



Bank Millennium Group

INSTITUTIONAL PRESENTATION

November 2016



Macroeconomic environment in Poland

Banking sector in Poland

Bank Millennium general overview

Financial performance

Macroeconomic Overview

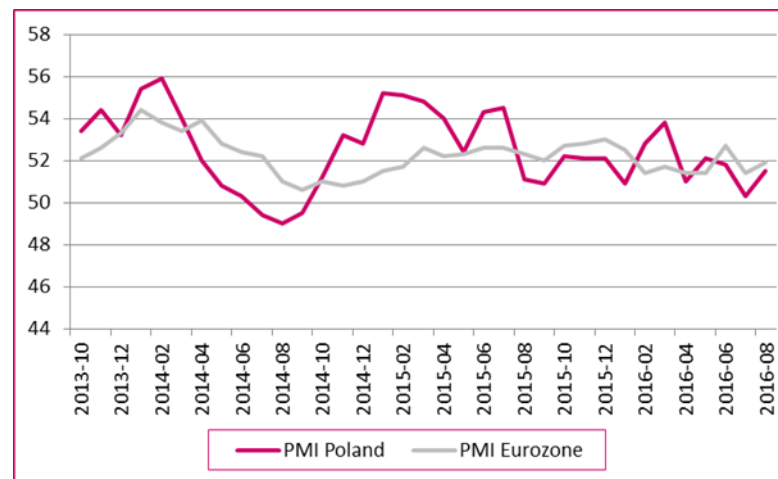
Real industrial output and retail sales [% y/y]



- Poland's GDP grew by 3.1% y/y in Q2 after growing by 3.0% y/y in Q1 2016. Investment in fixed assets declined for the second quarter in a row, by 4.9% y/y, reflecting delays in the spending of the EU funds and low activity of the companies from public sector. Individual consumption increased by 3,3% y/y.
- In August Poland's industrial output rebounded after a decline in July and was by 7.4% higher than a year ago supported by calendar factors and exports.
- Polish nominal retail sales grew by 5.6% y/y in August vs. 2.0 % y/y in July. In real terms, retail sales went up by 7.8% y/y in August after a 4.4% y/y growth in July. Retail sales showed for the first time consumption boost from new child benefit that so far has been visible in the consumption of services (tourism) and goods sold in small shops.

Source: GUS, Datastream

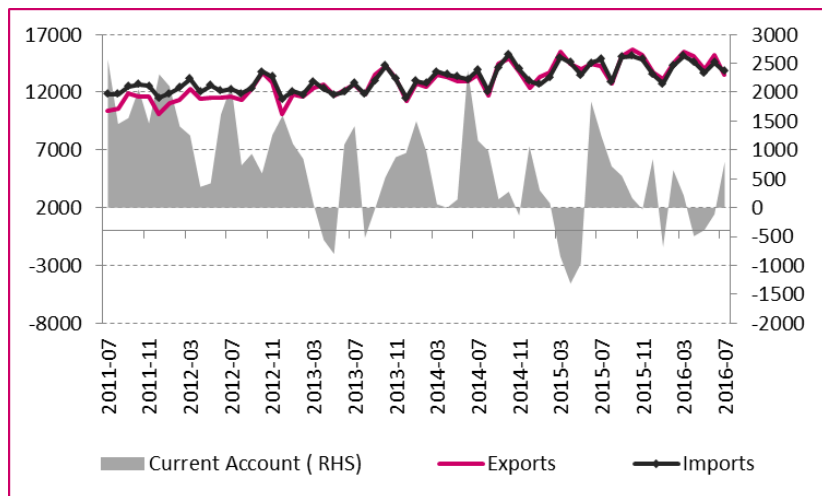
PMI index for Poland and Eurozone [pts.]



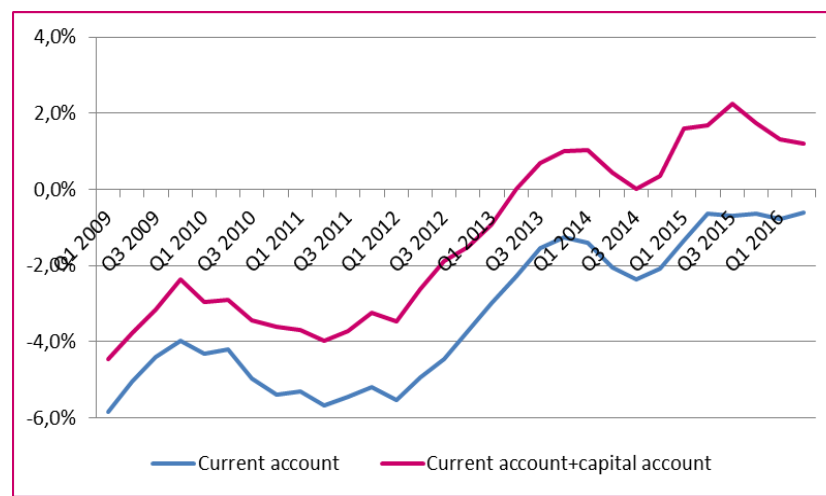
- Economic outlook remains moderately positive, but the growth has only one engine - private consumption.
- The PMI rose from July's 22-month low of 50.3 to 51.5, indicating a stronger rate of improvement. New orders increased, driven by export demand, which led to a resumption in output growth following July's hiatus.
- Private consumption should continue to grow supported by labour market, low inflation and social benefits (500+). Imports, which is the deduction from growth is likely to accelerate as well.
- Investment activity will be suppressed by growing uncertainty while it should be supported by good financial results of Polish companies and high capacity utilization. Public investment might accelerate at the end of the year, but the acceleration has delayed.

Macroeconomic Overview

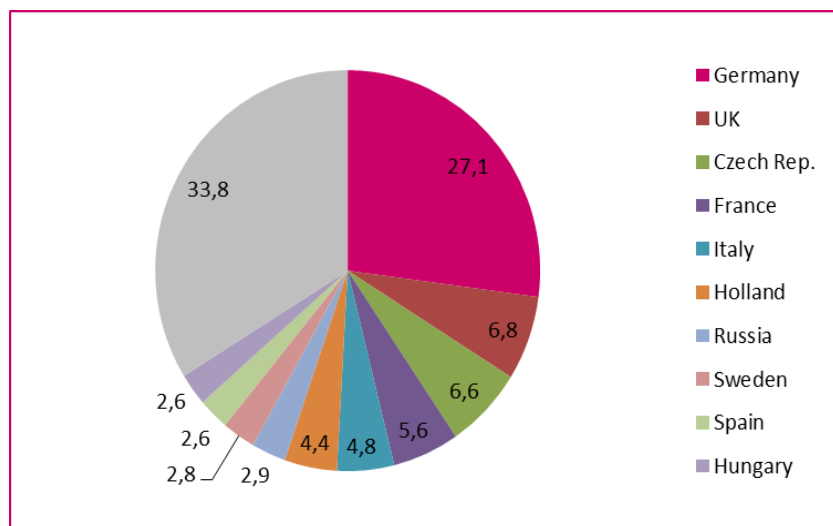
Import, Export & CA Balance Evolution [mln EUR]



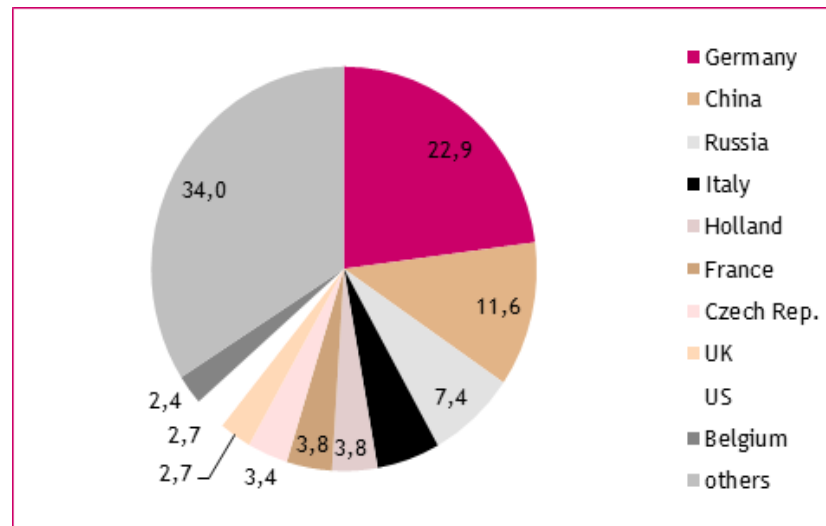
Current Account and capital account [% of GDP]



Geographical structure of Polish exports [2015, %]



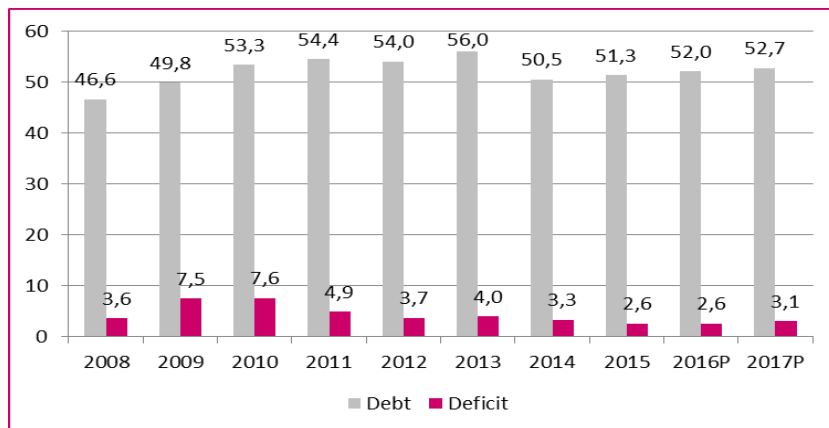
Geographical structure of Polish imports [2015, %]



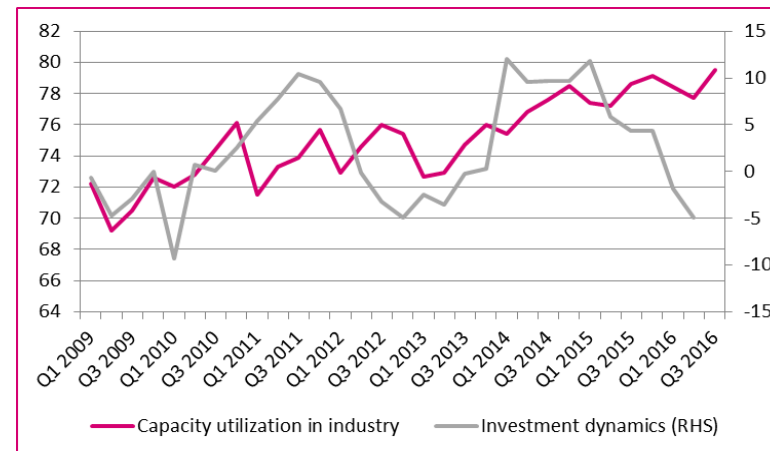
Source: GUS, Datastream

Macroeconomic Overview

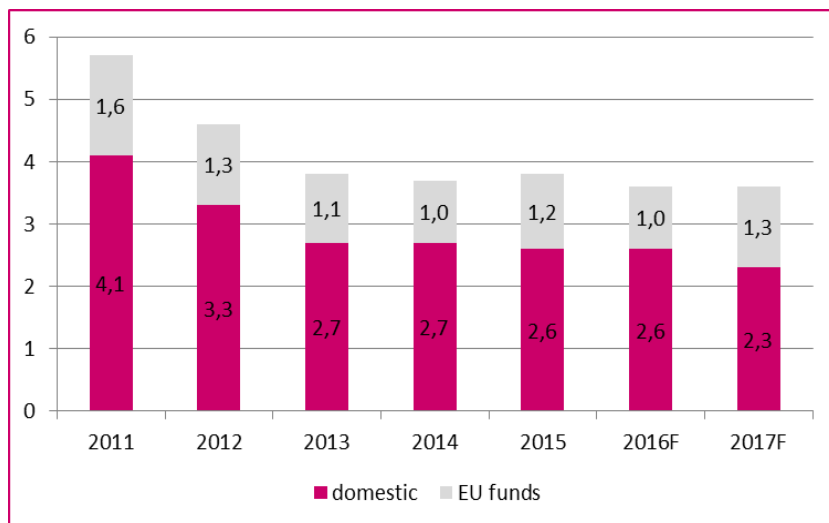
General Government Debt & Deficit [% of GDP]



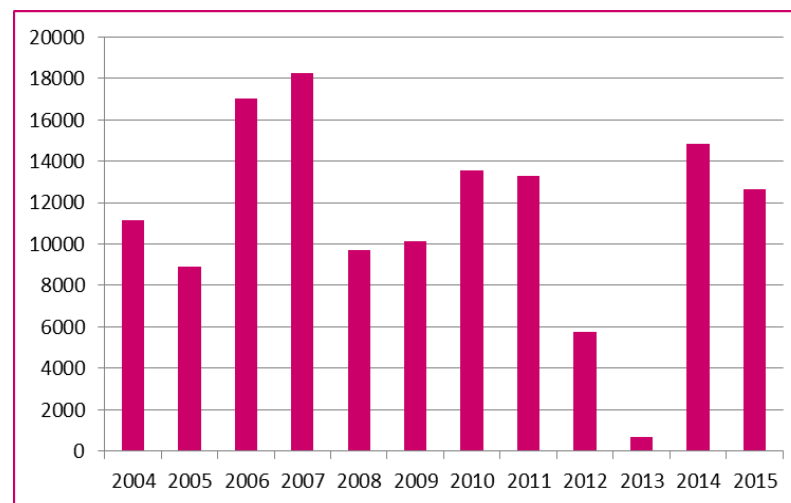
Investment [% y/y] and capacity utilization [%]



Public investment* [% of GDP]

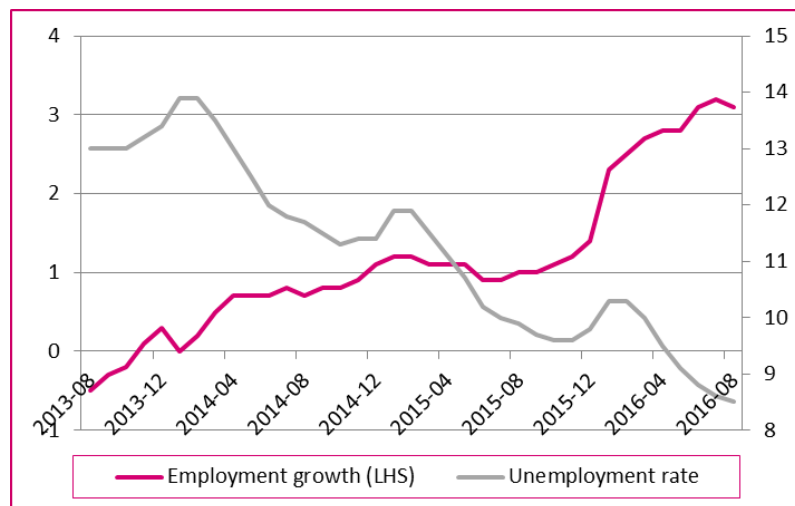


Inflow of foreign direct investments [bln EUR]

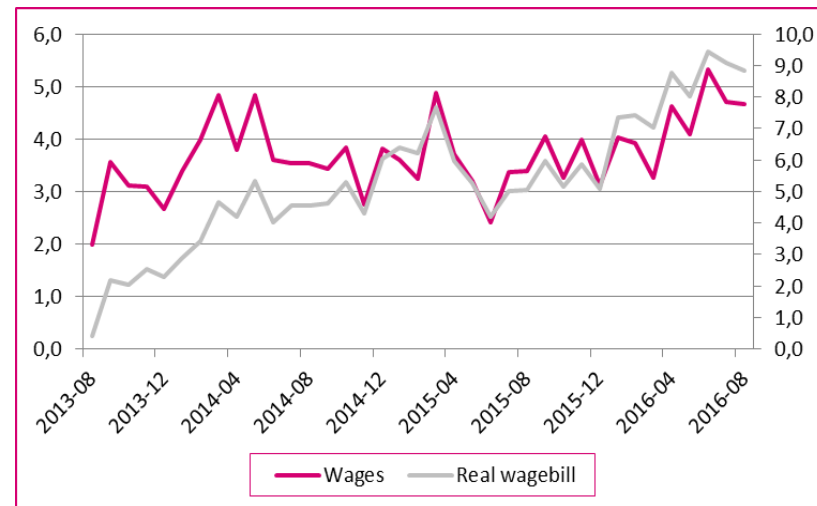


Macroeconomic Overview

Employment [% y/y] and unemployment rate [%]



Wages and wagebill growth [% y/y]



- Registered unemployment rate in August declined to 8.5% from 8.6% in July and was by 1.4 p.p. lower as compared to July 2015. The reading was the lowest in the last 25 years.
- BAEL unemployment rate based on the Labour Force Survey has reached a record low of 6.2% in Q2 vs. 7.0% in Q1.
- Improvement in the labour market is supported by job creation. In corporate sector employment grew by 3.1 y/y in August vs. 3.2% in July.

- Wage pressure remains moderate, but accelerating. Polish corporate sector wages increased by 4.7% in August vs. 4.8y/y in July supported by recent pay raises in big retail chains. Low CPI inflation supports real wage growth.
- The pace of nominal wage growth is likely to accelerate slightly. There are signs of tensions on the labour markets, as some companies have problems with hiring qualified staff. Big retail chains has already raised their wages, what has been visible in the macro data since April.

Macroeconomic forecast

Main macroeconomic indicators

	2014	2015	2016 Forecast *
GDP (growth, %)	3,3	3,6	3,0
Private consumption (growth, %)	2,6	3,1	3,8
Investment (growth, %)	10,0	5,8	-2,5
Current account balance (% GDP)	-2,1	-0,6	-0,4
Inflation (average, %)	0,0	-0,9	-0,7
Unemployment (%)	8,1	6,9	6,0
Reference rate (% , end of period)	2,00	1,50	1,50
WIBOR 3M (% , end of period)	2,06	1,72	1,72
EUR/PLN (end of period)	4,26	4,26	4,30
CHF/PLN (end of period)	3,55	3,94	3,94
USD/PLN (end of period)	3,51	3,90	3,90



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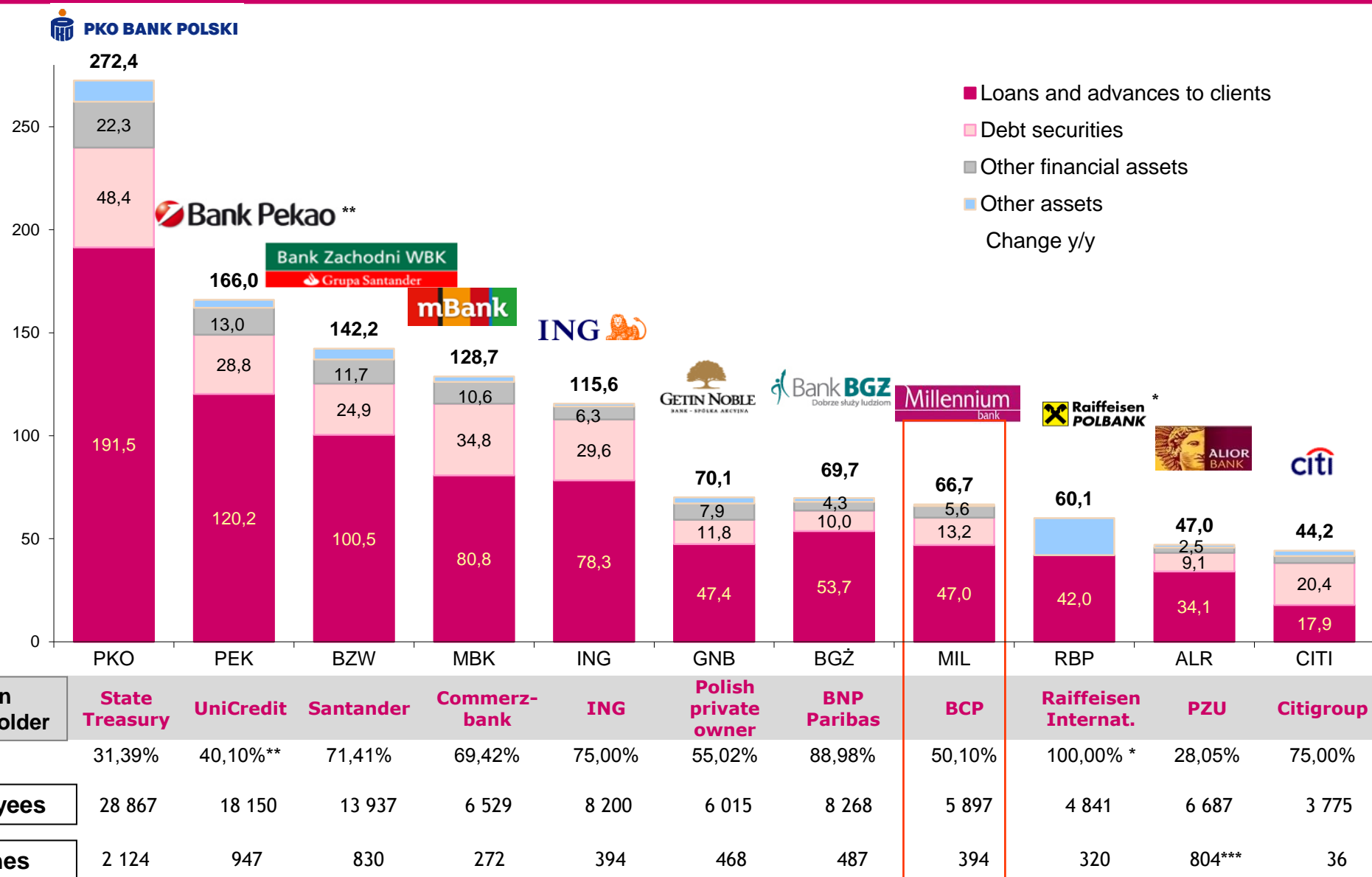
Polish banking sector overview

Main highlights of the Polish banking sector

- ▶ 37 fully registered banks, 560 co-operative banks (active mainly in rural areas of the country) and additional 26 international banks acting in Poland in a form of branch
- ▶ More than 11 thousand banking outlets and almost 170 thousand persons employed in the sector
- ▶ Strong resilience during last international financial crisis - no bank went bankrupt or needed capital injection from the State or other authorities; recent bankruptcies of small co-operative banks
- ▶ Strong banking supervision and high level of solvency of Polish banks (average TCR = 17.4%, CET1 = 15.8%) confirmed by AQR/Stress tests
- ▶ Top 5 banks in Poland comprise 49% of total assets of the sector and top 10 make 68%, but consolidation of the sector is going on
- ▶ Recent M&A transactions: Alior bought BPH from GE (without FX mortgages), Raiffeisen is finishing sale to PZU insurance and PKO (leasing), PZU is also negotiating purchase of Pekao SA, Pioneer funds and polish pension fund from Unicredit

Strongly
capitalized
and highly
competitive
banking
sector in
Poland

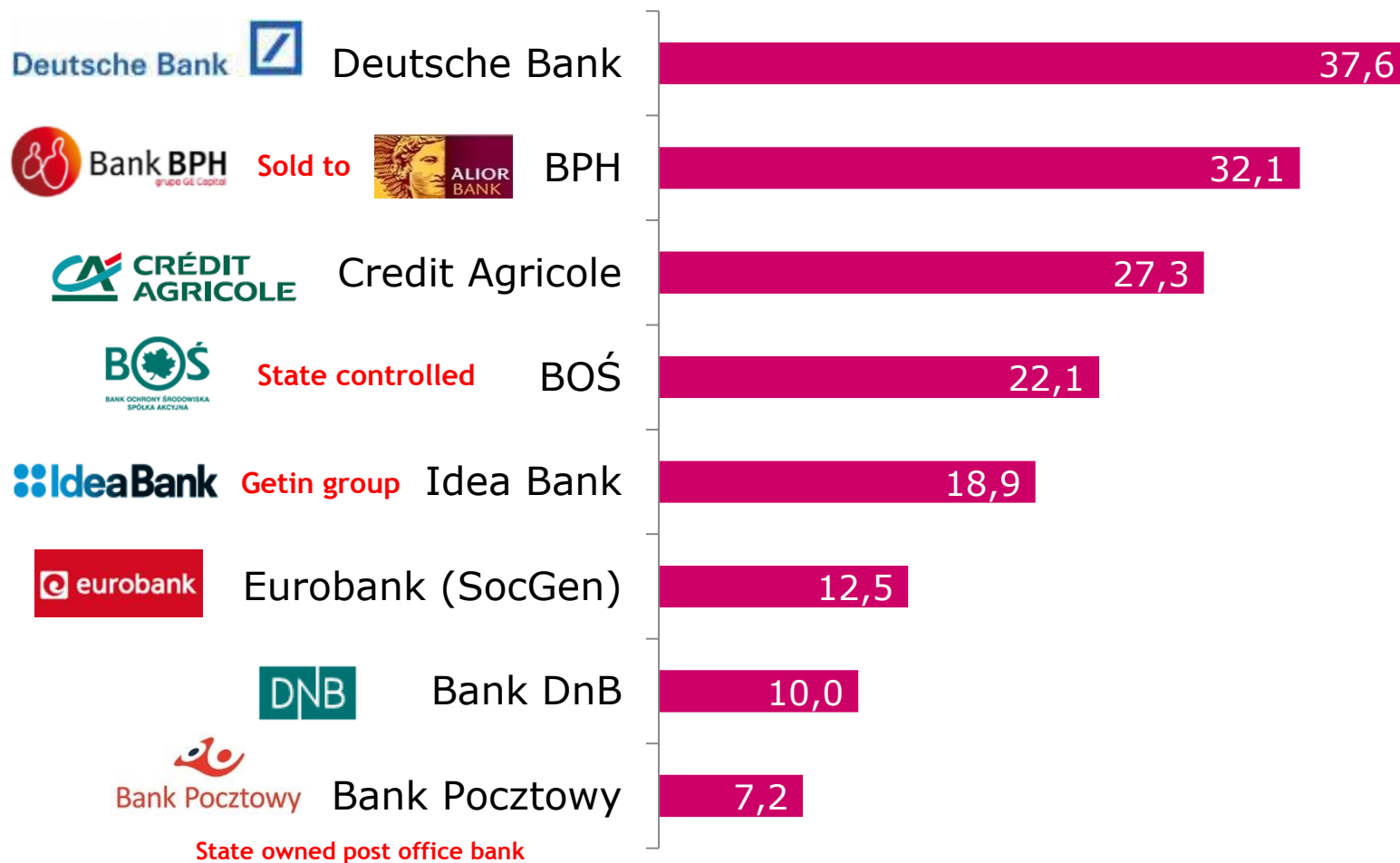
The biggest banks in Poland (as at 30 June 2016, PLN billion)



(*) Not listed, data from Raiffeisen Bank International - Polish segment (under sale process) ; (**) on 12.07.2016 UniCredit sold 10% stake in Pekao SA in ABB and is considering to sale the rest ; (***) including branches and agencies;

Many other important European banks present in Poland

Other important players apart from top 11 (by total assets, in PLN billion, in June 2016)



Source:
Poll done by *Rzeczpospolita* daily



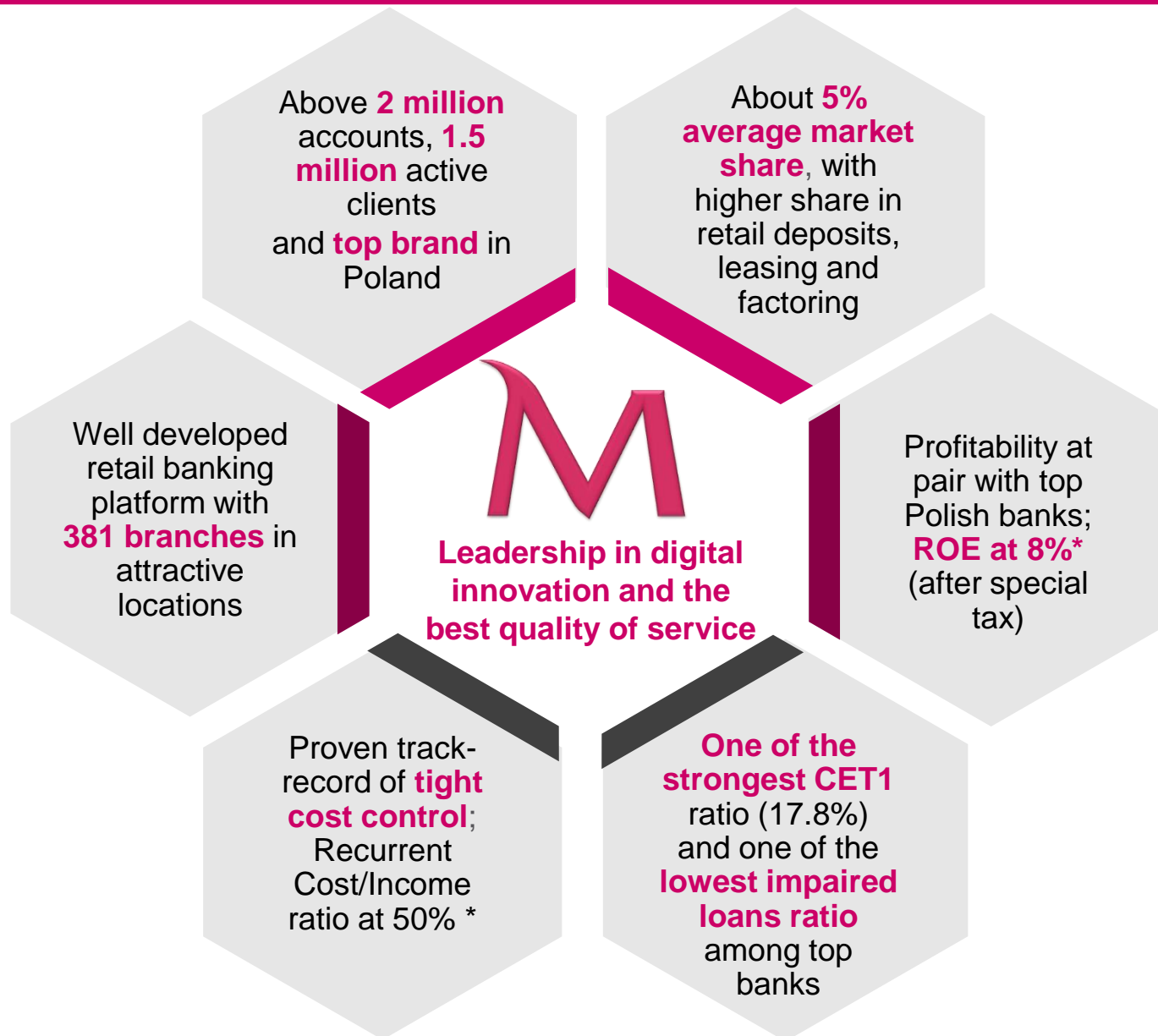
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Bank Millennium today



* without one-off events, as on 30 September 2016

Branch network in attractive regions and locations

(as at 30 September 2016)

381 Millennium branches are covering entire Poland



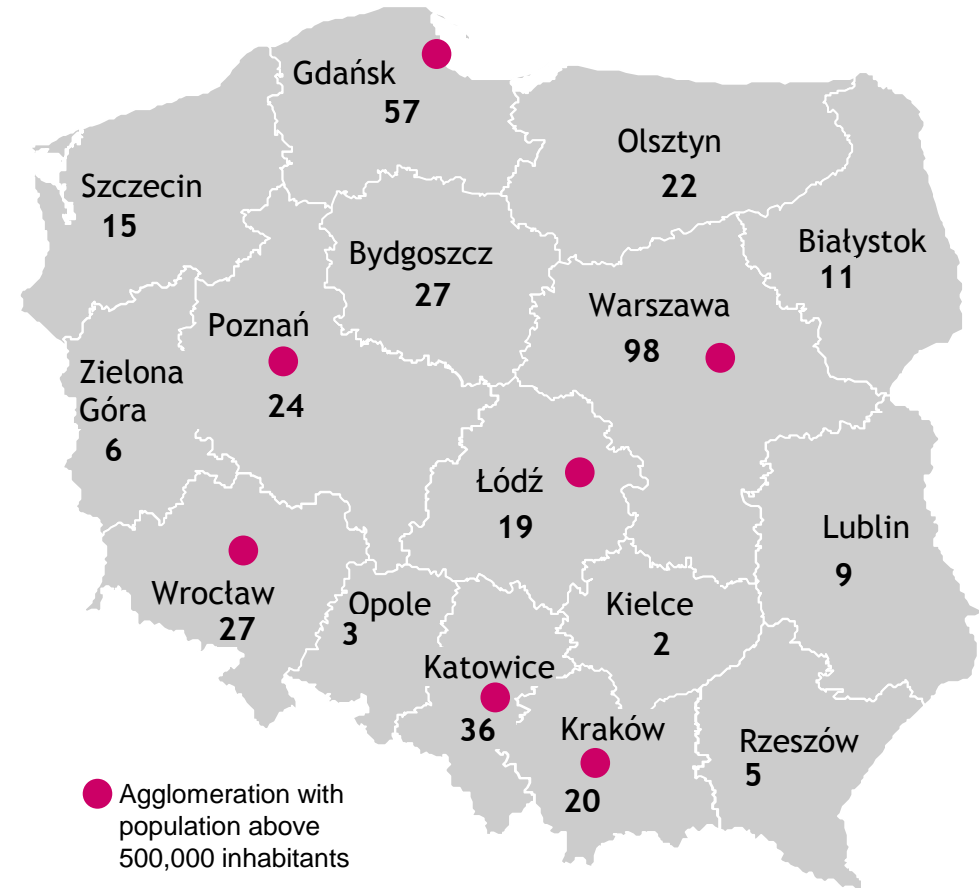
Top locations

- Majority of branches in best locations, including shopping centres

High quality and efficiency

- High service satisfaction at 90%
- Flexible opening hours (e.g. shopping centre branches open late and on weekends)
- Average branch supports almost 3,700 active customers

Number of branches in each region



Electronic channels usage

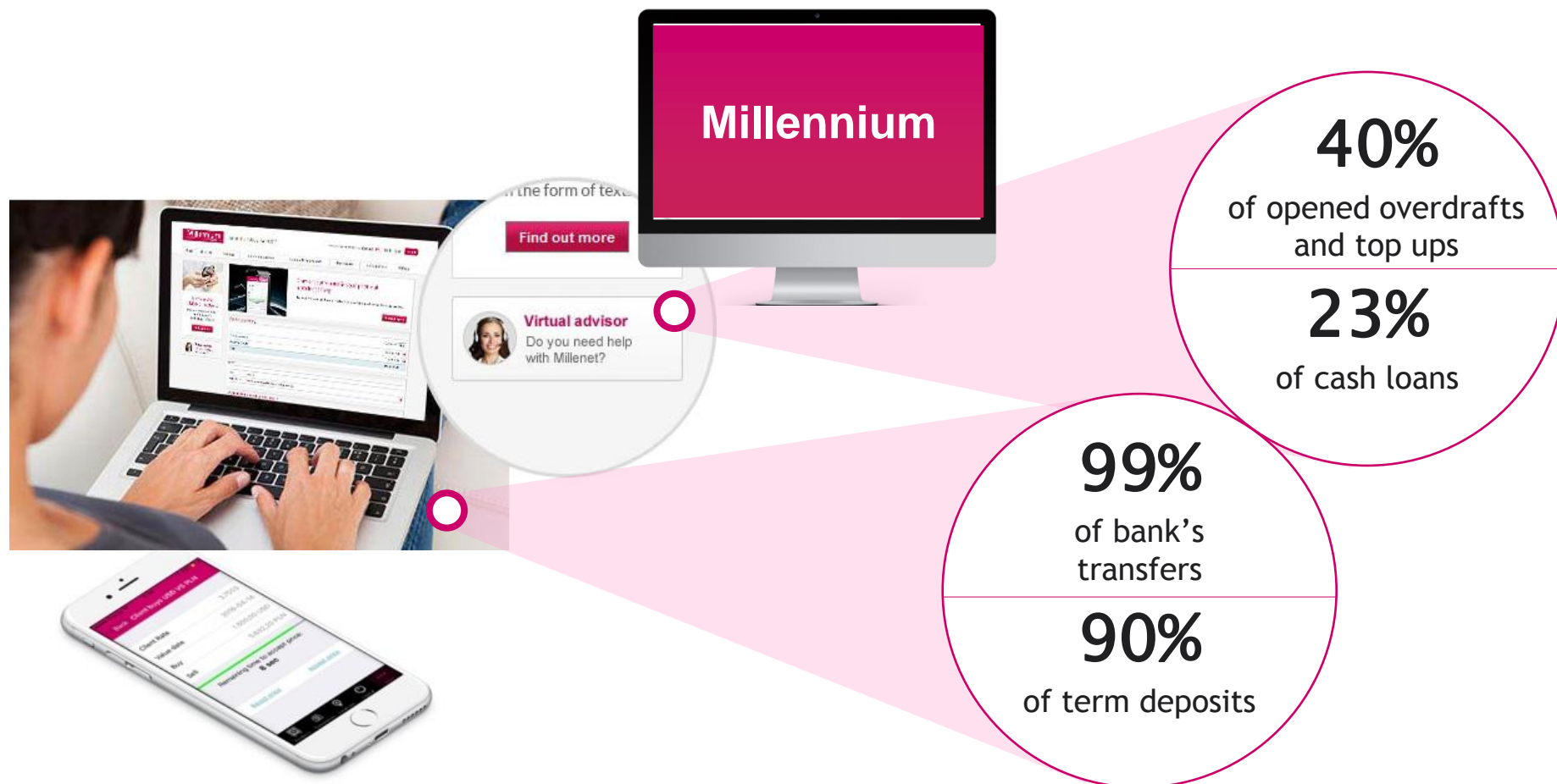
940k (+14% YoY)

Retail clients active in mobile and online banking

521k (+46% YoY)

Retail clients actively using mobile Apps and mobile Millenet

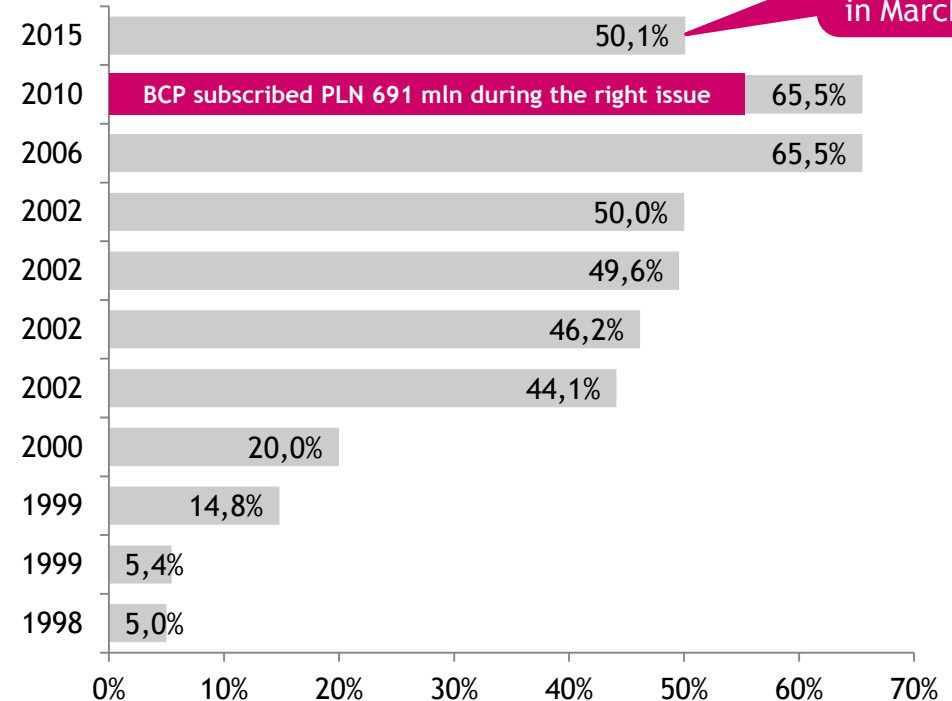
High share of electronic channels in sale of products:



Relations with BCP and management composition

- BCP demonstrated in the past strong support to Bank Millennium in Poland; commitment in equity was shown during the capital increase concluded in February 2010. BCP also supported liquidity, especially in 2009-2010 years (EUR 200 million bilateral loan matured in April 2011, and money market line - until July 2010)
- Currently, no dependence from BCP funding and no exposure to BCP or Portuguese public debt
- 9 managers from Portugal employed on permanent basis, including 3 Management Board members

BCP stake evolution since 1998



Joao Bras Jorge
CEO



Fernando Bicho
Deputy CEO, CFO



Wojciech Haase
CRO



Andrzej Gliński
Corporate Business

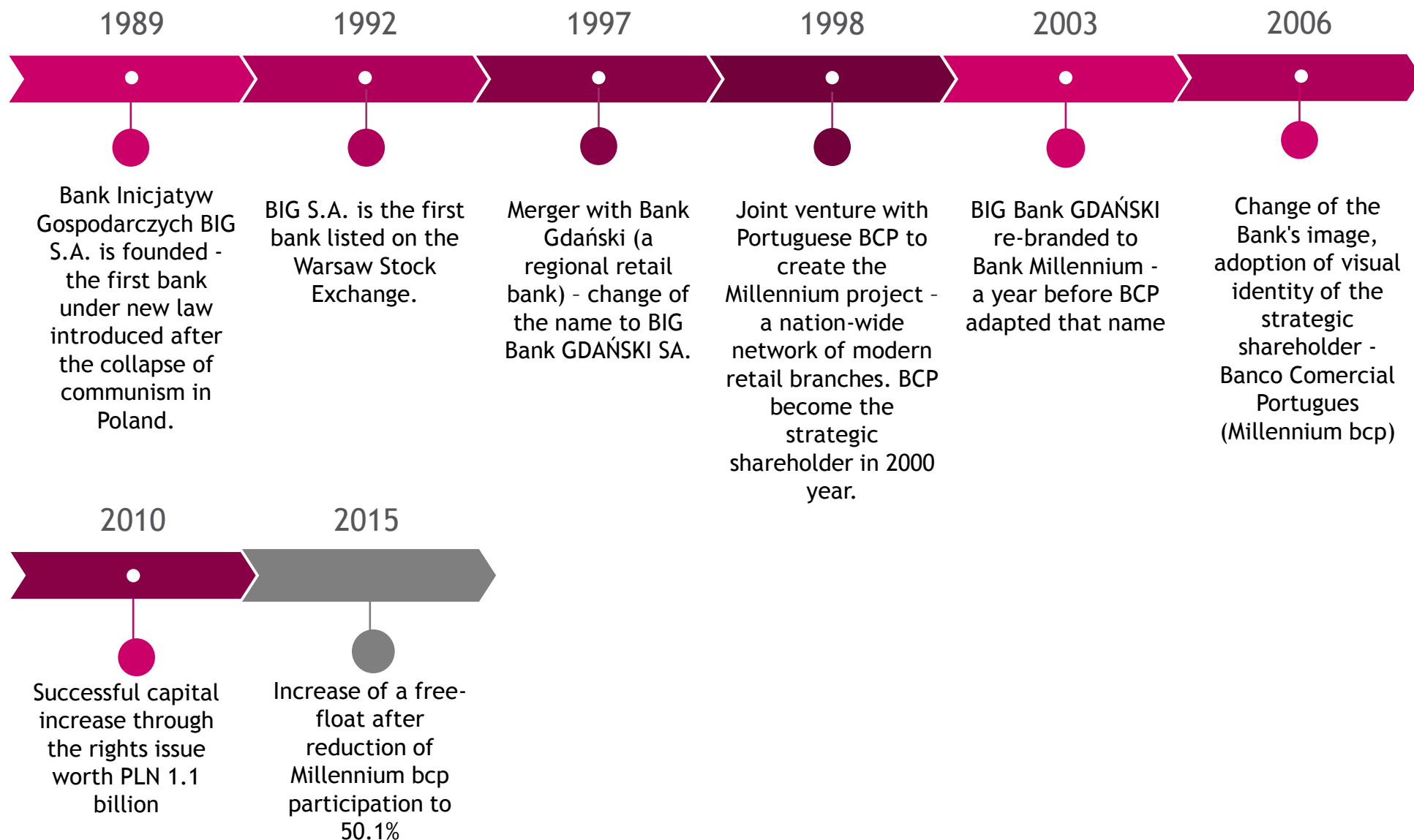


Maria Jose Campos
IT & operations



Wojciech Rybak
Retail Business

History of Bank Millennium at a glance



Continuation of business model rebalancing for profitability

2009-2011:

“Managing through the crisis”

- ✦ Conservative liquidity management, strengthening capital ratios
- ✦ Improved risk management
- ✦ Improving core profitability drivers
- ✦ Restructuring of distribution platform, improving efficiency through strict cost management

2012-2014:

“Rebalancing the business model for profitability”

- ✦ Rebalanced product mix (e.g., mortgage vs. cash loan, term vs. other deposits), deposits price optimization
- ✦ Setting Corporate lending on a growth track with new targeting tools and RM management models
- ✦ Focus on strengthening competitive advantage (online, mobile, quality, customer intelligence)
- ✦ Further reduced operating expenses by strict administrative cost management and lean initiatives

2015-2017:

“Focus on profitability preservation, while keeping organic growth target”

- ✦ Accelerating acquisition of retail customers via traditional, new and digital channels, while maintaining segment profitability
- ✦ Keeping differentiating through customer experience, further leveraging digital and customer intelligence
- ✦ Keeping the growth momentum in corporate segment while improving profitability
- ✦ Maintaining operational excellence and strict cost control

Strategy for 2015-2017 focused on value creating growth



SIGNIFICANT ACCELERATION OF NET CLIENT GROWTH through increased network effectiveness and optimized footprint, digital channels and acquisition of mass affluent

INCREASING MARKET SHARE OF RETAIL CUSTOMER FUNDS TO ABOVE 6%

PROFITABILITY PRESERVATION due to focus on high margin products

BRAND DIFFERENTIATION for enhanced customer loyalty and high value relationship

TRANSFORMING DIGITAL CHANNELS to powerful engagement platforms: omnichannel, mobile payments. maximizing customer value through usage of advanced business analytics

VALUE CREATING GROWTH IN CORPORATE, loans market share of 4% while increasing profitability, reducing cost of risk, further strengthening position in specialized finance (leasing, factoring)

DRIVING OPERATIONAL EXCELLENCE through maintaining leading lean and digital operating model, further improving cost efficiency (C/I at 45-47%), future proofing IT platform to keep enhancing flexibility, scalability and security

Market shares in main products (in %)

	Dec. 2013	Dec. 2015	June 2016
Total loans	4.8	4.7	4.6
Loans to individuals	6.2	5.9	5.8
- <i>mortgage</i>	8.1	7.5	7.3
- <i>in credit cards</i>	6.7	5.7	5.4
- <i>other consumer</i>	3.2	3.9	3.9
Loans to companies	3.0	3.1	3.0
- <i>leasing sales</i>	7.6	6.5	6.2
- <i>factoring sales</i>	8.2	10.0	9.8
Total deposits	5.3	5.2	5.1
Deposits of individuals	5.2	5.7	5.7
- <i>demand deposits *</i>	5.2	5.5	5.7
Deposits of companies	5.4	4.4	4.0
- <i>demand deposits</i>	2.5	2.4	2.6
Mutual funds (inc. third party)	4.6	4.4	4.4

(*) Including savings accounts

Source: National Bank of Poland, Bank Millennium



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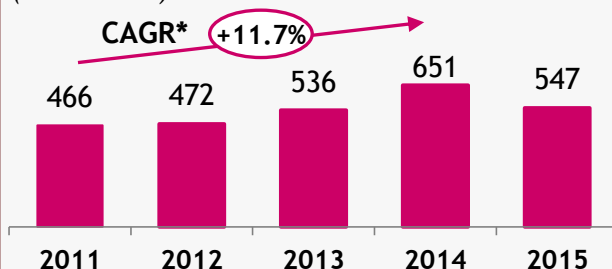
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Summary of 2011-2015 achievements (1)

Net Income

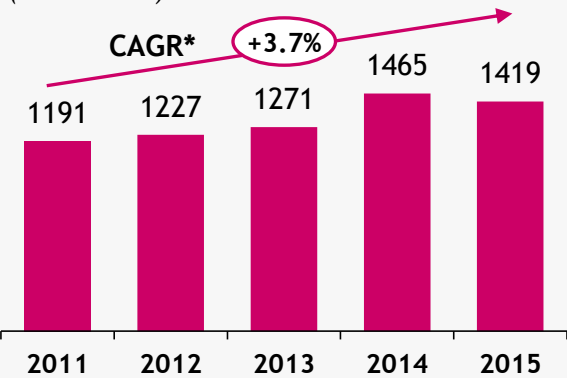
ROE	11.1%	10.2%	10.6%	11.8%	9.1%
CET1	11.4%	12.9%	13.4%	14.5%	16.4%

(PLN million)



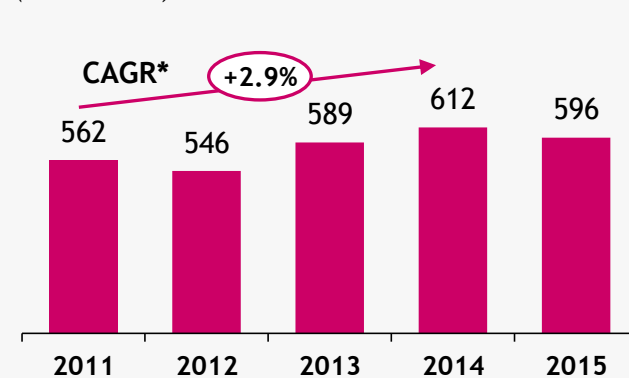
Net Interest Income

(PLN million)



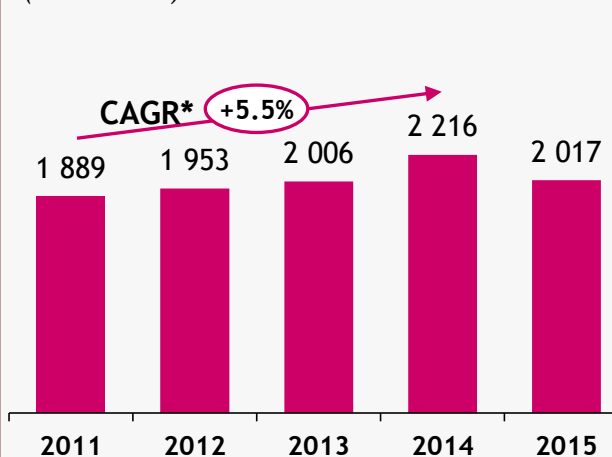
Net Commission Income

(PLN million)



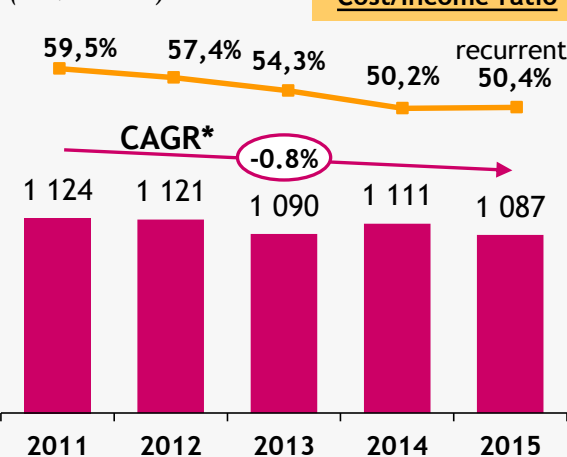
Operating Income

(PLN million)



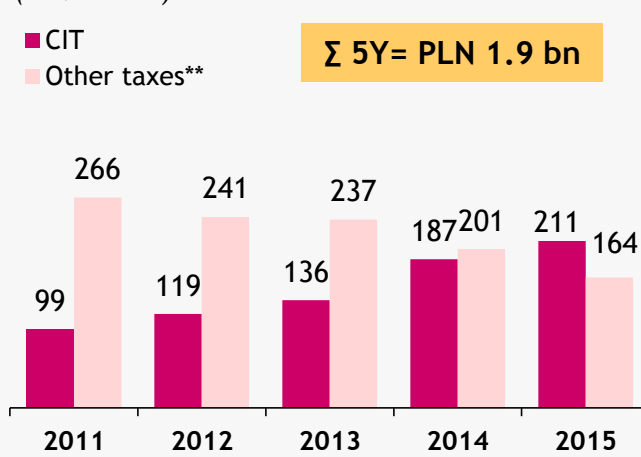
Operating Costs & Cost/Income ratio

(PLN million)



Corporate Income & other taxes paid**

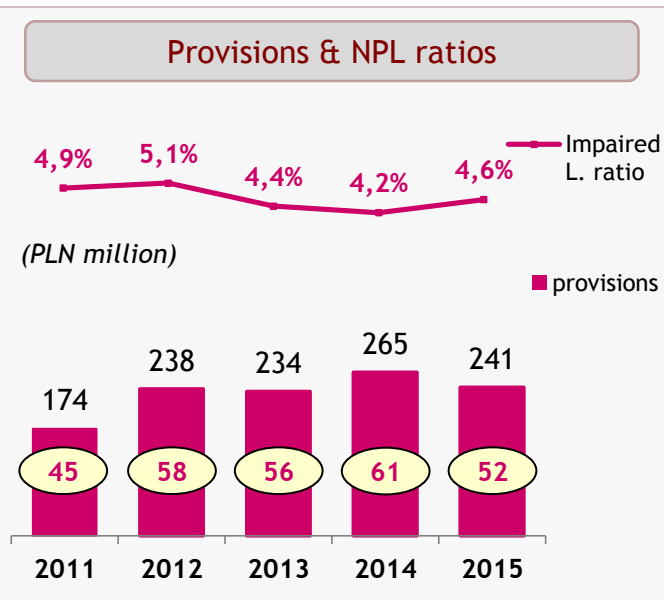
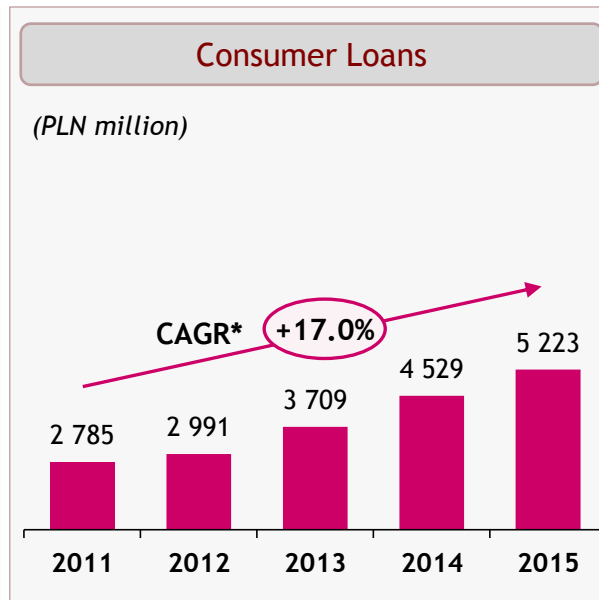
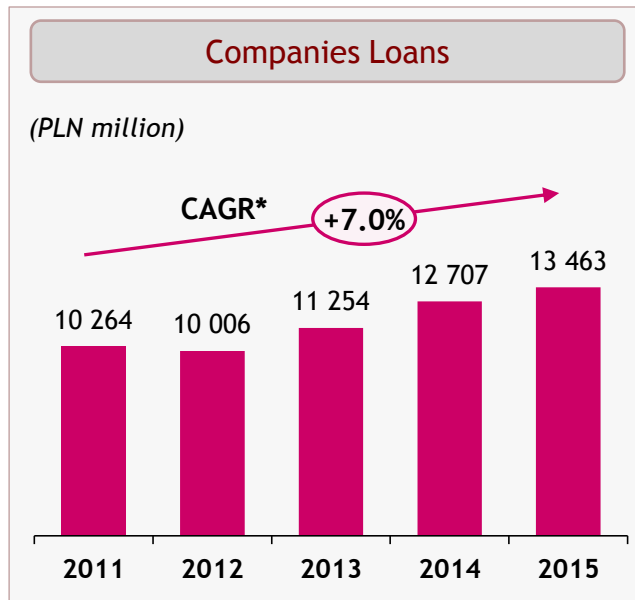
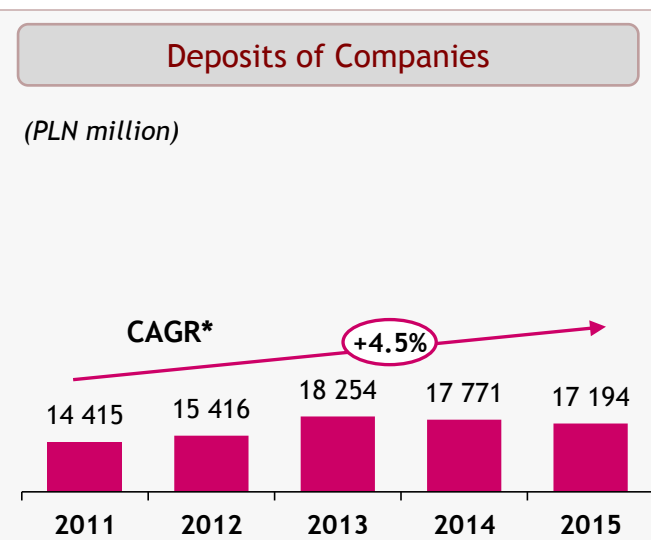
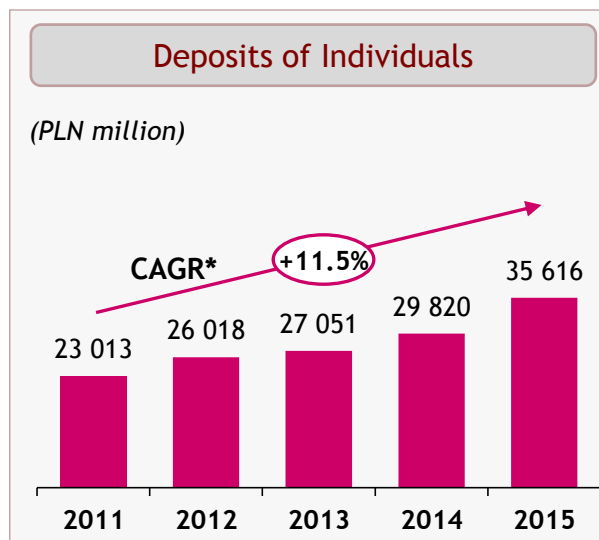
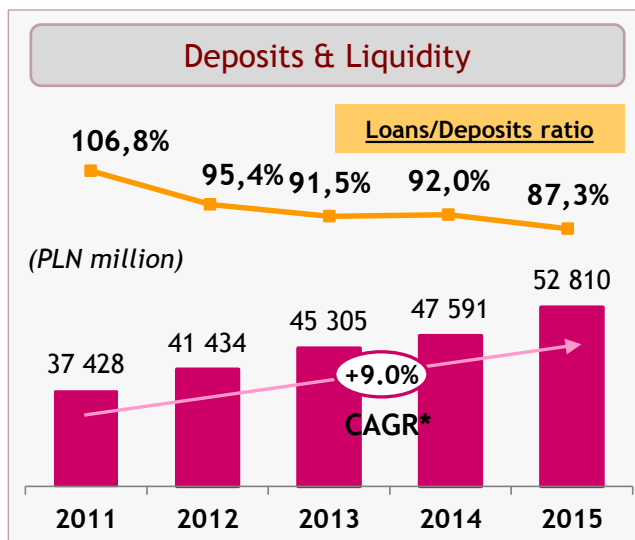
(PLN million)



* Compound average growth rate

** including VAT, tax on interest and dividend, prepayment for employees' income tax

Summary of 2011-2015 achievements (2)



* Compound average growth rate



Cost of Risk (in b.p.s. over average net loans)



Main financial highlights after 3Q 2016

Solid net profit

- Net profit in Jan-Sep. 2016 at PLN 570 million (+15.5% y/y)
- 3Q net profit: PLN 139 million (after PLN 47 million of new banking tax)
- ROE at 11.4% (7.9% without one-off items*)

Consistent growth of operating income

- Core income higher by 4% y/y and 2.3% q/q, mainly thanks to better net interest income (+8.7 y/y and +0.5% q/q)
- Second consecutive quarterly growth of net commission income : +7.4% q/q

Good and stable asset quality and cost of risk

- Impaired loans ratio at low 4.6% level; the ratio for mortgage loans at 2.4%
- Cost of risk at 45 p.b. ** year-to-date

Further improvement of capital and liquidity ratios

- Consolidated TCR grew to 18% and CET1 to 17.8%
- Comfortable fulfilment of regulatory capital thresholds
- Very strong liquidity: loan to deposits*** at low 85% level

(*) Extraordinary items booked in 2Q 2016: VISA capital gain and other operating costs

(**) Total provisions divided by average net loans (in basis points, per annum)

(***) Deposits include Bank's debt securities sold to individuals and repo transactions with customers

Main business highlights in 3Q 2016



Deposits/accounts/ clients

- Net growth of active customers by 107 ths. during last 12 months (+37 ths. in 3Q'16).
- Higher than market speed of retail deposits growth maintained: +16% y/y and +2% q/q
- Growing number of transactions in corporate segment: +13% of domestic payments and +33% of FX transactions (volume)



Loans

- Acceleration of PLN mortgage sale: +44% yearly YTD (to PLN 691 million)
- Seasonally lower sale of consumer loans: PLN 512 million in 3Q, -8% yearly YTD
- Strong sale of leasing and factoring: +11% and +13% yearly YTD



Quality/Innovations

- Bank Millennium on podium in all categories of Newsweek quality ranking: 2nd in the best Internet and mortgage bank and 3rd in the traditional and mobile banking category
- Branch optimization process continued: net reduction of 13 branches during 3Q
- More than half million active users of mobile solutions (almost 50% growth yearly)

Market leader in the quality and customer satisfaction level

In 2016 in the 15th edition of the ranking "Newsweek Friendly Bank 2016,,"* Bank Millennium was the only one awarded in all categories of Newsweek ranking



Bank Millennium

2nd in the „Internet Bank” category

2nd in the „Mortgage Banking” category

3rd in the „Traditional Banking” category

3rd in the „Mobile Banking” category

Friendly Bank



(*) Newsweek's Friendly Bank ranking has been conducted for 14 years, based on mystery client surveys, in which auditors from an independent research company evaluate practically all aspects of customer service in both traditional and electronic service channels

Other recent major awards and achievements



- During the Great Gala of Leaders in Banking and Insurance World, Bank Millennium was recognized as **the most innovative bank in Poland**. The jury appreciated the Bank for innovative thinking, covering all processes and structures and the usage of new technologies in order to help customers in daily banking.

Service Quality Stars



- For the fifth time Bank Millennium has been honored with the prestigious title of **Service Quality Star**. The award is given on the basis of consumer votes in the Polish Service Quality Programme, collected through entire year on www.jakoscobslugi.pl, also by smartphone applications.



- Bank Millennium took third place in the „Złoty Bankier” ranking (The Gold Banker) in category of the **highest quality of service** organized by "Puls Biznesu” daily and Bankier.pl. TNS Poland and Obserwatorium.biz conducted a full audit of the quality of service banking in branches, call center, ergonomics electronic channels, electronic security systems, the product offer, social communication and banking advertisement. Additionally, the Bank received a special award in the category „The best practice of security systems”



- Bank Millennium was awarded in the competition "**Website without barriers**" for adapting the website to the needs of people with disabilities, the elderly and exposed to digital exclusion. The competition "Website without barriers", organized by the „Fundację Widzialni” (Foundation Visible) and „Szerokie Porozumienie na Rzecz Umiejętności Cyfrowych” (A Wide Coalition for Digital Skills) is the only such initiative in Poland.



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