



# BANK MILLENNIUM GROUP

Presentation of 1Q20 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 financial data is presented as follows: P&L items for the last 7 months of 2019, in the balance at the end of September 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, 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 1Q20 RESULTS

- > **Covid-19 impact**
- > Macroeconomic overview
- > Euro Bank integration
- > Financial performance
- > Business development
- > Appendices



# WE SUPPORT OUR CLIENTS DURING THE COVID-19 EPIDEMIC

## Optimization of the credit holidays process and a broad campaign in electronic channels

### Dedicated website and banner communication on the portal

A compendium of knowledge about the current service in all Bank Millennium's channels and the possibilities of online banking and mobile app as well as safe ways of handling the current matters without leaving home

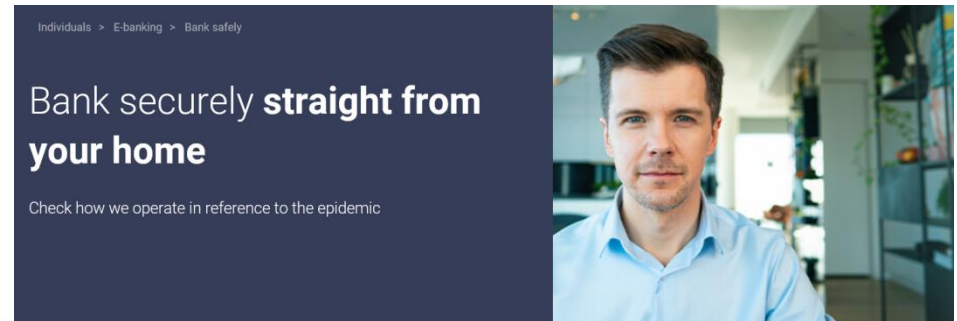
### Personalized campaigns;

- SMS message
- PUSH
- Inbox in Millenet and mobile app
- Context messages in the system and on the website

The **BM Foundation** donated **PLN500,000** to the Institute of Bioorganic Chemistry of the Polish Academy of Sciences which developed first Polish tests for COVID-19.

### Additional facilities for customers:

- **Contactless card transactions** up to PLN100 without PIN confirmation
- Most transactions can be done safely and **remotely from home**
- **Fully online current account opening** with the use of selfie



[Sprawdź, jak działamy w związku z zagrożeniem epidemią >](#)

Obecnie czas oczekiwania na połączenie z konsultantem na Infolinii oraz odpowiedź na pytania przesłane drogą elektroniczną może być nieco dłuższy niż zwykle. Prosimy o odrobinę wyrozumiałości w tym trudnym dla nas wszystkich okresie. Zapewniamy, że robimy wszystko by jak najszybciej udzielić odpowiedzi na wszystkie pytania. Przypominamy, że większość odpowiedzi znajdziesz na naszej stronie. Skorzystaj z opcji Szukaj w prawym górnym rogu strony.

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

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



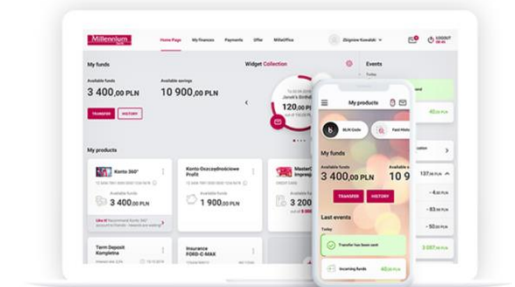
Bank Millennium mobile app and Millenet online banking system are available 24/7



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



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

## 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

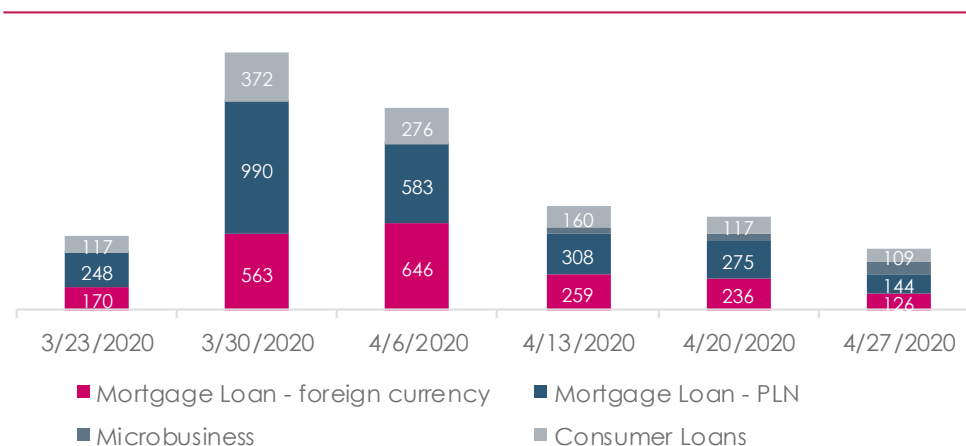
- **dedicated sub-internet site to credit holidays** – all necessary information, example of simulation of cost comparison, conditions to apply, required documents
- **simulator of credit holiday costs** available through Telemillennium and Millennium branches – which allows clients to obtain information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

### Credit holidays' statistics

- Loans with credit holidays represent **c13% of total performing portfolio**
- Mortgage loans represent **77% of retail portfolio with credit holidays granted**
- **Peak** of credit holiday decisions for retail loans was observed **in the last week of March** and first week of April. Decreasing demand for new credit holidays has been observed since

### Loans exposure with approved credit holidays\*

Category	Exposure* [PLNmn]	% of performing outstanding
<b>Retail o/w:</b>	<b>5 904</b>	<b>11,0%</b>
Mortgage loans - foreign currency	1 998	13,1%
Mortgage loans – PLN	2 548	11,5%
Microbusiness loans	31	5,6%
Consumer loans	1 155	8,0%
<b>Corporate</b>	<b>1 414</b>	<b>12,1%</b>
<b>Millennium Leasing o/w:</b>	<b>1 786</b>	<b>27,5%</b>
Microbusiness	417	28,4%
Corporates	1 369	27,2%
<b>Total</b>	<b>9 103</b>	<b>12,9%</b>



(\* ) Exposure as of March 31, 2020. Information regarding credit holidays as of May 5, 2020

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

## Quick response to rapidly changing customer needs

### SUPPORT TO MICROCOMPANIES AND CORPORATE CUSTOMERS

- **Application for PFR financial support** (subsidy with redemption possibility) in Millenet for micro business and SMEs
- **Temporary suspension of loan instalments**, including factoring, leasing and charge cards for all companies
- Quick and simplified mode of credit renewal for SME and large companies
- **BGK guarantees under new, more favorable conditions** for micro business and SME (de minimis guarantee)
- **Loans supported by BGK Liquidity Guaranties Fund** for medium and large companies
- Remote signing of all agreements for SMEs and large companies

Bank securely

Suspension of instalment repayment

BGK guarantees

Branches



## Financial support for enterprises under the PFR Financial Shield

We are working on providing access to the application for financial support for micro, small and medium enterprises under the Financial Shield of the Polish Development Fund (PFR). **In a few days the application can be submitted through Millenet online banking system.** We will inform you about further steps and the availability of the application. The application form and program rules for large enterprises are available on the PFR website.

MORE

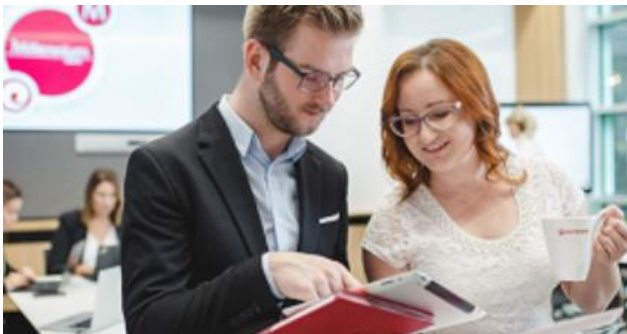
## HOW OUR ACTIONS WERE RECEIVED BY CLIENTS

Clients are satisfied with the Bank's performance in the current situation. Most of them have not experienced any problems, they also appreciate the possibility of online banking

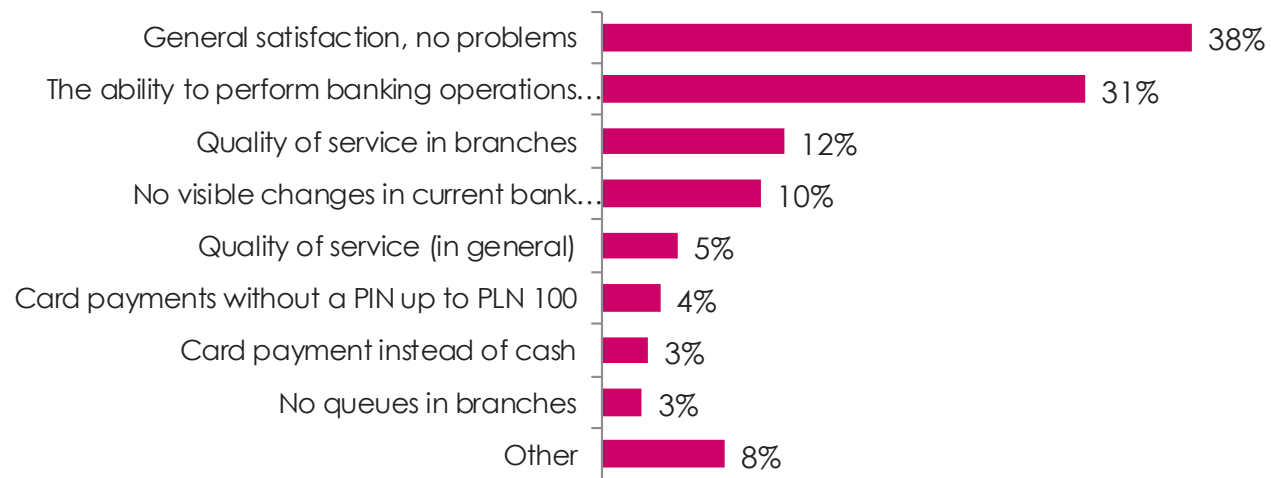
In the eyes of clients availability and quality of services at the Bank has not changed, and thus - their general opinion about the Bank has not changed as well.

# 92%\*

of surveyed clients are satisfied with current Bank activities



### Reasons of satisfaction\*[N=268]:



Among things that the Bank can still improve, customers pointed at:

- Long queues at branches
- Necessity to go to a branch to finish cash loan application, activate debit card or to regain PIN for a debit card

\*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, N=363]

\*\* Q: What is the reason of your opinion? [Categorization of spontaneous answers]

Source: Bank's survey; Method: CATI (Computer Assisted Telephone Interview); Period: 3/04 -4/05/2020; Sample size: 986 interviews completed

## GOVERNMENT SUPPORT SCHEMES

Poland's government and the central bank swiftly took decisive actions to support the enterprises affected by the negative effects of the pandemic.

### 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 Labour Fund for micro-enterprises.
- Credit holidays.

### Anti-crisis shield 3.0

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- Interest subsidy fund at Bank Gospodarstwa Krajowego (BGK).
- Support for construction enterprises, including rent subsidies and financial support for municipal or municipal housing companies that will build cheaper apartments.
- Pharmaceutical sector support.
- Limiting the possibility of taking over Polish companies in the energy, medical, food and telecommunications industries, among others.
- Acquisition of companies from strategic industries by entities outside the European Union will require notification to the Office of Competition and Consumer Protection.

### Anti-crisis shield 2.0

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- Subsidies for enterprises with a total value of PLN100bn (4.5% of GDP): PLN25bn will go to micro-enterprises, PLN50bn to small and medium-sized enterprises, and PLN25bn 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 PLN100bn debt with a guarantee of the State.

### NBP, KNF, BFG, MoF

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- Interest rate cuts by the Monetary Policy Council (2x50 bp).
- Reduction of the level of required reserves (0.5% from 3.5%) and higher interests on the lowered reserve requirement.
- Lowering the systemic risk buffer to zero.
- 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



## SAFE AND UNINTERRUPTED PERFORMANCE SECURED IN THE EARLY STAGE OF THE COVID-19 OUTBREAK

Vast majority of branches have remained operational during the early stage of pandemic outbreak but traffic through alternative channels increased significantly

### Functioning of branches

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- 96% of branches open (96% of own branches/97% of franchise branches)
- 25 branches currently closed; over half of branches reopened since mid-March

### Safety of employees

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- Only 10% HQ and corporates sales employees working at the office during the peak of the lockdown
- 8% of retail network employees working remotely during the peak of the lockdown; 54% of branch staff working in the office during the peak of pandemic

### Contact centre performance

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- Over 20k calls serviced during the peak day (March 23) vs. 3.5k at the beginning of March and <10k at the end of April
- Average waiting time at 8min at the peak vs. 1min in early and <1min in late April
- Peak of electronic correspondence on April 14 (incoming chats and incoming e-mails)

### Credit holidays and online cash loans sales

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- The Bank was one of the first to provide credit holidays to its customers following the statement announced by Polish Banking Association.
- Peak of credit holidays registered through contact center on March 23 and steady decline thereafter
- Daily cash loans sales recovering to over well PLN2mn level in late April

## MILLENNIUM'S GROUP SENSITIVITY TO COVID-19 PANDEMIC

Lowered interest rates and the length of the lockdown/recession will take most of the toll on our 2020 results. Careful risk management approach.

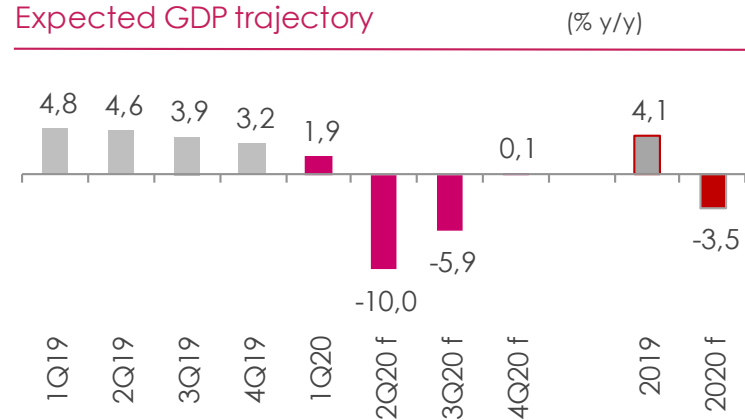
### Potential direct and indirect implications of the Covid-19 pandemic

- Lower than previously assumed economic activity may undermine demand for financial products and services.
- Financial situation of some of the clients may deteriorate despite mitigation initiatives offered by the Bank/government and lead to higher risk charge (pre-emptively created PLN60mn Covid-19 provision in 1Q20).
- Weakening of the Polish zloty may affect the cost of legal FX-mortgage risk (PLN55mn provision increase in 1Q20).
- Recent 100bp base rate cut (lombard rate: 150bp) will reduce our NII by PLN160mn – 190mn by the end of year depending on evolution of business volumes and timing of repricing actions.

### Risk management through Covid-19 pandemic

- Reinforced monitoring of the loan portfolio in retail and corporate, with close contact with the companies and clients.
- Assessment of the companies portfolio in order to identify those that may be more exposed to the downside risks triggered by the pandemic.
- Focus on current exposures in corporate and not on the increase of exposure to new customers
- Small exposure to sectors generally perceived as most vulnerable: tourism and entertainment related, accommodation, shopping centers.
- Further assessment in 2Q of the impact of economy's deterioration in loan impairment parameters.

### Expected GDP trajectory





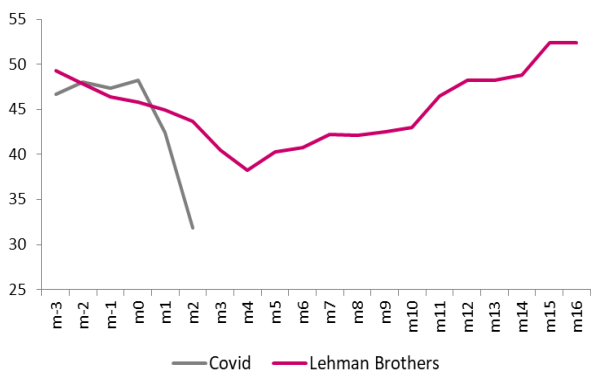
## PRESENTATION OF 1Q20 RESULTS

- > Covid-19 impact
- > **Macroeconomic overview**
- > Euro Bank integration
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# MACROECONOMIC OVERVIEW

The COVID-19 pandemic has drastically changed the perspectives of the Polish, but also global economy. Restrictions in economic activity caused a sharp deterioration of sentiment in industry and services, which in consequence will result in a deep recession and a significant increase in unemployment.

PMI for Polish manufacturing (pct)



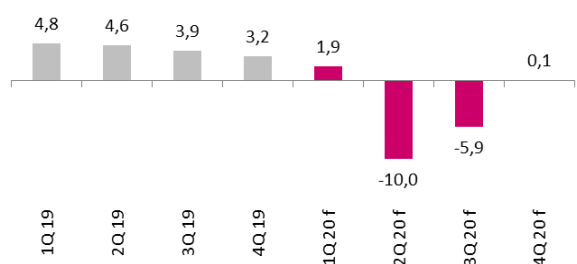
Business sentiment in service sector (pct)



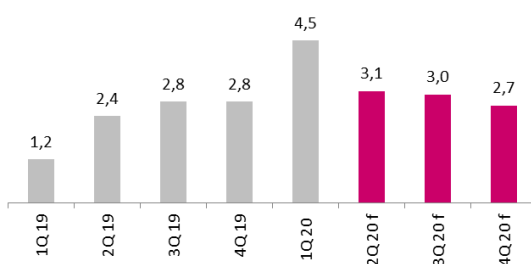
Monthly change in employment in enterprise sector (thou.)



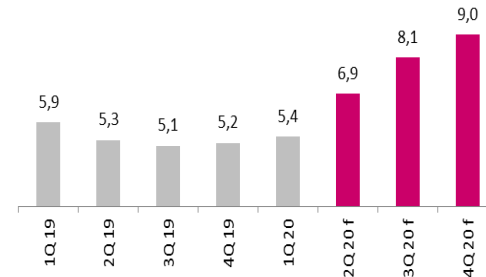
GDP dynamics (% y/y)



Inflation (% y/y)



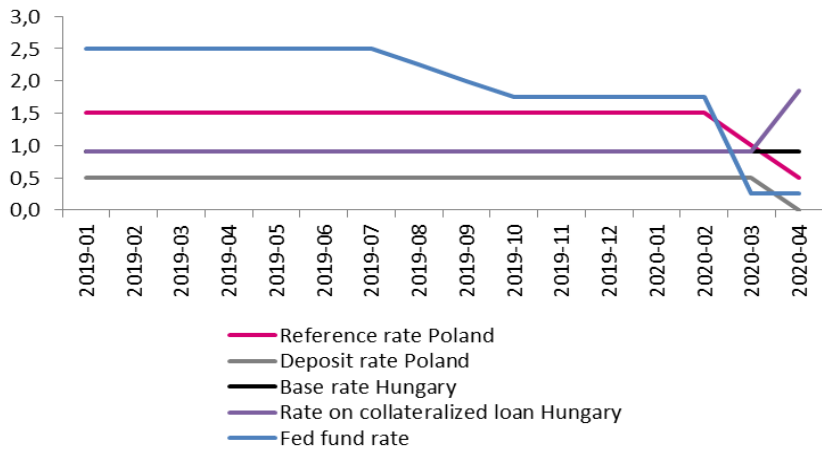
Registered unemployment rate (%)



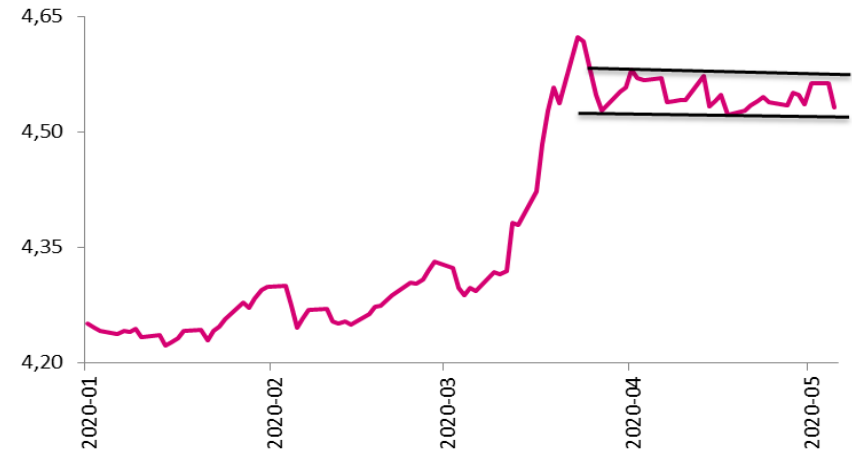
# MACROECONOMIC OVERVIEW

In response to the negative effects of the pandemic, central banks around the world, including the domestic MPC, significantly reduced interest rates, which caused a decline of T-bond yields. Governments have launched support programs on an unprecedented scale. The zloty weakened, but currently remains stable.

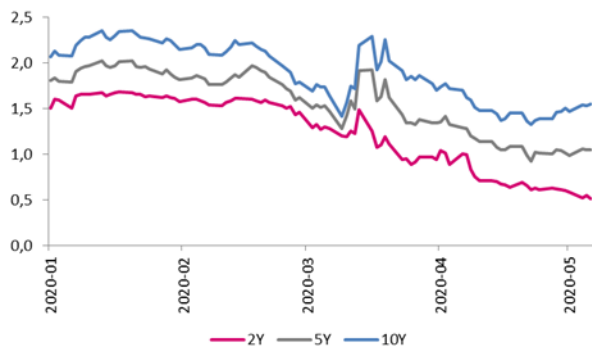
Interest rates around the world (%)



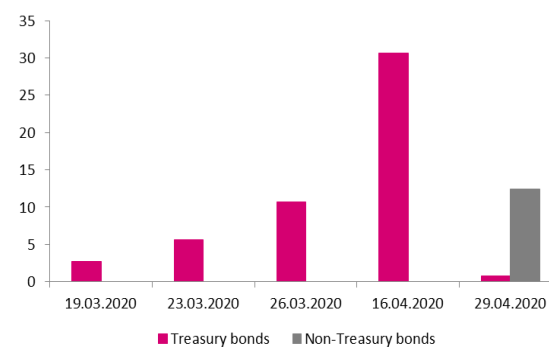
EUR/PLN exchange rate



Yields of T-bonds (%)



NBP buybacks of bonds (PLNbn)



General government deficit (% GDP)

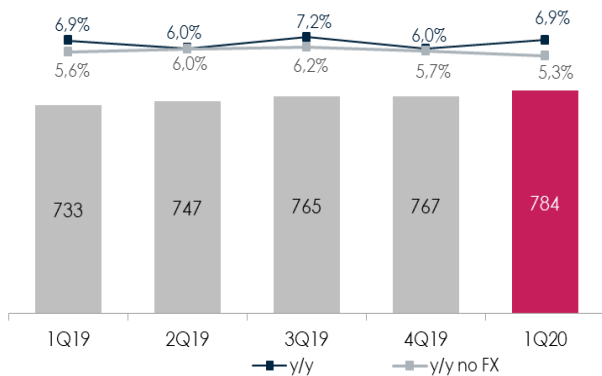




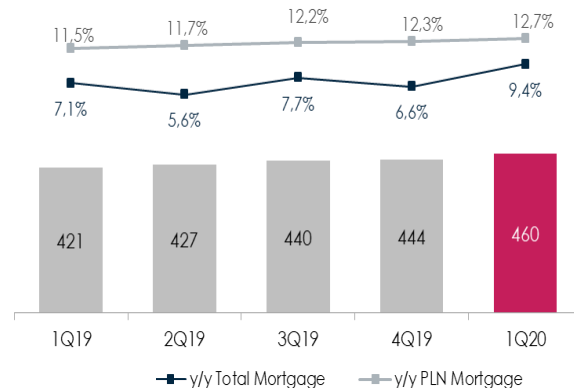
# MACROECONOMIC OVERVIEW

Growth of deposits, both in corporate and households' sector accelerated driven by increased uncertainty about economic outlook and employment. Loans dynamics accelerated slightly, however mostly because of weakening of the Zloty.

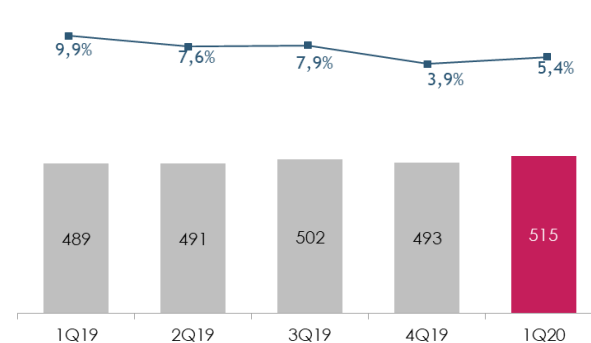
Loans to households (PLNbn, % y/y)



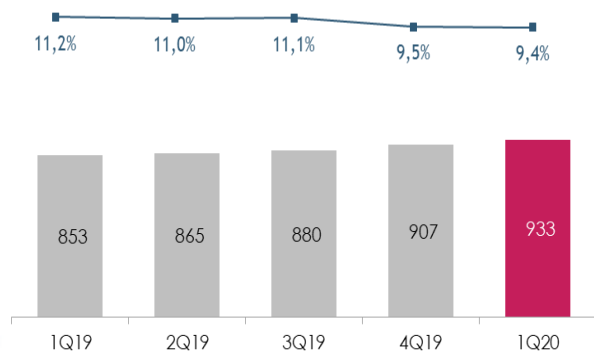
Mortgage loans (PLNbn, % y/y)



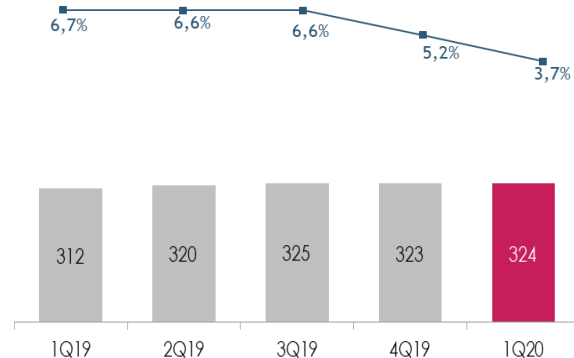
Loans to companies (PLNbn, % y/y)



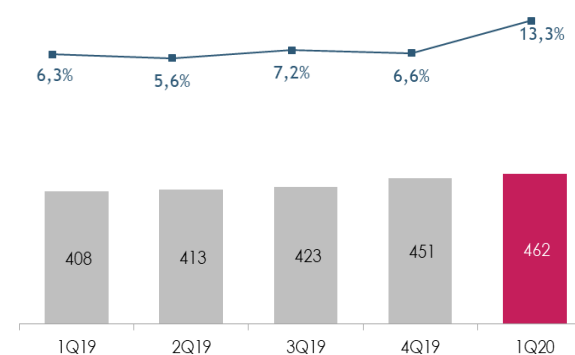
Deposits from households (PLNbn, % y/y)



Non-mortgage loans (PLNbn, % y/y)



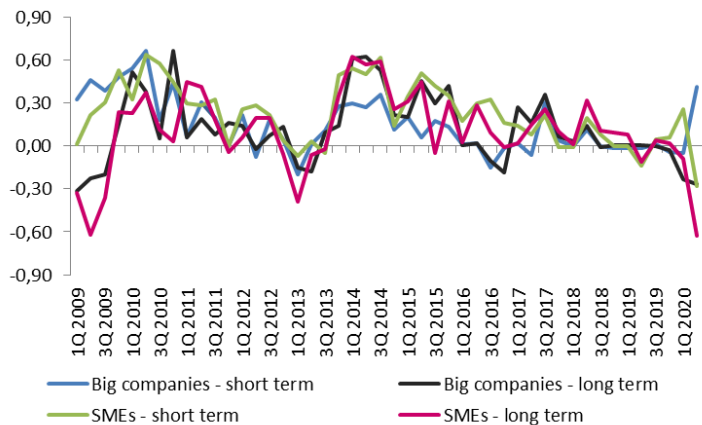
Deposits from companies (PLNbn, % y/y)



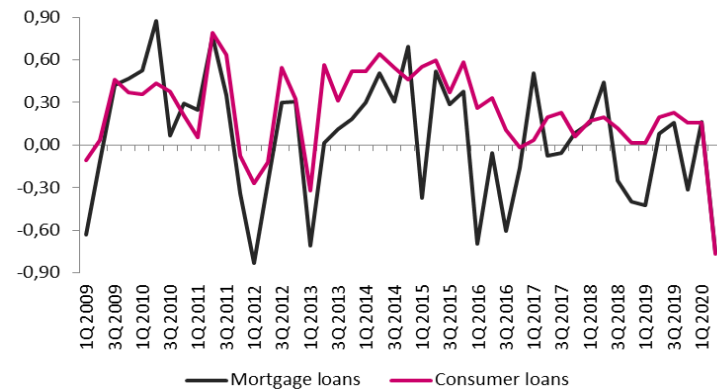
# MACROECONOMIC OVERVIEW

The results of NBP survey indicate a strong decline in demand for loans, both in the household and corporate sector. At the same time, the announcement of tightening banks' lending policy is visible.

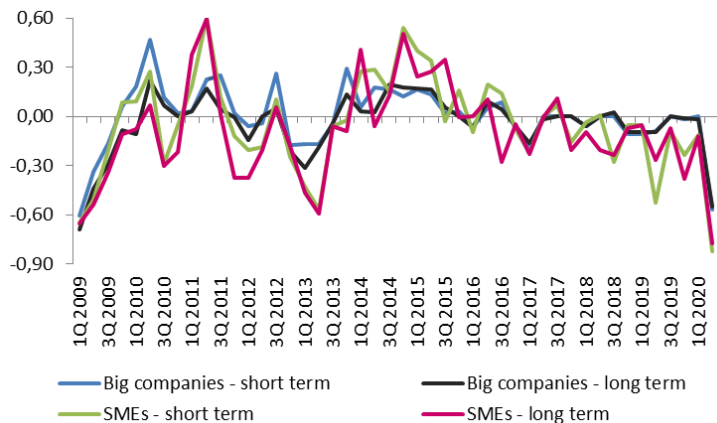
### Expected demand for credit – corporate sector



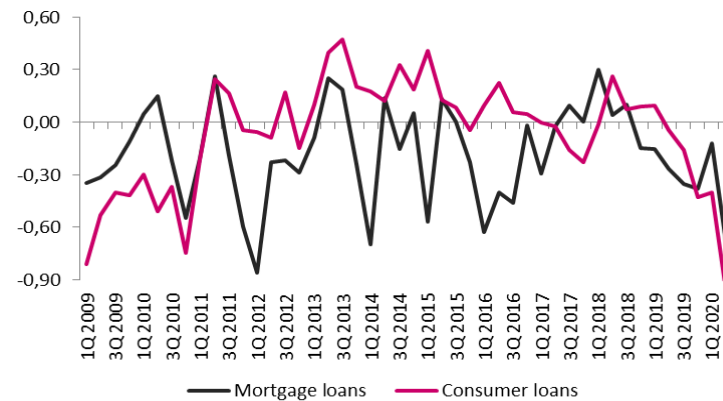
### Expected demand for credit – households



### Credit policy – corporate sector



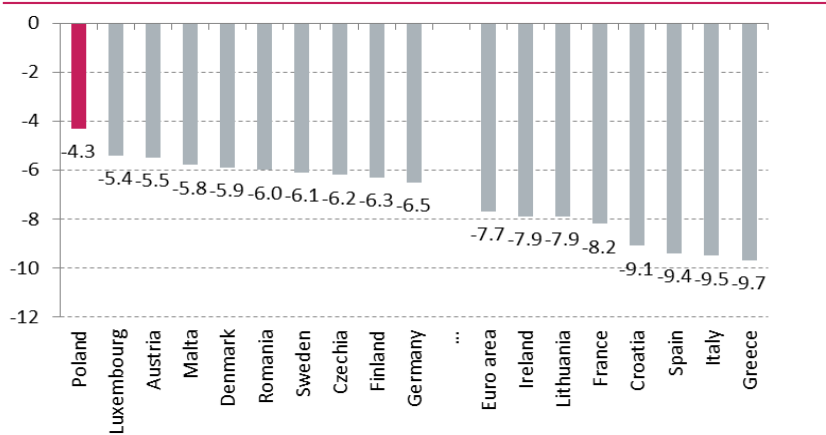
### Credit policy – households



## MACROECONOMIC OVERVIEW

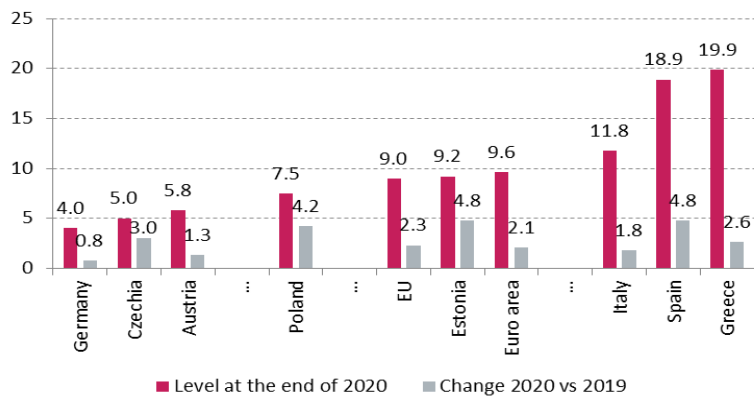
European Commission expects Polish economy to contract by 4.3% in 2020 due to COVID-19 pandemic, the smallest decrease among the EU countries, and is set to make up almost all of the losses during 2021.

2020 GDP forecasts of the European Commission (%)



- According to the European Commission, in 2020 the Polish economy is expected to decline for the first time in at least three decades. **The 4.3% y/y contraction expected is the least pessimistic forecast among all members of the European Union, partly because it assumes a strong fiscal impulse, substantial monetary stimulus (reduction of interest rates by 100 bps and QE) and smaller fraction of economy dramatically hit by pandemic,** e.g. tourism. Fiscal stimulus and drop in revenues are set to drive general government deficit up to 9.5% of GDP in 2020 from 0.7% in 2019, which is one of the strongest increases among EU members. Contraction in consumption and investments will be much lower as compared to EU average, **however a sharp rise in unemployment will not be avoided (to 7.5% in 2020).**

2020 unemployment rate forecasts of the EC (%)



- For 2021 the EC expects strong rebound in GDP growth, by +4.1%, which means that **losses in economic activity suffered in 2020 are expected to be recouped almost in full by the end of 2021.**
- As the recession in Poland will be the lowest in European Union we expect that **Zloty might outperform other CEE currencies** (especially against Hungarian forint). Such a scenario is also presented by the EC. We expect that in the 2H20 EUR/PLN might drop below the lower band of current horizontal trend of 4,50 – 4,63. The main risk for such a scenario is more expansionary monetary policy compared to other CEE countries. When it comes to the bond market, the biggest (after Italy and Spain) general government deficit to GDP in 2020 will cause an upward pressure on Polish T-bond yields. However, the central bank, by using the QE tools, will not allow any significant increase of yields, seeking to reduce the cost of financing debt and support the Ministry of Finance fiscal policy.



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## EURO BANK INTEGRATION

Euro Bank integration starts to yield recurrent and growing synergies

(PLNmnn)

### Integration costs and synergies

	1Q19	2Q19	3Q19	4Q19	FY19	1Q20
Integration costs*	-2.0	-17.8	-44.3	-52.2	-116.3	-30.1
- o/w depreciation	-	-	-	-0.8	-0.8	-0.4
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>
Synergies	-	-	-	23.4	23.4	23.5
<b>Net impact</b>	<b>-1.5</b>	<b>-79.7</b>	<b>-42.4</b>	<b>-23.2</b>	<b>-146.9</b>	<b>-5.3</b>

- **Integration costs and capex** incurred to date represent 73% of the overall plan. In 1Q20, the bulk of opex was HR related (PLN13.5mn provision for group redundancies, PLN10.5mn retention bonus). **Overall 2020 opex target is PLN58mn.**
- **Synergies** totalled PLN23.5mn in 1Q20 and are expected to increase in subsequent quarters with PLN100mn+ targeted in 2020 overall and PLN188mn in 2022.

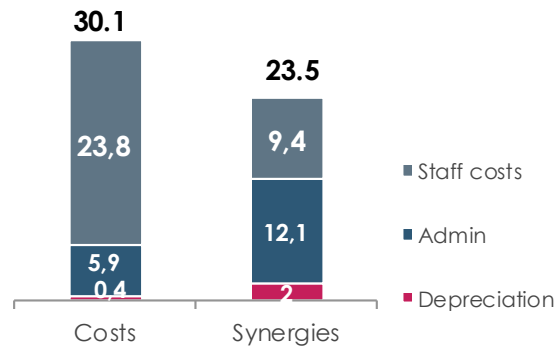
(\*) Costs: P&L OPEX directly related to Euro Bank acquisition, merger and integration. Expenses: additionally there was a PLN37mn PPA adjustment, while capex totalled PLN33mn in 2019; \*\*) 12-month expected credit loss (ECL) estimated on fair value of loan portfolio in accordance with IFRS 9 (on D1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



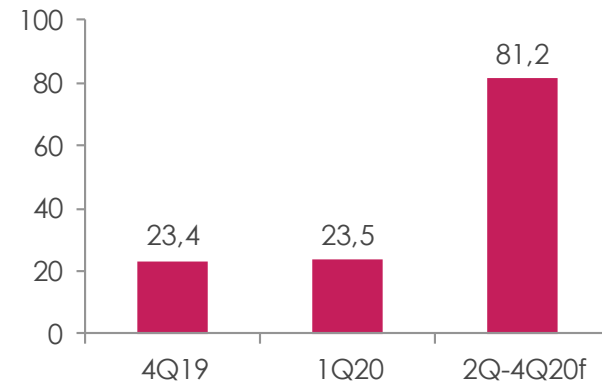
# EURO BANK INTEGRATION

Integration process is on track, opex incurred to date at 73% of the total plan, 2020 synergies expected at 67% of 2022 target

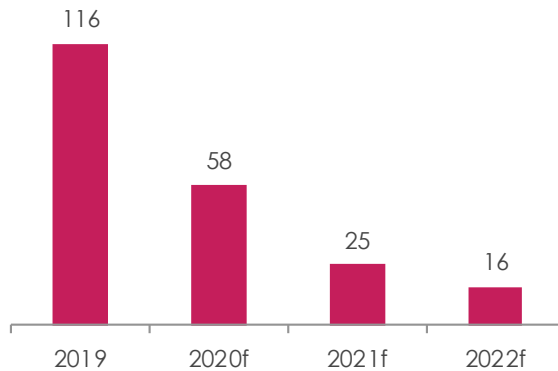
1Q20 P&L integration costs and synergies (PLNmnn)



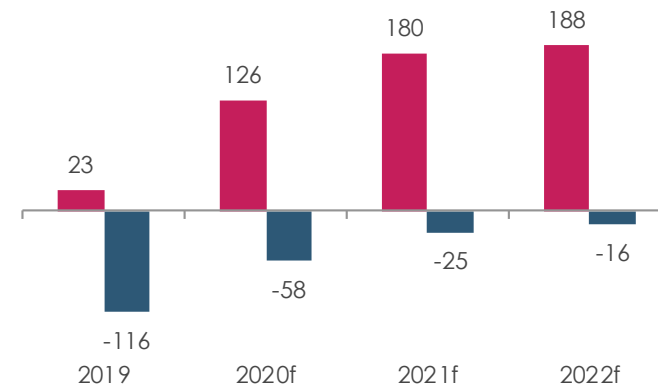
Targeted synergies in 2020 (PLNmnn)



Integration costs (P&L) (PLNmnn)



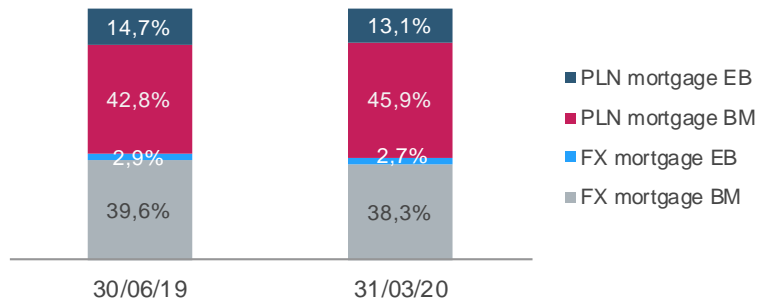
Targeted P&L synergies and intergration costs in 2019-22 (PLNmnn)



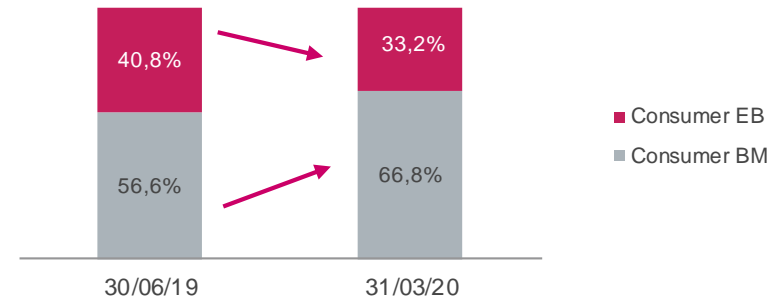
# EURO BANK INTEGRATION

Ex-EB portfolio steadily reduces its share, making room for cross- and up-sell to former EB customers of new products; FTE and branch reduction to accelerate in the remainder of the year

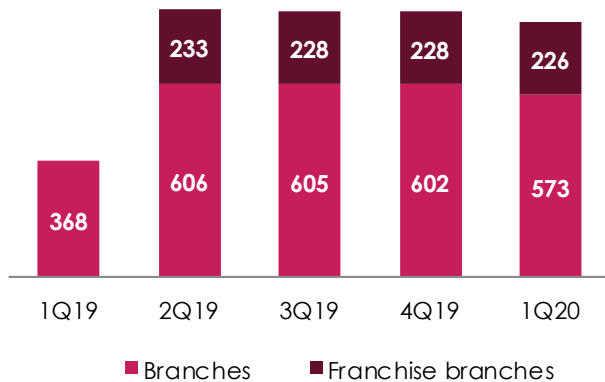
## Mortgage loans portfolio



## Consumer loans portfolio

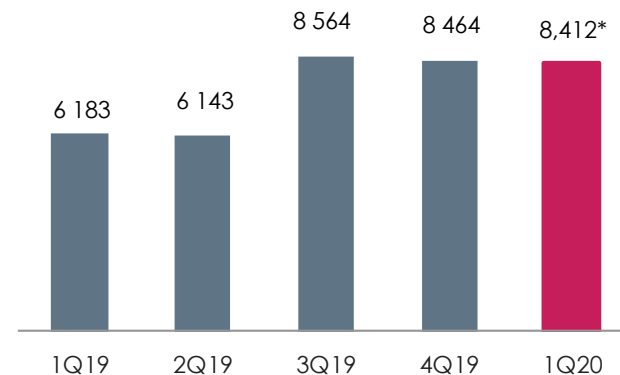


## Branches and franchise branches



## Employment

(FTE)



(\*) does not include the full outcome of 260 FTE reduction announced/executed in January



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- > **Financial performance**
- > Business development
- > Appendices

## KEY PROFIT & LOSS ITEMS

PLNmnn	1Q20	1Q19	y/y	4Q19	q/q
Net interest income	689.6	500.3	37.84%	709.5	-2.80%
Net commission income	194.5	163.2	19.2%	182.6	6.5%
<b>Total operating income</b>	<b>920.7</b>	<b>740.8</b>	<b>24.3%</b>	<b>954.1</b>	<b>-3.5%</b>
<b>Total costs</b>	<b>-517.9</b>	<b>-384.5</b>	<b>34.7%</b>	<b>-490.0</b>	<b>5.7%</b>
Costs without EB integration and BFG	-403.0	-298.4	35.0%	-423.9	-4.9%
Loan loss provisions	-137.0	-72.3	89.3%	-72.4	89.1%
FX mortg. and COVID19 risk provisions	-115.3	-	-	-223.1	-48.3%
Banking tax on assets	-72.7	-51.4	41.6%	-69.1	5.2%
<b>Net Profit</b>	<b>18.1</b>	<b>160.0</b>	<b>-88.7%</b>	<b>27.0</b>	<b>-32.8%</b>
Net Profit without extraordinary items*	190.1	191.6	-0.8%	274.0	-30.6%
NIM	2.81%	2.53%	0.28 pp	2.94%	-0.13 pp
<b>Cost/Income adjusted (*) ytd</b>	<b>48.3%</b>	<b>46.0%</b>	<b>+2.3 pp</b>	<b>47.0%</b>	<b>+1.3 pp</b>
Cost of risk adjusted (*) ytd	75 bp	53 bp	+22 bp	57 bp	+18 bp
<b>ROE ytd</b>	<b>2.7%</b>	<b>10.1%</b>	<b>-7.4 pp</b>	<b>6.4%</b>	<b>-3.7 pp</b>
<b>ROE adjusted (*) ytd</b>	<b>8.4%</b>	<b>9.1%</b>	<b>-0.6 pp</b>	<b>10.5%</b>	<b>-2.1 pp</b>

(\*) Extraordinary items: in 1Q20: 1. Euro Bank integration costs (PLN 30.1mn), 2. PLN55.3mn provisions for FX mortgage legal risk, 3. PLN60mn for Covid-19 risk, 4. linear distribution of BFG resolution fund fee (PLN58.2mn); in 1Q19: 1. integration costs (PLN2mn), 2. PLN26.9mn release of tax asset provision, 3. linear distribution of BFG resolution fund fee (PLN73.3mn);

## KEY BALANCE SHEET ITEMS AND OTHER RELEVANT INDICATORS

PLNmn	Mar'20	Mar'19	y/y	Dec'19	q/q
<b>Active customers (ths)</b>	<b>2 605</b>	<b>1 897</b>	<b>708</b>	<b>2 571</b>	<b>34</b>
o/w on-line and mobile	1 926	1 469	457	1 838	88
<b>Customer funds</b>	<b>90 700</b>	<b>75 478</b>	<b>20.2%</b>	<b>90 295</b>	<b>0.4%</b>
<b>Deposits</b>	<b>83 584</b>	<b>66 673</b>	<b>25.4%</b>	<b>81 455</b>	<b>2.6%</b>
Deposits of individuals	63 328	47 827	32.4%	61 092	3.7%
<b>Loans</b>	<b>72 046</b>	<b>53 940</b>	<b>33.6%</b>	<b>69 755</b>	<b>3.3%</b>
o/w FX mortgage loans excl. EB	14 501	14 186	2.2%	13 632	6.4%
o/w other loans	56 494	39 754	42.1%	55 151	2.4%
L/D	86.2%	80.9%	5.3 pp	85.6%	0.6 pp
Impaired loan ratio (*)	4.8%	4.4%	0.3 pp	4.6%	0.2 pp
Coverage ratio pro-forma (**)	70.4%	73.0%	-2.6 pp	74.8%	-4.4 pp
<b>CET1 = T1</b>	<b>16.5%</b>	<b>21.5%</b>	<b>-5.0 pp</b>	<b>16.9%</b>	<b>-0.4 pp</b>
<b>TCR</b>	<b>19.5%</b>	<b>25.6%</b>	<b>-6.1 pp</b>	<b>20.1%</b>	<b>-0.6 pp</b>

(\*) stage 3 and POCI loans share in gross total loans; (\*\*) Total provisions divided by stage 3 gross loans+ POCI assuming consolidation of Euro Bank's gross portfolio at fair value and related provisions



## FINANCIAL HIGHLIGHTS OF 1Q20

Restructuring costs and FX mortgage legal risk burdened the results but adjusted ROE at 8.4%.

### Profit affected by integration and extra provisions

- 1Q20 net profit at **PLN18mn** or at **PLN190mn** when adjusted for extraordinary items (\*), i.e. at a similar level as a year ago
- **PLN30mn** (PLN24mn after tax) of Euro Bank related integration costs
- Extraordinary provisions: **PLN55mn** for FX mortgage legal risk and **PLN60mn** for Covid-19 risk
- Adjusted\* ROE at **8.4%** and cost/income at **48.3%**

### High asset quality and liquidity kept

- Impaired loans ratio at **4.75%**
- Cost of risk\*\* at **108bp** (75bp ex-Covid-19 provision)
- Loans to deposits ratio at low level of **86%**

### Higher income and cost after the merger

- Operating income grew by **24%** y/y
- Net interest income grew by **38%** y/y
- Net commission income grew by **19%** y/y
- Operating costs without BFG and integration costs fell **4.9%** vs the previous quarter.

### Solid capital and lower regulatory buffers

- Group's Total Capital Ratio (TCR) at **19.5%** and CET1 ratio at **16.5%** after incorporating 2H19 profit
- KNF reduced FX mortgage related buffer to **4.9%** in Nov '19
- Systemic risk buffer cut to **0%** from 3% in Mar'20

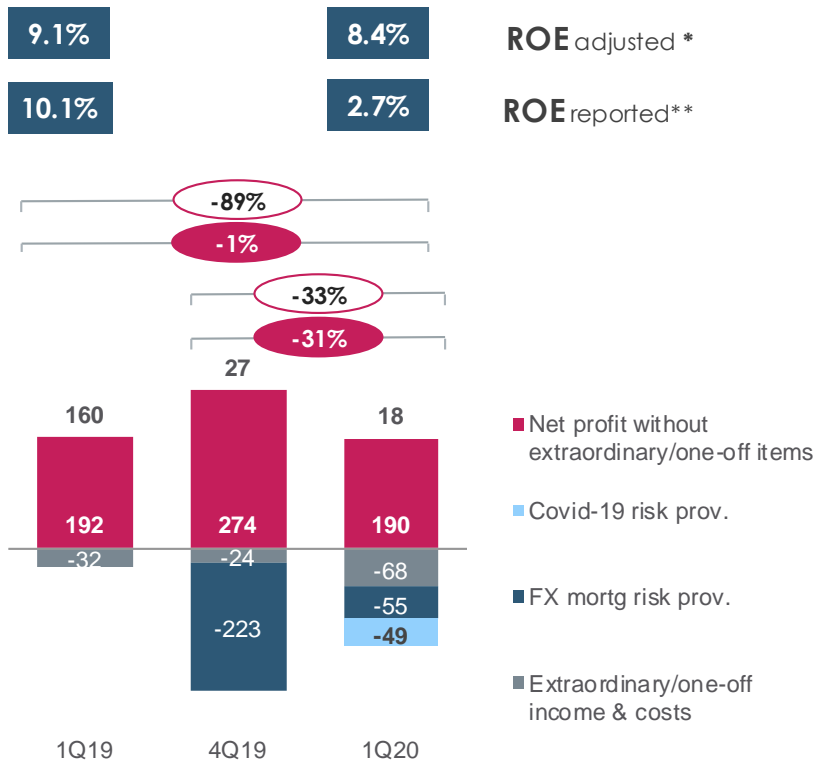
(\*) without extraordinary items: in 1Q20: 1. integration costs (PLN 30.1m), 2. PLN55.3mn provisions for FX mortgage legal risk, 3. linear distribution of BFG resolution fund fee of PLN58.2mn; in 1Q19: 1. integration costs (PLN 2m), 2. PLN26.9mn release of tax asset provision, 3. PLN60mn pro for Covid-19 risk, 4. linear distribution of BFG resolution fund fee of PLN58.2mn

(\*\*) over **gross** loans

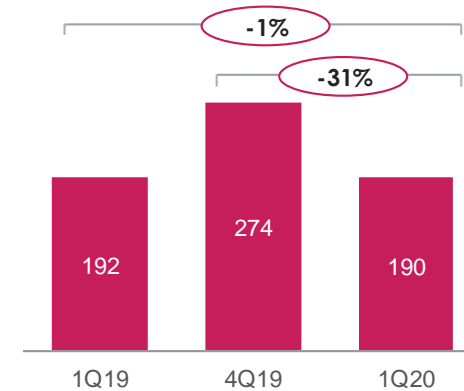
# PROFITABILITY

Without Euro Bank integration and extraordinary provisions, ROE stood at 8.4%  
Core income grew by 33% vs. 1Q19

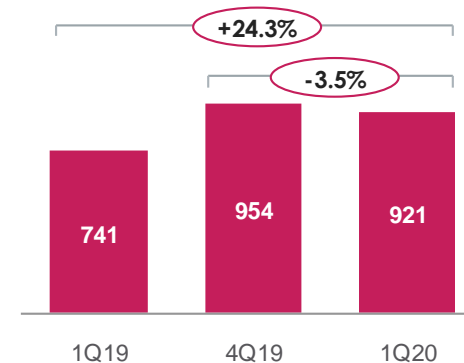
Net profit (PLNm)



Net profit without extraord. items (PLNm)



Operating income (PLNm)



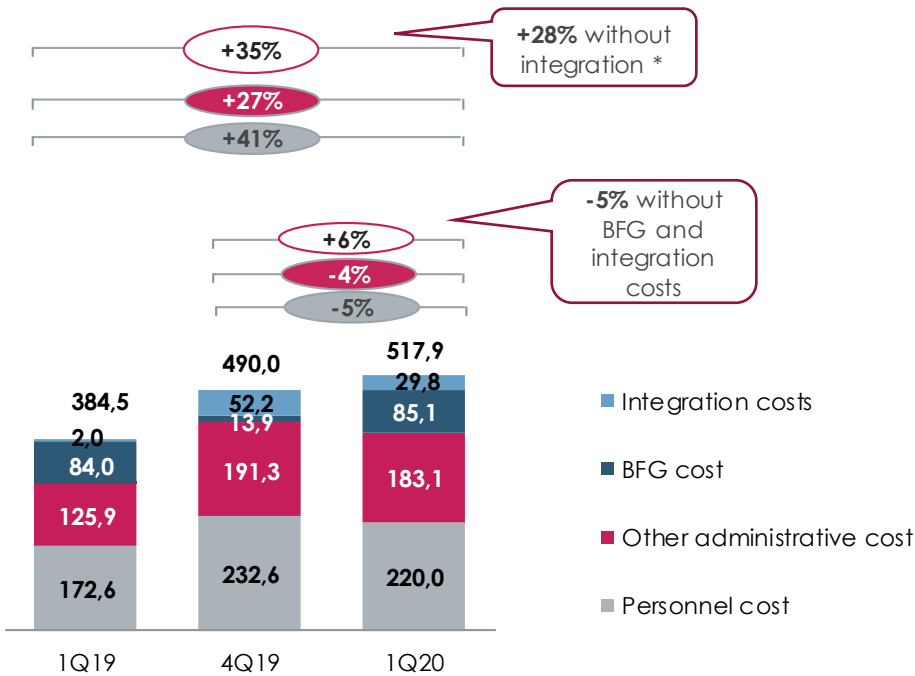
(\*) without extraordinary items: in 1Q20: 1. integration costs (PLN 30.1m), 2. PLN55.3mn provisions for FX mortgage legal risk, 3. PLN60mn for Covid-19 risk, 4. linear distribution of BFG resolution fund fee of PLN58.2mn  
in 1Q19: 1. integration costs (PLN 2m), 2. PLN26.9mn release of tax asset provision, 3. linear distribution of BFG resolution fund fee of PLN73.3mn

# COST EFFICIENCY

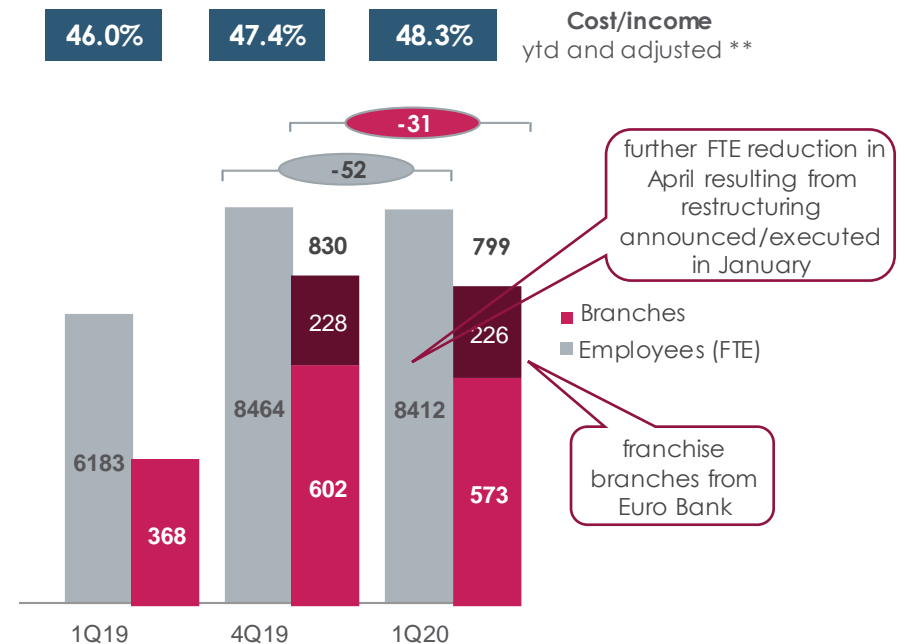
Next step of EB Integration in progress, recurrent costs lower than in 4Q19

## Operating cost

(PLNm)



## Cost/ income, branches and staff



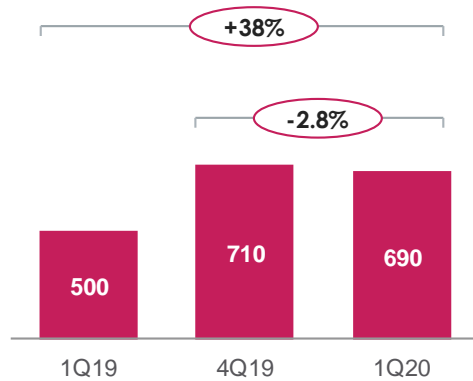
(\*) additional administrative costs directly related to Euro Bank acquisition, merger and integration process (PLN2mn in 1Q19 and PLN30mn in 1Q20, of which PLN23.8mn for staff restructuring)  
 (\*\*) without one-off income and integration costs; with equal distribution of BFG resolution fee through the year

## INTEREST AND COMMISSION INCOME

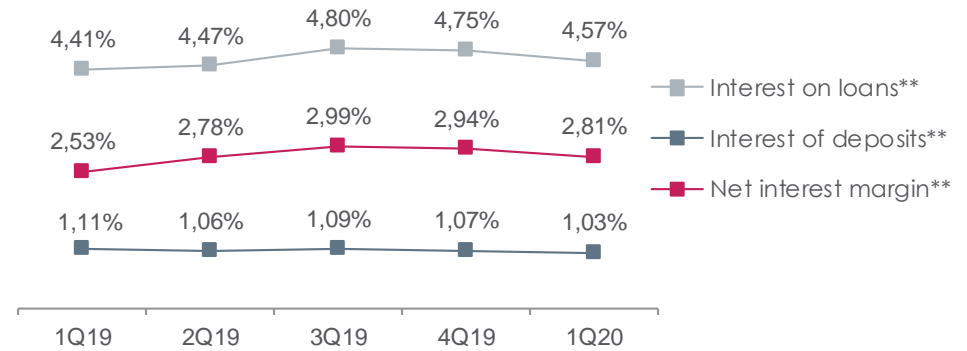
Interest income higher by 38% y/y and commissions higher by 19% y/y;  
NIM undermined by fewer calendar days, fee returns on early repaid cash loans  
and interest rate cuts

Net interest income \*

(PLNm)

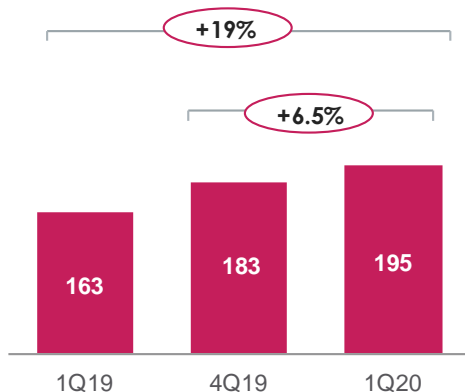


Interest on loans and deposit



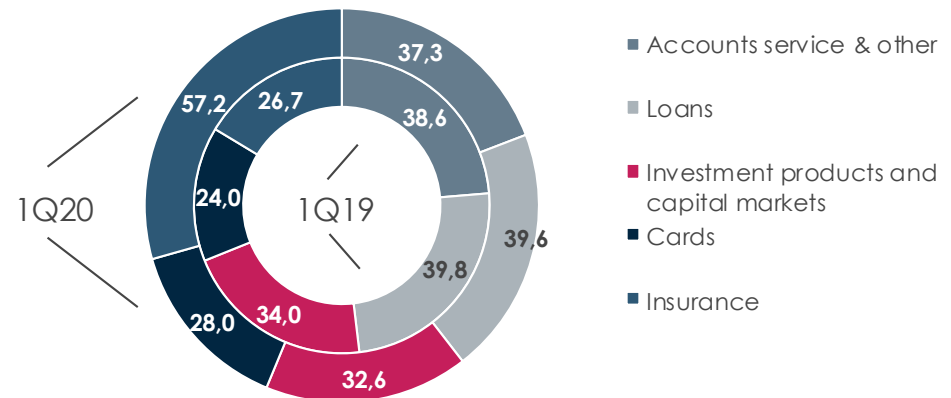
Net fees

(PLNm)



Fee income structure

(PLNm)



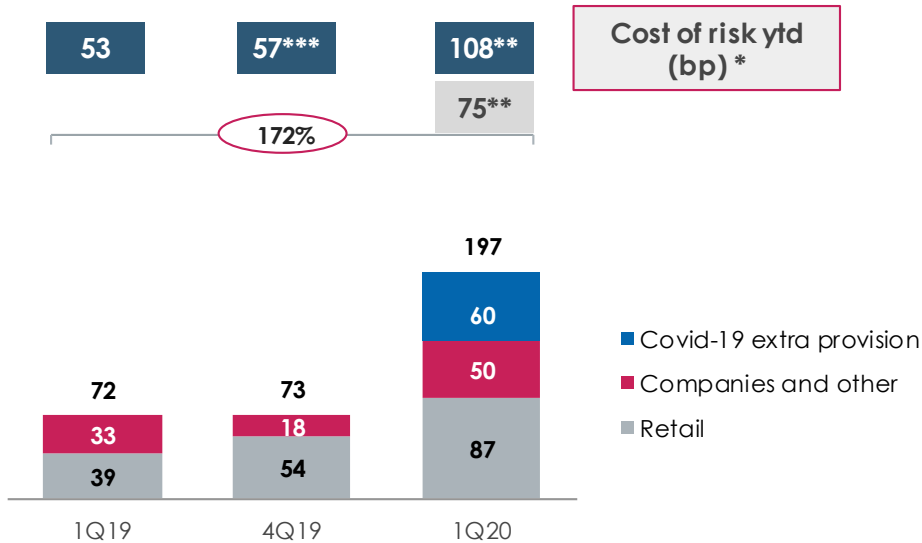
(\*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN13.9mn in 1Q20 and PLN16.3mn in 1Q19) is presented in results on financial assets and liabilities held for trading (\*\*\*) including Euro Bank since 1st June 2019, NIM and loans yield include interest from swaps

## ASSET QUALITY, LIQUIDITY AND CAPITAL

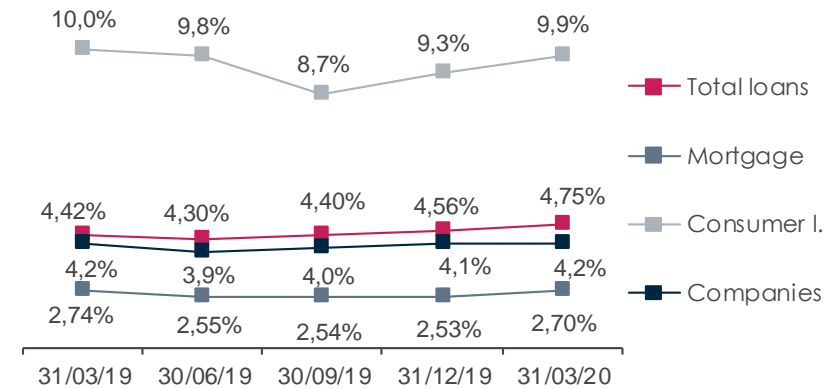
High asset quality maintained but elevated cost of risk reflects changes to risk model and pre-emptive Covid-19 provisioning

### Cost of risk

(PLNmnn)



### Impaired loans (IFRS9 stage 3 & POCI)



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

(\*\*) 75 bp without Covid-19 provisions

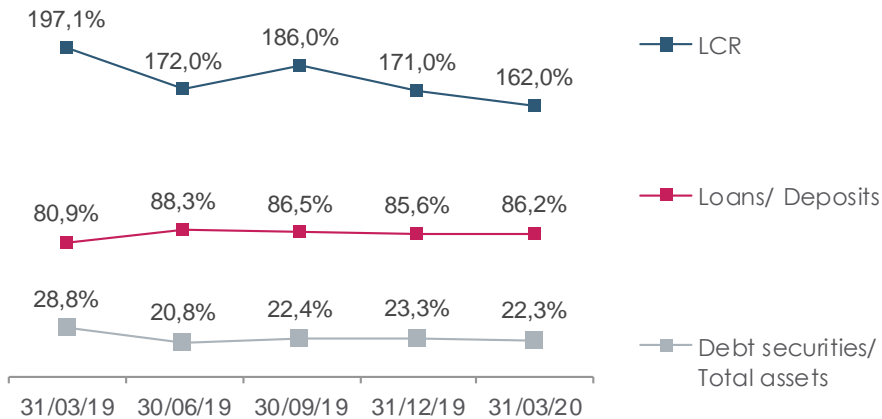
(\*\*\*) Without Day1 acquisition related extra provisions created for Euro Bank loan portfolio



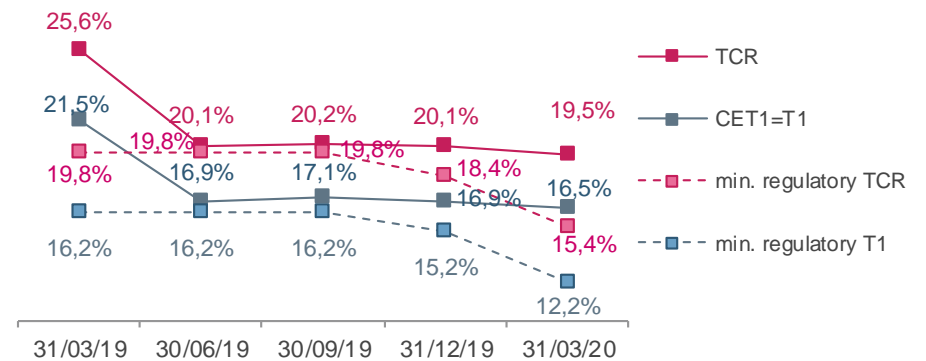
## LIQUIDITY AND CAPITAL

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

### Liquidity indicators



### Group capital ratios\*



(\*) Bank's (solo) capital ratios : TCR 19.4% and CET1 16.3%



## PRESENTATION OF 1Q20 RESULTS

- > Covid-19 impact
- > Macroeconomic overview
- > Euro Bank integration
- > Financial performance
- > **Business development**
- > Appendices

## BUSINESS HIGHLIGHTS OF 1Q20

- Fulfillment of organic growth targets;
- Acceleration of growth thanks to the merger

### Retail business

- **2.6mn** active clients (34% y/y); 708,000 new clients after 1 year including 494k taken over from Euro Bank
- **32%** yearly growth of deposits
- **47%** yearly growth of loans (72% y/y without FX mortgages)
- **Record PLN1.3bn** origination of mortgages and strong PLN1.3bn of cash loans translating into y/y growth of **+57%** and **+31%** respectively
- Growth of microbusiness new client acquisition; +20,000 y/y net growth (**24%** new accounts opened on-line)
- **96,000** microbusiness clients

### Companies business

- Current accounts volumes grew by **+39%** y/y
- Growth of loans to companies: **+7%** y/y
- **6%** annual growth in factoring turnover
- Growing number and volume of transactions in many business areas of corporate business

### Quality and innovations

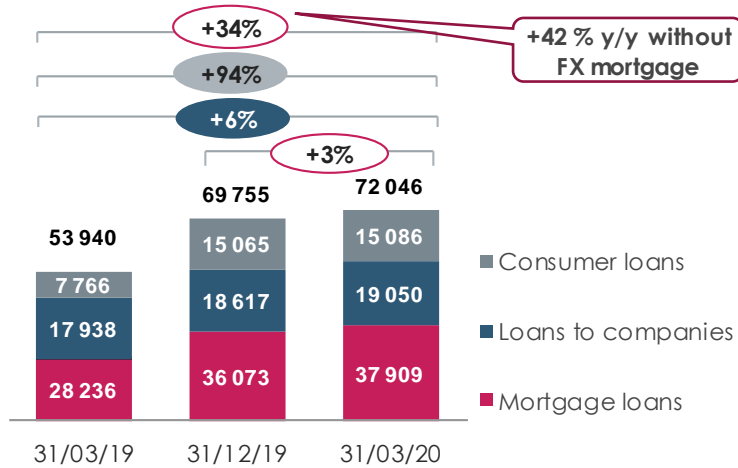
- The highest **NPS ratio (52)** among banks in Poland
- **The Best Trade Finance Provider in Poland for 2020** according to the Global Finance
- **1.7mn** apps downloads by **goodie**

# LOANS AND DEPOSITS

Strong growth of volumes influenced by Euro Bank acquisition

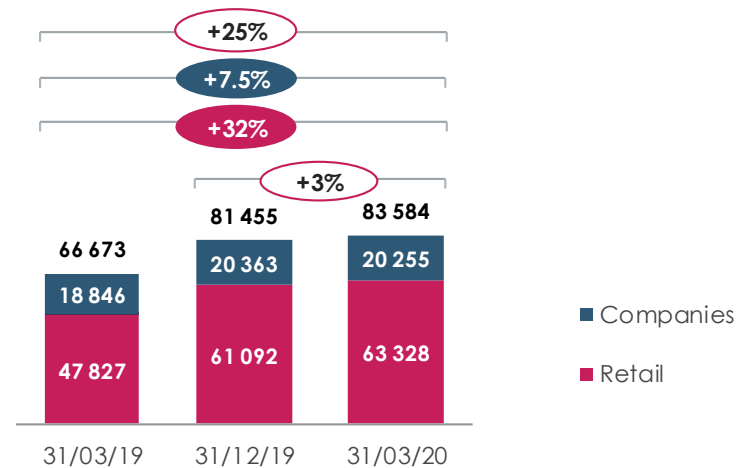
Loan portfolio of the Group (net)

(PLNmn)

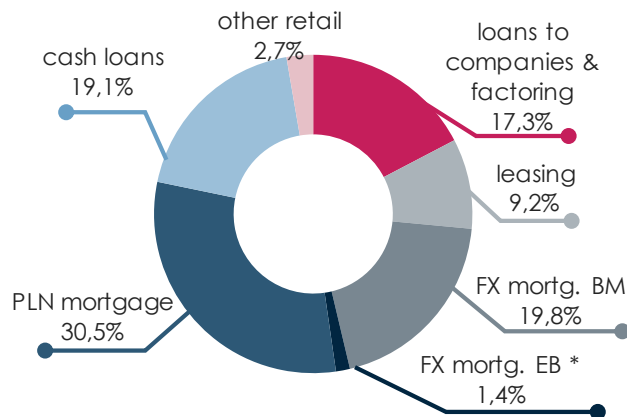


Customer deposits

(PLNmn)

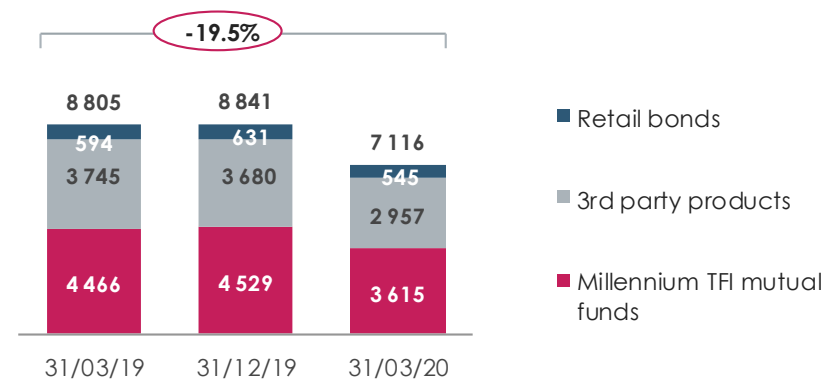


Structure of loan portfolio (gross)



Non-deposit investment products \*\*

(PLNmn)



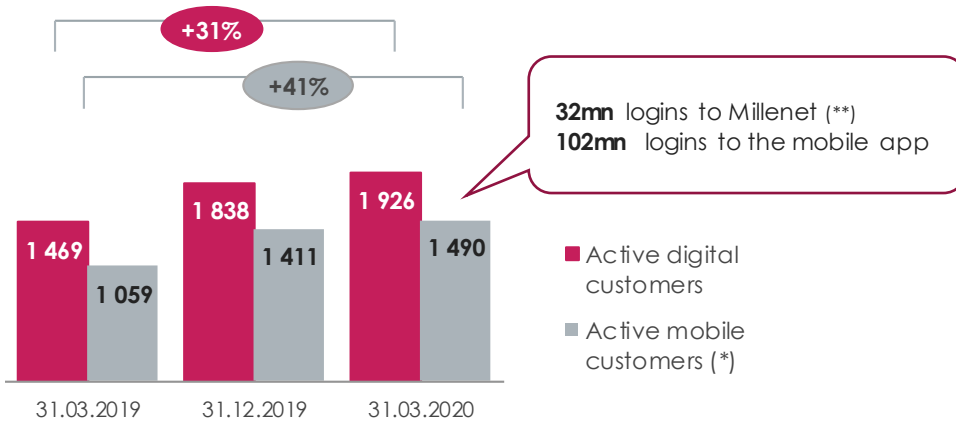
(\*) Covered by SocGen guarantee and indemnity

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

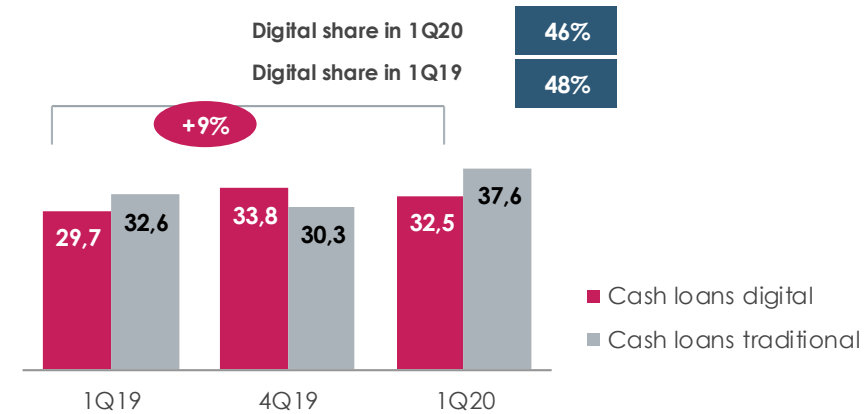
# RETAIL BANKING – DIGITAL CUSTOMERS AND SALES

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

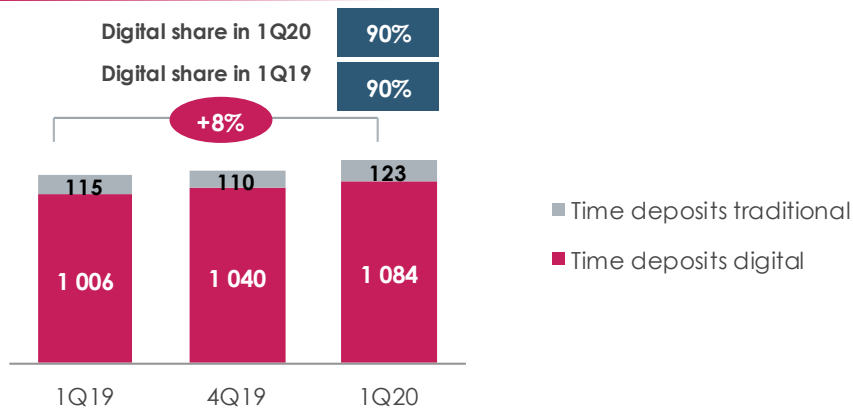
Active digital and mobile clients (in thousand)



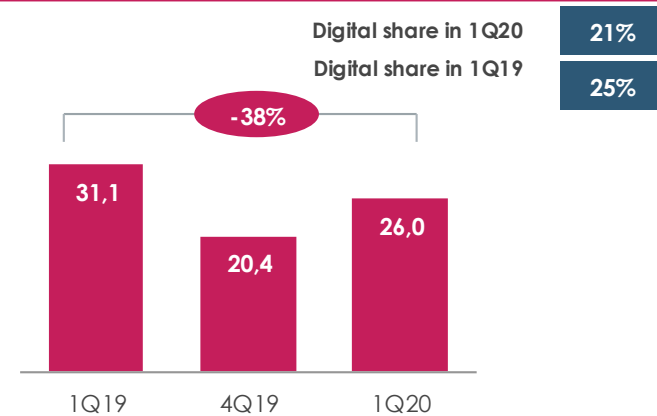
Traditional and digital channels – cash loans (in thousand)



Traditional and digital channels - time deposits (in thousand)



Current accounts open online (in thousand)



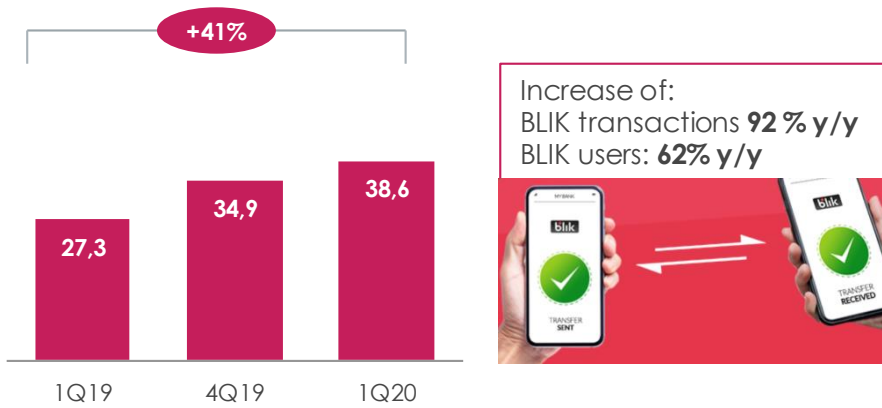
(\*) retail clients actively using mobile app and mobile Millenet

(\*\*) Millenet and ipayment

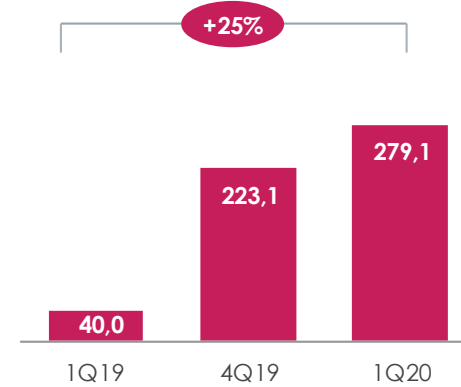
# RETAIL BANKING – ONLINE PRODUCTS AND SERVICES

High transaction rate in all types of online payments

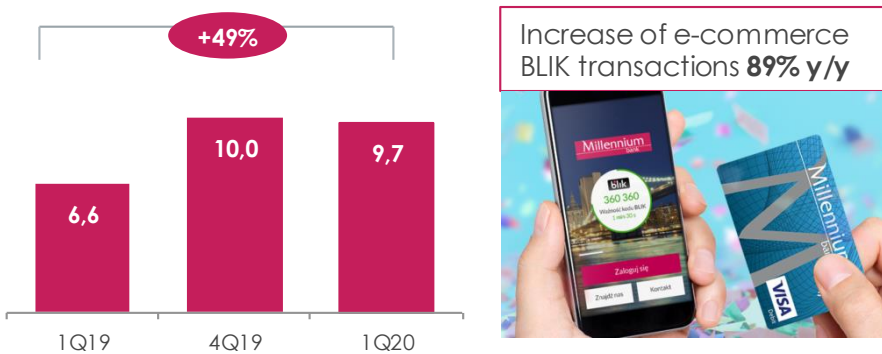
Transfers \* (million)



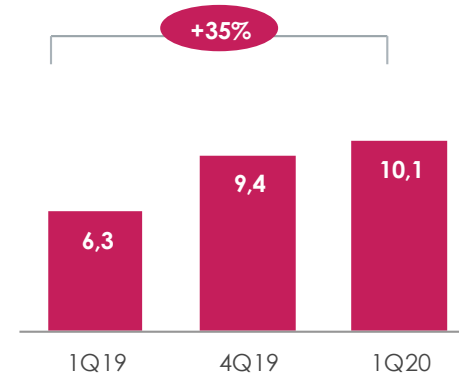
Number of clients with mobile authorization (million)



E-commerce card transactions \* (million)



Internet payment transactions \* (million)

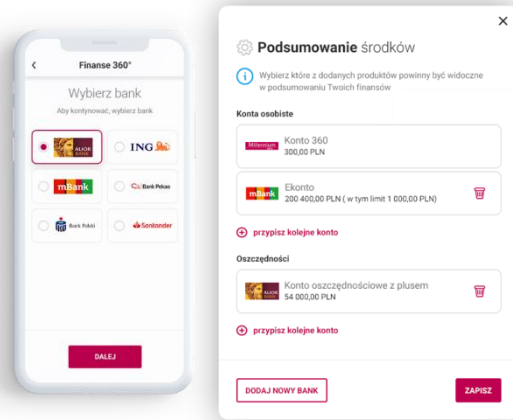


(\*) including BLIK payments



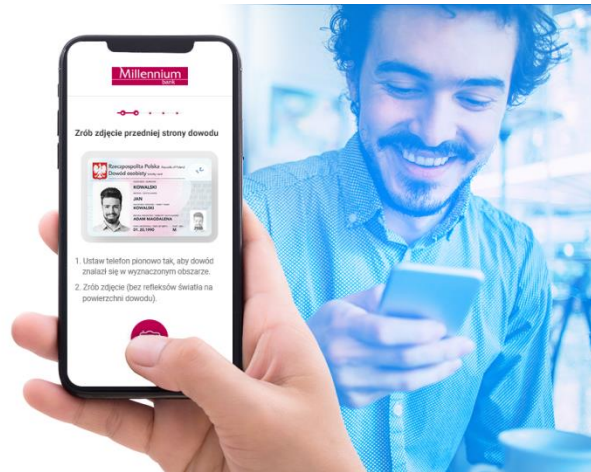
## RECENT INNOVATIVE SOLUTIONS

New solutions regarding the possibilities of banking from home



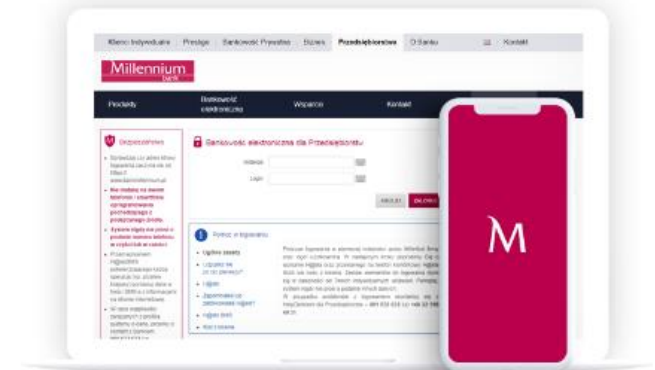
### Finance 360°

Bank Millennium is the first bank in Poland to launch 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, Bank Millennium, as one of the first banks in Poland began giving customers the 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



### Remote signing of agreements in Bank Millennium's corporate banking

Bank Millennium has launched the possibility for corporate banking customers to sign agreements fully remotely. Digital circulation of documents is based on qualified signature with qualified timestamp and applies to loan agreements and their collaterals, transactional banking, factoring, trade finance and treasury products

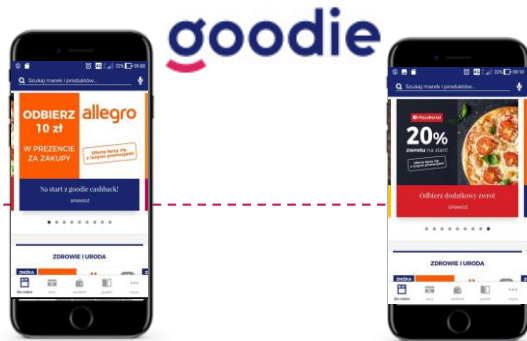
# GOODIE – SMARTSHOPPING PLATFORM OF BANK MILLENNIUM

Maintaining growth dynamics in key business areas

since 2018

1.7  
million

App downloads



1Q20

170,000

App downloads

1.2  
million

cashback transactions

PLN124mn

generated cashback turnover

850,000

registered Loyalty Cards and Stamp Cards

PLN38mn

generated cashback turnover and close to **400 thousand** cashback transactions

2.1  
million

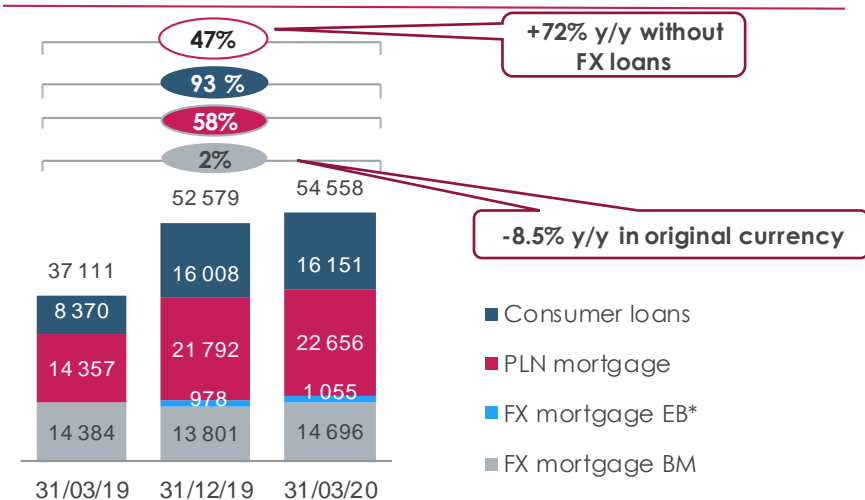
flyers opened. **40%** increase compared to 4Q19

## RETAIL BUSINESS – LOANS AND CUSTOMER FUNDS

Very strong growth of retail loans and deposits;  
Quarterly sale of cash and mortgage loans at cPLN1.3bn each

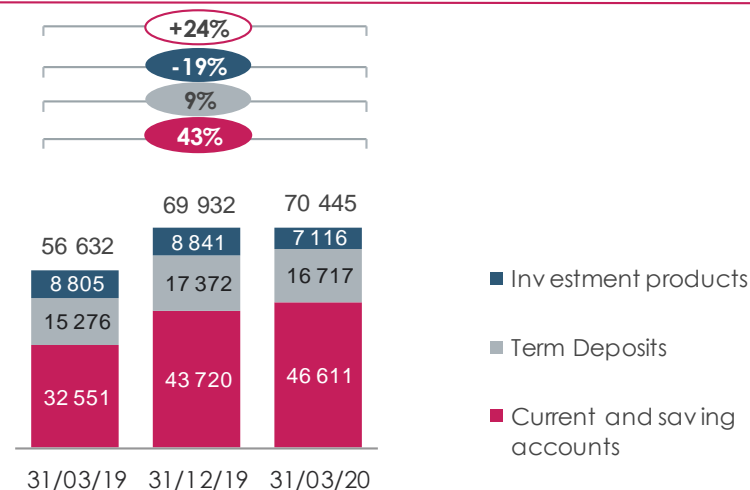
Retail loans (gross)

(PLNm)



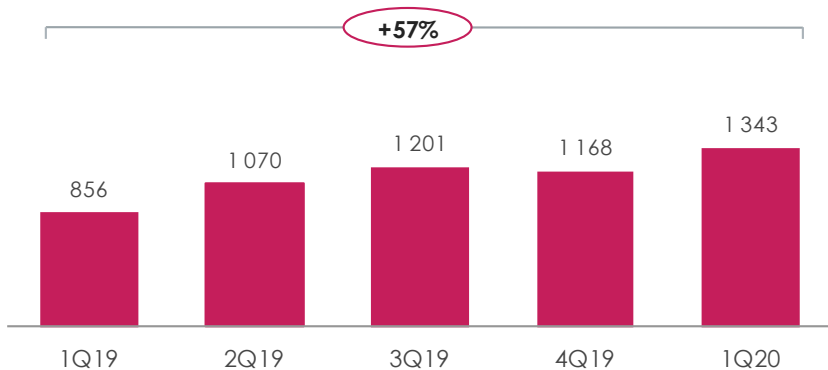
Retail customer funds

(PLNm)



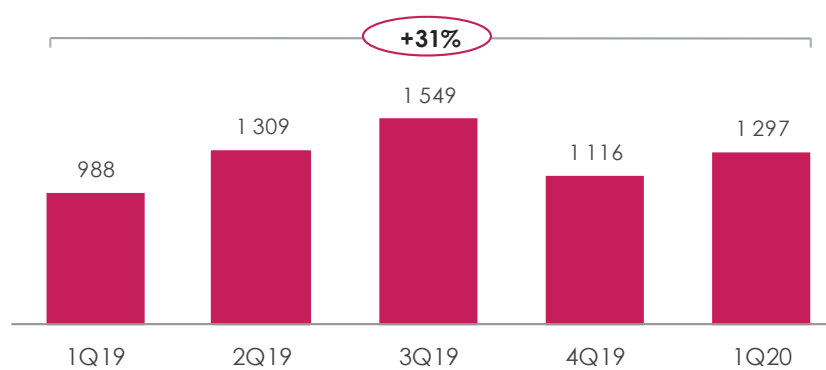
Mortgage loans new sales (\*\*)

(PLNm)



Cash loans new sales (\*\*)

(PLNm)



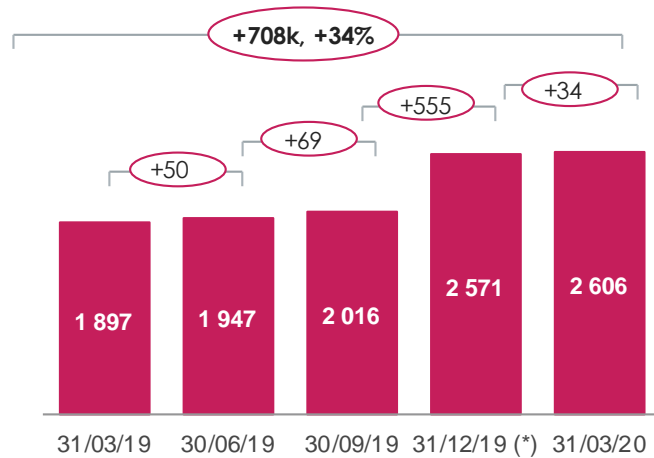
(\*) Loans from Euro Bank – covered by 100% indemnity and 80% guarantee agreement with SocGen

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

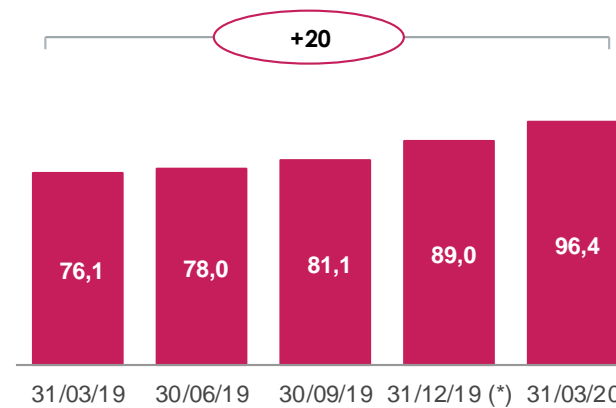
# RETAIL BANKING - NUMBER OF CUSTOMERS AND ACCOUNTS

Number of active retail clients reached 2.6 million

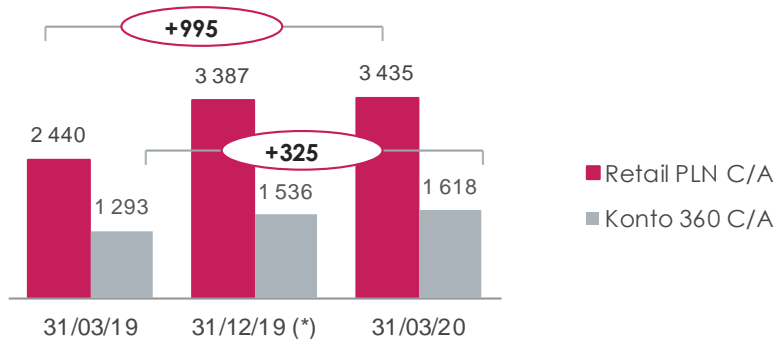
Active retail clients (thousand)



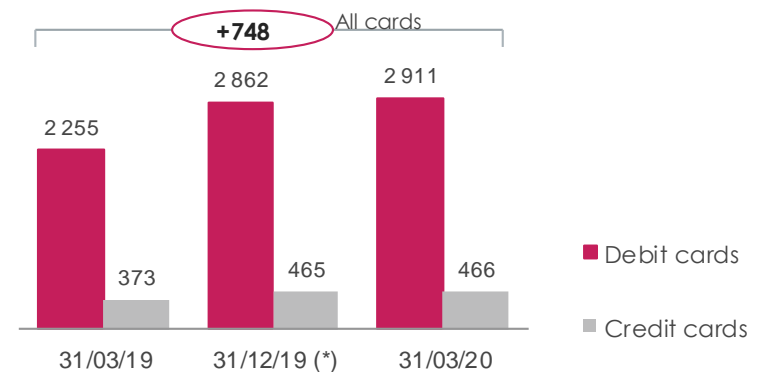
Active micro-business clients (thousand)



Number of current accounts (thousand)



Number of debit and credit cards (thousand)



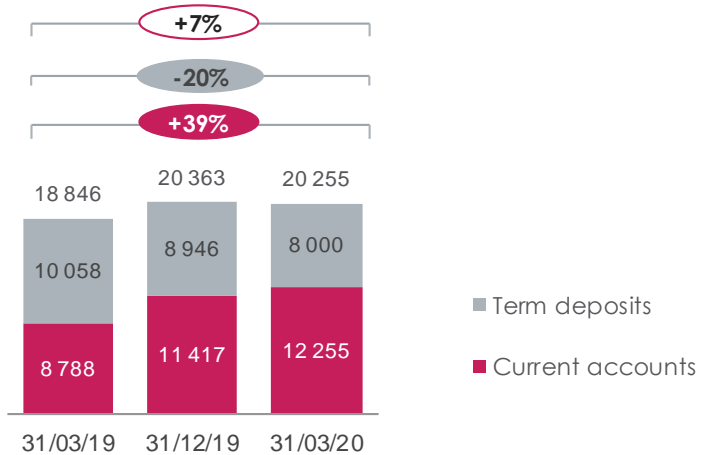
(\*) data with ex Euro Bank clients

## COMPANIES BUSINESS – DEPOSITS AND LOANS

Robust and diversified growth of loans and deposits of c6-7%  
Current account balances' high dynamics of 39% y/y

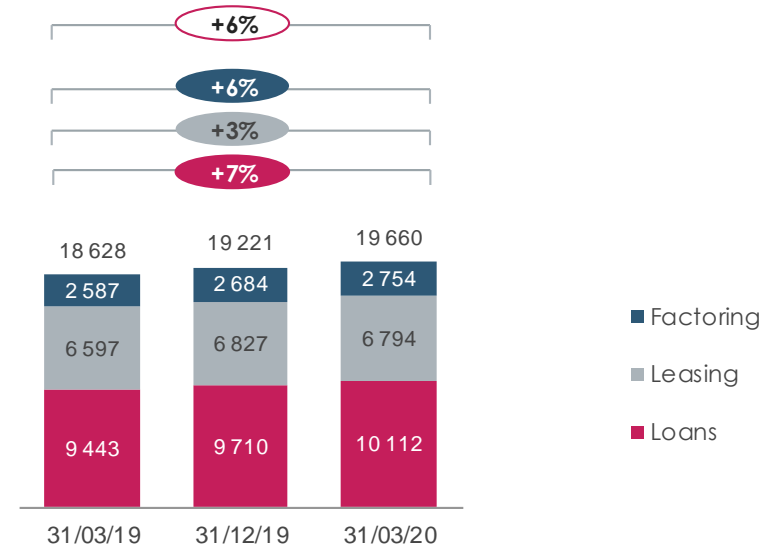
Companies deposits

(PLNm)



Loans to companies (gross)

(PLNm)



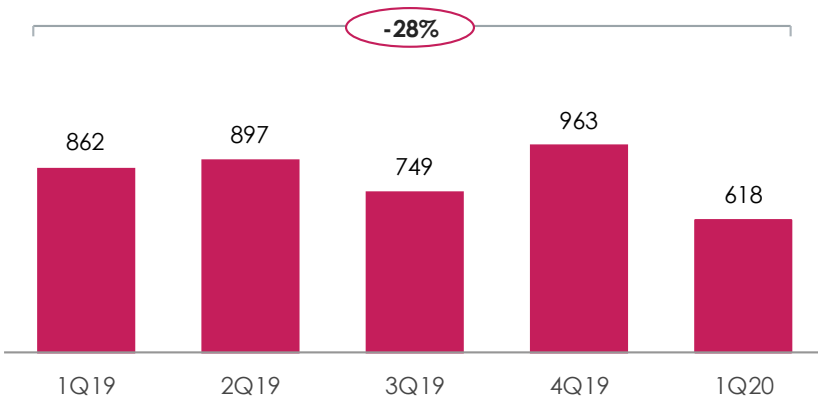
### Comments

- Strong pace of growth of companies' current accounts of 39% y/y
- Loans to companies present solid and diversified growth
- Growing number and volume of transactions in many business areas of the corporate segment

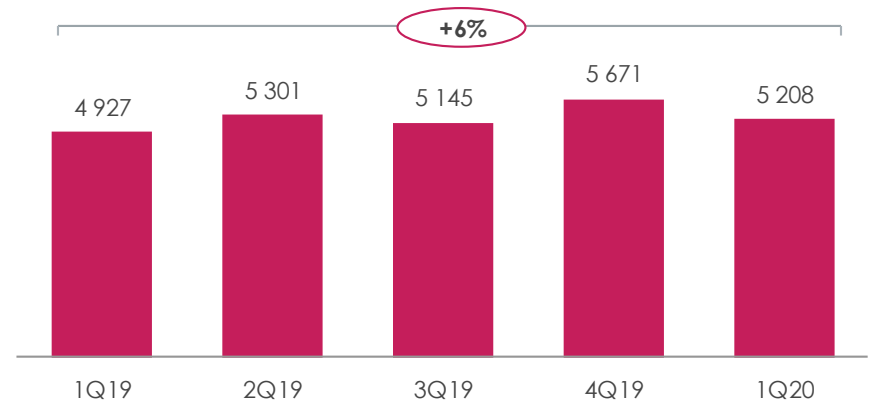
## COMPANIES BUSINESS – LOANS AND TRANSACTIONS

Growth in factoring sale maintained but leasing decreased in 1Q20; strong trade finance.

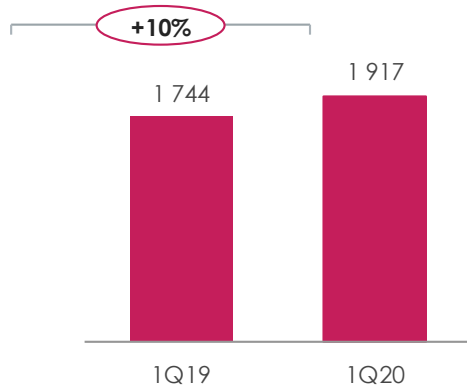
Leasing – new sales (PLNm)



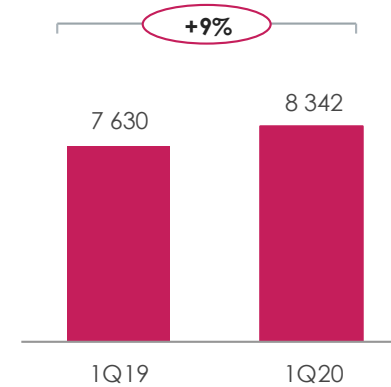
Factoring – turnover (PLNm)



Volumes of limits for guaranties and LC (PLNm)



No. of domestic transfers (thousand)







## PRESENTATION OF 1Q20 RESULTS

- > Covid-19 impact
- > Macroeconomic overview
- > Euro Bank integration
- > Financial performance
- > Business development
- > **Appendices**

## RATINGS AND MARKET RATIOS

Bank shares in the new WIG ESG index  
 Share price under strong pressure due to coronavirus pandemic, potential MSCI index rebalancing and potential FX mortgage legal risk

### Bank Millennium in new WIG-ESG index



According to GPW communique of 3 September 2019, which announced the portfolio of the new WIG-ESG index, **Bank Millennium was among the 4 top-scoring companies.**

Bank Millennium reached the highest result as regards assessment of applying environmental, social and corporate governance factors (ESG of 1,0) as well as assessment of compliance with principles of Code of Best Practice (KDP of 1,0).

### Ratings of Bank Millennium

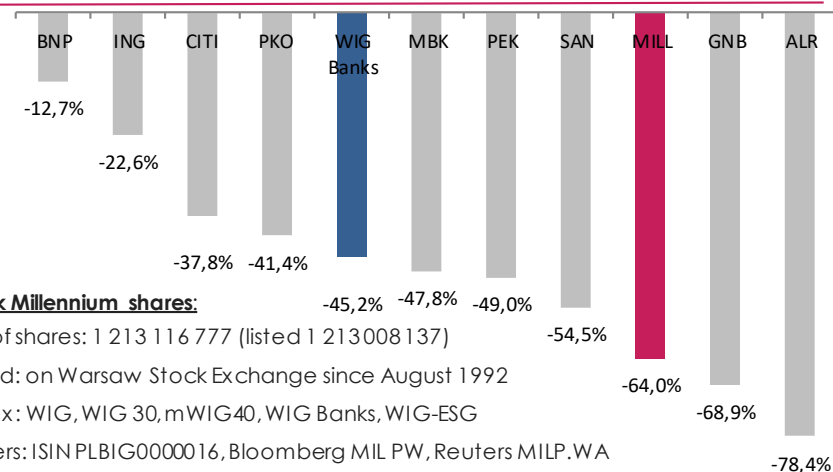
On 14th April 2020 **Fitch affirmed** ratings of Bank Millennium. The outlook of the ratings remains stable.

Current Bank's ratings:

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

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

### Bank Millennium share performance vs. other banks (annual change as on 31.03.2020)



#### Bank Millennium shares:

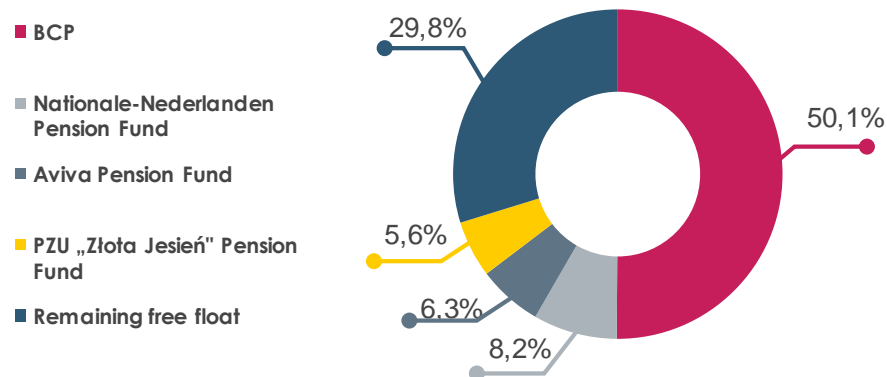
No of shares: 1 213 116 777 (listed 1 213 008 137)

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

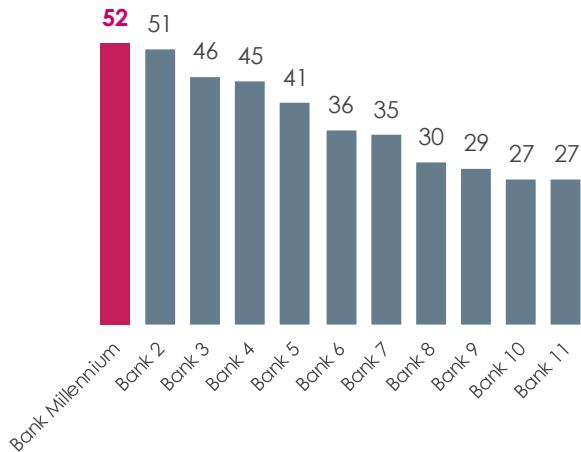
### Bank Millennium shareholders' structure (31.12.2019)



## MARKET LEADER IN QUALITY

High quality confirmed again by independent rankings; the highest NPS score among Polish banks.

Bank Millennium the most often recommended bank



According to **ARC Rynek i Opinia survey** (\*):

- **1st place in categories „Satisfaction”,** and 3rd place in „Ocena punktów Styku”
- **The highest** among banks in Poland **NPS ratio (52)**

The Best Trade Finance Provider in Poland according to Global Finance Magazine



Bank Millennium was hailed **The Best Trade Finance Provider in Poland for 2020** in the annual Best Bank Awards competition organised by Global Finance Magazine. The winning banks were selected by the editors of Global Finance Magazine after extensive consultations with banking experts from all over the world..

Bank Millennium on the podium of the Institution of the Year



In the ranking **Institution of the Year**, in which financial institutions are distinguished for a unique, comprehensive and detailed approach to the quality of customer service, Bank Millennium won statuettes for:

- **The best online banking,**
- **The best mobile banking**
- **The best remote account opening process**

(\*) ARC Rynek i Opinia „Customer satisfaction monitor of retail banks”

## SYNTHETIC P&L ACCOUNT

Pro-forma (PLN million)	1Q19 pro-forma	1Q20 pro-forma	Change Y/Y	4Q19 pro-forma	Change Q/Q
Net interest income*	500.3	689.6	37.8%	709.5	-2.8%
Net commission income	163.2	194.5	19.2%	182.6	6.5%
Other non-interest income **	77.3	36.6	-52.7%	62.0	-41.0%
<b>Operating Income</b>	<b>740.8</b>	<b>920.7</b>	<b>24.3%</b>	<b>954.1</b>	<b>-3.5%</b>
General and administrative costs	-351.1	-464.6	32.3%	-435.7	6.6%
Depreciation	-33.4	-53.3	59.6%	-54.2	-1.6%
<b>Total operating costs</b>	<b>-384.5</b>	<b>-517.9</b>	<b>34.7%</b>	<b>-490.0</b>	<b>5.7%</b>
Net cost of risk ***	-72.3	-137.0	89.3%	-72.4	89.1%
FX legal risk provision	-	-55.3	-	-223.1	-75.2%
COVID19 risk provision	-	-60.0	-	-	-
<b>Operating profit</b>	<b>284.0</b>	<b>150.5</b>	<b>-47.0%</b>	<b>168.6</b>	<b>-10.7%</b>
Banking tax	-51.4	-72.7	41.6%	-69.1	5.2%
<b>Pre-tax profit</b>	<b>232.7</b>	<b>77.8</b>	<b>-66.6%</b>	<b>99.5</b>	<b>-21.8%</b>
Income tax	-72.7	-59.7	-17.9%	-72.5	-17.7%
<b>Net profit</b>	<b>160.0</b>	<b>18.1</b>	<b>-88.7%</b>	<b>27.0</b>	<b>-32.8%</b>
<b>Accounting</b>	1Q19	1Q20	Change Y/Y	4Q19	Change Q/Q
NII (reported under IFRS)	484.0	675.8	39.6%	692.8	-2.5%

(\*) 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 (PLN16.3mn in 1Q19 and PLN 13.9mn in 1Q20) 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

(PLN million)

## ASSETS

Cash and balances with the Central Bank
Loans and advances to banks
Loans and advances to customers
Amounts due from reverse repo trans.
Debt securities
Derivatives (for hedging and trading)
Shares and other financial instruments
Tangible and intangible fixed assets
Other assets
<b>TOTAL ASSETS</b>

31/03/2019	31/12/2019	31/03/2020	Change y/y
1 737	2 203	2 478	42.6%
414	784	2 019	387.2%
53 940	69 755	72 046	33.6%
797	205	112	-86.0%
23 717	22 866	22 852	-3.6%
186	156	212	14.2%
51	96	96	88.4%
631	1 009	973	54.3%
834	981	1 143	37.1%
<b>82 307</b>	<b>98 056</b>	<b>101 931</b>	<b>23.8%</b>

## LIABILITIES AND EQUITY

Deposits and loans from banks
Deposits from customers
Liabilities from repo transactions
Financial liabilities at fair value through P&L and hedging derivatives
Liabilities from securities issued
Provisions
Subordinated liabilities
Other liabilities
<b>TOTAL LIABILITIES</b>
<b>TOTAL EQUITY</b>
<b>TOTAL LIABILITIES AND EQUITY</b>

31/03/2019	31/12/2019	31/03/2020	Change y/y
1 868	1 579	1 517	-18.8%
66 673	81 455	83 584	25.4%
56	91	1 056	1794.4%
582	780	1 591	173.2%
898	1 183	1 101	22.7%
105	305	272	159.5%
1 545	1 546	1 545	0.0%
2 064	2 176	2 250	9.0%
<b>73 790</b>	<b>89 114</b>	<b>92 915</b>	<b>25.9%</b>
<b>8 517</b>	<b>8 942</b>	<b>9 015</b>	<b>5.9%</b>
<b>82 307</b>	<b>98 056</b>	<b>101 931</b>	<b>23.8%</b>





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