



Strategy 2020 for Bank Millennium

Presentation to analysts and investors. Warsaw, October 30th 2017



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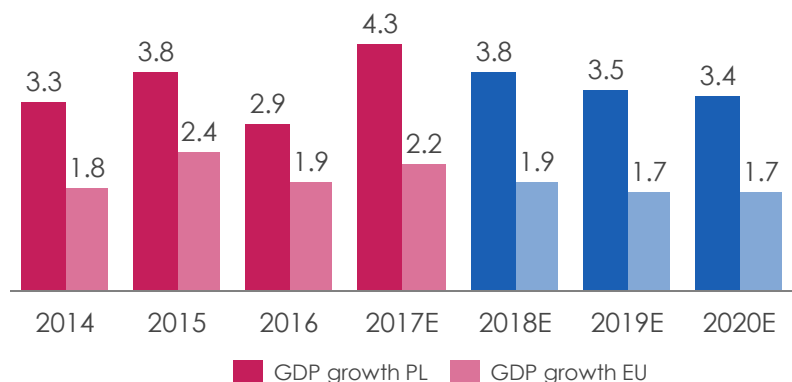
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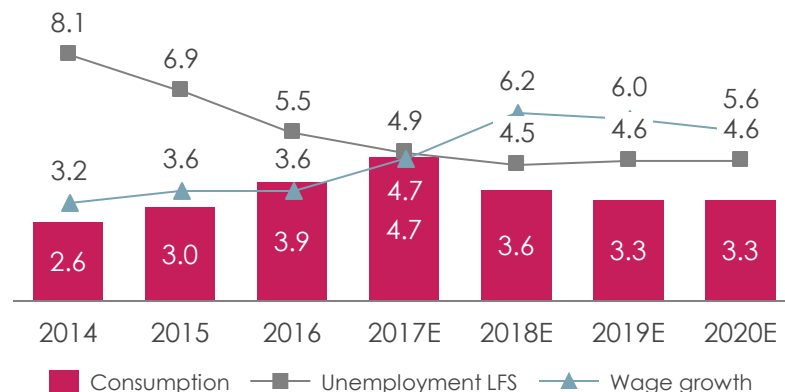
MACROECONOMIC OVERVIEW (I/III)

Solid macro background in Poland in recent years, expected to continue going forward

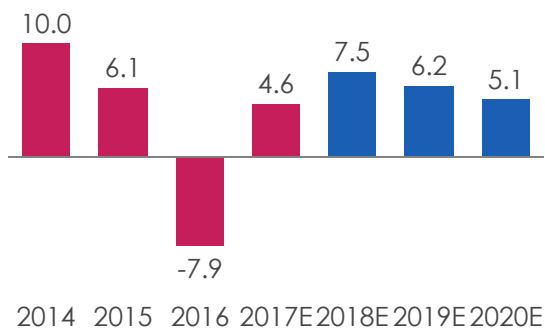
Poland's growth consistently above EU levels (%)



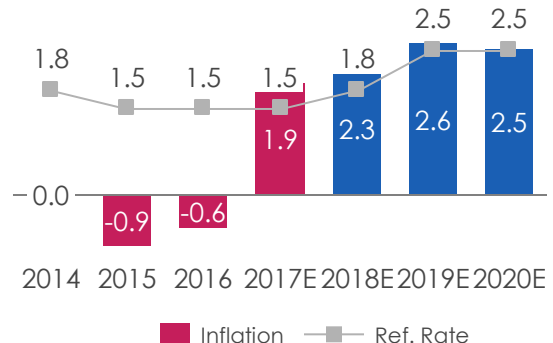
Low unemployment and growing wages boost private consumption (%)



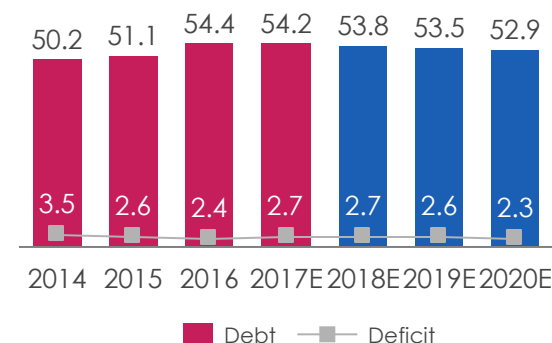
Investments expected to recover supported by EU funds (%)



Low inflation supported low interest rates, hikes ahead (%)



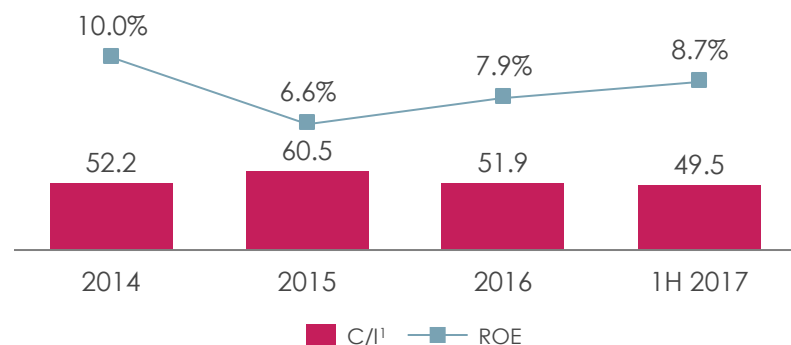
General government deficit below EU threshold (% GDP)



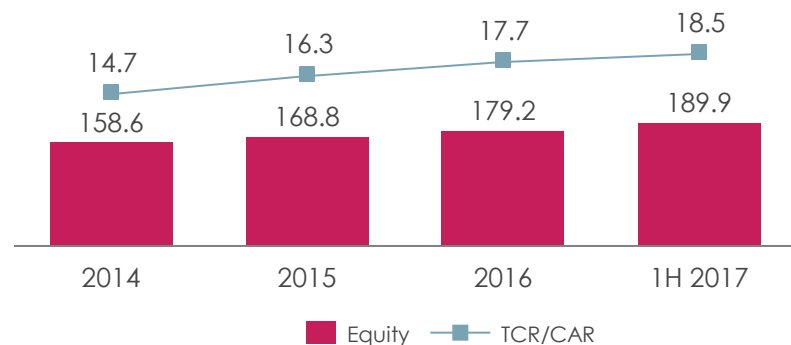
MACROECONOMIC OVERVIEW (II/III)

Resilient banking system with improving profitability, however affected by regulatory / tax interventions

Profitability ratios in the Polish banking sector (%)



Equity and TCR in the Polish banking sector (PLN billion, %)



- **Strong resilience during last global financial crisis** – no bank went bankrupt or needed capital injection from the State or other authorities; recent falls of small co-operative banks
- Comprehensive banking supervision and **high level of solvency** of Polish banks confirmed by AQR/Stress tests
- **Sufficient liquidity** supported margins, while interest rates were at historical low levels. Largest banks consider or open mortgage banks as a sustainable source of funding through mortgage-backed securities
- **Profitability under pressure** due to high obligatory burdens: new taxes, banking guarantee fund payments and regulatory limits on interchange, insurance

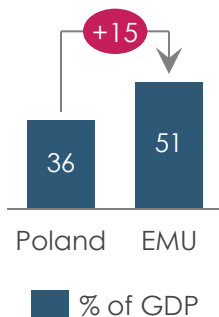
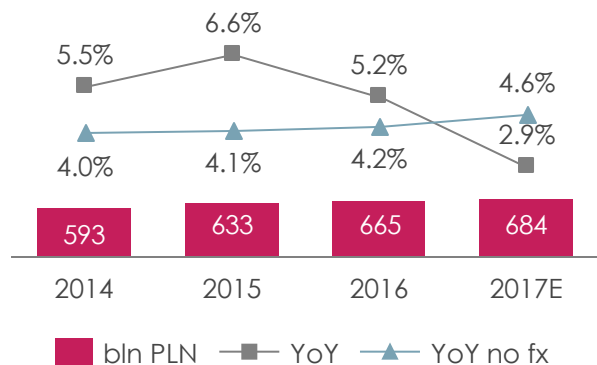
MACROECONOMIC OVERVIEW (III/III)

Healthy growth of main monetary aggregates, with headroom for further growth when compared with EMU average levels

Loans to households

(bln PLN, %)

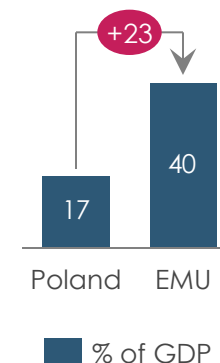
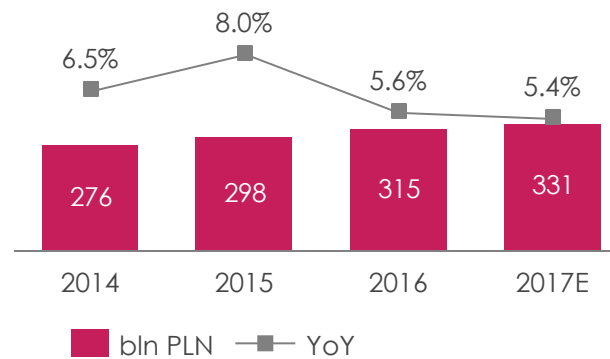
% of GDP



Loans to non-financial companies

(bln PLN, %)

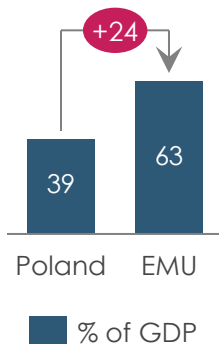
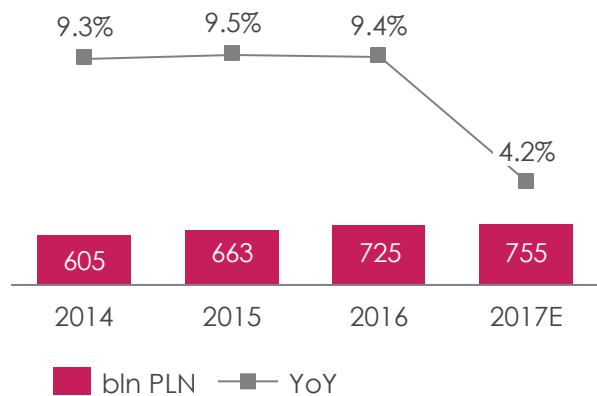
% of GDP



Deposits from households

(bln PLN, %)

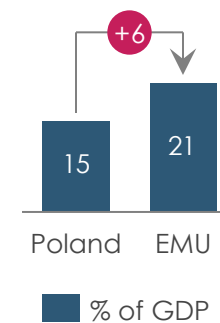
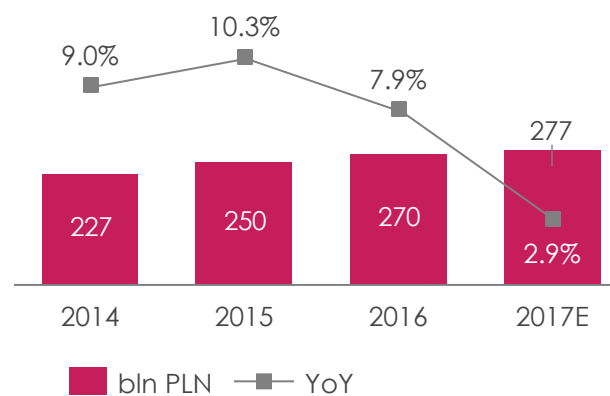
% of GDP



Deposits from non-financial companies

(bln PLN, %)

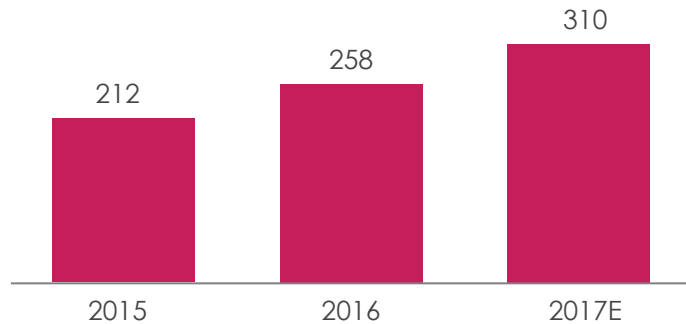
% of GDP



BANK MILLENNIUM IS ENTERING THIS NEW STRATEGY PERIOD WITH VERY SOLID FOUNDATIONS

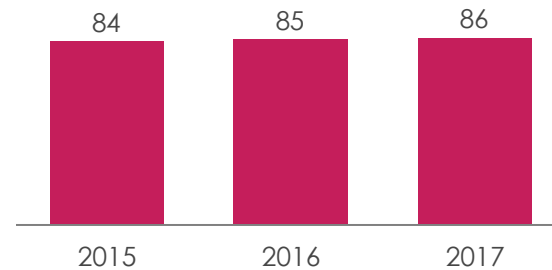
We are a leader in client acquisition

Gross addition of clients in thousands

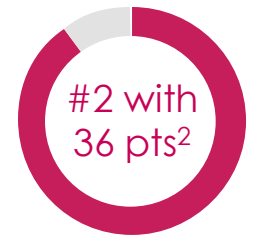


We are a leader in client satisfaction & recommendation

% of customers satisfied or very satisfied

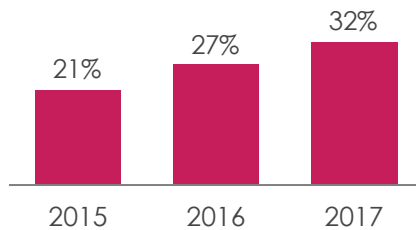


Net Promoter Score

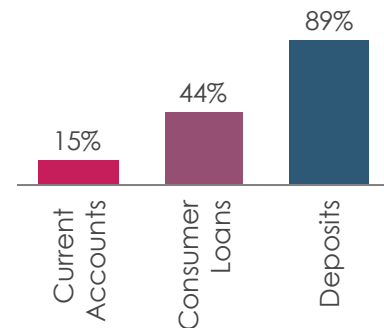


We are a leader in terms of digital banking

% of active mobile clients

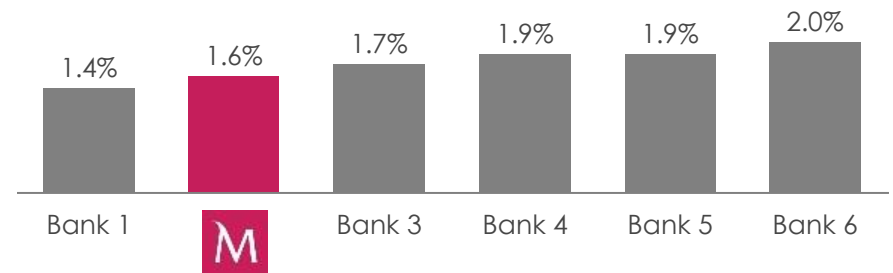


% of digital channels for key products



We are a leader in terms of efficiency

Operating costs as % of Total Assets, 2016¹



1. Excluding banking tax 2. Second position among top Polish banks

Source: Internal client satisfaction survey, Annual reports, Bank Millennium

WE ARE FIT FOR FUTURE – WE HAVE THE MODEL THAT ALLOWS US TO TURN THE UPCOMING TRENDS TO OUR ADVANTAGE

Changing market circumstances require new sets of skills and approach...



Raising expectations of customer experience standards and personalization



Digitizing services and consumers' lives – sectors without borders and the race to win direct customers' relationships in an open-banking reality



Growing and increasingly concentrating market



Increasing pressure on efficiency due to maturing banking market



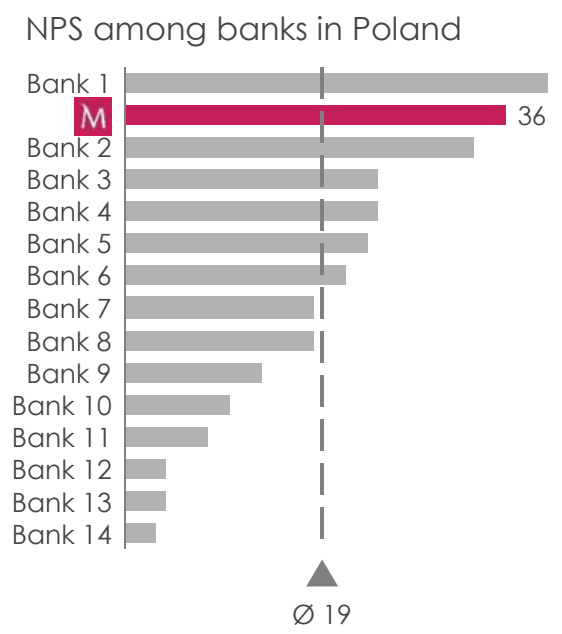
Regulatory changes (e.g. PSD2 and MIFID 2) putting pressure on incumbents but creating opportunities for agile challengers

... and Bank Millennium has the winning model

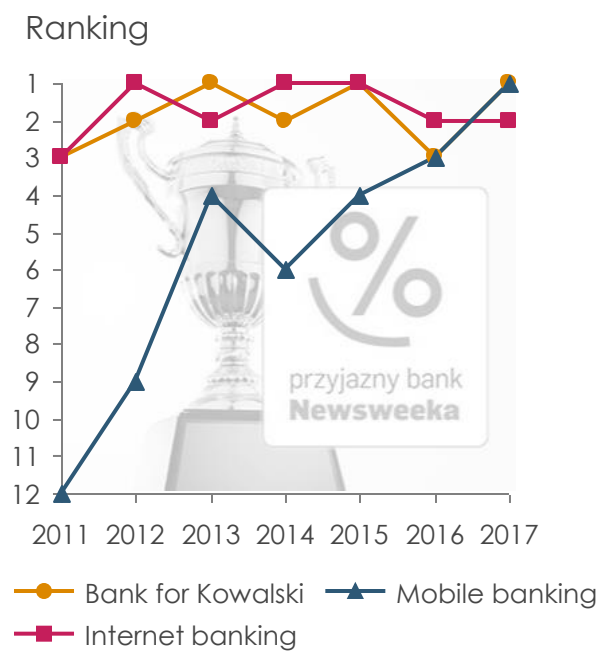
- 1 We are the most **client centric** bank and want to drive it further by becoming the most personalized bank, at mass scale
- 2 We are leaders in **digital** banking with a unique combination of breadth of services and customer experience. We will build on this advantage to develop wider services and keep first line relevance
- 3 We are **growing** at the fastest pace in terms of gaining clients with main relationship. In addition we will launch four new and sustainable growth engines
- 4 We have a leading **cost efficient** model, built over the latest technology and architected for change, which we will scale at marginal cost
- 5 We will **leverage coming regulatory changes** to launch market offensive by leveraging our agile operating model, our strong digital and data science skills

WE ARE ALREADY A LEADER IN CLIENT CENTRICITY – A COMPETITIVE ADVANTAGE FOR CONTINUED GROWTH

We have top NPS in the Polish banking industry...



... for years we have been ranked among the best...



... as a result, our clients see us as their main bank and they recommend us

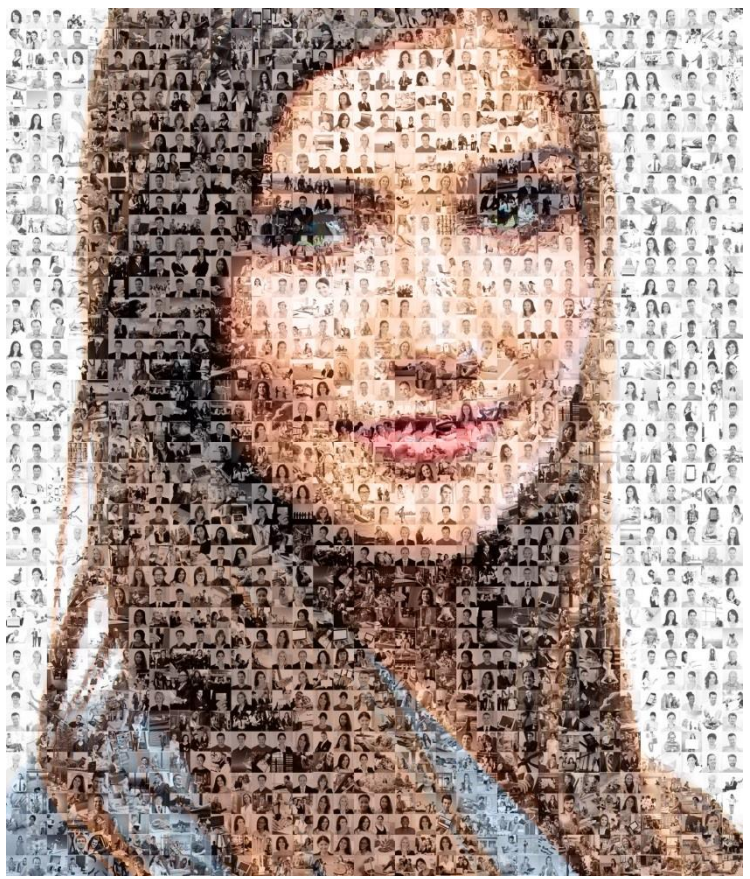


We are consistently ranked highest in terms of customer friendliness. This is not a one-off achievement but a core strength embedded in our DNA



TO PUSH CLIENT CENTRICITY EVEN FURTHER WE ASPIRE TO BECOME THE MOST PERSONALIZED BANK

For us there is no "average client"



1:1 personalization

- We want to offer our **clients** financial solutions which are **tailored** to their needs on **1:1** basis and delivered in the right **context**

Efficiency through data and technology

- To **better fulfil the real needs of our clients** whose expectations towards personalization are shaped by (so far) non-banking experiences
- As newest **technology compounding** (Big Data analytics, AI, and digital delivery platforms) makes **personalization @ mass scale** now feasible

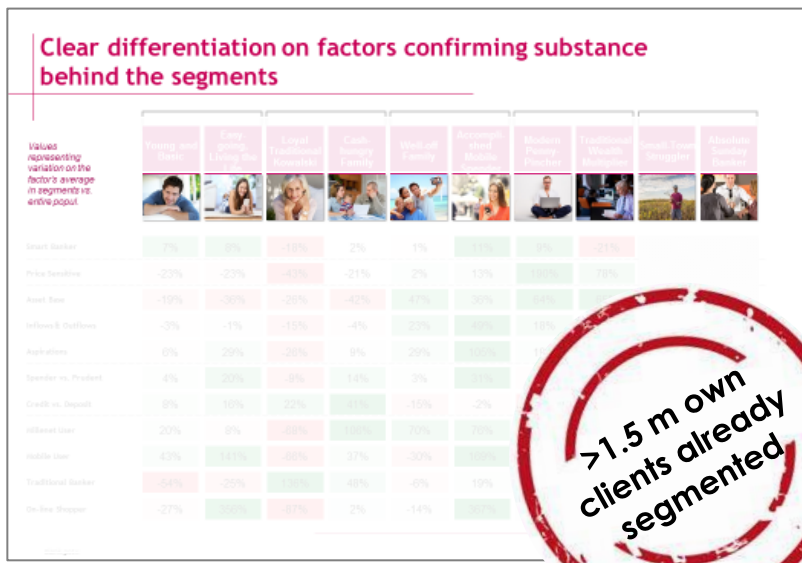
Leveraging deep client understanding

- By deploying augmented understanding of client needs based on advanced **behavioral segmentation**
- And making it actionable through a next-generation **Big Data and AI** powered **real-time CRM engine**

OUR PERSONALIZATION CAPABILITY IS ALREADY VERY ADVANCED – TARGET BEHAVIORAL SEGMENTS DEFINED AND CVP¹ GOING LIVE IN 2018

Highly actionable behavioral segments created using BigData fusion of internal and external data

Defined segments with clear personas and CVP implications



Segment description

Example: Accomplished Mobile Spender



- Active shopper with high aspirations
- Strong e-commerce user
- Global Citizen, with multiple bank relations
- Day-to-day creditor

CVP implications

Potential concepts for CVP personalization levers:

- Promo one-click CL offer on sales days (e.g. Cyber Monday)
- Partnerships with key online stores
- Exclusive deals in travel categories
- Money-management solutions to help get a grip on their spending and aggregation services

Implementation of advanced segmentation and personalized CVP, industrialized via an innovative real-time CRM engine which we are developing internally

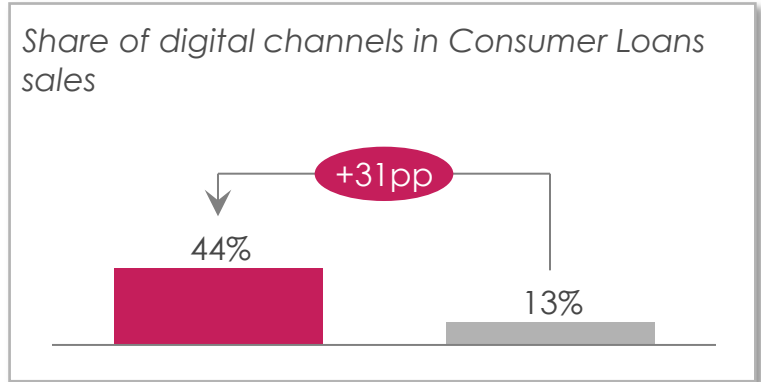
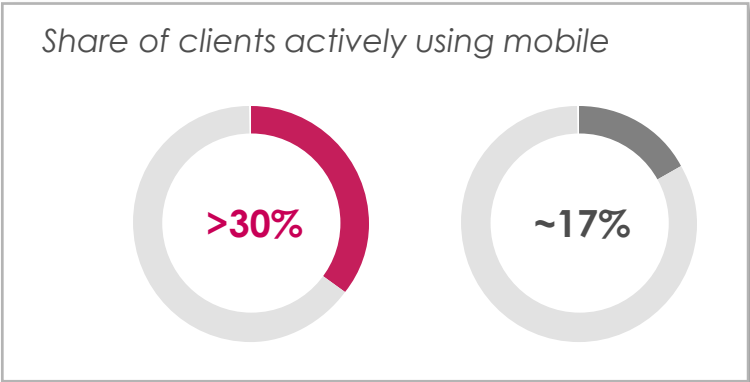
WHILE SOME BANKS DECLARE THEY WANT TO BECOME DIGITAL, WE ALREADY ARE!

Recognized through industry rankings...



Recognized as the Best Consumer Digital Bank in Poland

... which translates into best-in-class digital activity levels and sales results



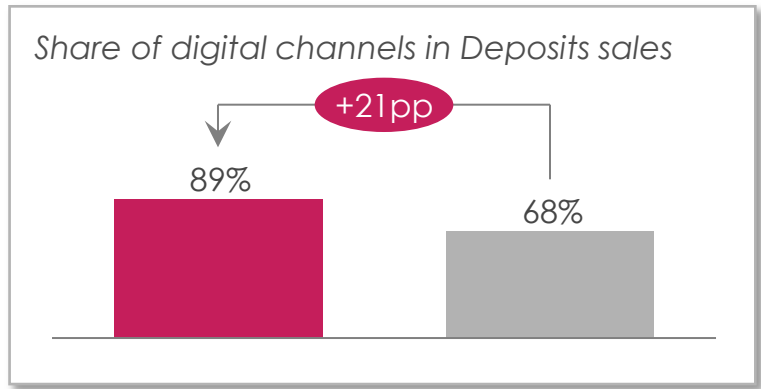
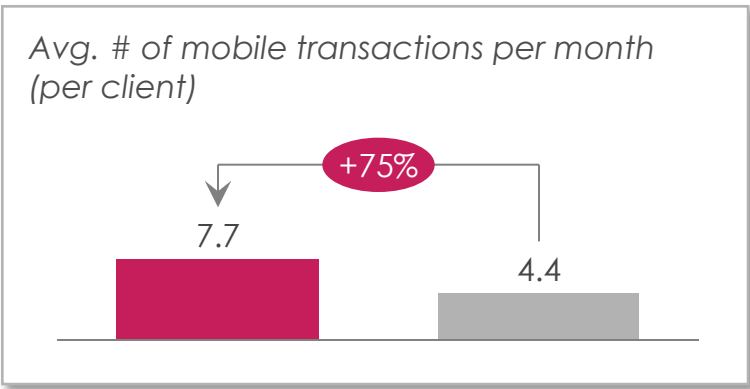
...and appreciated by our clients ...

Mobile App ranking

#1



Best rated mobile application compared to peers



■ Bank Millennium ■ Market



WE WILL CONTINUE TO PUSH THE INNOVATION FRONTIER TO REMAIN RELEVANT FOR OUR CUSTOMERS

Setting a new definition of *Product* – Digital solutions delivering most relevant set of functionalities

#1 Bank in Poland implementing tokenized cards based contactless Payments (HCE 1)

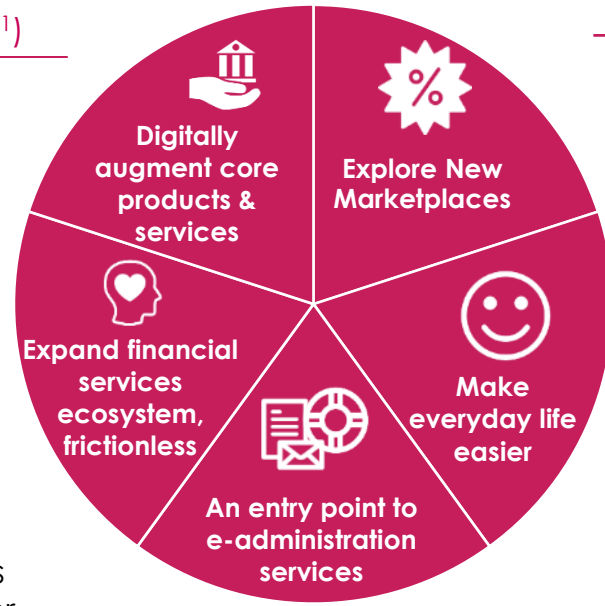


e.g. Making payments effortless

Seamless MOTOR and TRAVEL insurance application



Looking beyond standard products to address broader customer needs



500+, e-administration integration via trusted profile, ZUS , eID coming

Leveraging Banking natural identity management capabilities

Personalized discounts @ Goodie



Aggregating and offering tailored discounts to Goodie platform users

Ticketing & Parking; Bill Payments integrated in Mobile Banking



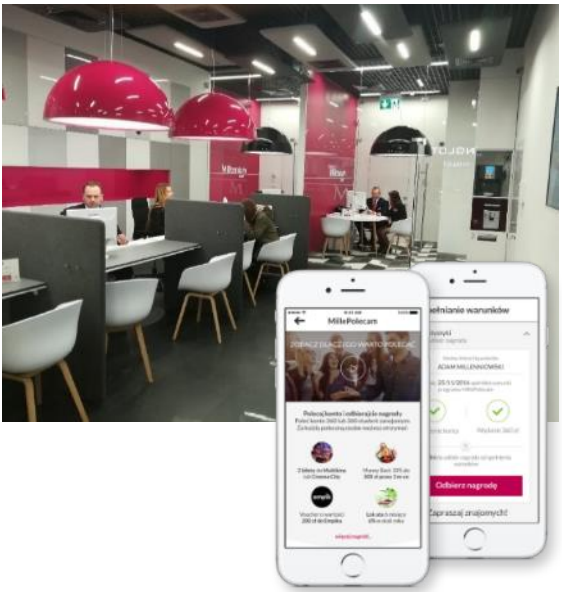
Hiding Banking but giving reasons to keep direct interactions

We will further leverage digital disruption to support our customers in achieving their financial well-being while capturing growth

IN TERMS OF GROWTH WE ARE ALREADY THE LEADER IN CLIENT ACQUISITION

Through a mix of traditional & new approaches ...

An innovative multi-channel recommendation program that enables to build on clients loyalty



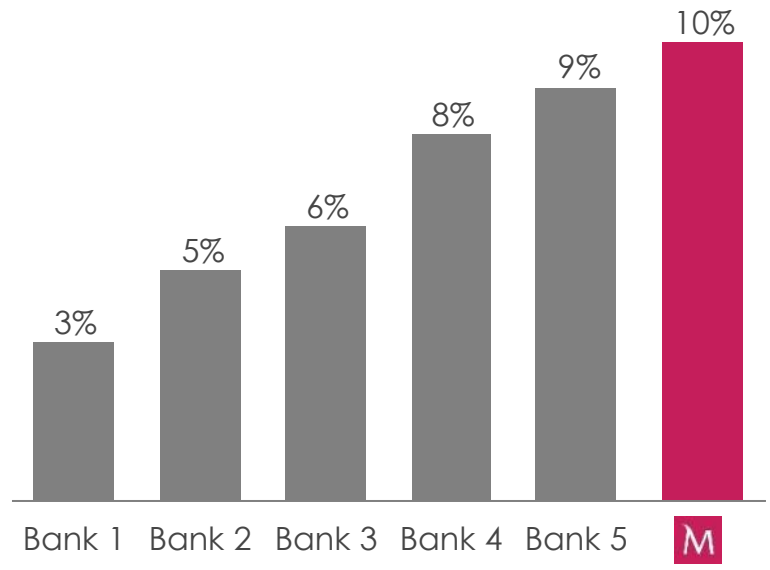
... we mastered clients acquisition ...

Number of acquired clients in 2017




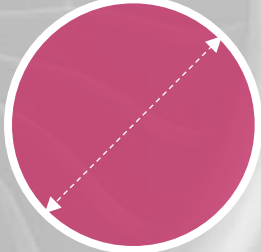
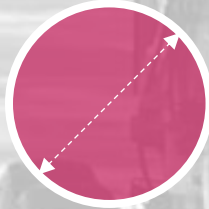
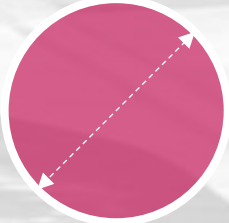
... and we are growing our client base at the fastest pace

Change in number of C/A vs. base for the leading banks [%]



Still, we see further opportunities to accelerate growth...

WE WILL COMPLEMENT CURRENT GROWTH ENGINE (ACQUISITION) WITH NEW ONES TO FURTHER ACCELERATE

	Investments	Consumer Loans	Micro Business	SME & Corporate
Why selected	Poland still far behind EU markets while forecasts very promising (>10% volume growth CAGR)	Bank Millennium has lower penetration in consumer loans than its fair-share	Significant part of business banking where we can leverage our winning Retail capabilities	Very solid growth machine already in place with 28% revenue growth in the last three years
Our growth model	We will be introducing break-through cyborg- and robo-advisory models to fully leverage potential of digital and physical channels among our core target segments	We will drive penetration among own base but also will venture into consumer loan for new-to-banks especially through digital offering enabled by the PSD2 regime	We will introduce a strong offer to the market leveraging digital sales & servicing model and value added services	We will deploy light industrial specialization model - already proven approach as in the current priority sectors we reach twice higher share of wallet
Revenue potential				

...and we will launch the project of mortgage bank to support business growth

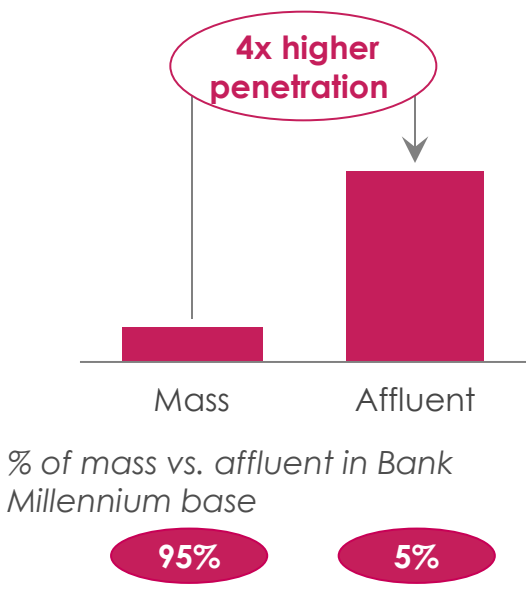
WE ARE EXPANDING OUR PROVEN AFFLUENT INVESTMENTS MODEL, WITH NEXT GENERATION DIGITAL SOLUTIONS TARGETING MASS SEGMENT

By expanding our affluent investments model...

... with a new digital investment platform targeting also mass market segments...

...we will capture a significant increase of investment products x-sell

Investment products penetration



~45 K

additional clients with investment products by 2020

Personal advisor will be still critical for customer engagement and decision support

Scalable robo-advisory platform to fuel cost efficient growth and differentiation through deeper personalization

Represents ~35% growth of customers with investment products

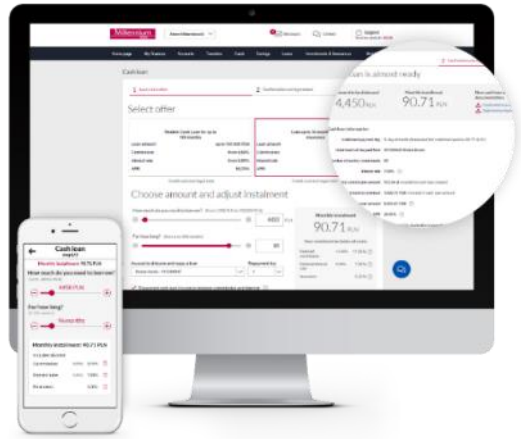
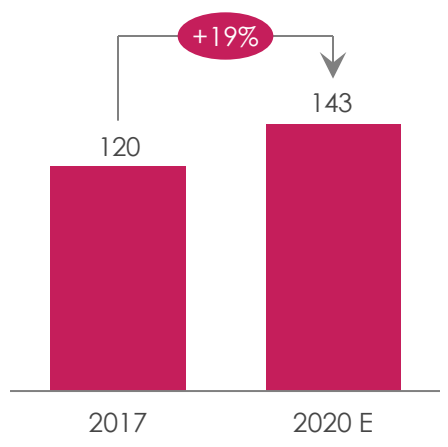
OUR CONSUMER FINANCE OFFENSIVE WILL BUILD ON STATE-OF-THE-ART CLIENT EXPERIENCE AND OPPORTUNITIES PROVIDED BY PSD2

The consumer loan market will be growing at an attractive pace...

...we will amplify the growth by leveraging open data...

... and thus translate it into accelerated growth

Market volumes (PLN bn)



>40%
consumer loan portfolio growth by 2020

We expect consumer loan volumes to grow at 6% p.a. **having a major impact on profitability** of the sector

Robust risk scoring for New-To-Bank clients via PSD2 data and **seamless experience** across both direct digital platforms or third party marketplaces

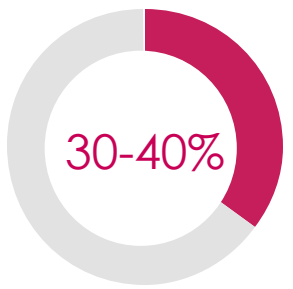
We will grow our consumer loan business by also **acquiring New-to-Bank clients**

We will differentiate by applying our core strengths: best-in-class digital customer experience, advanced analytics risk scoring and open integration architecture

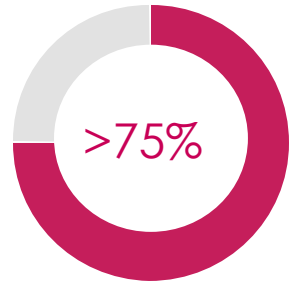
WE WILL LAUNCH AGGREGATION SERVICES BOTH TO EXISTING AND NEW CLIENTS TO CAPTURE OPEN-BANKING OPPORTUNITIES

Bank Millennium is well positioned to harness aggregation opportunity

By re-inventing daily banking we will stay even closer to our current clients and reach out to new ones



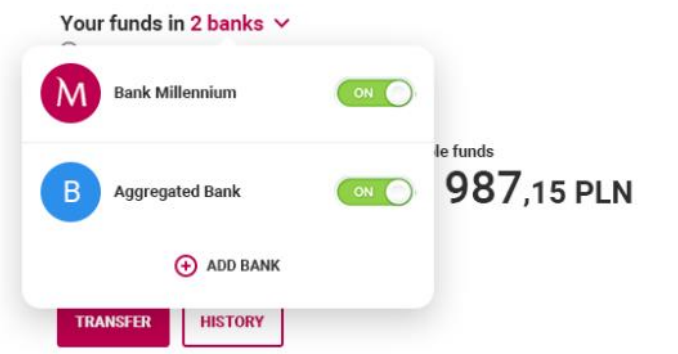
Clients having products with other Banks, potentially interested in aggregation



Clients having their main relationship with Bank Millennium

We will reinforce our primary advisor position by offering aggregation services

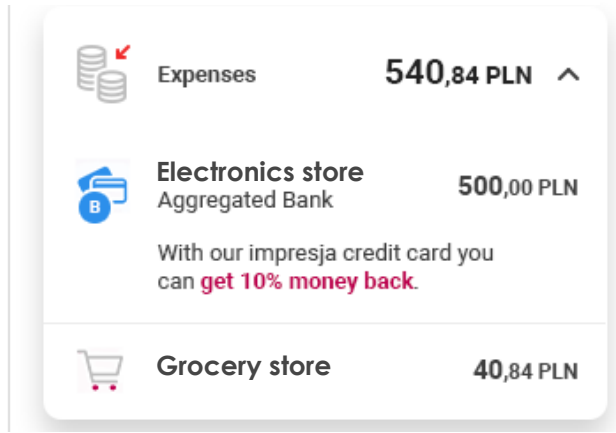
To expand reach we will make the aggregation services available for non-clients as well



Easy activation of aggregation services

Aggregation Balances and spending categorization

Budget and Savings tracking

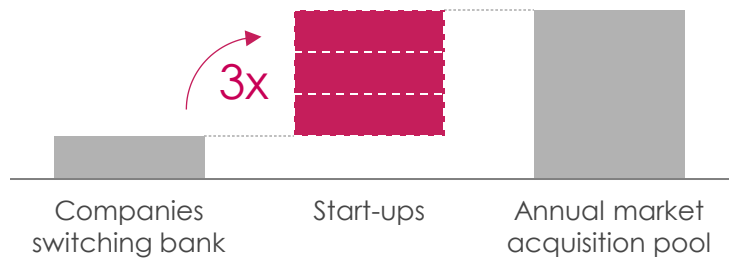


Financial Timeline with smart recommendations and alerts tailored individually

GROWTH IN BUSINESS BANKING WILL BASE ON OUR PROVEN STRENGTHS AND WILL FOCUS ON CUSTOMER ACQUISITION

Micro: Expansion through superior retail and digital capabilities

We are **leaders in retail acquisition** and will transfer these skills into acquiring **start-ups**



Our **Micro business growth initiative** will focus on acquisition of new clients and will be based on:



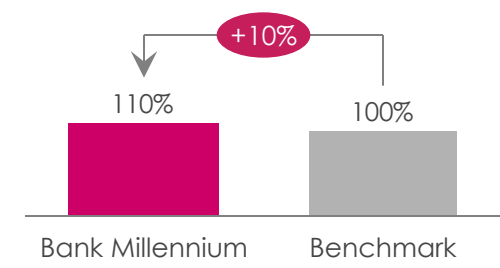
- Superior digital sales & servicing model
- Successful leasing offering
- Winning client value proposition with innovative VAS ¹

1. Value Added Services (usługi wartości dodanej)

Source: BCG, Bank Millennium

Corpo: Leverage of proven model and growth through focus on priority sectors

We have a proven **model in Corporate Banking** with superior **Revenue/client**



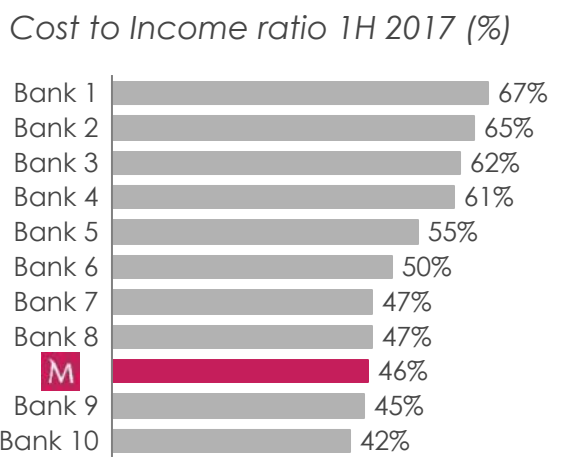
To further **grow Corporate Banking** we will focus on expanding **our client base** through:



- Optimized sectorial approach
- Improved prospection & onboarding
- Revamp of digital platform on daily banking and superior (fast) credit process

OUR BEST-IN-CLASS EFFICIENCY IS ENSURED BY A FUTURE-PROOF COMBINATION OF AUTOMATION, SCALABILITY AND AGILITY

We are already a very cost efficient bank...



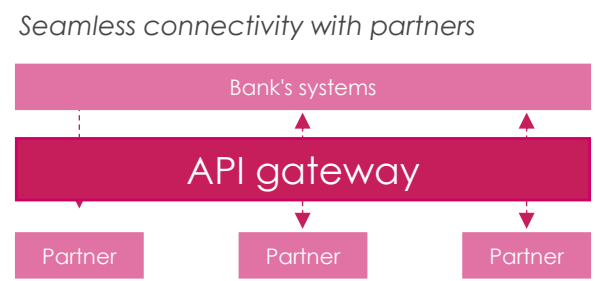
Smart processing technology supports benchmark level of end-to-end automation and integration

Branch network optimization based on advanced geo-analytics models

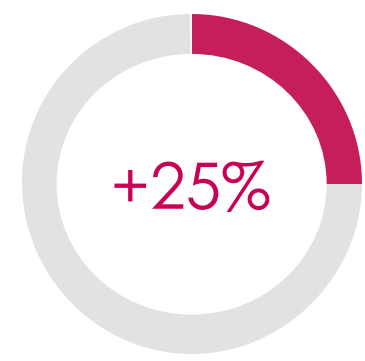
... ready to scale at negligible costs...



... and to expand across the digital ecosystem



...and we will further amplify the power of automation with AI



Potential further efficiency increase in back office due to AI application

Machine-learning-based information extraction from unstructured documents coupled with natural language processing (NLP)

NLP and chat-bots pilots being carried out already

OUR PROVEN INTERNAL DIGITAL & TECH CAPABILITIES, WILL NOW BE FURTHER COMPLEMENTED THROUGH A FINTECH HUB

We have a proven internal digital & tech platform...

Strong and growing talent pool developed over years

- 75% of IT capacity allocated to software development and R&D; commodity activities outsourced
- Wide array of advanced skills in CX, Design, technology, data science

Experienced and dynamic Agile organization

- Design thinking, Agile & DevOps as core implemented practices
- Frequent software deployments cycles (every 2 weeks)
- ~10 releases of mobile Banking applications yearly
- Multi-skilled independent teams dynamically organized around core focus areas

Internal Entrepreneurship DNA

- Goodie as in-house start-up developed from scratch – a catalyst for innovative change and testing of new ideas

...ready to plug-in external tech partners through a FinTech hub and deliver non-linear growth

We seek FinTech partnerships focusing on expanding our core business, not on venture building

We have a clear focus of areas for potential cooperation

- Value added services especially in Retail and Micro segments
- Innovative and specialized technology (e.g. Biometrics, AI/NLP¹, Robo-advisory)

Effective selection and onboarding of partners will be ensured by strong tech & digital skills and Goodie experience

TALENT AND CAPABILITIES NECESSARY FOR DELIVERY OF OUR AMBITIOUS STRATEGY WILL BE ENSURED BY AN ENRICHED EMPLOYER VALUE PROPOSITION

Bank Millennium is already an exciting place to work ...

Admired workplace



Broad training programs



Personal achievement recognition culture



Leadership development



Values-based company with strong collaborative spirit and having multi-functional teams focused on main challenges

...and will become even more so, to keep attracting top talents



The first-choice employer for the brightest talents who deliver the most innovative solutions in the financial services industry

We will continue offering an innovative, collaborative working environment with agile working model and entrepreneurial DNA

WE ARE DEDICATED TO CREATE SHARED VALUES AND MAKE CLEAR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

Customers



Banking for all - no physical, infrastructure and digital barriers

Digital functionalities beyond banking e.g. e-administration

Ethical sales

Colleagues



Employees' satisfaction

Education and development

Respect of diversity

Citizenship



Employee's volunteering

Society financial education

Promotion of culture

Bank Millennium has been consistently ranked in Respect Index of WSE since 2010

AS THE RESULT OF STRATEGY 2020, WE WILL DELIVER CONTINUED STRONG GROWTH, SUPERIOR COST-EFFICIENCY AND TOP-OF-INDUSTRY SHAREHOLDERS' RETURN

AMBITION by 2020

We want to gain scale by being a **growth leader in Polish banking sector...**

...at the best-in-class efficiency & risk level...

...and as a result generate appealing return to our shareholders

- Core business Income growth by **~30%** (vs. 2017)
- **Double-digit** volume growth in core selected areas
- **Double** the pace of active client acquisition
- Maintain **Top 3** in customers **NPS** among banks
- Cost-to-income ratio of **40%**
- Cost of risk in line with historical trends
- **1 bln** PLN Net Profit¹
- **Top 3 ROE** in Polish banking industry¹

SUMMING IT UP: WE ARE READY TO ACCELERATE OUR GROWTH EVEN FURTHER

2009-2011: “Managing through the crisis”

- Conservative liquidity management, strengthening capital ratios
- Improved risk management
- Improving core profitability drivers
- Restructuring of distribution platform, improving efficiency through strict cost management

2012-2014: “Rebalancing the business model for profitability”

- Rebalanced product mix (e.g., mortgage vs. cash loan, term vs. other deposits), deposits price optimization
- Setting Corporate lending on a growth track with new targeting tools and RM management models
- Focus on strengthening competitive advantage (online, mobile, quality, customer intelligence)
- Further reduced operating expenses by strict admin. cost management and lean initiatives

2015-2017: “Focus on profitability preservation, while keeping organic growth target”

- Accelerating acquisition of retail customers via traditional, new and digital channels, while maintaining segment profitability
- Keeping differentiating through customer experience, further leveraging digital and customer intelligence
- Keeping the growth momentum in corporate segment while improving profitability
- Maintaining operational excellence and strict cost control

2018-2020: “Accelerated growth”

- Complementing current growth engine in **Retail** (C/A acquisition) with **new engines** (cash Loan, investments and micro business)
- Accelerate the growth in **Corporate** through **lending** and enhanced **sales force efficiency**
- Focus growth around client satisfaction, in retail **mass personalization** and in business with **sectorial knowledge approach**
- Strong leverage of **digital in banking** and beyond as competitive edge
- **Opportunistic** approach to **inorganic growth** options
- Win the **war for talent** thanks to engaging and inspiring work environment