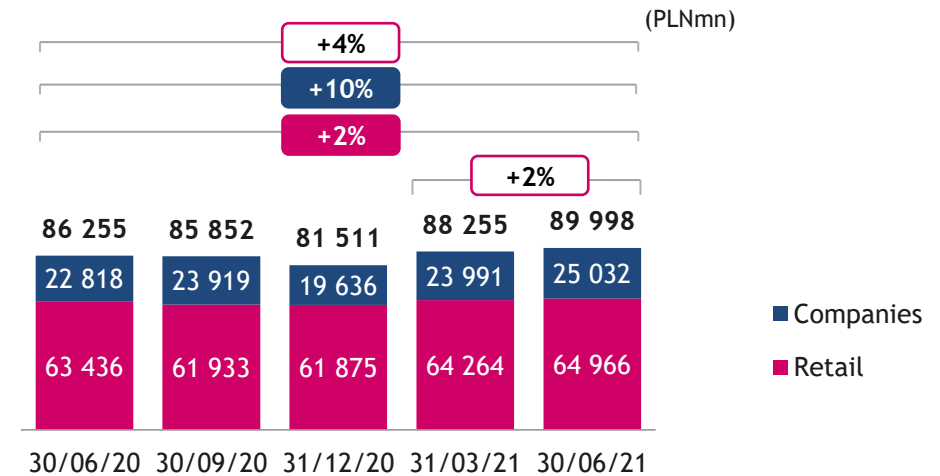
LOANS AND CUSTOMER FUNDS

Strong dynamics of retail loans supported by mortgages; rebound in loans to companies

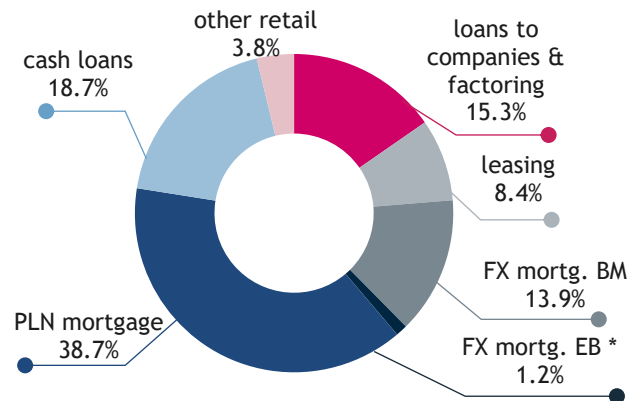
Loan portfolio of the Group (net)



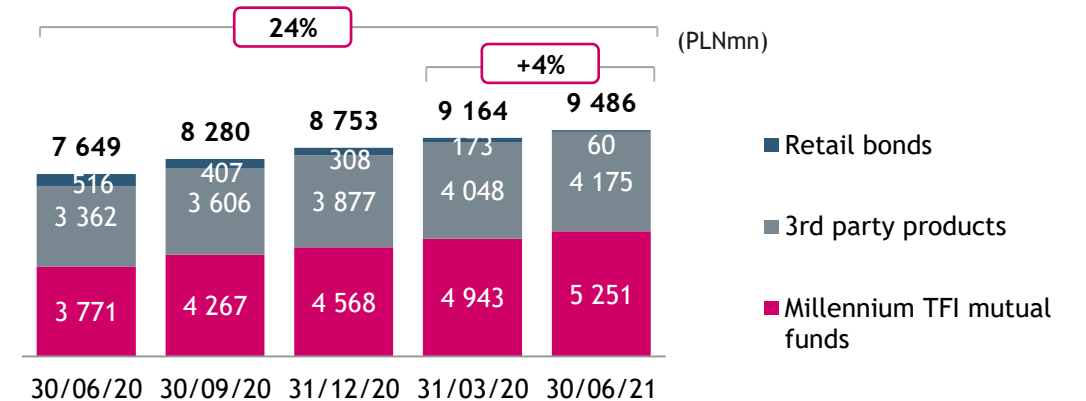
Customer deposits



Structure of loan portfolio (gross)



Investment products



(*) Covered by SocGen guarantee and indemnity

MODERN BANKING

We focus on digitization, omni-channel solutions and mobile banking.

The popularity of digital channels continues to grow. In 1H21, we even recorded three-digit increases compared to the previous year.



2.14 M

active digital users (+9% y/y)



1.8 M

mobile only users* (+15% y/y)



63% of cash loans disbursed online**

even if applying starts in a branch or via TeleMillennium (+16% y/y)

29% of current accounts opened online

for example in 'selfie' process (+3% y/y)

BLIK transactions		+87%
P2P transfers		+137%
BLIK users		+35%
Internet payment transactions		+49%
Mobilet tickets		+66%
Mobilet parking		+133%
Mobile contactless payments		+76%



y/y
increase

Only in April clients have logged in to the mobile app record-breaking **50 million** times!

They have logged in **274 million** times since the beginning of the year.



* Retail clients using actively the mobile app and mobile Millenet.

** Share according to the disbursement channel.

MODERN BANKING

We change together with our clients and support them every day



✓ Digital process of opening Konto 360° Junior account enabled in March, and then in May the **mobile app for children** (7-12 years) launched

✓ Easier opening of current account online thanks to **open banking solution used to confirm identity**

✓ Expanded **security solutions against cybercrimes** (incl. Apple Pay transactions)

✓ New **Rodzina 500+ application** in Bank Millennium internet banking

Over 300k applications submitted via Millenet in 1H 2021

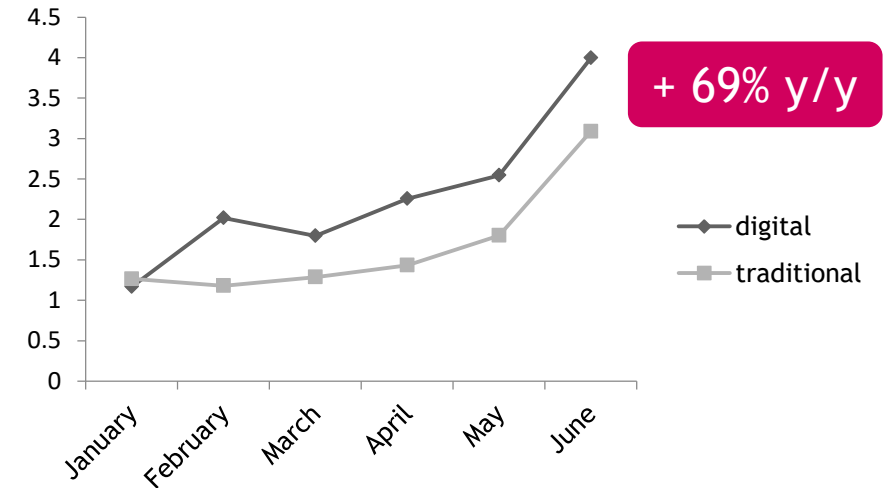
✓ Digital **documents exchange module** in Millenet for Companies

✓ Easier **applying for a loan in digital channels** for clients with business account

✓ Participation in Polish Development Fund's „**Financial Shield 2.0**” programme for business

Konto 360° Junior account in 1H21

(thousand)



MODERN BANKING

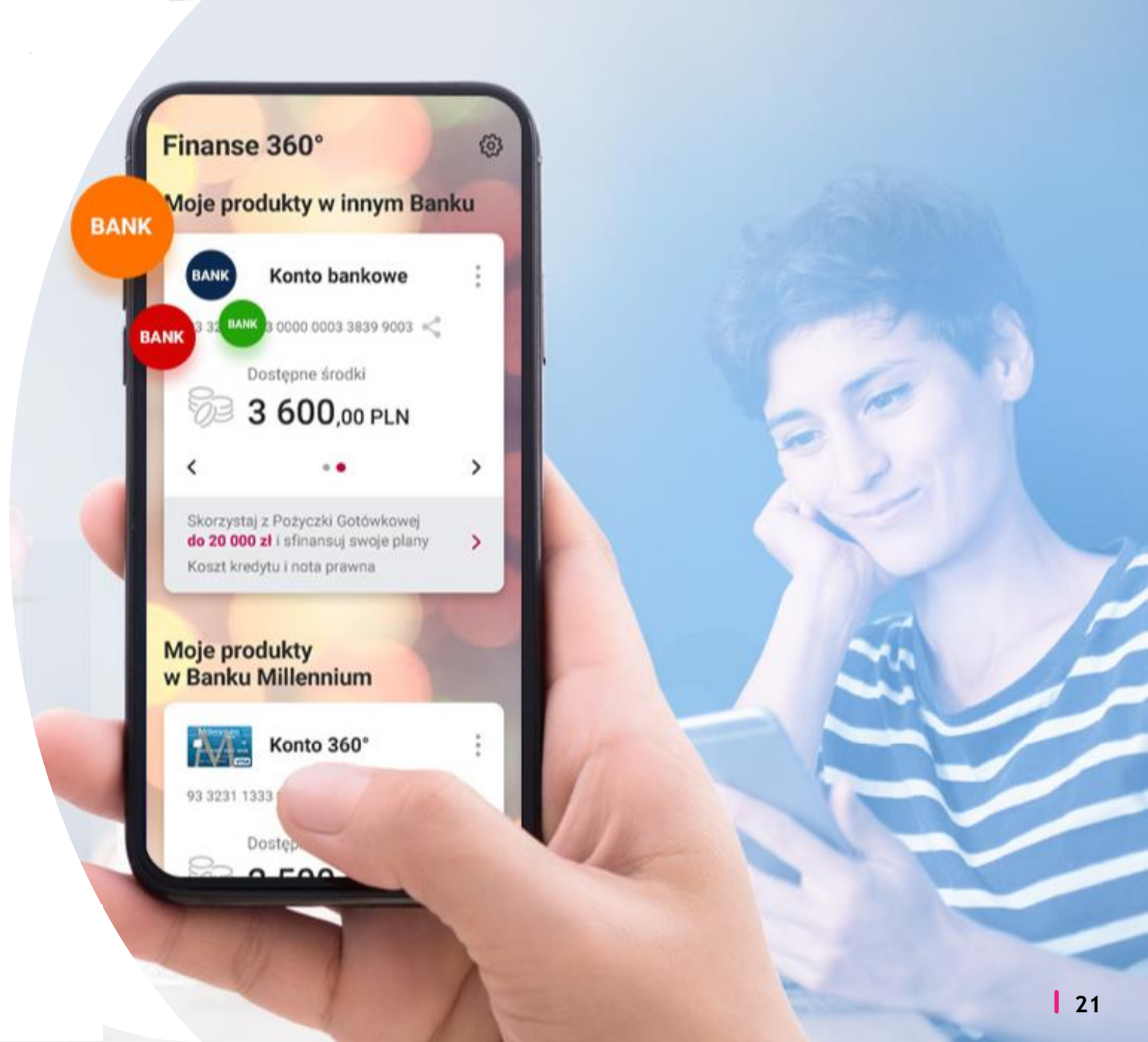
Innovation is in our DNA

Global Finance's Innovators 2021

Outstanding Innovator in Retail Banking for Bank Millennium open banking services (Special Honours)

Bank Millennium was first on Polish market to use open banking for service personalisation

Credit offer based on history of accounts in other banks that were aggregated in Bank Millennium digital channels



GOODIE - SMARTSHOPING PLATFORM OF BANK MILLENNIUM

Continued development and even better app



Since 2018: 2.5mn
app downloads

PLN660mn
Generated cashback turnover

PLN17.5mn
Amount of cashback

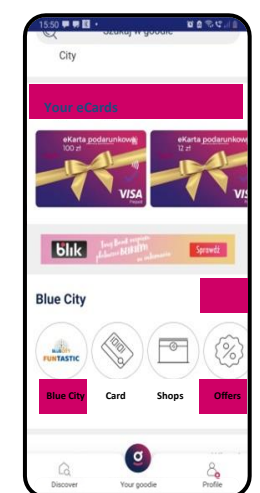
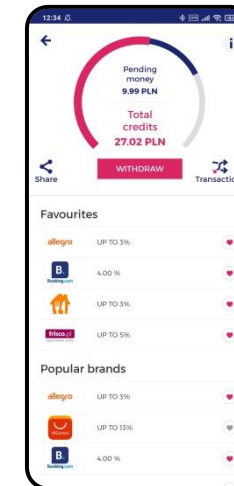
PLN5.6mn
Cashback transaction number

1H21: 205,000
app downloads

PLN268mn
Generated cashback turnover and over
2.1mn cashback transactions

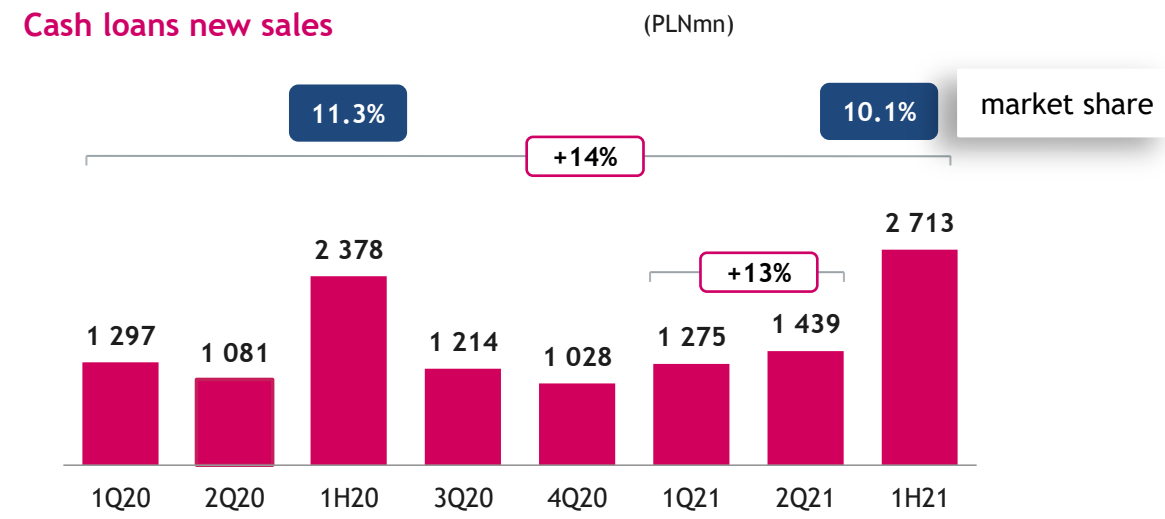
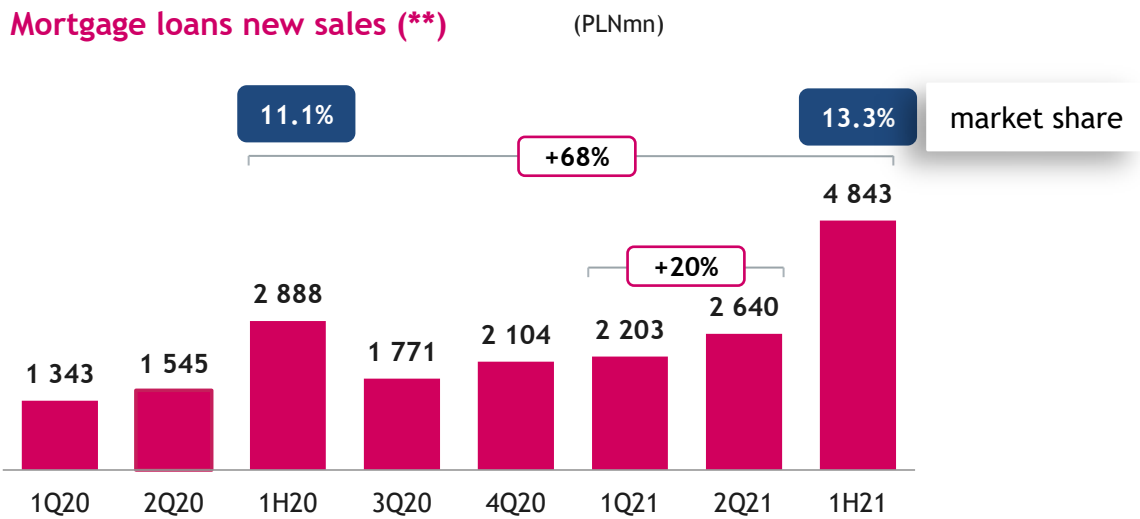
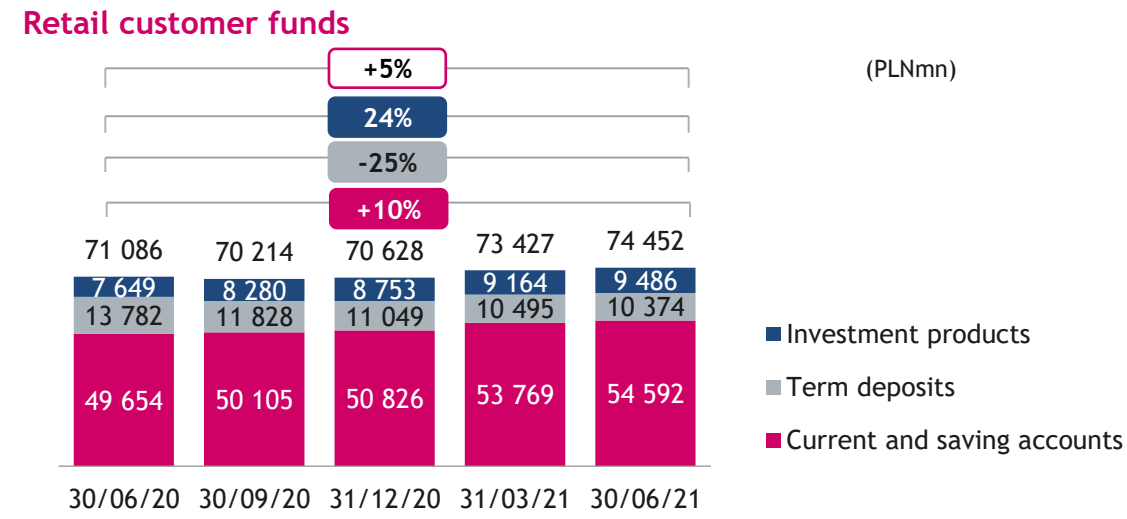
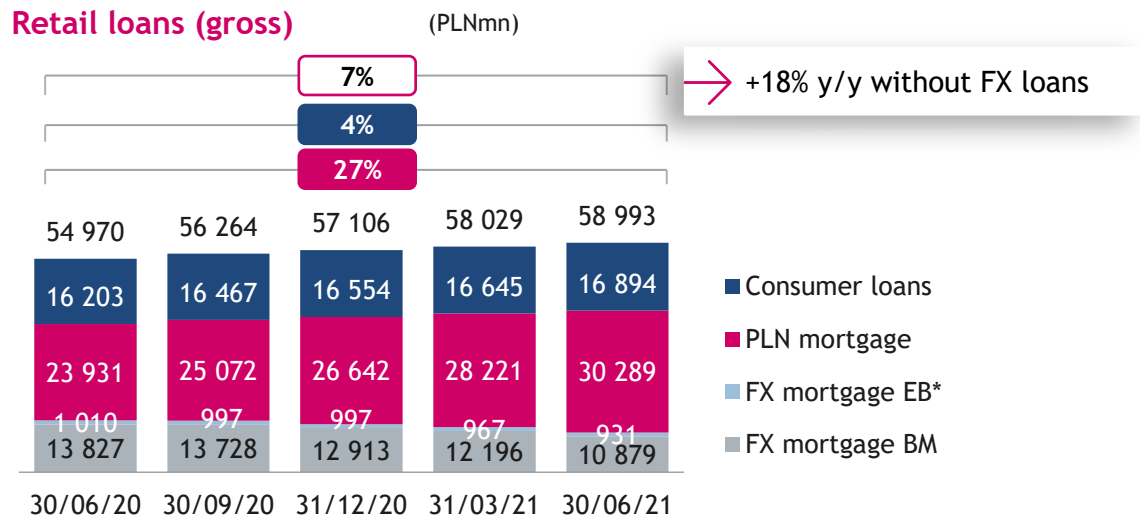
PLN6mn
Amount of cashback

The goodie application has been integrated
with Huawei Mobile Services and is available
in the AppGallery



RETAIL BUSINESS - LOANS AND CUSTOMER FUNDS

High growth of retail loans driven by mortgage with rebound in consumer loans; high dynamics of current accounts volumes and investment products

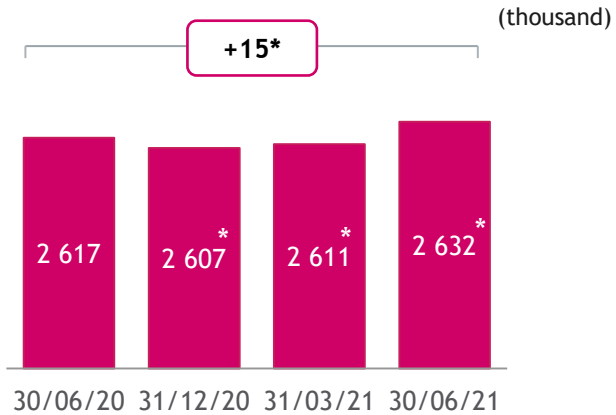


M (*) Loans originated by f. Euro Bank - covered by 100% indemnity and 80% guarantee agreement of SocGen
 (**) Disbursements; market share as % in value of new agreements

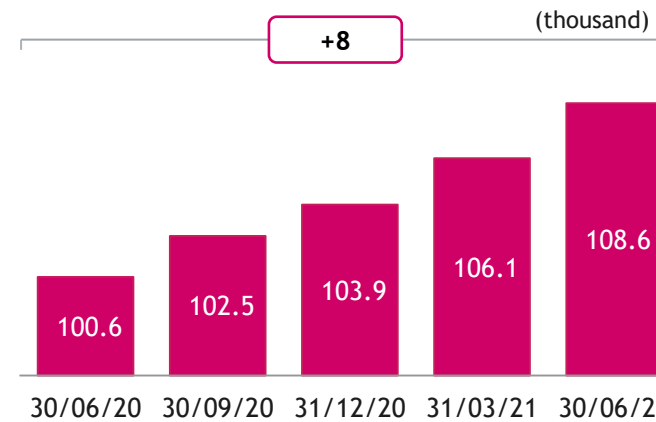
RETAIL BANKING - NUMBER OF CUSTOMERS AND ACCOUNTS

Steady growth of customers and cards after completed merger with Euro Bank

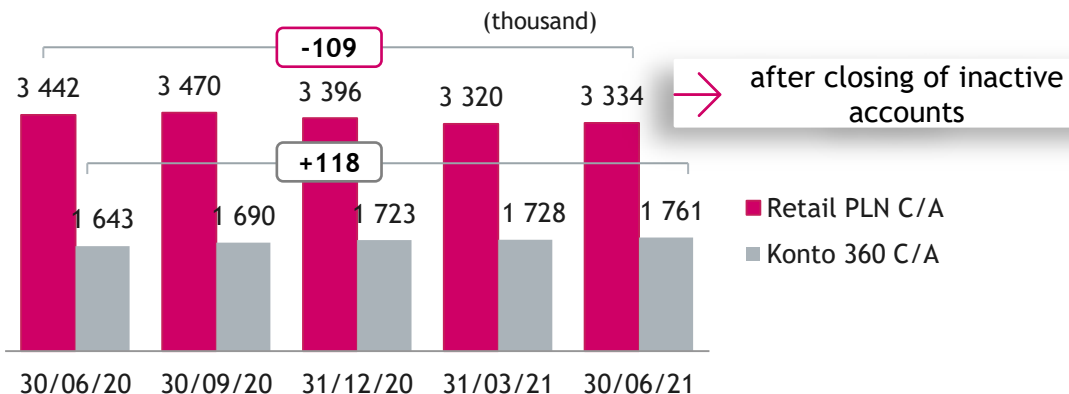
Active retail clients



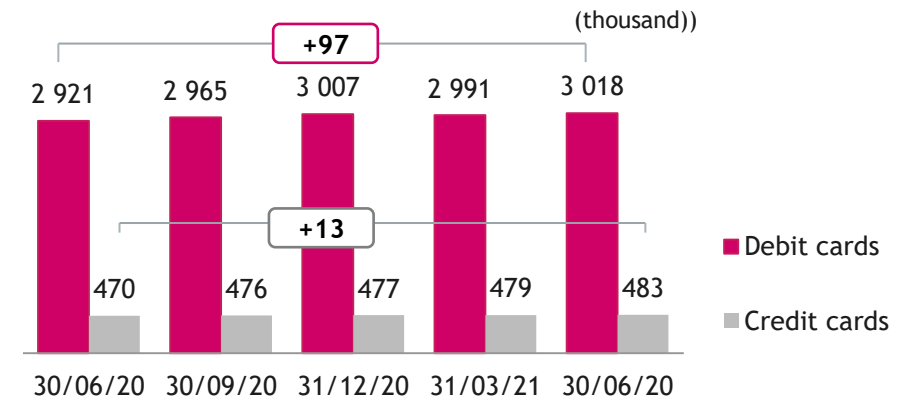
Active micro-business clients



Number of current accounts



Number of debit and credit cards



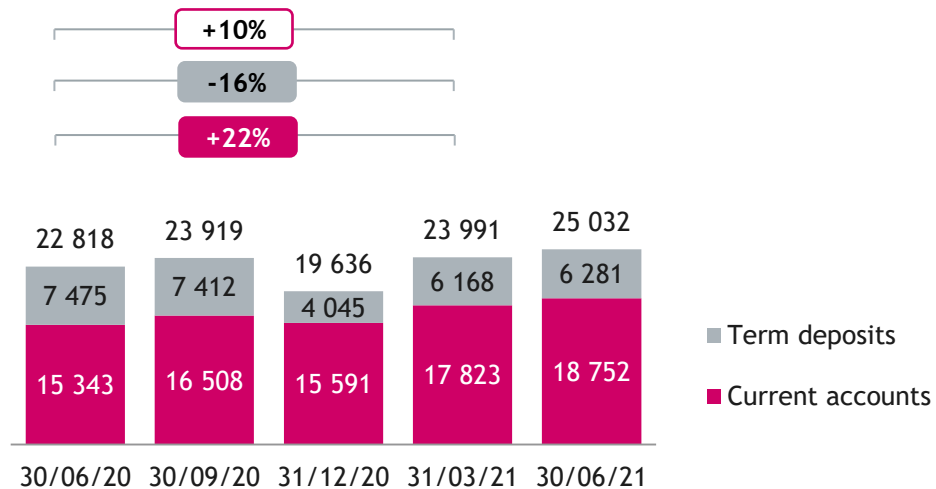
(*) New methodology since YE20 with 25 thousand of clients classified as inactive

COMPANIES BUSINESS - DEPOSITS AND LOANS

C/A balances up 22% y/y driving total deposits up +10%; loans grew slightly +2% y/y

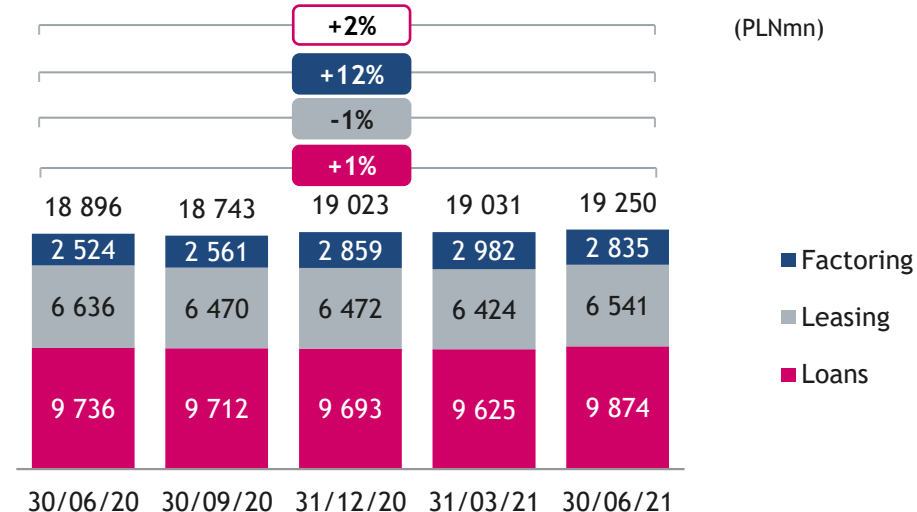
Companies deposits

(PLNm)



Loans to companies (gross)

(PLNm)

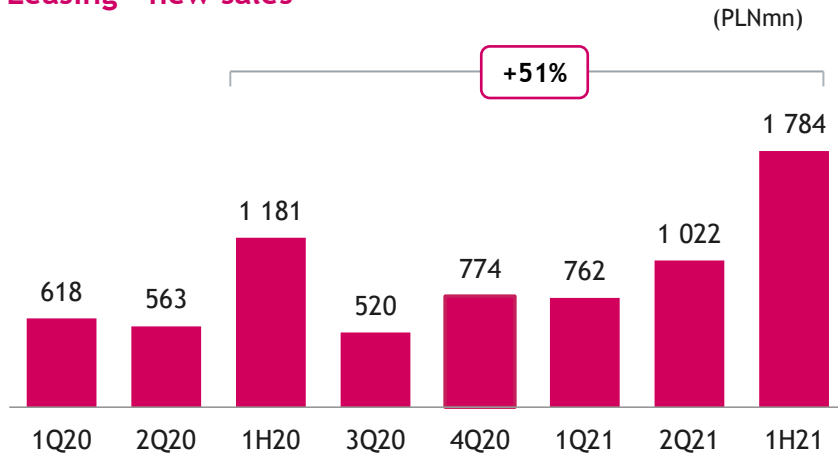


- Strong pace of growth of companies' **current accounts (+ 22% y/y)**
- Good dynamics of **factoring** business while leasing and corporate lending slightly up q/q
- **The loan portfolio** started to grow: +2% y/y
- **Strong pickup in transaction activity**
- **Digitalisation of client service progressing** and entering new areas (e.g. signing agreements, exchange of documents signed in e-format, Millenet FX transaction functionality available 24 hours a day, webinars)

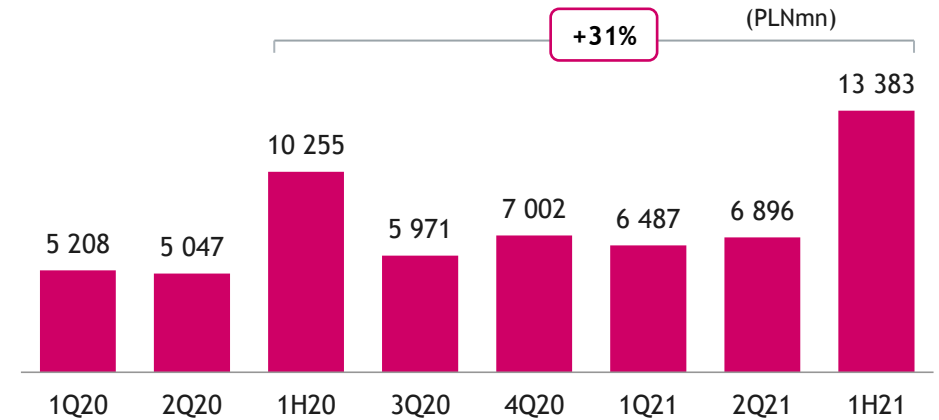
COMPANIES BUSINESS - LOANS AND TRANSACTIONS

Leasing sale rebounded and grows +51% y/y; factoring grew strongly +31% y/y

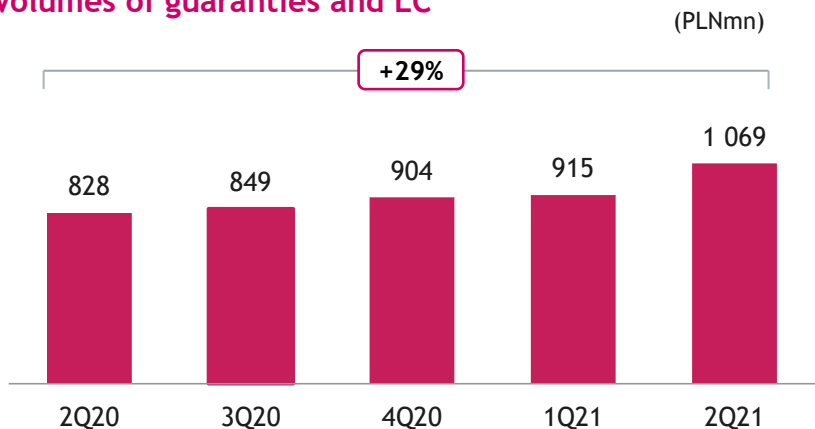
Leasing - new sales



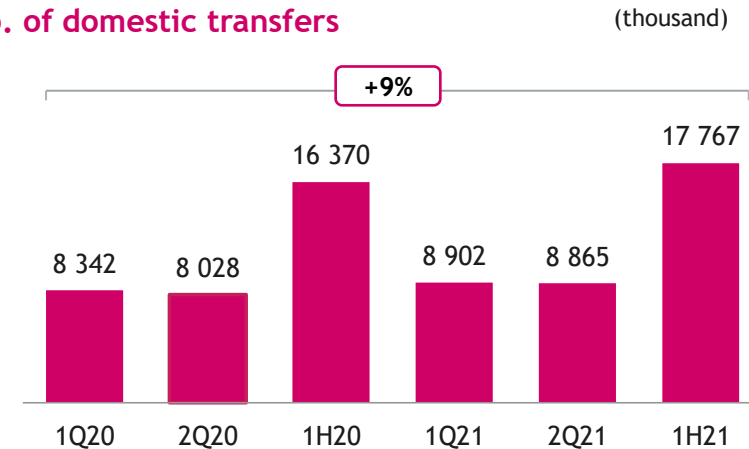
Factoring - turnover



Volumes of guaranties and LC



No. of domestic transfers





NOVELTIES AND IMPROVEMENTS FOR CORPORATE BANKING CLIENTS

Transactional and electronic banking

- ✓ Document exchange module in Millenet - new functionality for exchange of documents signed in e-format - (2Q21)
- ✓ goodie e-gift cards in cooperation with Millennium Goodie Sp. z o.o. (2Q21)
- ✓ POS payment terminals in cooperation with PayTel (2Q21)

Treasury

- ✓ Millenet FX transaction functionality available 24 hours a day, 5 days a week (2Q21)

Millennium Leasing

- ✓ Mille Flota Programme - maintenance services for vehicles up to 3.5t (2Q21)
- ✓ Leasing Bezpieczna Spłata (Secure Repayment) - financing at a fixed interest rate (1Q21)



03

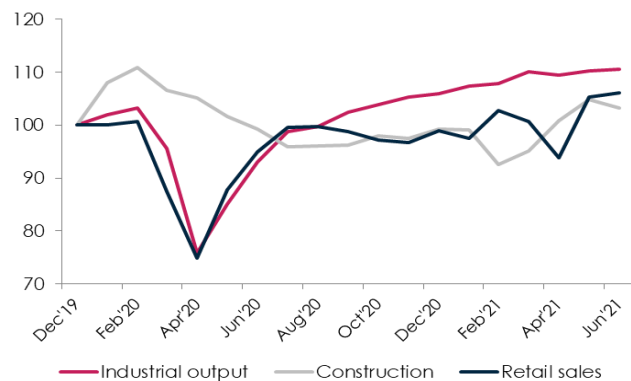
PRESENTATION OF 2Q21/1H21 RESULTS

Appendices

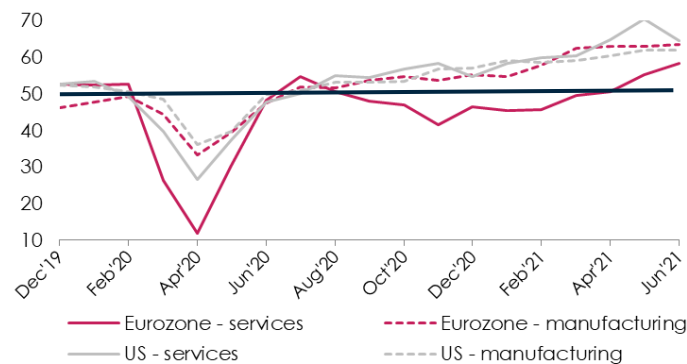
MACROECONOMIC OVERVIEW

Economy

Data from Polish economy (Dec'19=100, sa)

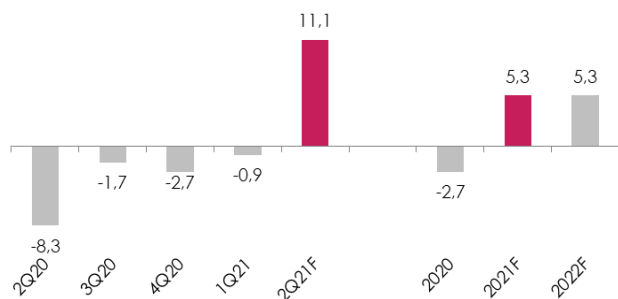


PMI indicators (pts)

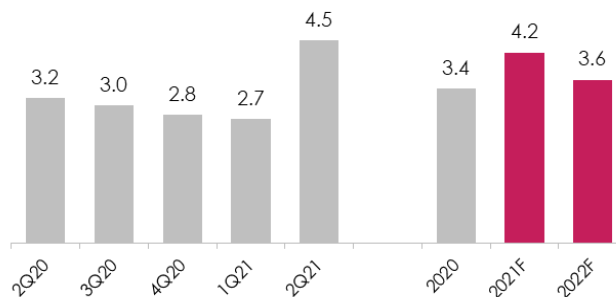


↘ In 1Q21 Polish economy expanded by 1.1% q/q (seasonally adjusted) despite of dire pandemic situation, confirming strong resilience to pandemic. Consumption continued its recovery followed unlocking of the economy, while investments surged driven by increased capacity utilisation, solid financial situation of companies and reduced uncertainty. Outlook for the Polish economy in next 2 years improved. Main s-t term risk for growth are related to bottlenecks in supply chains and elevated inflation.

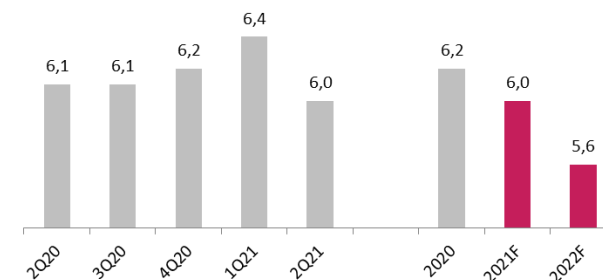
GDP growth rate (% y/y)



CPI inflation (% y/y)



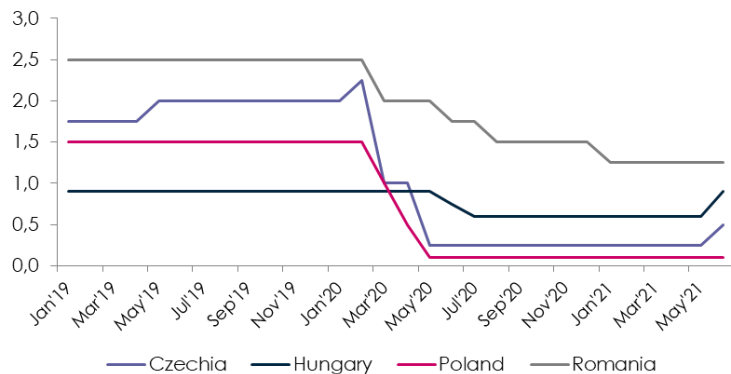
Registered unemployment rate (%)



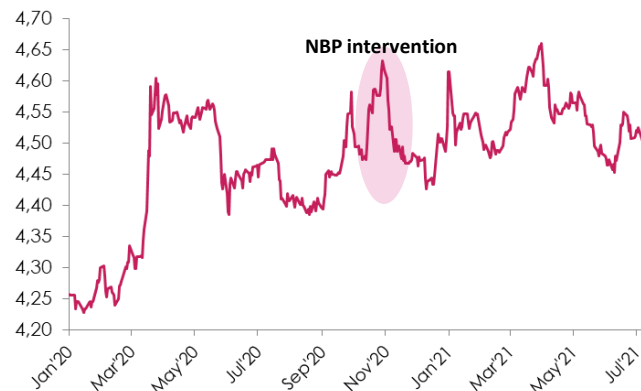
MACROECONOMIC OVERVIEW

Financial markets

Interest rates in CEE countries (%)



EUR/PLN exchange rate

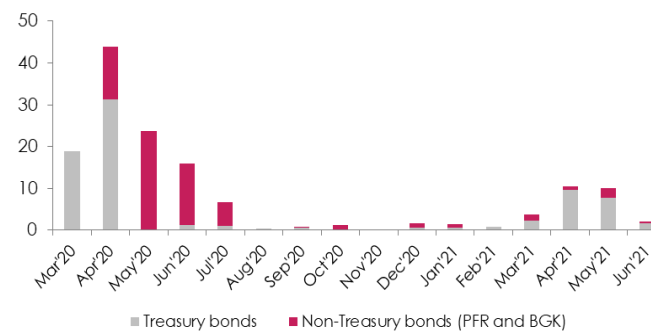


Monetary Policy Council kept rates at record low levels in 2Q21 and continued asset purchase program, while some other central banks in the region started normalization of monetary policy. PLN was under negative pressure from global sentiment and dovish tone from the NBP.

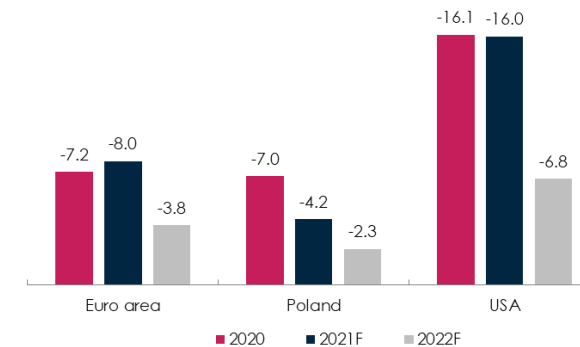
Yields of T-bonds (%)



NBP buybacks of bonds (PLN bln)



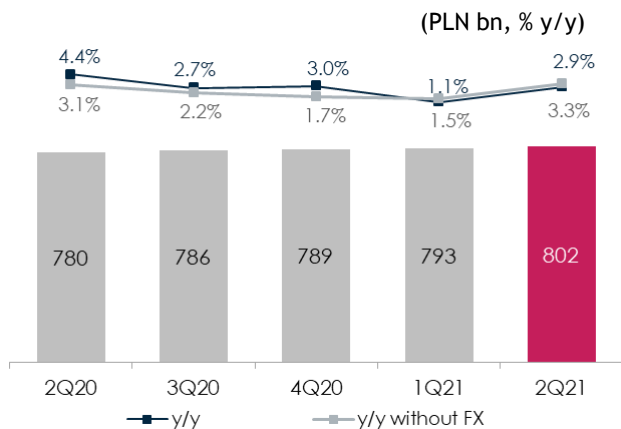
General government deficit (% GDP)



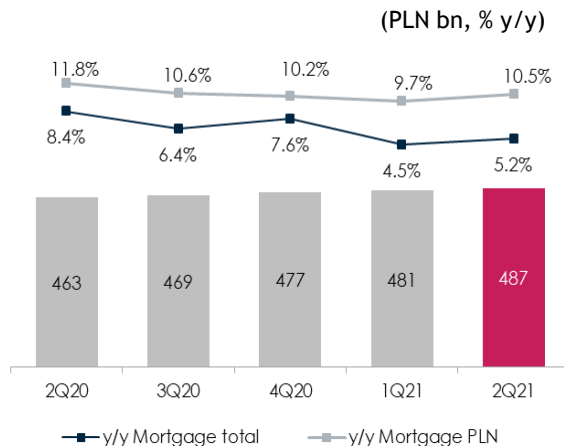
MACROECONOMIC OVERVIEW

Monetary aggregates

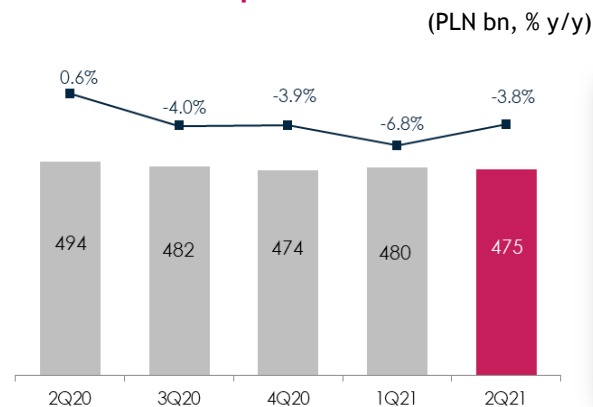
Loans to households



Mortgage loans

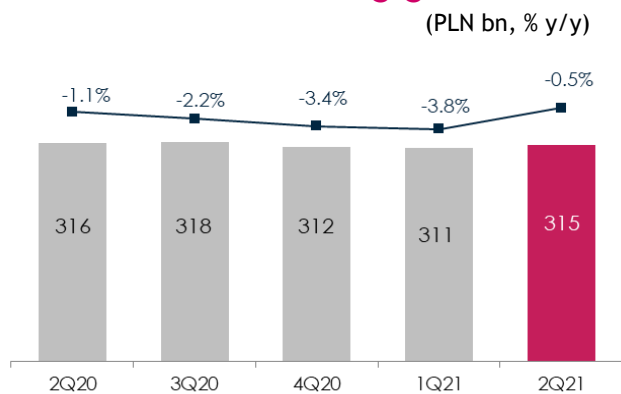


Loans to companies

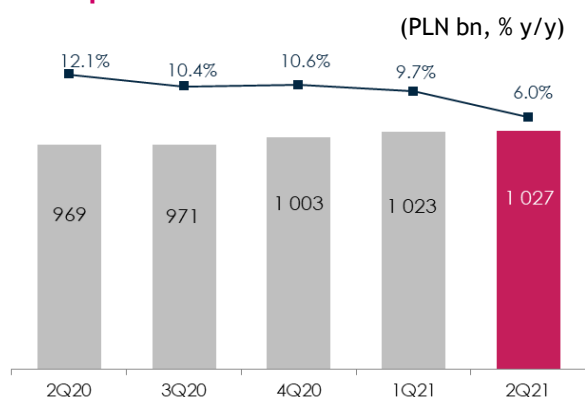


↘ In 2Q21 the value of loans to households increased, including housing loans and, to a lesser extent, consumer loans. On the other hand, the value of corporate loans continued to decline.

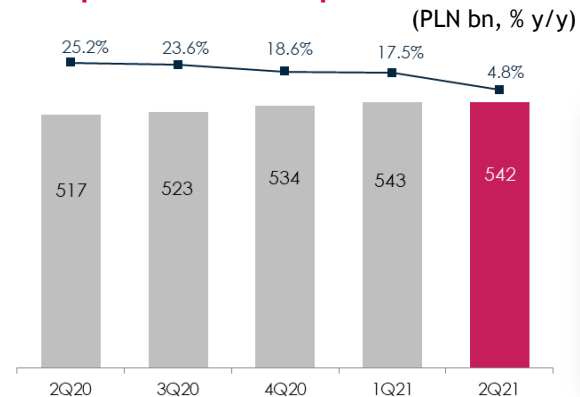
Households: non-mortgage loans



Deposits from households



Deposits from companies



↘ In 2Q21 household deposits increased, albeit on a smaller scale than in recent quarters. On the other hand, corporate deposits decreased slightly, for the first time since 1Q19.

RATINGS AND MARKET RATIOS

In 2Q021 positive investor sentiment about bank stocks was maintained

Bank Millennium share performance vs. WIG Bank index



Banku Millennium shares



No of shares: 1 213 116 777 (listed 1 213 008 137)
Listed: on Warsaw Stock Exchange since August 1992
Index: WIG, WIG 30, mWIG40, WIG Banks, WIG-ESG
Tickers: ISIN PLBIG0000016, Bloomberg MIL PW, Reuters MILP.WA

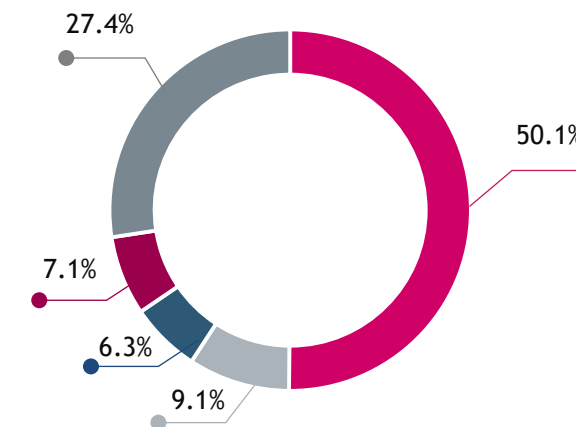
Ratings of Bank Millennium

Moody's Baa1 / P2/ baa3 / stable outlook

Fitch BBB- / F3/ bbb- / Rating Watch Negative

Bank Millennium shareholders' structure (31.12.2020)

- BCP
- Nationale-Nederlanden Pension Fund
- Aviva Pension Fund
- PZU „Złota Jesień" Pension Fund
- Remaining free float



BANK MILLENNIUM IS THE BEST BANK IN POLAND AND THE WORLD

The best financial, service, CSR and innovation indicators confirmed by independent rankings and competitions



Bank Millennium on the podium in the "Best Bank 2021" competition

Bank Millennium took second place in the "Best Bank 2021" competition in the group of small and medium-sized commercial banks. The competition is organized by "Gazeta Bankowa". Statuettes in the competition were awarded in the following categories: cooperative banks, small and medium-sized commercial banks and large commercial banks.



Bank Millennium was again awarded the Golden CSR Leaf

As in the previous year, the Bank was awarded the Golden CSR Leaf of the Polityka weekly, received by companies whose activities in the field of corporate social responsibility and sustainable development are rated the highest. In the previous years, the Bank won the Silver Leaf five times.



Bank Millennium is the Innovator of 2021 according to Global Finance magazine

Bank Millennium in the poll conducted by Global Finance magazine was recognized as an outstanding innovator in retail banking for its open banking services - 2021 Outstanding Innovator in Retail Banking for "Bank Millennium Open Banking Services" (Special Honors). This is yet another international award this year for the bank's innovative solutions.

SYNTHETIC P&L ACCOUNT

PLNmn	1H20	1H21	Change Y/Y	1Q21	2Q21	Change Q/Q
Net interest income*	1 330	1 277	-4%	622	655	5%
Net commission income	374	414	11%	205	209	2%
Other non-interest income	78	98	26%	40	58	46%
Operating Income	1 781	1 789	0%	867	922	6%
General and administrative costs	-816	-705	-14%	-376	-329	-12%
Depreciation	-107	-101	-6%	-51	-49	-4%
Total operating costs	-923	-806	-13%	-427	-379	-11%
Net cost of risk **	-363	-134	-63%	-76	-57	-25%
FX legal risk provision	-168	-1 047	523%	-533	-514	-4%
Operating profit	327	-197	-160%	-170	-27	-
Banking tax	-141	-152	8%	-75	-77	3%
Pre-tax profit	186	-349	-	-245	-104	-
Income tax	-114	-163	42%	-66	-96	45%
Net profit	72	-512	-	-311	-200	-

(*) Margin from all derivatives, including those hedging FX denominated loan portfolio, is presented in Net Interest Income

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

BALANCE SHEET

PLNmn	30/06/2020	31/03/2021	30/06/2021	Change Y/Y
ASSETS				
Cash and balances with the Central Bank	1 225	2 361	2 676	119%
Loans and advances to banks	876	605	606	-31%
Loans and advances to customers	71 340	74 636	75 794	6%
Amounts due from reverse repo trans.	65	24	18	-72%
Debt securities	26 567	22 980	22 175	-17%
Derivatives (for hedging and trading)	229	259	163	-29%
Shares and other financial instruments	96	234	133	38%
Tangible and intangible fixed assets	971	929	912	-6%
Other assets	1 041	1 339	1 630	57%
TOTAL ASSETS	102 410	103 366	104 107	2%
LIABILITIES AND EQUITY				
Deposits and loans from banks	1 430	826	742	-48%
Deposits from customers	86 255	88 255	89 998	4%
Liabilities from repo transactions	0	10	0	-
Financial liabilities at fair value through P&L and hedging derivatives	878	569	329	-63%
Liabilities from securities issued	767	424	311	-59%
Provisions	114	473	408	257%
Subordinated liabilities	1 545	1 539	1 540	0%
Other liabilities	2 221	2 583	2 402	8%
TOTAL LIABILITIES	93 211	94 679	95 731	3%
TOTAL EQUITY	9 200	8 687	8 376	-9%
TOTAL LIABILITIES AND EQUITY	102 410	103 366	104 107	2%

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Next events:



26-10-2021 – 3Q21 results