MOBILIZING MILLENNIUM: 2021 AMBITIONS AND STRATEGIC PLAN

July 2018
Millennium has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects our relentless path and the compounding of multiple achievements, such as a 44% cost reduction in Portugal since 2011, and a 44% reduction in Group NPE since 2013 (from €13.7 to €7.7 bn in 2017). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is now ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into our customers’ needs and reach), complemented by a robust balance sheet and rigorous capital allocation (continuing our effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

**Talent mobilization**, which will entail energizing employees to drive the Bank’s agenda as a team, promoting greater engagement and proactivity, and empowering decision making in a collaborative model. We will also reinvigorate the Bank’s talent by developing a merit-based growth model and fostering the development of new capabilities. Finally, we will review our compensation processes across teams to ensure alignment with the new agenda and performance.

**Mobile-centric digitization**, aspiring to double down on efforts to transform customer experience and enable productivity gains across geographies, reemphasizing Millennium’s innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural-language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

**Growth and leadership in Portugal**, aiming to maximize the potential of the unique position in which the Bank emerges out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving our individual customers across their full range of needs. We further aspire to capture the full potential of ActivoBank’s simple and value-based offer and assess potential internationalization options.

**Growth in international footprint**, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics of markets where we have a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leadership in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on our position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China-related opportunities (trade and investment flows, payments, private banking).

**Business model sustainability**, maintaining as a clear priority the improvement of our credit portfolio quality, by reducing the NPE stock (60% reduction by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volume with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 mn active customers’), readiness for the future (from 45% to >60% digital customers by 2021), a sustainable business model (60% reduction of NPE stock, reaching ~€3 bn), and attractive returns for shareholders (~40% cost-to-income and ~10% ROE in 2021).

1 Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100
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Millennium’s recent trajectory reflects a stream of accomplishments that ensured our operational turnaround: financial margin improvement (+35% for the Group since 2012), adjustment of our cost base (-44% costs in Portugal since 2011), exit from non-performing international operations (e.g., Greece and Romania), credit portfolio de-risking (-47% NPE volumes in Portugal and -44% in the Group since 2013), a balanced loan-to-deposits ratio, and the early achievement of full autonomy (given repayment of CoCos). Throughout this journey, we have reinforced three distinctive core competences, namely a customer-oriented relationship model (having achieved leading levels of customer satisfaction in Poland and Portugal), market-leading cost efficiency (resulting in best-in-class cost-to-income ratios), and a high-performing international portfolio (which has consistently contributed positively to the Group’s net income). We should feel particularly proud of our operational turnaround in the context of the economic crisis, low Euro-area interest rate environment, and financial sector turmoil that led to inevitable disenchantment of customers (i.e., collapse of important banks in the Portuguese system).

Moving forward, regulatory complexity, compliance needs, bank scrutiny, and pressure on profitability is likely to continue, but thankfully the banking sector is starting to show some signs of recovery, with increasingly robust balance sheets (average increase in CET1 ratio since 2012 of 4pp in Portugal and 5pp in Poland) and improvement of macroeconomic conditions, including the expectation of a moderate uptick in interest rates (positive Euribor rates expected as early as 2020). Nevertheless, the sector will face the potential entry of new and disruptive players benefiting from the PSD2 environment. This is happening against a backdrop of progressive, yet steady, change towards a new digital age in which consumers’ behavior and expectations are evolving. We are witnessing an accelerated mobile / digital banking adoption (-12% mobile penetration in 2017 in Portugal, and -17% in Poland) and impatient customers expecting immediate solutions and demanding personalization. Also, security and trust have reinforced their importance given cyber-risk concerns and cases of misselling. Advances in the ability to deploy technologies (e.g., robotics, machine learning) and the expanded capabilities these enable are setting new frontiers while new ways of working are emerging (i.e., cross-functional and agile teams), requiring new skills. Particularly for Portugal, there has been a significant opening of the economy to international activities and foreign investments. Under this new reality, Millennium will need to build on its existing base and develop new capabilities, namely leading digital, mobile, and analytics capabilities, and a robust balance sheet and rigorous capital allocation shaped by strong governance. There is also an opportunity to fully integrate our customer’s value chains or ecosystems across our reach. We believe that these new capabilities should enable Millennium to ignite a new cycle of growth with profitability.
Reflecting both our core competences and ambitions for the future, we have defined five strategic priorities to guide us going forward: 1. Talent mobilization, 2. Mobile-centric digitization, 3. Growth and leadership in Portugal, 4. Growth in international footprint, and 5. Business model sustainability. In the following sections, we provide further detail on each of these strategic priorities and underlying set of initiatives. [EXHIBIT 2]
1. MOBILIZING OUR TALENT TO PREPARE FOR A NEW CYCLE OF SUSTAINED GROWTH

Millennium is fortunate to have a talented employee pool and an experienced leadership team that continues to provide us with a competitive edge. Our employees are proud to work for an institution that has demonstrated remarkable resilience. However, the Strategic Plan brings with it a new era of development for the Bank, and the opportunity to put employees in the driver’s seat of the transformation. The clearest example of this concerns the digital transformation, for which a new set of roles and capabilities will be key to unlock a new customer experience paradigm.

To mobilize our talent towards a new growth cycle, we have defined five areas of focus that will energize and excite our people: engagement and commitment, a new way of working, merit-based growth opportunities, preparation of talent for the future, and enhanced reward and recognition systems.

To ensure the engagement and commitment of the entire organization, we will share the strategic initiatives and objectives across all levels of the organization. Furthermore, we will activate change by involving leaders of the Bank in the shaping and execution of the strategy. Finally, we will materialize the new strategy with a toolkit of behaviors adapted to each area of the Bank that can support employees’ assimilation of the resulting implications.

We will implement new ways of working that promote cross-functional collaboration and teamwork across the Bank, and empower the workforce’s decision making. This implies a simplified decision making framework and organization model, greater team accountability for day-to-day decision making, and new tools and layouts. Doing so will accelerate idea generation and execution, and enhance fit with a more agile operating model towards which we aim to evolve.

We will reinforce merit-based growth by facilitating access to training and development opportunities for all employees. This will require a more consistent career planning (including the identification of high-potential employees), enrichment of management’s backgrounds, balanced and fair performance-based assessments, holistic evaluations, and ongoing talent renewal.

To prepare our workforce for the future, we will enhance our employees’ skills and capabilities, with a clear focus on increasing productivity and efficiency. On the one hand, roles involved in the development / execution of new tasks will receive specific technical training and certification. On the other hand, management will be fully briefed in order to guarantee fluency and advocacy of the digital program. Furthermore, where roles cannot be sourced internally, they will be hired from the market to inject new knowledge and ideas into Millennium.

Through employee recognition and rewards for success, we aim to enhance Millennium’s excitement and alignment, and further promote the principle of meritocracy. We will ensure performance monitoring and compensation systems are consistent with strategic priorities, and explore new compensation systems to reflect the expectations of new roles. Additionally, we will expand incentives to central services, and reintroduce variable compensation.
Thanks to digital and mobile, banking is reinventing itself. On the back of new technology and changing customer behaviors, the banking experience is being completely redesigned along the entire value chain. Two thirds of the population have a smartphone — and use it systematically. Europe has virtually 100% mobile broadband coverage, and 75% of consumers say they access the Internet on a daily basis (100% of European millennials have accessed it in the past three months). Furthermore, mobile banking penetration has tripled in the last three years, and bank customers have 14x as many interactions through their mobile as through branches.

We will build on our existing capabilities going forward, and aspire for leadership in mobile and digital across our geographies, with a strategy adapted to each local reality. In Poland, this will require exploring new partnerships and entering new ecosystems. In Portugal, this translates into the launch of a broad digital transformation, which will encompass customer journey redesign through a mobile-centric approach, optimization of the omni channel model, and deployment of next-generation levers for operational efficiency (namely robotics).

Through a mobile-centric redesign of customer journeys, we believe we can transform customers’ banking experience at four levels. At a first level, by delivering banking services more conveniently than ever before. Digital account access allows for broad, uninterrupted availability, and a well-researched design integrated across channels / ecosystems can be simple, intuitive, and transparent. At a second level, safety is growing in relevance, requiring responsible management of personal information being and improved fraud prevention. At a third level, mobile and digital banking allows for the democratization of banking offers. Previously costly guidance (e.g., support of investment solutions) can now be made accessible to a broader customer base. Service can also be personalized, with only relevant messages being shared, and previously used information automatically prefilled. Finally, at a fourth level, digital / mobile is expanding the boundaries of banking and transforming customer relationships and experiences. As an example, banks can now offer enhanced support for customers’ decision making in the choices underlying financial needs, as well as a comprehensive view of their financial position (i.e., through account aggregation in the context of PSD2), enriching customer engagement. We will deliver on these four levels through the redesign of priority customer journeys, and transformation of digital platforms, making the most of advanced analytics along the way. [EXHIBIT 3]
We will also optimize the omnichannel model to focus on convenience and productivity. We expect to largely maintain our physical network reach to offer customers the comfort of an in-person interaction, particularly for complex needs and personal advice. In parallel, we will evolve our remote servicing capabilities, adapting our model according to customer behavior / preferences, while promoting “anytime / anywhere” mobile interactions. Naturally, we expect a material share of interactions to shift to mobile and a DIY model. As a result, we aim for 3x weight of digital sales, +15% increase in sales per branch FTE, and 3x share of affluent customers with remote advisory in Portugal by 2021.

With an eye towards ensuring a continued competitive position in efficiency, Millennium will also deploy next-generation technology for operational excellence. We will focus on process reengineering to automate low-value-added tasks with robotics and optical character recognition (OCR), shifting our workforce towards more productive activities. This will be complemented by increasingly sophisticated technology such as natural language processing (NLP), with the aim of increasing efficiency (>10% cost reduction in central services encompassed by automation), customer experience, and satisfaction.

A future-proof IT strategy will be needed to underpin the delivery of our business aspirations and delight customers with mobile-centric design, operate in a multichannel model, and implement a more streamlined way of working.

Therefore, our IT strategy will focus on four main objectives: accelerating delivery efficiency; developing a real-time, agile self-service data platform and analytics capabilities; ensuring resilience and responsiveness; and developing a winning Open Banking / PSD2 approach with expanded ecosystems. In order to accelerate delivery efficiency, we will foster an agile methodology leveraging new skills and ways of
working, embed DevOps practices and mindsets, build up a next-generation architecture with APIs and microservices leveraging a new tech stack, evolve the technology workforce, and review our outsourcing model to ensure the development of in-house tech skills. In order to guarantee real-time, agile data management and advanced analytics, we will revamp our enterprise data platforms, develop the capacity for real-time insights and decision making, introduce advanced analytics techniques (e.g., machine learning), and ensure full compliance with BCBS 239 standards (upgrading both data architecture and governance / controls). With respect to guaranteeing resilience and responsiveness, we will protect our assets through proactive and predictive cyber solutions, transition towards cloud-based technologies, selectively renew or replace legacy technologies, and gradually exit from mainframe applications. Finally, to ensure that we win in the context of Open Banking / PSD2, we will develop a robust API Gateway allowing for flexible integration at scale, leverage elastic Open APIs to explore new business models, augment existing propositions and services through the use of external APIs (both with banks and non-financial institutions), and actively manage ecosystems. [EXHIBIT 4]

EXHIBIT 4 | FUTURE-PROOF IT STRATEGY AS AN ENABLER OF BUSINESS OBJECTIVES

Accelerated, efficient delivery
- Agile development and DevOps
- NextGen architecture: transformation into microservices and APIs
- New digital tech stack
- Technology workforce evolution
- Revised outsourcing model

Real-time, agile, self-service data and analytics platform
- Revamped data platform and architecture
- Enablement of advanced analytics, including machine learning
- Real-time insights capabilities
- Robust data controls framework prioritizing BCBS 239 compliance

Resilience and scalability
- Advanced cyber management: from prevention to proactive and predictive controls
- Transition to cloud-based architectures
- Selective renewal of legacy technology
- Gradual exiting of mainframe applications

Winning open banking approach and expanded ecosystems
- Robust API Gateway: flexible integration at scale
- Elastic Open APIs as enablers of new business models
- Augmented service and experience offer through external APIs1
- Active ecosystem management

1 Other banks, partners beyond banking and new best-in-class solutions as new capabilities plug-ins
3. REASSERTING LEADERSHIP BY CAPTURING GROWTH OPPORTUNITIES IN PORTUGAL

All signs point to a (moderate) rebound in the Portuguese economy — positive GDP growth (2.7% in 2017), decreasing unemployment (9% in 2017 vs. 16% in 2013) and more sustainable levels of government deficit (~3% in 2017). Similarly, the banking sector appears to be recovering from the recent crisis, during which the drastic deterioration of lending portfolios and low interest rates put pressure on profitability and capital needs (~€12 bn in accumulated losses and ~€15 bn of capital injections), and major financial groups collapsed.

Having successfully executed our operational turnaround, we emerged as the largest privately owned Portuguese bank and are ready to reassert our leadership through a growth agenda. In Portugal we aspire to help businesses thrive (e.g., building a position as the preferred partner for sound small businesses), serving our individual customers across their entire range of needs (with particular focus on consumer lending and investments / retirement solutions), and materializing the full potential of ActivoBank’s simple and value-based offer.

Our priority for the micro and small business segments is to become the preferred partner for sound companies. A key element to foster focus on this segment is to strengthen our commercial model by setting up a sales force dedicated to customer acquisition, complemented by remote support. Our new sales model also aims at a deepening of relationships with small businesses with attractive risk (clients and nonclients), leveraging analytical models to identify targets, generate leads, and support RM performance optimization. In parallel, we will redesign the small business commercial offer, coupling faster lending with innovative and expanded services that leverage data.

Still within business banking, we will reinforce our preeminence in Corporate, enhancing our ability to participate effectively in value chains. We aspire to expand the range of broad value-creating relationships amongst existing customers and widen our reach amongst existing customers and widen our reach amongst our own customer base. To do so, we will define customers with whom to deepen our relationship, those with whom to rebalance our relationship, and new customers to capture. This effort will be enabled by redesigned credit processes aiming for greater RM dedication to target customers. Growth will be further supported by enhancing the participation and insight of Millennium in relevant industry clusters in the Portuguese economy.

To be a timely and seamless source for our individual customers’ borrowing needs, we will improve our consumer lending proposition (a category showing rapid volume growth — ~5% in 2017 — fueled by an increase in private consumption). Millennium is already the #2 player in Portugal, but we see an opportunity for further growth, and the need to defend our position against the presence of specialists attacking the market. We will make sure we are a relevant choice for customers when they are making their decisions, maximizing the potential of lending with real-time and pre-approved solutions.

Investment / retirement solutions are gaining importance to diversify our customers’ savings to higher yielding solutions in a context of low interest rates, in parallel with an aging population and known limitation of social security benefits. Since its inception, Millennium has been a reference for affluent customers, and is committed to strengthening its value proposition for this segment. We will redesign our investment / retirement solutions towards a more convenient and simple experience, ensuring compliance with new regulatory guidelines (MiFID2). Furthermore, Millennium’s smart-advisory capabilities will also contemplate the
mass affluent segment, enhancing our ability to deliver tailored recommendations and investment suggestions for customers with smaller savings. This will be done in parallel to the redesign of our Silver segment solutions. Finally, we will upgrade our remote service model, increase specialization, and revisit the compensation of the affluent distribution team. Our aim going forward would be to take advantage of a reinforced value proposition to capture +51k new affluent customers by 2021. This will be further enabled by deploying analytics to identify target customers, in particular those who may be “hidden” within our existing customer base. Ultimately, we aim to create value for our customers by improving and innovating the way they save and prepare for retirement.

Through ActivoBank, the Group also aspires to maintain a disruptive position in the market, continuing to offer distinctive service (extended opening hours including weekends), simplicity, and price competitiveness. This value proposition has provided ActivoBank with accelerated customer acquisition (7x more customers in 2017 than in 2009) and a strong presence in the young and pre-affluent customer segments. Yet to fully reach its potential while simultaneously competing with the emerging digital attackers, ActivoBank will need to reinforce this value proposition — and through that, continue to grow the customer base and deepen relationships. Customer growth will be driven by a renewed digital acquisition model, including sophistication of our digital marketing efforts and scale-up of remote account opening. On the other hand, revenue growth will be driven by greater penetration of consumer lending and mortgages as well as through diversification and a broader range of value-added services, potentially offered through partnerships. Finally, we will take the opportunity in the coming months to explore adjacent opportunities such as the internationalization of ActivoBank through an efficient and capital-light model.
4. REINFORCING INTERNATIONAL FOOTPRINT AS A PLATFORM FOR GROWTH

Over the years, Millennium has reshaped its international footprint, resulting in a competitive and profitable portfolio. Going forward, opportunities for value creation continue to exist in our high-growth market footprint — Poland, Switzerland, Mozambique, and Angola — with additional potential via strengthened ties with China. Our growth ambitions in these geographies will also be combined with the preservation of a leading position in cost efficiency.

We are committed to growing our presence going forward, and plan on doing so through a customer-centric model, accelerating customer acquisition and further activating existing relationships. For individual customers, this will translate into a greater penetration of investment products, including the introduction of smart advisory to the mass market segment and a broader use of consumer loans by exploring opportunities with new-to-bank customers through PSD2 and digital offer. For businesses, we will improve our value proposition for the micro-business segment via the introduction of innovative offers with digital servicing and value-added services, and deploy industry specialization for SME and corporate while revamping our digital platform. [EXHIBIT 6]

Across all segments, our customers will benefit from greater personalization enabled by a real-time CRM engine, advanced behavioral segmentation, and deployment of advanced analytics. We will also foster proximity, combining mobile solutions and new payments paradigms (e.g., PSD2) to expand our services and enter nonbank ecosystems. Our mobile app will reinforce its presence in our customers’ daily lives with, among other things, expanded bill-payment solutions, automatic access to discounts platforms, and e-profile management. All in all,

Poland continues on a very positive growth trend, with high GDP growth rates clearly outpacing the EU average. Bank Millennium has leveraged its winning customer acquisition engine (>300 k new customers per year) and customer experience (#1 mobile banking application) to become a preeminent player in the market (7th position in total assets).

EXHIBIT 6 | POLAND: FRANCHISE GROWTH AND WIDER RELATIONSHIPS
the deployment of these changes is expected to contribute to further differentiate our digital experience and ultimately our growth aspirations, doubling the pace of active customer acquisition.

In Switzerland, our objective is to execute a “step change” in Millennium Banque Privée, leveraging the current strong service model with which we provide tax-compliant asset accumulation and protection solutions for wealthy clients in search of stability, privacy, high service standards, and international market access. This step change will be accomplished through two different levers — the first of which is to grow the existing business (“step change the core”) by enlarging the Private Banker team, improving front-line planning and sales effectiveness to increase average portfolio size, revamping client execution services to improve levels of transactionality and move into value-added solutions, and reinforcing brand recognition. Secondly, new markets and digital advisory will also be tapped into (“step change by expanding the core”) by opening a new China desk, greater coordination with investment banking opportunities, further developing digital servicing and advisory capabilities, and expanding straight-through processing in client interactions.

In Africa, we will explore the advantages of our preeminent position and local insights and become an international reference in risk and compliance management, with the aim of reinforcing our unique value proposition for local customers and foreign investors interested in investing in these markets. Our operators in these geographies should also be recognized for their ability to develop and grow key talent.

In Angola, we will reinforce our local relationships and image as a trusted and sound institution, targeting Angolan business customers with an improved remote servicing and sales model, and helping stimulate Angola’s economic development with a micro-credit-specific offer. In Mozambique, we will leverage our market leadership to focus on profitability, while taking advantage of market momentum to maintain a robust level of growth. In retail, we will approach the mass market segment by promoting a low-cost service model moving towards digital (Smart IZI adoption), targeting low-risk customers with lending offers, and exploring partnerships with telcos and fintechs for distribution and innovation. In Prestige and Private, reinforced primary bank relationships will be ensured through stronger onboarding and cross-selling as well as a redesigned, simplified offer, enabled by analytics and enhanced RM capabilities. For businesses, we will position Millennium bim as the preferred bank across the value chain of upcoming “megaprojects” (namely in oil and gas), deepening relationships by strengthening teams, simplifying processes, participating in supply chain platforms, and offering innovative products and solutions with a prudent lending policy. The new App Empresas and increased online functionalities will also support a greater adoption of digital banking and allow the commercial network to focus on sales vs. administrative tasks.

As a final feature of our options for international growth, we have observed the potential to explore opportunities with China given its increased relevance as a trade and investment partner in our existing footprint. Millennium is particularly well positioned to act as a platform between Portuguese-speaking countries in Africa, Europe, and China. We believe a first opportunity arises in the form of financing and advisory for trade and investment flows. Capturing this business depends on positioning Millennium as the key partner for its customers when doing business with China, as well as establishing ourselves as a trusted partner for Chinese counterparties seeking options in our core geographies. This requires sharpening our existing solutions and increasing our presence in mainland China, in Macau, and potentially with the opening of a Shanghai branch.
Additionally, we are reinforcing our network of partnerships with China-related entities such as large Chinese investment institutions (e.g., CAD Fund) and Chinese banks. Our goal is to increase market share in trade corridors between China and Portugal, Poland, Mozambique, or Angola and act as an advisor in investment transactions. A second opportunity consists of setting up relationships with China’s advanced and fast-growing payments infrastructure and players — via issuing of cards with UnionPay, and establishing a partnership with Alipay to support Chinese visitors to Portugal. Finally, we are working to serve the private banking needs of Chinese individuals by establishing a Chinese desk in Banque Privée.
5. ACHIEVING STRONG PERFORMANCE THROUGH A SUSTAINABLE BUSINESS MODEL

Millennium has come a long way since the onset of the credit crisis, throughout which we were faced with material capital and profitability challenges. The benefits of our profound, comprehensive response to these challenges are emerging as we return to profitability in 2017 and 2018. We have halved the NPE portfolio in Portugal since 2013, and continue to outperform our 2017 NPE Plan — the result of a robust governance framework and effective execution, taking advantage of an increasingly positive market environment. Yet, we aspire to go even further, with the aim of putting in place a sustainable and innovative business model. Doing so will encompass further improvements to the credit quality of our portfolio and redesigning credit management processes to allow for growth with a sound risk appetite.

While the contributions from Mozambique and Poland are relevant, the main driver for the improvement of the portfolio’s credit quality will be Portugal. To that end, we have defined a clear plan of action outlining 10+ initiatives to tackle our key priorities going forward and covering not only NPE reduction, but also NPE prevention and REO sales. Specific initiatives have been devised for each block, including for NPE reduction: the revision of the judicial management model, segment-specific recovery strategies for nonfinancial corporates, continuing the sales strategy of NPE, and addressing those NPE that would be so for life through alternative strategies. We will also look to improved monitoring models to accelerate foreclosed assets’ availability for sale (with greater focus on older and larger exposures). In addition, NPE inflows will be controlled through better monitoring of the admissions profile, by deploying analytics techniques to differentiate clients’ propensity for delinquency and ensuring better processes between commercial and recovery areas. All this will be done in a context of reinforced accountability of recovery areas for NPE management, including a dedicated PMO to monitor implementation. In parallel, we will align incentive systems of recovery units with NPE strategic goals and ensure greater effectiveness of commercial and recovery areas with continuous training programs. These initiatives are expected to have significant impact, with an anticipated decrease in NPE stock volume of 60% until 2021. [EXHIBIT 7]

EXHIBIT 7 | CONTINUOUS FOCUS ON NPE REDUCTION

NPE Group stock

<table>
<thead>
<tr>
<th>2017</th>
<th>7.7 bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>-60%</td>
<td>BY 2021</td>
</tr>
</tbody>
</table>
Important strides will also be made to **optimize credit risk management**. This will enable the sustainable growth in credit volumes detailed in the previous strategic priorities. First of all, we will explore third-party assets and data to complement our rating process and support new-to-bank customer rating (particularly in the context of PSD2 and greater data availability). We also aim to increase the speed and flexibility of our processes to the point of being a competitive advantage, and thereby boosting customer acquisition and loan approval. Loan approvals will therefore become increasingly digitized (and agile) with both pre-approval of credit lines and more automated updates to credit limits. Importantly, we will formally update the bank’s risk and compliance governance, namely through the simplification of specialized ExCo committees and empowerment of first-line managers, reinforcement of compliance structure and capacity, enhancement of a checks-and-balances culture across the organization (including at a Board level), and a holistic management of risk and compliance topics at a global level.
CONCLUDING THOUGHTS AND THE JOURNEY AHEAD

It is with great excitement that we embark on our new Strategic Plan. Millennium has accomplished a tremendous operational turnaround, and we are fortunate to build on a strong momentum and core competencies. Looking ahead, we will develop and acquire complementary capabilities that enable us to launch a new cycle focused on growth with profitability. This path is guided by our five ambitious priorities.

The successful execution of our strategic priorities will reinforce our position in core markets, enabling the expansion of our active customer base (>6 mn active clients for the Group by 2021), and deeper customer relationships. Millennium will also evolve its service model for the new age of banking, achieving higher digital penetration (>60% in 2021) and mobile banking (>45% in 2021). In parallel, our promise to deliver on a sustainable business model will be materialized in the objective to reduce our NPE stock by 60% over the next four years. All in all, we aspire to reach group targets of ~40% cost-to-income ratio in 2021 and ~10% return on equity. [EXHIBIT 8]

We look forward to achieving (and surpassing) the challenges that we have jointly laid out for ourselves in terms of franchise growth, readiness for the future, and financial results, and count on the contribution and support of our shareholders, employees, and customers to do so.

EXHIBIT 8 | AMBITIOUS GOALS ALIGNED WITH STRATEGIC PRIORITIES

<table>
<thead>
<tr>
<th>Franchise growth</th>
<th>1H18</th>
<th>2021</th>
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<tr>
<td>Total active Customers</td>
<td>4.8mn</td>
<td>&gt;6mn</td>
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<tr>
<td>Digital customers</td>
<td>45%</td>
<td>&gt;60%</td>
</tr>
<tr>
<td>Mobile customers</td>
<td>26%</td>
<td>&gt;45%</td>
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<table>
<thead>
<tr>
<th>Value creation</th>
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<tr>
<td>Cost-Income</td>
<td>47%</td>
<td>~40%</td>
</tr>
<tr>
<td>RoE</td>
<td>5.3%</td>
<td>~10%</td>
</tr>
<tr>
<td>CET1</td>
<td>11.7%</td>
<td>~12%</td>
</tr>
<tr>
<td>Loans to Deposits</td>
<td>88%</td>
<td>&lt;100%</td>
</tr>
<tr>
<td>Dividend payout</td>
<td></td>
<td>~40%</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Asset quality</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NPEs stock</td>
<td>6.7bn</td>
<td>~€3bn&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Cost of Risk</td>
<td>88bps</td>
<td>&lt;50bps</td>
</tr>
</tbody>
</table>

<sup>1</sup> Down by ~60% from 2017
Our Priorities

Our Ambition

>6mn active customers
~40% cost-to-income
~10% ROE