



# BANK MILLENNIUM GROUP

Presentation of 1st half 2020 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](http://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 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.



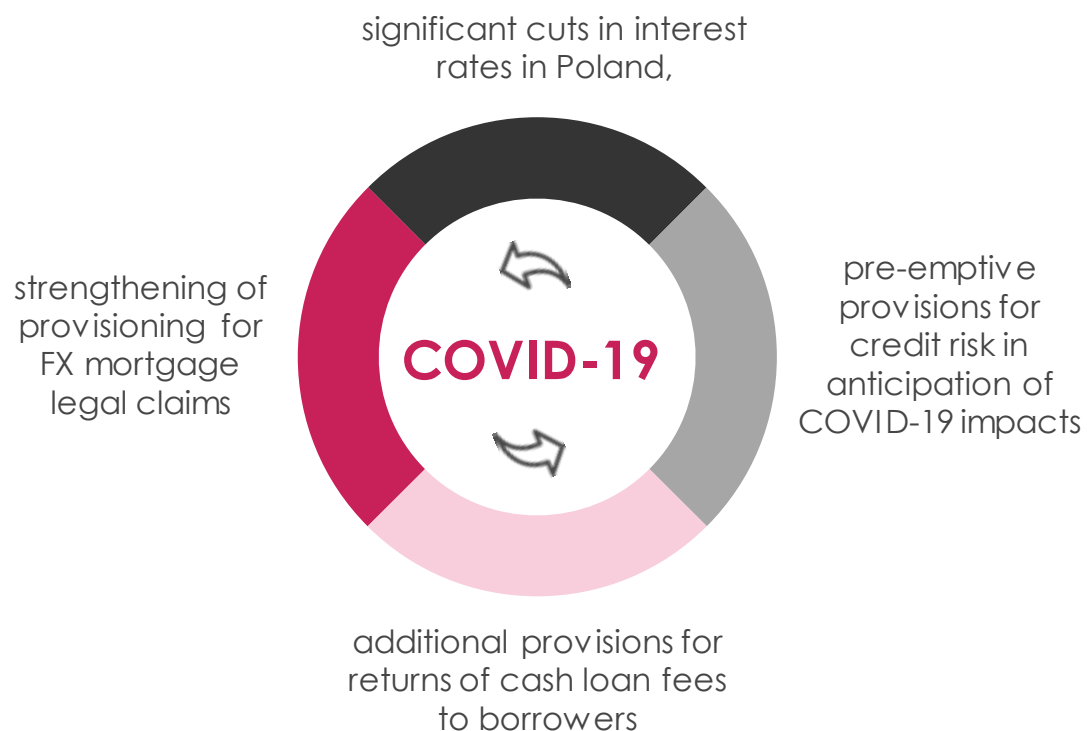
## PRESENTATION OF 1H20 RESULTS

- > **Covid-19 impacts and Bank's response**
- > Euro Bank integration
- > Financial performance
- > Business development
- > Appendices

## 1H20: EXECUTIVE SUMMARY

### Background of Bank Millennium Group's activity during 1H20

Thus far year 2020 for Bank Millennium is marked by the impact of COVID-19 crisis and subsequent events.



Against this background, the Bank has focused its attention on:

- ✓ protecting health of employees and customers
- ✓ ensuring business continuity
- ✓ mitigation measures at the level of risk management
- ✓ execution of the synergies plan resulting from Euro Bank acquisition
- ✓ additional cost cutting measures with relevant impact already in 2020
- ✓ mitigation repricing decisions on both deposits and loans side

# BANKING IN COVID-19 PANDEMIC AND A SLOW RETURN TO 'NEW NORMAL'

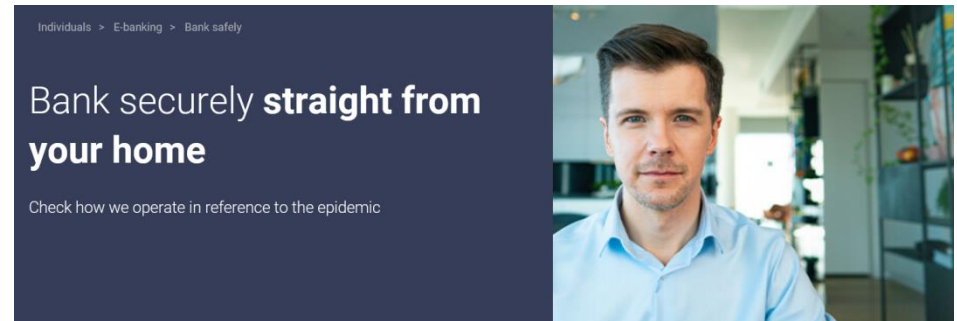
We supported our clients and employees during the pandemic  
Now business slowly returning to branches and staff to the HQs

## 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**

## Gradual return to 'new normal':

- **c50%** HQ and corporates sales employees working in the office vs. c10% during the peak of the lockdown
- Traffic at BM and franchise branches reached **c70% of pre-Covid** level vs. c40% at the low in early April
- A mere **1% of outlets closed** at the end of 2Q20
- **c8k calls** serviced daily in late June vs. 20k+ at the peak day (March 23) and 3.5k at the beginning of March
- **c4k** electronic correspondence (incoming chats and e-mails) received daily vs. 9k+ in April



Individuals > E-banking > Bank safely

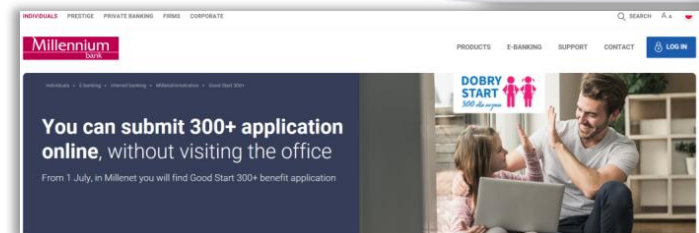
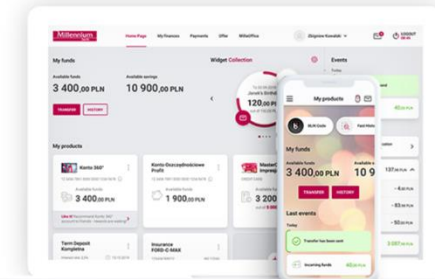
## Bank securely **straight from your home**

Check how we operate in reference to the epidemic

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



INDIVIDUALS PRESTIGE PRIVATE BANKING FIRMS CORPORATE

## You can submit **300+** application online, without visiting the office

From 1 July, in Millenet you will find Good Start 300+ benefit application

DOBBY START 300+ benefit

# BANK MILLENNIUM'S SUPPORT FOR CLIENTS AMIDST COVID-19 PANDEMIC

## Temporary credit holidays

### Support to individual clients: cash loans & mortgage loans

**Credit holidays** – deferral of principal and interest instalments **remote process of application for credit holidays** (Millenet, TeleMillennium), without necessity to visit branch

- **dedicated sub-internet site to credit holidays** – all necessary information, example of simulation of cost comparison, conditions to apply, required documents
- **simulator of credit holiday costs** available through Telemillennium and Millennium branches – which allows clients to obtain information about costs of credit holidays\* prior taking the decision to apply

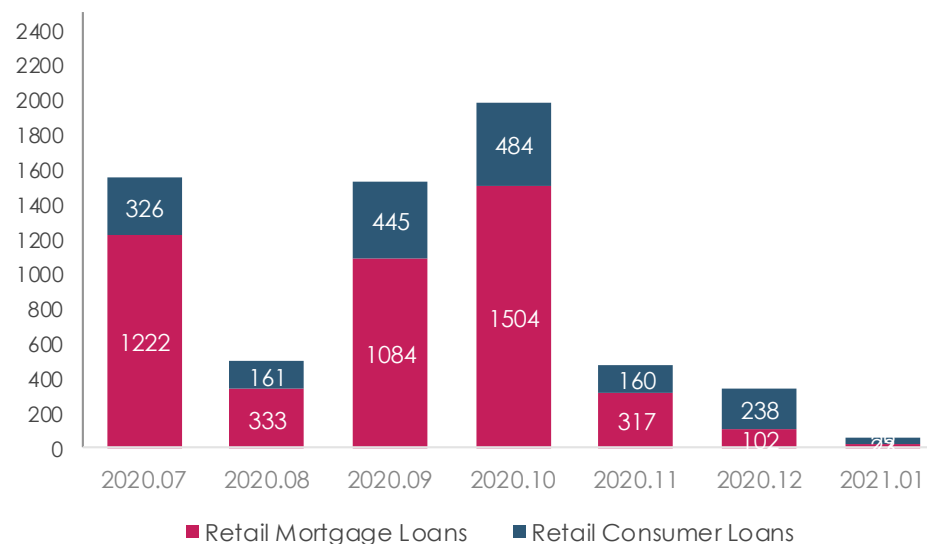
### Credit holidays' statistics

- Loans with credit holidays represent **c10% of total portfolio** as of end of June
- Mortgage loans represent **71% of retail portfolio with credit holidays granted**
- Credit holidays with maturity over 3 months represent 44% of retail credit holidays portfolio.

Loans exposure with active credit holidays as June 30th, 2020

Category	Exposure [PLNmn]	% of outstanding
<b>Retail o/w:</b>	<b>6 427</b>	<b>11,7%</b>
Mortgage loans - foreign currency	2 081	13,8%
Mortgage loans – PLN	2 503	10,6%
Consumer loans	1 842	11,4%
<b>Corporate</b>	<b>376</b>	<b>3,1%</b>
<b>Millennium Leasing</b>	<b>807</b>	<b>12,2%</b>
<b>Total</b>	<b>7 609</b>	<b>10,3%</b>

Outstanding of retail loans with credit holidays by holiday end date



(\* ) whenever applicable

# SOLUTIONS FOR COMPANIES AND CORPORATIONS

Innovative services available to owners of small and medium enterprises as well as corporations supporting running a business during a pandemic

## Financial Shield

Implementing a process of applying and checking the status of the application for a subsidy from the PFR Financial Shield program in Millenet for companies and enterprises. Enabling lodging an appeal against PFR decisions via electronic channels. Information campaign for micro-, small and medium enterprises on financing under the PFR program.

## New application for Konto Mój Biznes account

In Millenet for individual clients, self-employed sole trader can set up a business account even more conveniently than before. The application has been optimized in terms of User Experience and process efficiency.

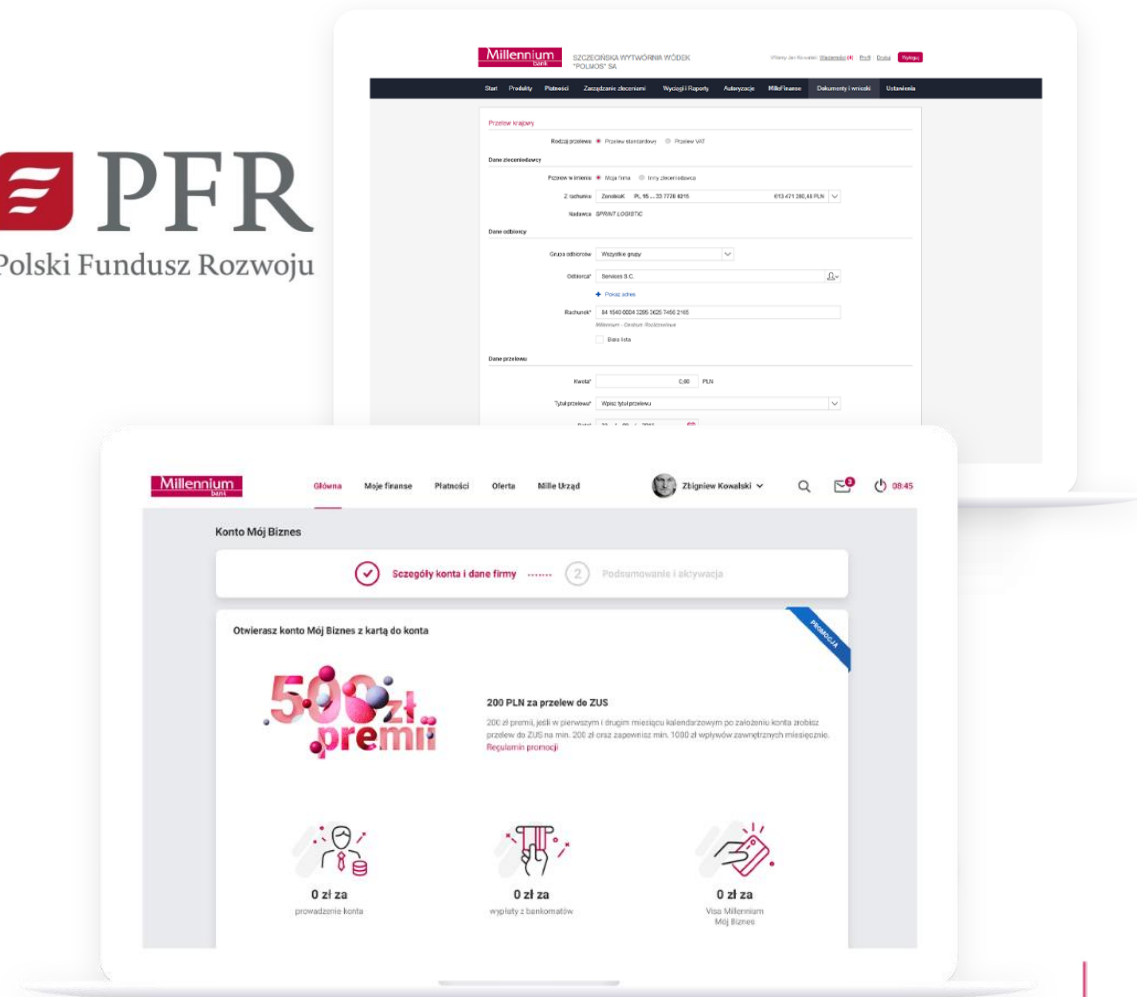
## Changes in the tax transfers

Implementation of regulations related to the so-called white list of VAT taxpayers resulted in rebuilding of domestic, tax-customs and foreign transfer forms in Millenet for Companies.

We have introduced the possibility of verifying the 'white list' for clients who import transfer files and provide a new version of the form for submitting split payment orders which simplify the process for users.

## Extending the scope of token authorization

Corporate clients using the trade finance module can now authorize orders using a hardware token with a reader



# DIGITALIZING CORPORATE CLIENTS

Providing possibility to exchange e-documents via Millenet for companies

## Providing electronic documents for signature in Millenet

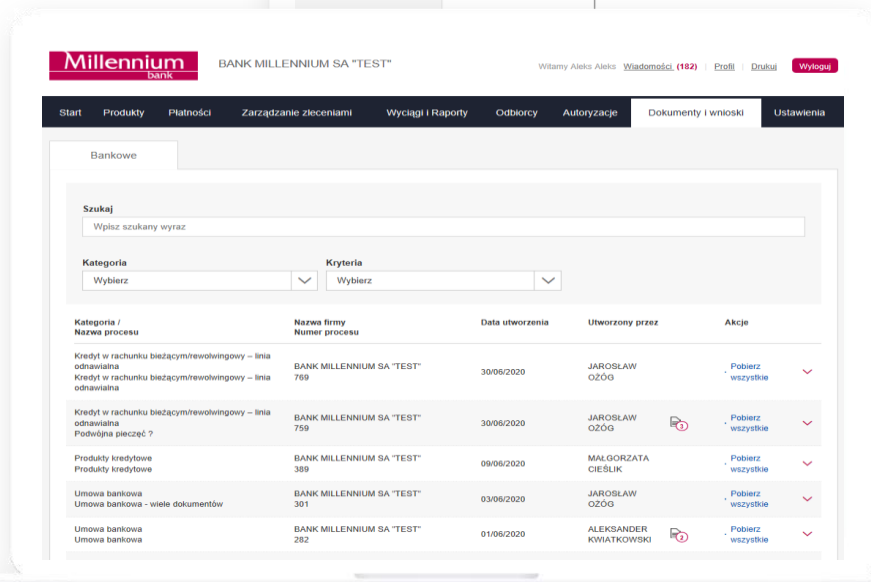
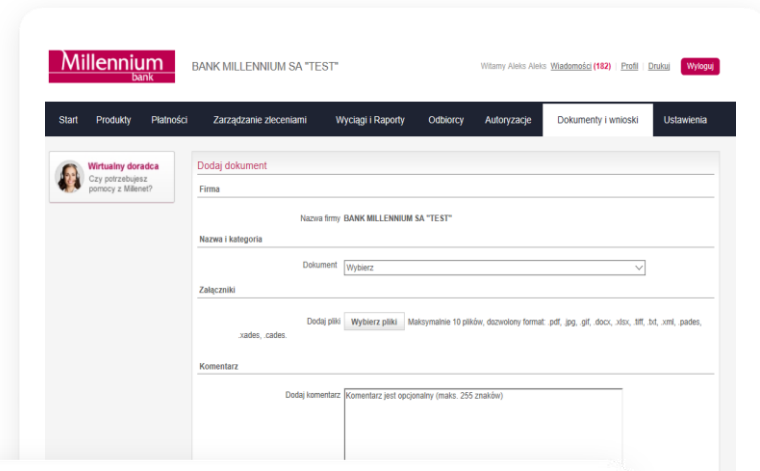
Corporate clients have the option of downloading electronic documents for signature, in PDF format, directly from the Millenet for Companies system. Each document contains a Bank Millennium certified seal.

## Sending signed documents to the Bank

Customers can send signed electronic documents to the Bank using the Millenet system. The Bank also makes available the history of documents sent to the Bank.

## One process, one document, many files

Bank Millennium has provided functionality in which all versions of electronic documents are available in one process. The customer has access to all versions of the electronic document, from the first to the final, all in one place.





## HOW OUR ACTIONS WERE RECEIVED BY CLIENTS

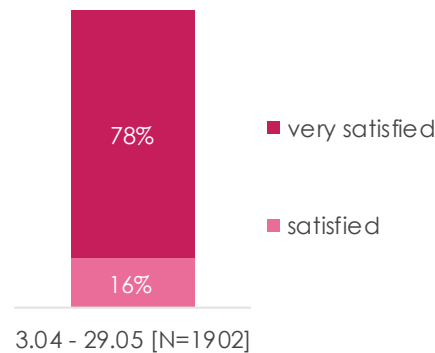
Satisfaction with the Bank's current activities is high. More than 90% of customers do not see the change in availability&quality of services and nor changed their opinion about the Bank



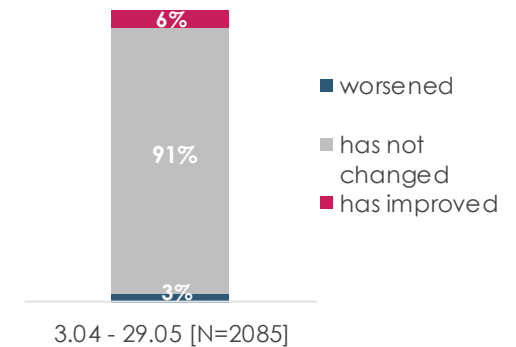
### TOP3 reasons of satisfaction:

- General satisfaction, no problems
- The ability to perform banking operations remotely
- Quality of service in general

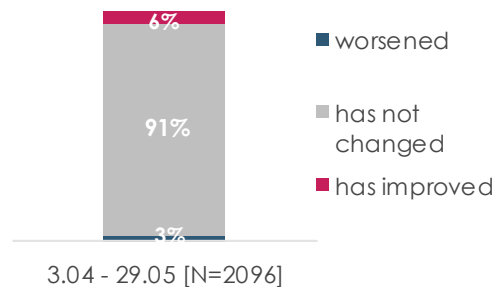
### 94% of clients satisfied with current Bank activities



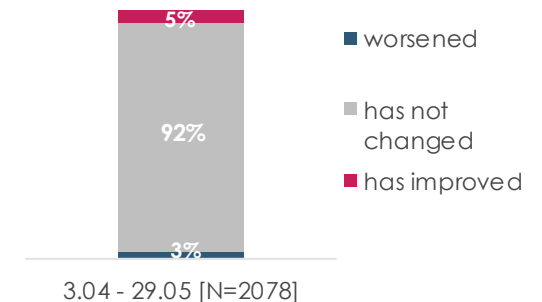
### 91% customers do not see the change in availability of services



### 91% customers do not see the change in quality of services



### 92% customers do not change the opinion about the Bank



Q. How **satisfied** are you with the activities of Bank Millennium in response to the current situation? Please indicate your answer on a scale of 1-5, where 1 means "definitely dissatisfied" and 5 means "definitely satisfied". [% of rates 4 and 5]

Q. Please tell me if since the coronavirus pandemic **availability/quality** of services in Bank Millennium...

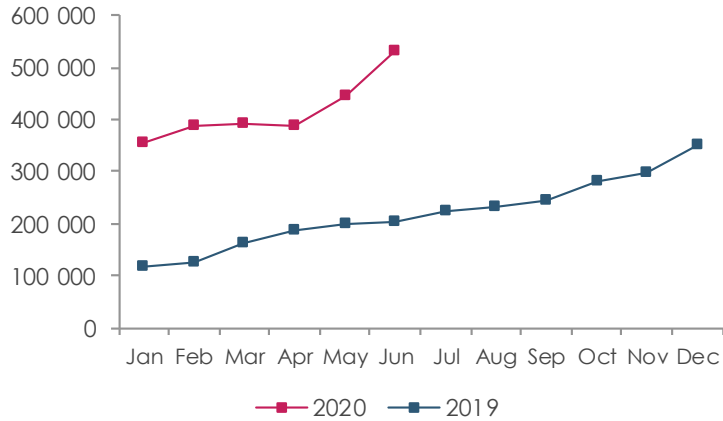
Q. Please tell me whether, since the coronavirus pandemic, **your opinion** about our bank ...

Source: Bank's survey, method CATI (Computer Assisted Telephone Interview), period: 3/04-29/05, sample size: n=2318

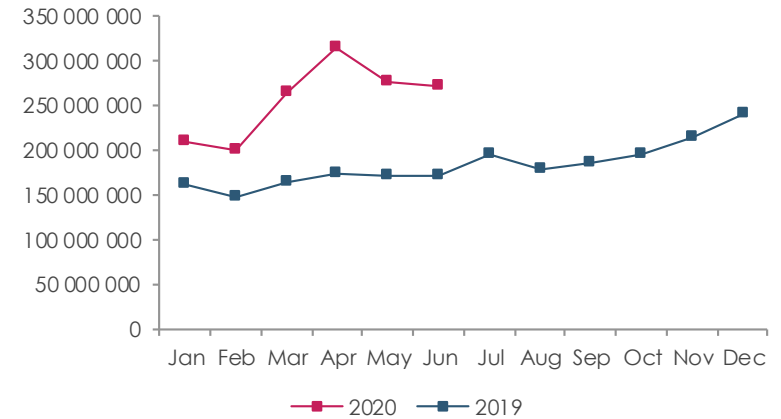
# COVID-19 PANDEMIC ACCELERATED CHANGE IN CUSTOMERS' HABITS

E-payments are returning to steady uptrend after dent in the early stage of the pandemic

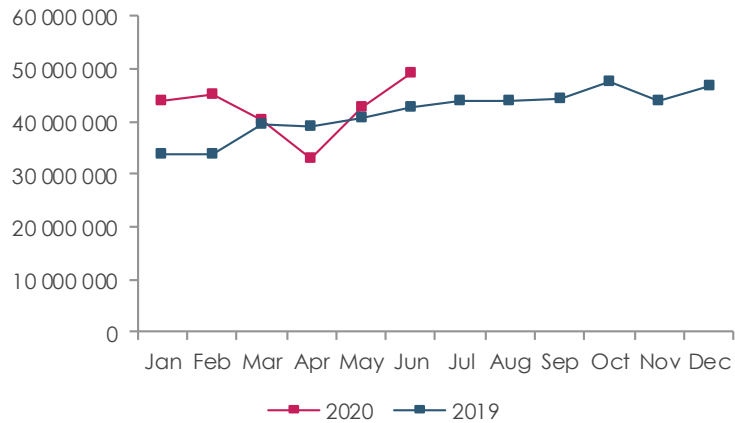
BLIK – number of transactions



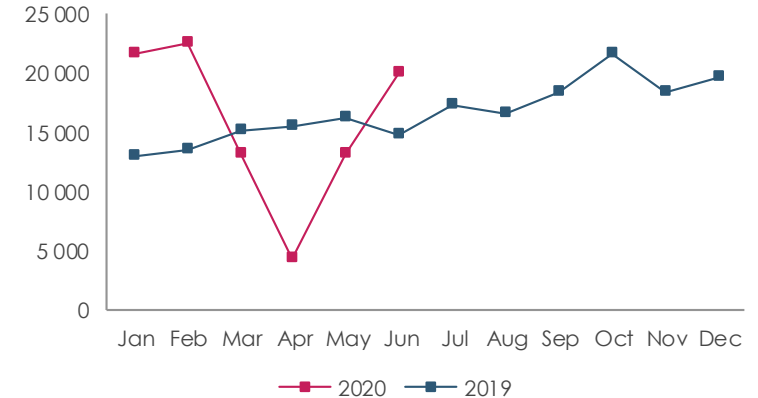
PayByLink – number of transactions



Debit card – number of transactions



MoBilet parking tickets – number of transactions



## GOVERNMENT SUPPORT SCHEMES AND REGULATORY ACTIONS

The government and central bank have taken firm actions to support the enterprises affected by the negative effects of the pandemic. As a result the public finance sector deficit will surge in 2020 to 9.5% of GDP and public debt to around 55% of GDP.

### Anti-crisis shield 1.0

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- Exemption from ZUS social security contributions for 3 months.
- One-off benefit for self-employed workers with a falling income.
- Subsidies to employee's wages and salaries.
- Deduction of loss incurred in 2020 from operating income earned in 2019.
- Extending working capital loans and new financing secured with 80% de minimis BGK guarantees.
- A low interest loans from the Labor Fund for micro-enterprises.

### Anti-crisis shield 3.0 and 4.0

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- Interest subsidy fund at Bank Gospodarstwa Krajowego (BGK)
- Limiting the possibility of taking over Polish companies in the energy, medical, food and telecommunications industries, among others.
- Limiting the possibility of taking over Polish enterprises by entities outside the European Union.
- Subsidies from the state budget for interest on bank loans for companies.
- Credit holidays for those who lost their jobs or main source of income after March 13.
- Facilities for tenders.

### Anti-crisis shield 2.0

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- Subsidies for enterprises with a total value of PLN 100bn (4.5% of GDP): PLN 25bn will go to micro-enterprises, PLN 50bn to small and medium-sized enterprises, and PLN 25 bn to large enterprises.
- Entities that will benefit from the program will receive a total of non-returnable funds worth PLN 60bn.
- The program will be financed by the issue of bonds of the State Development Fund, which in the second quarter of 2020 will place PLN 100bn debt with a guarantee of the State.

### NBP, banking supervision, BFG

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- Interest rate cuts by the Monetary Policy Council by 140 bps.
- Reduction of the level of required reserves (to 0.5% from 3.5%).
- Lowering the systemic risk buffer to zero.
- Removing the buffer for banks recognized as systemically important institutions.
- NBP operations supplying the banking sector with liquidity through the repo transactions.
- Treasury bond purchase program and guaranteed by the State on the secondary market by the NBP.
- A promissory note loan intended for refinancing new loans granted to enterprises by commercial banks.
- Postponement of the date of the MREL requirements and abolition of intermediate thresholds.

## THE BANK'S RESPONSE TO THE CRISIS

The Bank focused the response on ensuring business continuity, introducing measures to maximize employee and customer protection against COVID-19 contamination, but also started a deep revision of the Bank's short term plan

- The bank is facing severe unprecedented crisis conditions related to COVID-19 pandemic
- The situation impacts 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

## PROJECT 'MILLENNIUM THROUGH COVID-19'

To further develop relationship with customers, keep actively responding to government driven business mitigation actions and prepare foundations of new service model in the post-crisis reality, the Bank initiated a project including several streams

### Core activities in each stream:



#### P&L 2020, the financial area

Preparation and implementation of actions aiming to mitigate the negative impacts on profitability of the COVID-19 crisis and interest rate cuts



#### Credit risk management

Adjust risk policy to new reality, reinforce risk portfolio monitoring



#### Digitalisation

Maximize customers digital onboarding and digital sales, promoting active cross channel cooperation and customers digital education



#### Business revamp

Ensuring proper focus on business volumes and transactions after end of lockdown and TOP customer experience sustainability in all business segments



#### Branch network & call center

Optimize footprint, boost performance and incentivize migration to remote channels



#### Future bank

- Clients' preferences and behaviour post-COVID-19
- Company culture and & work organization

## PROJECT 'MILLENNIUM THROUGH COVID-19'

We aim to cut the earlier planned 2020 opex by 10%\* (capex by 17%), recover revenues and increase share of digital sales

- Results in 2020 will be negatively impacted by the significant interest rate cuts and additional provisions for FX mortgage loans legal risk
- In this context, the Bank adopted mitigation measures that are already providing relief, namely through:

**Reduction of the cost of deposits**  
following the 140bp interest rate cut

### **Cost reduction**

by accelerating the plan of capturing the cost synergies from the Euro Bank acquisition and further delivering cost savings of 10%\* in 2020 alone



**Millennium**  
bank

**Careful management of credit risk, with more conservative provisioning in 1H20** and tight monitoring which may help to mitigate the potential negative impacts from the crisis on asset quality, although more clear picture will only come after the end of credit holidays period used by part of clients

**Accelerating digitalisation of sales & service and internal processes.** Maintaining the focus on **business development**, especially on mortgage loans

(\*) excluding Euro Bank related integration costs and BFG costs



## PRESENTATION OF 1H20 RESULTS

- > Covid-19 impacts and Bank's response
- > **Euro Bank integration**
- > Financial performance
- > Business development
- > Appendices

## EURO BANK INTEGRATION

Euro Bank integration starts to yield significant and recurrent synergies

(PLNmnn)

### Integration costs and synergies

	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20
Integration costs*	-2.0	-17.8	-44.3	-52.2	-116.3	-30.1	-5.2
- o/w depreciation	-	-	-	-0.8	-0.8	-0.4	-0.5
Additional provisions on Euro Bank portfolio**	-	-80.6	-8.0	-	-88.6	-	-
<b>Total negative impact (pre-tax)</b>	<b>-1.9</b>	<b>-98.4</b>	<b>-52.3</b>	<b>-52.2</b>	<b>-204.9</b>	<b>-30.1</b>	<b>-5.2</b>
Synergies	-	-	-	23.4	23.4	25.0	37.1
<b>Net impact (pre-tax)</b>	<b>-1.5</b>	<b>-79.7</b>	<b>-42.4</b>	<b>-23.2</b>	<b>-146.9</b>	<b>-5.1</b>	<b>31.9</b>

- **Integration costs and capex** incurred to date represent 42% of the new plan. In 1HQ20, the bulk of opex was HR related (i.a. PLN13.5mn provision for group redundancies, PLN10.5mn retention bonus). **Overall 2020 integration opex target is PLN71mn.**
- **First positive net synergies in 2Q20 (PLN31.9mn).** Gross synergies are expected to increase in subsequent quarters with PLN150mn+ targeted in 2020 overall and cPLN220mn in 2022.

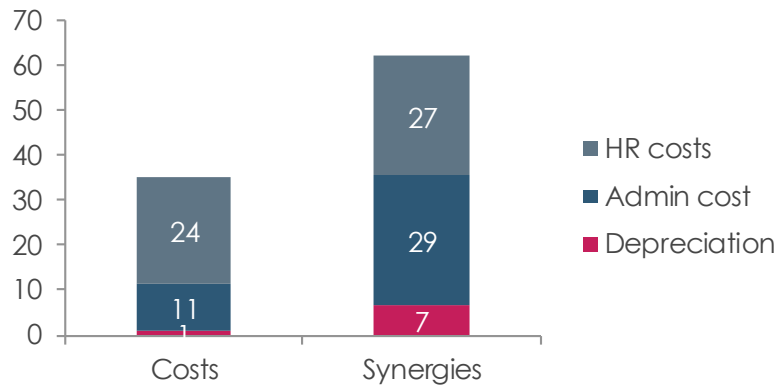
(\*) Costs: P&L OPEX directly related to Euro Bank acquisition, merger and integration. Expenses: additionally there was a PLN37mn PPA adjustment, while capex totalled PLN33mn in 2019; \*\*) 12-month expected credit loss (ECL) estimated on fair value of loan portfolio in accordance with IFRS 9 (on D1 in 2Q19) plus extra provisions on normal loans being subsequently reclassified after D1.



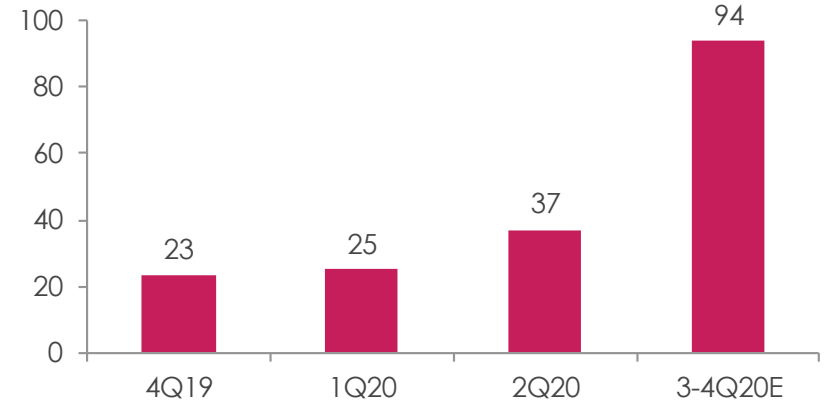
# EURO BANK INTEGRATION

Integration process is on track, opex incurred to date at 42% of the 2020 plan  
 2020 synergies expected at 71% of 2022 target

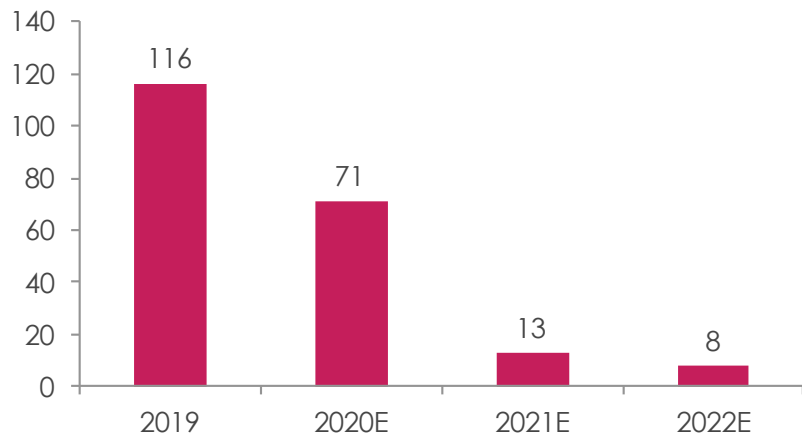
1HQ20 P&L\* integration costs and synergies (PLNmnn)



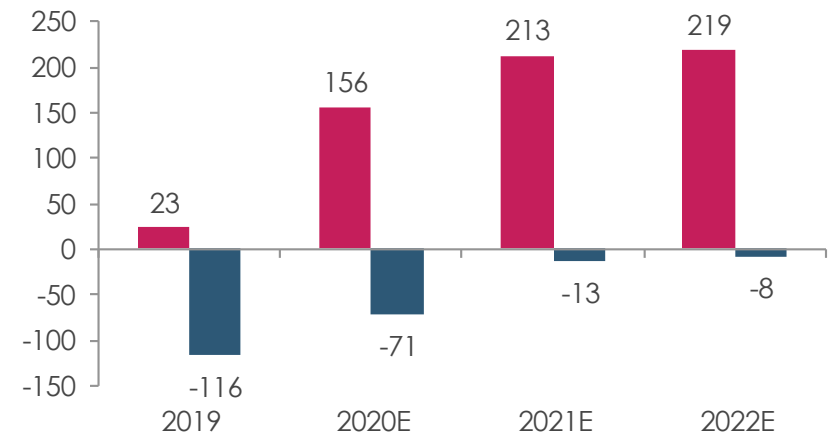
Targeted synergies\* in 2020 (PLNmnn)



Integration costs\* (P&L) (PLNmnn)



Targeted P&L synergies\* and integration\* costs in 2019-22E(PLNmnn)



(\*) Pre-tax.



# PRESENTATION OF 1H20 RESULTS

- > Covid-19 impacts and Bank's response
- > Euro Bank integration
- > **Financial performance**
- > Business development
- > Appendices

## KEY PROFIT & LOSS ITEMS

PLNmnn	1H20	1H19	Change Y/Y	2Q20	1Q20	Change Q/Q
Net interest income	1,329.9	1,084.7	22.6%	640.2	689.6	-7.2%
Net commission income	373.5	338.2	10.4%	179.0	194.5	-8.0%
<b>Total operating income</b>	<b>1,781.0</b>	<b>1,563.4</b>	<b>13.9%</b>	<b>860.3</b>	<b>920.7</b>	<b>-6.6%</b>
<b>Total costs</b>	<b>-923.0</b>	<b>-756.0</b>	<b>22.1%</b>	<b>-405.1</b>	<b>-517.9</b>	<b>-21.8%</b>
Costs without EB integration and BFG	-774.7	-640.2	21.0%	-371.9	-403.0	-7.7%
Loan loss provisions (incl. Covid-19)	-362.9	-230.2	57.6%	-165.9	-197.0	-15.8%
FX mortgage legal provisions	-168.0	-	-	-112.7	-55.3	103.7%
Banking tax on assets	-141.2	-110.0	28.3%	-68.4	-72.7	-5.9%
<b>Net profit</b>	<b>71.7</b>	<b>333.6</b>	<b>-78.5%</b>	<b>53.6</b>	<b>18.1</b>	<b>195.6%</b>
Net profit without extraordinary items*	394.2	427.3	-7.7%	204.1	190.1	7.3%
NIM	2.69%	2.66%	0.03 pp	2.58%	2.81%	-0.23 pp
<b>Cost/Income adjusted (*) ytd</b>	<b>47.1%</b>	<b>45.5%</b>	<b>+2.3 pp</b>			
Cost of Risk adjusted (*) ytd	80 bp	51 bp	+22 bp			
<b>ROE ytd</b>	<b>2.2%</b>	<b>8.7%</b>	<b>-6.5 pp</b>			
<b>ROE adjusted (*) ytd</b>	<b>8.7%</b>	<b>10.0%</b>	<b>-1.3 pp</b>			

(\*) Extraordinary items: in 1H20: 1. integration costs (PLN 35.3m gross), 2. PLN168mn provisions for FX mortgage legal risk (gross), 3. PLN69.3mn (gross) for Covid-19 risk, 4. PLN60.5mn (gross) provisions for the return of commissions from loans repaid earlier by clients, 5. linear distribution of BFG resolution fund fee of PLN58.2mn in 1H19: 1. integration costs (PLN19.8m gross), 2. PLN26.9mn (gross) release of tax asset provision, 3. acquisition related extra provisions for Euro Bank of PLN 80.6mn, 4. linear distribution of BFG resolution fund fee of PLN73.3mn

## KEY BALANCE SHEET ITEMS AND OTHER RELEVANT INDICATORS

PLNm	Jun. 20	Jun. 19	Change Y/Y	Mar. 20	Change Q/Q
<b>Active customers (ths) (*)</b>	<b>2 617</b>	<b>1 947</b>	<b>670</b>	<b>2 605</b>	<b>11</b>
inc. on-line and mobile (*)	1 971	1 513	458	1 926	45
<b>Customer Funds</b>	<b>93 904</b>	<b>85 590</b>	<b>9.7%</b>	<b>90 700</b>	<b>3.5%</b>
<b>Deposits</b>	<b>86 255</b>	<b>76 828</b>	<b>12.3%</b>	<b>83 584</b>	<b>3.2%</b>
Deposits of individuals	63 436	57 638	10.1%	63 328	0.2%
<b>Loans</b>	<b>71 508</b>	<b>67 855</b>	<b>5.4%</b>	<b>72 046</b>	<b>-0.7%</b>
FX Mortgage Loans excl. EB	13 790	14 186	-2.8%	14 501	-4.9%
Loans without FX mortgage	56 715	53 019	7.0%	56 494	0.4%
L/D	<b>82.9%</b>	88.3%	-5.4 pp	86.2%	-3.3 pp
Impaired loan ratio (**)	4.9%	4.3%	0.6 pp	4.8%	<b>0.1 pp</b>
Coverage ratio (***)	65.8%	62.2%	3.5 pp	61.6%	<b>4.2 pp</b>
<b>CET1 = T1</b>	<b>17.0%</b>	<b>16.9%</b>	<b>0.1 pp</b>	<b>16.5%</b>	<b>0.5 pp</b>
<b>TCR</b>	<b>20.0%</b>	<b>20.1%</b>	<b>-0.1 pp</b>	<b>19.5%</b>	<b>0.5 pp</b>

(\*) stage 3 and POCI loans share in gross total loans

## FINANCIAL HIGHLIGHTS OF 1H20

Lower interest rates and extraordinary items taking a toll on the results but adjusted ROE at 8.7%.

### Profit affected by integration and extra provisions

- Reported 1H20 net profit at **PLN72mn** (2Q20: PLN54mn) or **PLN394mn** (2Q20: PLN204mn) once adjusted for extraordinary items\*
- Merger synergies of **PLN62mn** well exceeding integration costs (PLN35mn)
- Extraordinary provisions: **PLN168mn** for FX mortgage legal risk; **PLN69mn** for Covid-19 risk and **PLN60mn** for fee refunds on early repaid consumer loans
- Adjusted\* ROE at **8.7%** and cost/income at **47.1%**

### High asset quality and liquidity kept

- Impaired loans ratio at **4.9%**
- Cost of risk\*\* at **98bp** (79bp ex-Covid-19 provision)
- Loans to deposits ratio at low level of **83%**

### Higher income and cost after the merger

- Operating income grew **14%** y/y
- Net interest income grew **23%** y/y
- Net commission income grew **10%** y/y
- 2Q20 operating costs without BFG and integration costs fell **8.0%** vs the previous quarter

### Solid capital and lower regulatory buffers

- Group's Total Capital Ratio (TCR) at **20.0%** and CET1 ratio at **17.0%** more than 400bp above statutory minimum requirement
- Systemic risk buffer cut to **0%** from 3% in Mar'20

(\*) Extraordinary items: in 1H20: 1. integration costs (PLN 35.3m gross), 2. PLN168mn provisions for FX mortgage legal risk (gross), 3. PLN69.3mn (gross) for Covid-19 risk, 4. PLN60.5mn (gross) provisions for the return of commissions from loans repaid earlier by clients, 5. linear distribution of BFG resolution fund fee of PLN58.2mn in 1H19: 1. integration costs (PLN19.8mn gross), 2. PLN26.9mn (gross) release of tax asset provision, 3. acquisition related extra provisions for Euro Bank of PLN 80.6mn, 4. linear distribution of BFG resolution fund fee of PLN73.3mn

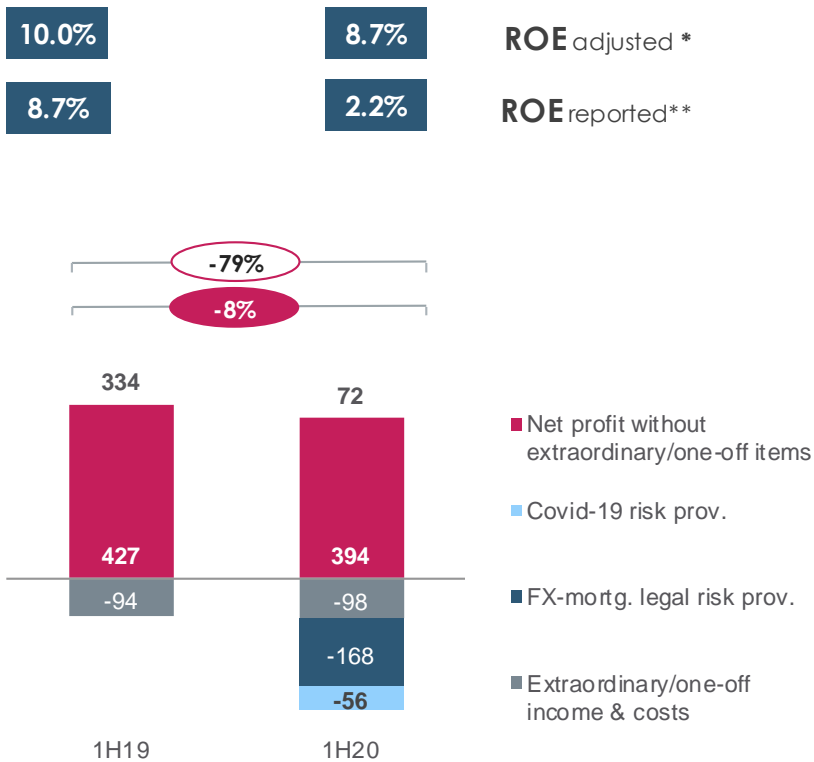
(\*\*) over gross loans

# PROFITABILITY

Without Euro Bank integration cost and extraordinary items  
1H20 ROE at 8.7%; core income up 20% y/y

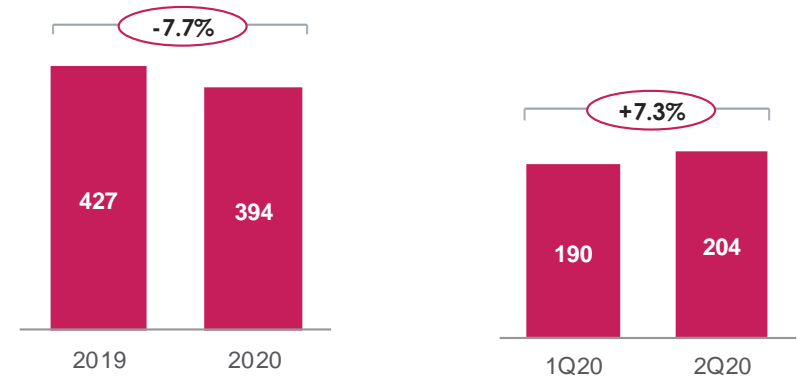
Net profit ytd

(PLNmnn)



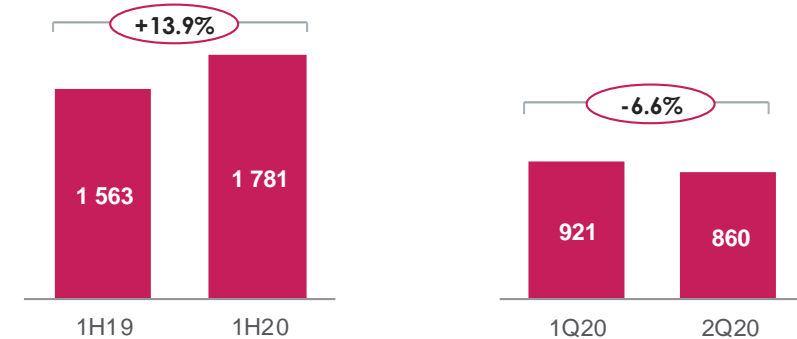
Net profit w/o extraordinary items

(PLNmnn)



Operating income

(PLNmnn)



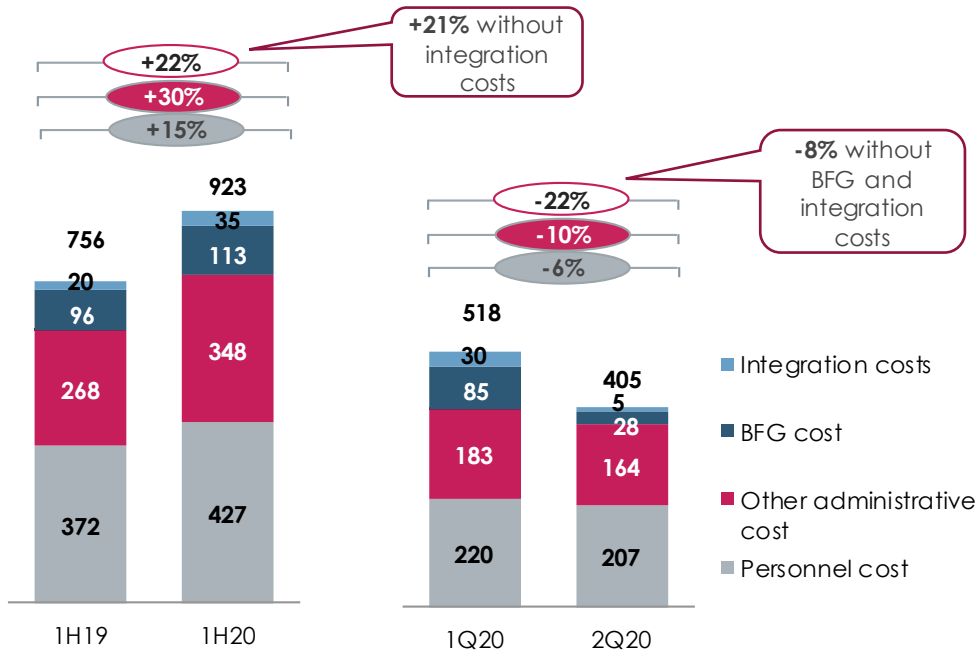
(\*) Extraordinary items: in 1H20: 1. integration costs (PLN 35.3m gross), 2. PLN168mn provisions for FX mortgage legal risk (gross), 3. PLN69.3mn (gross) for Covid-19 risk, 4. PLN60.5mn (gross) provisions for the return of commissions from loans repaid earlier by clients, 5. linear distribution of BFG resolution fund fee of PLN58.2mn in 1H19: 1. integration costs (PLN19.8mn gross), 2. PLN26.9mn (gross) release of tax asset provision, 3. acquisition related extra provisions for Euro Bank of PLN 80.6mn, 4. linear distribution of BFG resolution fund fee of PLN73.3mn (\*\*\*) with linear distribution of BFG resolution fund fee

# COST EFFICIENCY

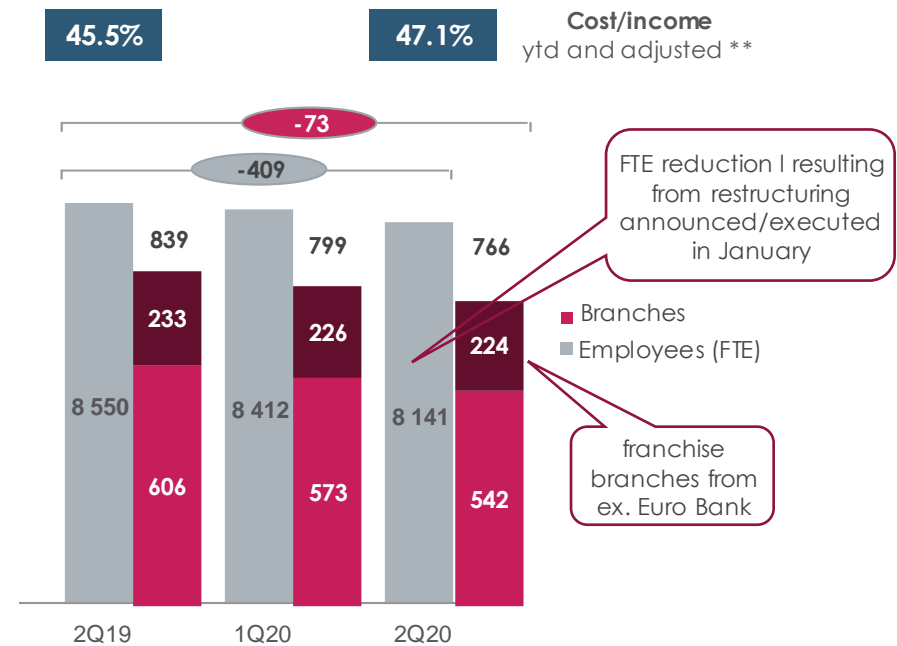
Costs ex-BFG and EB integration in a steady downtrend

## Operating cost

(PLNm)



## Cost/ income, branches and staff

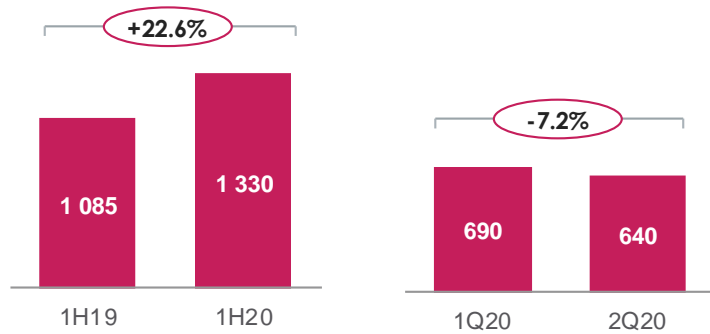


(\*) additional administrative costs directly related to Euro Bank acquisition, merger and integration process (PLN19.8mn in 1H19 and PLN35.3mn in 1H20, of which PLN23.8mn for staff restructuring)  
 (\*\*) without one-off income and integration costs; with equal distribution of BFG resolution fee through the year

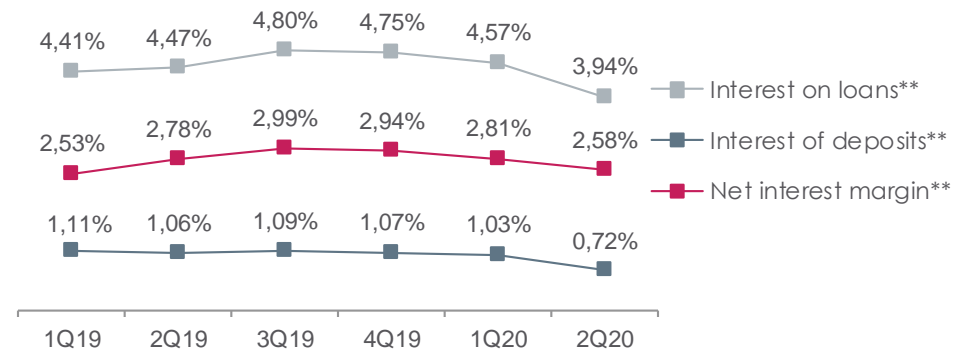
# INTEREST AND COMMISSION INCOME

1H20 NII up 23% y/y while net fees up 10% y/y  
 NIM undermined by rate cuts and lag in deposit repricing vs immediate repricing of a part of consumer loans

Net interest income\* (PLNmnn)



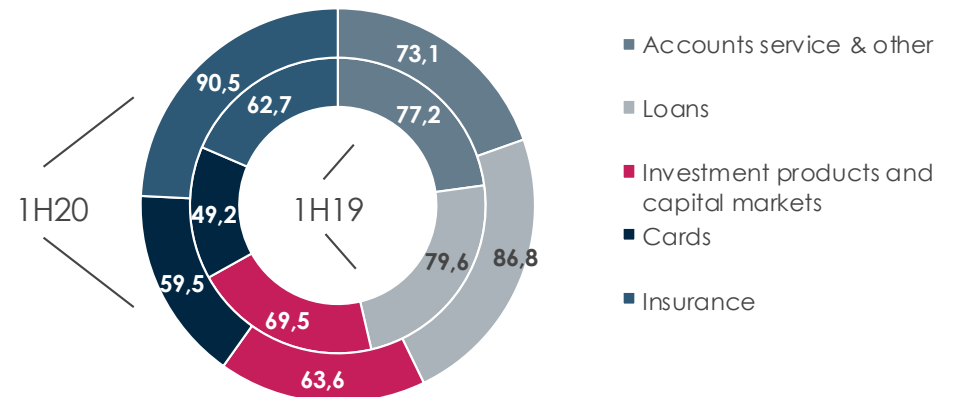
Interest on loans and deposit (quarterly average)



Net fees (PLNmnn)



Fee income structure (PLNmnn)



(\*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN26.6mn in 1H20 and PLN28.1mn in 1H19) 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

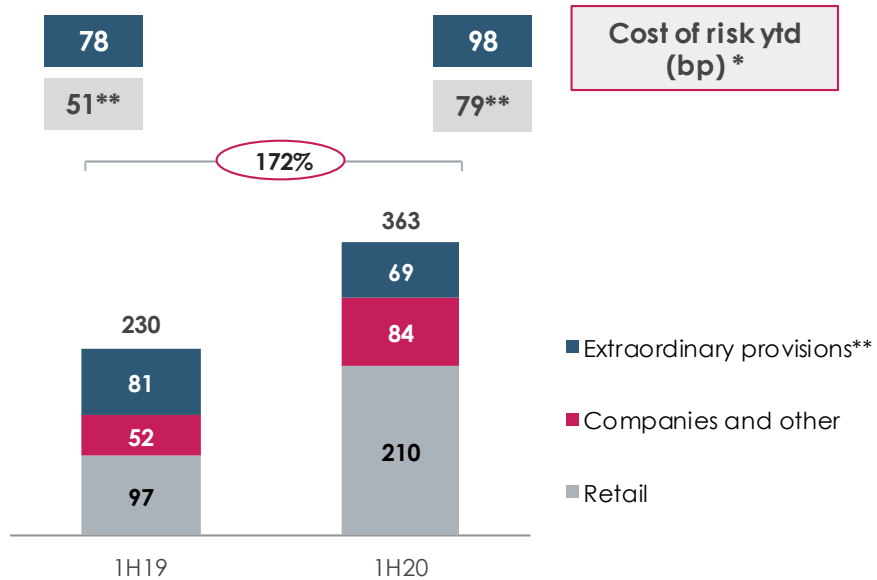


# ASSET QUALITY

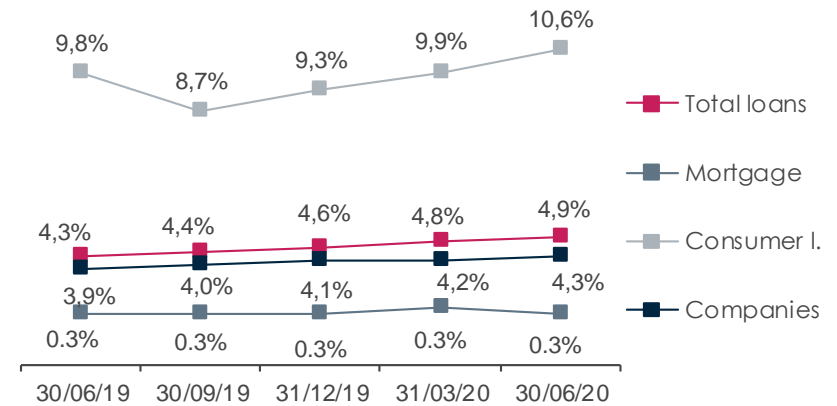
- Allocation of 1Q20 Covid-19 provision to loan portfolio in 2Q20
- No significant deterioration of credit quality in 2Q20

## Cost of risk

(PLNmn)



## Impaired loans (IFRS9 stage 3 & POCI)



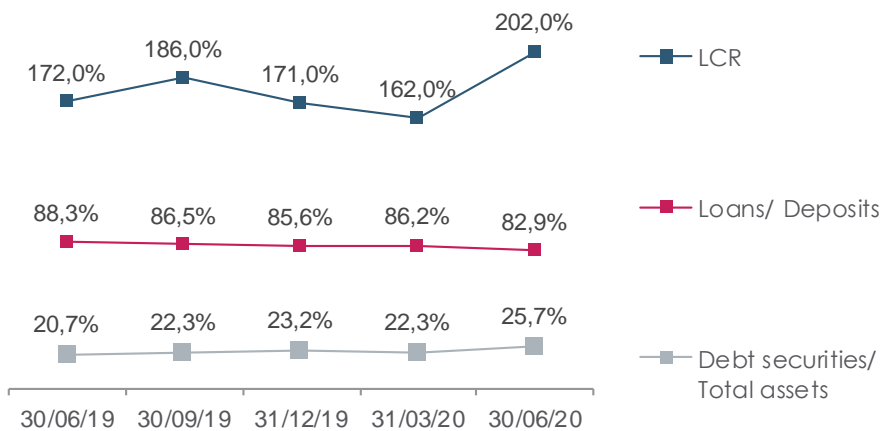
(\*) Total net provisions created (incl. fair value adjustment of loan portfolio and loans modification effect) to average gross loans

(\*\*) Without extraordinary provisions. The item includes Day1 acquisition related extra provisions created for Euro Bank loan portfolio in 1H19 and Covid-19 provisions in 1H20

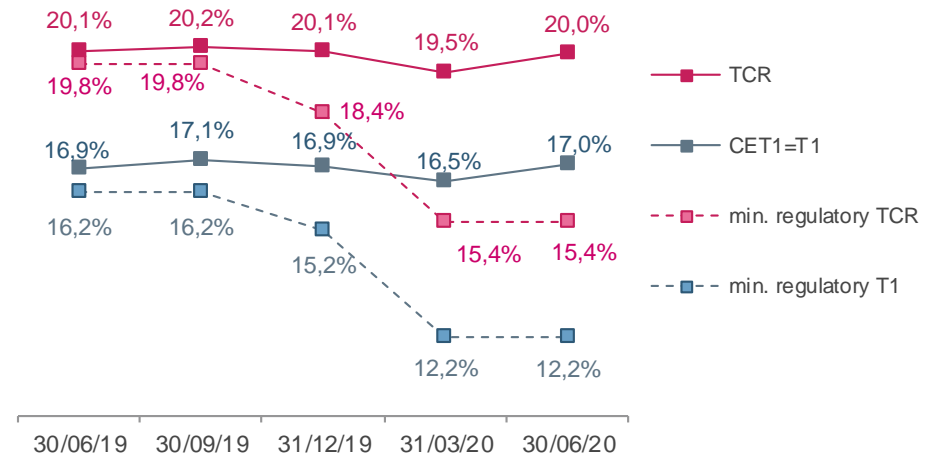
## LIQUIDITY AND CAPITAL

Robust liquidity and strong capital adequacy enjoying higher surplus after the 3 pp cut of the requirement for systemic risk

### Liquidity indicators



### Group capital ratios \*



(\*) Bank's (solo) capital ratios : TCR 19.9% and CET1 16.8%



## PRESENTATION OF 1H20 RESULTS

- > Covid-19 impacts and Bank's response
- > Euro Bank integration
- > Financial performance
- > **Business development**
- > Appendices

## BUSINESS HIGHLIGHTS OF 1H20

- Fulfillment of most of organic growth targets
- Growth returning after a dent in April

### Retail business

- **2.62mn** active clients (34% y/y); 45,600 new clients ytd
- **10%** yearly growth of deposits
- **8%** yearly growth of loans (12% y/y w/o FX mortgages)
- **Record PLN1.5bn** origination of mortgages in 2Q20 and solid PLN1.1bn sales of cash loans translating into y/y loanbook growth of **+10%** and **+2%** respectively
- **Over 100k** microbusiness clients, y/y net growth accelerating to 22k
- Market share in mortgage origination at **11.1%** in 1H20
- Significant rebound of sales of investment products

### Companies business

- **13%** q/q growth of corporate deposits (up 19% y/y) with current account deposits up **25%** q/q and up 77% y/y.
- Loans to companies: **-4%** q/q and stable y/y
- Stable level of factoring turnover ytd vs 1H19

### Quality and innovations

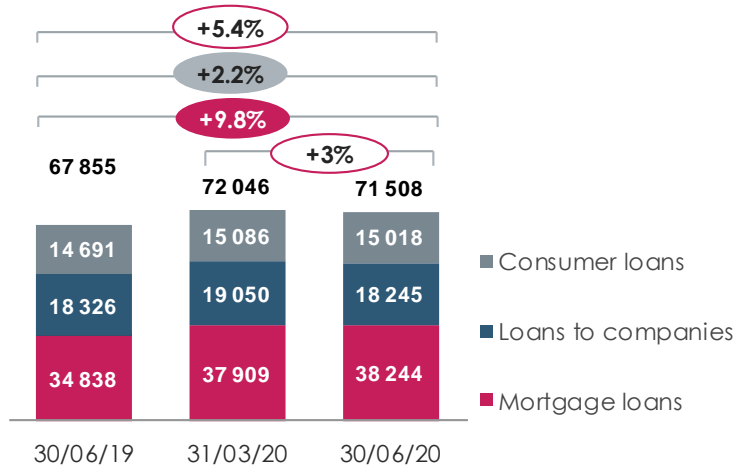
- The highest **NPS ratio (52)** among banks in Poland
- **#1 Fin-Tech Innovation and #2 Mortgage Loan** in Golden Banker 2020
- **1.8mn** apps downloads by **goodie**

# LOANS AND DEPOSITS

Loan growth moderated amid Covid-19 pandemic while deposit growth accelerated to double digit level

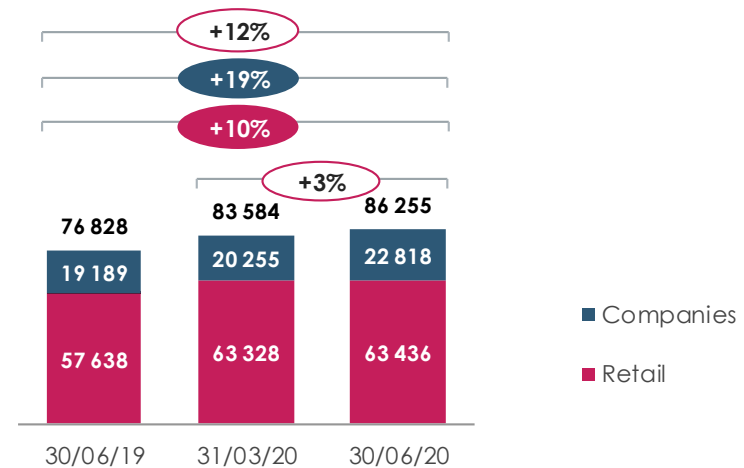
Loan portfolio of the Group (net)

(PLNmnn)

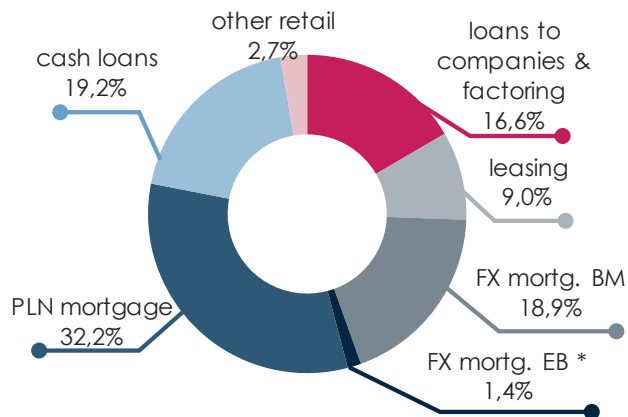


Customer deposits

(PLNmnn)

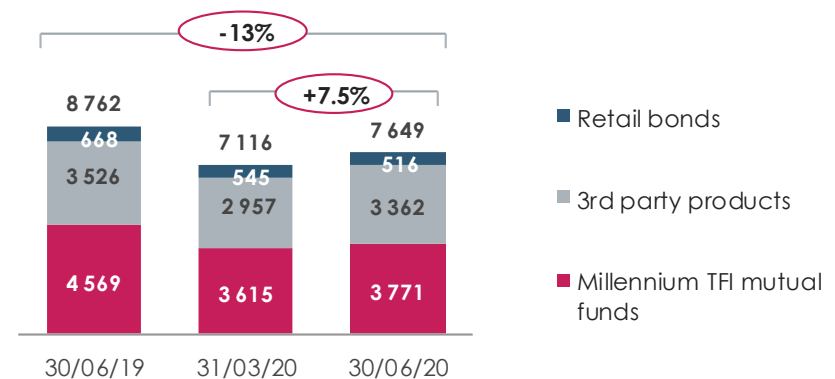


Structure of loan portfolio (gross)



Non-deposit investment products \*\*

(PLNmnn)



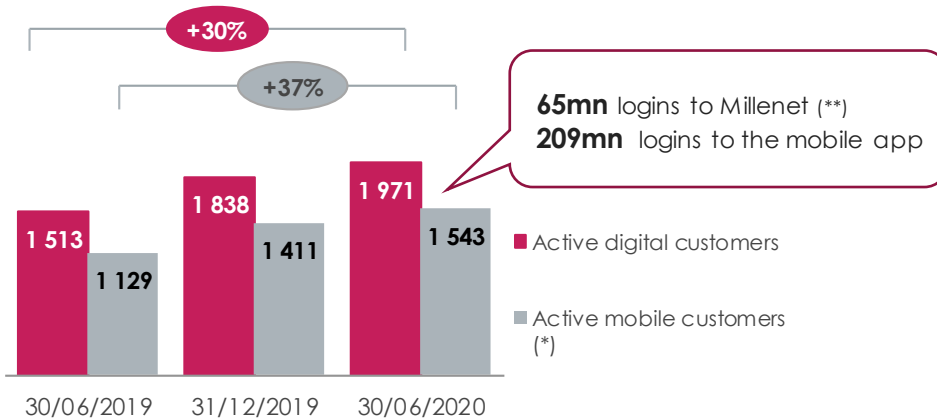
(\*) Covered by SocGen guarantee and indemnity

(\*\*) including mutual funds, saving-insurance products and retail bonds

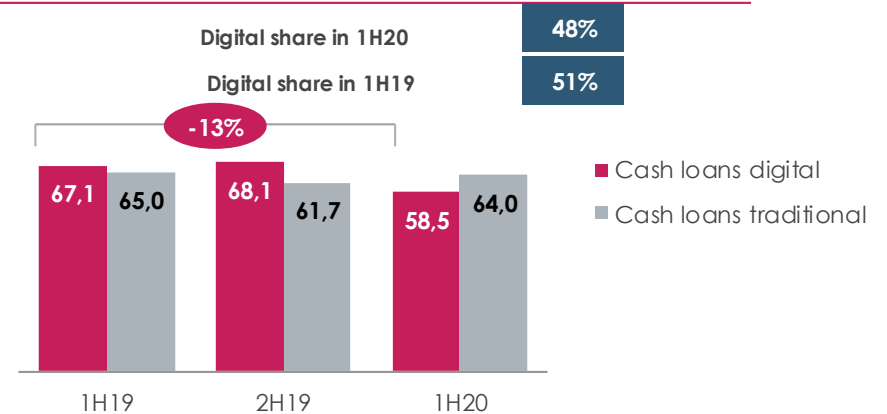
# RETAIL BANKING – DIGITAL CUSTOMERS AND SALES

Strong growth in the number of mobile users  
High share of electronic channels in product sales

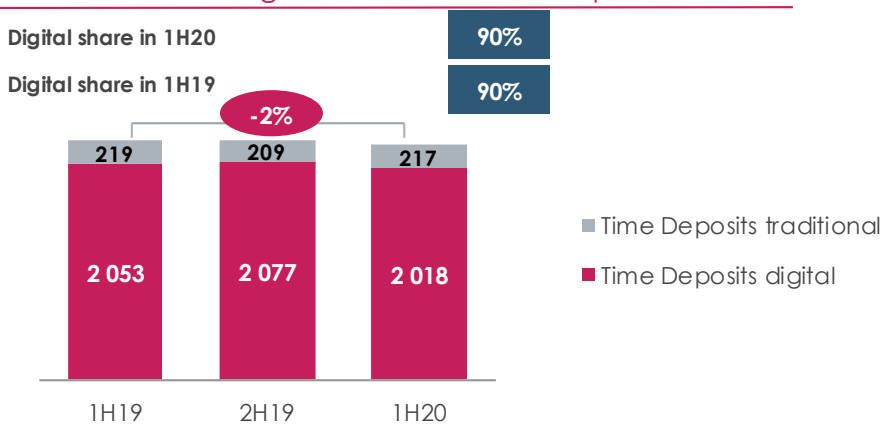
Active digital and mobile clients (in thousand)



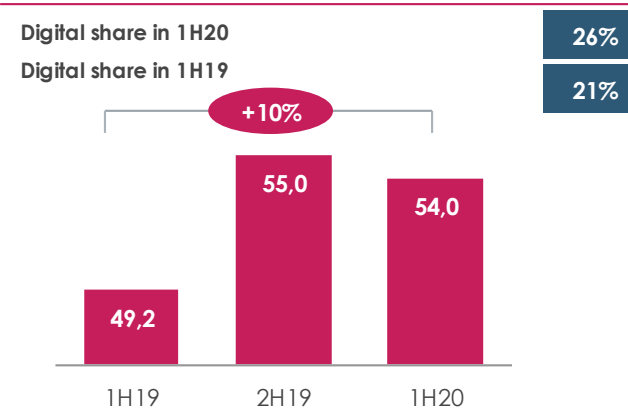
Traditional and digital channels – cash loans (in thousand)



Traditional and digital channels - time deposits (in thousand)



Current accounts opened online (in thousand)

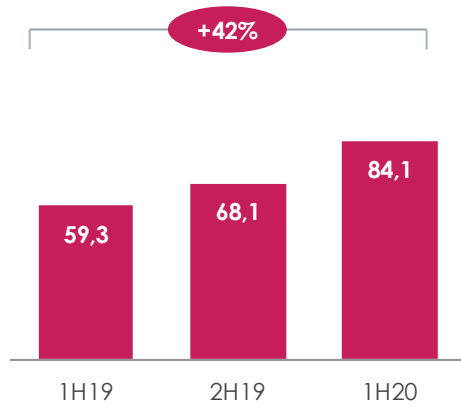


(\*) retail clients actively using mobile app and mobile Millenet  
(\*\*) Millenet and ipayment

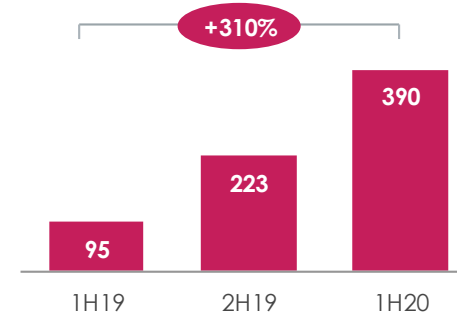
## RETAIL BANKING – ONLINE PRODUCTS AND SERVICES

High transaction rate in all types of online payments

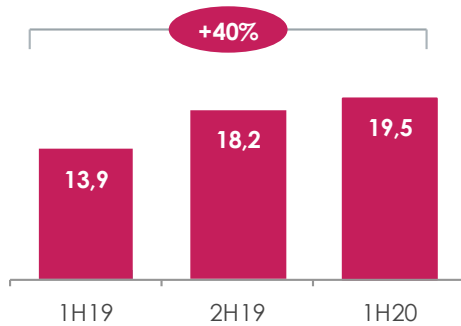
Transfers\* (million)



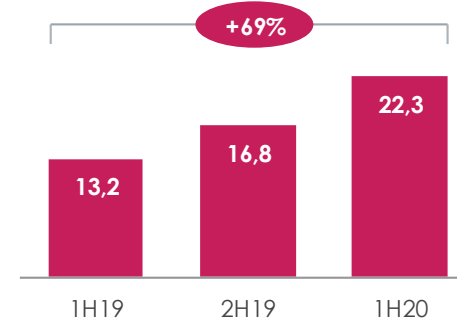
Number of clients with mobile authorization (in thousand)



E-commerce card transactions\* (million)



Internet payment transactions (million)



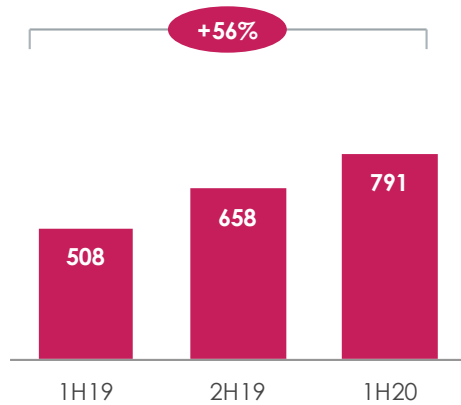
(\*) including BLIK payments

## RETAIL BANKING – ONLINE PRODUCTS AND SERVICES

Development of additional services & core participant in the rise of BLIK payments

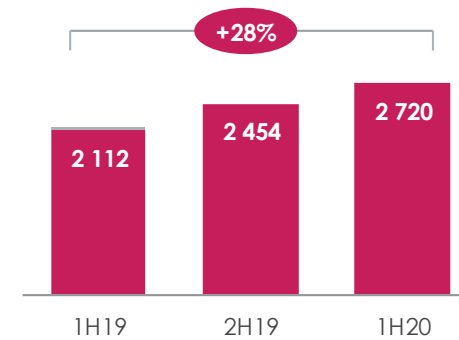
Number of BLIK users

(in thousand)



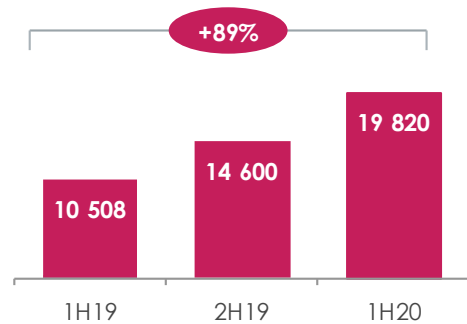
Mobile top-ups

(in thousand)



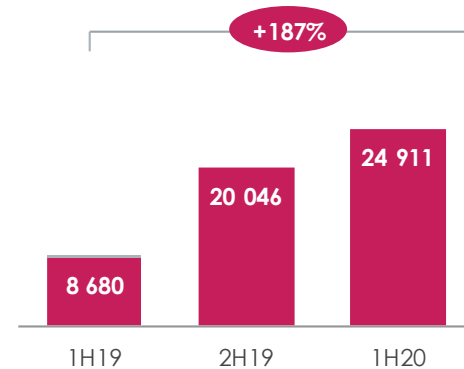
BLIK transactions

(in thousand)



Mobile contactless payments

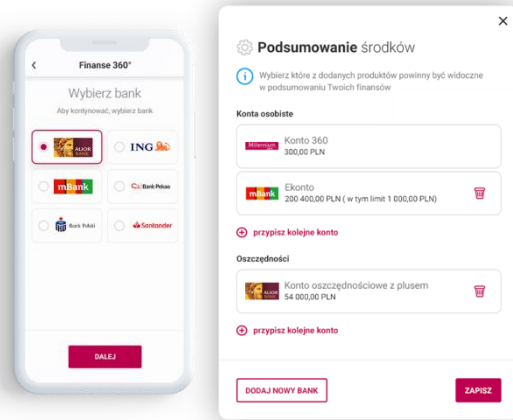
(in thousand)





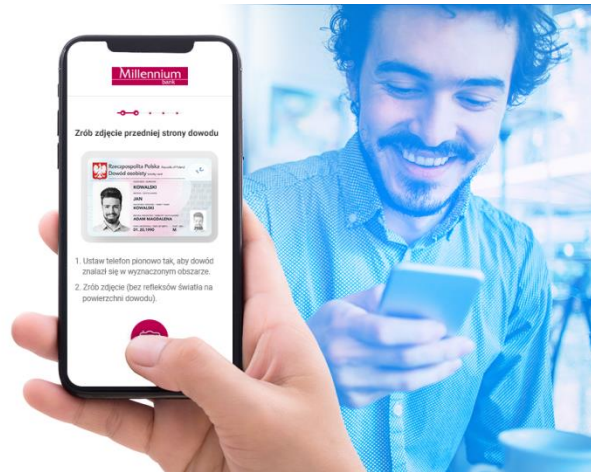
## RECENT INNOVATIVE SOLUTIONS

New solutions regarding the possibilities of banking from home



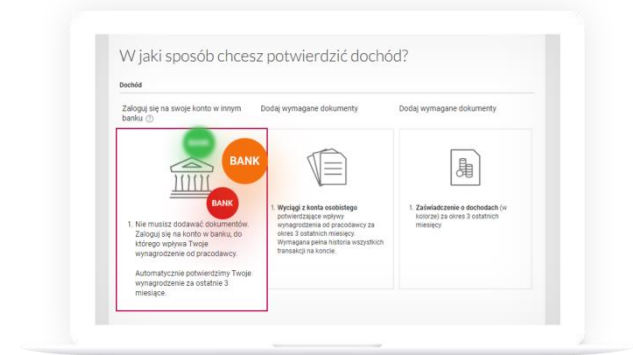
### Finance 360<sup>o</sup>

Bank Millennium is the first bank in Poland to have launched a service where the Bank's customers can use the Millenet Internet system to send transfers from their accounts in other banks. This is another solution released by the Bank on the basis of opportunities created by PSD2. Earlier, BM, as one of the first banks in Poland began provide its customers an opportunity to add accounts from various banks to their e-banking



### Account opening with a selfie

Bank Millennium has introduced the opportunity to open a personal account remotely with client's identity confirmation using Personal ID and face photos. The entire process is very simple and secure. The Bank also allows a virtual counterpart of the debit card to be created in the app, before it is actually delivered to the client. It allows clients to pay contactless with the new card using the phone, without waiting for the plastic card to arrive



### Income verification in cash loan processes

Bank Millennium as the first bank in Poland introduced alternative way of verifying income transfer to an account. Clients applying for a cash loan can now download transaction history by logging in the account where they transfer their income through Millenet or mobile app. The process is a omnichannel one and can be initiated also in TeleMillennium or a branch.

# GOODIE – SMARTSHOPPING PLATFORM OF BANK MILLENNIUM

Maintaining growth rate of app downloads  
Continued development and even better app

since 2018

1.8mn

App downloads



goodie

2Q20

190,000

App downloads



June 30

The implementation of the new goodie app to stores - new graphic design and greater possibilities of personalizing offers



1.7mn

Cashback transaction



PLN 190mn

Generated cashback turnover



PLN 4.1mn

Paid out cashback



PLN 71mn

Generated cashback turnover and over 600,000 cashback transactions



9,000

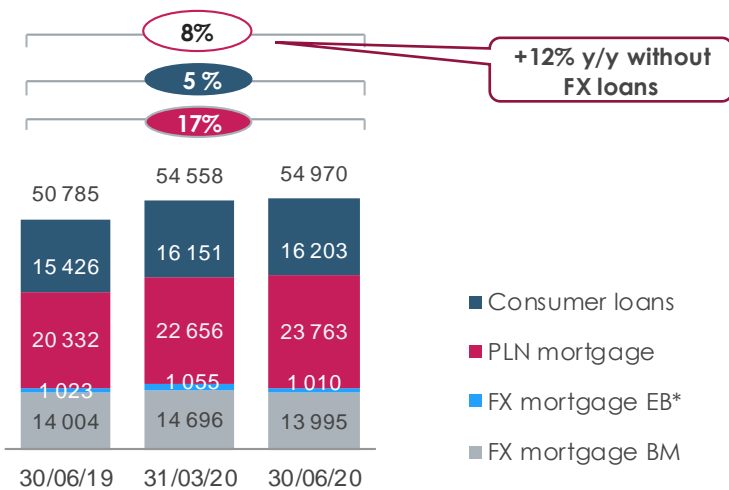
Gift cards sold

# RETAIL BUSINESS – LOANS AND CUSTOMER FUNDS

Solid growth of retail loans and customer funds;  
 Quarterly sale of mortgages at new record of PLN1.5bn+

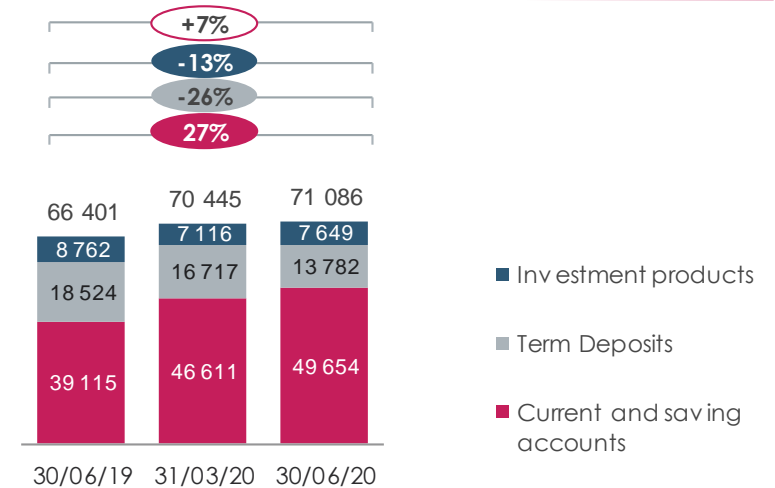
Retail loans (gross)

(PLNmnn)



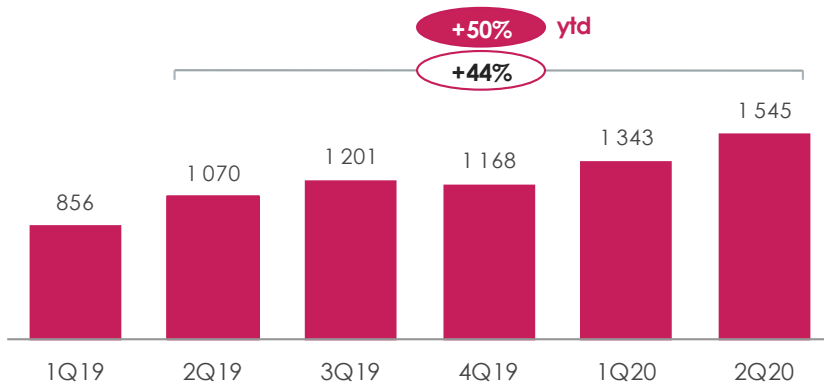
Retail customer funds

(PLNmnn)



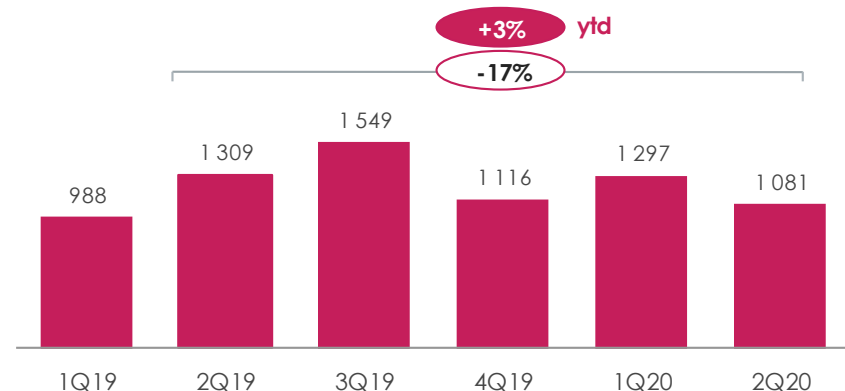
Mortgage loans new sales (\*\*)

(PLNmnn)



Cash loans new sales (\*\*)

(PLNmnn)



(\*) Loans from Euro Bank – covered by 100% indemnity and 80% guarantee agreement with SocGen

(\*\*) with Euro Bank sale data from 1st of June 2019

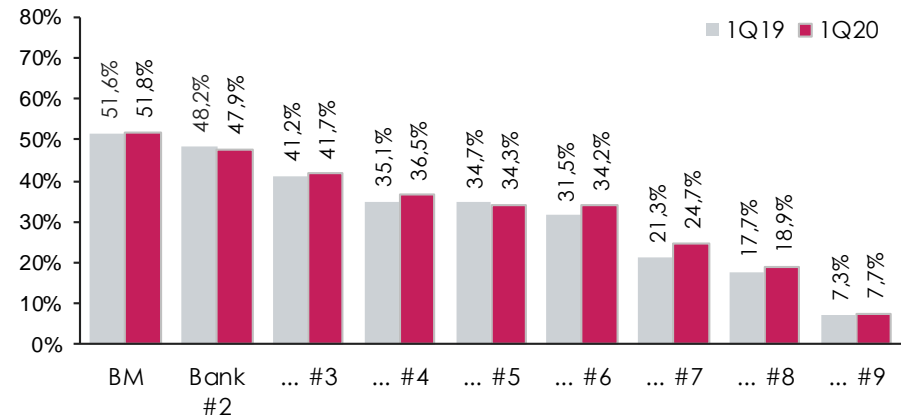
# MORTGAGES – our long-term customer acquisition product

Millennium Mortgage Bank (MBH) received a banking licence on June 16, 2020; operating licence (and a start of business) is expected in 1H21

## Rationale for establishing MBH

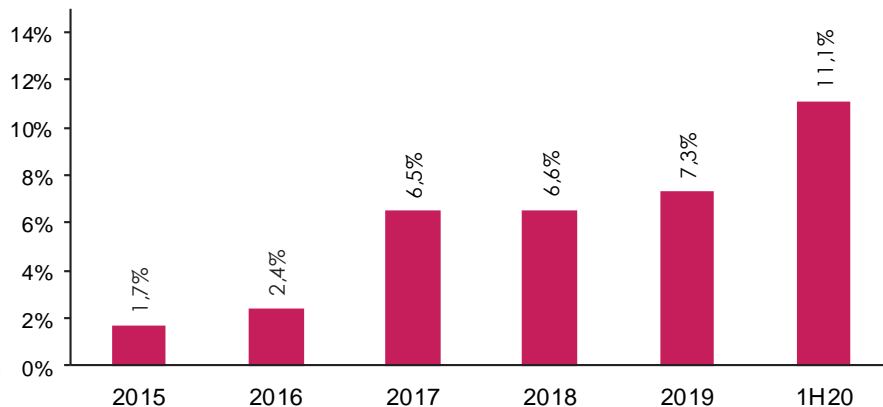
- MBH will provide opportunities for medium term sustainable development of mortgage lending business and will allow to:
  - ✓ reduce assets-liabilities maturity mismatch
  - ✓ diversify funding mix
  - ✓ provide access to large and cheaper than senior unsecured debt funding market of covered bonds
  - ✓ reduce MREL requirement

## Share of mortgage loans in total portfolio (top 9 banks) (%)



## BM's market share in origination\*

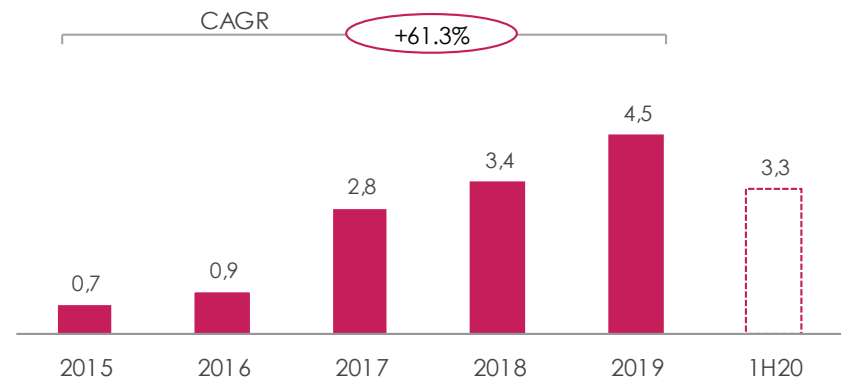
(%)



(\* ) Based on commitments

## BM's origination of mortgage loans\*

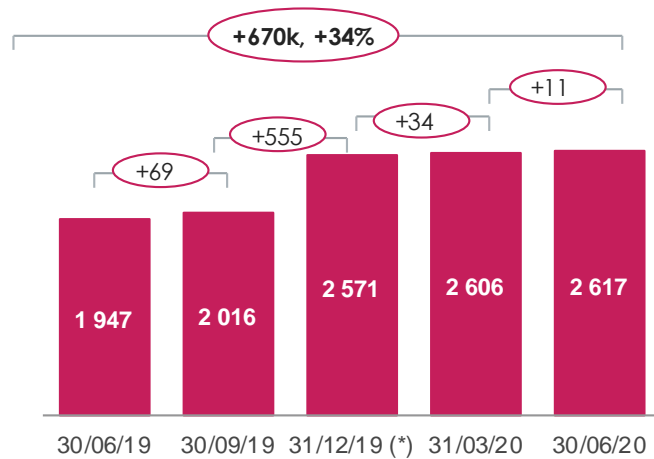
(PLNbn)



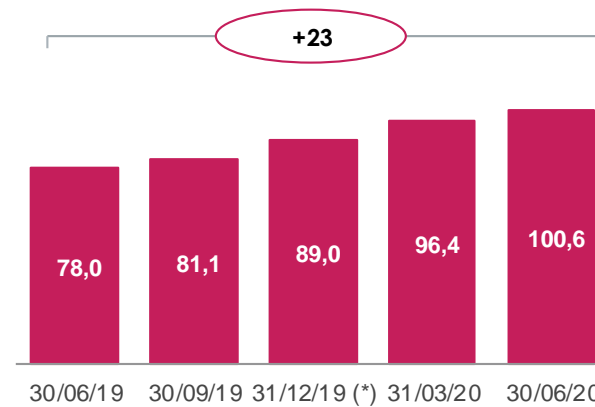
# RETAIL BANKING - NUMBER OF CUSTOMERS AND ACCOUNTS

Positive dynamics of new customers, accounts and cards maintained despite the pandemic

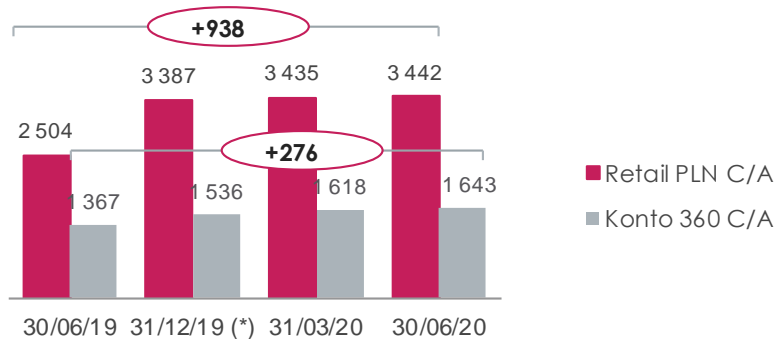
Active retail clients (thousand)



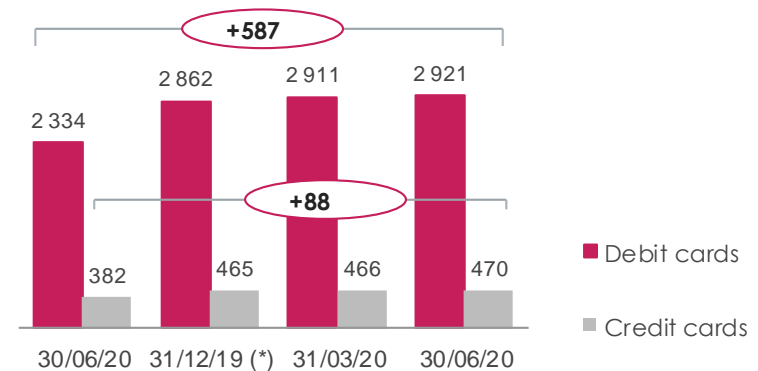
Active micro-business clients (thousand)



Number of current accounts (thousand)



Number of debit and credit cards (thousand)



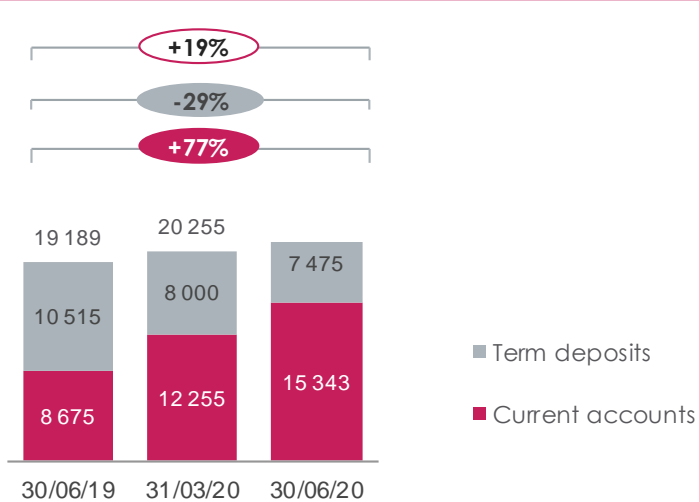
(\*) Since Dec'19 data with ex-Euro Bank clients

## COMPANIES BUSINESS – DEPOSITS AND LOANS

C/A balances up 77% y/y driven by exceptionally low interest rates; loan growth decelerated in 2Q20

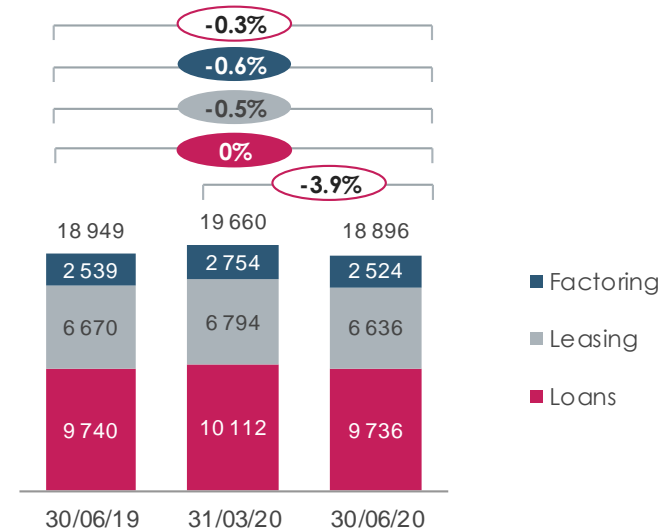
Companies deposits

(PLNm)



Loans to companies (gross)

(PLNm)



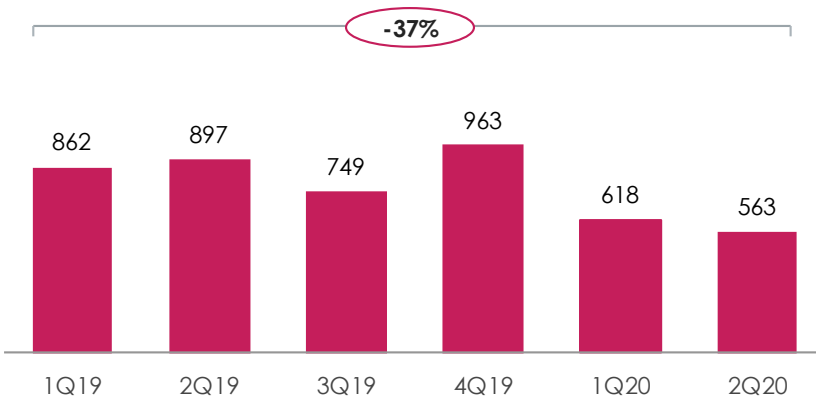
### Comments

- Strong pace of growth of companies' current accounts (+ 77% y/y)
- Loans to companies contracted in 2Q20 (-4% q/q) bringing the volume to the level a year ago
- Low percentage of corporate customers under credit holidays
- Increase of deposits is a sign of no short term liquidity problems and cautious cash management

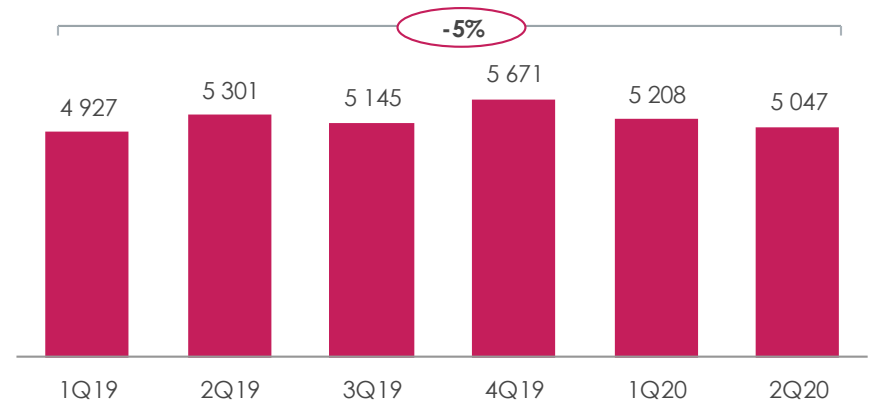
## COMPANIES BUSINESS – LOANS AND TRANSACTIONS

Leasing sale decreased in 1H20 as investments decelerated; trade finance and transactions continue growing.

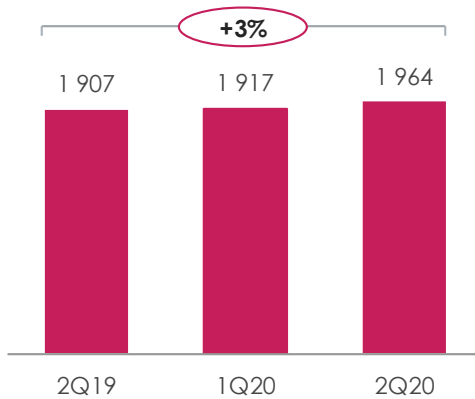
Leasing – new sales (PLNmnn)



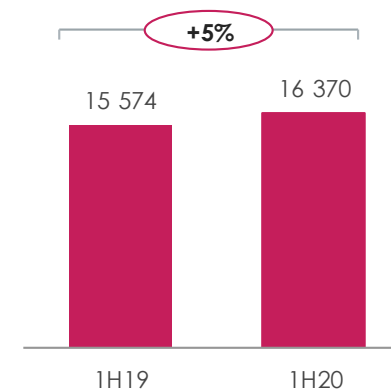
Factoring – turnover (PLNmnn)



Volumes of limits for guaranties and LC (PLNmnn)



No. of domestic transfers (thousand)





## PRESENTATION OF 1H20 RESULTS

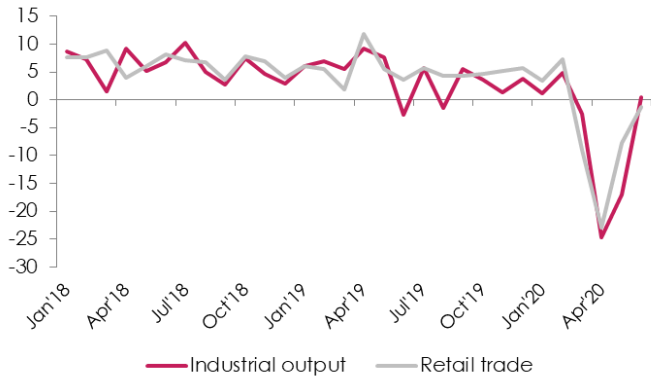
- > Covid-19 impacts and Bank's response
- > Euro Bank integration
- > Financial performance
- > Business development
- > **Appendices**



# MACROECONOMIC OVERVIEW

Beginning of 2Q showed rapid drop in business activity caused by lockdown. Along with gradual unlocking of economies, the business sentiment has improved, although the recession and the increase in the unemployment rate will not be avoided this year.

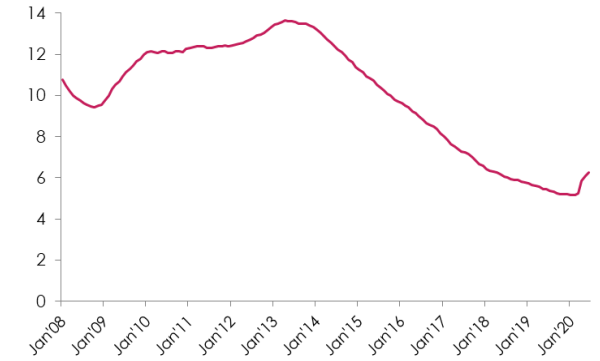
Data for real economy (% y/y)



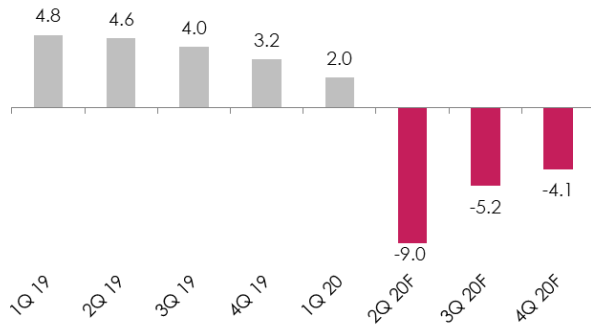
Business activity in services (%)



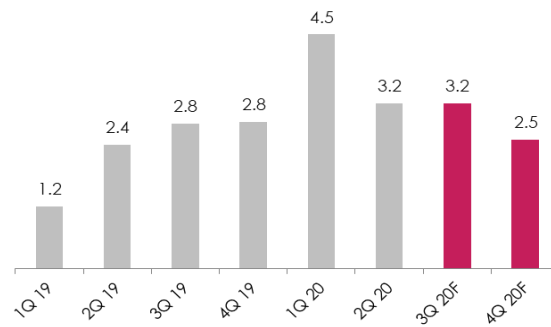
Registered unemployment rate (sa, %)



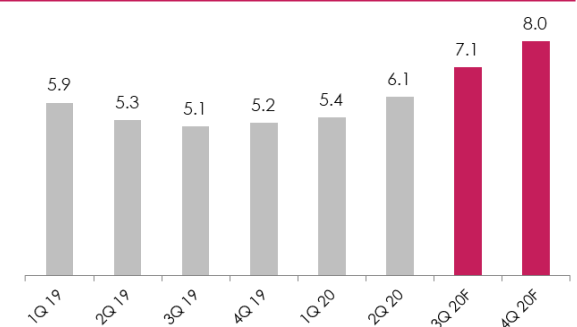
GDP growth rate (% y/y)



CPI inflation (% y/y)



Registered unemployment rate (%)

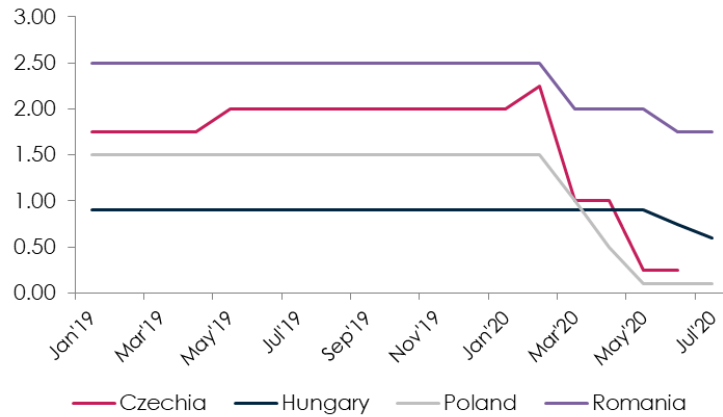


# MACROECONOMIC OVERVIEW

In response to the crisis caused by the pandemic, the Monetary Policy Council cut rates to almost zero and launched an asset purchase program, which translated into a decline in bond yields, despite a sharp increase in the general government deficit. The zloty has already regained some of the losses caused by the pandemic.

Interest rates in CEE countries (%)

(%)



EUR/PLN exchange rate



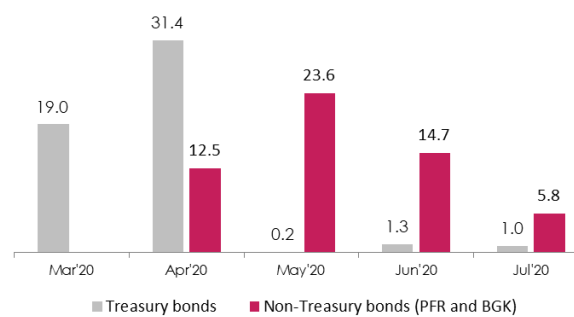
Yields of T-bonds (%)

(%)

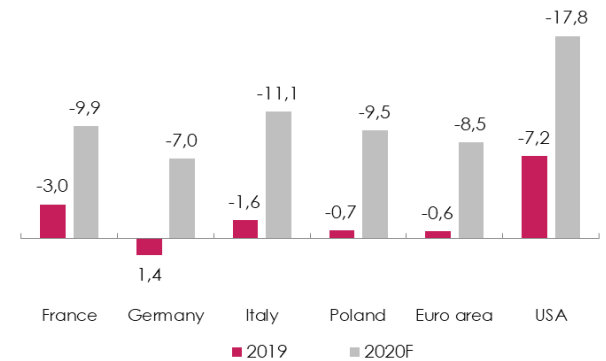


NBP buybacks of bonds (bn PLN)

(bn PLN)



General government deficit (% GDP)

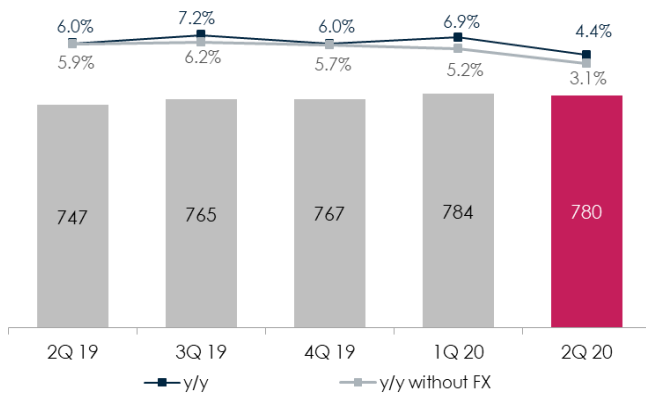


Source: Macrobond, Refinitiv, European Commission

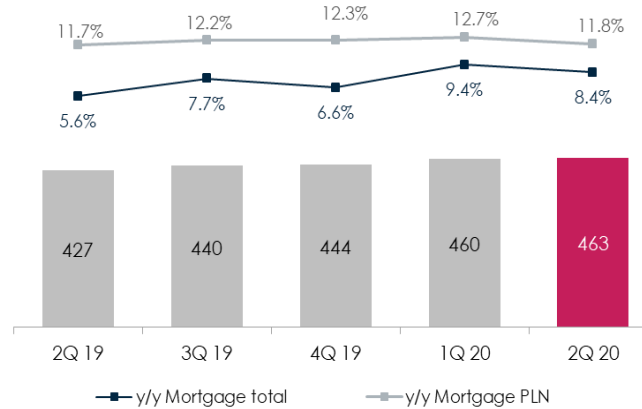
## MACROECONOMIC OVERVIEW

Increased concerns about the outlook for the economy and employment have accelerated the growth of deposits in both the household and corporate sectors. Government support programs are also conducive to the increase in corporate deposits. On the other hand, the growth rate of credit is decreasing.

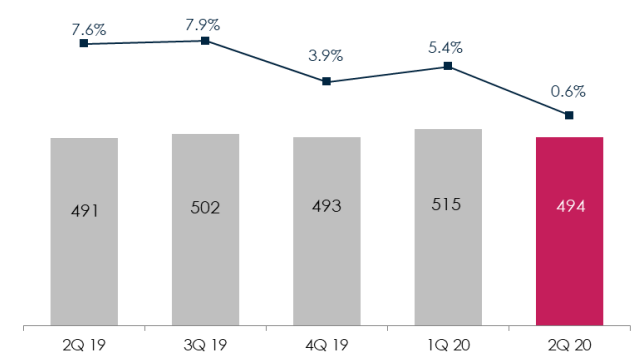
### Loans to households (PLN bn, % y/y)



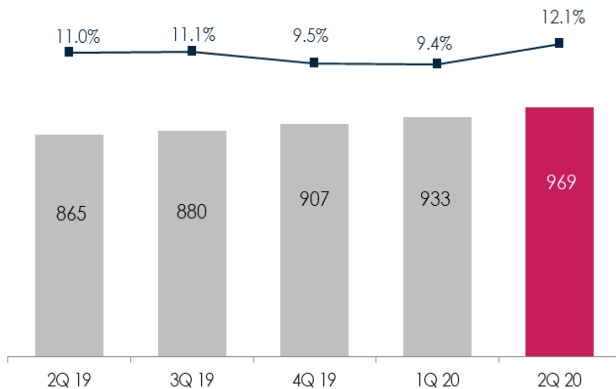
### Mortgage loans (PLN bn, % y/y)



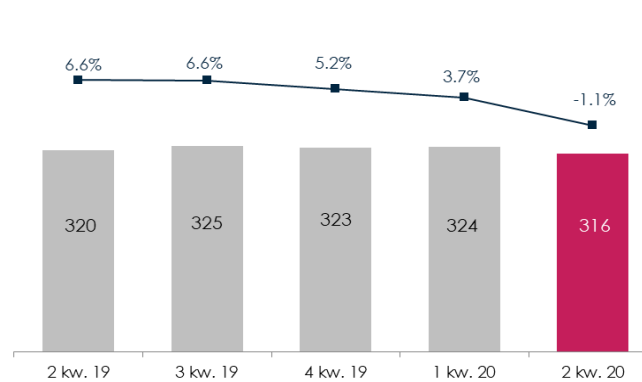
### Loans to companies (PLN bn, % y/y)



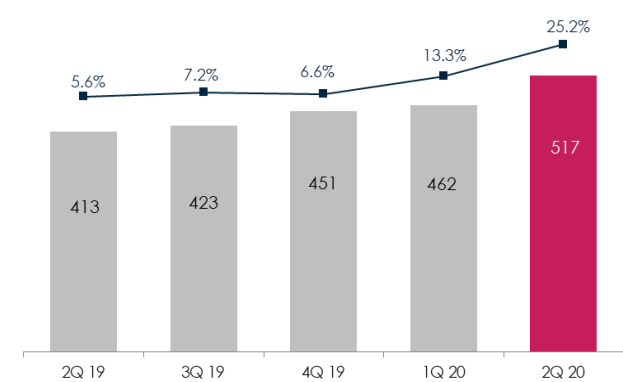
### Deposits from households (PLN bn, % y/y)



### Non-mortgage loans (PLN bn, % y/y)



### Deposits from companies (PLN bn, % y/y)



## RATINGS AND MARKET RATIOS

Share price under strong pressure due to coronavirus pandemic and potential FX mortgage legal risk

Bank Millennium share performance vs. index WIG Banks  
(y-t-d as on 30.06.2020)



### Ratings of Bank Millennium

On 14th April 2020 **Fitch affirmed** ratings of Bank Millennium. The outlook of the ratings remains stable.

Current Bank's ratings:

**Moody's** **Baa1 / P2/ baa3 / stable outlook**

**Fitch** **BBB- / F3/ bbb- / stable outlook**

### Bank Millennium shares

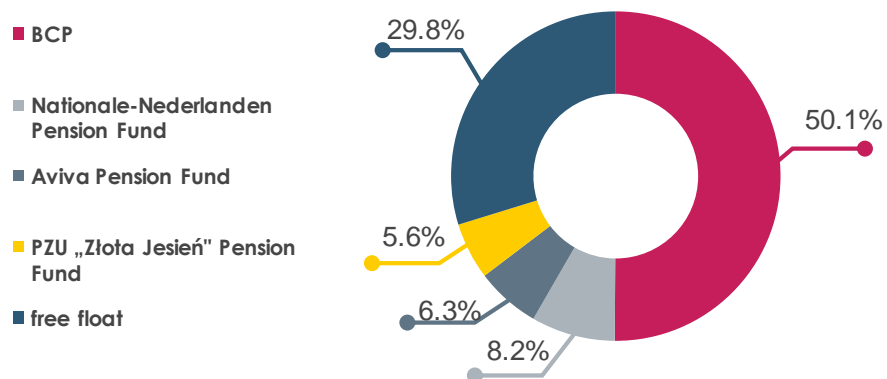
**No of shares:** 1 213 116 777 (listed 1 213 008 137)

**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

### Bank Millennium shareholders' structure (31.12.2019)



# BANK MILLENNIUM GROWTH STAR AND CUSTOMER SERVICE QUALITY LEADER

High quality and innovation confirmed by independent rankings and competitions

Bank Millennium is Growth Star and other awards



The Bank was among the top three no less than four times in the Stars of Banking 2020 competition organised by DGP and PwC: The Bank was:

- **1st** in the “Growth Star” category
- **2nd** in the “Customer Relationship” category
- **3rd** for overall achievement in the competition’s main category and also in the “Star of Innovation” category

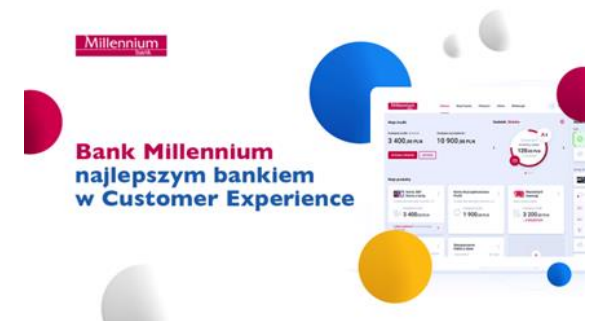
Golden Banker Ranking



In this year's Golden Banker ranking Millennium received:

- **main award in the category** “Fin-Tech Innovation” for implementing the Autopay service (in cooperation with Blue Media)
- **2nd place** in the “Mortgage Loan” category (an all-rounder performing well in diverse conditions).

Bank Millennium is best bank in Poland in terms of building positive customer experience



In the latest edition of a survey on Customer Experience, carried out for KPMG in Poland, for another consecutive year Bank Millennium was seen by consumers to be **the leader in Customer Experience among banks**. Millennium was also again in the first ten among the top one hundred best brands on the Polish market, moving up two places to No. 7.

## SYNTHETIC P&L ACCOUNT

Pro-forma (PLNm)	1H19 pro-forma	1H20 pro-forma	Change y/y	1Q20 pro-forma	2Q20 pro-forma	Change q/q
Net interest income*	1 084.7	1 329.9	22.6%	689.6	640.2	-7.2%
Net commission income	338.2	373.5	10.4%	194.5	179.0	-8.0%
Other non-interest income **	140.6	77.7	-44.8%	36.6	41.1	12.4%
<b>Operating Income</b>	<b>1 563.4</b>	<b>1 781.0</b>	<b>13.9%</b>	<b>920.7</b>	<b>860.3</b>	<b>-6.6%</b>
General and administrative costs	-683.0	-815.8	19.4%	-464.6	-351.2	-24.4%
Depreciation	-73.0	-107.2	46.8%	-53.3	-53.9	1.0%
<b>Total operating costs</b>	<b>-756.0</b>	<b>-923.0</b>	<b>22.1%</b>	<b>-517.9</b>	<b>-405.1</b>	<b>-21.8%</b>
Net cost of risk ***	-230.2	-362.9	57.6%	-137.0	-225.9	65.0%
FX legal risk provision	-	-168.0	-	-55.3	-112.7	103.7%
COVID19 risk provision	-	0.0	-	-60.0	60.0	-
<b>Operating profit</b>	<b>577.2</b>	<b>327.1</b>	<b>-43.3%</b>	<b>150.5</b>	<b>176.6</b>	<b>17.3%</b>
Banking tax	-110.0	-141.2	28.3%	-72.7	-68.4	-5.9%
<b>Pre-tax profit</b>	<b>467.2</b>	<b>185.9</b>	<b>-60.2%</b>	<b>77.8</b>	<b>108.1</b>	<b>39.0%</b>
Income tax	-133.6	-114.2	-14.5%	-59.7	-54.5	-8.6%
<b>Net profit</b>	<b>333.6</b>	<b>71.7</b>	<b>-78.5%</b>	<b>18.1</b>	<b>53.6</b>	<b>195.6%</b>
<b>Accounting</b>	<b>1H19</b>	<b>1H20</b>	<b>Change y/y</b>	<b>1Q20</b>	<b>2Q20</b>	<b>Change q/q</b>
NII (reported under IFRS)	1 056.5	1 303.2	23.35%	675.8	627.5	-7.15%

(\*) Pro-forma data. Margin from all derivatives, including those hedging FX denominated loan portfolio, is presented in Net Interest Income, whereas in accounting terms part of this margin (PLN28.1mn in 1H19 and PLN 26.6mn in 1H20) is presented in result on valuation and operations in financial instruments.

(\*\*) includes FX results, results on financial operations (pro-forma) and net other operating income and costs (\*\*\*) cost of risk includes impairment provisions (on all stages), FV adjustment on loans and result on modification.

# BALANCE SHEET

(PLNmn)

ASSETS	30/06/2019	31/03/2020	30/06/2020	Change y/y
Cash and balances with the Central Bank	3 396	2 478	1 225	-63.9%
Loans and advances to banks	712	2 019	876	23.1%
Loans and advances to customers	67 855	72 046	71 508	5.4%
Amounts due from reverse repo trans.	74	112	65	-11.2%
Debt securities	19 529	22 852	26 567	36.0%
Derivatives (for hedging and trading)	198	212	229	15.6%
Shares and other financial instruments	51	96	96	88.3%
Tangible and intangible fixed assets	928	973	971	4.6%
Other assets	928	1 143	1 041	12.2%
<b>TOTAL ASSETS</b>	<b>93 670</b>	<b>101 931</b>	<b>102 579</b>	<b>9.5%</b>

LIABILITIES AND EQUITY	30/06/2019	31/03/2020	30/06/2020	Change y/y
Deposits and loans from banks	1 908	1 517	1 430	-25.1%
Deposits from customers	76 828	83 584	86 255	12.3%
Liabilities from repo transactions	21	1 056	0	-100.0%
Financial liabilities at fair value through P&L and hedging derivatives	572	1 591	878	53.7%
Liabilities from securities issued	1 470	1 101	767	-47.8%
Provisions	108	272	283	160.9%
Subordinated liabilities	1 646	1 545	1 545	-6.1%
Other liabilities	2 413	2 250	2 221	-7.9%
<b>TOTAL LIABILITIES</b>	<b>84 966</b>	<b>92 915</b>	<b>93 379</b>	<b>9.9%</b>
<b>TOTAL EQUITY</b>	<b>8 704</b>	<b>9 015</b>	<b>9 200</b>	<b>5.7%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>93 670</b>	<b>101 931</b>	<b>102 579</b>	<b>9.5%</b>



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