

# Bank Millennium Group

## 3Q 2015 results

23 October 2015



Friendly Bank



No 1 in Poland



Service Quality Stars



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Financial data presented hereby is based on the consolidated Bank Millennium Group level and is consistent with published Financial Statements of the Group (available on Bank's website at [www.bankmillennium.pl](http://www.bankmillennium.pl)). There is also one exception to the consistency with the financial statements data, described below.

*From 1/01/2006 the Bank started to treat under hedge accounting principles the combination of mortgage floating rate FX loans, floating rate PLN deposits and related cross currency interest rate swaps. From 1/04/2009 the Bank extended hedge accounting principles to FX swaps. According to the accounting principles, the margin from the swaps is reflected in Net Interest Income. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides in this presentation **pro-forma data**, which presents all interests from derivatives in Net Interest Income.*

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# Market leader in the quality and customer satisfaction level

Friendly Bank



## Bank Millennium

**1st** in the „Traditional Banking” category

**1st** in the „Internet Bank” category

**1st** in the „Mortgage Banking” category

In the prestigious *Newsweek's Friendly Bank* ranking (\*)

- ✓ **The Best Branch Banking** (traditional banking) - the highest score for quality of customer service and employees sales skills
- ✓ **The Best Internet Bank** - user-friendly transactional system (available in Responsive Web Design technology) and acquisition process
- ✓ **The Best Mortgage Banking** - professional staff offering housing loans



**Market leader in customers' satisfaction** \*\* - 89% of customers are satisfied with the Bank (of which 49% very satisfied - increase by 16 p.p. over the last three years)\*\*\*.

Bank Millennium is also the **Leader in the Net Promoter Score index** \*\* for Polish banks (+32 points) with the highest on the market level of willingness from customers to recommend the Bank to other potential clients.

(\*) 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 (\*\*) by TNS Polska Retail Banking Audit, 1H 2015 (\*\*\*) internal yearly surveys

## Clear track record in the quality improvement ...

Consistent focus on quality improvement\*, which was one of the top priorities in the Bank's strategy since 2010, brought visible progress in the Newsweek's ranking, both in traditional banking ....

2010		2011		2012		2013		2014		2015	
Place	Bank										
1.	Alior Bank	1.	Multibank	1.	Multibank	1.	Bank Millennium	1.	BGŻ	1.	Bank Millennium
2.	BZ WBK	2.	Alior Bank	2.	Bank Millennium	2.	Multibank	2.	Bank Millennium	2.	BGZ
3.	Nodrea	3.	Bank Millennium	3.	Citi handlowy	3.	Citi handlowy	3.	mBank	3.	mBank
4.	ING	4.	Citi handlowy	4.	Kredyt Bank	4.	Alior Bank				
5.	Raiffeisen Bank	5.	Nordea	5.	Alior Bank	5.	ING				
:											
12.	Bank Millennium										

... and in electronic banking category

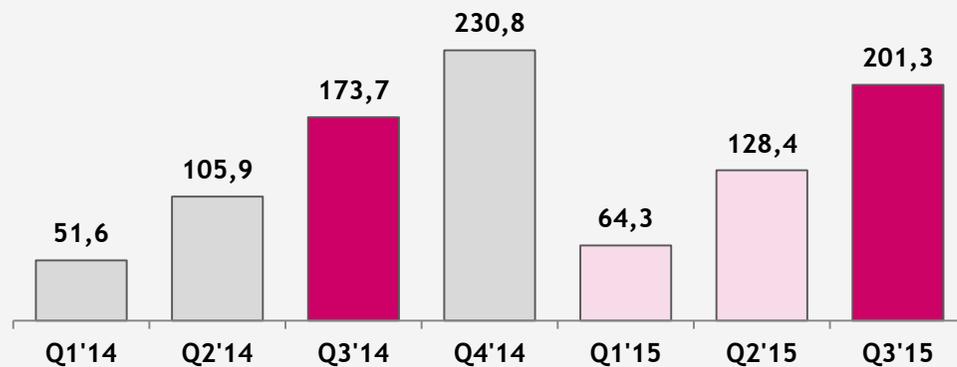
2010		2011		2012		2013		2014		2015	
Place	Bank										
1.	Inteligo	1.	mBank	1.	Bank Millennium	1.	Alior Sync	1.	Bank Millennium	1.	Bank Millennium
2.	ING	2.	Meritum Bank	2.	mBank	2.	Bank Millennium	2.	mBank	2.	mBank
3.	Alior Bank	3.	Bank Millennium	3.	Inteligo	3.	ING	3.	ING	3.	BGŻ
4.	Deutsche Bank	4.	Inteligo	4.	Meritum Bank	4.	Alior Bank				
5.	mBank	5.	Alior Bank	5.	Citi handlowy	5.	Multibank				
:											
16.	Bank Millennium										

(\* ) First quality improvement project was launched in 2010 year and a dedicated Quality Department was established in the Bank in 2011 year.

# ... supports acquisition of new accounts and customers ...

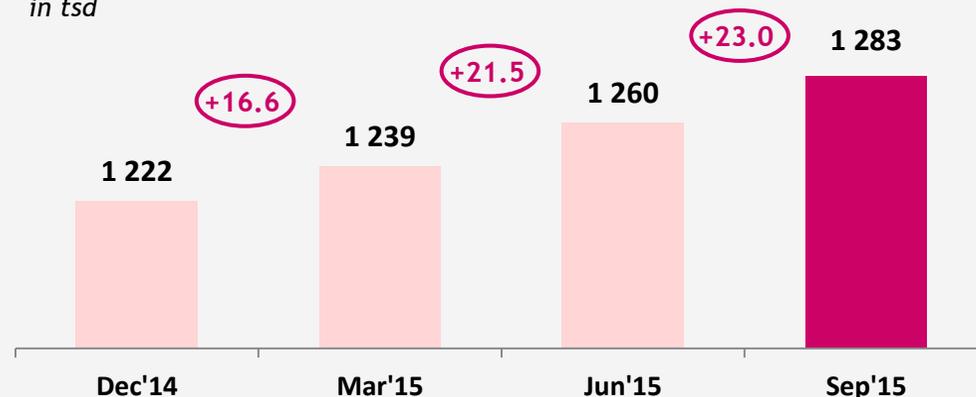
## Current account acquisition (cumulative)

in tsd



## Active individual Clients

in tsd



## 360° Account

### Account full of possibilities

- use it wherever and whenever you want...

Open 360° Account, pay with the card or smartphone – just the way you like – and get even 360 zł!



- Over 200 thousand current accounts opened in 2015, mainly of the new Konto 360° (over 300 thousands of these accounts since its launch in 2014).
- Over 10% of current accounts opened in 3Q were done via electronic channels.
- Growth of current accounts in line with the strategic target of acquiring 300 thousand new retail active customers till 2017 (of which 80 thousand in 2015).
- Year to date the Bank managed to grow active Clients number by 61 thousand.
- 44% of new accounts come from recommendations of existing clients\*

(\* ) internal survey, New Client in Bank Millennium (conducted in 1Q 2015)

## ... with strong usage of online platform

Platform's high adaptability offers on the spot implementation of innovative solutions

### Best in class users' experience is our top priority

- Simple, need-driven processes,
- Highest quality online service,
- Virtual advisors offer real time assistance,
- Extensive security protocols

### Continuously innovative

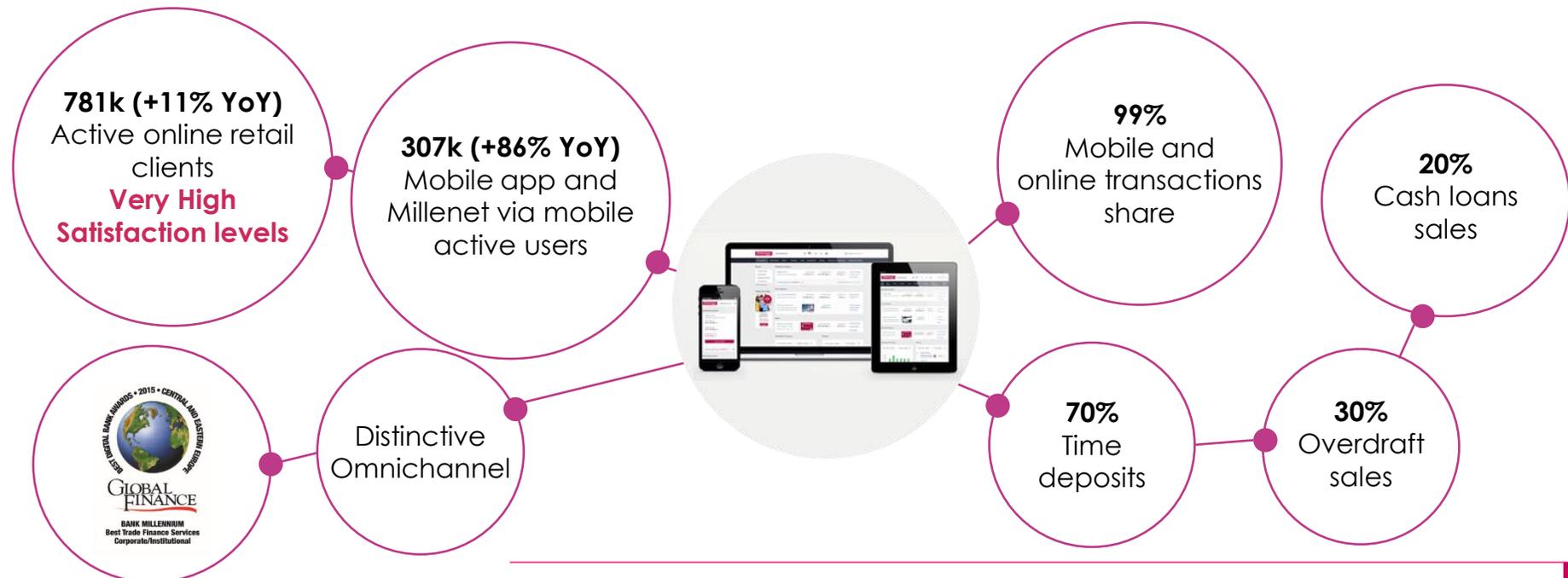
Implementation of responsive technology in Millenet

- available on all kinds of devices (desktop, mobile, tablet)
- revamped design and improved User Experience

**First Bank** in Poland to release Apple Watch app for individuals

**First Bank** to introduce fast P2P transfers based on BLIK

**Best digital Bank** for corporate and trade finance services\*



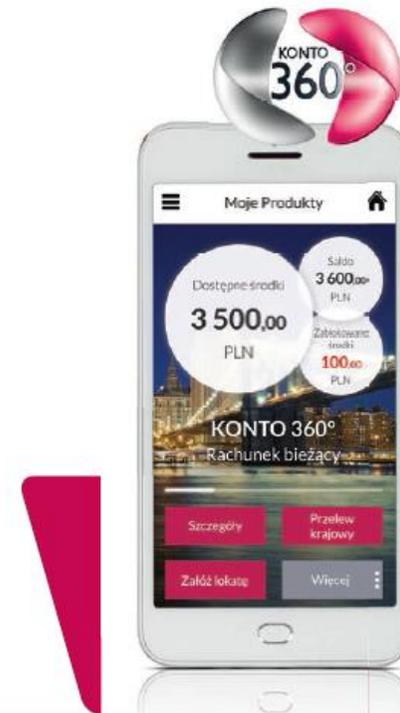
\*according to *Global Finance* magazine

# Agenda

- **Macroeconomic overview**
- Financial performance
- Business development
- Appendixes

## Nowa aplikacja mobilna

Miej bank zawsze pod ręką



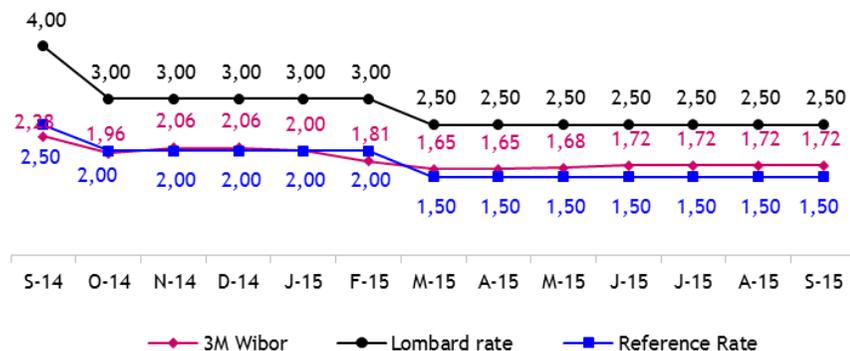
Otwórz Konto 360°, korzystaj z aplikacji mobilnej i zyskaj 360 zł

**Millennium**  
bank

Tradycyjna bankowość w nowoczesnym wydaniu

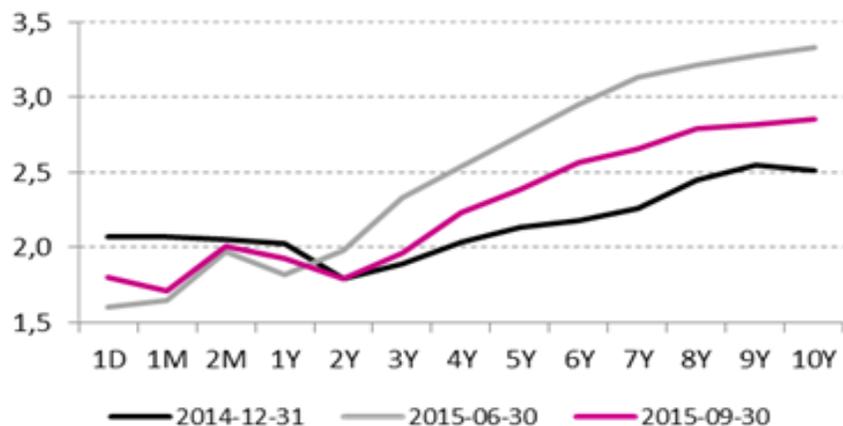
# Macroeconomic Overview

## Interest Rates Evolution (%)



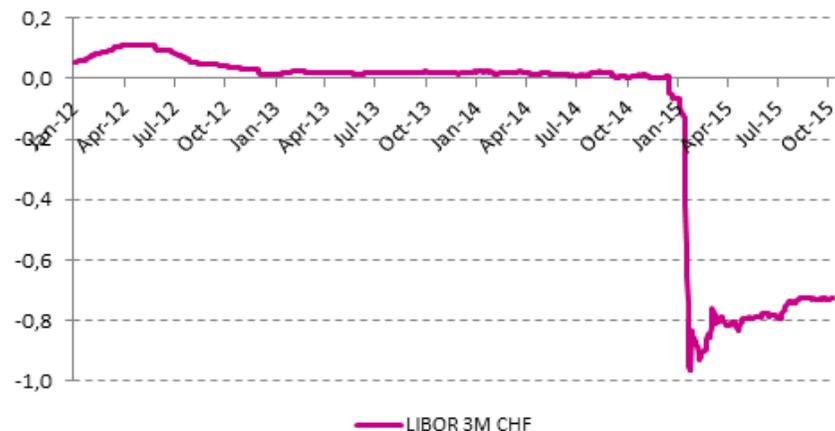
Q-o-Q (bp)	0	0	0
Y-o-Y (bp)	-56	-150	-100

## Evolution of PLN yield curve (%)



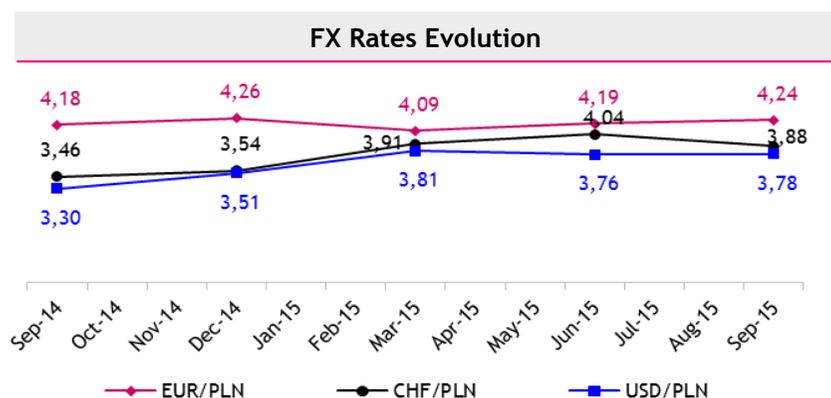
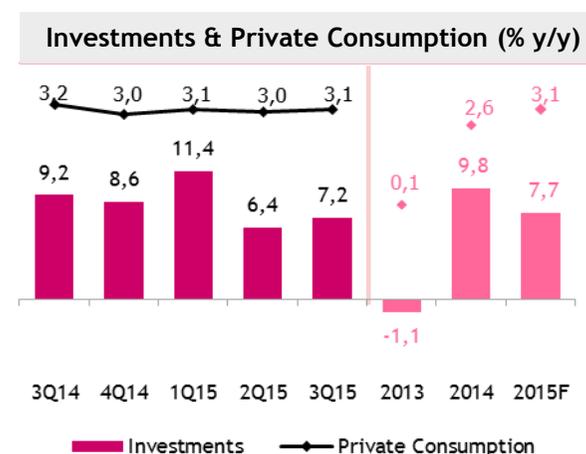
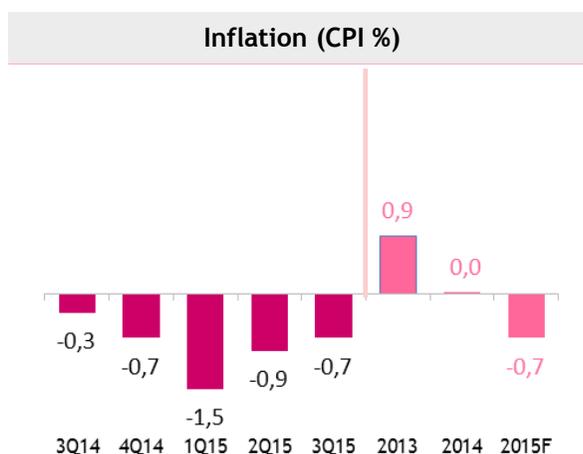
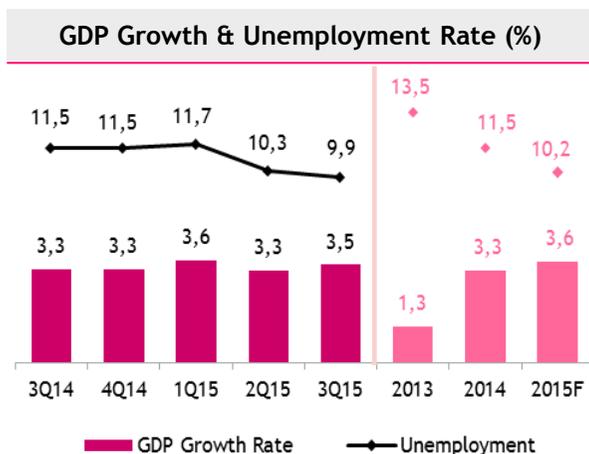
Source: NBP, Reuters

## Evolution of CHF Libor 3M (%)



- The central bank kept rates at record low levels during 3Q. Bank expects the official interest rates to be kept at current levels in next few quarters.
- 3Q showed visible decrease in yields of Polish bonds, especially on the long end of the curve, driven by delayed date of a possible rate hike in the US and weak macroeconomic data from a domestic economy.

# Macroeconomic Overview

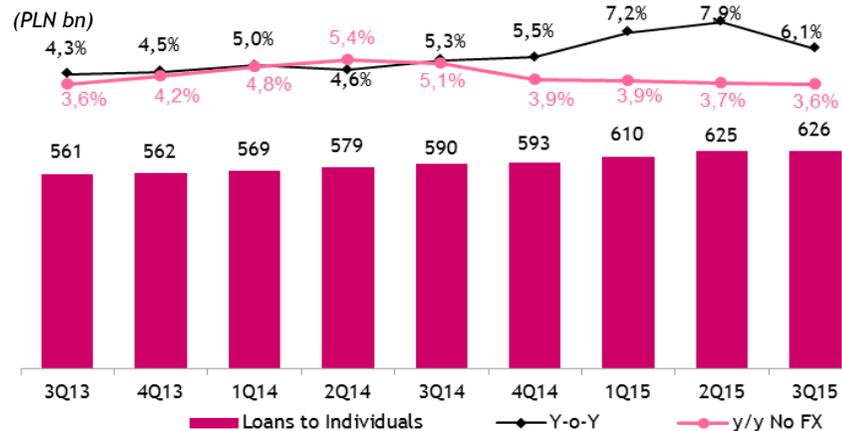


Q-o-Q	1,1%	-4,0%	0,3%
Y-o-Y	1,5%	12,1%	14,5%
YTD 2015	-0,6%	9,4%	7,6%

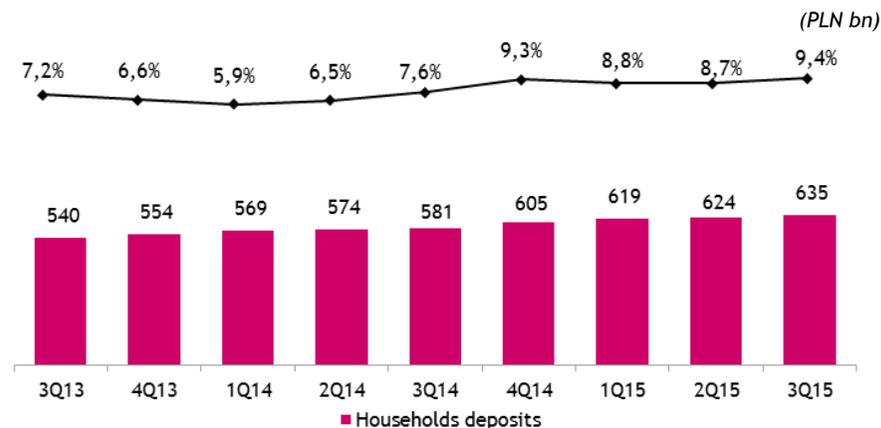
- Polish economy kept growing at a solid pace in the first half of 2015 supported by recovery in the Eurozone and strong domestic demand. However, data for August and September showed some moderation in the pace of that economic growth.
- Improvement in the labour market and deflation should support private consumption. In the same time high capacity utilization and good financial situation of Polish companies is expected to support private investments in fixed assets.
- Zloty depreciated slightly during 3Q against euro because of increased risk aversion.

# Macroeconomic Overview

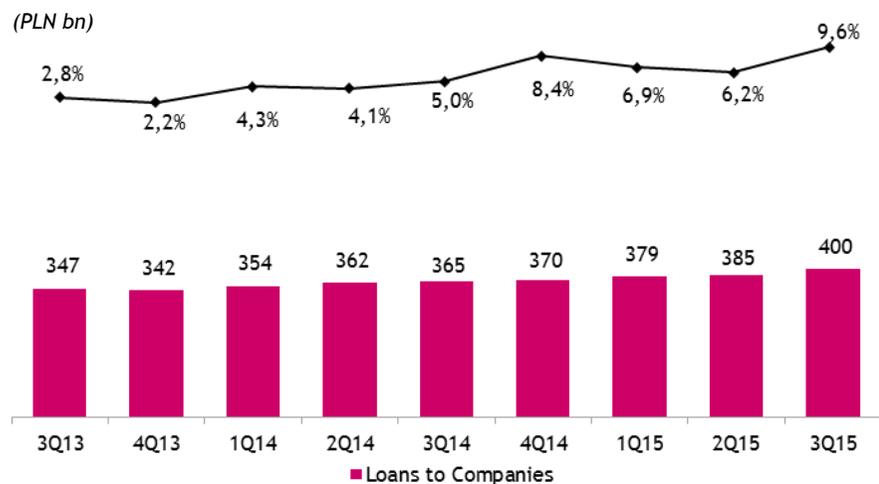
## Loans to Households



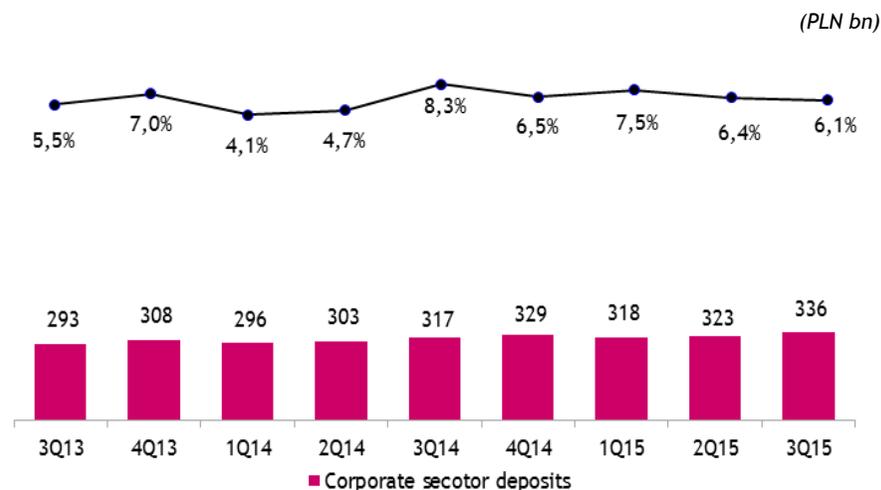
## Households' deposits



## Loans to Companies



## Corporate sector deposits



Source: NBP

\* data for September - Bank Millennium estimations based on preliminary M3 data

# Agenda

- Macroeconomic overview
- **Financial performance**
- Business development
- Appendixes

**Pożyczka Konsolidacyjna**

**Kto konsoliduje,  
ten zyskuje**

Splacaj jedną niższą ratę  
i zyskaj dodatkowe środki

oprocentowanie  
**4,99%**  
dla kwoty  
konsolidowanych  
środków

**JEDNA  
NISKA  
RATA**

prowizja  
**0%**  
od kwoty  
konsolidowanych  
środków

**Millennium**  
bank

Tradycyjna bankowość w nowoczesnym wydaniu

# Main financial highlights in 1-3Q 2015

## Stable profitability and improving cost efficiency

- Stable net profit: at PLN 493 million YTD and PLN 166 million in 3Q
- Operating costs fell 2.5% y/y, despite higher BFG\* fees
- Cost to income in 3Q at 49.2%
- ROE at 11.1%, one of the best recurring ROE in the sector

## Rebound in net interest income after recent rate cuts

- Net interest income grew (by 2.6% q/q) after three quarters of contraction due to recent interest rate cuts
- Core income grew by 2.7% q/q as commission income also improved quarterly

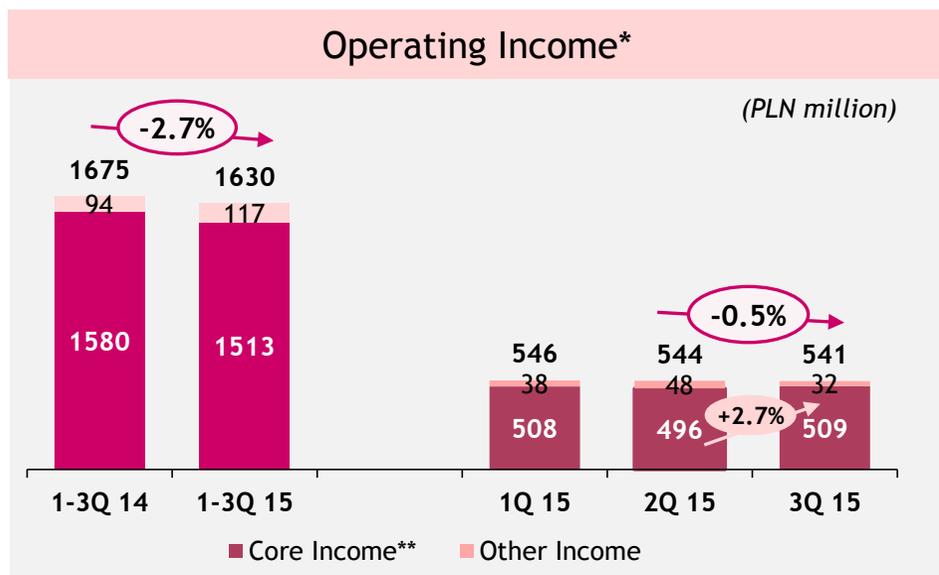
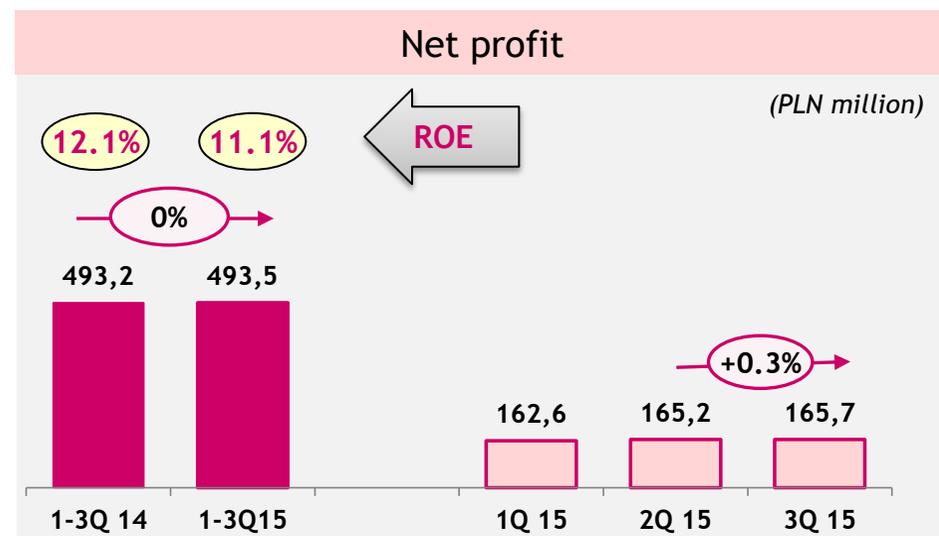
## High asset quality kept

- One of the lowest impaired loans ratio (4.6%)
- Mortgage impaired ratio at 2.1% and past-due over 90 days at 0.9%

## Improving capital and liquidity ratios

- Growing capital ratios: TCR at 16.0% and CET1 at 15.5%
- Loans-to-deposits ratio\*\* dropped to 89.7%

# Profitability

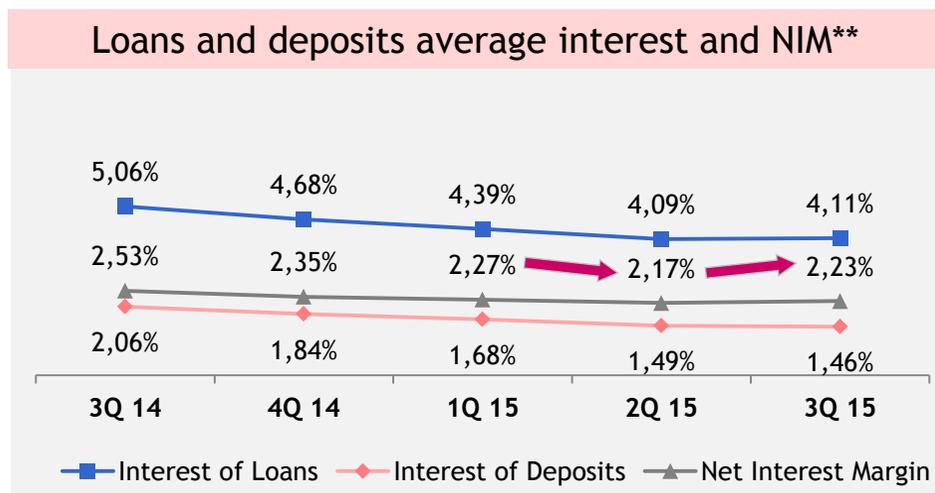
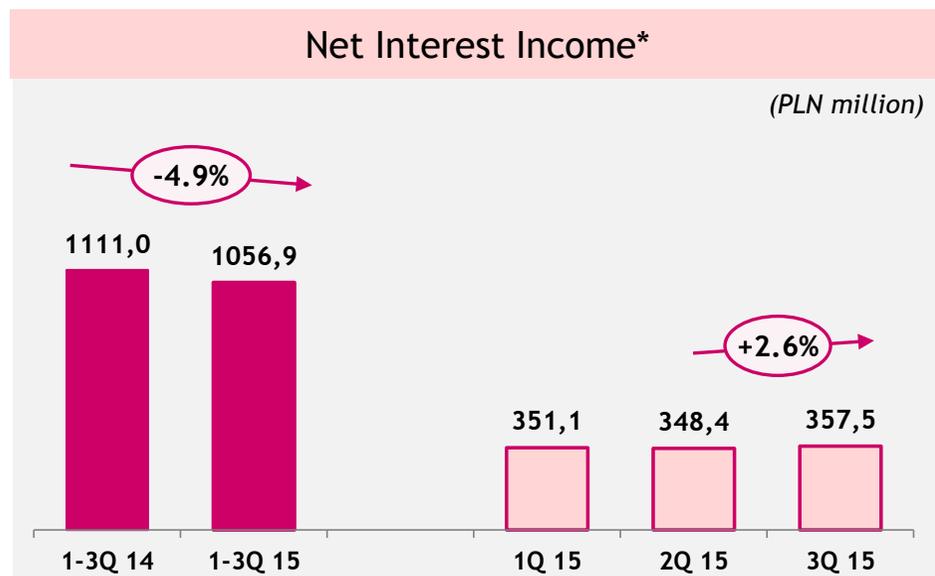


- Net Profit for 1-3Q'15 amounted to PLN 493.5 million and stood at the similar level as in 1-3Q'14
- On quarterly basis Net Profit grew in 3Q'15 by 0.3%.
- Minor yearly decrease of operating income proved resilience against unfavourable interest rates and regulatory conditions for the banking business. In this context, rebound of Core Income in 3Q'15 is a very positive fact (+2.7% q/q).
- ROE at 11.1% - lower by 1 p.p. than a year ago, due to higher capital base (equity grew by 8.7% y/y).

\* Including net other operating income and cost

\*\* Net Interest Income + Net Commissions Income

# Net Interest Income



- Net Interest Income\* grew by 2.6% in 3Q'15 after relatively slight quarterly decrease in two previous quarters as an outcome of material NBP rates cuts.
- Interest on loans indicate reversal of negative trend of previous quarters.
- Net Interest Margin for 3Q'15 showed an increase vs. 2Q'15 by 6 bps growing for the first time in the last one year period and almost reversing the impact of the March rate cut.

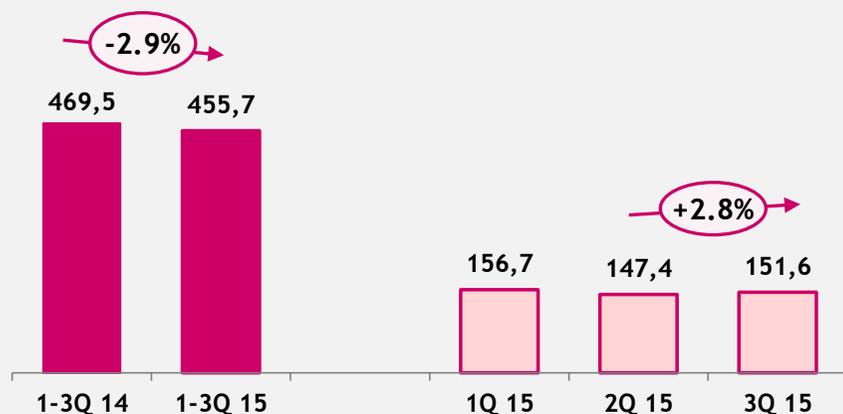
\* Pro-forma data: margin from all derivatives hedging FX denominated loan portfolio is presented in interest revenue (hedging derivatives) and NII, whereas in accounting terms part of this margin (PLN 41.2 million in 1-3Q 2015 and PLN 5.5 million in 1-3Q 2014) is presented in Result on Financial Operations.

\*\* Net Interest Margin: relation of net interest income (pro-forma) to average interest earning assets in given period

# Non-interest Income

## Net Commission Income

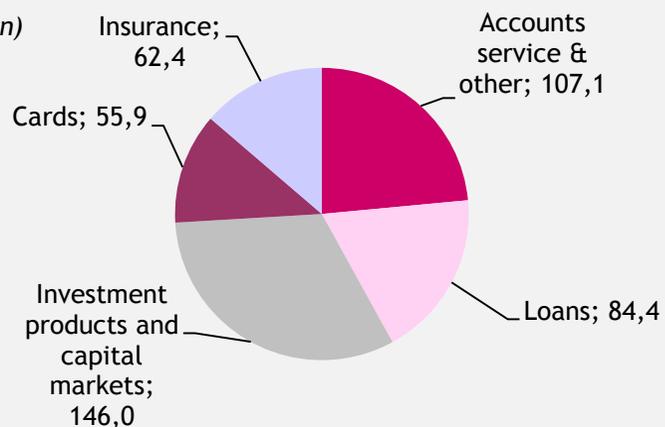
(PLN million)



- Net Commissions Income amounted to PLN 456 million in 1-3Q'15 and decreased by 2.9% vs. corresponding period of 2014 (interchange fees base effect). In quarterly terms commissions already grew by 2.8%.
- Trading income\* stabilized at c.a. PLN 40 million quarterly, slightly smaller in 3Q due to lower fixed income result.

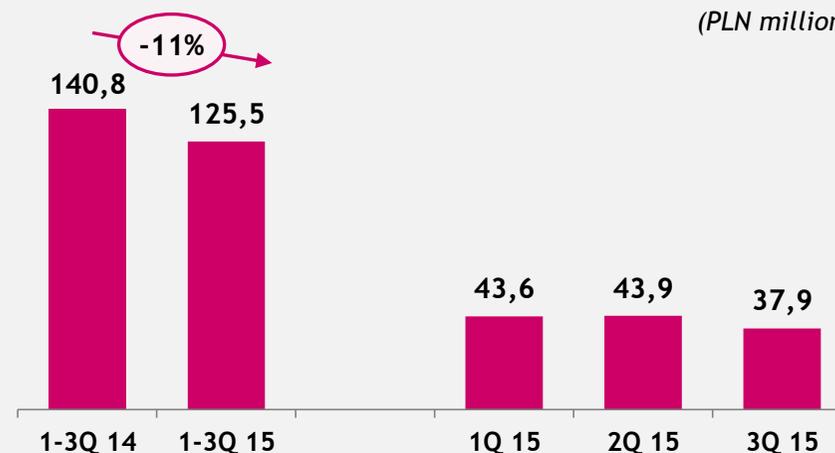
## Net Commission split for 1-3Q'15

(PLN million)



## Trading Income\*

(PLN million)

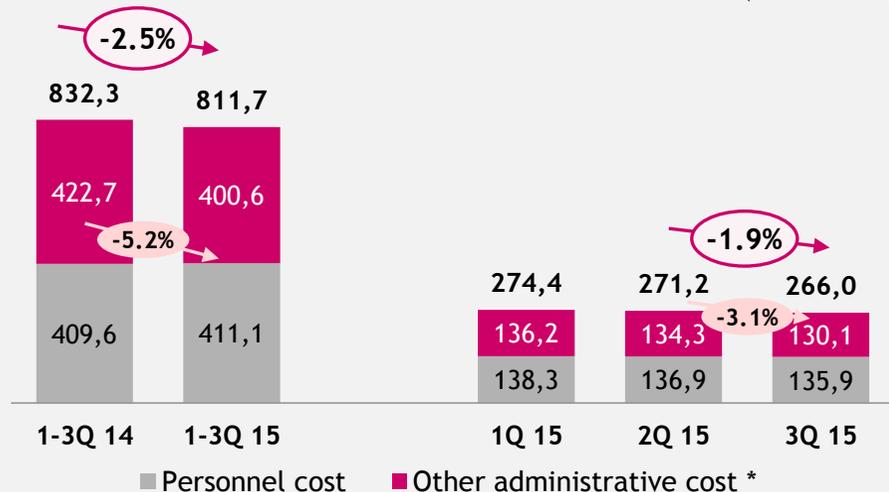


\* On pro-forma basis: FX income and result on investment and trading financial instruments (including dividends)

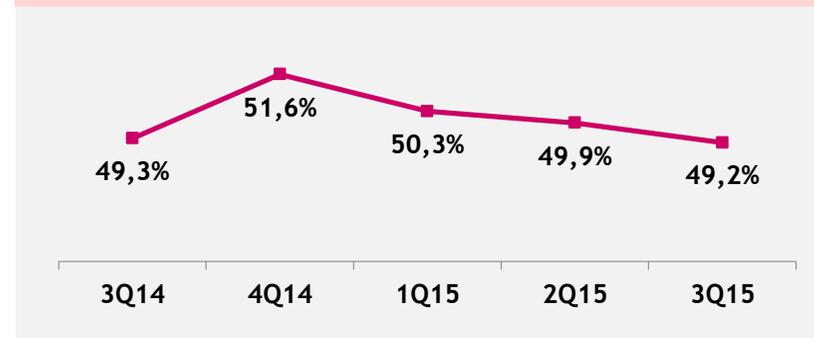
# Operating Costs and Efficiency Ratio

## Operating Costs

(PLN million)

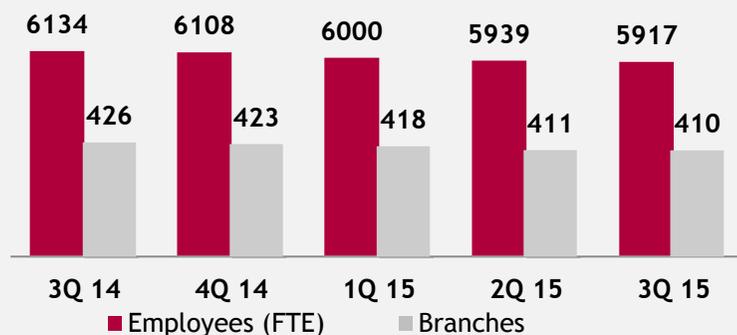


## Cost/Income ratio



- Total costs in 1-3Q'15 fell by 2.5% vs. corresponding period of 2014 despite higher contribution to BFG \*\*.
- In 3Q'15 costs decreased by 1.9% vs. the previous quarter.
- Personnel costs stable both yearly (+0.3% ytd) and quarterly (-0.7% q/q). Other administrative costs fell by 5.2% ytd and by 3.1% q/q.
- Cost-to-Income ratio kept below 50% level: 49.8% y-t-d and 49.2% in 3Q'15.

## Employees & branches

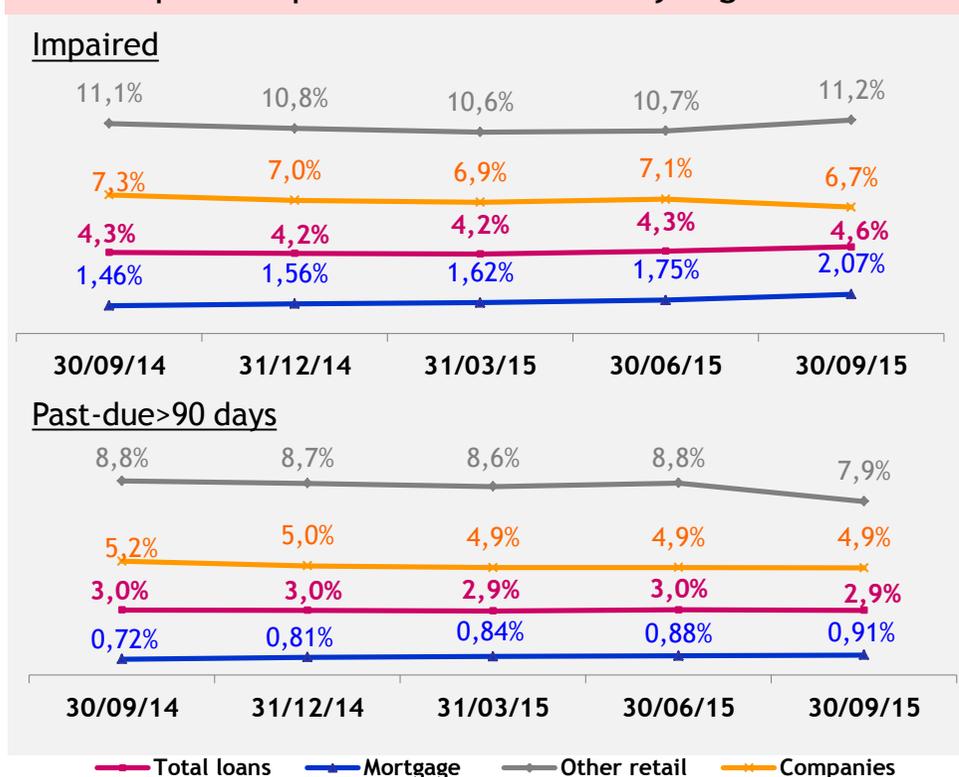


\* Including depreciation (PLN 37.0 million in 1-3Q'15 and 12.6 million in 3Q 15).

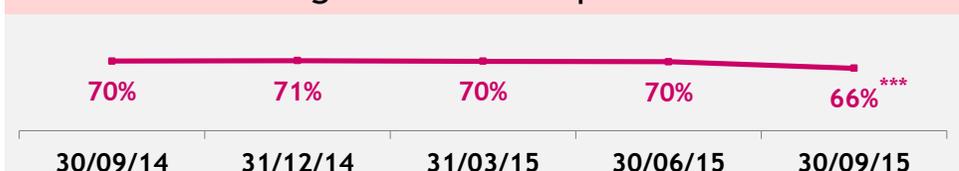
\*\* Bank Guarantee Fund main yearly fee increased by PLN 30 million from 0.10 p.p. in 2014 to 0.189 p.p. in 2015, representing 2.8% of 2014 total costs

# Asset quality

## Impaired/ past due loans ratio by segments \*



## Coverage ratio \*\* of impaired loans



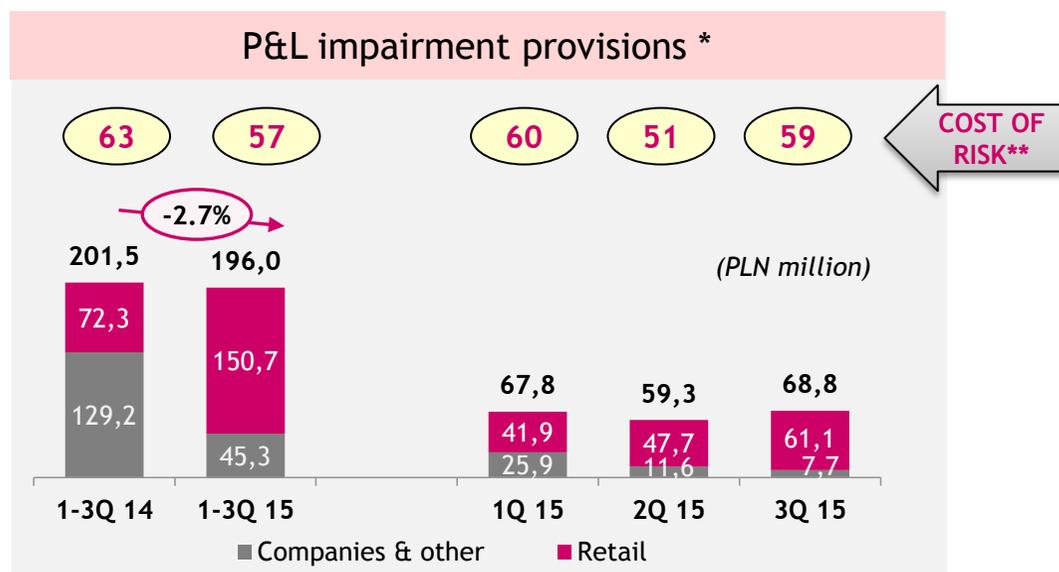
- Impaired loans ratio amounted to 4.6% as at the end of September and is one of the lowest among the main Polish banks.
- Share of loans past-due more than 90 days in total portfolio remains at a stable level of 2.9% and their coverage is at 103%.
- In 3Q the Bank sold a portfolio of impaired consumer and mortgage loans (worth PLN 103.5 million, almost fully provisioned) and further tightened impairment recognition criteria.
- Consequently, coverage ratio decreased to 66%, still a very comfortable level.
- Mortgage loans show increase of impaired ratio to 2.07% (partly due to a decrease of entire portfolio in 3Q). Loans past-due more than 90 days remains on a very low level of PLN 253 million (or 0.91% of total loans) in September 2015.

\* according to internal segment division

\*\* Coverage of gross impaired loans by total provisions (including IBNR)

\*\*\* Impact of sale of retail NPLs worth PLN 103.5 million (covered by PLN 100.7 million provisions) done in September 2015

# Cost of Risk



- Provisions for credit risk in 1-3Q'15 (PLN 196 million) were lower by 2.7% vs corresponding period of 2014 and represented 57 bps. of average net loans.

- In 1-3Q 2015 bigger part of provisions were created for retail segment (PLN 150.7 million), whereas provisions for corporate segment amounted to PLN 45.3 million in line with improving standing of corporate clients.



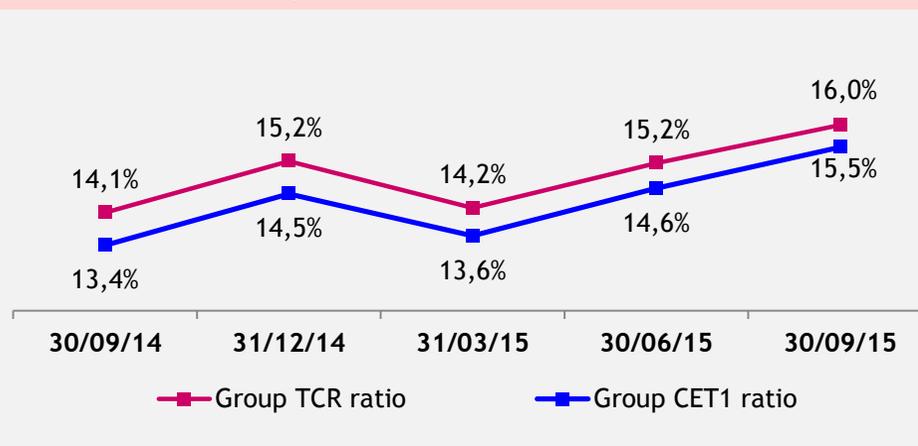
- Higher provisions for retail segment in 3Q'15 resulted from more conservative impairment criteria, as mentioned in previous slide.

\* according to internal segment division

\*\* total impairment provisions created (net) to average net loans in given period (in basis points)

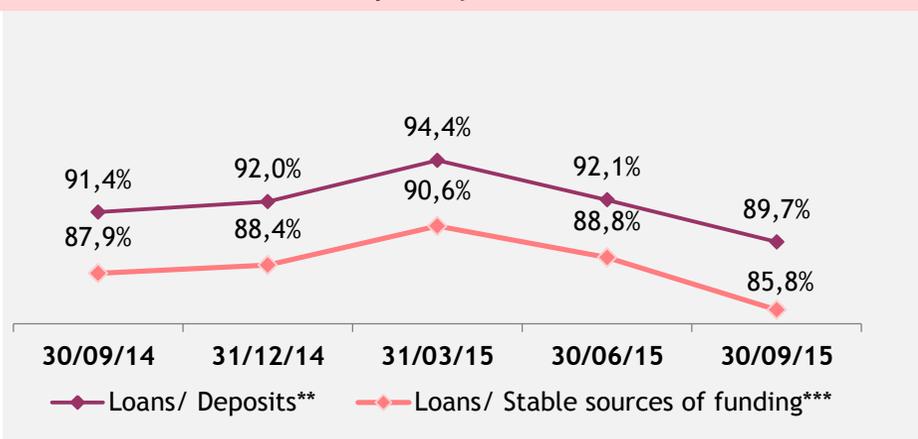
# Liquidity and Capital Adequacy

## Capital Adequacy Ratios \*



- Group Capital Ratio grew to 16.0% (TCR) and 15.5% (CET1) thanks to recognition of 50% of 1H 2015 consolidated net profit - according to consent issued by the Polish Financial Supervision Authority (KNF).

## Liquidity Ratios



- Loan to deposits ratio improved another quarter to 89,7% level, showing the high liquidity position of the Bank.
- Liquid treasury bonds and NBP bills portfolio now constitute 20% of total assets.

\* Calculated in accordance with CRR/CRD4 rules and with partial IRB approach (on mortgage and revolving retail loans) but under regulatory constraint.

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

\*\*\* Deposits plus mid-term debt securities sold to individual and institutional investors (including subordinated debt) and mid-term funding from financial institutions.

# Agenda

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- Financial performance
- **Business development**
- Appendixes

**Konto Oszczędnościowe**

**Twoje oszczędności rosną aż 3% w skali roku!**

3% w skali roku na Koncie Oszczędnościowym dla Klientów z Kontem 360° przez 3 miesiące dla nowych środków do 100 000 zł

**KONTO 360°**

**3%**

Promocja trwa do 5 grudnia 2015 r.

**Millennium**  
bank

Tradycyjna bankowość w nowoczesnym wydaniu

# Main business highlights in 1-3Q 2015

Quality and customer satisfaction leadership

Deposits/accounts/  
customers

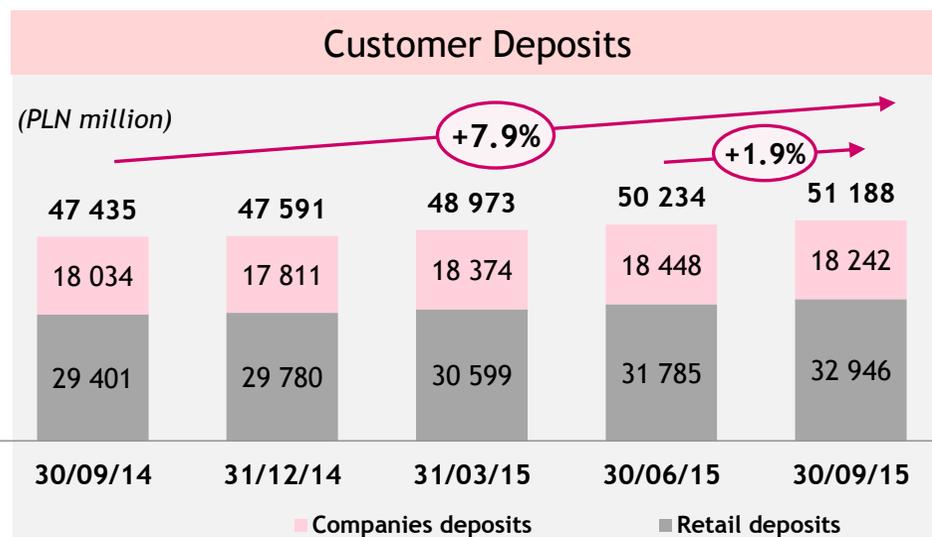
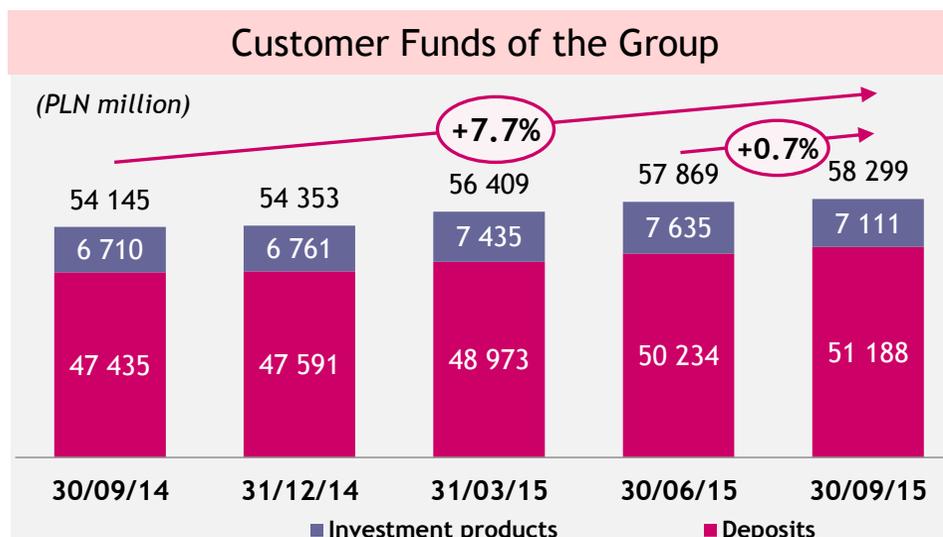
Loans

- **1st** in the „Traditional Banking” category
  - **1st** in the „Internet Bank” category
  - **1st** in the „Mortgage Banking” category
- 
- Strong growth of retail deposits maintained: +12.1% y/y (3.7% q/q).
  - 200 thousand new current accounts acquired during 1-3Q 2015
  - Accelerating growth of the number of active customers : 61 thousand net growth in 1-3Q 2015
  - Growing volume of transactions and current accounts in corporate business
- 
- Cash loans portfolio grew by 21% yearly, new sales at PLN 1.9 billion ytd
  - Traditionally good yearly growth in leasing and factoring portfolios (+10% and 18% respectively)

Friendly Bank



# Customer funds



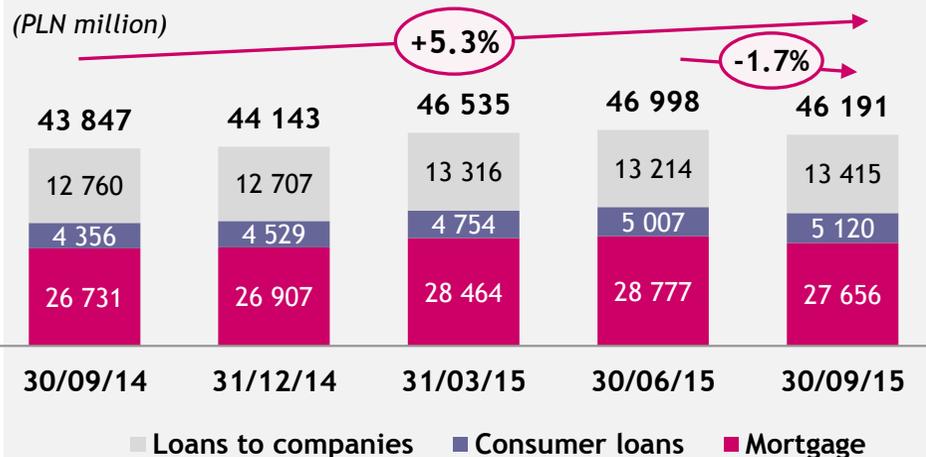
- Customer funds of the Group grew by 7.7% yearly and by 0.7% quarterly, of which deposits grew by 7.9% y/y and 1.9% q/q.
- Households deposits keep strong growth trend: PLN 1.2 billion increase in 3Q'15 (similar growth as in 2Q'15), which translates into high annual increase of +12.1%.
- Deposits from companies on relatively stable level (+1.2% y/y), however with higher proportion of current accounts balances\* (36% in September 2015).

\* including overnight deposits

# Loan portfolio

## Loan Portfolio of the Group (net)

(PLN million)



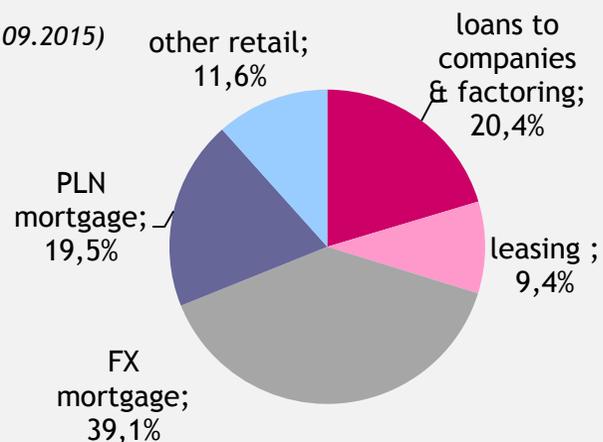
- Total net loans amounted to PLN 46.2 billion and decreased slightly by 1.7% vs. June'15, mainly due to FX mortgage portfolio decrease.

- Non-mortgage consumer loans grew yearly by 18%.

- Net loans to companies (including leasing) amounted to PLN 13.4 billion, which means a yearly growth of 5.1%.

## Structure of Loan Portfolio (gross)

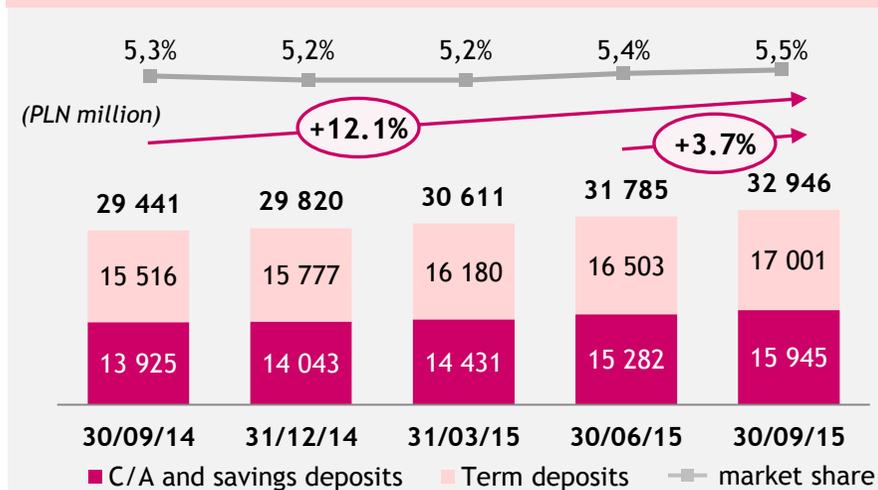
(as on 30.09.2015)



- Share of FX mortgage loans went down to 39% level as a result of natural amortization and impact of lower CHF/PLN rate vs. previous quarters.

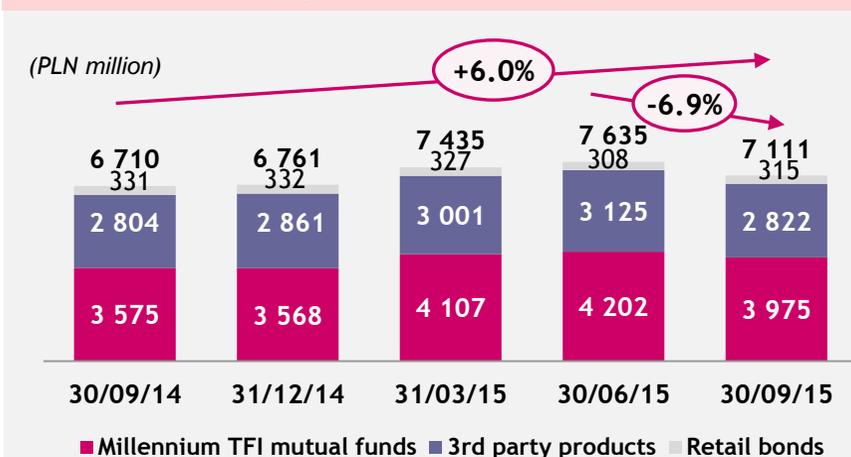
# Retail business results - deposits

## Total Deposits from individuals and market share



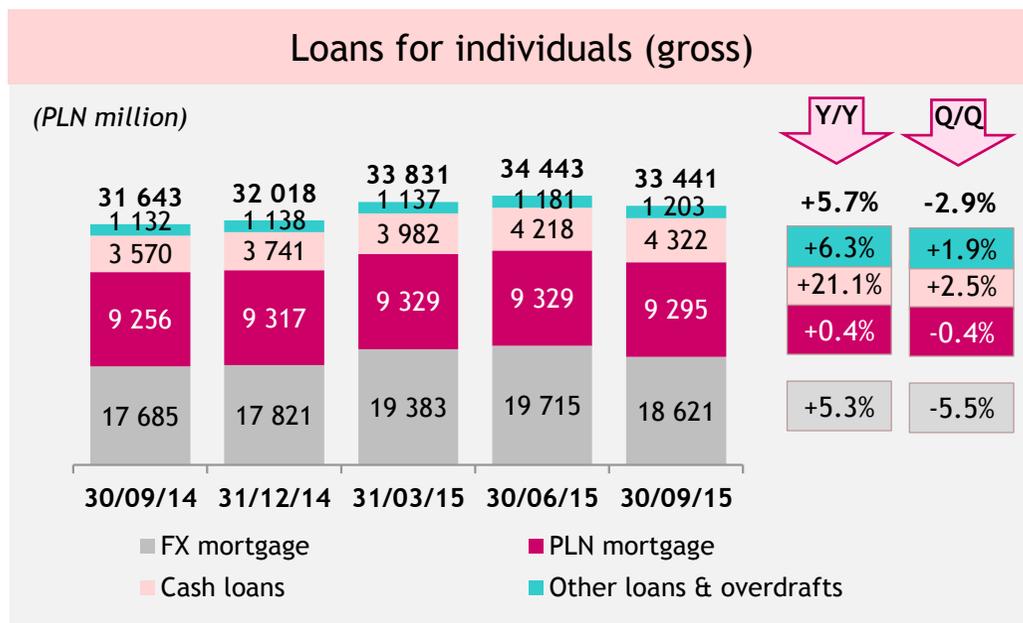
- Retail deposits showed solid growth of 12.1% y/y and 3.7% q/q, keeping strong quarterly increase of PLN 1.2 billion.
- Current and saving accounts volumes make 48% of total deposits from individuals.
- Balance of non-deposits investment products sold to retail customers in 1-3Q 2015 grew by 6% y/y although quarterly decrease can be seen (-6.9% q/q), partially due to some assets price decrease.

## Non-deposit investment products \*

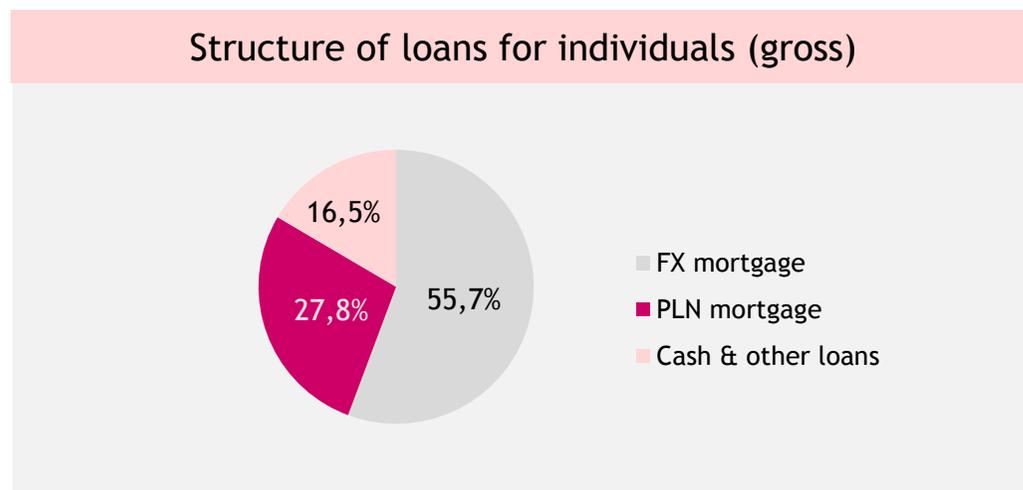


\* Include own and third party mutual funds, insurance saving products (SPE, SPUL) and structured bonds/BPWs sold to retail customers

# Retail business results - loan portfolio



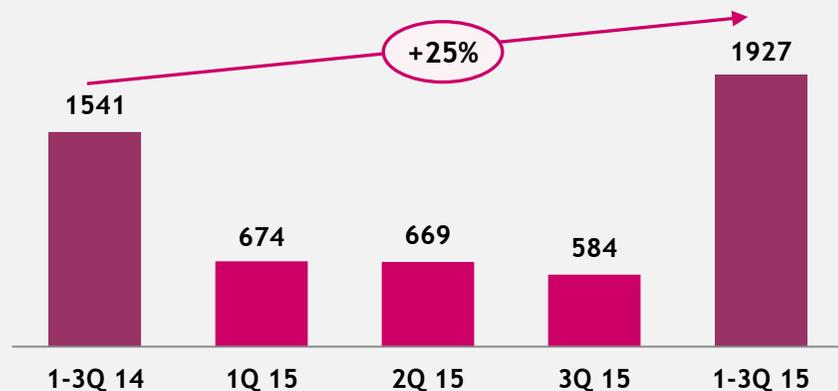
- Loans to individuals (gross) grew by 5.7% y/y - some deceleration due to decrease of FX mortgage loans.
- Cash loans portfolio continued its strong growth pace: +21% yearly; other consumer loans presented considerable growth of +6.3% y/y.
- Mortgage loans in PLN were flat while FX denominated fluctuated (+5.3% yearly but -5.5% quarterly) due to natural amortisation and CHF/PLN exchange rate movements.



# Retail business results - cash and mortgage loans

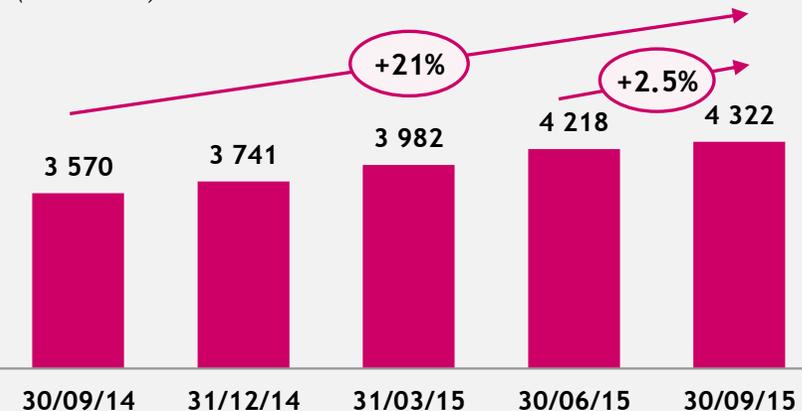
## Cash Loans new production

(PLN million)



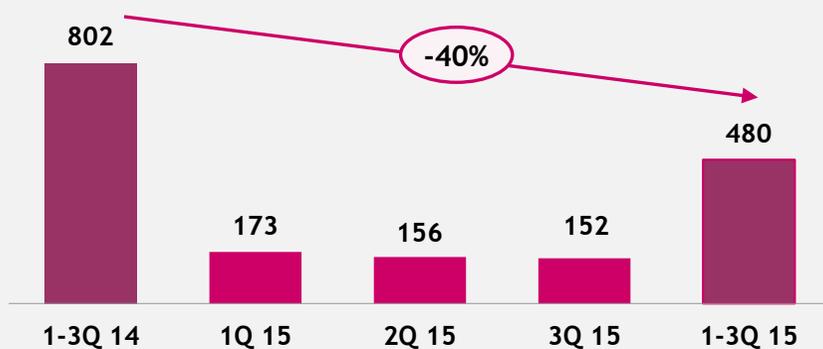
## Cash Loans portfolio (gross)

(PLN million)



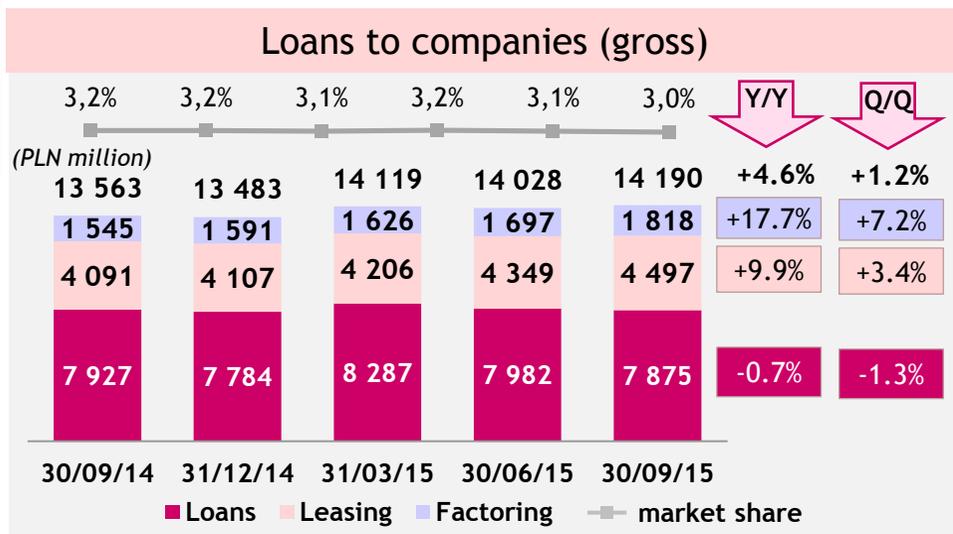
## Mortgage new production

(PLN million)



- High dynamics of cash loans sale maintained: PLN 1.9 billion new loans sold in 1-3Q'15; 25% more compared to corresponding period of last year.
- Cash loans portfolio grew by 21% yearly.
- Still low level of new mortgage loans sales, but increased number of new applications registered since September.

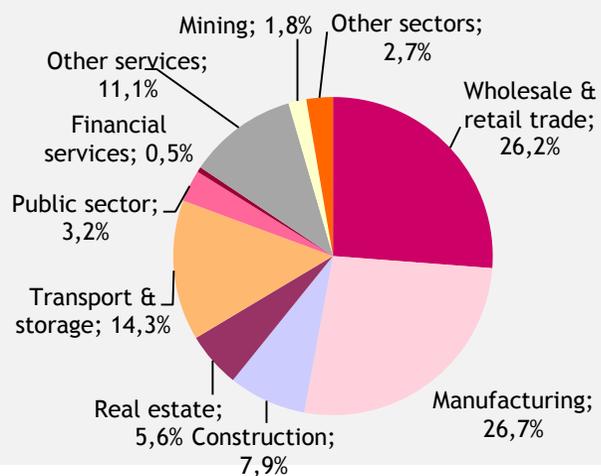
# Companies business results - loans



- Loans to companies (gross) grew by 4.6% yearly, mostly driven by strong growth of factoring and leasing portfolios: +18% and +10% y/y respectively.

- Loans other than leasing and factoring did not grow as Bank tries not to further decrease margins to not-profitable levels.

## Structure of corporate loan portfolio (gross)

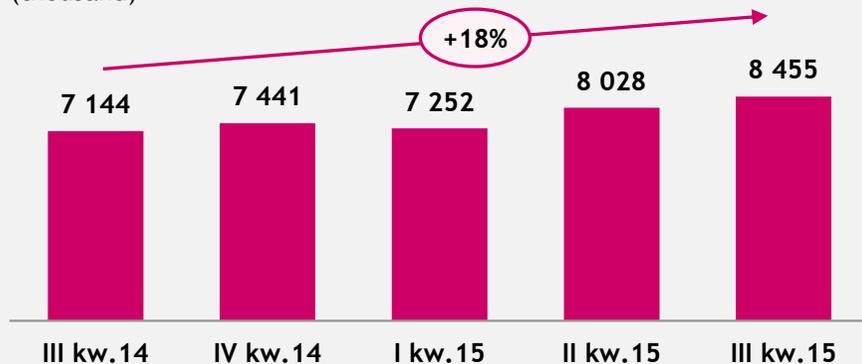


- Well diversified corporate loan portfolio

# Companies business results - transactions and deposits

## Domestic payments

(thousand)



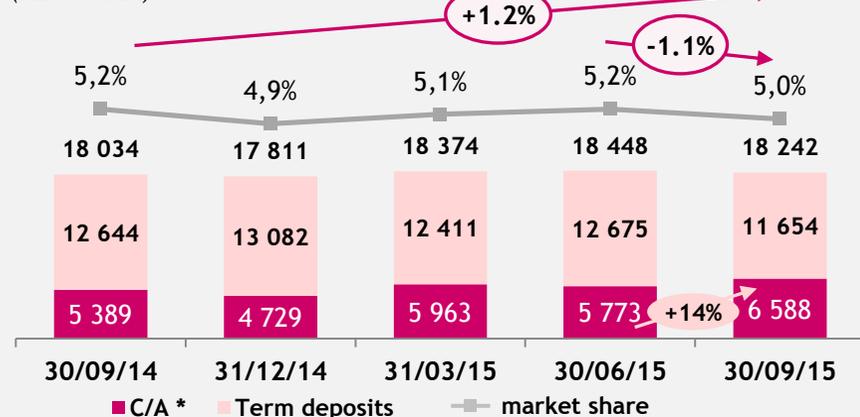
## International payments

(thousand)



## Deposits from companies and market share

(PLN million)

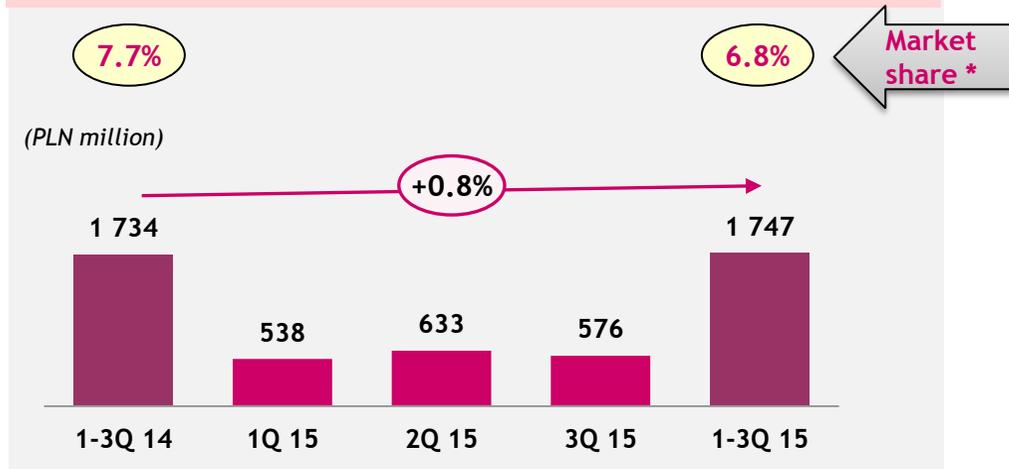


- Companies deposits modest increase of 1.2% y/y is correlated with recent very strong growth of retail deposits; important was the robust growth of current accounts\* balances by 22% y/y (+ PLN 1.2 billion).
- Higher number of transactions (both domestic and international) and active sale of payment cards (+14% y/y) allowed for the record level of current account\* balance at PLN 6.6 billion.

\* including overnight deposits

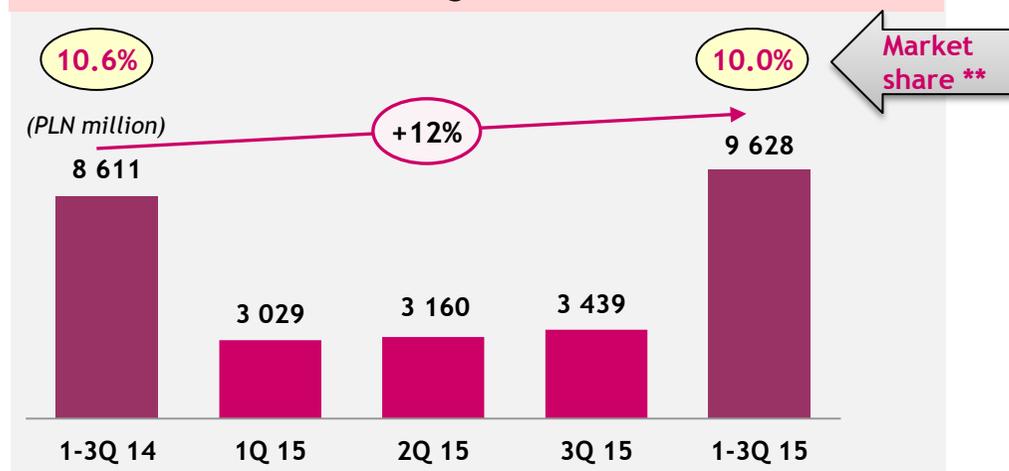
# Companies business results - leasing and factoring

## Leasing - new production



- Leasing sales in 1-3Q'15 at PLN 1747 million, that is 0,8% higher yearly. Millennium Leasing keeps high position in top 5 leasing companies in Poland with market share\* at around 7%.

## Factoring - turnover



- The value of factoring turnover for 1-3Q'15 grew by 12% y/y and reached PLN 9.6 billion. It translated into high market share\*\* of 10% and fifth position among Polish factors. 3Q'15 turnover recorded high growth of 8.8% q/q.

\* Bank's estimations based on Polish Leasing Association data (commitments), y-t-d, June 2015 data

\*\* Based on Polish Factors Association and other banks data, y-t-d

# Agenda

- Macroeconomic overview
- Financial performance
- Business development
- **Appendixes**

**Karta, z którą stać  
Cię na więcej. Zyskaj  
aż do 760 zł rocznie!**



**Millennium**  
bank

Tradycyjna bankowość w nowoczesnym wydaniu

# Recent major awards and achievements (1)



- First place in Newsweek's Friendly Bank ranking
  - ✓ 1st in the „Traditional Banking” category
  - ✓ 1st in the „Internet Bank” category
  - ✓ 1st in the „Mortgage Banking” category



- 360 Account for students took first place in *Bankier.pl* ranking in category account for students. The winners ranking were selected between 21 available accounts on the market for two types of clients: the client without regular income and the client rarely uses the credit card and the customer declares regular income and often uses the cards.
- 360 Account for students the best among 15 banks in ranking *Banking-Magazine*



- Konto Oszczędnościowe (Saving Account) second in *TotalMoney.pl* ranking in category for new money in the September of savings accounts. The survey compares accounts fed regularly with the monthly amount of PLN 500. The place taken by an account depends on the yield it generates after 12 months of saving regularly, assuming that the interest rate on the account does not change for a year.



- Bank Millennium won the 2015 „Wallet of the Year Wprost weekly” in the category "Credit Card: Individual". The Alpha Millennium card has been highly praised. The winners ranking were selected in a two stage study, which evaluated were primarily: brand recognition, matching the offer to the market needs a clear offer to the customer, fees and commissions, customer service, loyalty and loyalty policy and trust of clients.

## Recent major awards and achievements (2)



- Bank Millennium is a finalist in the prestigious „BAI-Finacle Global Banking Innovation Awards 2015” for the most innovative banking institutions in the “Channel Innovation” category for launching omnichannel service, which positively transforms customer experience in banking relations.



- Bank Millennium is the best Digital Corporate Bank according to magazine *Global Finance*. For the second time Bank Millennium also won the ranking “Best Trade Finance Services”. The winners of the 2015 World’s Best Corporate/Institutional Digital Banks in Central & Eastern Europe have been selected by the editors of Global Finance Magazine, helped by experts from Infosys - a global leader in consulting, new technologies and outsourcing.



- Consolidation loan wins *Rzeczpospolita* ranking.** Bank Millennium’s consolidation loan came 1st on the loans’ ranking list of the *Rzeczpospolita daily*, arranged by actual annual percentage rate. The survey compared 19 cash loans available on the market. Among them our loan with actual annual percentage rate (APR) of 8.29% for a loan of PLN 10,000 with 12-month maturity turned out to be the cheapest.

# Bank Millennium share performance

## Market cap/liquidity



## General information on Bank Millennium shares

- **No of shares:** 1 213 116 777 (listed 1 213 007 541)
- **Listed:** on Warsaw Stock Exchange since August 1992
- **Indices:** WIG, mWIG40, WIG Banks, RESPECT Index, MSCI PL, FTSE GEM
- **Tickers:** ISIN: PLBIG0000016, Bloomberg: MIL PW, Reuters: MILP.WA

Share price evolution till 30-09-2015 (PLN 5.9)	Share price change
1 month	-1,2%
Annual	-33.1%

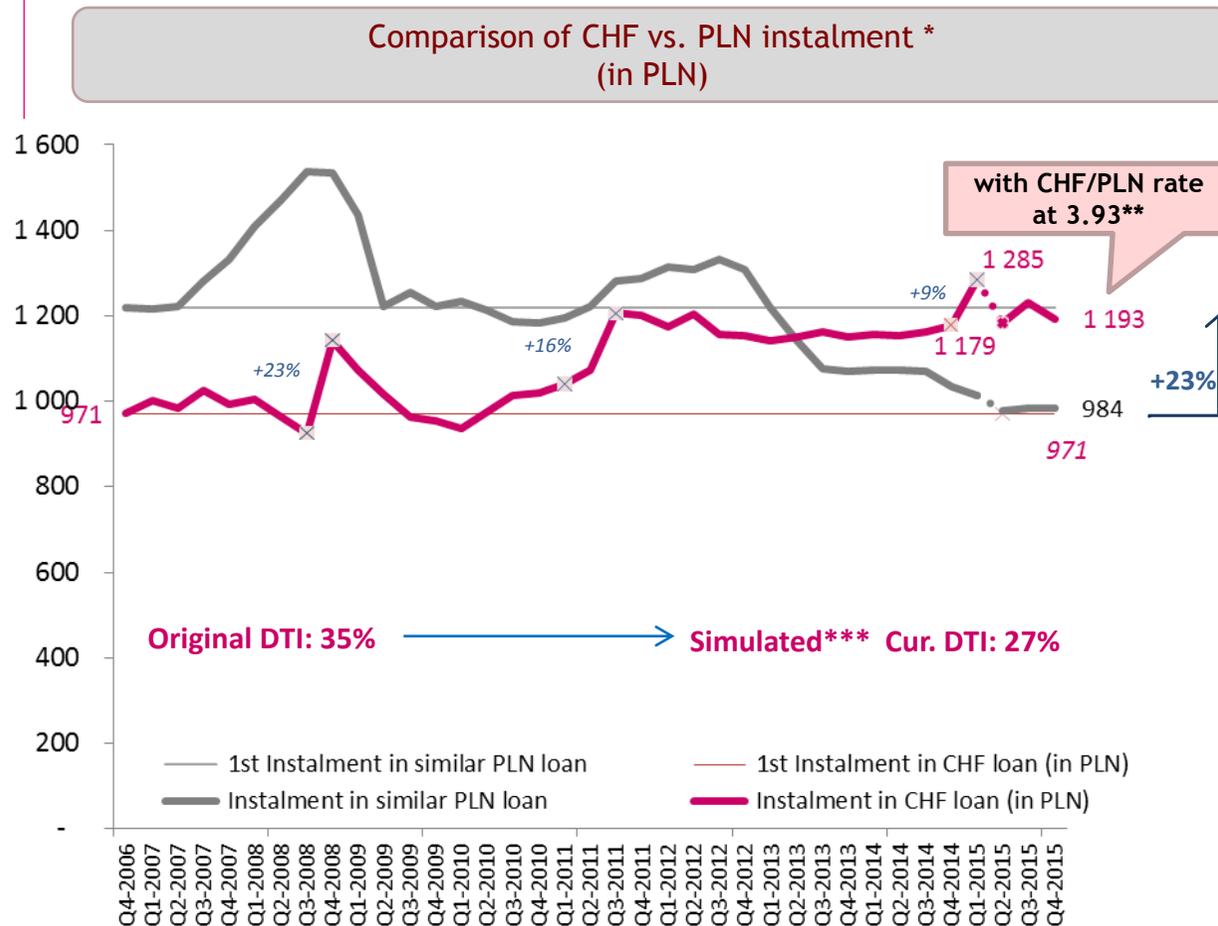
## Annual stock performance vs. main indices



Recent weak performance of Polish banks (and Bank Millennium) shares was driven by:

- Potential additional charges on banks: special banking tax and higher contribution to BGF
- Uncertainty concerning possible regulatory interventions towards banks with CHF mortgages (additional capital requirements and/or potential obligation of CHF mortgage conversions with losses for banks)

# Mortgage loans- evolution of CHF instalments



- CHF rate surge in January caused a temporary growth of mortgage instalments, which was lower than scale of increases that occurred during 2008 and 2011 years.
- Instalments in 2Q and 3Q'15 are benefiting from record low level of CHF Libor, which almost fully compensate (to most of clients) the FX effect.
- Thanks to wage increase in Poland since the origination of FX loans, the burden of current instalment may be even lower than at the origination (measured by the simulated DTI ratio\*\*\*).
- Current level of CHF instalment is still lower than the historical peak levels for the PLN borrowers.

\* Simulation for a loan using average age, maturity, amount and spread of current CHF mortgage portfolio \*\* CHF/PLN sell rate used by the Bank on the last day of 3Q

\*\*\* Simulated Current DTI (Debt service To Income ratio) is based on Initial DTI with the new Instalment amount and the Income updated based on National wages growth

## Actions to support mortgage loan borrowers

The Bank fully implemented a set of „**Six-pack solution**” recommended by Polish Banking Association (ZBP) in order to mitigate negative impact of CHF appreciation, stabilize the level of loans instalments and support clients with the difficult financial standing:

1. Applying negative LIBOR rate\*: since 1st January this year, the loans indexed to CHF LIBOR have the interest rate calculated based on a negative LIBOR3M. In 3Q Bank was using CHF negative LIBOR3M of -0.789% and since 1 October 2015 the Bank applies the rate of -0.733%.
2. Temporary decrease of the FX conversion spread for CHF loans,
3. Extension on the Client's request the period of repayment or temporary suspension of the repayment of the capital instalment,
4. Resignation from demanding new collateral and loan insurance,
5. Enabling loan conversion at the average NBP rate,
6. Relaxing conditions of restructuring mortgage loans for clients occupying credited real estate

Additionally, Bank Millennium continues to be flexible in accepting change of collateral under the same mortgage loan (as long as LTV ratio does not deteriorate) and is providing to its customers different alternatives in case they want to decrease partially or totally the FX risk associated with the loan through preferential PLN mortgage conditions in case of partial or full conversion to PLN or early partial repayment.

On October 9th the new **Act on support of housing borrowers in a difficult financial situation** was passed, which was the idea proposed by 11 banks in March. The Fund worth initially of PLN 600 million (to be created by banks based on the Act) will help all mortgage borrowers (FX and PLN) being in troubled situation and meeting certain criteria.

\* Legally, total interest cannot be lower than zero. Nevertheless, since 1 April the Bank provides an additional payment for a CHF borrower with sum of interest spread and reference rate at a negative value. This payment will be valid till 31 December 2015.

## Synthetic P&L account (pro-forma)

<i>(PLN million)</i>	1-3Q 2014	1-3Q 2015	2Q 2015	3Q 2015
	pro-forma	pro-forma	pro-forma	pro-forma
Net interest income*	1 111,0	1 056,9	348,4	357,5
Net commission income	469,5	455,7	147,4	151,6
Other non-interest income **	94,3	117,2	47,9	31,6
<b>Operating Income</b>	<b>1 674,8</b>	<b>1 629,9</b>	<b>543,7</b>	<b>540,7</b>
General and administrative costs	-792,5	-774,6	-258,7	-253,4
Depreciation	-39,8	-37,0	-12,5	-12,6
<b>Total operating costs</b>	<b>-832,3</b>	<b>-811,7</b>	<b>-271,2</b>	<b>-266,0</b>
Net provisions	-201,5	-196,0	-59,3	-68,8
<b>Operating profit</b>	<b>641,0</b>	<b>622,2</b>	<b>213,1</b>	<b>205,9</b>
<b>Pre-tax profit</b>	<b>641,0</b>	<b>620,8</b>	<b>213,1</b>	<b>205,9</b>
Income tax	-147,7	-127,4	-47,9	-40,2
<b>Net profit</b>	<b>493,2</b>	<b>493,5</b>	<b>165,2</b>	<b>165,7</b>

(\*) Pro-forma data. Margin from all derivatives, including those hedging FX denominated loan portfolio, is presented in Net Interest Income, whereas in accounting terms part of this margin (PLN 5.5 million in 1-3Q 2014 and PLN 41.2 million in 1-3Q 2015) is presented in Result on Financial Operations.

(\*\*) includes FX results, results on financial operations (pro-forma) and net other operating income and costs

<i>(PLN million)</i>	1-3Q 2014	1-3Q 2015	2Q 2015	3Q 2015
Net interest income (reported under IFRS)	1 105,4	1 015,7	333,4	349,0

# Business segments results

(PLN million)	Retail segment			Companies segment			Treasury, ALM and other		
	1-3Q 2014	1-3Q 2015	change	1-3Q 2014	1-3Q 2015	change	1-3Q 2014	1-3Q 2015	change
Net interest income	869,0	800,4	-7,9%	242,8	195,8	-19,4%	-6,3	19,5	-
Net commission income	365,5	344,4	-5,8%	100,0	104,5	4,6%	4,0	6,8	71,2%
Other income *	62,6	36,0	-42,5%	33,8	36,7	8,8%	3,4	85,7	2403,7%
<b>Total operating income</b>	<b>1297,2</b>	<b>1180,9</b>	<b>-9,0%</b>	<b>376,6</b>	<b>337,1</b>	<b>-10,5%</b>	<b>1,0</b>	<b>111,9</b>	<b>10622,8%</b>
<b>Total operating expense **</b>	<b>-634,7</b>	<b>-614,0</b>	<b>-3,2%</b>	<b>-157,1</b>	<b>-157,4</b>	<b>0,2%</b>	<b>-40,5</b>	<b>-40,2</b>	<b>-0,8%</b>
Net provisions	-72,3	-150,7	108,4%	-128,8	-44,6	-65,4%	-0,3	-0,6	97,9%
<b>Pre-tax income</b>	<b>590,2</b>	<b>416,1</b>	<b>-29,5%</b>	<b>90,6</b>	<b>135,1</b>	<b>49,0%</b>	<b>-39,8</b>	<b>69,7</b>	<b>-</b>

(\*) including FX income

(\*\*) without impairment charges

# Balance Sheet

<b>ASSETS</b>	(PLN million)	<b>30/09/2014</b>	<b>30/06/2015</b>	<b>30/09/2015</b>
Cash and balances with the Central Bank		1 705	1 939	1 710
Loans and advances to banks		1 711	3 736	2 772
Loans and advances to customers		43 847	46 998	46 191
Amounts due from reverse repo transactions		382	131	45
Debt securities		11 731	14 651	12 911
Derivatives (for hedging and trading)		482	416	481
Shares and other financial instruments		8	16	15
Tangible and intangible fixed assets		192	199	198
Other assets		600	791	783
<b>TOTAL ASSETS</b>		<b>60 658</b>	<b>68 877</b>	<b>65 106</b>

<b>LIABILITIES AND EQUITY</b>	(PLN million)	<b>30/09/2014</b>	<b>30/06/2015</b>	<b>30/09/2015</b>
Deposits and loans from banks		2 087	2 153	1 953
Deposits from customers		47 435	50 234	51 188
Liabilities from repo transactions		314	3 364	0
Financial liabilities at fair value through P&L and hedging derivatives		1 778	3 537	2 560
Liabilities from securities issued		1 749	1 814	1 622
Provisions		97	70	70
Subordinated liabilities		631	629	640
Other liabilities		912	1 052	928
<b>TOTAL LIABILITIES</b>		<b>55 002</b>	<b>62 854</b>	<b>58 959</b>
<b>TOTAL EQUITY</b>		<b>5 656</b>	<b>6 023</b>	<b>6 147</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>60 658</b>	<b>68 877</b>	<b>65 106</b>

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