



BANK MILLENNIUM GROUP

Presentation of 3rd 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), 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 3Q 2017

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

KEY PROFIT & LOSS ITEMS

PLN mln	1-3Q 17	1-3Q 16	Change Y/Y	3Q17	2Q17	Change Q/Q
Net interest income	1 287,7	1 149,1	12,1%	446,6	429,9	3,9%
Net commission income	494,2	424,3	16,5%	165,5	162,5	1,9%
Total operating income	1 869,0	1 890,9	-1,2%	657,6	632,4	4,0%
TOI without one-offs(*)	1 880,6	1 659,4	13,3%			
Total costs	-851,7	-830,6	2,5%	-290,5	-290,7	-0,1%
Loan loss provisions	-192,4	-159,5	20,6%	-69,7	-63,0	10,7%
Banking tax on assets	-140,1	-127,9	9,5%	-46,4	-46,5	-0,3%
Net Profit	501,6	569,8	-12,0%	187,5	173,6	8,0%
Net profit without one-offs (*)	513,2	389,5	31,8%			
NIM	2,54%	2,37%	0,17 p.p.	2,61%	2,56%	0,05 p.p.
Cost/Income without one-offs (*)	45,3%	50,1%	-4,8 p.p.	45,0%	46,6%	-1,7 p.p.
Cost of Risk	54 b.p.	45 b.p.	+9 b.p.	58 b.p.	53 b.p.	+5 b.p.
ROE without one-offs (*)	9,4%	7,8%	1,6 p.p.	9,4%	9,1%	0,3 p.p.
ROA without one-offs (*)	0,99%	0,78%	0,21 p.p.	1,01%	0,96%	0,05 p.p.

(*) excluding one-off results (e.g. VISA transaction in 2Q16) and adjusted for BFG resolution yearly fee (PLN 46.4 million) - 1/4 y-t-d treated as one-off.

KEY BALANCE SHEET ITEMS AND OTHER RELEVANT INDICATORS

PLN mln	Sep.17	June 17	Change Q/Q	Sep.16	Change Y/Y
Active customers (ths)	1 596	1 557	39	1 451	145
inc. on-line and mobile	1 101	1 060	41	940	161
Customer Funds	65 632	65 436	0,3%	61 543	6,6%
Customer Funds of individuals	49 035	48 862	0,4%	45 472	7,8%
Deposits	56 679	56 988	-0,5%	54 298	4,4%
Loans	47 593	47 316	0,6%	46 391	2,6%
FX Mortgage Loans	15 679	16 425	-4,5%	17 827	-12,1%
Loans without FX mortgage	31 914	30 891	3,3%	28 564	11,7%
L/D	83,4%	82,4%	1,0 p.p.	84,9%	-1,5 p.p.
Impaired loan ratio	4,61%	4,54%	0,07 p.p.	4,57%	0,04 p.p.
Coverage ratio	66,5%	65,7%	0,9 p.p.	63,9%	2,7 p.p.
CET1 = T1	20,5%	18,0%	2,5 p.p.	17,8%	2,7 p.p.
TCR	20,5%	18,0%	2,5 p.p.	18,0%	2,5 p.p.

MARKET LEADER IN QUALITY...

In the 16th edition of „Newsweek Friendly Bank 2017” ranking (*) Bank Millennium achieved once again the highest position

Millennium
bank

1st place in the „Traditional Banking” category

1st place in the „Mobile Banking” category

2nd place in the „Internet Bank” category



For 7 years on podium

(*) Newsweek's Friendly Bank ranking is 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.

... AND ON THE FOREFRONT OF INNOVATIONS

Bank distinguished at one of the most prestigious international competitions awarding innovative companies from the world of finance

PRIZE WINNER

“Breakthrough Collaboration in Financial Services”

for innovative solutions in providing access to e-administration services

TWO NOMINATIONS

- **“Product and Service Innovation”** for the service of buying city transport tickets and paying for parking with Bank Millennium’s mobile app.
- **“Innovation in User Experience”** for the service of buying motor insurance fully online, with use of an innovative method of scanning data from the vehicle registration certificate via the mobile app.



Bank Administration Institute (BAI) for over 90 years conducts research and publishes papers, which are a source of knowledge about current challenges and trends concerning the future of financial institutions.

Winners of the BAI Global Innovation Awards were announced on 4 October in Atlanta.

MAIN FINANCIAL HIGHLIGHTS OF 3Q 2017

Continued improvement of profitability; very high capital ratios after full IRB on mortgage loans

Continued gradual improvement of profitability and cost efficiency

High quarterly Net profit of PLN **187.5 million** (+8% vs. 2Q'17; +35% vs. 3Q'16).
1-3Q Net profit reached PLN **502 million** which is **32%** higher y/y when adjusting for one-offs *)
Improvement of ROE to **9.3%** and Cost to Income to **45.6%**

Core income as main driver of the improvement

Core income grew **13.2%** y/y
Net interest income up by **12.1%** y/y
Net commission strong growth of **16.5%** y/y

Low cost of risk and strong liquidity

Impaired loans ratio at stable **4.6%**
Cost of risk at **54 b.p.** ytd
Loan to deposits slightly up to **83%** after 5 quarters of fall

High capital ratios

Group's TCR and CET1 at **20.5%** (without profit from current year) which comfortably exceed the minimum capital ratio thresholds **)

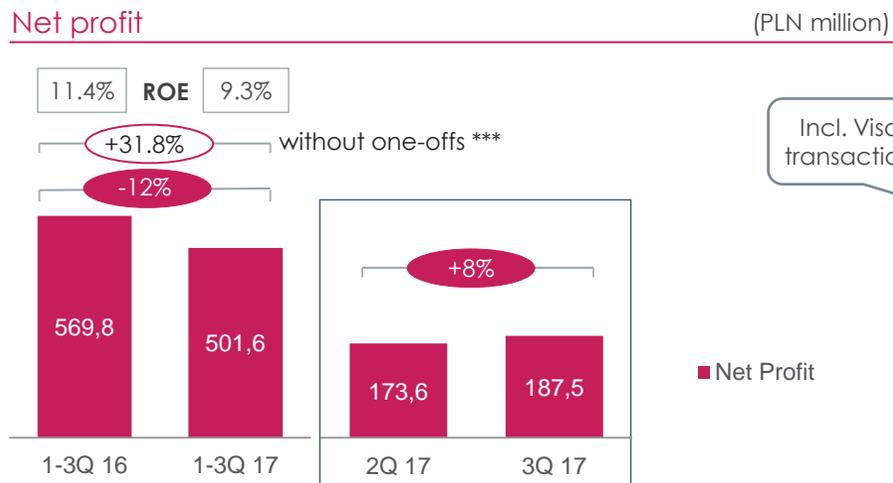
(*) In 2016 extra capital gain from VISA and other extra charges, in 2017 adjustment for full payment of BFG resolution fee

(**) Current minimum capital thresholds are 16.6% (TCR) and 12.8% (T1), changes to them are likely to occur in 4Q as a consequence of SREP/BION conclusion and full equivalence of Polish capital rules with EU CRR

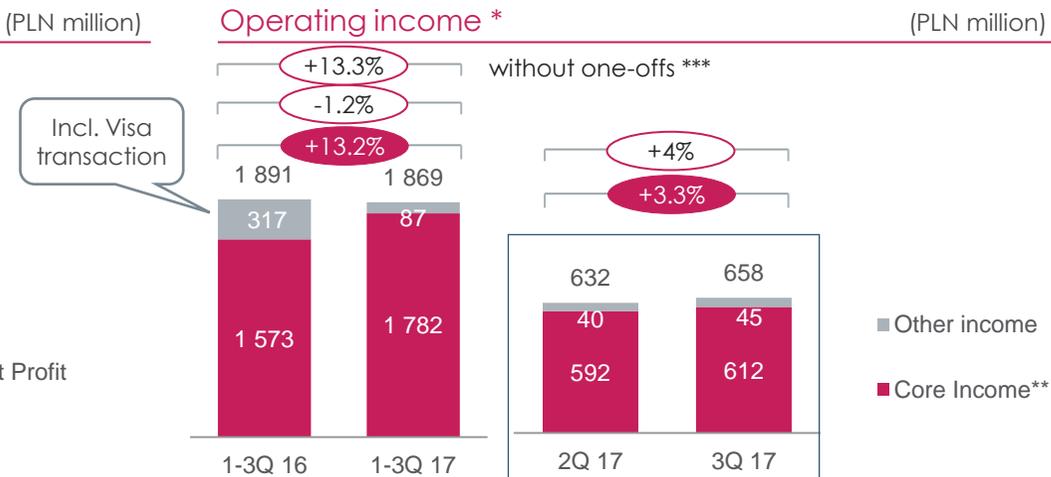
PROFITABILITY AND COST EFFICIENCY

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

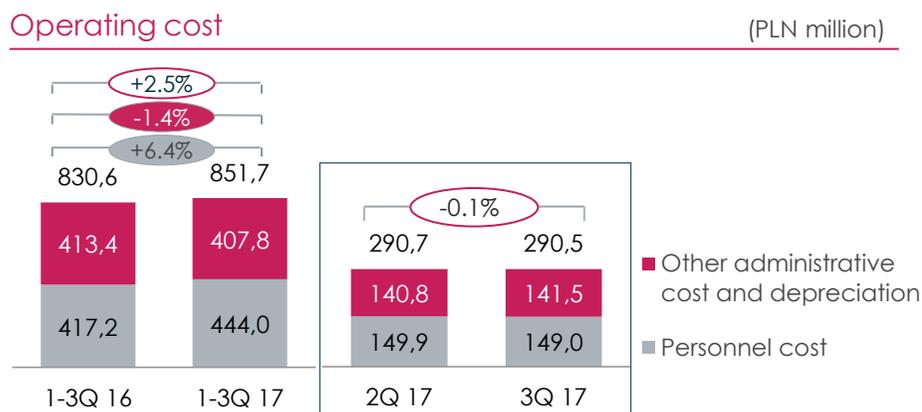
Net profit



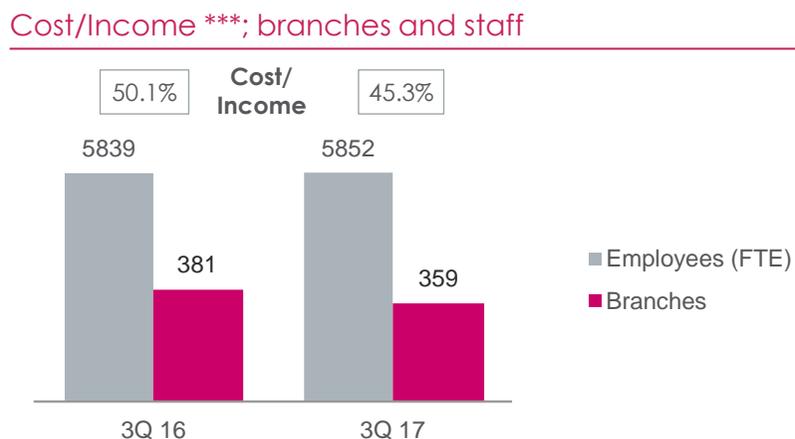
Operating income *



Operating cost



Cost/Income ***; branches and staff



(*) Including net other operating income and cost

(**) Net Interest Income + Net Commissions Income

(***) without one-offs: extra capital gain from VISA and other extra charges in 2016, adjustment for full payment of BFG resolution fee in 2017

INTEREST AND COMMISSION INCOME

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

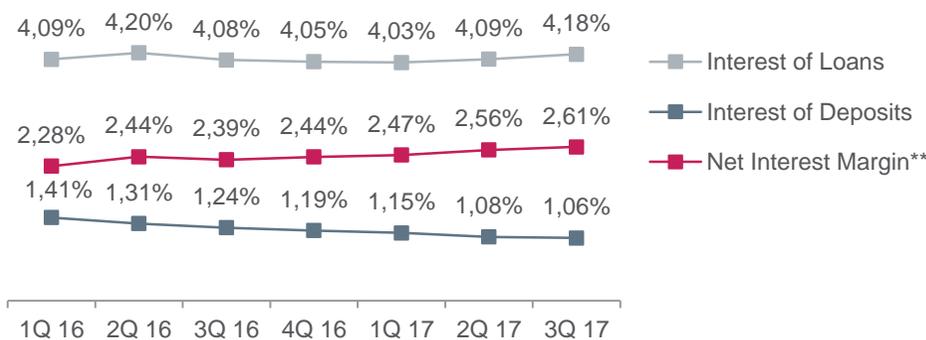
Net Interest Income *

(PLN million)



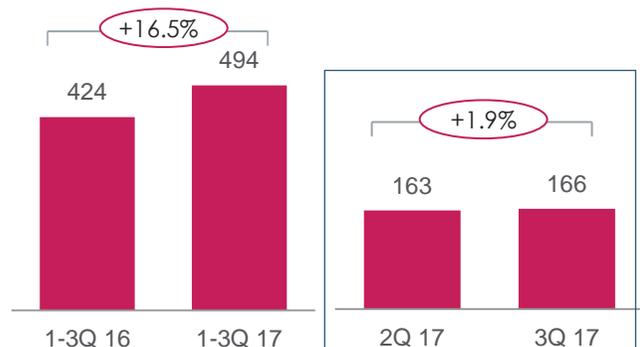
Interest on loans and deposit

(PLN million)



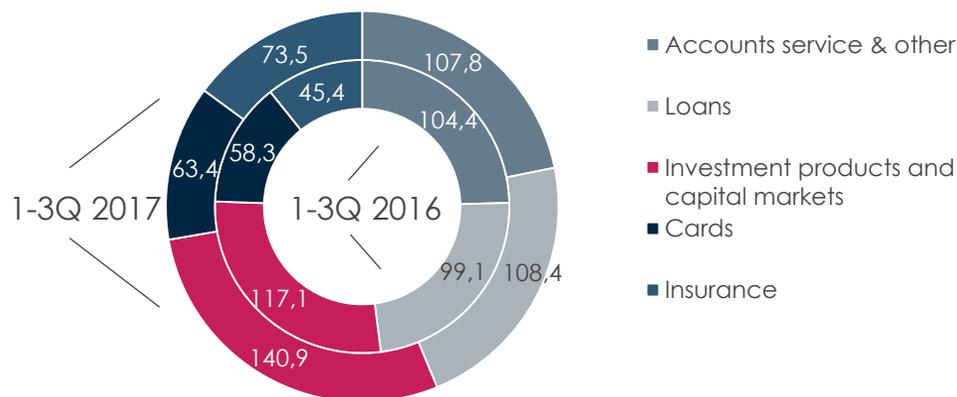
Net Commission Income

(PLN million)



Commission income structure

(in 1-3Q 2017)

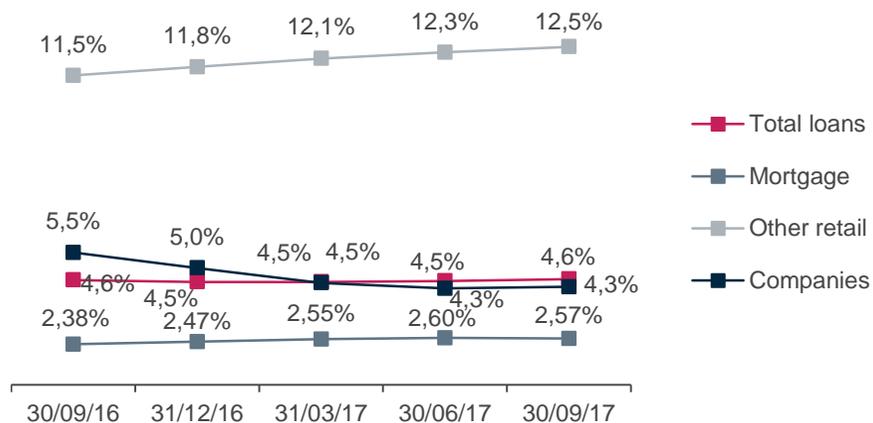


(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 35.2 million in 1-3Q 2017 and PLN 32.5 million in 1-3Q 2016) is presented in Result on Financial Operations (**) Net Interest Margin: NII (pro-forma) to average interest earning assets

ASSET QUALITY AND CAPITAL

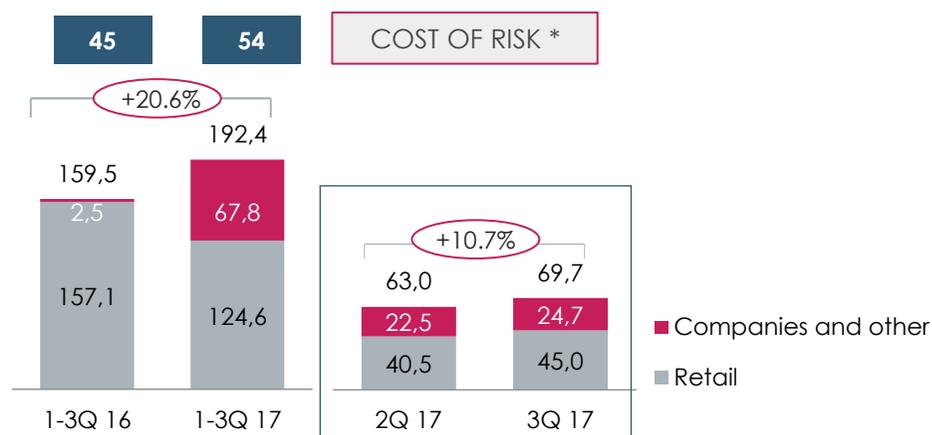
Excellent Capital Adequacy after revoking of KNF floor; strong Asset Quality and Liquidity.

Impaired Loans

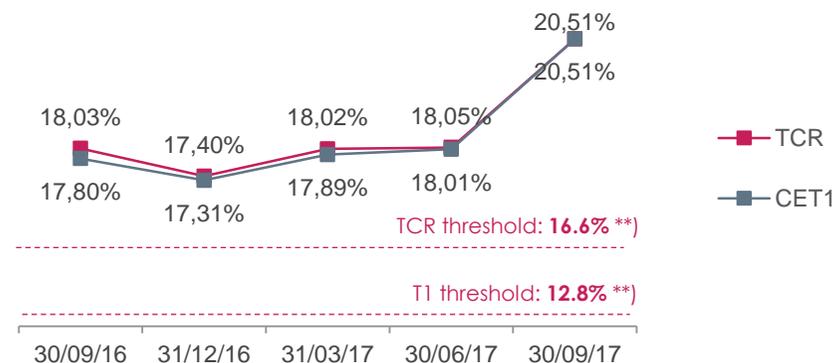


P&L impairment provisions

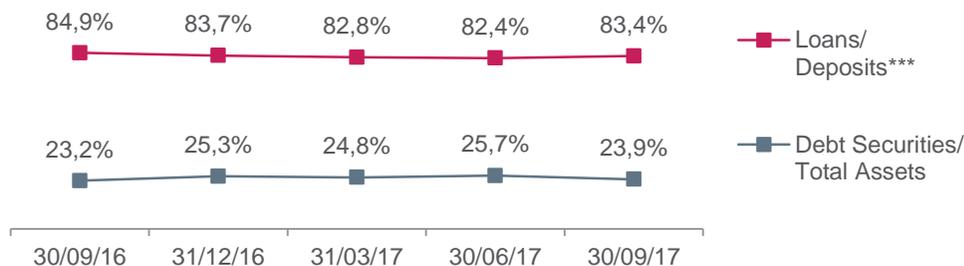
(PLN million)



Group Capital Ratios



Liquidity indicators



(*) Total provisions created (net) to average net loans (in basis points, per annum) (***) Deposits include own debt securities sold to individuals and repo transactions with clients



PRESENTATION OF RESULTS IN 3Q 2017

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

MAIN BUSINESS HIGHLIGHTS IN 3Q 2017

Continued strong performance in lending and current account volumes

Retail business

Strategic goal of over **300k** active customers net growth in 3 years delivered
Retail customer funds grew **7.8%** yearly despite deceleration of deposits to **4.9%** y/y
19% yearly growth of current and saving accounts balance
Investment products grew **24%** y/y
PLN mortgage sale at PLN **725 million**, Cash loans sale at PLN **599 million** in 3Q

Companies business

Acceleration of all loans segments growth to over **10%** yearly
Record factoring sale of PLN **4.3 billion** in 3Q
Faster current accounts deposits growth of **12%** yearly

Innovations/Quality

Bank Millennium achieved once again the highest position in the ranking „Newsweek Friendly Bank 2017“
“Breakthrough Collaboration in Financial Services” award from BAI Global Innovation for solutions enabling access to e-administration

USE OF ELECTRONIC CHANNELS

High share of electronic channels in product sales volume

1101k (+17% y/y)

Retail clients active in mobile and online banking

652k (+42% y/y)

Retail clients actively using mobile app and mobile Millenet

44%

of all cash loans
were started
in electronic
channels

39%

of all overdrafts
were started
in electronic
channels

99%

of all transfers
were completed
in electronic
channels

89%

of all new term
deposits were
opened in
electronic
channels

NEW SOLUTIONS IN MILLENET AND MOBILE APPLICATION

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



Travel insurance in mobile app & Millenet



Mobile contactless payments: Visa mobile card + virtualisation of Master/Visa cards (in HCE * technology)



Family 500+ application for new benefit period in Millenet



Electronic invoices in Millenet for retail clients & Companies



Historical Balance Reports in Millenet for Companies



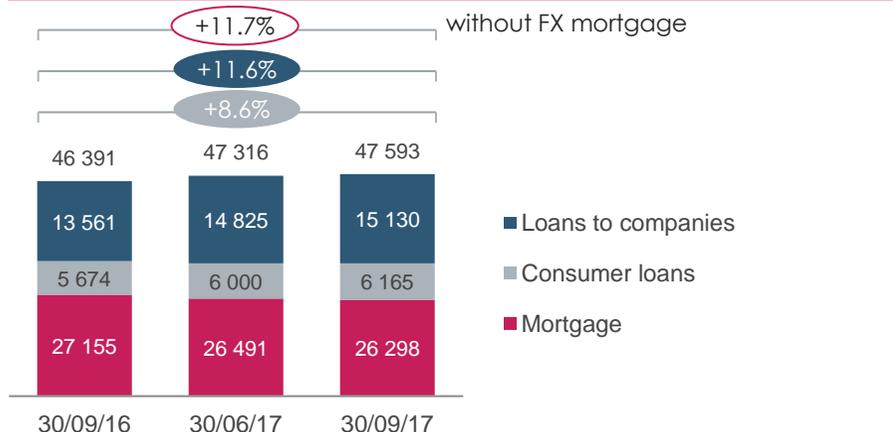
Ordering MasterCard Voyager foreign currency card enabled online

(*) HCE - Host Card Emulation

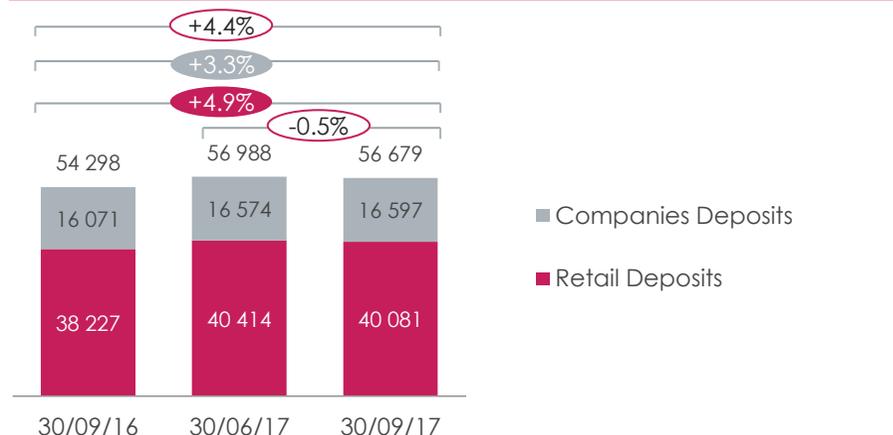
LOANS AND DEPOSITS

Solid growth of lending continued; part of retail deposits transferred to non-deposit savings

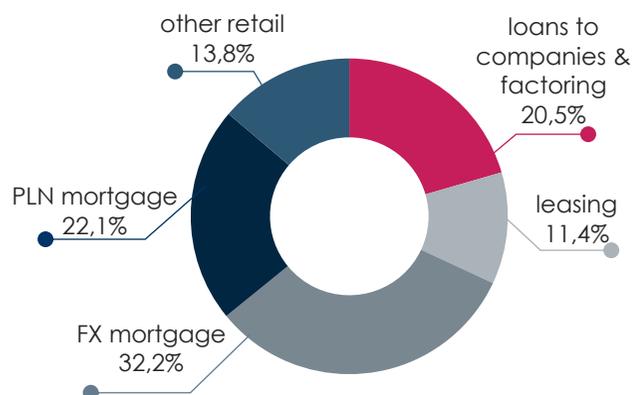
Loan Portfolio of the Group (net) (PLN million)



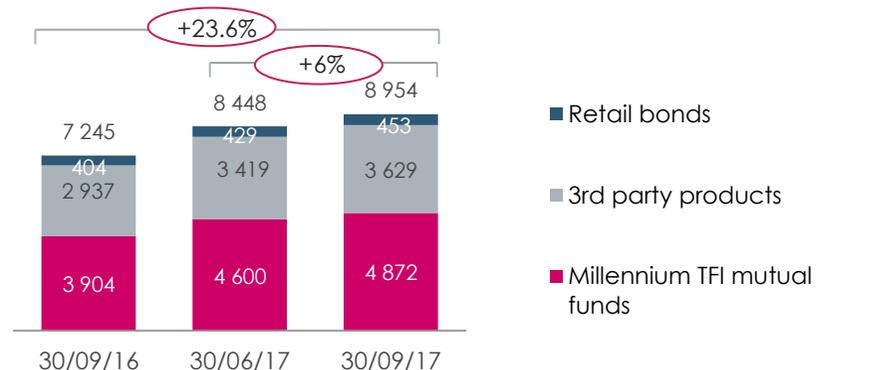
Customer Deposits (PLN million)



Structure of Loan Portfolio (gross) (as on 30.09.2017)



Non-deposit investment products (PLN million)

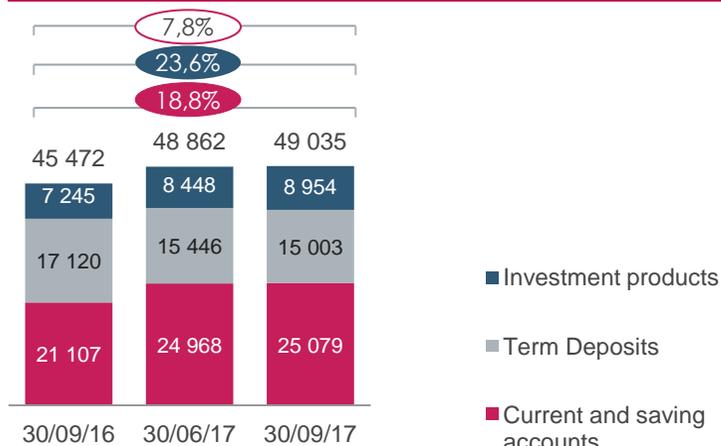


RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

1.6 million active customers – over 300k net growth during last 3 years

Retail Customer Funds

(PLN million)



Active retail clients

(in thousand)

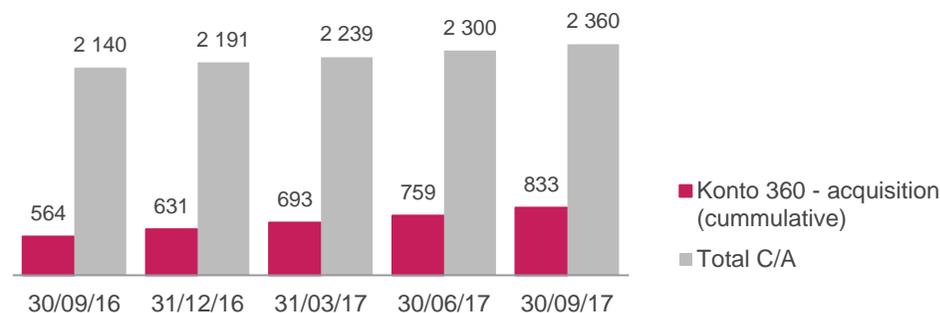


Comments

- Strategic goal of over 300k net growth of active customers in 3 years delivered
- Contraction of term deposits offset by high dynamics of current and saving accounts (+19% y/y)
- 21 ths accounts opened within „like it ? Share it” program in 2Q and 3Q'17

Number of current accounts

(in thousand)

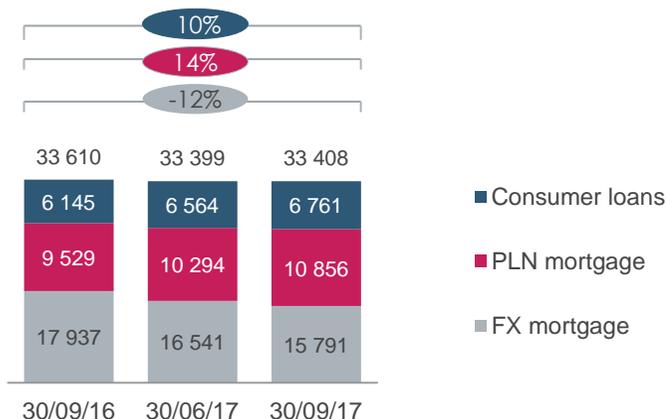


RETAIL BUSINESS – LOANS

High level of PLN mortgage and cash loans sale; faster amortisation of FX mortgage portfolio

Retail loans (gross)

(PLN million)

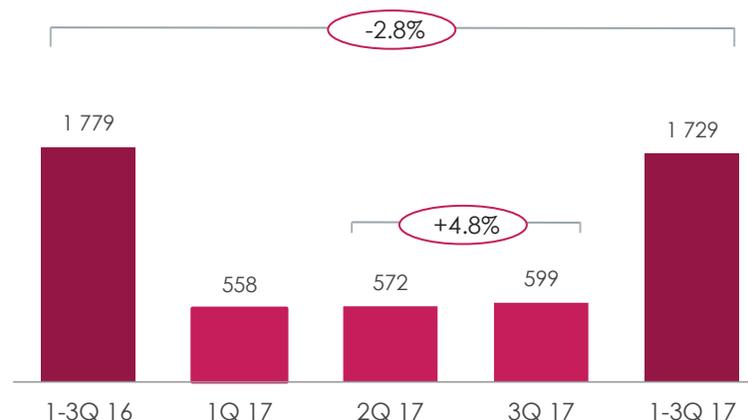


Comments

- Strong double digit growth of consumer and mortgage loans offset decreasing FX mortgages (-12% y/y)
- Acceleration of new mortgage sales: +158% y/y with market share of 6-7% (*)
- Over 60% of new mortgage loans sold to new-to-the-bank clients

Cash loans new sales

(PLN million)



Mortgage loans new sales

(PLN million)



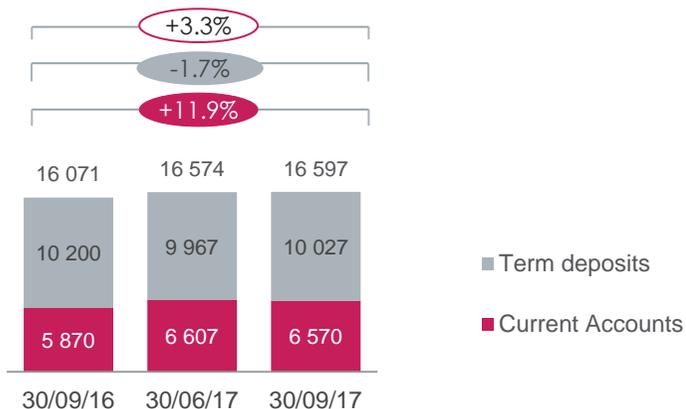
(*) based on Polish Banks Association (ZBP) data – by the value of commitments for July and August

COMPANIES BUSINESS – DEPOSITS AND LOANS

Acceleration of loans growth and current accounts to over 10% yearly

Companies deposits

(PLN million)



Loans to companies (gross)

(PLN million)

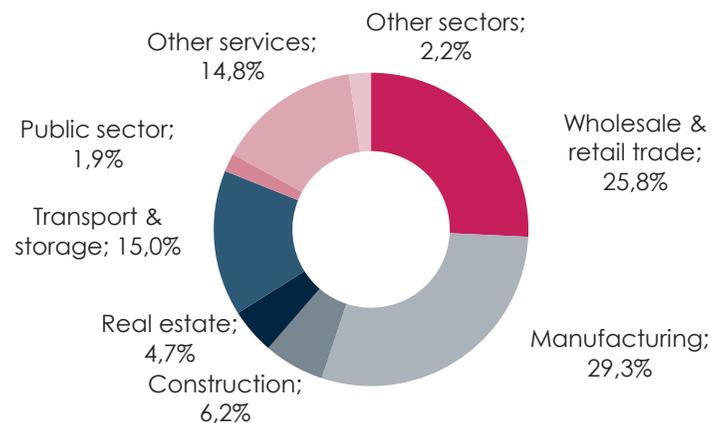


Comments

- Double digit annual growth of loans to companies in all categories (factoring, leasing and other)
- Rebound of corporate deposits with faster current account deposits growth (+12% y/y).
- Innovative electronic invoice system for Companies launch in Millenet in July

Loans by industries as at 30 Sep. 2017

(%)

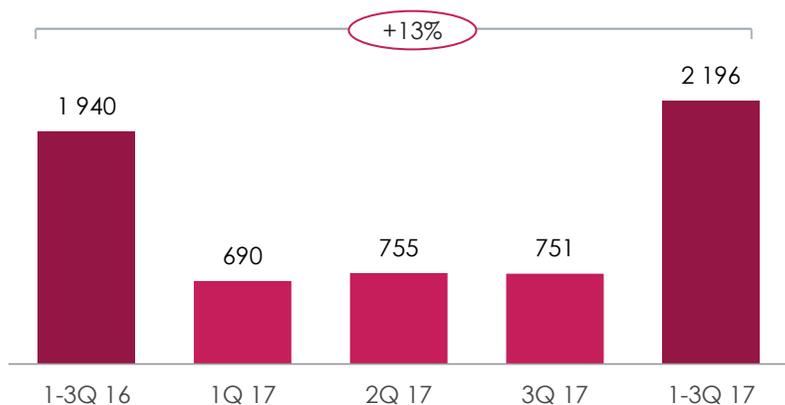


COMPANIES BUSINESS – TRANSACTIONS AND FINANCING

Record sale in factoring and leasing

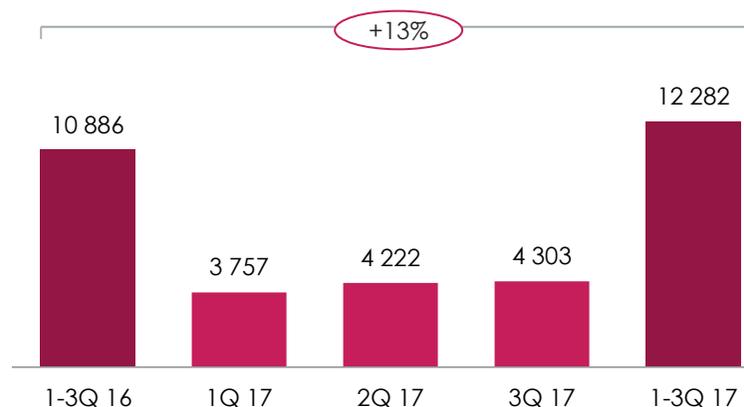
Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)

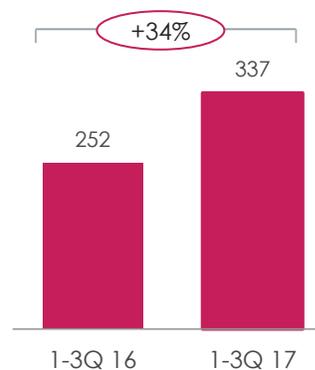


Comments

- Record factoring sale of PLN 4.3 billion in 3Q
- Higher number of FX transfers and other foreign trade transactions

Number of FX transfers

(in thousand)





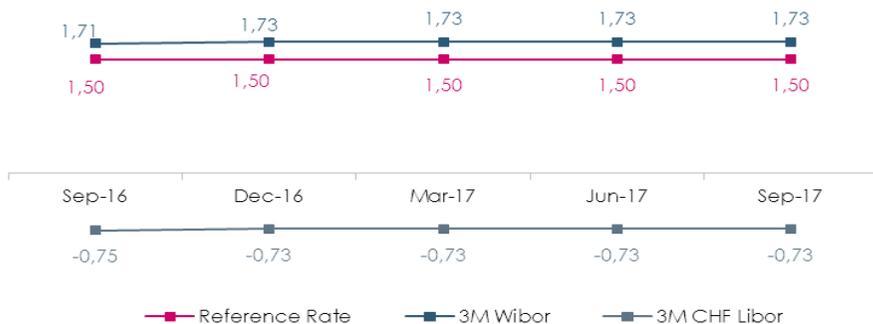
PRESENTATION OF RESULTS IN 3Q 2017

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

MACROECONOMIC OVERVIEW

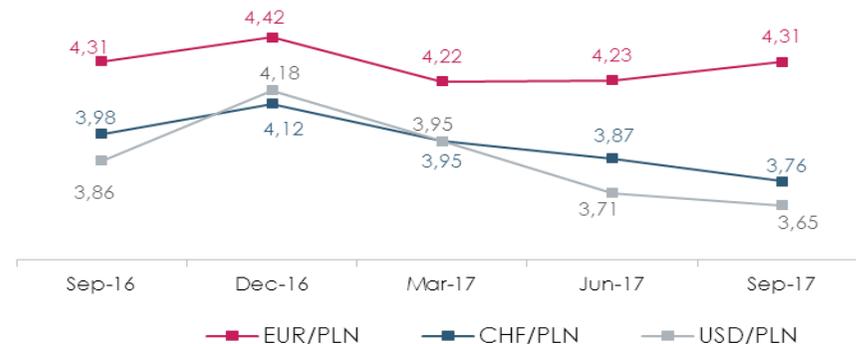
Interest rates evolution (%)

(%)



Q-o-Q (bp)	0	0	0
Y-o-Y (bp)	0	2	2

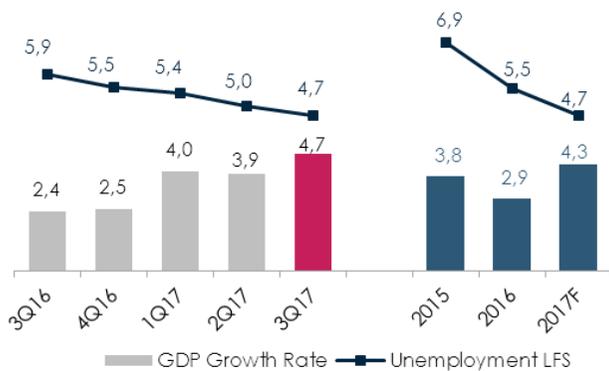
FX rates evolution



Q-o-Q	2.0%	-2.7%	-1.5%
Y-o-Y	-0.1%	-5.5%	-5.3%

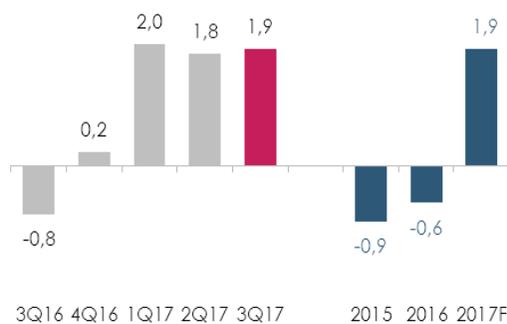
GDP growth & unemployment (%)

(%)



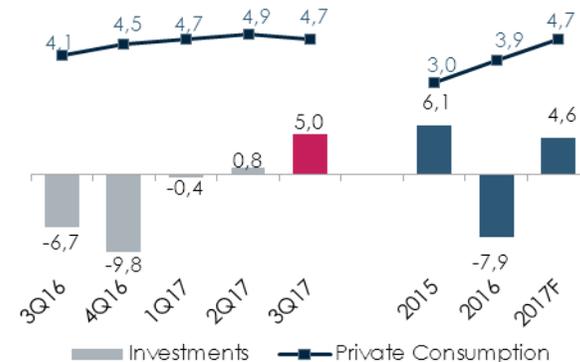
Inflation (%)

(%)



Investments & Consumption (% y/y)

(% y/y)

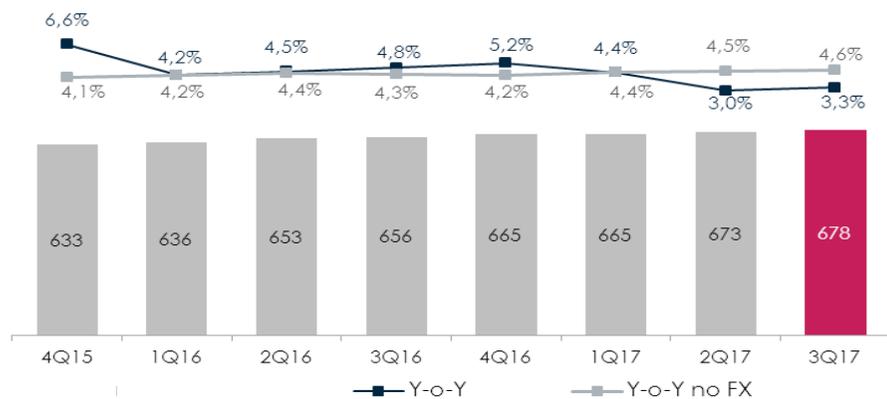


Source: NBP, GUS, Bank Millennium forecasts

MACROECONOMIC OVERVIEW

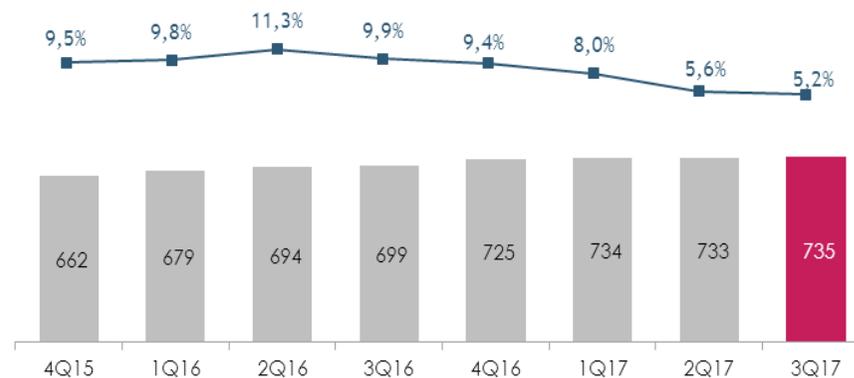
Loans to households

(PLN billion, % y/y)



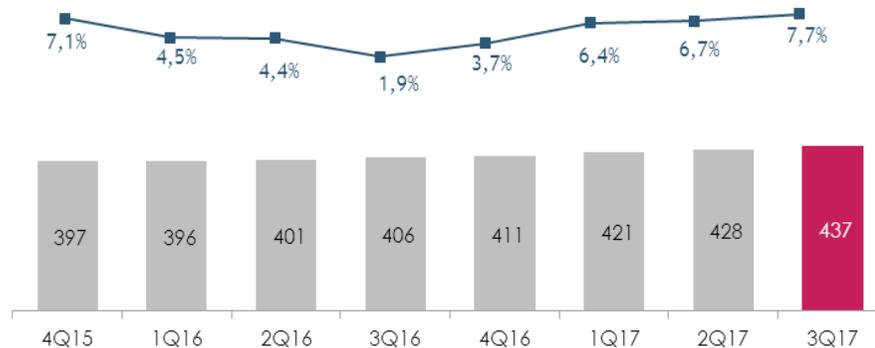
Households' deposits

(PLN billion, % y/y)



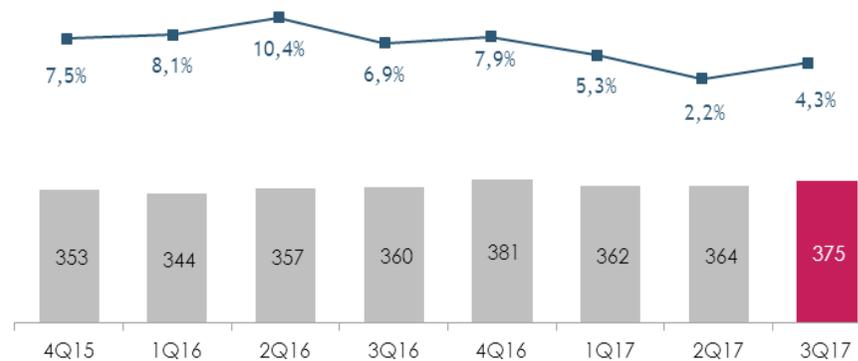
Loans to companies

(PLN billion, % y/y)



Companies' deposits

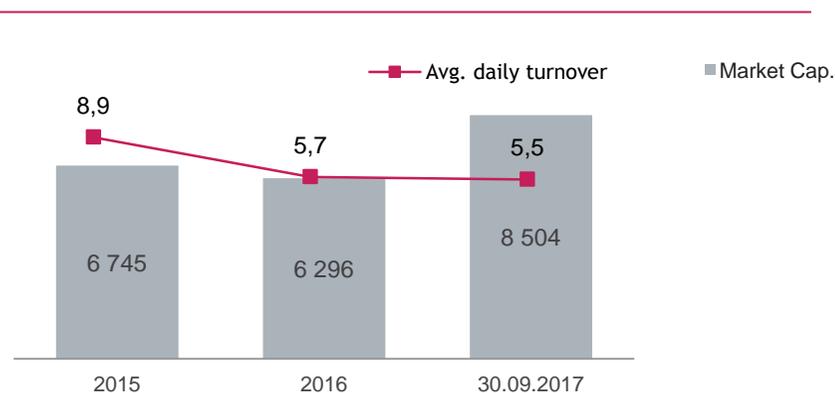
(PLN billion, % y/y)



BANK MILLENNIUM SHARE PERFORMANCE

Market cap/liquidity

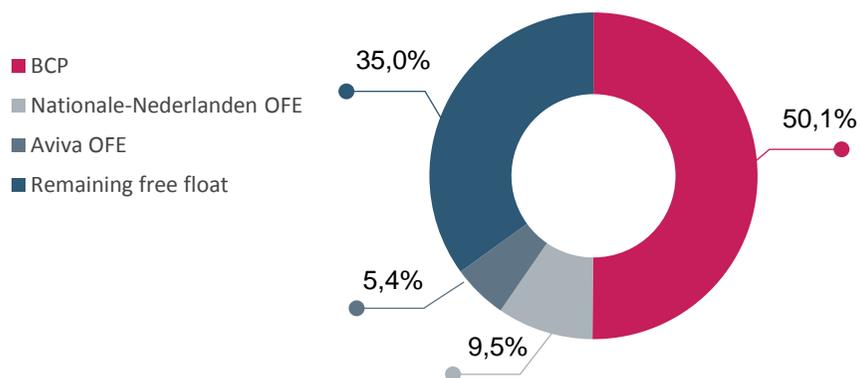
(PLN million)



Bank Millennium share performance vs. main indices (as on 30.09.2017)

Market ratios	30.09.2017	30.12.2016*	Change (%) YTD	30.09.2016	Change (%) Yearly
The Bank's share price (PLN)	7,01	5,19	35,1%	5,61	25,0%
WIG Banks	7 451	6 263	19,0%	5 993	24,3%
WIG20	2 453	1 948	26,0%	1 710	43,5%
WIG30	2 849	2 243	27,0%	1 977	44,1%
WIG - main index	64 290	51 754	24,2%	47 085	36,5%

Bank Millennium shareholders' structure



Bank Millennium was the first bank listed on the WSE



(* last day of quotation in 2016)

MOST IMPORTANT AWARDS AND RECOGNITIONS

In 2017 Bank Millennium received several awards and recognitions



Złoty Bankier

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.



goodie

Project of the Year 2016

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



Institution of the Year

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



XI Ranking odpowiedzialnych firm 2017

Responsible Business Ranking 2017

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

SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	1-3Q'16	1-3Q'17	Change Y/Y	3Q'16	2Q'17	3Q'17	Change Q/Q
Net interest income*	1 149,1	1 287,7	12,1%	393,2	429,9	446,6	3,9%
Net commission income	424,3	494,2	16,5%	150,2	162,5	165,5	1,9%
Other non-interest income **	317,5	87,1	-72,6%	27,6	40,0	45,5	13,8%
Operating Income	1 890,9	1 869,0	-1,2%	570,9	632,4	657,6	4,0%
General and administrative costs	-789,2	-811,9	2,9%	-264,8	-276,9	-277,5	0,2%
Depreciation	-41,4	-39,9	-3,7%	-13,0	-13,7	-13,0	-5,4%
Total operating costs	-830,6	-851,7	2,5%	-277,8	-290,7	-290,5	-0,1%
Net provisions	-159,5	-192,4	20,6%	-53,5	-63,0	-69,7	10,7%
Operating profit	900,8	824,8	-8,4%	239,6	278,7	297,4	6,7%
Banking tax	-127,9	-140,1	9,5%	-47,4	-46,5	-46,4	-0,2%
Pre-tax profit	772,8	684,8	-11,4%	192,2	232,3	251,0	8,1%
Income tax	-203,1	-183,2	-9,8%	-53,4	-58,7	-63,6	8,3%
Net profit	569,8	501,6	-12,0%	138,8	173,6	187,5	8,0%
Accounting	1-3Q'16	1-3Q'17	Change Y/Y	3Q'16	2Q'17	3Q'17	Change Q/Q
Net interest income (reported under IFRS)	1 116,7	1 252,5	12,5%	383,0	420,8	438,3	4,2%

(*) 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 35.2 million in 1-3Q 2017 and PLN 32.5 million in 1-3Q 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
TOTAL ASSETS

	30/09/2016	30/06/2017	30/09/2017	Change y/y
2 366	2 172	3 672	55,2%	
1 369	518	356	-74,0%	
46 391	47 316	47 593	2,6%	
86	65	305	253,9%	
15 556	17 834	16 846	8,3%	
312	590	767	145,6%	
45	46	48	7,6%	
207	232	235	13,9%	
806	716	645	-20,0%	
67 138	69 489	70 468	5,0%	

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
TOTAL LIABILITIES
TOTAL EQUITY
TOTAL LIABILITIES AND EQUITY

	30/09/2016	30/06/2017	30/09/2017	Change y/y
1 449	1 404	2 173	50,0%	
54 298	56 988	56 679	4,4%	
0	0	172	-	
1 527	803	714	-53,2%	
1 328	1 158	1 192	-10,3%	
38	46	55	42,9%	
650	634	650	-0,1%	
996	1 115	1 239	24,4%	
60 286	62 149	62 874	4,3%	
6 852	7 340	7 594	10,8%	
67 138	69 489	70 468	5,0%	



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