



Strategy



Strategic Plan 2018-2021

Millennium bcp 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 its relentless path and of multiple achievements, such as a higher than 40% cost reduction in Portugal since 2011, and a 59% reduction in Group NPE since 2013 (from Euros 13.7 to Euros 5.5 billion in 2018). 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 its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its 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. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its 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 its individual customers across their full range of needs. The Group 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 the Bank has 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 its 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 its credit portfolio quality, by reducing the NPE stock (reduction to Euros 3 billion 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 million active Customers⁴), readiness for the future (from 45% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

In 2018 important advances have been accomplished In the strategic dimensions of the plan



| | | | | | |
|--|--|---|---|--|---|
| | Involvement in the new strategy | New ways of working, more collaborative | Reinforcement of meritocracy | Developing skills for the future | Recognition and reward for success |
| | App + Simple and intuitive + Customized + Secure + Consistent Ensuring smooth navigation and customization of experience | Redesign of the main journeys of the client | Transformation of operations through technologies of new generation | More convenient and productive Omni channel model | IT strategy for the challenges of the future |
| | Results 2018 Profit 115.5 M €, tripling the previous year | Business Dynamics Increase of 1.1 b € in loans (+ 3.7%) and 2.4 b € in customer funds (+ 4.6%) | Customer Recognition Increase in the number of clients (+131 thousand) | | |
| | Contribution to the result Growth of ≈28% reaching 187 M € (62% of the consolidated result attributable to the Bank) | Acquisition of eurobank Excellent growth opportunity in Poland, through an operation with high complementarity and synergies with Millennium Bank | | | |
| | Governance model New corporate bodies Reinforcement of governance model of internal control Model of functioning of specialized committees | Rating Upgrades of BCP by S&P, Fitch and Moody's | Stress Test Good performance of Millennium bcp, surpassing the average of the 48 European banks tested by EBA | Asset Quality Reduction of NPL ratio (EBA) to 7.6% and reinforcement of total coverage to 109% Reinforcement of CET1 to 12% and total capital ratio to 14.5% after issuance of 400 M € in AT1 | |

⁴ Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

| | | 2018 | 2021 |
|------------------|-------------------------|---|--------------|
| Franchise growth | Total active Customers* | 4.9 million | >6 million |
| | Digital customers | 55% | >60% |
| | Mobile customers | 34% | >45% |
| Value creation | Cost-to-income | 47% | ≈40% |
| | | (46% without non-usual items, € 26.7 million related to restructuring charges related to staff) | |
| | ROE | 5.2% | ≈10% |
| | CET1 | 12.0% | ≈12% |
| | LTD | 87% | <100% |
| | Dividend payout | 10% | ≈40% |
| | | EC proposed to the Board of Directors to approve a proposal to submit to the GM | |
| Asset quality | NPE stock | €5.5 billion | €3.0 billion |
| | Cost-of-risk | 92 bp | <50 bp |

* Clients categorized under the Strategic Plan 2018-2021