



Millennium
bank

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

Bank Millennium/Bank Millennium Group
2022 results

March 30, 2023

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.
- 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.
- Starting from 3Q22 a part of costs of amicable settlements with FX-mortgage borrowers is presented in 'results from modifications' and these costs are not included in the cost of risk in this presentation.
- Cost of credit holidays is presented in interest income/NII. For comparison purposes, in this presentation NII/NIM and other figures are presented also before such an impact.

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

Financial results

02

Strategy 2024

03

FX-mortgage
loans

04

Dividend policy

05

A hand holding a black pen is drawing a line graph on a whiteboard. The graph consists of several interconnected lines and points, with some points highlighted by teardrop-shaped callouts. The background is a light blue and white grid.

01

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

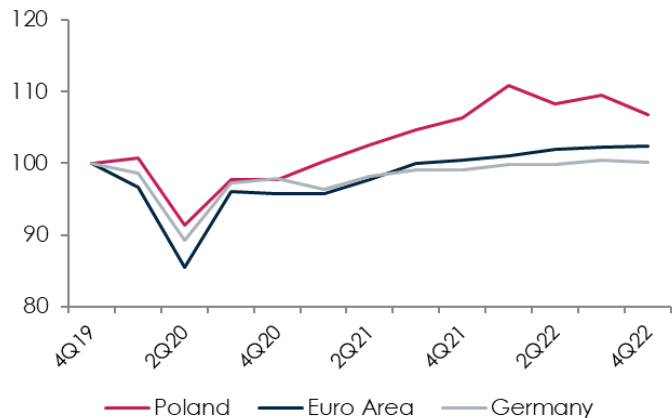
Macroeconomic background

MACROECONOMIC OVERVIEW

2023 brings economic slowdown after a period of strong post-pandemic growth

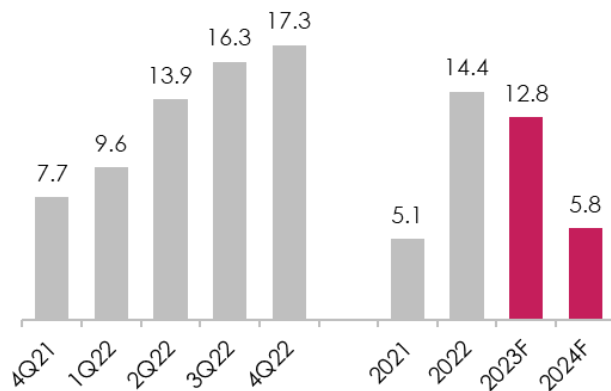
GDP

(sa, 4Q19=100)



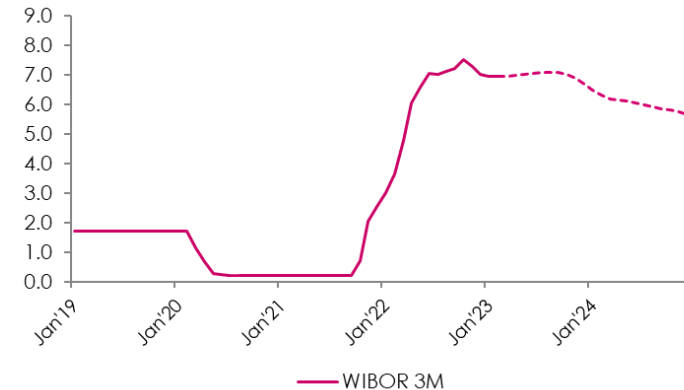
CPI inflation

(% y/y)



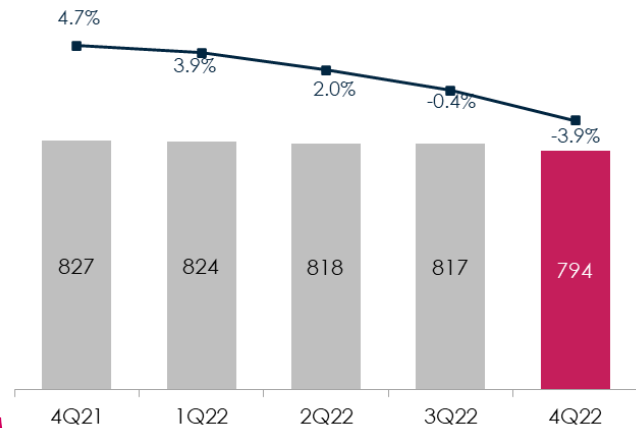
WIBOR 3M and market expectations

(%)



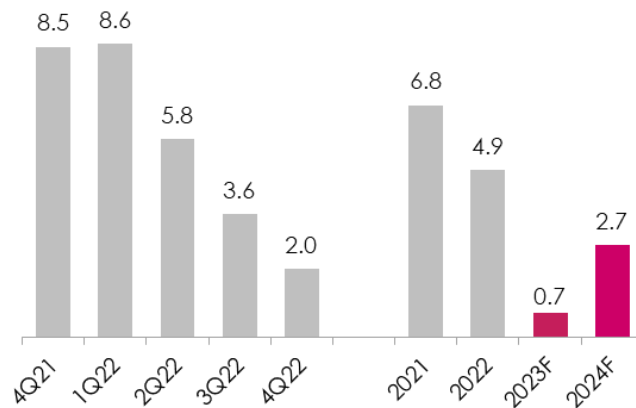
Loans to households

(PLN bn, % y/y)



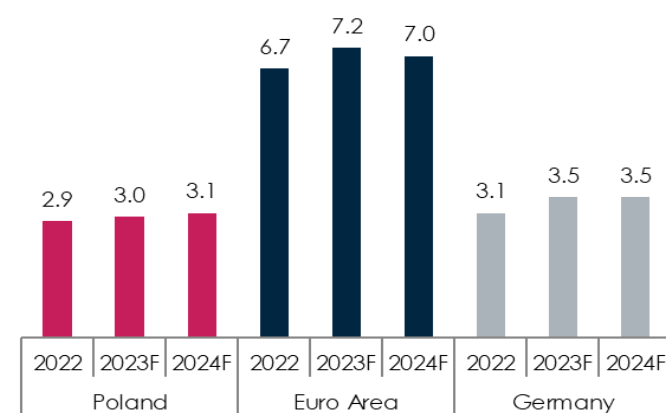
GDP growth rate

(% y/y)



Unemployment rate forecasts by the EC

(%)



Source: GUS, Macrobond, NBP, Bank Millennium, EC - European Commission, F - forecast



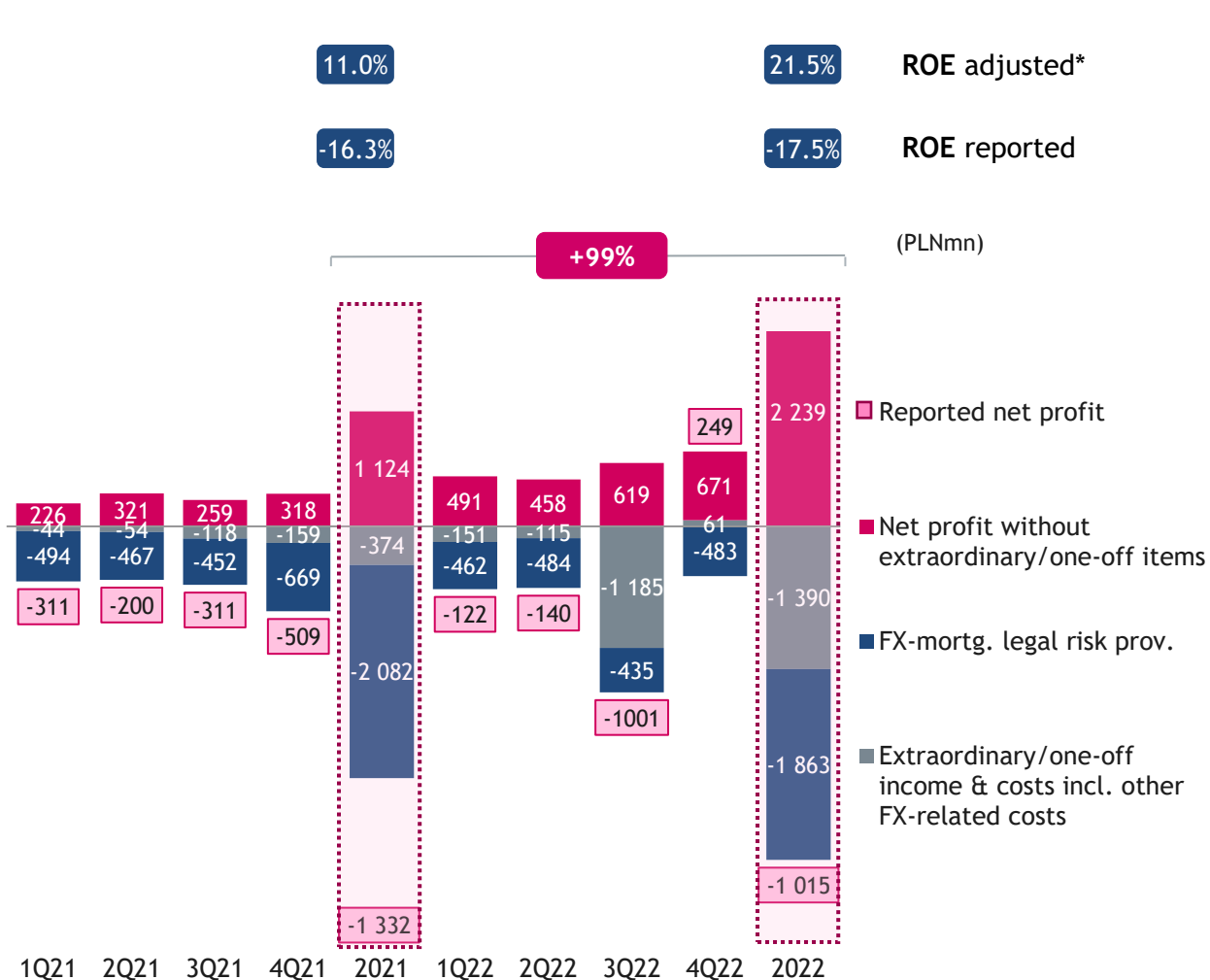
PRESENTATION TO THE ORDINARY GENERAL MEETING OF BANK MILLENNIUM S.A.

Financial results

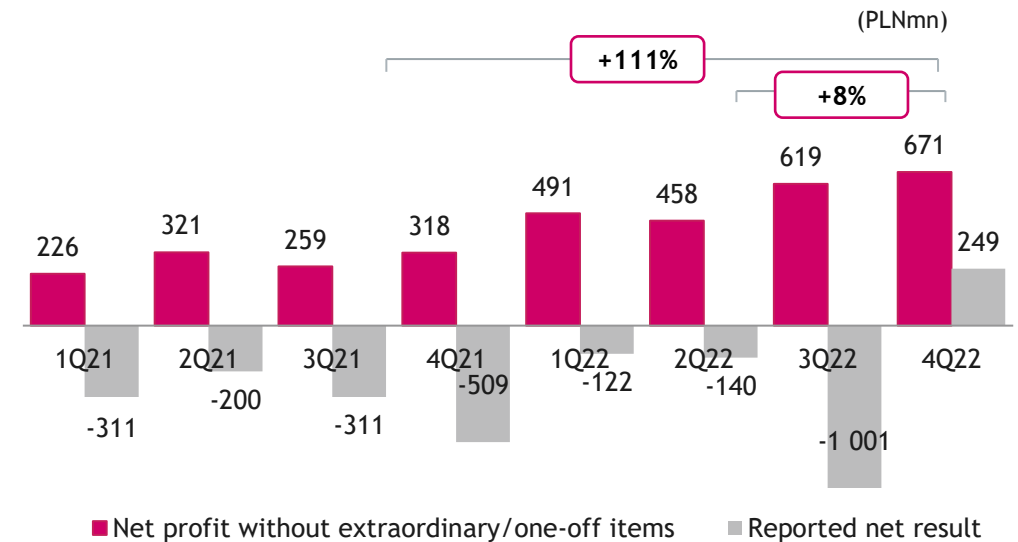
FINANCIAL HIGHLIGHTS OF 2022

Quarterly net profit of PLN 249m in 4Q22. Adjusted profit for 2022 of PLN 2.24bn, up 99% y/y.

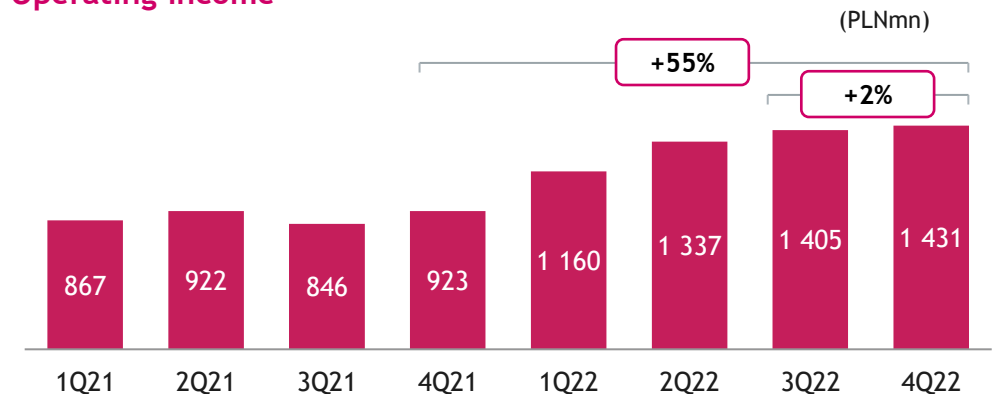
Net profit



Net profit w/o extraordinary* items



Operating income**

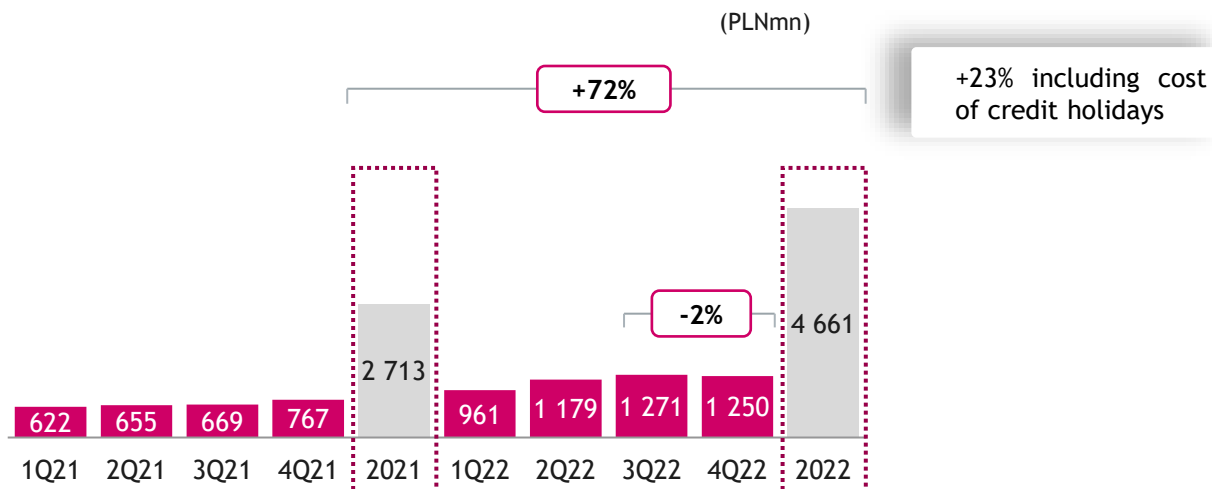


(*) (*) Extraordinary items: FX-mortgage related costs, credit holidays and with linear distribution of BFG resolution fund fee and hypothetical bank tax in 2H22; in 2021 also material revaluation of financial investments (VISA); ROE: Equity adjusted by FX related costs
(**) Without provisions for credit holidays

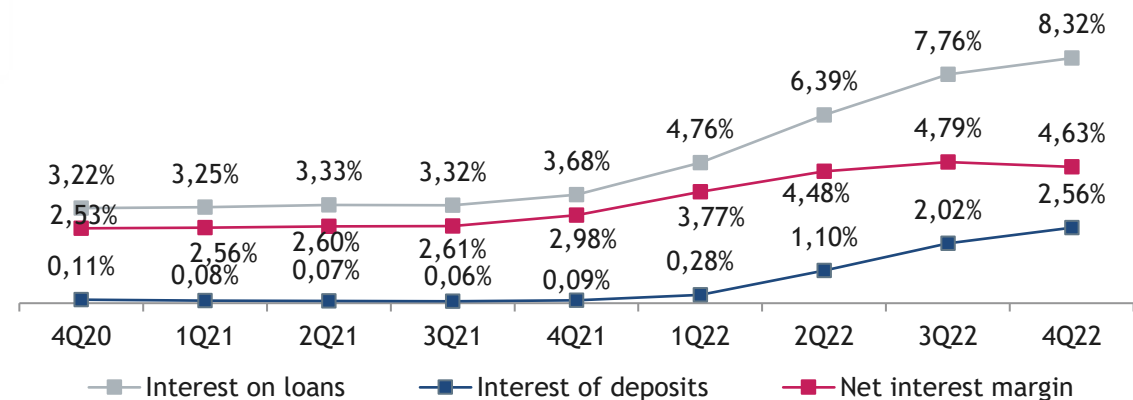
INTEREST AND COMMISSION INCOME

NII as a key profitability driver in 2022 with y/y growth of 72%. Quarterly NIM at 4.63% after its peak in 3Q22.

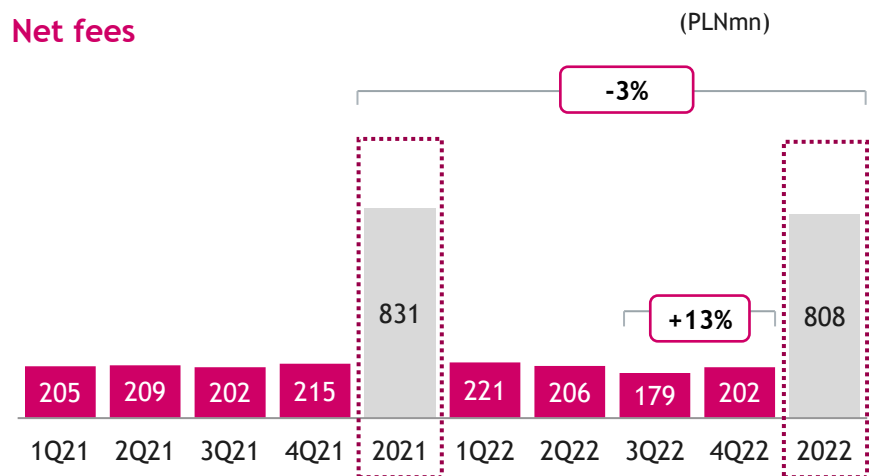
Net interest income*



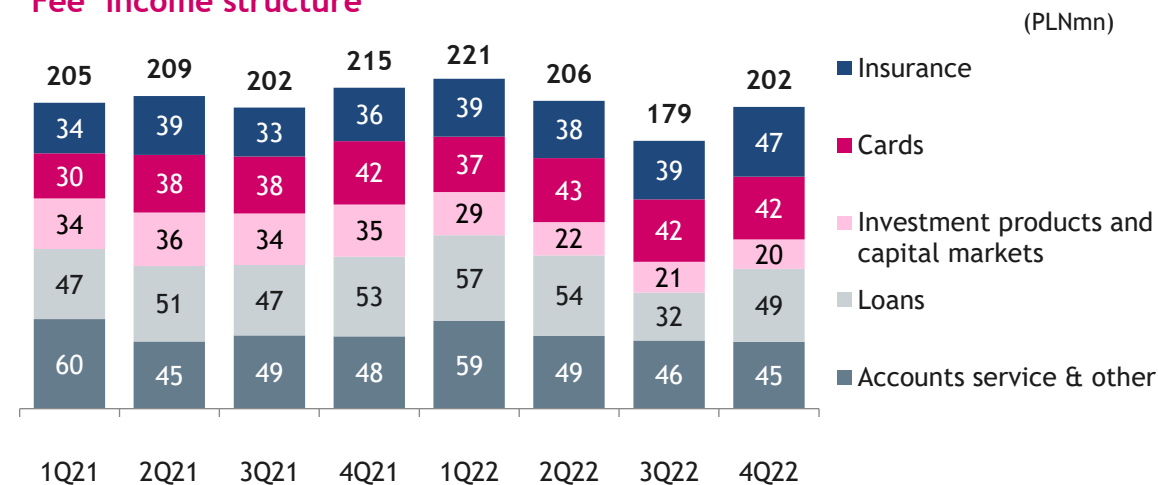
Interest on loans* and deposits (quarterly average)



Net fees



Fee income structure

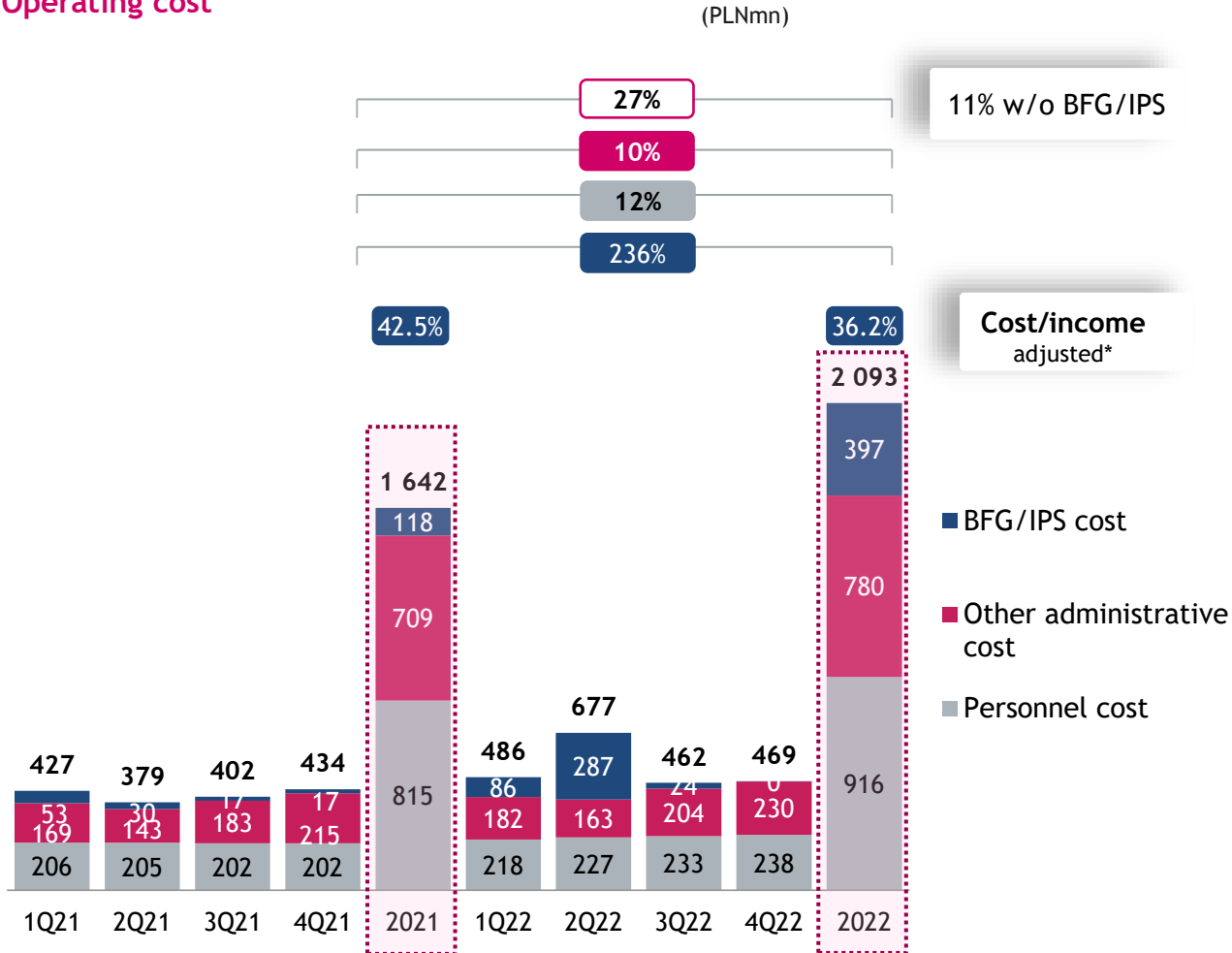


(*) without cost of credit holidays

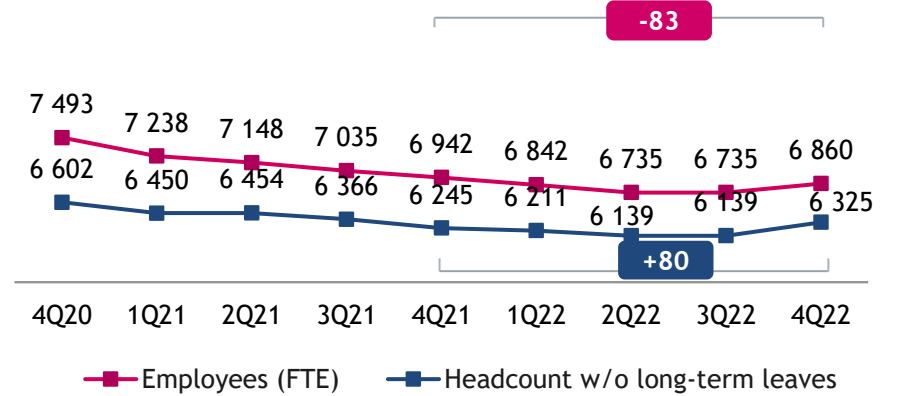
COST EFFICIENCY

Operating costs without BFG fees and contribution to IPS grew 11% y/y. C/I improved owing to strong core income.

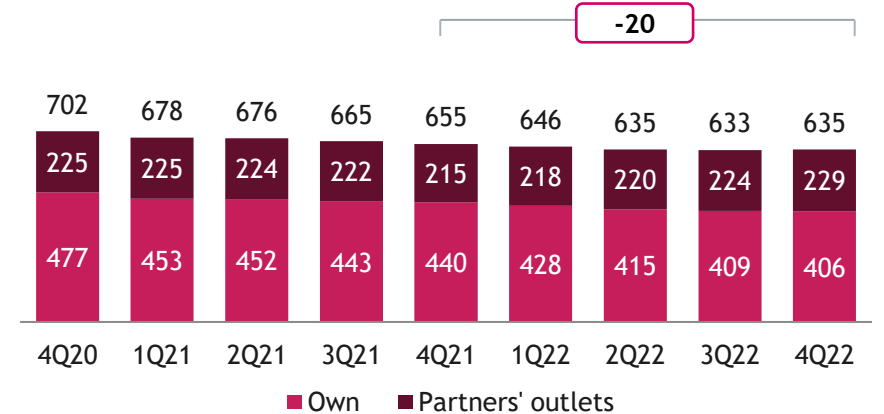
Operating cost



Employment



Distribution network

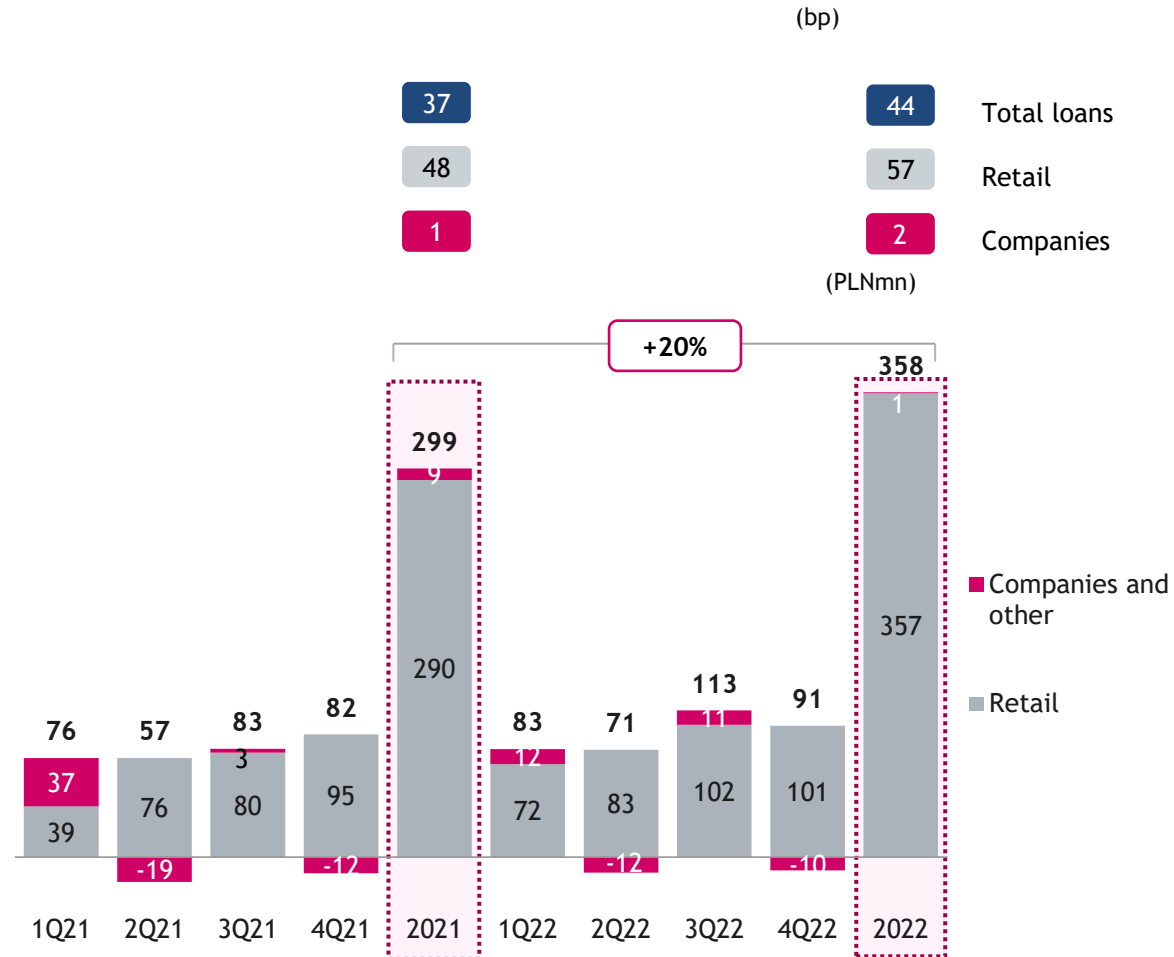


(*) without one-off income and integration costs as well as costs of litigation and amicable settlements with FX mortgage clients, with linear distribution of BFG resolution fund fee

ASSET QUALITY

Strong credit quality and low cost of risk

Cost of risk

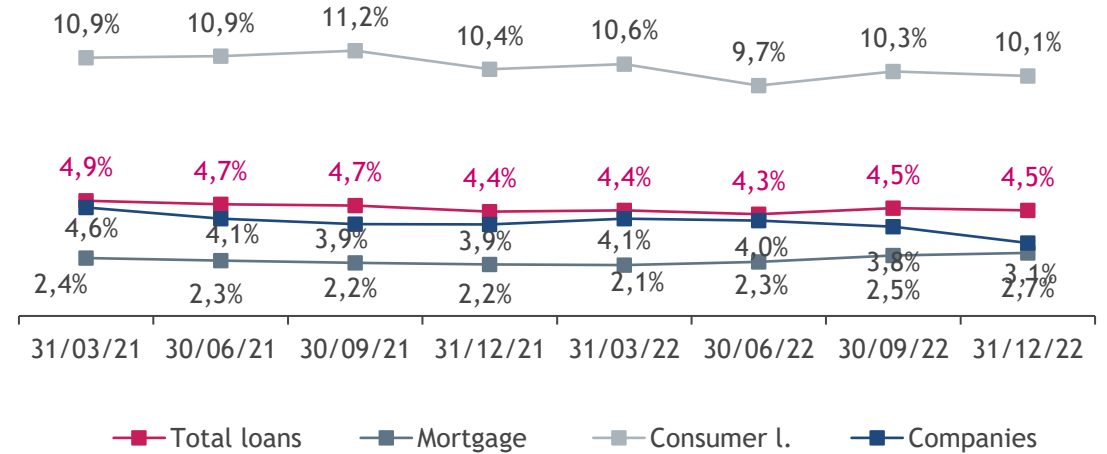


37
48
1

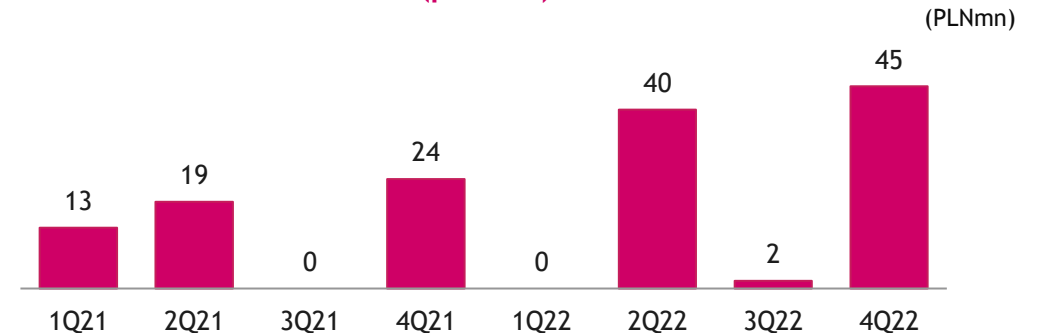
44
57
2

Total loans
Retail
Companies

Impaired loans (IFRS9 stage 3 & POCI)



Result from sale of NPLs (pre-tax)





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

Strategy 2022-2024

NEW STRATEGY 2022-2024

Millennium Bank 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

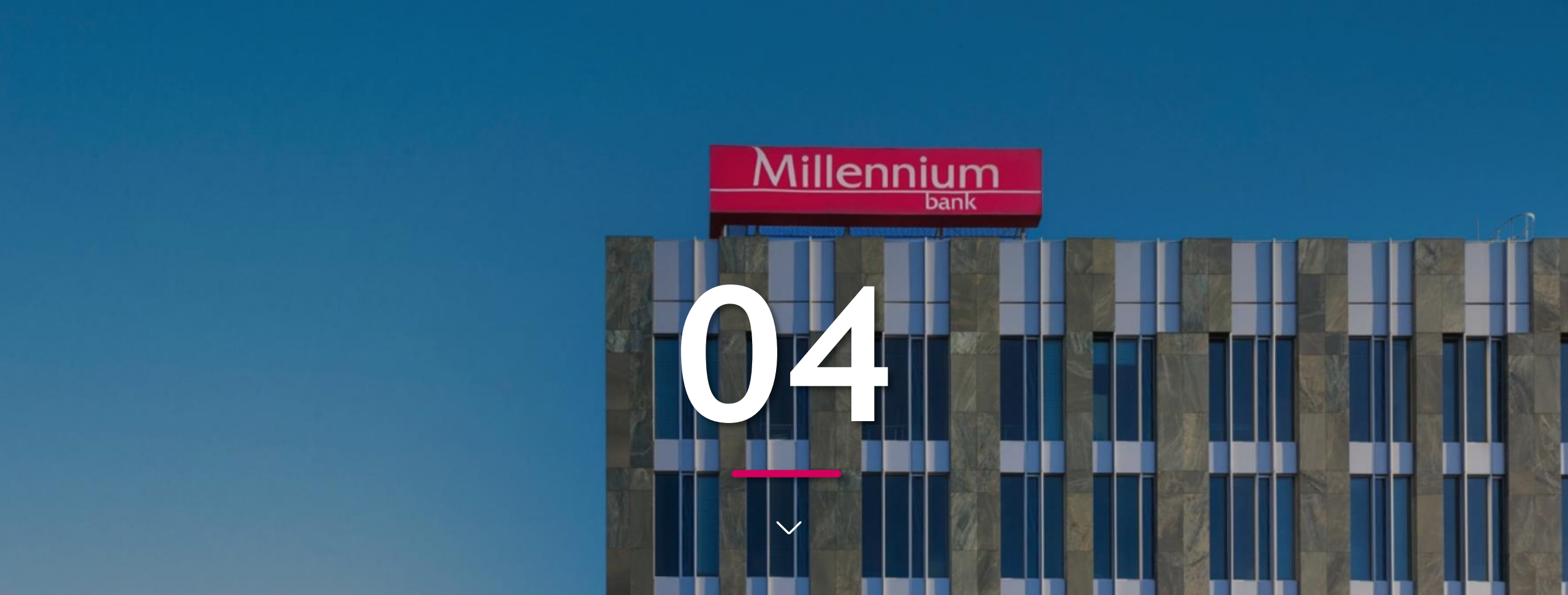
Great place to work for **our people** and for **top talents**

STRATEGY 2022 - 2024 EXECUTION

- Bank is progressing with the execution of its **3-year business strategy adopted for the period 2022 to 2024**.
- Operationalisation of the strategy is based on an intense program of interlinked activities and projects in **17 key areas**, together contributing to reach the assumed strategic goals.
- Both, external factors (i.e. market and business environment) and execution activities and projects are covered by **constant monitoring** program that is a part of internal control and management system.
- After 1st year of the strategy execution, a **positive and in-line with the expectations trend is observed in most strategic KPIs**.



STRATEGIC GOALS:	2021	2022	2024
 Number of active retail clients (thsnd.)	2 694	2 887	>3 000
 Share of digital active clients	84.0%	87.3%	>90%
 Net profit* (PLNbn)	1.10	2.24	>2.00
 Cost-to-income*	42.8%	36.2%	<37%
 Return on Equity*	11.0%	21.5%	~14%
 NPL ratio Non-performing loans	4.4%	4.5%	<4.7%
 Share of FX-mortgage loans in gross portfolio	14.6%**	13.1%**	<10%

The image shows the top portion of a modern building facade. At the top center, there is a red rectangular sign with the word "Millennium" in white, sans-serif font, and the word "bank" in a smaller, white, sans-serif font directly below it. The building's facade consists of vertical panels of varying heights and colors, including shades of blue, grey, and brown. A large, white, sans-serif number "04" is superimposed over the center of the facade. Below the number "04", there is a short, horizontal red line, and directly beneath that line is a small, white, downward-pointing chevron symbol.

Millennium
bank

04

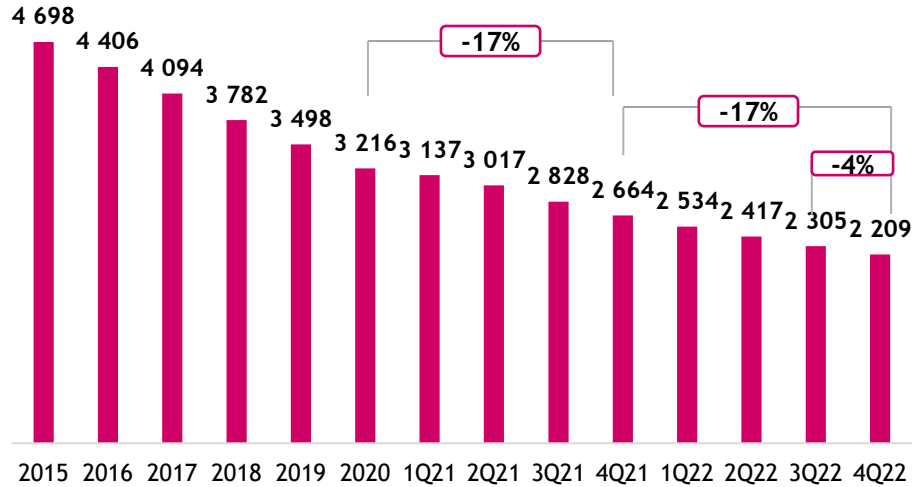
PRESENTATION TO THE ORDINARY GENERAL MEETING OF BANK MILLENNIUM S.A.

FX-mortgage loans

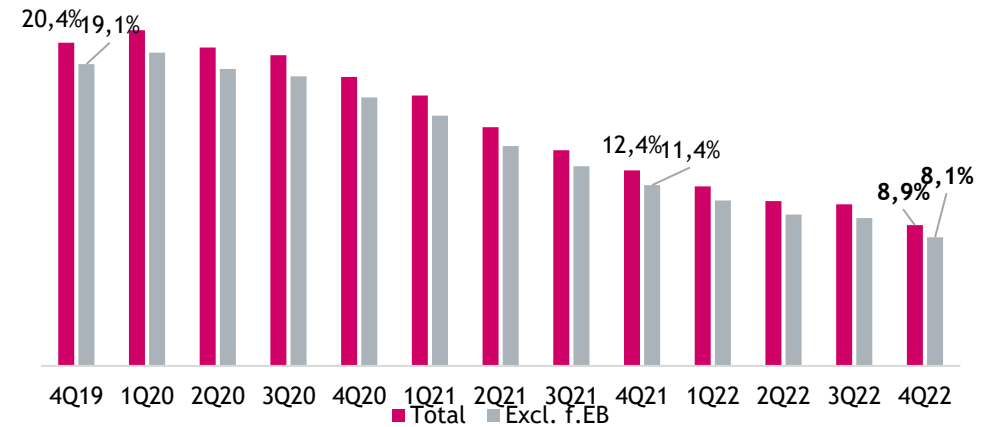
FX-MORTGAGE PORTFOLIO (1/2)

Maintained fast pace of FX-mortgage portfolio's downsizing

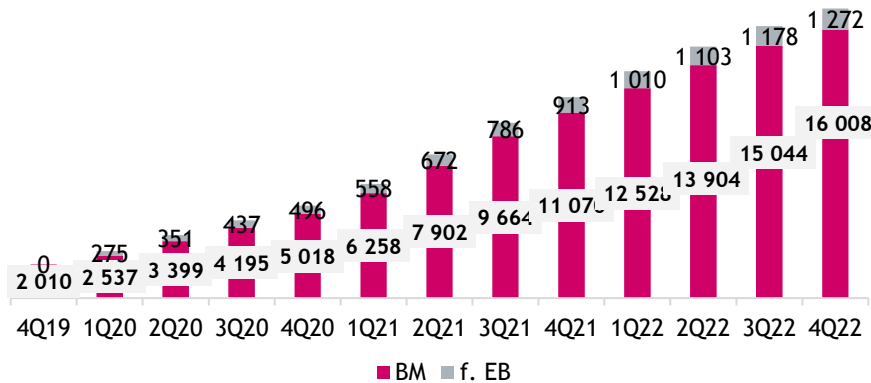
FX-mortgages* (gross w/o legal risk provisions) (CHFmn)



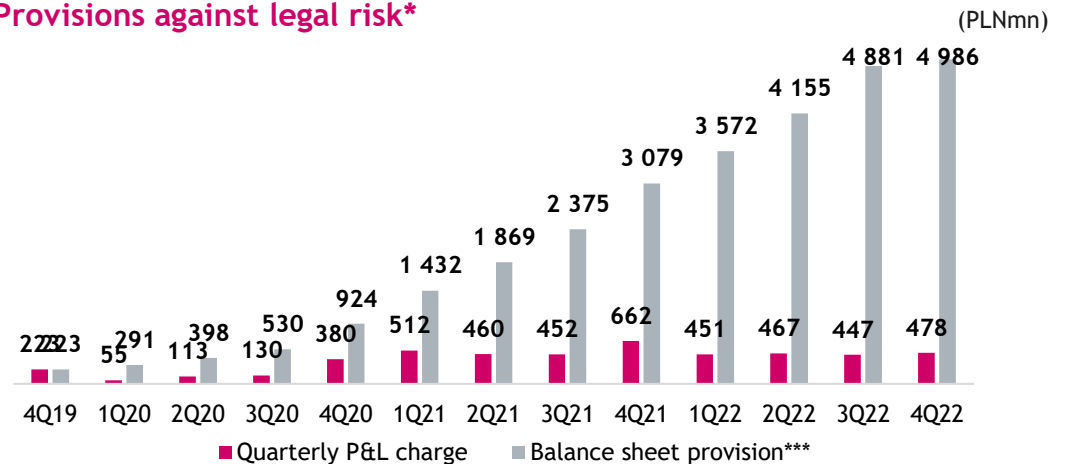
FX-mortgages as % of total gross book (gross after legal risk provisions)**



Individual indexation lawsuit cases (outstanding)



Provisions against legal risk*



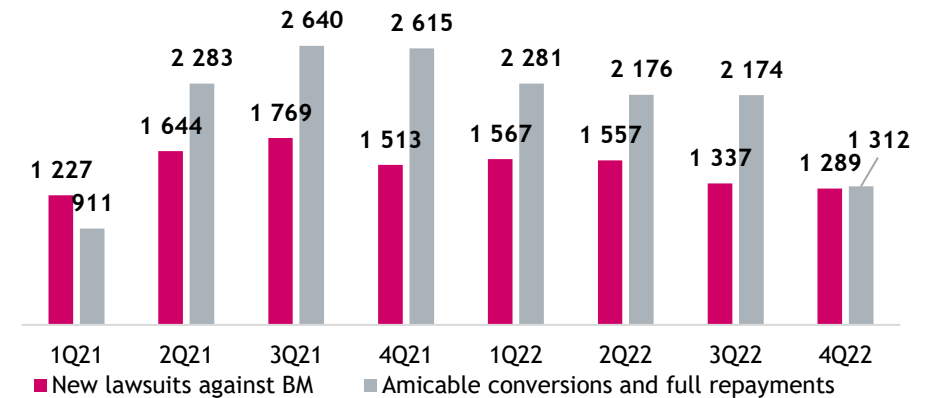
(*) Excluding f.EB, (**) gross values less allocated legal risk provisions, (***) actual outstanding B/S provisions differ from the sum of P&L charges due to FX movements and utilisations among others

PROGRAMME OF AMICABLE SETTLEMENTS WITH FX MORTGAGE BORROWERS

Number of amicable settlements exceeded inflow of legal cases

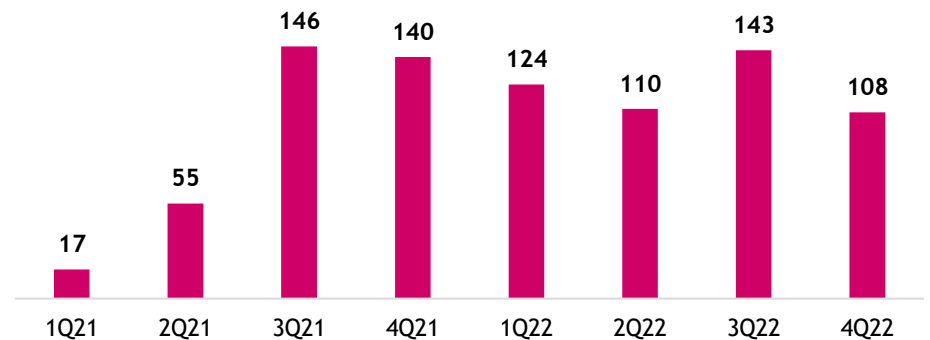
- The Bank continues to actively offer favourable conditions for early repayment or conversion of FX-mortgage loans to PLN on a case by case basis. The programme of amicable settlements, started in 2017, was continued in 2022 and the Bank intends to continue it going forward.
- In 2022, as a result of these negotiations, the number of active FX mortgage loans decreased by **7,943**, equivalent to 17% of nearly 47,600 active loan agreements at the end of 2021. In 2021, 8,449 amicable settlements, equivalent to 15% of active agreements at the end of 2020, were reached.
- The Bank allocated significant resources to the programme, including a dedicated 100-men strong call team. Costs incurred in conjunction with these negotiations totalled PLN484 million in 2022, following PLN357 million incurred in 2021.

New lawsuits vs. amicable settlements (#)



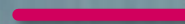
Costs of amicable settlements

(PLNm, pre-tax)





05



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

Dividend policy/loss coverage

PROPOSAL TO COVER THE LOSS IN 2022 FROM RESERVE CAPITAL

Resolution no. 5

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

The Bank posted a net loss in 2022, hence there are no grounds for a dividend pay-out.

The Bank's Management Board applies to the General Meeting to cover the loss in 2022 from reserve capital.

The loss for fiscal year 2022 results from upfront recognition of costs of the so-called credit holidays introduced by law and creation of provisions for legal risk connected with FX mortgage loans, while the Bank has the full capacity to generate - now and in the future - considerable operating profits. The Management Board considers it rational and desirable to apply to the Bank's Ordinary General Meeting to adopt resolution on coverage of loss for fiscal year 2022, according to which the General Meeting would decide to allocate the amount of PLN1,029,898,772.97 from the reserve capital to cover the said loss.

Equity, capital ratios, net result

	Bank Millennium Group	Bank Millennium
Equity - on 31 Dec. 2022 (PLN thousand)	5 494 406	5 404 493
Total Capital Ratio - on 31 Dec. 2022	14.4%	14.5%
Common Equity T1 ratio - on 31 Dec. 2022	11.3%	11.4%
2022 net result (PLN thousand)	-1 014 566	-1 029 899
Loss coverage from reserve capital (PLN thousand)	-	1 029 899

ADDITIONAL INFORMATION - BUY BACK OF OWN SHARES IN 2022

Information due to article 363 of Code of Commercial Companies

- The Extraordinary General Meeting of August 27, 2019, by virtue of Resolution No. 4* on the establishment of an incentive program for risk takers and the rules for its implementation, authorized the Management Board of Bank Millennium to purchase own shares in order to implement the mentioned incentive programme. The buy-back of shares is financed from the created reserve capital for the purchase of these shares. Shares are acquired in the number resulting from the decision to transfer the rights to variable remuneration in a financial instrument (Bank Millennium's own shares) in a given year.
- In 2022, the share buy-back program was continued, as reported by the Bank in current report No. 16/2022. The Bank purchased its own shares (ISIN code: PLBIG0000016) in order to perform the obligations resulting from the allocation of shares to eligible employees or members of the Management Board of the Bank or the Bank Millennium Group:

Period	Total number of acquired shares	Average weighted price in PLN	Total value of transactions in PLN	Share in share capital	Share of votes under shares in the total number of votes
05-10.05.2022	976 881	4.690	4 582 003.98	0.08%	0.08%