



# BANK MILLENNIUM GROUP

Presentation of 2016 results



# DISCLAIMER

This presentation has been prepared by Bank Millennium for its stakeholders for information purpose only.

The information presented in this presentation should be read together with other information published by the Bank (on [www.bankmillennium.pl](http://www.bankmillennium.pl)), in particular financial and current reports.

Financial data presented hereby is based on the consolidated Bank Millennium Group level. The Bank prepares its financial statements according to International Financial Reporting Standards, therefore only interests from derivatives meeting formal hedge accounting principles are recorded as Net Interest Income while other interest from derivatives is booked in Results on Financial Operations. As this hedge accounting relationship changes through time and does not necessarily include the entire portfolio of FX and Cross Currency Interest Rate swaps, the Bank provides in this presentation pro-forma data which presents all margin from derivatives in Net Interest Income. In the Bank's opinion, aforementioned approach allows better understanding of Net Interest Income evolution as it reflects substance of the derivatives transactions which are related to the liquidity management of the assets and liabilities in foreign currencies.

Statements regarding future refer only to the date on which they were created and are based on a knowledge, information and opinions available on this day. The Bank does not undertake obligation to publish any updates, modifications or revisions of the information, data or statements contained in this presentation unless such obligations arises under applicable laws and regulations.

This presentation should not be treated as a recommendation to purchase securities, an offer, invitation or a solicitation of an offer to purchase, invest or conclude any transaction on securities, in particular with respect to securities of Bank Millennium.



## PRESENTATION OF RESULTS IN 2016

- > **Status of medium term strategy execution**
- > Financial performance
- > Business development
- > Appendixes

# STRATEGY EXECUTION

Implementation of 2015-2017 strategy is allowing Bank Millennium to consolidate its position as a leading quality and technologically advanced bank ....

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## Customers growth

Strong pace of customer acquisition as the most important „investment“ for the future growth

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## Retail deposit base

Sustainable growth of market share to cross 6%, while improving deposit cost

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## Consumer loans

Cash loans remain an important element for asset mix change and profitability improvement

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## Corporate Banking profitability

Focus on profitability and loan growth within strict risk and value creation criteria

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## Distribution optimisation

Leveraging digital platform to maximize sales, still supported by branch optimisation process

# STRATEGY EXECUTION (continuation)

... and to fulfil most of its strategic targets. Banking tax and no dividends distribution is affecting ROE target

Acceleration of active clients growth (300k in 3 years): +207k net active in 2015-16

Increasing market share of retail customer funds to above 6%: 5.8%

Profitability preservation: Net profit above 2014 and 2015 (recurrent)

Brand differentiation: consistent Top position in quality service rankings

Transforming digital channels: usage acceleration (1 million active users)

Value creating growth in corporate: gross profit +31% y/y, reduced cost of risk, strong position in specialized finance (leasing, factoring)

Operational excellence: cost/income < 50%; IT platform enhancing flexibility, scalability and security



# QUALITY EXCELLENCE

In the ranking „Newsweek Friendly Bank 2016” Millennium was the only bank awarded in all categories and keeps a consistent position on the podium for several years in a row



	INTERNET BANK	TRADITIONAL BANKING	MORTGAGE BANKING	MOBILE BANKING
2016	2nd	3rd	2nd	3rd
2015	1st 	1st 	1st 	beyond top 3
2014	1st 	2nd	2nd	
2013	2nd	1st 	beyond top 3	
2012	1st 	2nd		
2011	3rd	3rd		

# SUMMARY OF 2012-2016 ACHIEVEMENTS (1)

Strong financial performance despite unfavourable environment for banks in Poland: low interest rates, regulatory interventions on maximum fees and higher capital requirements

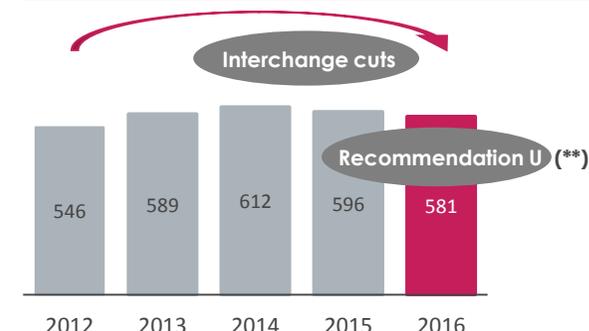
Net Income (PLN million)



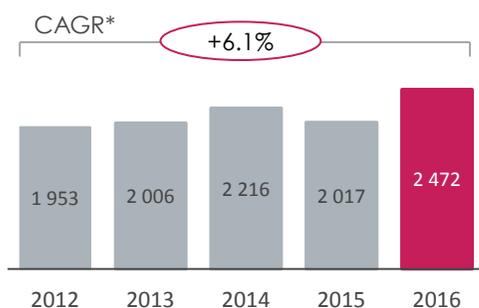
Net Interest Income (PLN million)



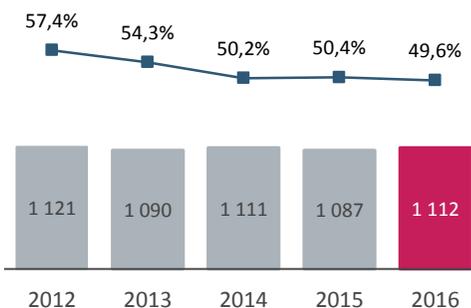
Net Commission Income (PLN million)



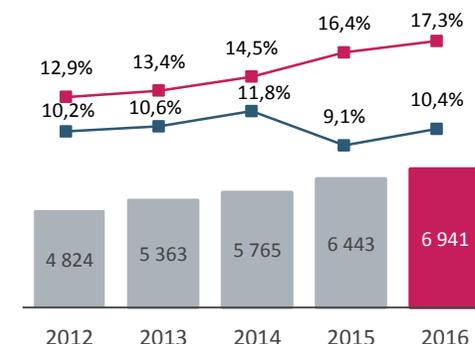
Operating Income (PLN million)



Costs & Cost/Income ratio (PLN million)



ROE & Capital (PLN million)



■ Operating Cost ■ Cost/Income ratio (recurrent)

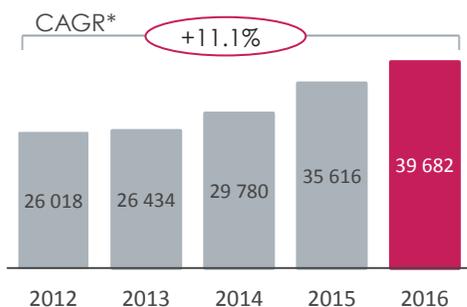
■ Shareholder Equity ■ ROE ■ CET1

(\*) Compound average growth rate  
(\*\*) new regulations on insurance business

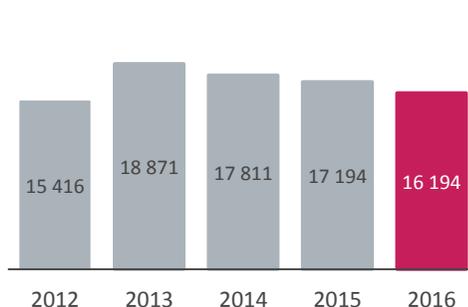
# SUMMARY OF 2012-2016 ACHIEVEMENTS (2)

Strong growth of business volumes, especially in strategic areas ...

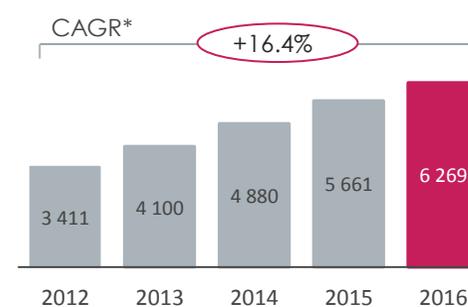
Deposits of Individuals (PLN million)



Deposits of Companies (PLN million)



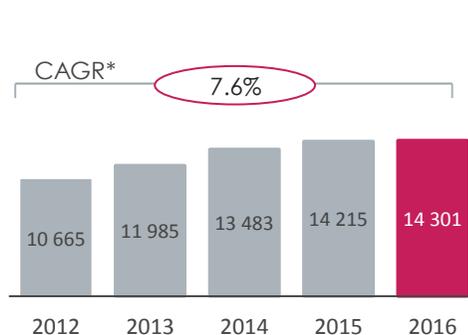
Consumer loans (PLN million)



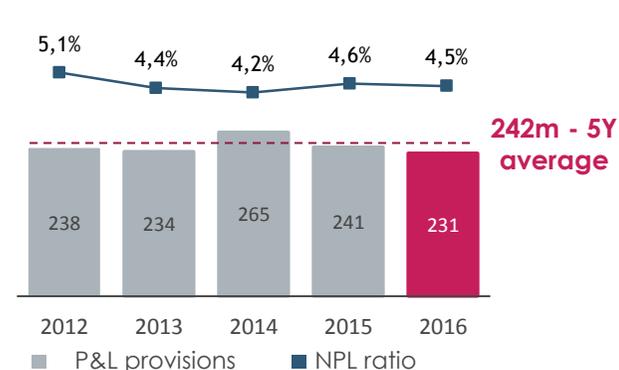
Mortgage Loans (PLN million)



Companies Loans (PLN million)



Provisions and NPL ratio (PLN million)



(\*) Compound average growth rate

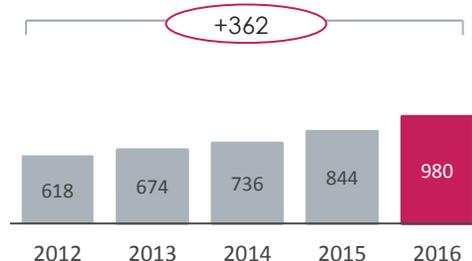
# SUMMARY OF 2012-2016 ACHIEVEMENTS (3)

... aligned with jump in number of customers and accounts, supported by quality improvement and excellence in digital channels

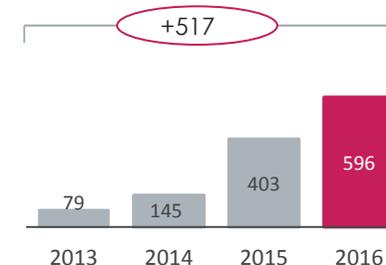
Number of Active Customers (thousand)



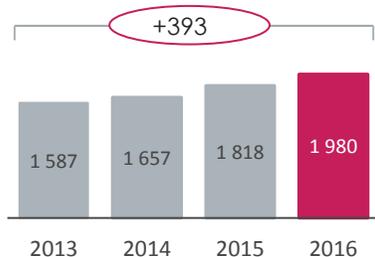
Number of e-Customers (thousand)



Number of Mobile Customers (thousand)



Number of current accounts (thousand)



Number of debit cards (thousand)



Ranking in quality



Numer 1 w Polsce



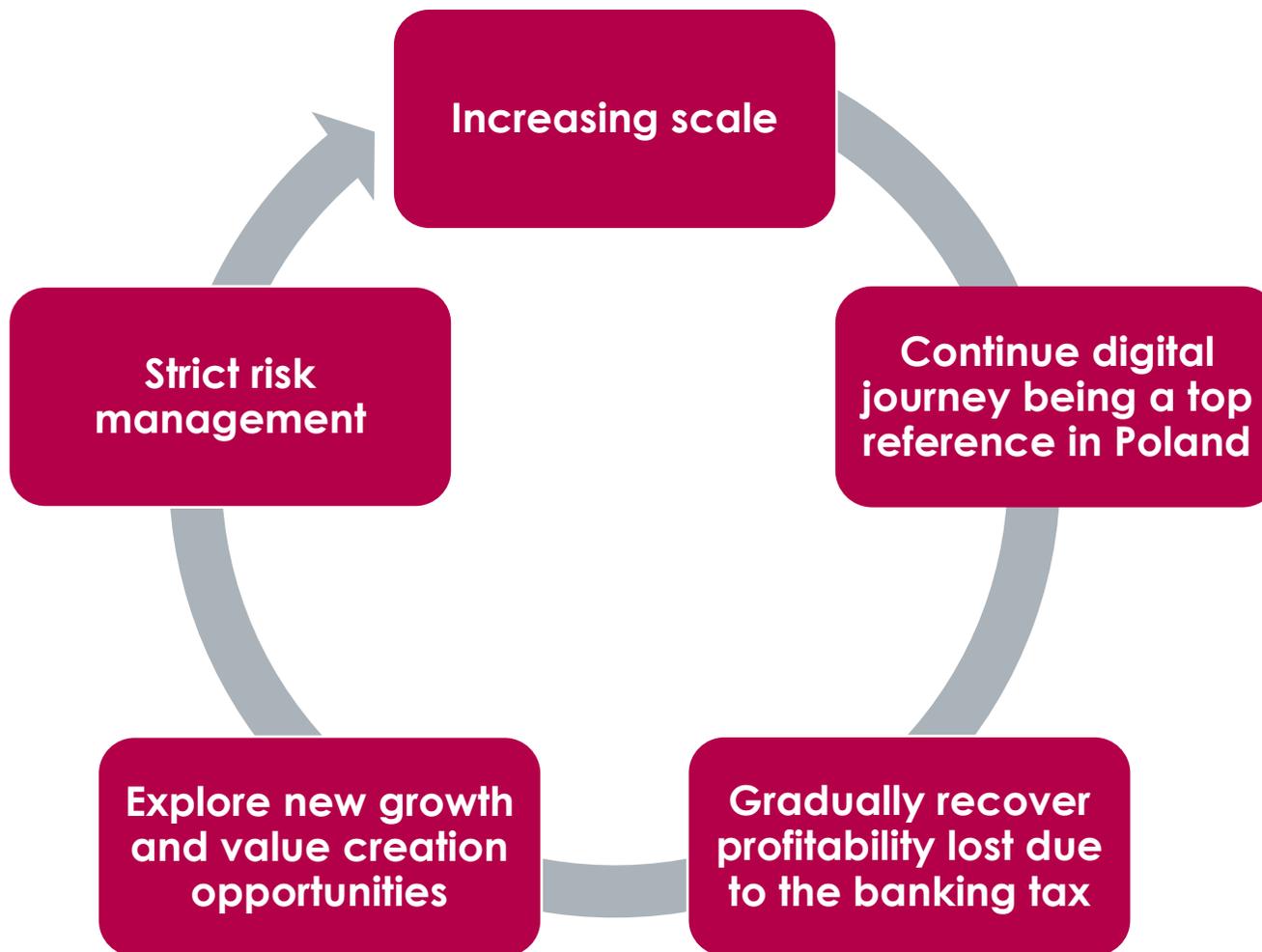
Millennium

Among the top three banks since 2011

in "Friendly Bank – Retail Customers" annual ranking of best banks in Poland by **Newsweek** magazine

# BANK MILLENNIUM 2017

Outlook for the future – Main focus





## PRESENTATION OF RESULTS IN 2016

- > Status of medium term strategy execution
- > **Financial performance**
- > Business development
- > Appendixes

# MAIN FINANCIAL HIGHLIGHTS OF 2016

The highest net profit in the Bank's history, supported by one-off items \*

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## Record net profit and cost efficiency

Net profit in 2016 at PLN **701 million (+28,3% y/y)**

ROE at **10.4%** (7.8% without one-off items\*)

Cost to Income at **45%** - the lowest yearly level (49.6% without one-offs)

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## Continued growth of operating income

Core income higher by **6.1% y/y**

Net interest income up by **9.7% y/y**

Third consecutive quarterly growth of net commission: **+4.3%** in 4Q

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## Good and stable asset quality and cost of risk

Impaired loans ratio at low **4.5%**; the ratio for mortgage loans at **2.5%**

Cost of risk at **49 b.p.**

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## Strong capital and liquidity ratios

Consolidated TCR at **17.4%** and CET1 at **17.3%**

Comfortable fulfilment of regulatory requirements

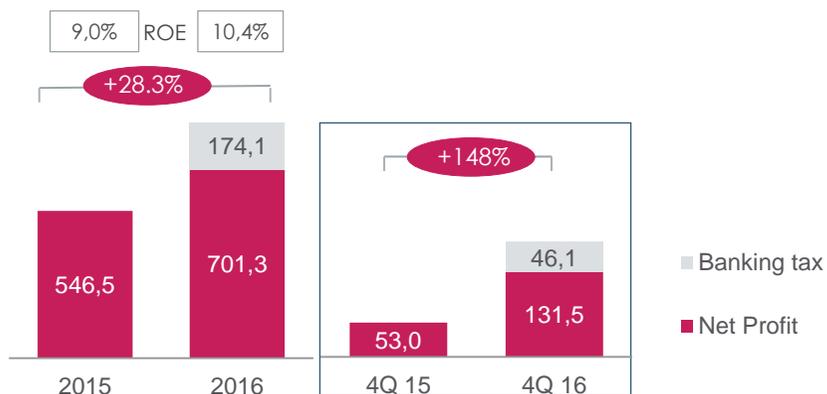
Very strong liquidity: loan to deposits at low **84%** level

(\*) Gain from VISA transaction (PLN 283 million) and extra provisions (PLN 51 million) accounted in 2Q 2016

# PROFITABILITY AND COST EFFICIENCY

Core income solid growth outperformed modest cost growth, which allowed Cost to Income to reach yearly lowest level below 50%

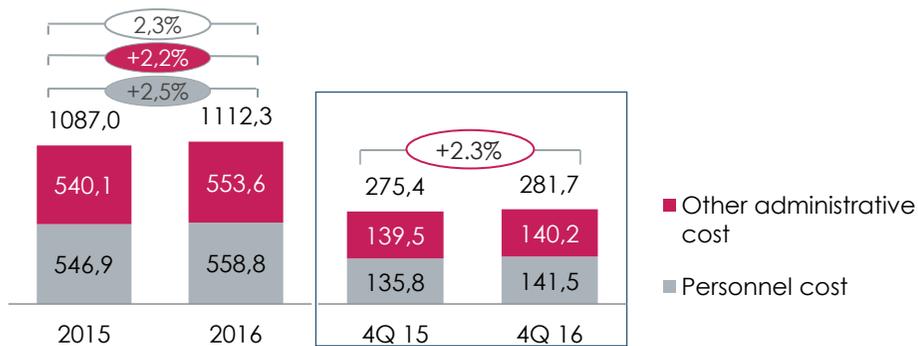
Net profit (PLN million)



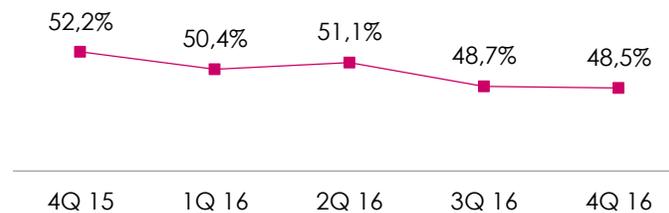
Operating income\* (PLN million)



Operating cost (PLN million)



Cost/Income Ratio (without one-offs)



(\*) Including net other operating income and cost  
 (\*\*) Net Interest Income + Net Commissions Income

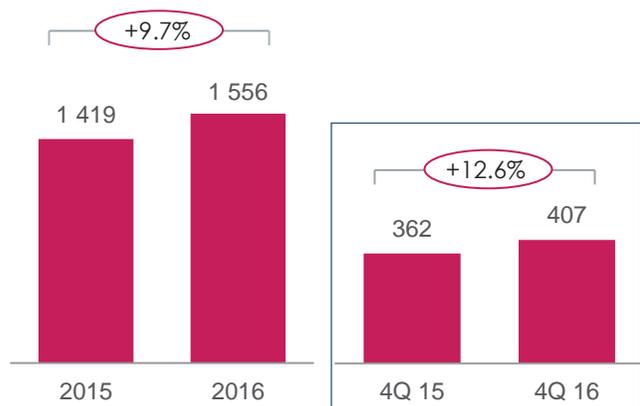


# INTEREST AND COMMISSION INCOME

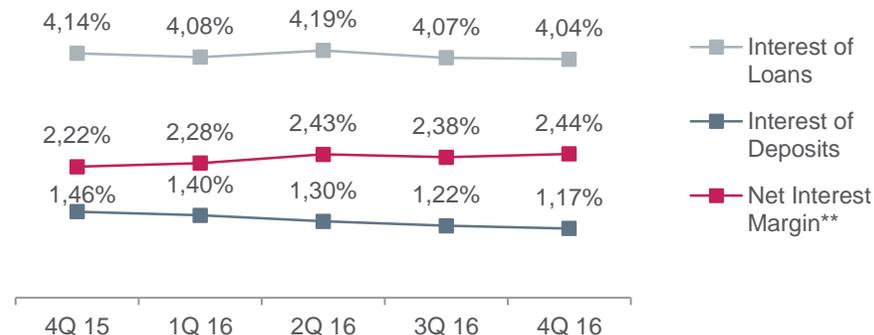
Strong growth of Net Interest Income by 10% thanks to margin improvement, mainly on deposits.  
Fees recovered from the bottom reached in 1Q 2016

Net Interest Income \*

(PLN million)



Interest on loans and deposit

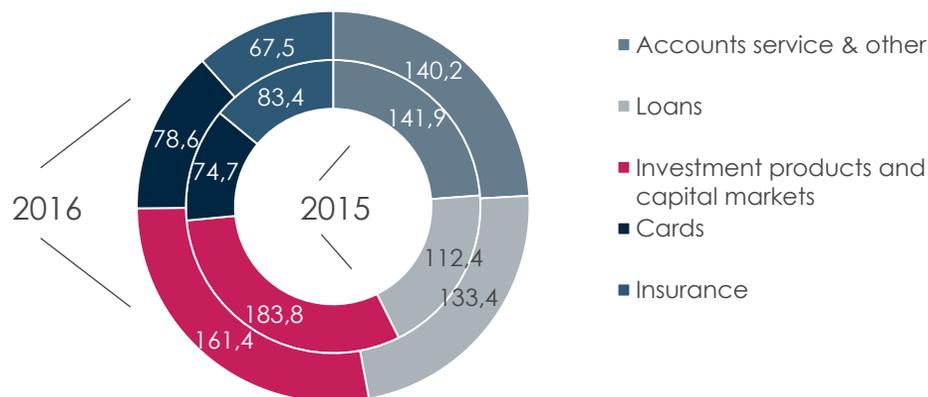


Net Commission Income

(PLN million)



Commission income structure

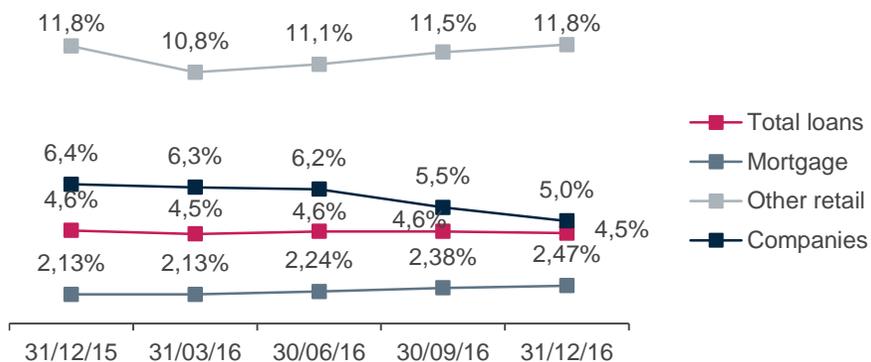


(\* ) Pro-forma data: margin from all derivatives hedging FX denominated loan portfolio is presented in NII, whereas in accounting terms part of this margin (PLN 50.6 million in 2016 and PLN 53.4 million in 2015) is presented in Result on Financial Operations  
(\*\*) Net Interest Margin: NII (pro-forma) to average interest earning assets

# ASSET QUALITY AND COST OF RISK

Good asset quality with significant improvement in corporate loans, reasonable cost of risk maintained, while capital position strongly improved

## Impaired Loans

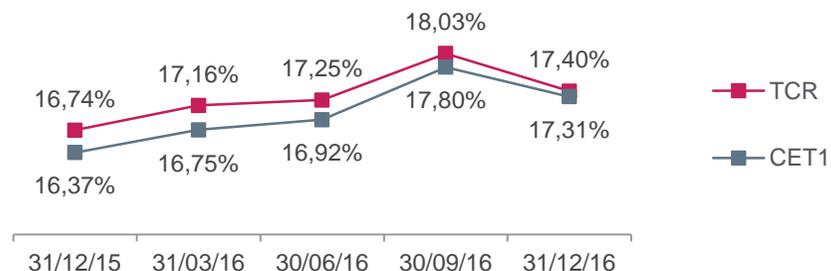


## P&L impairment provisions

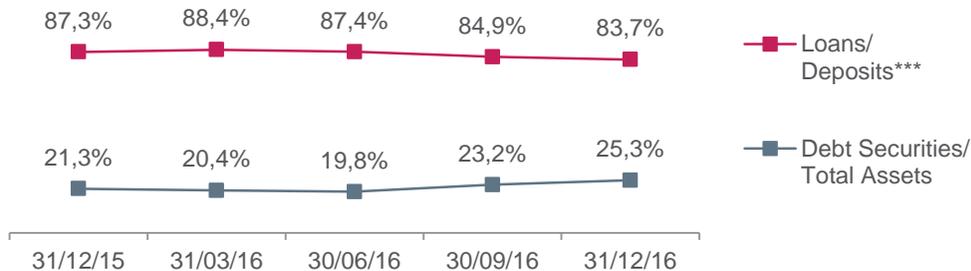
(PLN million)



## Group Capital Ratios \*\*



## Liquidity indicators



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

(\*\*) 1H 2016 profit fully recognized in 2016 capital ratios

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



## PRESENTATION OF RESULTS IN 2016

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# MAIN BUSINESS HIGHLIGHTS IN 2016

Consistent strategic focus realized in a successful delivery of targeted results both in retail and companies business, with higher and higher participation of electronic channels

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## Retail business

**1 492 ths.** active customers with **122 ths.** net growth during 2016 year

Retail deposits grew faster than market (**+11% y/y**) to reach **5.8%** market share

Acceleration of PLN mortgage sale: **+30% y/y** to PLN **895** million

Consumer loan portfolio grew **+11% y/y** thanks to robust sale of cash loans: **PLN 2.3 bn**

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## Companies business

Gross profit of corporate segment grew by **31% y/y**, thanks also to lower cost of risk

Strong sale of leasing and factoring: **+7%** and **+9%** yearly

Growing number of transactions: **+9%** of domestic payments and **+28%** of FX transactions (volume)

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## Innovations/Quality

One million active users of electronic banking (**16%** growth y/y)

Innovation, convenience and simplicity for customers in electronic channels

Bank Millennium among the top three banks in Newsweek quality ranking since 2011

# USE OF ELECTRONIC CHANNELS

High share of electronic channels in product sales volume

980k (+16% y/y)

Retail clients active in mobile and online banking

596k (+38% y/y)

Retail clients actively using mobile app and mobile Millenet

23%

share in cash loan  
– new sales (in  
terms of  
disbursement)

41%

share in  
overdrafts by  
number– new  
and top-ups

99%

of all Bank  
Millennium  
transfers were  
made online or  
via mobile

87%

of all new term  
deposits were  
made online or  
via mobile

# NEW SOLUTIONS IN MILLENET AND MOBILE APPLICATION

Innovation, convenience and simplicity for customers is the key to build long term relationships through electronic channels



Motor insurance



Access to PUE ZUS, to 500+ child benefit



HCE mobile payments



Shopping without code (BLIK One Click)



Improved Cash Loan process



Splitting card payments into Easy Instalments



Transactional push notifications



Chat for new clients



SIM cards registration process in Millenet



New functions (WindowsPhone, Blackberry)



Integrating mobile app with Android Wear



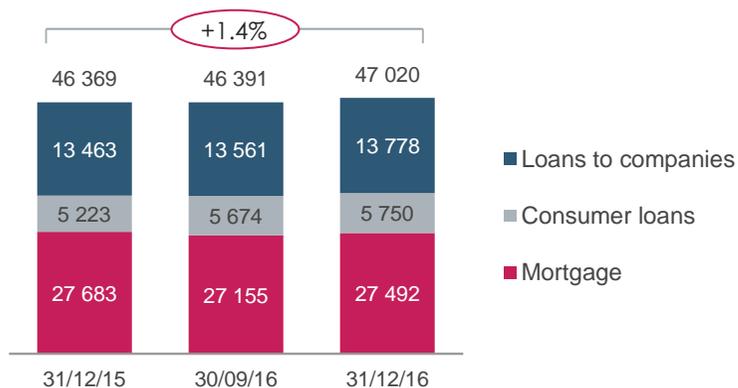
Fingerprint login for Android 6.0

# LOAN AND DEPOSITS

Deposits grew faster than loans, as on entire Polish banking market

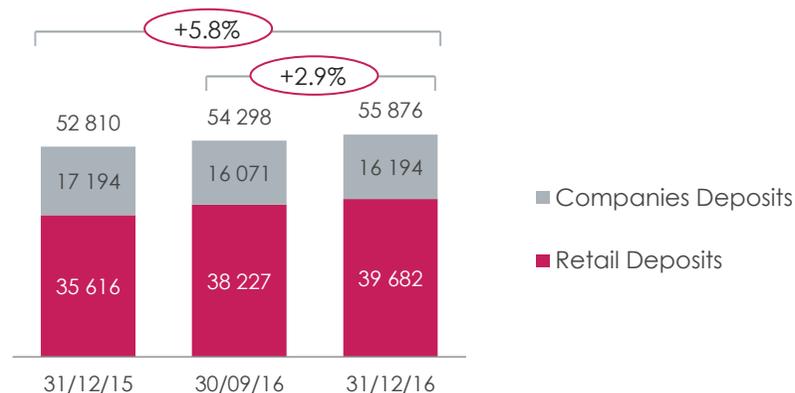
Loan Portfolio of the Group (net)

(PLN million)



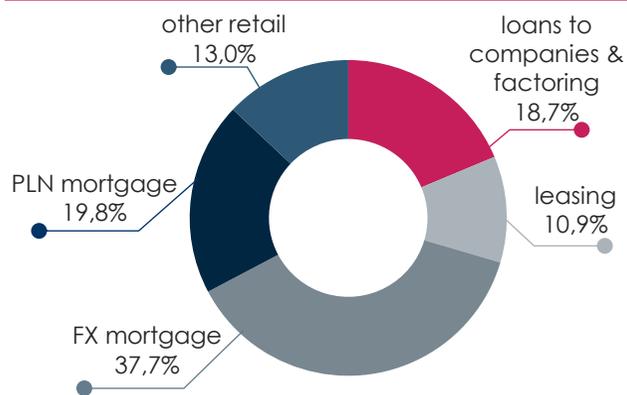
Customer Deposits

(PLN million)



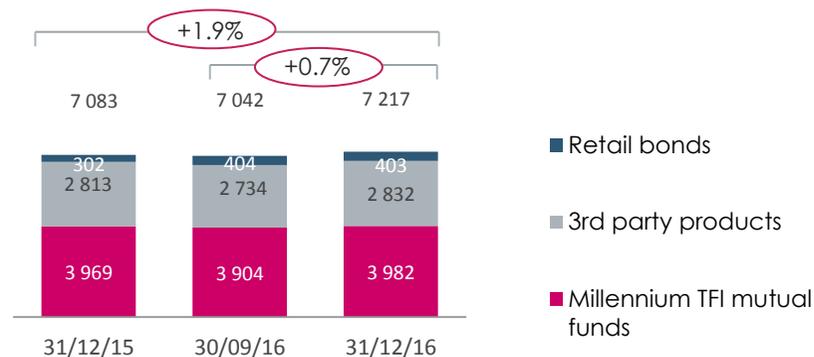
Structure of Loan Portfolio (gross)

(as on 31.12.2016)



Non-deposit investment products

(PLN million)

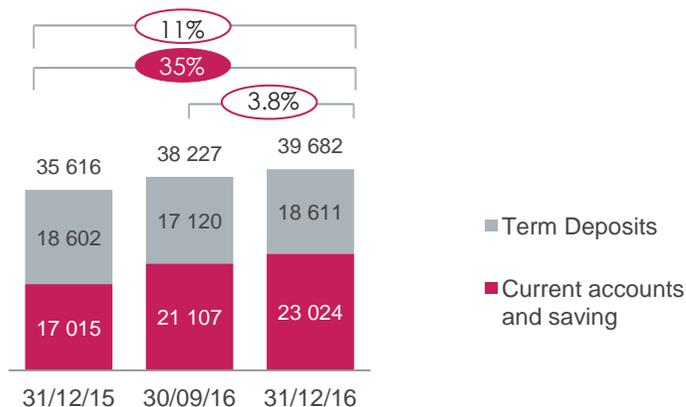


# RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Fast growth of new active customers and retail deposit volumes bring the Bank close to 2017 strategic targets

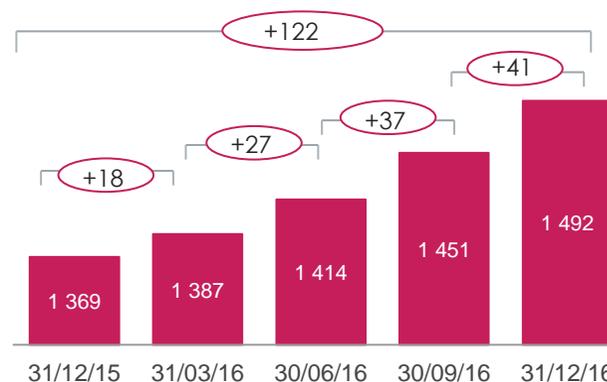
## Retail Deposits

(PLN million)



## Active retail clients

(in thousand.)

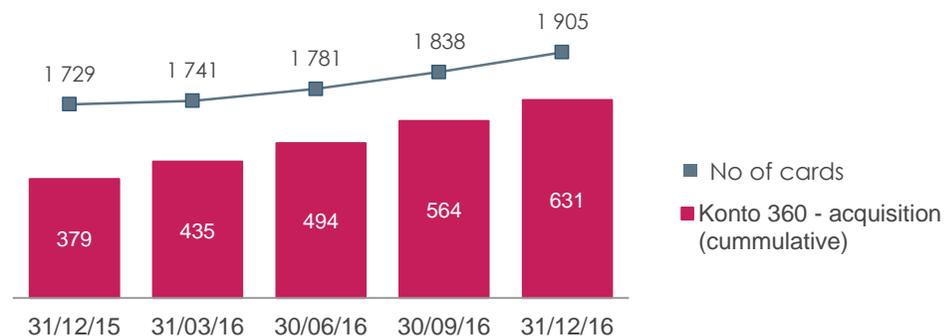


## Comments

- Faster than market growth: 5.8% share reached
- On track to deliver 300 ths. new active customers in 3 years
- 58% share of current and saving accounts in deposits

## Payment cards and Konto 360°

(in thousand)

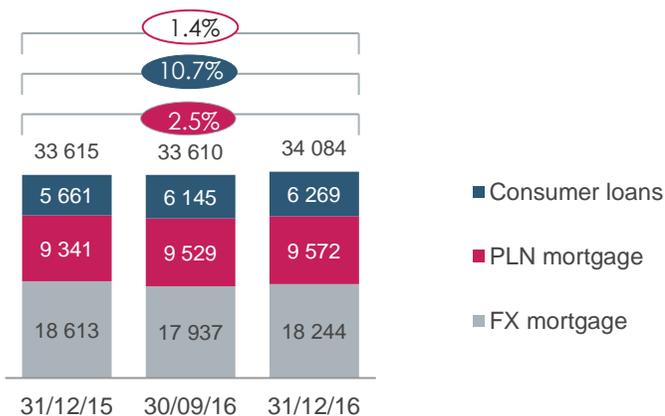


# RETAIL BUSINESS – LOANS

Change of loan mix continued with double digit growth of consumer loans volume

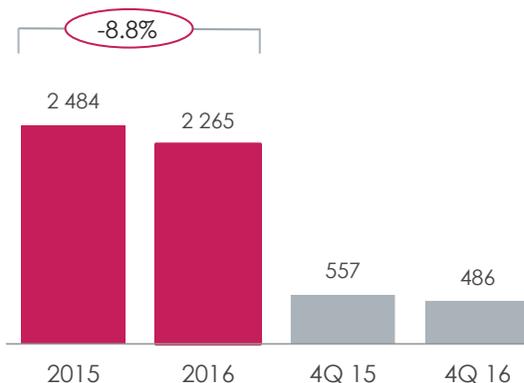
Retail loans (gross)

(PLN million)



Cash loans new sales

(PLN million)

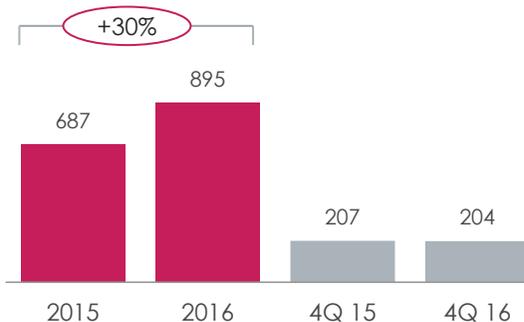


## Comments

- Consumer loans make almost 20% of all retail loans
- Lower risk profile of cash loans, being sold mainly to own customers

Mortgage loans new sales

(PLN million)

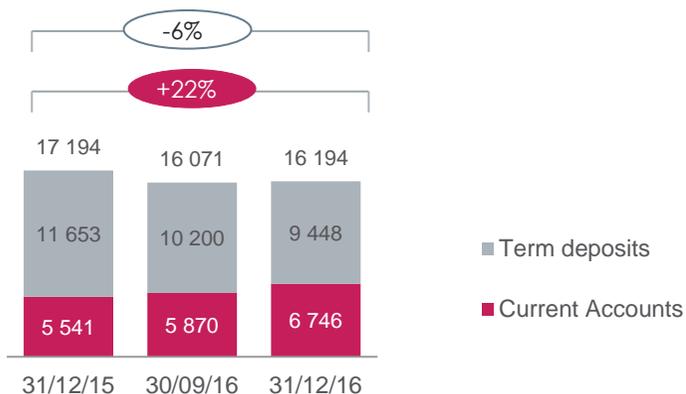


# COMPANIES BUSINESS – DEPOSITS AND TRANSACTIONS

Higher number and volume of transactions allowed to increase current accounts balances with positive implication for profitability

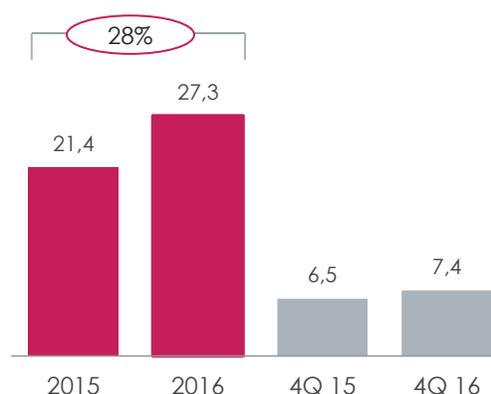
## Companies deposits

(PLN million)



## Volume of FX transactions

(PLN billion)

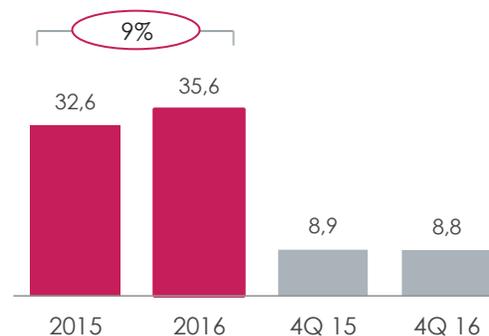


## Comments

- Current account balance grew by PLN 1.2 bn or 22% yearly
- Usage of mobile banking by corporate customers grew by 56% yearly

## Domestic payments

(million)



# COMPANIES BUSINESS – LOANS

Corporate loans with modest growth, like in the sector, but strong growth of specialized financing

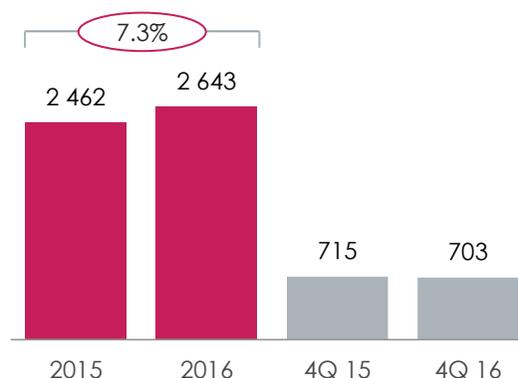
Loans to companies (gross)

(PLN million)



Leasing – new sales

(PLN million)

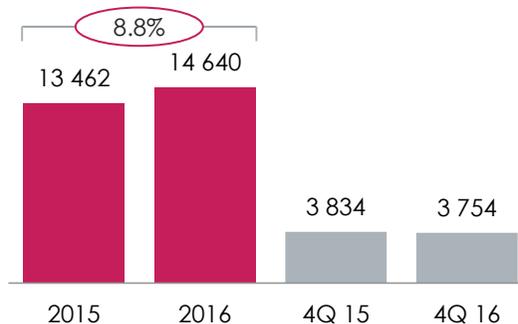


## Comments

- Thanks to higher number of transactions and lower cost of risk, companies segment increased gross profit by 31% y/y to PLN 250 million
- Strong position in factoring and leasing market: 9.2% and 6.0% respectively

Factoring – turnover

(PLN million)



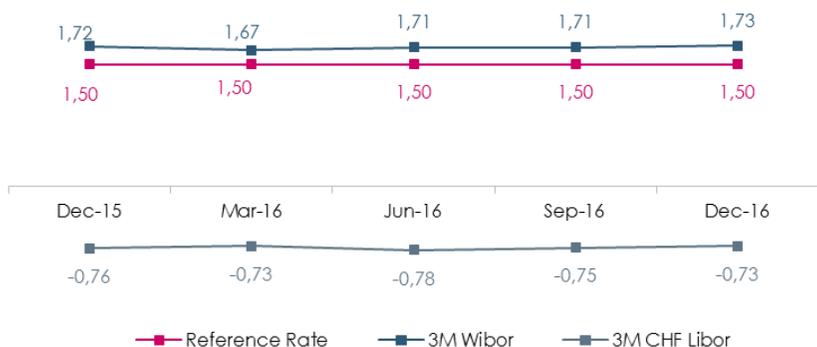


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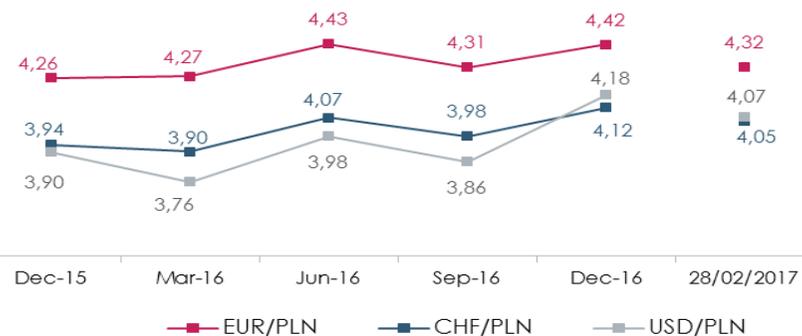
# MACROECONOMIC OVERVIEW

## Interest rates evolution (%)



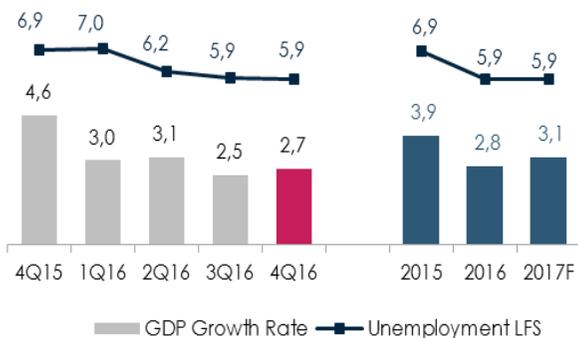
<b>Q-o-Q (bp)</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Y-o-Y (bp)</b>	<b>0</b>	<b>1</b>	<b>3</b>

## FX rates evolution

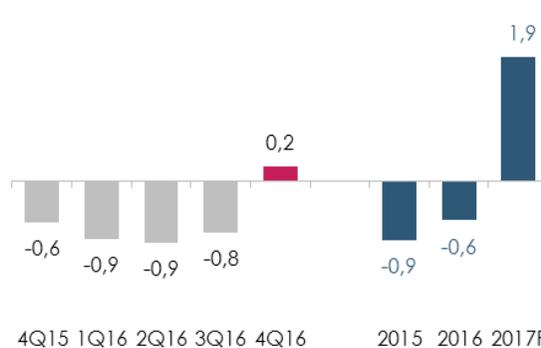


<b>Q-o-Q</b>	<b>2,6%</b>	<b>3,4%</b>	<b>8,4%</b>
<b>Y-o-Y</b>	<b>3,8%</b>	<b>4,5%</b>	<b>7,1%</b>

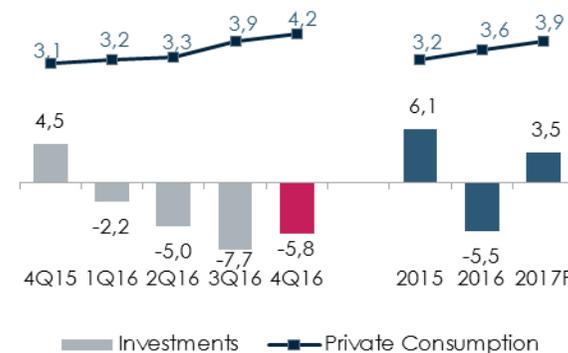
## GDP growth & unemployment (%)



## Inflation (%)



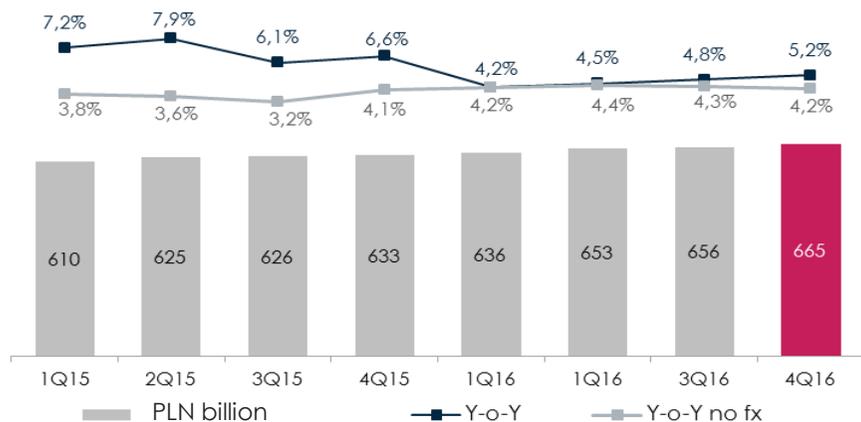
## Investments & Consumption (% y/y)



# MACROECONOMIC OVERVIEW (continuation)

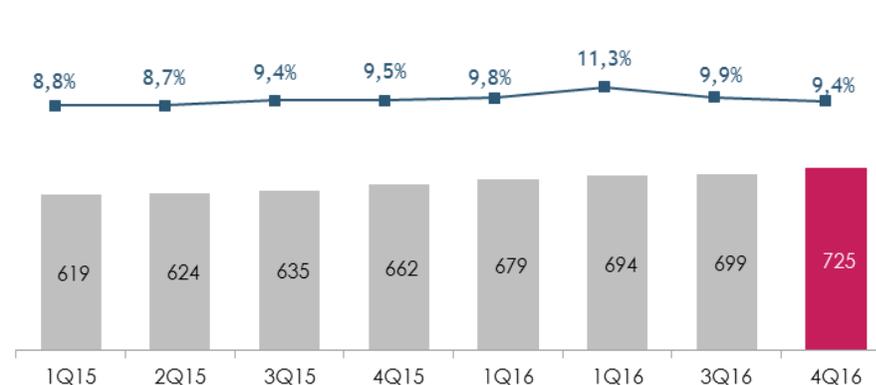
## Loans to households

(PLN billion, % y/y)



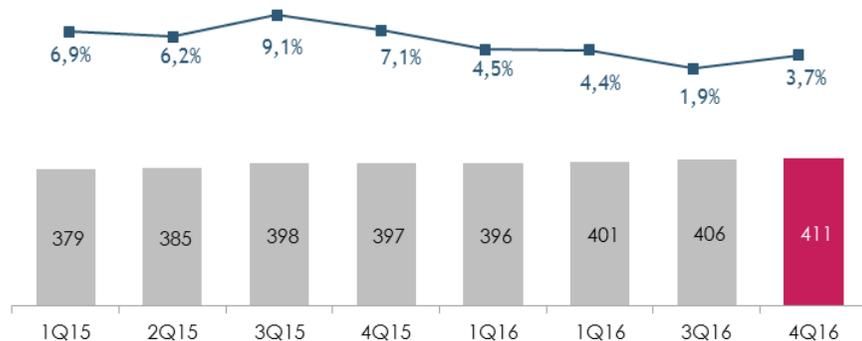
## Households' deposits

(PLN billion, % y/y)



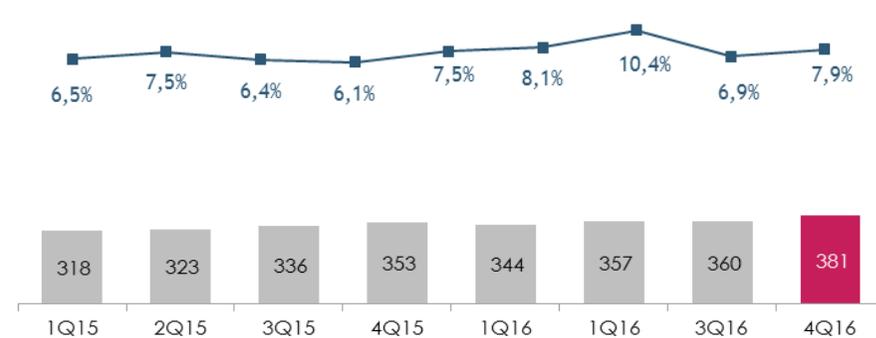
## Loans to companies

(PLN billion, % y/y)



## Companies' deposits

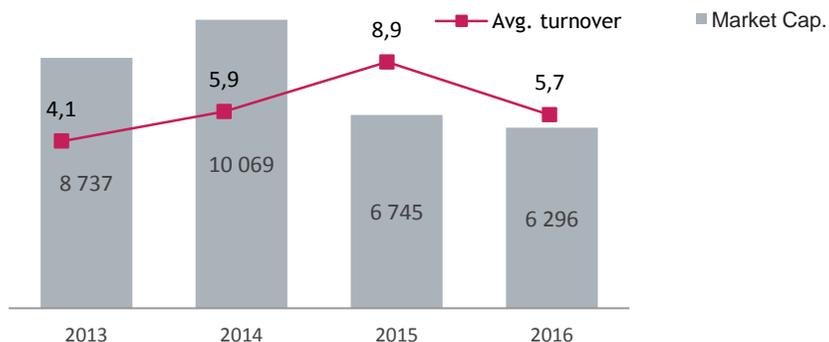
(PLN billion, % y/y)



# BANK MILLENNIUM SHARE PERFORMANCE

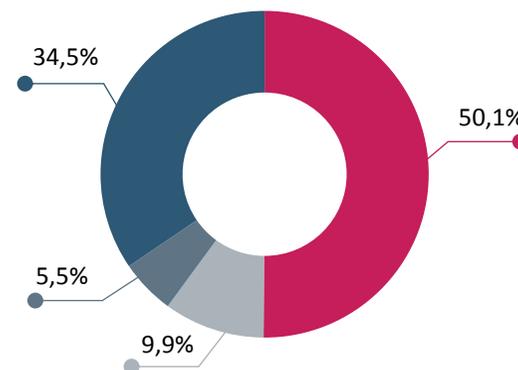
## Market cap/liquidity

(PLN million)



## Bank Millennium shareholders' structure (\*)

- BCP
- Nationale-Nederlanden OFE
- Aviva OFE
- Remaining free float



## Annual stock performance vs. main indices (as on 31.12.2016)

	Annual change
WIG	11.4 %
WIG20	4.8 %
WIG30	8.1 %
WIG Banks	2.9 %
Bank Millennium	-6.7 %

## General information on Bank Millennium shares

No of shares: 1 213 116 777 (listed 1 213 008 137)

Listed: on Warsaw Stock Exchange since August 1992

Index: WIG, WIG 30, mWIG40, WIG Banks, WIG RESPECT, MSCI PL, FTSE GEM

Tickers: ISIN PLBIG0000016, Bloomberg MIL PW, Reuters MILP.WA

(\*) Number of shares held by Nationale-Nederlanden OFE (Pension Fund) and Aviva OFE (Pension Fund) calculated on the basis of information contained in a document entitled Annual structure of the assets of Nationale-Nederlanden OFE and Aviva OFE as at 31.12.2016. The average Bank's share price on this day at PLN 5.1481 was taken for this calculation.

# RECENT MAJOR AWARDS AND ACHIEVEMENTS

During 2016 Bank received many distinguished awards



## GLOBAL FINANCE AWARD 2016

For Poland's best digital bank, according to the independent Global Finance magazine.



## QUALITY IN THE BANK

Highest standard of customer service in a branch



## SERVICE QUALITY STAR

Bank Millennium was honored with the prestigious Service Quality Star award



## GOLD BANKIER

Bank Millennium wins in the category: Security – best practices



## CONSUMER'S CHOICE

The highest level of satisfaction and acceptance in the "Banking services" category



## RESPECT INDEX

Confirmation of highest standard of corporate governance and investor relations as well as environmental and social factors.

# SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	2015	2016	Change Y/Y	4Q 2015	3Q 2016	4Q 2016
Net interest income*	1 418,7	1 556,5	9,7%	361,7	393,2	407,3
Net commission income	596,2	581,0	-2,5%	140,4	150,2	156,7
Other non-interest income **	2,3	334,7	14 212,3%	-114,9	27,6	17,3
<b>Operating Income</b>	<b>2 017,2</b>	<b>2 472,2</b>	<b>22,6%</b>	<b>387,3</b>	<b>570,9</b>	<b>581,3</b>
General and administrative costs	-1 036,6	-1 057,5	2,0%	-262,0	-264,8	-268,2
Depreciation	-50,4	-54,9	8,8%	-13,4	-13,0	-13,5
<b>Total operating costs</b>	<b>-1 087,0</b>	<b>-1 112,3</b>	<b>2,3%</b>	<b>-275,4</b>	<b>-277,8</b>	<b>-281,7</b>
Net provisions	-241,2	-231,2	-4,2%	-45,2	-53,5	-71,7
<b>Operating profit</b>	<b>688,9</b>	<b>1 128,7</b>	<b>63,8%</b>	<b>66,7</b>	<b>239,6</b>	<b>227,9</b>
Banking tax	-	-174,1	-	-	-47,4	-46,1
<b>Pre-tax profit</b>	<b>687,5</b>	<b>953,3</b>	<b>38,7%</b>	<b>66,7</b>	<b>192,2</b>	<b>180,4</b>
Income tax	-141,0	-252,0	78,7%	-13,6	-53,4	-48,9
<b>Net profit</b>	<b>546,5</b>	<b>701,3</b>	<b>28,3%</b>	<b>53,0</b>	<b>138,8</b>	<b>131,5</b>
<b>Accounting</b>	2015	2016	Change Y/Y	4Q 2015	3Q 2016	4Q 2016
Net interest income (reported under IFRS)	1 365,2	1 505,8	10,3%	349,5	383,0	389,2

(\*) 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 50.6 million in 2016 and PLN 53.4 million in 2015) is presented in Result on Financial Operations.

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

# BALANCE SHEET

(PLN million)

## ASSETS

Cash and balances with the Central Bank
Loans and advances to banks
Loans and advances to customers
Amounts due from reverse repo transactions
Debt securities
Derivatives (for hedging and trading)
Shares and other financial instruments
Tangible and intangible fixed assets
Other assets
<b>TOTAL ASSETS</b>

	31/12/2015	30/09/2016	31/12/2016	Change y/y
	1 946	2 366	1 779	-8,6%
	2 349	1 369	1 268	-46,0%
	46 369	46 391	47 020	1,4%
	0	86	91	-
	14 056	15 556	17 407	23,8%
	429	312	268	-37,6%
	230	45	43	-81,2%
	218	207	226	3,8%
	637	806	691	8,5%
	<b>66 235</b>	<b>67 138</b>	<b>68 793</b>	<b>3,9%</b>

## LIABILITIES AND EQUITY

Deposits and loans from banks
Deposits from customers
Liabilities from repo transactions
Financial liabilities at fair value through P&L and hedging derivatives
Liabilities from securities issued
Provisions
Subordinated liabilities
Other liabilities
<b>TOTAL LIABILITIES</b>
<b>TOTAL EQUITY</b>
<b>TOTAL LIABILITIES AND EQUITY</b>

	31/12/2015	30/09/2016	31/12/2016	Change y/y
	1 444	1 449	1 271	-12,0%
	52 810	54 298	55 876	5,8%
	0	0	0	-
	2 477	1 527	1 489	-39,9%
	1 134	1 328	1 314	15,8%
	31	38	49	60,2%
	640	650	664	3,8%
	1 256	996	1 189	-5,3%
	<b>59 792</b>	<b>60 286</b>	<b>61 852</b>	<b>3,4%</b>
	<b>6 443</b>	<b>6 852</b>	<b>6 941</b>	<b>7,7%</b>
	<b>66 235</b>	<b>67 138</b>	<b>68 793</b>	<b>3,9%</b>



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