

7 junho 2019

## Banco Comercial Português, S.A. informa sobre aprovação do plano de fusão do Bank Millennium S.A. com o Euro Bank S.A.

O Banco Comercial Português, S.A. informa que o Bank Millennium S.A., uma subsidiária por si detida a 50,1%, anunciou hoje ter aprovado o plano de fusão com o Euro Bank S.A..

Junta-se uma cópia do *current report* hoje publicado pelo Bank Millennium S.A..

Fim de comunicado

Banco Comercial Português, S.A.



Bank Millennium S.A.

Date: June 7, 2019

## Current report No. 15/2019

### SUBJECT: Approval of the merger plan of Bank Millennium S.A. and Euro Bank S.A.

The Management Board of Bank Millennium S.A. ("**Bank**"), in reference to the information provided to date on the intention to merge Bank Millennium and Euro Bank S.A. ("**Euro Bank**", jointly, the "**Banks**"), announces that on 6 June 2019 the Management Board of Bank Millennium and the Management Board of Euro Bank approved and signed the merger plan of Bank Millennium and Euro Bank (the "**Merger**"), which was prepared pursuant to Art. 498 and 499 of the Act - Commercial Companies Code of 15 September 2000 (the "**CCC**") (the "**Merger Plan**").

The Merger will be carried out pursuant to Art. 492 § 1 point 1 of the CCC, by transferring all assets (all assets and liabilities) of Euro Bank (as the bank being acquired) to Bank Millennium (as the absorbing bank), without an increase in the share capital of Bank Millennium.

In connection with the Merger, the shareholders of Euro Bank other than Bank Millennium will be allocated and provided with existing, dematerialised shares in Bank Millennium (the "**Merger Shares**"), which will be acquired on the Warsaw Stock Exchange in secondary trading by Millennium Dom Maklerski S.A. on the instructions of Bank Millennium, pursuant to Art. 515 § 2 of the CCC.

The following share exchange ratio was determined in the Merger Plan: in return for one (1) share in Euro Bank, a shareholder of Euro Bank (other than Bank Millennium) will receive 4.1 Merger Shares.

As a result of the Merger, Bank Millennium will assume the rights and obligations of Euro Bank, and Euro Bank will be wound up without liquidation proceedings, and all of its assets will be transferred to Bank Millennium. The Merger will be effected as at the date of its registration in the business register of the National Business Register of Bank Millennium.

The merged Bank will operate under the name Bank Millennium S.A.

Pursuant to Art. 506 § 2 and § 4 of the CCC, in order to effect the Merger, the General Meetings of Bank Millennium and Euro Bank will adopt resolutions to merge Bank Millennium with Euro Bank and to approve the proposed amendments to the statutes of Bank Millennium.

The Merger will be carried out only after all consents and approvals required by law have been obtained, i.e.: (i) the approval of the Polish Financial Supervision Authority ("**KNF**") to the Merger pursuant to Art. 124 sec. 1 of the Act - Banking Law of 29 August 1997 (the

"Banking Law"); (ii) the approval of KNF to the amendments to the statutes of Bank Millennium pursuant to Art. 34 sec. 2 of the Banking Law.

In connection with the signing of the Merger Plan, Bank Millennium makes publicly available the following attachments:

1. The Merger Plan with the following schedules, pursuant to Art. 499 § 2 of the CCC:
  - Draft resolution of the general meeting of Bank Millennium to merge Bank Millennium with Euro Bank and consent to the proposed amendments to the statutes of Bank Millennium;
  - Draft resolution of the general meeting of Euro Bank to merge Bank Millennium with Euro Bank and consent to the proposed amendments to the Statutes of Bank Millennium;
  - Draft resolution to amend the statutes of Bank Millennium;
  - Document determining the value of the assets of Euro Bank as at 1 May 2019;
  - Statement containing information on the accounting status of Euro Bank prepared as at 1 May 2019 for the purposes of the Merger;
  - Fairness opinion regarding share exchange parity of 6 June 2019 issued by KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k.
2. Report of the Management Board of Bank Millennium of 6 June 2019 justifying the Merger, prepared pursuant to Art. 501 of the CCC.

We also announce that Bank Millennium and Euro Bank will apply to the registry court to appoint an auditor to prepare an opinion pursuant to Art. 503 § 1 of the CCC. After receiving the opinion, Bank Millennium will publish it in the form of a current report.

LEGAL BASIS:

Art. 17 sec. 1 of MAR - confidential information

BANK MILLENNIUM S.A.

AND

EURO BANK S.A.

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**MERGER PLAN**

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## MERGER PLAN

This merger plan (hereinafter referred to as the "**Merger Plan**") was prepared on the basis of Articles 498 and 499 of the Act of 15 September 2000 – Commercial Companies' Code (Journal of Laws of 2000, no. 94 item 1037, with changes); the "**Commercial Companies Code**") and Article 124 of the Act of 29 August 1997 – Banking Law (Journal of Laws of 1997, no. 140 item 939, with changes); the "**Banking Law**").

The Merger Plan was executed on June 6<sup>th</sup> 2019 by **Bank Millennium S.A.** and **Euro Bank S.A.** (hereinafter jointly referred to as the "**Merging Companies**").

### 1. DEFINITIONS

- |  |   |
|--|---|
| <b>Additional Payment</b>                      | – an additional payment in cash to be received by those eligible shareholders of Euro Bank who will not receive a fractional part of a Merger Share to which the shareholder was entitled to in accordance with the Share Exchange Ratio;   |
| <b>Bank Millennium or Absorbing Company</b>    | – Bank Millennium S.A. with its registered office in Warsaw, address: ul. Stanisława Żaryna 2A, 02-593 Warsaw, entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Warsaw, XIII Commercial Department of National Court Register under No. 0000010186; |
| <b>Banking Law</b>                             | – the Act of 29 August 1997 – Banking Law (Journal of Laws of 1997, no. 140 item 939, with changes);  |
| <b>Civil Code</b>                              | – the Act of 23 April 1964 – Civil Code (Journal of Laws of 1964, no. 16 item 93, with changes);  |
| <b>Commercial Companies Code</b>               | – the Act of 15 September 2000 – Commercial Companies' Code (Journal of Laws of 2000, no. 94 item 1037, with changes);  |
| <b>Competition and Consumer Protection Act</b> | – the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, no. 50 item. 331, with changes);   |
| <b>Euro Bank or Target Company</b>             | – Euro Bank S.A. with its registered office in Wrocław, address: ul. św. Mikołaja 72, 50-126 Wrocław, entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Wrocław-Fabryczna, VI Commercial Department of National Court Register under No. 0000025313; |

<b>GM or General Meeting</b>	– the general meeting of Bank Millennium or the general meeting of Euro Bank, as the context indicates;
<b>KNF</b>	– the Polish Financial Supervision Authority ( <i>Komisja Nadzoru Finansowego</i> );
<b>Management Board</b>	– the management board of Bank Millennium or the management board of Euro Bank, as the context indicates;
<b>Merger</b>	– the merger of Bank Millennium, as the absorbing company, and Euro Bank, as the target company, in accordance with Article 492 § 1 item 1 of the Commercial Companies Code, i.e. by way of the transfer of all the property of Euro Bank in exchange for the Merger Shares, which Bank Millennium will deliver to the eligible shareholders of Euro Bank (merger through takeover);
<b>Merger Day</b>	– the day on which the Merger is entered in the register of entrepreneurs of the National Court Register by the registry court competent for Bank Millennium's registered office;
<b>Merger Plan</b>	– this document;
<b>Merger Shares</b>	– the existing dematerialised shares of Bank Millennium, admitted to trading and listed on the regulated market of the Warsaw Stock Exchange, with ISIN code: PLBIG0000016, to be allocated and delivered to the eligible shareholders of Euro Bank;
<b>Merging Companies or Banks</b>	– jointly Bank Millennium and Euro Bank;
<b>Share Exchange Ratio</b>	– the exchange ratio at which Euro Bank shares are to be exchanged for Bank Millennium shares indicated in point 5.1;
<b>Statutes</b>	– the statutes of Bank Millennium;
<b>Warsaw Stock Exchange</b>	– the Warsaw Stock Exchange ( <i>Gięlda Papierów Wartościowych w Warszawie S.A.</i> ).

## 2. TYPE, NAME AND THE SEAT OF THE MERGING COMPANIES

### 2.1. The Absorbing Company

Full name: Bank Millennium S.A.  
Address of the registered office: ul. Stanisława Żaryna 2A  
02-593 Warsaw  
Share capital: PLN 1,213,116,777.00  
Registration: Entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Warsaw, XIII Commercial Department of National Court Register under No. 0000010186.

The Absorbing Company hereinafter referred to as "**Bank Millennium**".

## 2.2. The Target Company

Full name: Euro Bank S.A.  
Address of the registered office: ul. św. Mikołaja 72  
50-126 Wrocław  
Share capital: PLN 563,096,032.05  
Registration: Entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Wrocław-Fabryczna, VI Commercial Department of National Court Register under No. 0000025313.

The Target Company hereinafter referred to as "**Euro Bank**".

## 3. GENERAL INFORMATION

### 3.1. Legal basis and method of the Merger

The merger shall take place pursuant to Article 492 § 1 point 1 of the Commercial Companies Code by a take-over of Euro Bank by Bank Millennium, that is by way of a transfer of all of the assets and liabilities of Euro Bank to Bank Millennium in exchange for shares in Bank Millennium (the "**Merger Shares**") delivered to the shareholders of Euro Bank other than Bank Millennium (the "**Merger**").

The Merger will come into effect on the day of the registration of the Merger in the Register of Entrepreneurs of the National Court Register by the court competent for Bank Millennium's registered office (the "**Merger Day**").

As a result of the Merger, on the Merger Day:

- (a) Bank Millennium will assume, on the basis of universal succession, all rights and obligations of Euro Bank and Euro Bank will be wound-up without liquidation proceedings; and
- (b) Euro Bank's property (all assets and liabilities) will be transferred to Bank Millennium.

The Merger shall take place on the basis of resolutions taken by the General Meetings of Bank Millennium and Euro Bank. The draft resolutions are set out in the Attachments 1 and 2 to the Merger Plan.

### **3.2. Merger Shares**

The share capital of Bank Millennium is PLN 1,213,116,777.00 and is divided into 1,213,116,777 shares of a nominal value of PLN 1.00 each.

In connection with the Merger, the existing dematerialised shares of Bank Millennium (i.e. the Merger Shares) will be allocated and delivered to the shareholders of Euro Bank other than Bank Millennium, pursuant to the terms of allotment of the Merger Shares set out in point 6 of the Merger Plan.

### **3.3. Required consents of the regulatory authorities**

The Merger will not be effected until all required regulatory consents and approvals related to the Merger will be obtained, including:

- (a) the decision on consent to the Merger of the Financial Supervision Authority (*Komisja Nadzoru Finansowego*; the "KNF"), pursuant to the provisions of Article 124 Section 1 of the Banking Law; and
- (b) the KNF's consent for the amendments to the Statutes of Bank Millennium, pursuant to the provisions of Article 34 of the Banking Law.

The consent of the President of the Office of Competition and Consumer Protection to the Merger is not required pursuant to Article 14 point 5 of the Competition and Consumer Protection Act, as the Merging Companies belong to the same capital group.

### **3.4. Resolutions of the GMs of the Banks**

Pursuant to Article 506 § 2 and 4 of the Commercial Companies Code, the grounds for the Merger, will be certain resolutions adopted by the General Meeting of Bank Millennium and the General Meeting of Euro Bank, containing, in particular, consent to:

- (a) the Merger Plan,
- (b) the proposed amendments to the Statutes of Bank Millennium related to the Merger, as presented in Attachment 3 to the Merger Plan.



### **3.5. General succession**

Pursuant to the provisions of Article 494 § 2 and § 5 of the Commercial Companies Code, the absorbing company takes over, effective on the Merger Day, the permits, concessions and relief that had been granted to the target company, unless: (i) statutes or the decision granting the permit, concession or relief stipulate otherwise, or (ii) in the case of permits or concessions granted to a financial institution, if the authority that issued the permit or concession objected to it within one month of the publication of the Merger Plan.

## **4. ECONOMIC RATIONALE FOR THE MERGER**

In the last couple of years, maintaining a strong position and further dynamic development in the Polish banking sector has become increasingly challenging due to the growing competition on the part of banks and other financial sector players, as well as due to the consolidation of the Polish banking sector. The increasing competition forces even faster implementation of new product offers, the optimization of current business processes and continuous development of innovations, to avoid losing the existing competitive advantages. Thanks to the consolidation, individual banks are able to achieve superior performance and present to customers an improved product offer. This is driven by achieved synergies, which enable market players to take advantage of economies of scale and offer more efficient service to the merged customer bases.

The merger of Euro Bank and Bank Millennium enables the acquisition of new complementary competencies and the scaling-up of current business models. Both Banks are characterized by complementary features, which include but are not limited to:

- Strong focus on the service quality and customer satisfaction in both Banks, which translates into NPS>40 and resulted in multiple awards in prestigious rankings (Golden Banker, Newsweek's Customer-Friendly Bank);
- High number of new clients acquired (100+ thousand a year at Euro Bank and 300+ thousand a year at Bank Millennium);
- Complementary distribution network of own branches (Bank Millennium has strong position in large metropolises, meanwhile Euro Bank has a strong position in small and medium-sized towns and cities) and a wide network of Euro Bank's franchise branches;
- The business model pertaining to the acquisition of new business (Euro Bank: credit products offered to new customers of the Bank, Bank Millennium: everyday banking and a wide array of additional products offered to the current customer base).

From the Acquiring Bank's perspective, the acquisition of Euro Bank is fully compliant with the 2018-2020 Strategy and translates into profitable utilisation of the bank's surplus capital and liquidity. The merger will create a much larger and more competitive bank, occupying a clear seventh place in the marketplace in terms of assets, deposits and loans, with a particularly

strong position in the consumer lending segment. Moreover, the merger will generate significant synergies and savings to the Acquiring Bank.

The positive outcome of the merger will also effect Euro Bank's customers who will gain access to the Bank Millennium wide product offer, including new products such as structured deposits and a wide array of insurance products. Additionally, customers will gain access to innovative digital platforms and sales channels, as well as have an opportunity to take advantage of a much wider network of branches and ATMs on a nation-wide basis.

## **5. RATIO OF EXCHANGE OF EURO BANK SHARES TO BANK MILLENNIUM MERGER SHARES**

### **5.1. Share Exchange Ratio**

The following ratio of exchange of Euro Bank shares to Bank Millennium Merger Shares ("**Share Exchange Ratio**") will be applied:

<b>Euro Bank shares</b>	<b>Bank Millennium Merger Shares</b>
1	4.1

This means that in exchange for 1 (one) share of Euro Bank with a nominal value of PLN 11.29 each, an Euro Bank's shareholder (other than Bank Millennium) will receive 4.1 Merger Shares of Bank Millennium with a nominal value of PLN 1.00 each.

### **5.2. Methods used to calculate the Share Exchange Ratio**

The Share Exchange Ratio was calculated as the arithmetic mean of ratios estimated using three different methodology, taking into account:

- (a) valuations of both banks (carried out using three methods - income including dividends, implied multipliers method and market indicators method),
- (b) equity value (net asset value method) and
- (c) transactions carried out on bank shares (transaction method).

### **5.3. Examination of the Merger Plan by the expert auditor**

The Merger Plan will be examined by the auditor appointed by the registry court. The opinion of an expert auditor opinion will at least: (i) state whether the share exchange ratio was determined correctly; (ii) indicate the method or methods used in arriving at the share exchange ratio proposed in the Merger Plan, together with an evaluation of grounds for the application thereof; and (iii) indicate any special difficulties related to the valuation of shares of the Merging Companies.

### **5.4. Opinions of external financial advisors**

In preparing the valuation of the Merging Companies as well as in establishing the Exchange Ratio the Management Board of Bank Millennium took into account, amongst other matters, the opinion dated 6 June 2019 issued by KPMG Advisory Spółka z ograniczoną

odpowiedzialnością sp.k. as to the fairness opinion from a financial point of view, of the exchange ratio pursuant to the Merger Plan attached as Attachment 6 to the Merger Plan.

## **6. RULES OF THE ALLOTMENT OF SHARES**

### **6.1. Allocation of the Merger Shares**

The Merger Shares will be allocated to the eligible shareholders of Euro Bank, i.e. shareholders other than Bank Millennium, on the Merger Day. The Merger Shares are the existing dematerialised shares of Bank Millennium, admitted to trading and listed on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. (the "**Warsaw Stock Exchange**"), with ISIN code: PLBIG0000016.

The number of the Merger Shares which will be allocated to each of the eligible shareholders of Euro Bank will be calculated as a product of the number of shares of Euro Bank held by a given shareholder on the Merger Day and a value of the Share Exchange Ratio. The result of the operation described in the preceding sentence will be rounded down to the nearest integer (unless the result itself is an integer).

A shareholder of Euro Bank who – as a result of the rounding down process described above – will not receive a fractional part of a Merger Share to which the shareholder was entitled to in accordance with the Share Exchange Ratio, will receive an additional payment in cash (the "**Additional Payment**").

The Additional Payment will be calculated in accordance with the following formula:

$$D = U \times A$$

where: **D** – means the amount of the Additional Payment, **U** – means the fractional part of the Merger Share that has been rounded down and has not been allocated to the eligible shareholder of Euro Bank, whereas **A** – means the amount that is an arithmetic mean of the volume weighted average daily quoted prices of Bank Millennium's shares on the Warsaw Stock Exchange from 30 (thirty) consecutive session days immediately preceding the Merger Day. The amount of the Additional Payment due will be rounded up to 1 grosz (PLN 0.01).

### **6.2. Rules of delivery of the Merger Shares to the eligible shareholders of Euro Bank**

The Merger Shares will be delivered by way of recording them in the securities accounts of the shareholders of Euro Bank entitled to receive them in the number resulting from the application of the agreed Share Exchange Ratio.

Bank Millennium will not issue any new shares in relation to the Merger. The Merger Shares to be allocated and delivered to the eligible shareholders of Euro Bank will be purchased on the Warsaw Stock Exchange in the secondary trading by Millennium Dom Maklerski S.A. under instructions of Bank Millennium issued pursuant to Art. 515 § 2 of the Commercial Companies Code. The Merger Shares will be acquired following the GMs of both of the Banks adopt resolutions approving the Merger.

Therefore, in order for Bank Millennium to take actions necessary for the delivery of the Merger Shares, the eligible shareholders of Euro Bank are requested to provide Millennium Dom Maklerski S.A. with information on numbers of securities accounts in which the Merger Shares are to be recorded and numbers of related cash accounts to which the amounts of Additional Payments can be transferred if they are due under the agreed Share Exchange Ratio and the rules of determination of Additional Payments set out in point 6.1 of the Merger Plan. The information provided should be appropriately probable and should indicate the name and surname, address, telephone number, ID number and PESEL number of the authorized shareholder of the Euro Bank who is the holder of the above-mentioned accounts.

The information referred to in the preceding paragraph should be provided to the following correspondence addresses:

**Millennium Dom Maklerski S.A.**

ul. Stanisława Żaryna 2A  
02-593 Warszawa, Poland

With an annotation: Delivery of the Merger Shares

copy to:

**Bank Millennium S.A.**

ul. Stanisława Żaryna 2A  
02-593 Warszawa, Poland

With an annotation: Delivery of the Merger Shares

along with a copy sent by e-mail to the following addresses [fuzja@millenniumdm.pl](mailto:fuzja@millenniumdm.pl) and [fuzja@bankmillennium.pl](mailto:fuzja@bankmillennium.pl).

**7. THE DAY AS OF WHICH THE MERGER SHARES WILL PARTICIPATE IN THE PROFIT**

If the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank by (and including) the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, they will participate in profit as of 1 January 2019, whereas if the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank after the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, the Merger Shares will participate in profit as from 1 January 2020.

**8. THE RIGHTS GRANTED BY BANK MILLENNIUM TO THE SHAREHOLDERS OR OTHER SPECIALLY PRIVILEGED PERSONS IN EURO BANK**

No additional rights in Bank Millennium shall be granted to the shareholders or other specially privileged persons in Euro Bank.

**9. SPECIAL BENEFITS FOR THE MEMBERS OF THE AUTHORITIES OF THE MERGING COMPANIES AND OTHER PERSONS PARTICIPATING IN THE MERGER**

No particular benefits shall be granted neither to the members of the authorities of the Merging Companies nor to any other persons participating in the Merger.

On behalf of:

**BANK MILLENNIUM**

**EURO BANK**

## ATTACHMENTS TO THE MERGER PLAN

The following attachments have been attached to this Merger Plan:

1. Draft resolution of the General Meeting of Bank Millennium S.A. regarding the merger of Bank Millennium S.A. with Euro Bank S.A. and consent for the proposed amendments of the Statutes of Bank Millennium S.A.;
2. Draft resolution of the General Meeting of Euro Bank S.A. regarding the merger of Bank Millennium S.A. with Euro Bank S.A. and consent for the proposed amendments of the Statutes of Bank Millennium S.A.;
3. Draft amendments to the Statutes of Bank Millennium S.A.;
4. Document setting forth the value of the assets of Euro Bank as at May 1<sup>st</sup> 2019;
5. Statement containing information on the Euro Bank's status disclosed in its accounts drawn up as at May 1st 2019 for the purpose of the Merger;
6. Fairness opinion dated 6 June 2019 issued by KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k.



## ATTACHMENT 1 TO THE MERGER PLAN OF 6 JUNE 2019

Draft resolution of the General Meeting of Bank Millennium S.A. regarding the merger of Bank Millennium S.A. with Euro Bank S.A. and consent for the proposed amendments of the Statutes of Bank Millennium S.A.

### RESOLUTION NO •

#### OF THE EXTRAORDINARY GENERAL MEETING OF BANK MILLENNIUM SPÓŁKA AKCYJNA WITH ITS REGISTERED OFFICE IN WARSAW

dated [•]

regarding the merger of Bank Millennium S.A. with Euro Bank S.A. and consent for the proposed amendments of the Statutes of Bank Millennium S.A.

Acting pursuant to Art. 492 § 1 point 1 and Art. 506 of the Commercial Companies Code (the "**Commercial Companies Code**"), having reviewed the merger plan of Bank Millennium S.A. ("**Bank Millennium**") with Euro Bank S.A. (the "**Merger Plan**"), attachments to the Merger Plan, the report of Bank Millennium's Management Board justifying the merger of Bank Millennium and Euro Bank S.A. (the "**Merger**") and the opinion of a court expert prepared pursuant to Art. 503 § 1 of the Commercial Companies Code, the Extraordinary General Meeting of Bank Millennium (the "**General Meeting**") hereby resolves as follows:

#### § 1.

##### Merger

1. Pursuant to Art. 492 § 1 point 1 and Art. 506 of the Commercial Companies Code, it is hereby agreed that Bank Millennium shall merge with Euro Bank Spółka Akcyjna with its registered office in Wrocław at ul. Świętego Mikołaja 72, 50-126 Wrocław, Poland, entered in the Business Register of the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, Commercial Division VI of the National Court Register, under number KRS 0000025313 ("**Euro Bank**"), by way of a transfer of all of the assets and liabilities of Euro Bank in exchange for shares in Bank Millennium that will be provided to Euro Bank's shareholders in accordance with the provisions of the Merger Plan.
2. Pursuant to Art. 506 § 4 of the Commercial Companies Code, the General Meeting hereby consents to the Merger Plan. The Merger Plan is attached hereto.
3. Pursuant to Art. 506 § 4 of the Commercial Companies Code, the General Meeting hereby consents to the amendments of the Statutes of Bank Millennium as set out in Attachment No 3 to the Merger Plan and in § 4 below.

#### § 2.

##### Merger Shares and Share Exchange Ratio

1. In connection with the Merger, Euro Bank's shareholders will receive own shares held by Bank Millennium with a nominal value of PLN 1 each (the "**Merger Shares**"). Hence, in connection with the Merger, the share capital of Bank Millennium will not be increased.



2. The General Meeting hereby approves the Share Exchange Ratio as agreed by the Management Boards of Bank Millennium and Euro Bank, that is 4.1 Merger Shares in exchange for one share of Euro Bank, i.e. 410 (four hundred and ten) Merger Shares will be allotted in exchange for 100 (one hundred) shares of Euro Bank (the "**Share Exchange Ratio**").
3. If the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank by (and including) the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, they will participate in profit as of 1 January 2019, whereas if the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank after the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, the Merger Shares will participate in profit as from 1 January 2020.
4. The Merger Shares are ordinary bearer shares and therefore they will not grant any specific rights to the shareholders. Since Bank Millennium is a public company listed on the Giełda Papierów Wartościowych w Warszawie S.A. (the "**Warsaw Stock Exchange**"), the Merger Shares are dematerialised and admitted to trading on a regulated market operated by the Warsaw Stock Exchange.

### § 3.

#### Rules of the Allotment of Shares

1. Allocation of the Merger Shares
  - (a) The Merger Shares will be allocated to the eligible shareholders of Euro Bank, i.e. shareholders other than Bank Millennium, on the Merger Day. The Merger Shares are the existing dematerialised shares of Bank Millennium, admitted to trading and listed on the regulated market of the Warsaw Stock Exchange, with ISIN code: PLBIG0000016.
  - (b) The number of the Merger Shares which will be allocated to each of the eligible shareholders of Euro Bank will be calculated as a product of the number of shares of Euro Bank held by a given shareholder on the Merger Day and a value of the Share Exchange Ratio. The result of the operation described in the preceding sentence will be rounded down to the nearest integer (unless the result itself is an integer).
  - (c) A shareholder of Euro Bank who – as a result of the rounding down process described above – will not receive a fractional part of a Merger Share to which the shareholder was entitled to in accordance with the Share Exchange Ratio, will receive an additional payment in cash (the "**Additional Payment**").
  - (d) The Additional Payment will be calculated in accordance with the following formula:

$$D = U \times A$$

where: **D** – means the amount of the Additional Payment, **U** – means the fractional part of the Merger Share that has been rounded down and has not been allocated to the eligible shareholder of Euro Bank, whereas **A** – means the amount that is an arithmetic mean of the volume weighted average daily quoted prices of Bank Millennium's shares on the Warsaw Stock Exchange from 30 (thirty) consecutive Session Days immediately preceding the Merger Day. The amount of the Additional Payment due will be rounded up to 1 grosz (PLN 0.01).

2. Rules of delivery of the Merger Shares to the eligible shareholders of Euro Bank

- (a) The Merger Shares will be delivered by way of recording them in the securities accounts of the shareholders of Euro Bank entitled to receive them in the number resulting from the application of the agreed Share Exchange Ratio.
- (b) Bank Millennium will not issue any new shares in relation to the Merger. The Merger Shares to be allocated and delivered to the eligible shareholders of Euro Bank will be purchased on the Warsaw Stock Exchange in the secondary trading by Millennium Dom Maklerski S.A. under instructions of Bank Millennium issued pursuant to Art. 515 § 2 of the Commercial Companies Code. The Merger Shares will be acquired following the general meetings of both of the Banks adopt resolutions approving the Merger.
- (c) Therefore, in order for Bank Millennium to take actions necessary for the delivery of the Merger Shares, the eligible shareholders of Euro Bank are requested to provide Millennium Dom Maklerski S.A. with information on numbers of securities accounts in which the Merger Shares are to be recorded and numbers of related cash accounts to which the amounts of Additional Payments can be transferred if they are due under the agreed Share Exchange Ratio and the rules of determination of Additional Payments set out in point 6.1 of the Merger Plan. The information provided should be appropriately probable and should indicate the name and surname, address, telephone number, ID number and PESEL number of the authorized shareholder of the Euro Bank who is the holder of the above-mentioned accounts.
- (d) The information referred to in the preceding paragraph should be provided to the following correspondence addresses:

**Millennium Dom Maklerski S.A.**  
 ul. Stanisława Żaryna 2a  
 02-593 Warszawa, Poland  
With an annotation: Delivery of the Merger Shares

copy to:

**Bank Millennium S.A.**  
 ul. Stanisława Żaryna 2a  
 02-593 Warszawa, Poland  
With an annotation: Delivery of the Merger Shares

along with a copy sent by e-mail to the following addresses [fuzja@millenniumdm.pl](mailto:fuzja@millenniumdm.pl) and [fuzja@millenniumdm.pl](mailto:fuzja@millenniumdm.pl).

§ 4.

Consent for the proposed amendments of the Statutes of Bank Millennium

Pursuant to Art. 506 § 4 of the Commercial Companies Code, the General Meeting hereby consents to the following amendments of the Statutes of Bank Millennium:

1. **clause 4) sec. 1 in § 5 shall have the following new wording:**

*"4) issuing and confirming bank guarantees and opening and confirming letters of credit,"*

**in place of its existing wording:**

*"4) issuing and confirming bank guarantees and opening letters of credit,"*

2. **clause 16) sec. 1 in § 5 shall have the following new wording:**

*"16) intermediating in money transfers and settlements in foreign exchange dealings, including settling operations related to payment cards in foreign exchange dealings,"*

**in place of its existing wording:**

*"16) intermediating in money transfers and settlements in foreign exchange dealings,"*

**3. letter b) in clause 14) sec. 2 in § 5 shall have the following new wording:**

*"b/ exercising the function of a depositary of pension and investment funds, managing securitised debts of securitisation funds and conducting acquisition activity under the provisions of the Act on the Organisation and Operation of Pension Funds,"*

**in place of its existing wording:**

*"b/ exercising the function of a depositary of pension and investment funds,"*

§ 5.

Authorisations

The Supervisory Board of Bank Millennium, pursuant to § 17 sec. 2 point 5) of the statutes of Bank Millennium will determine, after the Merger has been registered by a relevant registry court, the consolidated text of the Statutes of Bank Millennium, taking into account the amendments arising under the provisions hereof.

§ 6.

Final provisions

This resolution enters into force upon its adoption, whereas the Merger will be effected only after all required regulatory consents and approvals related to the Merger have been obtained, including:

- (a) the consent for the Merger of the Financial Supervision Authority (*Komisja Nadzoru Finansowego*; the "KNF"), pursuant to the provisions of Art. 124 Section 1 of the Banking Law; and
- (b) the KNF's consent for the amendments of the Statutes of Bank Millennium, pursuant to the provisions of Art. 34 section 2 of the Banking Law.

## ATTACHMENT 2 TO THE MERGER PLAN OF 6 JUNE 2019

Draft resolution of the General Meeting of Euro Bank S.A. regarding the merger of Bank Millennium S.A. with Euro Bank S.A. and consent for the proposed amendments of the Statutes of Bank Millennium S.A.

### RESOLUTION NO •

#### OF THE EXTRAORDINARY GENERAL MEETING OF EURO BANK SPÓŁKA AKCYJNA WITH ITS REGISTERED OFFICE IN WROCLAW

dated [•]

regarding the merger of Bank Millennium S.A. with Euro Bank S.A. and consent for the proposed amendments of the Statutes of Bank Millennium S.A.

Acting pursuant to Art. 492 § 1 point 1 and Art. 506 of the Commercial Companies Code (the "**Commercial Companies Code**"), having reviewed the merger plan of Bank Millennium S.A. with Euro Bank S.A. ("**Euro Bank**" and the "**Merger Plan**"), attachments to the Merger Plan, the report of Euro Bank's Management Board justifying the merger of Bank Millennium S.A. and Euro Bank (the "**Merger**") and the opinion of an expert auditor prepared pursuant to Art. 503 § 1 of the Commercial Companies Code, the Extraordinary General Meeting of Euro Bank (the "**General Meeting**") hereby resolves as follows:

#### § 1.

##### Merger

1. Pursuant to Art. 492 § 1 point 1 and Art. 506 of the Commercial Companies Code, it is hereby agreed that Bank Millennium Spółka Akcyjna Spółka Akcyjna with its registered office in Warsaw at ul. Stanisława Żaryna 2a, 02-593 Warsaw, Poland, entered in the Business Register of the National Court Register kept by the District Court for the city of Warsaw, Commercial Division XIII of the National Court Register, under number KRS 0000010186 ("**Bank Millennium**") shall merge with Euro Bank, by way of a transfer of all of the assets and liabilities of Euro Bank in exchange for shares in Bank Millennium that will be provided to Euro Bank's shareholders in accordance with the provisions of the Merger Plan.
2. Pursuant to Art. 506 § 4 of the Commercial Companies Code, the General Meeting hereby consents to the Merger Plan. The Merger Plan is attached hereto.
3. Pursuant to Art. 506 § 4 of the Commercial Companies Code, the General Meeting hereby consents to the amendments of the Statutes of Bank Millennium as set out in Attachment No 3 to the Merger Plan and in § 4 below.

#### § 2.

##### Merger Shares and Share Exchange Ratio

1. In connection with the Merger, Euro Bank's shareholders will receive own shares held by Bank Millennium with a nominal value of PLN 1 each (the "**Merger Shares**"). Hence, in connection with the Merger, the share capital of Bank Millennium will not be increased.

2. The General Meeting hereby approves the Share Exchange Ratio as agreed by the Management Boards of Bank Millennium and Euro Bank, that is 4.1 Merger Shares in exchange for one share of Euro Bank, i.e. 410 (four hundred and ten) Merger Shares will be allotted in exchange for 100 (one hundred) shares of Euro Bank (the "**Share Exchange Ratio**").
3. If the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank by (and including) the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, they will participate in profit as of 1 January 2019, whereas if the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank after the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, the Merger Shares will participate in profit as from 1 January 2020.
4. The Merger Shares are ordinary bearer shares and therefore they will not grant any specific rights to the shareholders. Since Bank Millennium is a public company listed on the Giełda Papierów Wartościowych w Warszawie S.A. (the "**Warsaw Stock Exchange**"), the Merger Shares are dematerialised and admitted to trading on a regulated market operated by the Warsaw Stock Exchange.

### § 3.

#### Rules of the Allotment of Shares

1. Allocation of the Merger Shares
  - (a) The Merger Shares will be allocated to the eligible shareholders of Euro Bank, i.e. shareholders other than Bank Millennium, on the Merger Day. The Merger Shares are the existing dematerialised shares of Bank Millennium, admitted to trading and listed on the regulated market of the Warsaw Stock Exchange, with ISIN code: PLBIG0000016.
  - (b) The number of the Merger Shares which will be allocated to each of the eligible shareholders of Euro Bank will be calculated as a product of the number of shares of Euro Bank held by a given shareholder on the Merger Day and a value of the Share Exchange Ratio. The result of the operation described in the preceding sentence will be rounded down to the nearest integer (unless the result itself is an integer).
  - (c) A shareholder of Euro Bank who – as a result of the rounding down process described above – will not receive a fractional part of a Merger Share to which the shareholder was entitled to in accordance with the Share Exchange Ratio, will receive an additional payment in cash (the "**Additional Payment**").
  - (d) The Additional Payment will be calculated in accordance with the following formula:

$$D = U \times A$$

where: **D** – means the amount of the Additional Payment, **U** – means the fractional part of the Merger Share that has been rounded down and has not been allocated to the eligible shareholder of Euro Bank, whereas **A** – means the amount that is an arithmetic mean of the volume weighted average daily quoted prices of Bank Millennium's shares on the Warsaw Stock Exchange from 30 (thirty) consecutive Session Days immediately preceding the Merger Day. The amount of the Additional Payment due will be rounded up to 1 grosz (PLN 0.01).

2. Rules of delivery of the Merger Shares to the eligible Shareholders of Euro Bank

- (a) The Merger Shares will be delivered by way of recording them in the securities accounts of the shareholders of Euro Bank entitled to receive them in the number resulting from the application of the agreed Share Exchange Ratio.
- (b) Bank Millennium will not issue any new shares in relation to the Merger. The Merger Shares to be allocated and delivered to the eligible shareholders of Euro Bank will be purchased on the Warsaw Stock Exchange in the secondary trading by Millennium Dom Maklerski S.A. under instructions of Bank Millennium issued pursuant to Art. 515 § 2 of the Commercial Companies Code. The Merger Shares will be acquired following the general meetings of both of the Banks adopt resolutions approving the Merger.
- (c) Therefore, in order for Bank Millennium to take actions necessary for the delivery of the Merger Shares, the eligible shareholders of Euro Bank are requested to provide Millennium Dom Maklerski S.A. with information on numbers of securities accounts in which the Merger Shares are to be recorded and numbers of related cash accounts to which the amounts of Additional Payments can be transferred if they are due under the agreed Share Exchange Ratio and the rules of determination of Additional Payments set out in point 6.1 of the Merger Plan. The information provided should be appropriately probable and should indicate the name and surname, address, telephone number, ID number and PESEL number of the authorized shareholder of the Euro Bank who is the holder of the above-mentioned accounts.
- (d) The information referred to in the preceding paragraph should be provided to the following correspondence addresses:

**Millennium Dom Maklerski S.A.**

ul. Stanisława Żaryna 2a  
02-593 Warszawa, Poland

With an annotation: **Delivery of the Merger Shares**

copy to:

**Bank Millennium S.A.**

ul. Stanisława Żaryna 2a  
02-593 Warszawa, Poland

With an annotation: **Delivery of the Merger Shares**

along with a copy sent by e-mail to the following addresses [fuzja@millenniumdm.pl](mailto:fuzja@millenniumdm.pl) and [fuzja@bankmillennium.pl](mailto:fuzja@bankmillennium.pl).

§ 4.

Consent for the proposed amendments of the Statutes of Bank Millennium

Pursuant to Art. 506 § 4 of the Commercial Companies Code, the General Meeting hereby consents to the following amendments of the Statutes of Bank Millennium:

1. **clause 4) sec. 1 in § 5 shall have the following new wording:**

*"4) issuing and confirming bank guarantees and opening and confirming letters of credit,"*

**in place of its existing wording:**

*"4) issuing and confirming bank guarantees and opening letters of credit,"*

2. **clause 16) sec. 1 in § 5 shall have the following new wording:**

*"16) intermediating in money transfers and settlements in foreign exchange dealings, including settling operations related to payment cards in foreign exchange dealings,"*

**in place of its existing wording:**

*"16) intermediating in money transfers and settlements in foreign exchange dealings,"*

3. **letter b) in clause 14) sec. 2 in § 5 shall have the following new wording:**

*"b/ exercising the function of a depositary of pension and investment funds, managing securitised debts of securitisation funds and conducting acquisition activity under the provisions of the Act on the Organisation and Operation of Pension Funds,"*

**in place of its existing wording:**

*"b/ exercising the function of a depositary of pension and investment funds,"*

## § 5.

### Final provisions

This resolution enters into force upon its adoption, whereas the Merger will be effected only after all required regulatory consents and approvals related to the Merger have been obtained, including:

1. the consent for the Merger of the Financial Supervision Authority (*Komisja Nadzoru Finansowego*; the "KNF"), pursuant to the provisions of Art. 124 Section 1 of the Banking Law; and
2. the KNF's consent for the amendments of the Statutes of Bank Millennium, pursuant to the provisions of Art. 34 section 2 of the Banking Law.

### ATTACHMENT 3 TO THE MERGER PLAN OF 6 JUNE 2019

In relation to the planned merger of Bank Millennium S.A. ("**Bank Millennium**") and Euro Bank S.A. carried out pursuant to Art. 492 § 1 point 1 of the Commercial Companies Code, the following changes of the Statutes of Bank Millennium are proposed:

1. **clause 4) sec. 1 in § 5 shall have the following new wording:**

*"4) issuing and confirming bank guarantees and opening and confirming letters of credit,"*

**in place of its existing wording:**

*"4) issuing and confirming bank guarantees and opening letters of credit,"*

2. **clause 16) sec. 1 in § 5 shall have the following new wording:**

*"16) intermediating in money transfers and settlements in foreign exchange dealings, including settling operations related to payment cards in foreign exchange dealings,"*

**in place of its existing wording:**

*"16) intermediating in money transfers and settlements in foreign exchange dealings,"*

3. **letter b) in clause 14) sec. 2 in § 5 shall have the following new wording:**

*"b/ exercising the function of a depositary of pension and investment funds, managing securitised debts of securitisation funds and conducting acquisition activity under the provisions of the Act on the Organisation and Operation of Pension Funds,"*

**in place of its existing wording:**

*"b/ exercising the function of a depositary of pension and investment funds,"*





**Attachment no 4 to the Merger Plan dated June 6<sup>th</sup> 2019**

**A document specifying the value of Euro Bank S.A.  
on May 1, 2019**

The Management Board of Euro Bank S.A. declares that the value of Euro Bank S.A. as at May 1<sup>st</sup> 2019, understood as the book value of net assets is PLN 1,546,295,813 (one billion five hundred and forty six million two hundred and ninety five thousand eight hundred and thirteen zlotys).

This value was determined on the basis of an unaudited balance sheet prepared as at May 1<sup>st</sup>, 2019.

**EURO BANK S.A.**



## Attachment no 5 to the Merger Plan dated June 6<sup>th</sup> 2019

**Declaration containing information on the accounting status of Euro Bank S.A. prepared as at 1 May 2019 for the needs of the Merger**

**The balance sheet was prepared using the same methods and in the same form as the last annual balance sheet, in accordance with the International Financial Reporting Standards.**

### STATEMENT OF FINANCIAL POSITION

#### Statement of financial position as at 1 May 2019

<i>(PLN '000)</i>	1.05.2019
<b>ASSETS</b>	
Cash and balances with Central Bank	266 491
Amounts due from banks	163 828
- <i>Measured at amortized cost</i>	163 828
Customer loans	12 285 544
- <i>Measured at amortized cost</i>	12 285 544
Financial assets measured at fair value through other comprehensive income	1 425 452
- <i>Debt instruments</i>	1 425 452
Financial instruments measured at fair value through profit or loss	17 883
- <i>Equity instruments</i>	17 883
Intangible assets	48 913
Tangible fixed assets	129 503
Income tax assets	170 451
- Current income tax receivables	30
- Deferred tax assets	170 421
Other assets	64 001
<b>TOTAL ASSETS</b>	<b>14 572 066</b>
<b>LIABILITIES</b>	
Amounts due to banks and financial institutions	4 090 035
Amounts due to customers	7 817 401
Amounts due to debt securities	504 848
Provisions	1 320
Derivative instruments in hedge accounting	5 154
Other liabilities	254 434
Current income tax liabilities	-
Subordinated debt	352 578
<b>Total liabilities</b>	<b>13 025 770</b>

Share capital (funds)	563 096
Supplementary capital (funds)	1 090 285
Reserve capital (fund)	-
Own shares	- 2 956
Revaluation reserve	4 245
Retained earnings	- 124 261
Net profit (loss)	15 887
<b>Total equity</b>	<b>1 546 296</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14 572 066</b>

**EURO BANK S.A.**



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**PRIVATE AND CONFIDENTIAL – ONLY FOR THE ATTENTION OF THE MANAGEMENT  
BOARD OF BANK MILLENNIUM S.A.**

**The Management Board**

Bank Millennium S.A.  
str. Stanisława Żaryna 2  
02-593 Warsaw

6 June 2019

Dear Sirs,

**Re: Fairness Opinion regarding share exchange parity in the planned merger of Bank  
Millennium S.A. and Euro Bank S.A.**

Pursuant to the terms and conditions of the engagement letter dated 20 May 2019, entered into between KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k. ("KPMG") and Bank Millennium S.A. ("Bank Millennium", or the "Client"), KPMG has been requested by the Management of Bank Millennium to prepare a fairness opinion (the "Opinion" or the "Fairness Opinion") on share exchange parity (the "Parity") in the planned merger (the "Merger") of Bank Millennium and Euro Bank S.A. ("Euro Bank", together with Bank Millennium: the "Banks"), which is planned after the purchase of 99.79% of shares of Euro Bank from Société Générale SA ("Société Générale") by Bank Millennium (the "Transaction"), which was concluded on 31 May 2019.

Below we present our understanding of the planned Transaction and the Merger, restrictions and qualifications related with this Opinion, summary of analyses conducted by KPMG and the statement of the Opinion.

***Summary of the planned Transaction and the Merger***

We understand that Bank Millennium, has been providing financial services to individual and institutional clients in Poland for the last 30 years. The capital group of Bank Millennium apart from Bank Millennium itself, includes Millennium Leasing Sp. z o.o., Millennium Dom Maklerski S.A. and Millennium Towarzystwo Funduszy Inwestycyjnych S.A.



**Bank Millennium S.A.**  
**Fairness Opinion regarding share exchange parity in the planned merger**  
**of Bank Millennium S.A. and Euro Bank S.A.**  
**6 June 2019**

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Bank Millennium is a universal bank, offering a broad range of services to retail and corporate customers through the network of 368 branches (as of 31 March 2019) and electronic banking channels. As of 31 December 2018, the assets of Bank Millennium reached PLN 80.5bn.

Since the initial public offering in 1992, the shares of Bank Millennium have been listed on the Warsaw Stock Exchange (the "WSE"). The controlling shareholder of Bank Millennium is Banco Comercial Portugues S.A. (holding 50.1% of its all issued shares).

We understand that Euro Bank, since its establishment in 2003 by Mariusz Łukasiewicz, has been specialising in retail banking (cash loan and mortgage markets mainly). In its operation Euro Bank relies on an extensive network of 250 own and 251 franchised branches (as at 30 June 2018) covering all Polish regions, though with focus on smaller cities. As of 31 December 2018, the assets of Euro Bank reached PLN 14.5bn.

On 5 November 2018, Bank Millennium signed an agreement for the purchase of 99.79% of shares of Euro Bank from SG Financial Services Holding, a subsidiary of Société Générale for a reference price of PLN 1,833m. Final price will be adjusted by variation of net asset value of Euro Bank at the closing of the Transaction.

As indicated by the Management of Bank Millennium, the main rationale of the Transaction is strengthening of Bank Millennium's market position in the segment of retail loans as well as entrance on the market of instalment loans granted in large retail chains. Additionally, the Transaction is envisaged to build up Bank Millennium's presence in smaller cities.

Acquisition price of PLN 1,833m was paid in cash and financed from internal sources of Bank Millennium. As a part of the Transaction, Bank Millennium repaid agreed amount of intra-group funding which Société Générale provided to Euro Bank.

The Transaction was finalised on 31 May 2019 after all the required approvals from the relevant authorities were granted: Polish Financial Supervision Authority ("KNF") announced its decision on 28 May 2019, while the Polish Office of Competition and Consumer Protection ("UOKiK") granted its approval in the beginning of January 2019.

Additionally, Société Générale signed an agreement with Bank Millennium, based on which it provided with:

- 10-year guarantee covering 80% of credit risk (regarding initially performing loans) and cost of risk (regarding initially non-performing loans) on CHF mortgage loans, allowing for reduction of effective risk weight of acquired CHF mortgage portfolio;
- 20-year indemnity covering losses resulting from litigation, proceedings or changes in law related to the CHF loans.

Having obtained the required agreements and approvals from KNF and UOKiK, the Merger of the Banks is planned, which from operational point of view is envisaged for November 2019. As a part of the Merger procedure, the holders of the Euro Bank shares (other than Bank



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Millennium) will be granted the shares of Bank Millennium (in exchange for their Euro Bank shares) based on a Parity being estimated by the Management Boards of the Banks.

The draft of the Merger plan (the "Plan") provided to KPMG on 3 June 2019, sets forth the terms and conditions of the Merger and provides that, amongst other things, all the assets of Euro Bank will be transferred to Bank Millennium and the minority shareholders of Euro Bank will, upon completion of the Merger, exchange each 1 ordinary share in the share capital of Euro Bank for 4.1 ordinary shares in the share capital of Bank Millennium (such ratio referred to as the Parity).

The exchange of the shares of Euro Bank minority shareholders for the shares of Bank Millennium will be executed in a way that Bank Millennium will purchase a number of its own shares (based on the Parity ratio) on the Warsaw Stock Exchange via its brokerage house and will offer those to the minority shareholders of Euro Bank.

With reference to the information above and taking into account the fact that the shares of Bank Millennium are listed on the WSE as well as best practices in this type of transactions, the Management Board of Bank Millennium requested KPMG to provide the Opinion addressed to the Management Board of the Client as to whether the proposed Parity is fair, from a financial point of view, to Bank Millennium.

***Restrictions and qualifications***

In accordance to the Engagement Letter, this Opinion has been prepared under the assumption that it is addressed solely to the Management Board of Bank Millennium in connection with the planned Merger. The Client will be allowed to publish the Opinion, only in its final version (signed), as an appendix to the official communication (including current report, public presentation or other announcement) – provided that the content of such official communication concerning reference to KPMG and the Opinion will be previously agreed with KPMG by the means of electronic correspondence. Also, the Client will be allowed to share Opinion in the final version, in relation to the Merger, with KNF, other corporate bodies of Bank Millennium and third parties.

Except as indicated above, the content of this Opinion may not be quoted, referred to, in part or in entirety, without prior written consent of KPMG.

This Opinion is an expert opinion, not a statement of fact, and does not constitute a formal report on the valuation of shares of any of the Banks or any recommendation regarding execution of the Merger (e.g. from the point of view of the decision to execute the Merger, whether it is optimal for Bank Millennium or Euro Bank, their shareholders or any other entity, its timing or any other aspect of the Merger) or any other transaction.

This Opinion is not addressed to any third parties and does not trigger any obligations of KPMG towards any third parties. Therefore, KPMG is not liable towards any third party.





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**of Bank Millennium S.A. and Euro Bank S.A.**  
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This Opinion considers only financial terms and conditions of the Merger and does not consider any non-financial terms of the Merger.

KPMG has prepared this Opinion based on analyses of documents provided by Bank Millennium and Euro Bank and discussions with the representatives of both Banks. During the course of the work, KPMG assumed that all submitted information represented the current status according to the best knowledge of the Management of the Banks, therefore, KPMG did not attempt to independently verify any information. Information provided to KPMG has been, on the request of KPMG, confirmed by the Management Boards of the Banks in writing. KPMG has also used information publicly available in sources generally recognised as reliable. Specifically, it should be noted that for the purpose of the Opinion, KPMG was provided with audited historical financial statements of Bank Millennium and Euro Bank covering the period from 1 January 2017 to 31 December 2018 as well as the financial plans of each of the Banks for the years 2019 - 2021. The financial forecasts were not subject to audit or any other form of verification. Instead, it was assumed that all of this information is true and complete and was prepared and provided to KPMG in good faith with the best knowledge of Bank Millennium and Euro Bank Management as of the date of this Opinion.

The work of KPMG related to issuing this Opinion included neither any analyses of the financial or legal-tax status of the Banks (due diligence), nor any potential impact of financial-accounting-tax or legal issues, which may be relevant for the execution of the Merger. For the purposes of the estimation of the fair value of the Banks' shares and issuing this Opinion, KPMG has not made an independent evaluation or appraisal of the assets and liabilities of the Banks. For the purpose of this Opinion, KPMG did not perform an audit of financial statements of the Banks.

The Opinion is based on the facts that were known and made available to KPMG as of the date of this Opinion, including, but not limited to financial position of the Banks in the future, market conditions and regulatory environment. Any changes of the aforementioned facts or information or disclosure of any additional information may impact on the conclusion presented in the Opinion.

KPMG is not required to update this Opinion, or any information included herein, as a result of events or transactions which occurred after the date of completion of this Opinion in final version.

The remuneration received by KPMG for preparation of this Opinion and analyses on which it is based is not contingent on the execution of the Transaction or the Merger. KPMG is not acting as an advisor to any party with respect to the determination of the Parity or other aspect of the Merger.

KPMG as well as other member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss cooperative, may provide other services to Bank Millennium, Euro Bank as well as other shareholders of the Banks. Should that be the case, the appropriate ethical dividers (the "Chinese walls") are established allowing to avoid any potential conflict of interest



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or disclosure of confidential information which might result in violation of interest of any of interested parties.

KPMG did not participate in any discussions between Bank Millennium and Euro Bank regarding the Transaction or the Merger. KPMG does not state any opinion whether any alternative transaction would be more beneficial for Bank Millennium and/or its shareholders.

This document and the opinions expressed herein are governed by the Polish law and relate only to the Polish law as applied by the Polish courts as at the date of the Opinion. KPMG expresses no opinion in this document on the laws of any other jurisdiction.

***Summary of analyses conducted by KPMG***

For the purpose of issuing this Opinion, KPMG conducted analyses for the estimation of the fair value range (the "Fair Value") of the 100% equity stake in Bank Millennium and Euro Bank (the "Pricing Analyses").

Fair Value was defined according to International Financial Reporting Standard 13, which reads as follows:

*Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*

Fair Value, as defined above, is not necessarily representative of the price, which could actually be achieved on the sale of shares. Certain special purchasers may be willing to pay a premium or discount the price. Thus, for various reasons, the price at which the shares might be sold in a specific transaction between specific parties on a specific date might be significantly different from the Fair Value as expressed in our Opinion.

Provided the purpose and subject of the Opinion, the Pricing Analyses were prepared from a perspective of minority shareholders, whose ownership stake does not correspond with the control over the Banks.

Taking into account the purpose of the Pricing Analyses, in accordance with our experience, the following approaches to the estimation of the Fair Value were considered:

- Income approach with the use of Dividend Discount Method;
- Market approach with the use of comparable companies method.

Given the fact that the income approach takes into account long-term prospects of the Banks, results obtained with this approach shall properly reflect the present value of future long-term benefits of the Banks' shareholders. Consequently, the income approach was used as a primary approach to estimate the Fair Value of the Banks, while the market approach was applied as a supplementary one.



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Fair Value of the Banks was estimated as at 31 December 2018. It was assumed that between 31 December 2018 and the date of this Opinion, there have been no events neither in the external market environment, nor within the Banks (except for those provided below), which could have a material impact on the future perspective of the Banks and at the same time on the Fair Value of the Banks' shares. It should be noted, however, that for the purpose of this Opinion it was assumed that the legal Merger is to be completed in October 2019, while the operational Merger is planned in November 2019.

Therefore, for the purpose of this Opinion KPMG considered the results of the Pricing Analyses as well as the estimation of present value of net business synergies and integration costs arising from the Transaction and the Merger.

In addition, in arriving at its Opinion KPMG has:

- analysed the terms of the Merger as presented in the Plan and other related documents;
- where feasible, analysed certain financial results of Bank Millennium and Euro Bank with reference to the financial results of comparable financial institutions, which shares are publicly traded in Poland;
- analysed the reported prices and trading activity for Bank Millennium shares listed on the WSE;
- analysed equity analysts' recommendations issued for Bank Millennium during relevant period;
- analysed the financial parameters of the Transaction;
- performed other research and analyses and considered other factors as deemed appropriate.

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### **Opinion**

Taking into account our understanding of the Transaction and the Merger, which was presented above, restrictions and qualifications as well as analyses conducted by KPMG, the Parity of 4.1 shares of Bank Millennium S.A. in return for 1 share of Euro Bank S.A. to be offered to the minority shareholders of Euro Bank S.A. is within the calculated Fair Value range and therefore, is considered fair, from financial point of view, to Bank Millennium S.A. as of the date of this Opinion.

This Opinion has been issued based on the status of knowledge as at the date hereof.

Yours faithfully,

---

Tomasz Regulski  
*Director*  
*Deal Advisory*  
*Proxy*  
KPMG Advisory  
Spółka z ograniczoną  
odpowiedzialnością sp.k.



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**REPORT OF THE MANAGEMENT BOARD**

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**dated June 6<sup>th</sup> 2019**

**prepared by the Management Board of Bank Millennium Spółka Akcyjna  
pursuant to Art. 501 of the Commercial Companies Code**

**justifying the merger of**

**BANK MILLENNIUM SPÓŁKA AKCYJNA  
and  
EURO BANK SPÓŁKA AKCYJNA**

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## REPORT OF THE MANAGEMENT BOARD

This report of the Management Board (hereinafter referred to as the "**Report of the Management Board**") was prepared on the basis of Article 501 of the Act of 15 September 2000 – Commercial Companies' Code (Journal of Laws of 2000 no. 94 item 1037 with changes; the "**Commercial Companies Code**") and relates to the intended merger of **Bank Millennium S.A.** ("**Bank Millennium**") and **Euro Bank S.A.** ("**Euro Bank**", hereinafter jointly referred to as the "**Merging Companies**" or the "**Banks**") as described in the merger plan executed by the Merging Companies on June 6<sup>th</sup> 2019.

### 1. DEFINITIONS

- |  |   |
|--|---|
| <b>Additional Payment</b>                      | – an additional payment in cash to be received by those eligible shareholders of Euro Bank who will not receive a fractional part of a Merger Share to which the shareholder was entitled to in accordance with the Share Exchange Ratio;   |
| <b>Bank Millennium or Absorbing Company</b>    | – Bank Millennium S.A. with its registered office in Warsaw, address: ul. Stanisława Żaryna 2A, 02-593 Warsaw, entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Warsaw, XIII Commercial Department of National Court Register under No. 0000010186; |
| <b>Banking Law</b>                             | – the Act of 29 August 1997 – Banking Law (Journal of Laws of 1997, no. 140 item 939, with changes);  |
| <b>Civil Code</b>                              | – the Act of 23 April 1964 – Civil Code (Journal of Laws of 1964, no. 16 item 93, with changes);  |
| <b>Commercial Companies Code</b>               | – the Act of 15 September 2000 – Commercial Companies' Code (Journal of Laws of 2000, no. 94 item 1037, with changes);  |
| <b>Competition and Consumer Protection Act</b> | – the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, no. 50 item. 331, with changes);   |
| <b>Euro Bank or Target Company</b>             | – Euro Bank S.A. with its registered office in Wrocław, address: ul. św. Mikołaja 72, 50-126 Wrocław, entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Wrocław-Fabryczna, VI Commercial Department of National Court Register under No. 0000025313; |
| <b>GM or General Meeting</b>                   | – the general meeting of Bank Millennium or the general meeting of Euro Bank, as the context indicates;   |
| <b>KNF</b>                                     | – the Polish Financial Supervision Authority ( <i>Komisja Nadzoru Finansowego</i> );  |



<b>Labour Code</b>	the Act of 26 June 1974 – Labour Code (Journal of Laws of 1974, no. 24 item. 141, with changes);
<b>Management Board</b>	– the management board of Bank Millennium or the management board of Euro Bank, as the context indicates;
<b>Merger</b>	– the merger of Bank Millennium, as the absorbing company, and Euro Bank, as the target company, in accordance with Article 492 § 1 item 1 of the Commercial Companies Code, i.e. by way of the transfer of all the property of Euro Bank in exchange for the Merger Shares, which Bank Millennium will deliver to the eligible shareholders of Euro Bank (merger through takeover);
<b>Merger Day</b>	– the day on which the Merger is entered in the register of entrepreneurs of the National Court Register by the registry court competent for Bank Millennium's registered office;
<b>Merger Plan</b>	– the merger plan of Bank Millennium and Euro Bank;
<b>Merger Shares</b>	– the existing dematerialised shares of Bank Millennium, admitted to trading and listed on the regulated market of the Warsaw Stock Exchange, with ISIN code: PLBIG0000016, to be allocated and delivered to the eligible shareholders of Euro Bank;
<b>Merging Companies or Banks</b>	– jointly Bank Millennium and Euro Bank;
<b>Report or Report of the Management Board</b>	– this document;
<b>Share Exchange Ratio</b>	– the exchange ratio at which Euro Bank shares are to be exchanged for Bank Millennium shares indicated in point 5.1;
<b>Statutes</b>	– the statutes of Bank Millennium;
<b>Warsaw Stock Exchange</b>	– the Warsaw Stock Exchange ( <i>Gięlda Papierów Wartościowych w Warszawie S.A.</i> ).

## 2. INTRODUCTION

On June 6<sup>th</sup> 2019, the Management Boards of Bank Millennium and Euro Bank signed the Merger Plan which sets out, pursuant to Article 499 § 1 of the Commercial Companies Code, the method of the Merger and the Share Exchange Ratio, among other things. Therefore, acting pursuant to Art. 501 of the Commercial Companies Code, the Management Board of Bank Millennium prepared this Report justifying the Merger.

### 3. TYPE, NAME AND THE SEAT OF THE MERGING COMPANIES

#### 3.1. The Absorbing Company

Full name:	Bank Millennium S.A.
Address of the registered office:	ul. Stanisława Żaryna 2A 02-593 Warsaw
Share capital:	PLN 1,213,116,777.00
Registration:	Entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Warsaw, XIII Commercial Department of National Court Register under No. 0000010186.

The Absorbing Company is a public company within the meaning of the Act on Public Offerings.

#### 3.2. The Target Company

Full name:	Euro Bank S.A.
Address of the registered office:	ul. św. Mikołaja 72 50-126 Wrocław
Share capital:	PLN 563,096,032.05
Registration:	Entered into the Register of Entrepreneurs of the National Court Register, kept by District Court in Wrocław-Fabryczna, VI Commercial Department of National Court Register under No. 0000025313.

### 4. GENERAL INFORMATION

#### 4.1. Legal basis and method of the Merger

The merger shall take place pursuant to Article 492 § 1 point 1 of the Commercial Companies Code by a take-over of Euro Bank by Bank Millennium, that is by way of a transfer of all of the assets and liabilities of Euro Bank to Bank Millennium in exchange for shares in Bank Millennium (the "**Merger Shares**") and delivered to the shareholders of Euro Bank other than Bank Millennium (the "**Merger**").

The Merger will come into effect on the day of the registration of the Merger in the Register of Entrepreneurs of the National Court Register by the court competent for Bank Millennium's registered office (the "**Merger Day**").

As a result of the Merger, on the Merger Day:

- (a) Bank Millennium will assume, on the basis of universal succession, all rights and obligations of Euro Bank and Euro Bank will be wound-up without liquidation proceedings; and
- (b) Euro Bank's property (all assets and liabilities) will be transferred to Bank Millennium.

The Merger shall take place on the basis of resolutions taken by the General Meetings of Bank Millennium and Euro Bank. The draft resolutions are set out in the Attachments 1 and 2 to the Merger Plan.

#### **4.2. Merger Shares**

The share capital of Bank Millennium is PLN 1,213,116,777.00 and is divided into 1,213,116,777 shares of a nominal value of PLN 1.00 each.

In connection with the Merger, the existing dematerialised shares of Bank Millennium (i.e. the Merger Shares) will be allocated and delivered to the shareholders of Euro Bank other than Bank Millennium, pursuant to the terms of allotment of the Merger Shares set out in point 6.

#### **4.3. Required consents of the regulatory authorities**

The Merger will not be effected until all required regulatory consents and approvals related to the Merger will be obtained, including:

- (a) the decision on consent to the Merger of the KNF, pursuant to the provisions of Article 124 Section 1 of the Banking Law; and
- (b) the KNF's consent for the amendments to the Statutes of Bank Millennium, pursuant to the provisions of Article 34 of the Banking Law.

The consent of the President of the Office of Competition and Consumer Protection to the Merger is not required pursuant to Article 14 point 5 of the Competition and Consumer Protection Act, as the Merging Companies belong to the same capital group.

#### **4.4. Resolutions of the GMs of the Banks**

Pursuant to Article 506 § 2 and 4 of the Commercial Companies Code, the grounds for the Merger, will be certain resolutions adopted by the General Meeting of Bank Millennium and the General Meeting of Euro Bank, containing, in particular, consent to:

- (a) the Merger Plan,
- (b) the proposed amendments to the Statutes of Bank Millennium related to the Merger, as presented in Attachment 3 to the Merger Plan.

#### 4.5. Specific succession provisions

Pursuant to the provisions of Article 494 § 2 and § 5 of the Commercial Companies Code, the absorbing company takes over, effective on the Merger Day, the permits, concessions and relief that had been granted to the target company, unless: (i) statutes or the decision granting the permit, concession or relief stipulate otherwise, or (ii) in the case of permits or concessions granted to a financial institution, if the authority that issued the permit or concession objected to it within one month of the publication of the Merger Plan.

Moreover, pursuant to the provisions of Article 23<sup>1</sup> of the Labour Code the employment undertaking of Euro Bank will be transferred to Bank Millennium as of the Merger Day. Therefore, on the Merger Day all of the employees of Euro Bank will become, by operation of law, employees of Bank Millennium which, by operation of law, will enter into all of the rights and obligations of Euro Bank on the Merger Day.

### 5. RATIO OF EXCHANGE OF EURO BANK SHARES TO BANK MILLENNIUM MERGER SHARES

#### 5.1. Share Exchange Ratio

The following ratio of exchange of Euro Bank shares to Bank Millennium Merger Shares ("Share Exchange Ratio") will be applied:

<b>Euro Bank shares</b>	<b>Bank Millennium Merger Shares</b>
1	4.1

This means that in exchange for 1 (one) share of Euro Bank with a nominal value of PLN 11.29 each, an Euro Bank's shareholder (other than Bank Millennium) will receive 4.1 Merger Shares of Bank Millennium with a nominal value of PLN 1.00 each.

#### 5.2. Methods used to calculate the Share Exchange Ratio

The Share Exchange Ratio was calculated as the arithmetic mean of ratios estimated using three different methodology, taking into account:

- (a) valuations of both banks (carried out using three methods - income including dividends, implied multipliers method and market indicators method),
- (b) equity value (net asset value method) and
- (c) transactions carried out on bank shares (transaction method).

#### 5.3. Examination of the Merger Plan by the expert auditor

The Merger Plan will be examined by the auditor appointed by the registry court. The opinion of an expert auditor opinion will at least: (i) state whether the share exchange ratio was determined correctly; (ii) indicate the method or methods used in arriving at the share exchange ratio proposed in the Merger Plan, together with an evaluation of grounds for the application thereof; and (iii) indicate any special difficulties related to the valuation of shares of the Merging Companies.

#### 5.4. Opinions of external financial advisors

In preparing the valuation of the Merging Companies as well as in establishing the Exchange Ratio the Management Board of Bank Millennium took into account, amongst other matters, the opinion dated June 6<sup>th</sup> 2019, issued by KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k.as to the fairness opinion from a financial point of view, of the exchange ratio pursuant to the Merger Plan attached as Attachment 6 to the Merger Plan.

### 6. RULES OF ALLOTMENT OF SHARES

#### 6.1. Allocation of the Merger Shares

The Merger Shares will be allocated to the eligible shareholders of Euro Bank, i.e. shareholders other than Bank Millennium, on the Merger Day. The Merger Shares are the existing dematerialised shares of Bank Millennium, admitted to trading and listed on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. (the "**Warsaw Stock Exchange**"), with ISIN code: PLBIG0000016.

The number of the Merger Shares which will be allocated to each of the eligible shareholders of Euro Bank will be calculated as a product of the number of shares of Euro Bank held by a given shareholder on the Merger Day and a value of the Share Exchange Ratio. The result of the operation described in the preceding sentence will be rounded down to the nearest integer (unless the result itself is an integer).

A shareholder of Euro Bank who – as a result of the rounding down process described above – will not receive a fractional part of a Merger Share to which the shareholder was entitled to in accordance with the Share Exchange Ratio, will receive an additional payment in cash (the "**Additional Payment**").

The Additional Payment will be calculated in accordance with the following formula:

$$D = U \times A$$

where: **D** – means the amount of the Additional Payment, **U** – means the fractional part of the Merger Share that has been rounded down and has not been allocated to the eligible shareholder of Euro Bank, whereas **A** – means the amount that is an arithmetic mean of the volume weighted average daily quoted prices of Bank Millennium's shares on the Warsaw Stock Exchange from 30 (thirty) consecutive Session Days immediately preceding the Merger Day. The amount of the Additional Payment due will be rounded up to 1 grosz (PLN 0.01).

#### 6.2. Rules of delivery of the Merger Shares to the eligible shareholders of Euro Bank

The Merger Shares will be delivered by way of recording them in the securities accounts of the shareholders of Euro Bank entitled to receive them in the number resulting from the application of the agreed Share Exchange Ratio.

Bank Millennium will not issue any new shares in relation to the Merger. The Merger Shares to be allocated and delivered to the eligible shareholders of Euro Bank will be purchased on the Warsaw

Stock Exchange in the secondary trading by Millennium Dom Maklerski S.A. under instructions of Bank Millennium issued pursuant to Art. 515 § 2 of the Commercial Companies Code. The Merger Shares will be acquired following the GMs of both of the Banks adopt resolutions approving the Merger.

Therefore, in order for Bank Millennium to take actions necessary for the delivery of the Merger Shares, the eligible shareholders of Euro Bank are requested to provide Millennium Dom Maklerski S.A. with information on numbers of securities accounts in which the Merger Shares are to be recorded and numbers of related cash accounts to which the amounts of Additional Payments can be transferred if they are due under the agreed Share Exchange Ratio and the rules of determination of Additional Payments set out in point 6.1 above. The information provided should be appropriately probable and should indicate the name and surname, address, telephone number, ID number and PESEL number of the authorized shareholder of the Euro Bank who is the holder of the above-mentioned accounts.

The information referred to in the preceding paragraph should be provided to the following correspondence addresses:

**Millennium Dom Maklerski S.A.**

ul. Stanisława Żaryna 2a  
02-593 Warszawa, Poland

With an annotation: **Delivery of the Merger Shares**

copy to:

**Bank Millennium S.A.**

ul. Stanisława Żaryna 2a  
02-593 Warszawa, Poland

With an annotation: **Delivery of the Merger Shares**

along with a copy sent by e-mail to the following addresses: [fuzja@millenniumdm.pl](mailto:fuzja@millenniumdm.pl) and [fuzja@bankmillennium.pl](mailto:fuzja@bankmillennium.pl).

**7. SPECIFIC DIFFICULTIES RELATED TO THE VALUATION OF THE BANKS**

While preparing the valuation of the assets of the merging Banks and the valuation of their shares, no specific difficulties were discovered.

**8. THE DAY AS OF WHICH THE MERGER SHARES WILL PARTICIPATE IN THE PROFIT**

If the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank) by (and including) the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, they will participate in profit as of 1 January 2019, whereas if the Merger Shares are recorded in the securities accounts of the eligible shareholders of Euro Bank after the dividend date, referred to in Art. 348 § 4 of the Commercial Companies Code, set for 2020, the Merger Shares will participate in profit as from 1 January 2020.

**9. THE RIGHTS GRANTED BY BANK MILLENNIUM TO THE SHAREHOLDERS OR OTHER SPECIALLY PRIVILEGED PERSONS IN EURO BANK**

No additional rights in Bank Millennium shall be granted to the shareholders or other specially privileged persons in Euro Bank.

**10. CONSEQUENCES OF THE MERGER FOR SHAREHOLDERS, CREDITORS AND EMPLOYEES**

**10.1. Consequences of the Merger for Shareholders**

As the Merger Shares to be allocated and delivered to the eligible shareholders of Euro Bank will be the existing shares of Bank Millennium, the Merger will not result in any changes to the legal status of current Bank Millennium shareholders nor will lead to their dilution.

Pursuant to Art. 494 § 4 of the Commercial Companies Code, Euro Bank shareholders will automatically become Bank Millennium shareholders on the Merger day, as a result of being granted the Merger Shares according to the procedure set out in point 6 above. Furthermore, certain Euro Bank Shareholders may be entitled to receive the Additional Payment in accordance with point 6 above.

Additionally, as specified in clause 11, both Banks expect that the merger will bring tangible financial effects that may translate to the increase of value of Bank Millennium's shares and, at the same time, to financial benefits for the shareholders.

**10.2. Consequences of the Merger for creditors**

In accordance with the principles of general succession set out in clause 4.1, Bank Millennium will assume all the rights and obligations of Euro Bank as at the Merger Day, and Euro Bank will be wound up without liquidation proceedings being conducted.

Therefore, creditors of Euro Bank will become, by operation of law, creditors of Bank Millennium.

**10.3. Consequences of the Merger for employees**

In accordance with the information set out in clause 4.5, pursuant to the provisions of Article 23<sup>1</sup> of the Labour Code, the employment undertaking of Euro Bank will be transferred to Bank Millennium as of the Merger Day. Therefore, on the Merger Day all of the employees of Euro Bank will become, by operation of law, employees of Bank Millennium.

**11. ECONOMIC RATIONALE FOR THE MERGER**

In the last couple of years, maintaining a strong position and further dynamic development in the Polish banking sector has become increasingly challenging due to the growing competition on the part of banks and other financial sector players, as well as due to the consolidation of the Polish banking sector. The mounting competition forces ever faster implementation of new product offers, the optimization of current business processes and continuous development of innovations, to avoid losing the existing competitive advantages. Thanks to the consolidation, individual banks are able to

achieve superior performance and present to customers an improved product offer. This is driven by achieved synergies, which enable market players to take advantage of economies of scale and offer more efficient service to the merged customer bases.

The merger of Euro Bank and Bank Millennium enables the acquisition of new complementary competencies and the scaling-up of current business models. Both Banks are characterized by complementary features, which include but are not limited to:

- Strong focus on the service quality and customer satisfaction in both Banks, which translates into NPS>40 and resulted in multiple awards in prestigious rankings (Golden Banker, Newsweek's Customer-Friendly Bank);
- High number of new clients acquired (100+ thousand a year at Euro Bank and 300+ thousand a year at Bank Millennium);
- Complementary distribution network of own branches (Bank Millennium is strong in large metropolis, meanwhile Euro Bank is strong in small and medium-sized towns and cities) and a wide network of Euro Bank's franchise branches;
- The business model pertaining to the acquisition of new business (Euro Bank: credit products offered to new customers, Bank Millennium: everyday banking and a wide array of additional products offered to the current customer base).

From the Acquiring Bank's perspective, the acquisition of Euro Bank is fully compliant with the 2018-2020 Strategy and translates into profitable utilisation of the bank's surplus capital and liquidity. The merger will create a much larger and more competitive bank, occupying a clear seventh place in the marketplace in terms of assets, deposits and loans, with a particularly strong position in the consumer lending segment. Moreover, the merger will generate significant synergies and savings to the Acquiring Bank.

The positive outcome of the merger will also be felt directly by Euro Bank customers who will gain access to the Bank Millennium wide product offer, including new products such as structured deposits and a wide array of insurance products. Additionally, customers will gain access to innovative digital platforms and sales channels, as well as have an opportunity to take advantage of a much wider network of branches and ATMs on a nation-wide basis.

## **12. CONCLUSIONS AND RECOMMENDATIONS**

Taking into account the economic and financial circumstances of the Merger, both from the perspective of the Banks and their shareholders, in particular the circumstances specified in the Economic Rationale for the Merger set out above, it should be recognised that the Merger remains purposeful from a strategic and operational perspective and due to the possibility of lowering the costs and taking into consideration the experience of the merging Banks.

In light of the above, the Management Board of Bank Millennium hereby recommends that the General Meeting adopt a resolution on the Merger of Bank Millennium and Euro Bank and grant a consent to the amendment to the Statutes of Bank Millennium, set out in Attachment 3 do the Merger Plan.



Moreover, the Management Board of Bank Millennium shall also adopt a resolution pursuant to Art. 515 § 2 of the Commercial Companies Code enabling acquisition of Bank Millennium's own shares of an aggregate nominal value of not more than 10% of the Bank Millennium's share capital to be offered as the Merger Shares to the eligible shareholders of Euro Bank. The said resolution will entry into force following the GMs of both of the Banks adopt resolutions approving the Merger.

This Report of the Management Board of Bank Millennium, justifying the Merger, was executed on June 6<sup>th</sup> 2019.

**ON BEHALF OF BANK MILLENNIUM SPÓŁKA AKCYJNA**