



# BANK MILLENNIUM GROUP

Presentation of 2nd quarter 2017 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.

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## PRESENTATION OF RESULTS IN 2Q 2017

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

# KEY PROFIT & LOSS ITEMS

PLN mln	1H17	1H16	Change Y/Y	2Q17	1Q17	Change Q/Q
Net interest income	841.1	756.0	11.3%	429.9	411.2	4.6%
Net commission income	328.6	274.1	19.9%	162.5	166.1	-2.2%
<b>Total operating income</b>	<b>1 211.3</b>	<b>1 320.0</b>	<b>-8.2%</b>	<b>632.4</b>	<b>579.0</b>	<b>9.2%</b>
TOI without one-offs(*)	1 234.5	1 088.5	13.4%			
<b>Total costs</b>	<b>-561.2</b>	<b>-552.8</b>	<b>1.5%</b>	<b>-290.7</b>	<b>-270.5</b>	<b>7.4%</b>
Loan loss provisions	-122.7	-106.1	15.7%	-63.0	-59.7	5.4%
Banking tax on assets	-93.7	-80.5	16.3%	-46,5	-47,2	-1.7%
<b>Net Profit</b>	<b>314.1</b>	<b>430.9</b>	<b>-27.1%</b>	<b>173.6</b>	<b>140.5</b>	<b>23.6%</b>
Net profit without one-offs (*)	337.3	250.7	34.6%			
NIM	2.51%	2.36%	+0.15 p.p.	2.56%	2.47%	+0.09 p.p.
<b>Cost/Income</b>	<b>45.5%(*)</b>	<b>50.8%(*)</b>	<b>-5.3 p.p.</b>	<b>46.0%</b>	<b>46.7%</b>	<b>- 0.7 p.p.</b>
Cost of Risk	52 b.p.	45 b.p.	+7 b.p..	54 b.p	51 b.p	+3 b.p
<b>ROE</b>	<b>9.4%(*)</b>	<b>7.6%(*)</b>	<b>+1.8 p.p.</b>	<b>9.6%</b>	<b>8.1%</b>	<b>+1.5 p.p.</b>
ROA	0.98%(*)	0.76%(*)	+0.22 b.p	1.01%	0.82%	+0.19 b.p

(\*) excluding one-off results (e.g. VISA transaction in 2Q16) and adjusted for BFG resolution yearly fee - PLN 46.4 million , of which 43.9 million booked in 1Q17;

# KEY BALANCE SHEET ITEMS

PLN mln	June 17	Mar. 17	Change Q/Q	June 16	Change Y/Y
<b>Active customers (ths)</b>	<b>1 557</b>	<b>1 523</b>	<b>+34</b>	<b>1 414</b>	<b>+143</b>
inc. on-line and mobile	1 060	1 023	+37	906	+154
<b>Customer Funds</b>	<b>65 166</b>	<b>64 126</b>	<b>1.6%</b>	<b>60 150</b>	<b>8.3%</b>
Customer Funds of individuals	48 592	48 759	-0.3%	44 335	<b>9.6%</b>
<b>Deposits</b>	<b>56 988</b>	<b>56 376</b>	<b>1.1%</b>	<b>53 360</b>	<b>6.8%</b>
<b>Loans</b>	<b>47 316</b>	<b>46 992</b>	<b>0.7%</b>	<b>46 965</b>	<b>0.7%</b>
FX Mortgage Loans	16 425	17 075	-3.8%	18 527	-11.3%
Loans without FX mortgage	30 891	29 917	<b>3.3%</b>	28 438	<b>8.6%</b>
L/D	<b>82.4%</b>	82.8%	-0.4 p.p.	87.4%	-5.0 p.p.
Impaired loan ratio	4.54%	4.50%	+0.04 p.p.	4.57%	-0.03 p.p.
Coverage ratio	65.7%	64.7%	+1.0 p.p.	64.2%	+1,5 p.p.
<b>CET1 = T1</b>	<b>18.0%</b>	<b>17.9%</b>	<b>+0.1 p.p.</b>	<b>17.3%</b>	<b>+0.7 p.p.</b>
<b>TCR</b>	<b>18.0%</b>	<b>18.0%</b>	<b>0.0 p.p.</b>	<b>16.9%</b>	<b>+1.1 p.p.</b>

# EUROMONEY AWARD FOR EXCELLENCE

Best Bank for CSR in Central & Eastern Europe

**Millennium**  
bank

**Best Bank for CSR**

In Central and Eastern Europe



„For Bank Millennium’s transparent way of presenting CSR activities, diversity and complexity of its programmes, and above all the innovative approach to clients, which makes Bank Millennium’s services simple and easy to use”.

# MAIN FINANCIAL HIGHLIGHTS OF 2Q 2017

Further improvement of profitability thanks to business and core income growth

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## Further improvement of profitability and cost efficiency

Net profit in 2Q 2017 at PLN **173.6 million (+24% q/q)**.

1 H Net profit reached PLN **314.1 million** which is **35%** higher when adjusting for one-offs \*)

ROE in 2Q close to double-digit: **9.6%**

Cost to Income in 2Q improved again to **46%**

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## Core income as main driver of the improvement

Core income grew **13.5% y/y**

Net interest income up by **11.3% y/y**

Net commission strong growth of **19.9% y/y**

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## Strong asset quality and liquidity maintained

Impaired loans ratio at stable **4.5%**

Cost of risk at **52 b.p.** ytd

Strong liquidity kept: loan to deposits at low **82%** level

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## High capital ratios

High capital ratios: Group's TCR and CET1 at **18.0%** (without 1 H profit)

TCR in 2H will increase due to KNF/ECB decision on IRB model changes and revoking Supervisory Floor (with estimated impact of 2.9 p.p.) \*\*)

(\*) In 2016 extra capital gain from VISA and other extra charges, in 2017 adjustment for full payment of BFG resolution fee

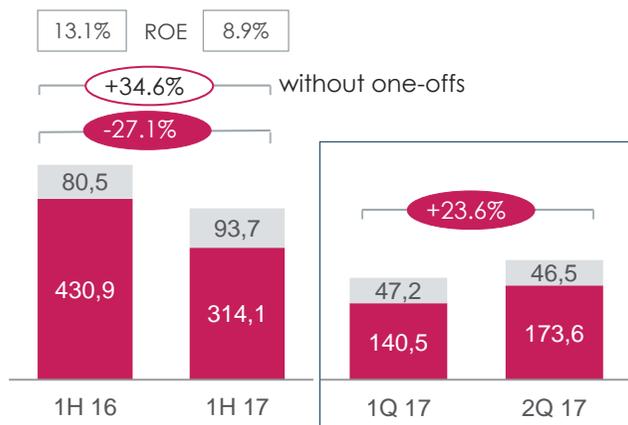
(\*\*) Further changes to minimum capital ratios may occur in 4Q as a consequence of SREP/BION conclusion

# PROFITABILITY AND COST EFFICIENCY

Core income solid yearly growth outperformed modest cost growth, which allowed Cost to Income to come down to 46%

## Net profit

(PLN million)



## Operating income \*

(PLN million)

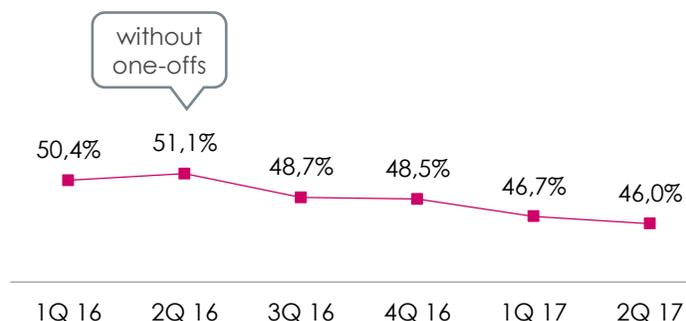


## Operating cost

(PLN million)



## Cost/Income Ratio



# INTEREST AND COMMISSION INCOME

Double-digit yearly growth of Net Interest and Commission Income kept

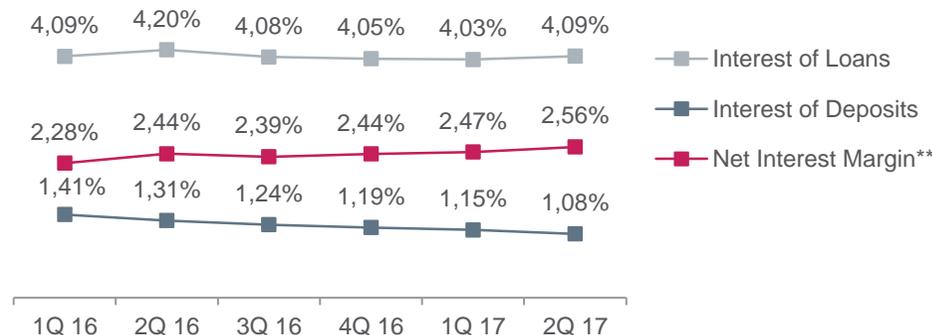
## Net Interest Income \*

(PLN million)



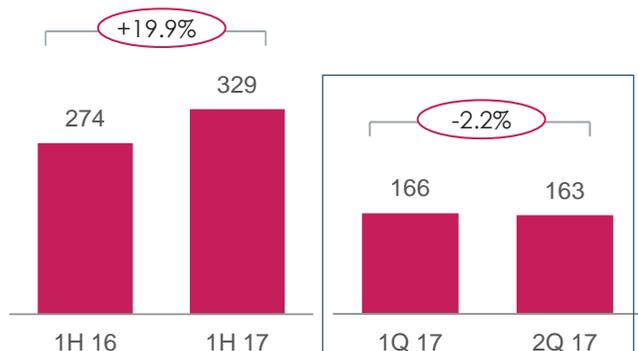
## Interest on loans and deposit

(PLN million)



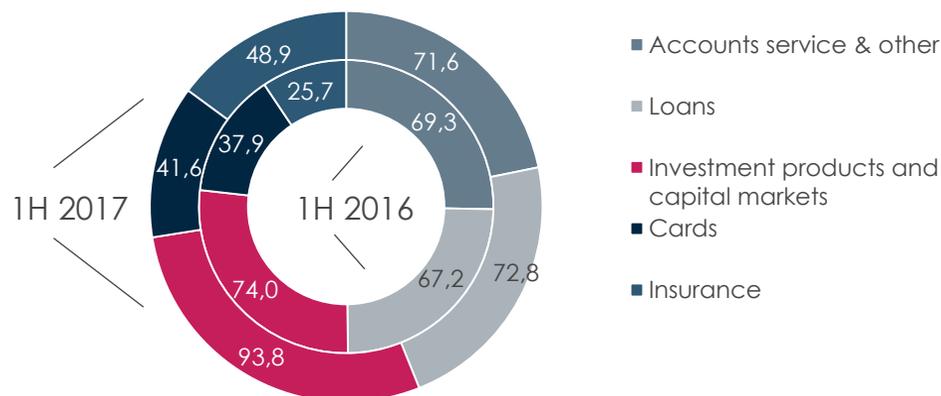
## Net Commission Income

(PLN million)



## Commission income structure

(in 1H 2017)



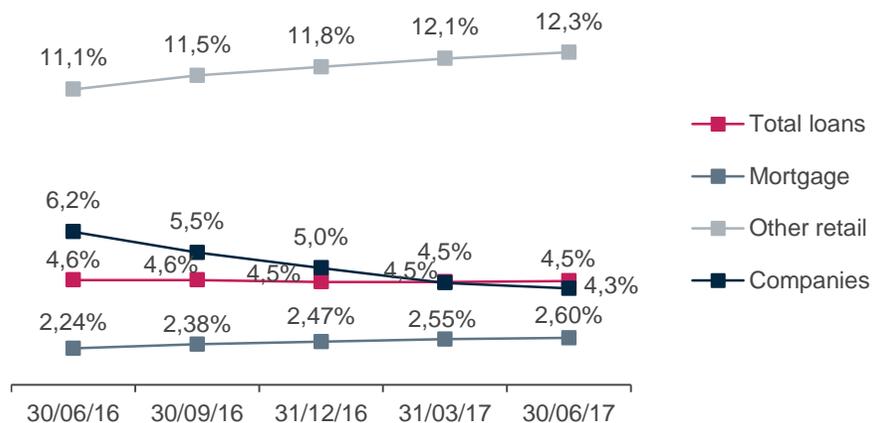
(\* ) Pro-forma data: margin from all derivatives hedging FX denominated loan portfolio is presented in NII, whereas in accounting terms part of this margin (PLN 26.8 million in 1H 2017 and PLN 22.3 million in 1H 2016) is presented in Result on Financial Operations

(\*\*) Net Interest Margin: NII (pro-forma) to average interest earning assets

# ASSET QUALITY AND CAPITAL

Strong Asset Quality, Liquidity and Capital ratios maintained.

## Impaired Loans

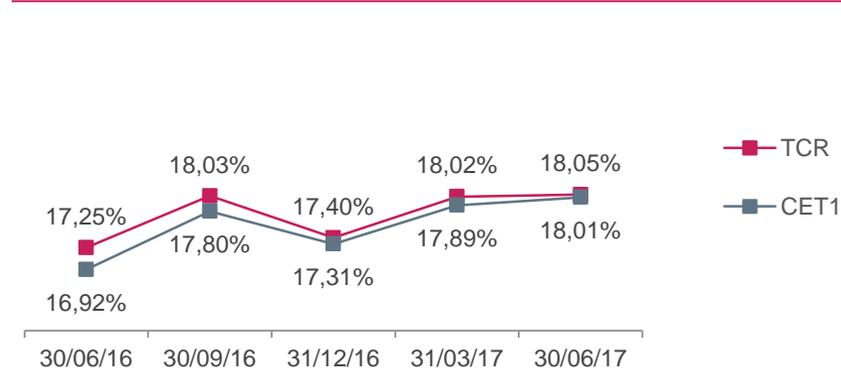


## P&L impairment provisions

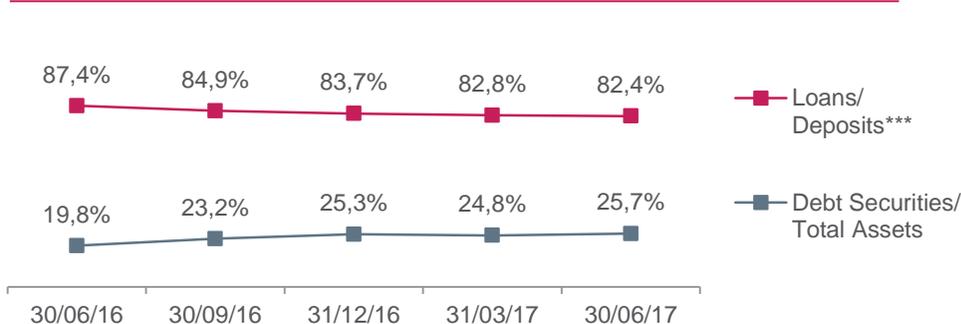
(PLN million)



## Group Capital Ratios \*\*



## Liquidity indicators



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

(\*\*) 2016 FY profit fully recognized in 1Q 2017 capital ratios

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



## PRESENTATION OF RESULTS IN 2Q 2017

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

# MAIN BUSINESS HIGHLIGHTS IN 2Q 2017

Continued strong performance in lending and current account volumes.

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## Retail business

**10%** yearly growth of retail customer funds

**28%** yearly growth of current and saving accounts balance

PLN mortgage sale at PLN **628 million** in 2Q

Cash loans sale at PLN **572 million** in 2Q

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## Companies business

Continued growth of corporate loans: **+2.4%** q/q, after strong 1Q

Record factoring sale of PLN **4.2 billion** in 2Q

Rebound of corporate deposits with continued current accounts growth (**7.5%** y/y)

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## Innovations/Quality

More than 36 ths. users of Profil Zaufany (Trusted profile - access to e-administration)

“Best Bank for CSR in Central & Eastern Europe” award from Euromoney magazine

Regional Innovation Potential - Millennium Index 2017 as Bank's participation in debate on innovation

# USE OF ELECTRONIC CHANNELS

High share of electronic channels in product sales volume

1 060k (+17% y/y)

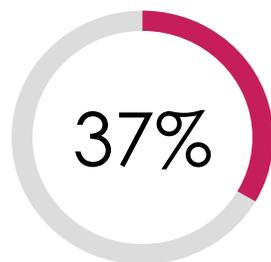
Retail clients active in mobile and online banking

615k (+42% y/y)

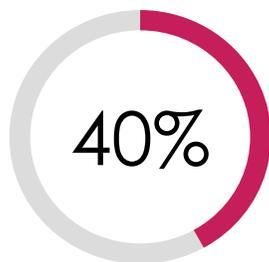
Retail clients actively using mobile app and mobile Millenet



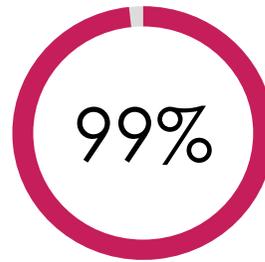
Bank Millennium  
the best digital  
consumer bank in  
Poland  
according to magazine  
Global Finance.



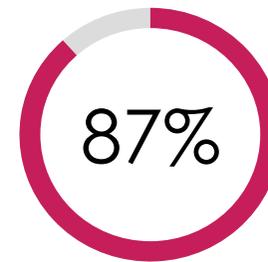
of all cash loans  
were opened  
online or via  
mobile



of all overdrafts  
were opened  
online or via  
mobile



of all transfers  
were made  
online or via  
mobile

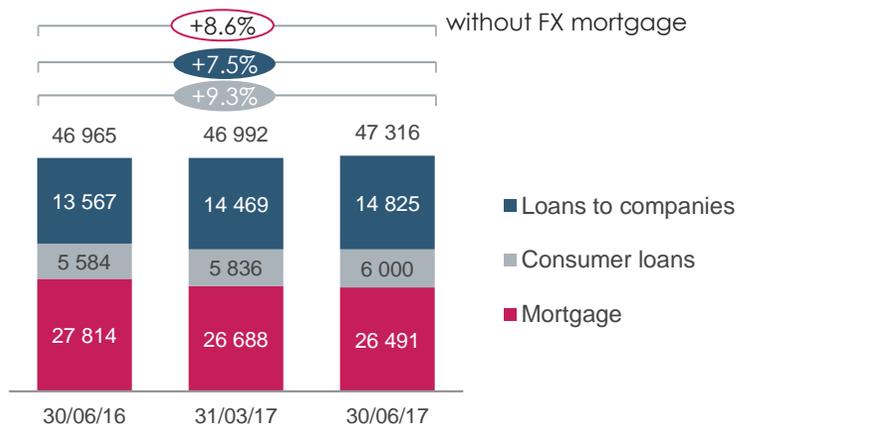


of all new term  
deposits were  
made online or  
via mobile

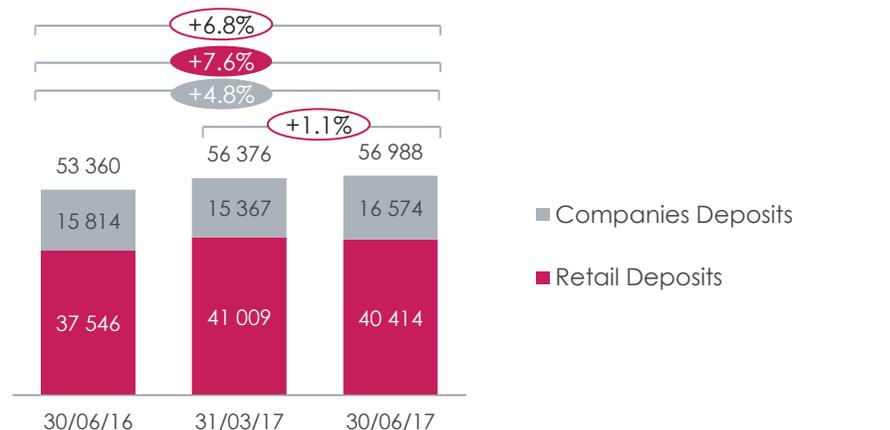
# LOANS AND DEPOSITS

Continuation of solid growth of lending shown in 2Q, part of retail deposits transferred to non-deposit savings

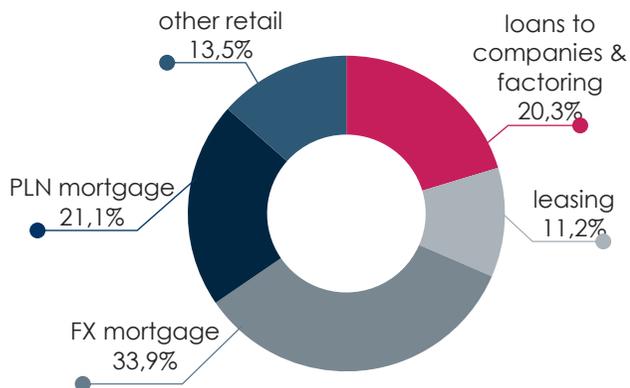
Loan Portfolio of the Group (net) (PLN million)



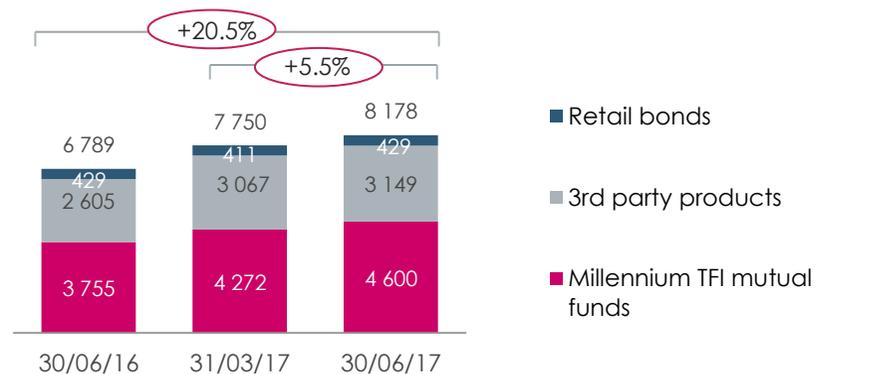
Customer Deposits (PLN million)



Structure of Loan Portfolio (gross) (as on 30.06.2017)



Non-deposit investment products (PLN million)

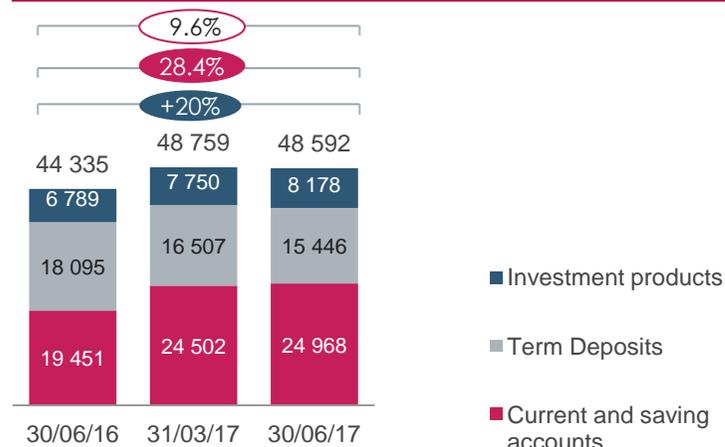


# RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Fast acquisition of new customers and accounts kept, supporting current and savings accounts growth

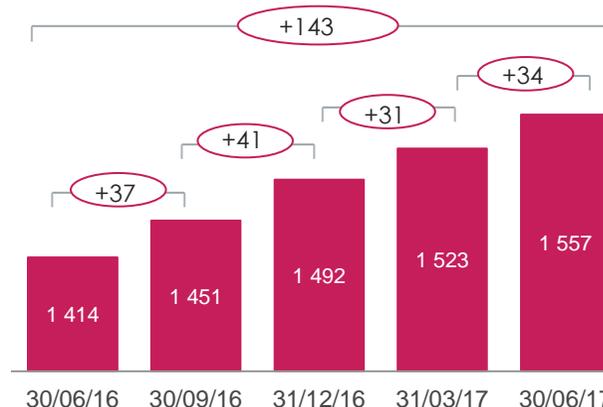
## Retail Customer Funds

(PLN million)



## Active retail clients

(in thousand.)

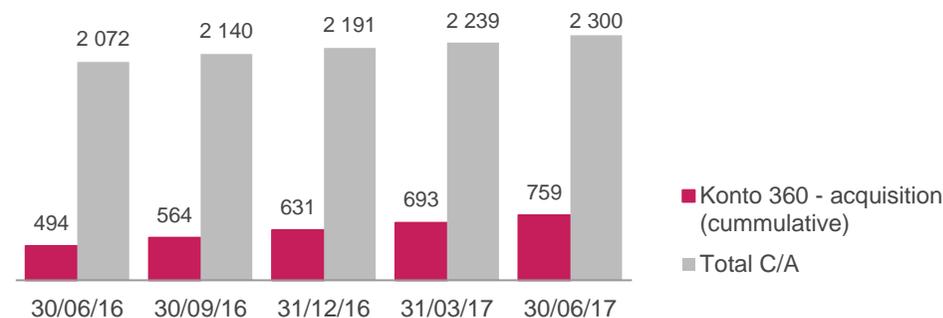


## Comments

- Almost 10% growth of total customer funds (y/y)
- Contraction of deposits in 2Q in line with market trends; current and saving accounts deposits growth continued
- More than 72k customers joined „like it ? Share it” program (launched in March)

## Number of current accounts

(in thousand)

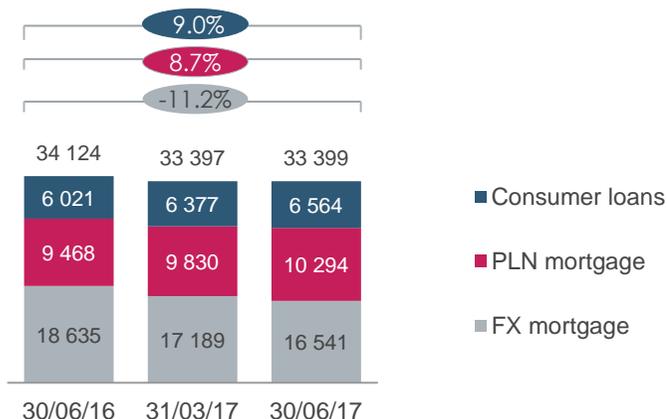


# RETAIL BUSINESS – LOANS

Acceleration of mortgage loans sale continued; PLN mortgage portfolio crossed PLN 10 billion

Retail loans (gross)

(PLN million)

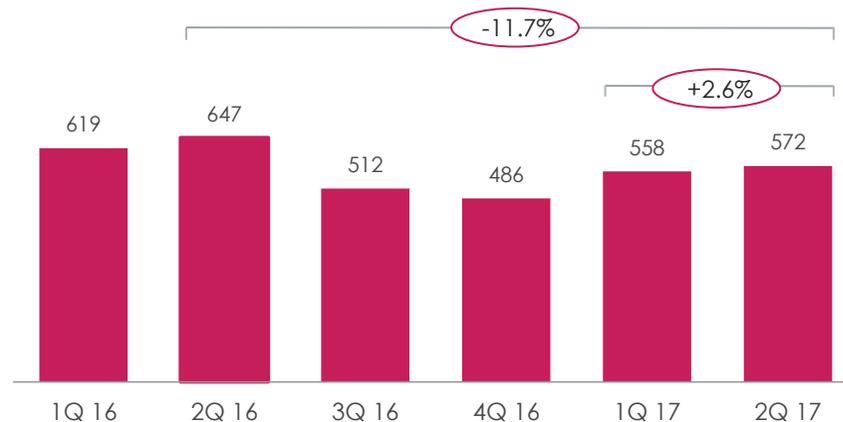


## Comments

- Strong growth of consumer loans and PLN mortgage portfolios offset decreasing FX mortgages
- Market share in new PLN mortgage loans sale exceeded 6.3% (\*)

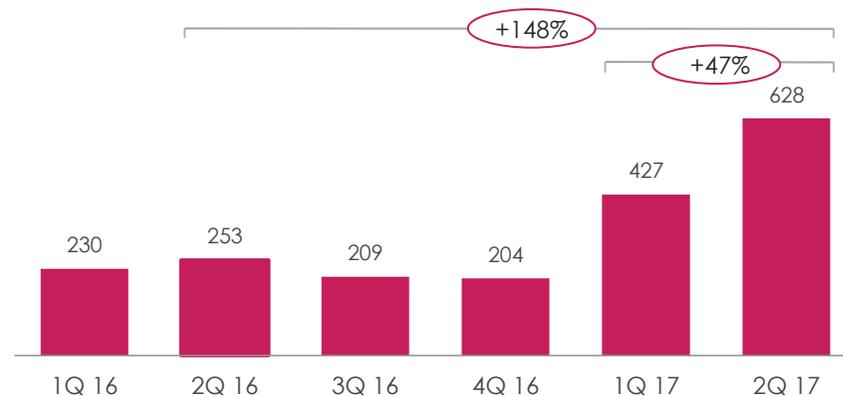
Cash loans new sales

(PLN million)



Mortgage loans new sales

(PLN million)



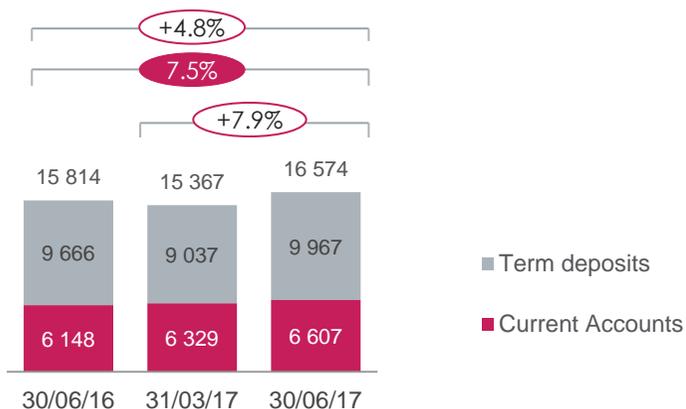
(\*) based on ZBP data – by the value of commitments for April and May

# COMPANIES BUSINESS – DEPOSITS AND LOANS

Further growth of loans and current accounts balances

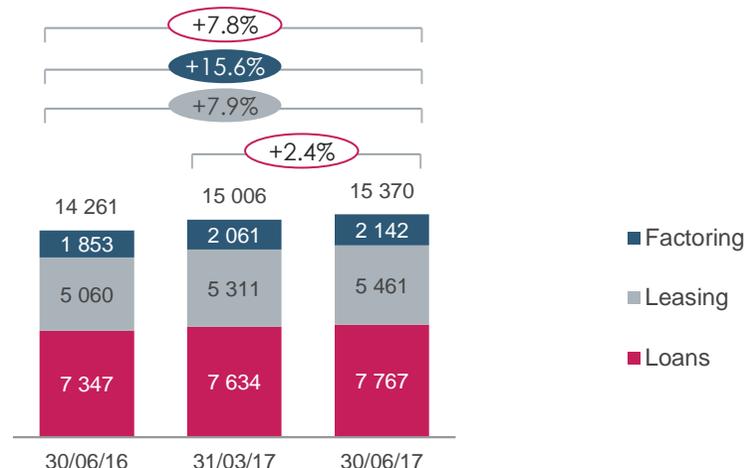
## Companies deposits

(PLN million)



## Loans to companies (gross)

(PLN million)

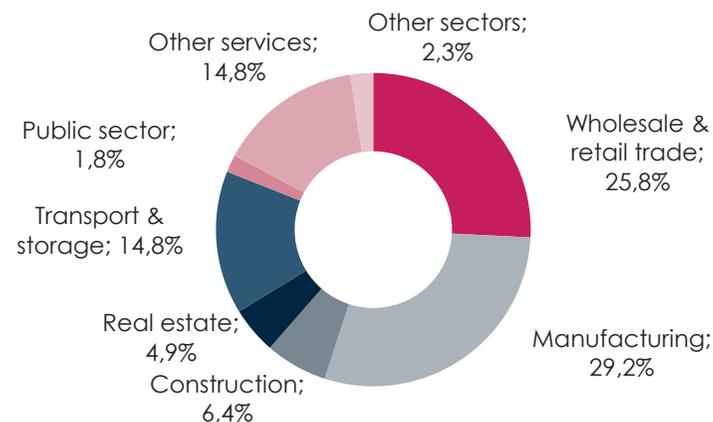


## Comments

- Balanced growth of loans to companies with visible upward trend in 1st half 2017
- Rebound of corporate deposits with continued current account deposits growth

## Loans by industries as at 30 June 2017

(PLN million)

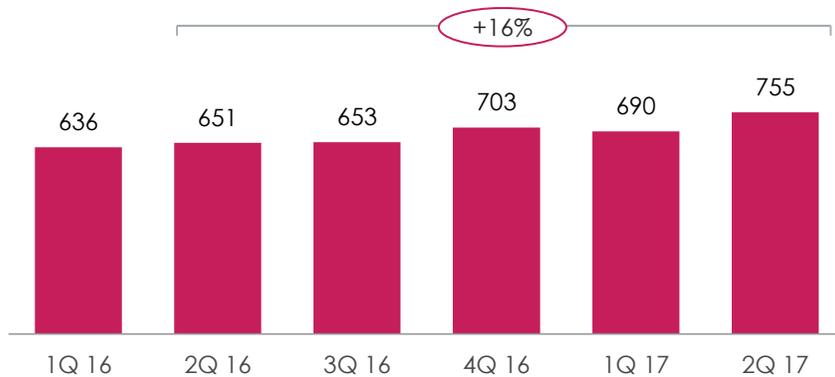


# COMPANIES BUSINESS – TRANSACTIONS AND FINANCING

Record sale in factoring and new facilities in trade finance introduced

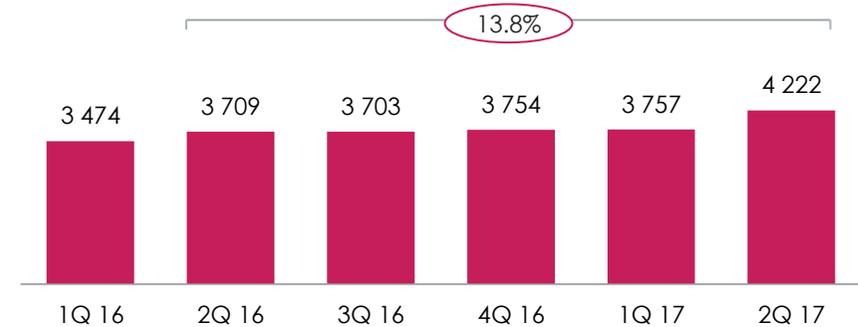
Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)

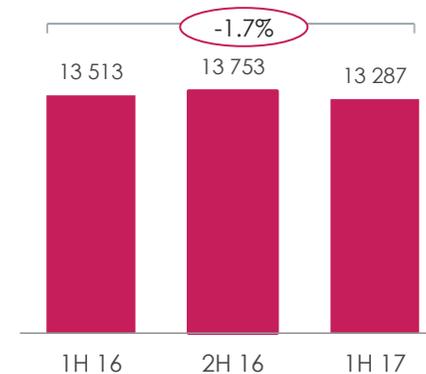


## Comments

- Record factoring sale of PLN 4.2 billion in 2Q
- Chinese Yuan introduced to foreign trade service for customers

Volume of FX transactions

(PLN million)



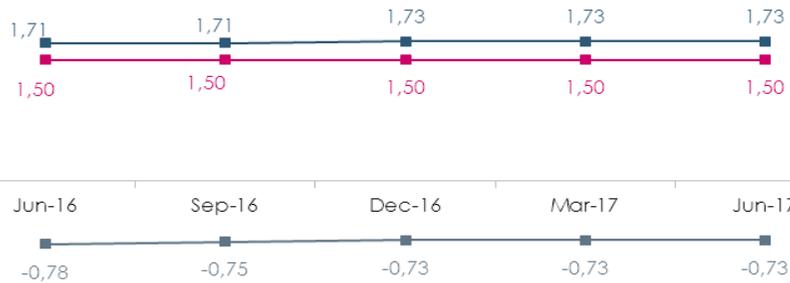


## PRESENTATION OF RESULTS IN 2Q 2017

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- > **Appendixes**

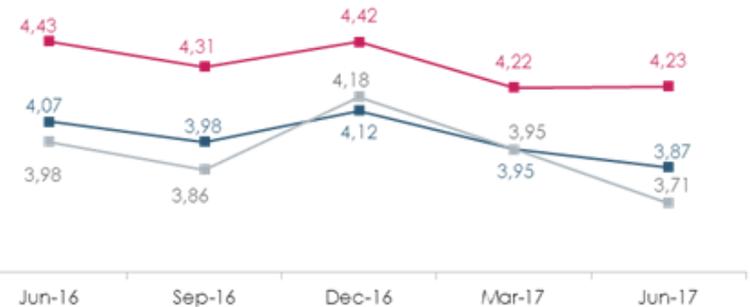
# Macroeconomic overview

## Interest rates evolution (%)



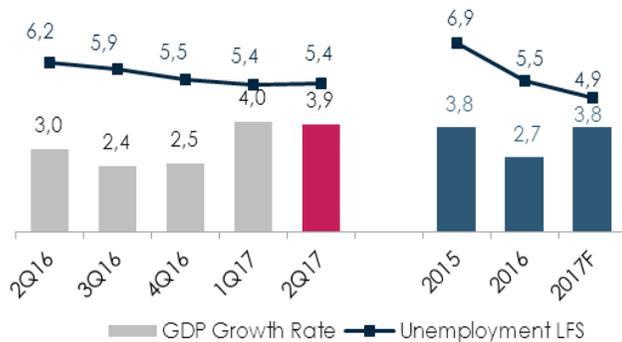
	Q-o-Q (bp)	Y-o-Y (bp)
Reference Rate	0	0
3M Wibur	0	2
3M CHF Libor	0	5

## FX rates evolution

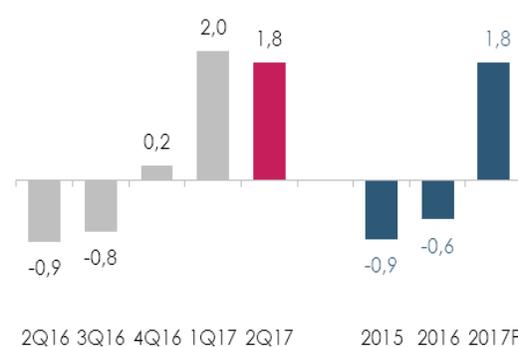


	Q-o-Q	Y-o-Y
EUR/PLN	0%	-4%
CHF/PLN	-2%	-5%
USD/PLN	-6%	-7%

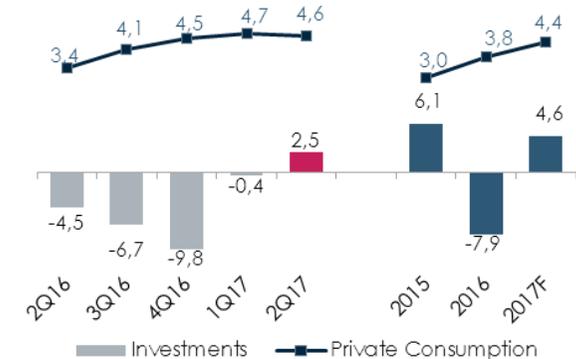
## GDP growth & unemployment (%)



## Inflation (%)



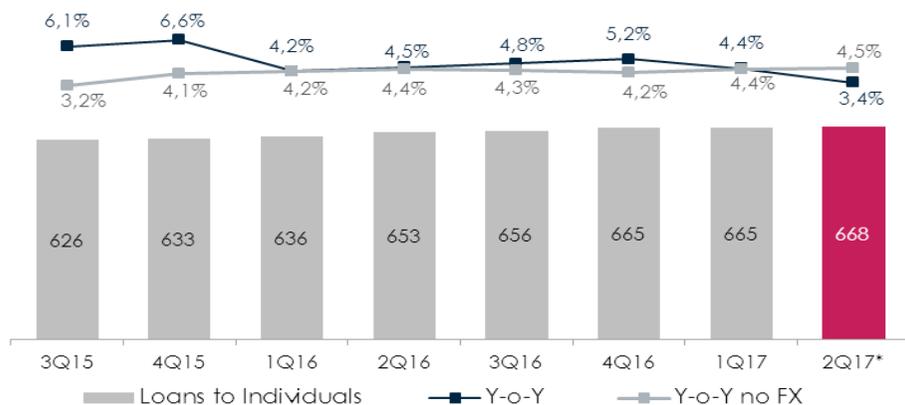
## Investments & Consumption (% y/y)



# Macroeconomic overview

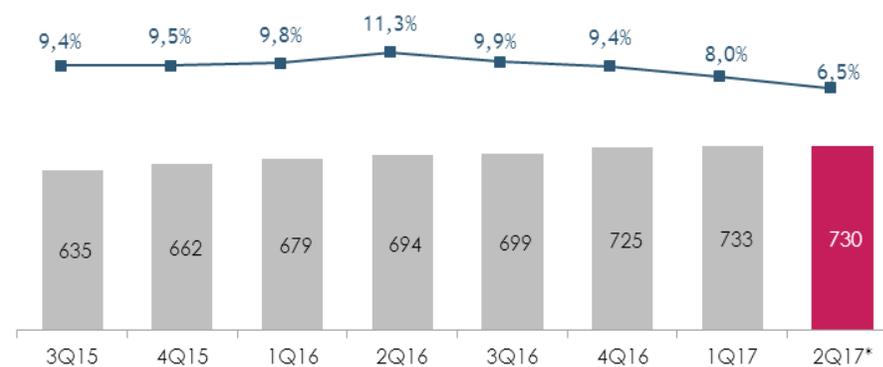
## Loans to households

(PLN billion, % y/y)



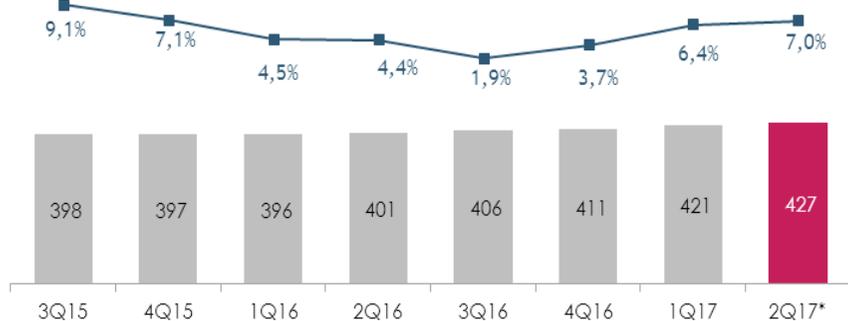
## Households' deposits

(PLN billion, % y/y)



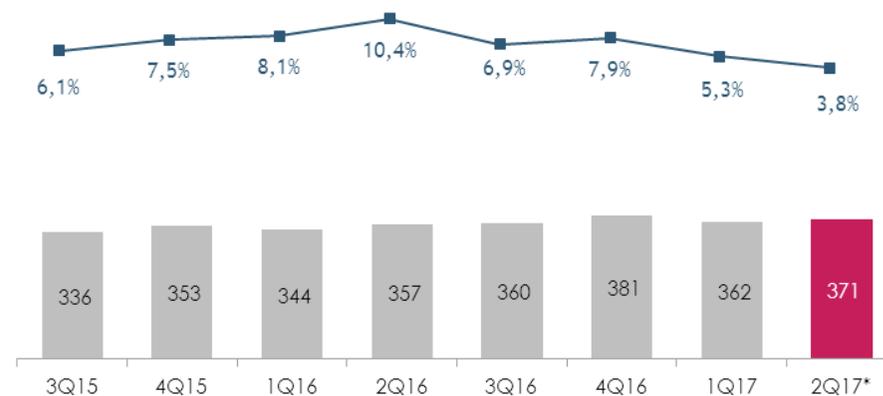
## Loans to companies

(PLN billion, % y/y)



## Companies' deposits

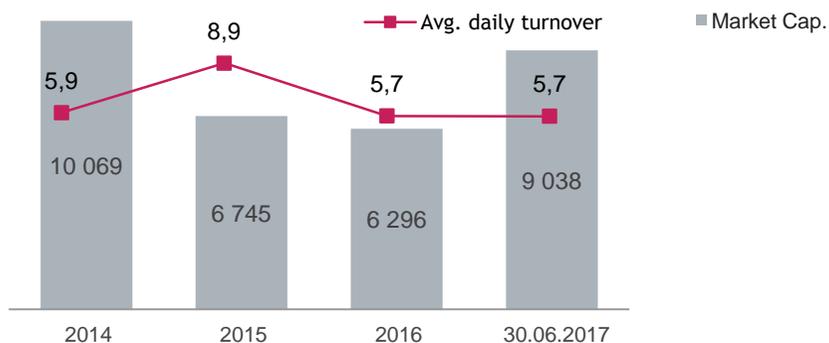
(PLN billion, % y/y)



# BANK MILLENNIUM SHARE PERFORMANCE

## Market cap/liquidity

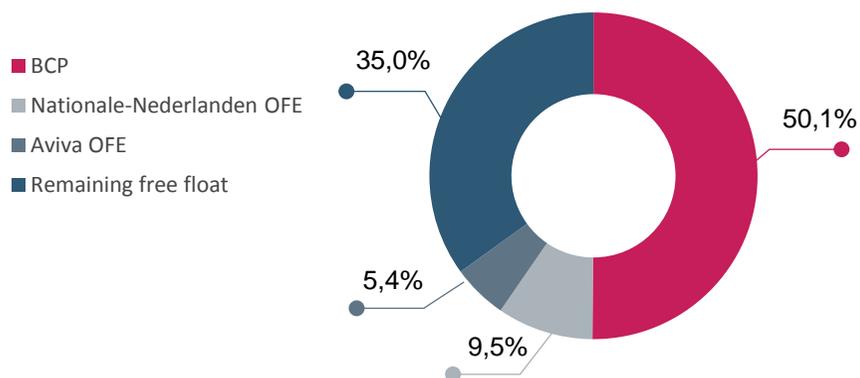
(PLN million)



## Bank Millennium share performance vs. main indices (as on 30.06.2017)

Market ratios	30.06.2017	30.12.2016*	Change (%) YTD	30.06.2016	Change (%) Yearly
The Bank's share price (PLN)	7,45	5,19	<b>43,5%</b>	4,68	<b>59,2%</b>
WIG Banks	7 262	6 263	<b>15,9%</b>	5 687	<b>27,7%</b>
WIG20	2 300	1 948	<b>18,1%</b>	1 998	<b>15,1%</b>
WIG30	2 664	2 243	<b>18,7%</b>	1 956	<b>36,2%</b>
WIG - main index	61 018	51 754	<b>17,9%</b>	44 749	<b>36,4%</b>

## Bank Millennium shareholders' structure



## 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

(\* last day of quotation in 2016)

# MOST IMPORTANT AWARDS AND RECOGNITIONS

In 1H 2017 Bank Millennium received several awards and recognitions



## Quadruple podium

1st place in the „Personal account”  
2nd place in „Mortgage loans”  
3rd place in the „Highest quality of service”  
Laureate of the „Safety – Best Practices”



## Reliable Employer 2016

For best employers in terms of recruitment policy, employee solutions and HR management.



## Service Quality Star

Bank Millennium was honoured with the prestigious Service Star.



## Project of the Year 2016

Goodie wins the "Project of the Year" category in the Electronic Commerce Congress and Polish Banks Association



INSTYTUCJA ROKU  
2016

## Institution of the Year

Bank Millennium came second in the „Quality of the branch service” category.



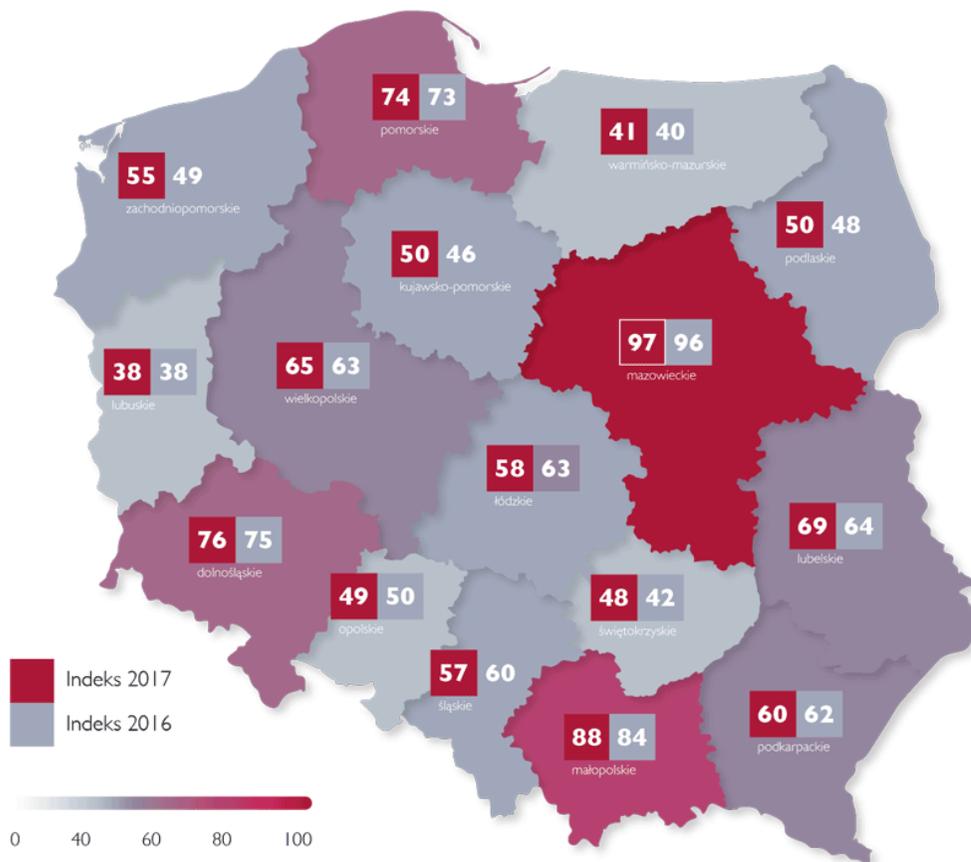
## Responsible Business Ranking 2017

Recognition in the Responsible Businesses 2017 of Dziennik Gazeta Prawna daily.

# REGIONAL INNOVATION POTENTIAL - MILLENNIUM INDEX 2017

The Bank participates in the debate on Polish innovation

Bank Millennium index 2017 and 2016 - comparison of results



Źródło: Bank Millennium

- Bank Millennium conducts research on the diversity and directions of innovation development in Polish voivodships.
- The index is based on the following criteria: labor productivity, value added, research and development (R & D) expenditure, post-secondary education, the number of R & D workers, and the number of patents issued.
- Extended edition of the report will be published in autumn 2017.
- Index prepared by experts from Macroeconomic Analysis Bureau and Bank Rating Department of Bank Millennium

# SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	1H'16	1H'17	Change Y/Y	2Q'16	1Q'17	2Q'17	Change Q/Q
Net interest income*	756,0	841,1	11,3%	391,2	411,2	429,9	4,6%
Net commission income	274,1	328,6	19,9%	139,8	166,1	162,5	-2,2%
Other non-interest income **	289,9	41,6	-85,6%	249,9	1,7	40,0	2284,2%
<b>Operating Income</b>	<b>1 320,0</b>	<b>1 211,3</b>	<b>-8,2%</b>	<b>780,9</b>	<b>579,0</b>	<b>632,4</b>	<b>9,2%</b>
General and administrative costs	-524,4	-534,4	1,9%	-266,1	-257,4	-276,9	7,6%
Depreciation	-28,3	-26,9	-5,2%	-14,9	-13,1	-13,7	4,7%
<b>Total operating costs</b>	<b>-552,8</b>	<b>-561,2</b>	<b>1,5%</b>	<b>-281,0</b>	<b>-270,5</b>	<b>-290,7</b>	<b>7,4%</b>
Net provisions	-106,1	-122,7	15,7%	-61,7	-59,7	-63,0	5,4%
<b>Operating profit</b>	<b>661,2</b>	<b>527,4</b>	<b>-20,2%</b>	<b>438,2</b>	<b>248,7</b>	<b>278,7</b>	<b>12,1%</b>
Banking tax	-80,5	-93,7	16,3%	-48,2	-47,2	-46,5	-1,7%
<b>Pre-tax profit</b>	<b>580,6</b>	<b>433,7</b>	<b>-25,3%</b>	<b>389,9</b>	<b>201,5</b>	<b>232,3</b>	<b>15,3%</b>
Income tax	-149,7	-119,6	-20,1%	-96,2	-61,0	-58,7	-3,7%
<b>Net profit</b>	<b>430,9</b>	<b>314,1</b>	<b>-27,1%</b>	<b>293,8</b>	<b>140,5</b>	<b>173,6</b>	<b>23,6%</b>
<b>Accounting</b>	<b>1H'16</b>	<b>1H'17</b>	<b>Change Y/Y</b>	<b>2Q'16</b>	<b>1Q'17</b>	<b>2Q'17</b>	<b>Change Q/Q</b>
Net interest income (reported under IFRS)	733,7	814,3	11,0%	382,6	393,5	420,8	6,9%

(\*) 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 26.8 million in 1 half 2017 and PLN 22.3 million in 1 half 2016) 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 trans.
Debt securities
Derivatives (for hedging and trading)
Shares and other financial instruments
Tangible and intangible fixed assets
Other assets
<b>TOTAL ASSETS</b>

30/06/2016	31/03/2017	30/06/2017	Change y/y
2 937	1 828	2 172	-26,1%
2 299	969	518	-77,5%
46 965	46 992	47 316	0,7%
47	128	65	39,1%
13 235	16 957	17 834	34,7%
313	458	590	88,5%
41	45	46	10,7%
209	221	232	11,2%
649	707	716	10,2%
<b>66 696</b>	<b>68 306</b>	<b>69 489</b>	<b>4,2%</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>

30/06/2016	31/03/2017	30/06/2017	Change y/y
1 538	1 405	1 404	-8,7%
53 360	56 376	56 988	6,8%
0	0	0	-
1 934	770	803	-58,5%
1 358	822	1 158	-14,7%
54	47	46	-14,2%
664	636	634	-4,5%
1 064	1 107	1 115	4,8%
<b>59 973</b>	<b>61 162</b>	<b>62 149</b>	<b>3,6%</b>
<b>6 723</b>	<b>7 144</b>	<b>7 340</b>	<b>9,2%</b>
<b>66 696</b>	<b>68 306</b>	<b>69 489</b>	<b>4,2%</b>



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